

CROATIAN PARLIAMENT

2336

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

DECISION

PROMULGATING THE ACT ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

I hereby promulgate the Act on Amendments to the Credit Institutions Act passed by the Croatian Parliament at its session on 16 December 2022.

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Zagreb, 20 December 2022

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

ACT

ON AMENDMENTS TO THE CREDIT INSTITUTIONS ACT

Article 1

In the Credit Institutions Act (Official Gazette 159/13, 19/15, 102/15, 15/18, 70/19, 47/20 and 146/20), in Article 2, paragraph (2) is amended to read:

"(2) This Act further regulates the implementation of 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 (OJ L 176, 27. 6. 2013, hereinafter referred to as 'Regulation (EU) No 575/2013', as last amended by Regulation (EU) 2021/558 of the European Parliament and of the Council of 31 March 2021 (OJ L 116, 6. 4. 2021) amending Regulation (EU) No 575/2013 as regards adjustments to the securitisation framework to support the economic recovery in response to the COVID-19 crisis."

Article 2

In Article 3, paragraph (1), items (13) and (20) are deleted.

Items (29c) and (29d) are amended to read:

"29c) '*small and non-complex credit institution*' means a credit institution which meets the conditions referred to in Article 4, paragraph (1), item (145) of Regulation (EU) No 575/2013, where, for the purpose of the applicable threshold referred to in sub-item (b) of that item of Regulation (EU) No 575/2013 in the Republic of Croatia that threshold is lowered to an amount of EUR 1 billion;

29d) '*small remuneration*' means remuneration of a credit institution's staff member whose gross variable remuneration on an annual basis does not exceed the amount of EUR 50,000.00 and does not account for more than one third of the staff member's total gross remuneration on an annual basis;"

Item (45), item (47a) and item (50) are deleted.

Item (51) is amended to read:

"51) '*eligible liabilities*' means eligible liabilities as defined in the law governing the resolution of credit institutions and investment firms;"

Items (63) to (69) and item (81a) are deleted.

In item (84), the word "authorisation" is replaced by the words "prior approval".

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

"(2) The terms *financial contracts, resolution tool, crisis prevention measure, resolution power, resolution, resolution action, resolution administration, resolution college, group resolution scheme, resolution entity, resolution authority, group resolution authority, entity for which the Single Resolution Board is directly responsible* used in this Act shall have the same meaning as the terms laid down in the law governing the resolution of credit institutions and investment firms."

The former paragraph (2) becomes paragraph (3).

Article 3

In Article 5, paragraph (2), the words "is authorised by the Croatian National Bank" are replaced by the words "is authorised in accordance with this Act".

Article 4

In Article 6, paragraph (1), item (1) is amended to read:

"1) a legal person authorised as a bank pursuant to this Act;"

Article 5

Article 11 is amended to read:

"(1) The Croatian National Bank shall be competent for the supervision of the application of the provisions of this Act, except for tasks under the competence of the European Central Bank in accordance with Regulation (EU) No 1024/2013/EU.

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

(3) For the purposes of Article 124, paragraph (1a) of Regulation (EU) No 575/2013, the Croatian National Bank shall be the designated authority that assesses the appropriateness of the risk weights referred to in Article 125, paragraph (2) or Article 126, paragraph (2) of Regulation (EU) No 575/2013, and shall, for the purpose of Article 164, paragraph (5) of Regulation (EU) No 575/2013, be the designated authority that assesses the appropriateness of the minimum loss given default (LGD) values referred to in Article 164, paragraph (4) of Regulation (EU) No 575/2013.

(4) For the purposes of this Act and Regulation (EU) No 575/2013, the Croatian National Bank shall be the competent authority for credit institutions, without prejudice to the tasks conferred to the European Central Bank in accordance with Regulation (EU) No 1024/2013."

Article 6

The title above Article 11a is amended to read: "*Single Supervisory Mechanism*".

Article 11a is amended to read:

"(1) The Croatian National Bank and the European Central Bank shall carry out their tasks within the single supervisory mechanism in accordance with Article 6 of Regulation (EU) No 1024/2013.

(2) When the Croatian National Bank carries out its tasks within the single supervisory mechanism it shall cooperate with the European Central Bank.

(3) When the European Central Bank carries out its tasks referred to in Article 4, paragraph (1) under (a) and (c) of Regulation (EU) No 1024/2013, the Croatian National Bank shall participate in the procedure in accordance with the provisions of this Act and Regulation (EU) No 1024/2013.

(4) When the European Central Bank carries out its tasks referred to in Article 4, paragraphs (1) and (2) and Article 5 of Regulation (EU) No 1024/2013, it shall have the powers of the Croatian National Bank in accordance with the provisions of this Act and Regulation (EU) No 575/2013.

(5) When in carrying out its tasks referred to in Article 4, paragraphs (1) and (2) of Regulation (EU) No 1024/2013, and the tasks referred to in Article 5, paragraph (2) of Regulation (EU) No 1024/2013, the European Central Bank exercises the powers referred to in Article 9, paragraph (1), sub-paragraph (3) of Regulation (EU) No 1024/2013, the Croatian National Bank shall follow the instructions given by the European Central Bank.

(6) When the European Central Bank carries out its tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall, in exercising its powers of the macroprudential authority in accordance with this Act and Regulation (EU) No 575/2013, adopt decisions in accordance with the procedure prescribed by that article.

(7) Where the Croatian National Bank acts as a designated authority for the purposes of Article 458, paragraph (1) of Regulation (EU) No 575/2013 or adopts any other measures aimed at addressing systemic or other macroprudential risks in accordance with the procedures set out in Regulation (EU) No 575/2013 or this Act, in the cases specifically set out in relevant Union law in the part related to the adoption of measures to limit systemic risk, when the European Central Bank exercises its powers and tasks referred to in Article 5 of Regulation (EU) No 1024/2013, the Croatian National Bank shall act in accordance with Article 5 of Regulation (EU) No 1024/2013."

Article 7

In Article 11c, paragraph (1) is amended to read:

"(1) The Croatian National Bank shall cooperate with the European Central Bank in assessing the significance of a supervised entity or a supervised group."

Article 8

Article 19 is amended to read:

"(1) The initial capital of a bank shall not be less than EUR 5 million.

(2) The initial capital of a savings bank shall not be less than EUR 1 million.

(3) The initial capital of a housing savings bank shall not be less than EUR 2.5 million.

(4) Initial capital shall comprise one or more of the items referred to in Article 26, paragraph (1), items (a) to (e) of Regulation (EU) No 575/2013."

Article 9

In Article 20, paragraph (4), item (1) is amended to read:

"1) the implementation of changes in the status referred to in Article 63 of this Act to which the credit institution is a party; or".

Article 10

In Article 24, paragraph (1) is amended to read:

"(1) A holder of a qualifying holding may only be a legal or natural person and persons acting in concert who have obtained prior approval to acquire a qualifying holding, in the amount for which they obtained the prior approval."

Paragraph (5) is amended to read:

"(5) Persons who obtained the prior approval shall, within six months of the adoption of the decision on the prior approval, complete the acquisition of a qualifying holding and notify the Croatian National Bank thereof."

In paragraph (9), the introductory sentence is amended to read:

"(9) Before drawing a draft decision whether to grant prior approval to acquire a qualifying holding, the Croatian National Bank shall consult the other competent supervisory authority if the acquirer is one of the following:"

Paragraph (10) is amended to read:

"(10) In the case referred to in paragraph (9) of this Article, the Croatian National Bank shall in an explanation of a decision on the prior approval indicate any views expressed by the other competent authorities."

Paragraph (23) is deleted.

Article 11

In Article 25, paragraph (2), sub-paragraph (4) is amended to read:

"– crimes against humanity and human dignity (Title IX), criminal offences against life and limb (Title X), a criminal offence of violation of equality (Article 125), criminal offences against labour relations and social insurance (Title XII), criminal offence of unlawful deprivation of liberty (Article 136), criminal offence of kidnapping (Article 137), criminal offence of misuse of sexually explicit images or videos (Article 144a), criminal offences against sexual freedom (Title XVI), criminal offences of sexual abuse and sexual exploitation of children (Title XVII), a criminal offence of unauthorised manufacture of drugs and drugs trafficking (Article 190), and a criminal offence of enabling the use of drugs (Article 191), a criminal offence of destruction of or damage to public-use devices (Article 216), a criminal offence of destruction, damage or misuse of warning signs (Article 218), a criminal offence of misuse of radioactive substances (Article 219), a criminal offence of handling of generally dangerous substances (Article 220), a criminal offence of attack on an aircraft, vessel or immovable platform (Article 225), a criminal offence of endangering traffic by a dangerous act or dangerous means

(Article 224), criminal offences against property (Title XXIII), criminal offences against the economy (Title XXIV), a criminal offence of computer-related forgery (Article 270), a criminal offence of computer-related fraud (Article 271), criminal offences of forgery (Title XXVI) and criminal offences against official duty (Title XXVIII), a criminal offence of assisting the perpetrator following the commission of a criminal offence (Article 303), a criminal offence of unlawful entry into, movement or residence in the Republic of Croatia, another Member State or signatory to the Schengen Agreement (Article 326), a criminal offence of criminal association (Article 328), a criminal offence of committing criminal offence as a member of a criminal association (Article 329) a criminal offence of unlawful possession, making and procurement of weapons and explosive devices (Article 331), a criminal offence of producing, procuring, possessing or dealing in instruments for misuse of cashless means of payment (Article 331a), criminal offences against a foreign state or an international organisation (Title XXXIII) under the Criminal Code (Official Gazette 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21 and 114/22);".

Article 12

Article 26 is amended to read:

"(1) The Croatian National Bank shall acknowledge to the applicant in writing the receipt of the application for prior approval to acquire or increase a qualifying holding (hereinafter referred to as 'application') within two working days. The Croatian National Bank shall verify the completeness of the application when acknowledging the receipt. When acknowledging the receipt of a complete application, the Croatian National Bank shall notify the applicant of the date of expiry of the decision-making period.

(2) If the application is not complete, the Croatian National Bank shall invite the applicant within a reasonable time frame to supplement the application within the time limit set by it. The Croatian National Bank shall act in accordance with paragraph (1) of this Article within two working days of receipt of the supplemented application.

(3) A complete application referred to in paragraph (1) of this Article shall be considered to be an application accompanied by the documentation prescribed in subordinate legislation adopted under Article 28, paragraph (6) of this Act.

(4) The decision-making procedure regarding prior approval to acquire a qualifying holding (hereinafter referred to as 'decision-making procedure') shall be completed within 60 working days of the submission of a complete application referred to in paragraph (1) of this Article.

(5) Where new facts and circumstances arise during the decision-making procedure on the part of the applicant that affect the proceedings, the Croatian National Bank shall annul the certificate establishing that the application was complete and shall, pursuant to paragraph (2) of this Article, invite the applicant to supplement the application within a reasonable time frame.

(6) The decision on the application shall be delivered to the applicant within two working days and within the time limit referred to in paragraph (4) of this Article. At the request of the applicant for prior approval to acquire or increase a qualifying

holding whose application to acquire or increase a qualifying holding has been refused, the Croatian National Bank shall issue a communication thereon and state the reasons for the refusal.

(7) If the Croatian National Bank receives two or more applications to acquire a qualifying holding in the same credit institution, it shall provide non-discriminatory treatment to all proposed acquirers.

(8) If no decision on an application for prior approval is reached within the time limit referred to in paragraph (4) of this Article, prior approval to acquire a qualifying holding shall be deemed to have been granted.

(9) The time limit referred to in paragraph (4) of this Article to decide and adopt a decision shall not run during the period granted to the party to provide its comments in the procedure pursuant to Article 323a of this Act."

Article 13

In Article 28, paragraph (1), the introductory sentence is amended to read:

"(1) When deciding whether to grant prior approval to acquire a qualifying holding, the suitability and the financial soundness of the acquirer of a qualifying holding shall be appraised against the following criteria:"

Paragraphs (2), (3) and (4) are amended to read:

"(2) No prior conditions relating to the size of the holding the acquirer proposes to acquire shall be imposed and the application for prior approval to acquire a qualifying holding shall not be examined in terms of the economic needs of the market.

(3) By way of derogation from paragraph (1) of this Article, if an indirect holder of a qualifying holding submits an application for direct acquisition of a qualifying holding, when assessing the suitability and the financial soundness of the acquirer, as circumstances may require, the assessment may be carried out only regarding the changes in relation to the previous assessments carried out when the indirect holding was acquired.

(4) By way of derogation from paragraph (1) of this Article, if in connection to persons acting in concert previous assessment of the suitability and financial soundness of the acquirer was carried for some of these persons, for these persons, as circumstances may require, the assessment may be carried out only regarding the changes in relation to the previous assessments carried out when the indirect holding was acquired."

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

"(5) The Croatian National Bank shall decide on the application for the prior approval to acquire a qualifying holding in a credit institution under resolution and the provisions of this Title shall apply *mutatis mutandis*."

The former paragraph (5) becomes paragraph (6).

Article 14

Article 29 is amended to read:

"The application for prior approval to acquire a qualifying holding shall be refused where it is assessed that the suitability or the financial soundness of the acquirer of a

qualifying holding does not comply with the criteria referred to in Article 28 of this Act."

Article 15

In Article 30, paragraphs (1) and (2) are amended to read:

"(1) Where a person directly acquires a qualifying holding in a credit institution without approval, the Croatian National Bank shall issue a decision ordering the person to sell the shares acquired without the required approval, and submit evidence on the sale and, if known, data on the buyer.

(2) Where persons acting in concert directly acquire a qualifying holding in a credit institution without approval, regardless of the percentage of the holding in the credit institution held by each person and regardless of whether that individual holding is a qualifying holding, the Croatian National Bank shall issue a decision ordering the persons to sell the shares acquired without the prior approval so that their joint holding does not exceed the qualifying holding for which approval was granted. These persons shall submit evidence of the sale and, if known, data on the buyer to the Croatian National Bank."

Paragraph (10) is amended to read:

"(10) If a legal or natural person or persons acting in concert indirectly acquire a qualifying holding in a credit institution without approval, the Croatian National Bank shall issue a decision ordering that the thus acquired indirect qualifying holding in a credit institution without the required approval be reduced by the holding for which no approval was granted within the time limit referred to in paragraph (5) of this Article."

Article 16

In Article 32, paragraph (1), the introductory sentence is amended to read:

"(1) The legal approval to acquire a qualifying holding may be revoked where:"

Paragraph (3) is deleted.

Article 17

In Article 33, paragraphs (1), (3) and (4) are amended to read:

"(1) The holder of a qualifying holding may temporarily have the voting rights at the general assembly suspended where the influence exercised by that holder is likely to operate to the detriment of the prudent and sound management of the credit institution or where it is likely that the holder would not act with the due diligence of a prudent businessperson.

(3) The decision referred to in paragraph (1) of this Article shall be delivered to the holder of a qualifying holding and the credit institution.

(4) As of the date of enforceability of the decision referred to in paragraph (1) of this Article, the holder of a qualifying holding may not exercise any voting rights arising from any share, and the quorum for taking valid decisions and the necessary majority for taking decisions of the general assembly shall be determined in relation to the initial capital reduced by the amount of shares on the basis of which the acquirer cannot exercise any voting rights."

Paragraph (6) is deleted.

Article 18

In Article 36, paragraph (4), the words "from the Croatian National Bank" are deleted.

Article 19

In Article 39, paragraph (12) is amended to read:

"(12) The supervisory board of a credit institution shall submit an application for the prior approval referred to in paragraph (2) or (11) of this Article at least four months prior to the expiry of the term of office of an individual management board member."

Paragraphs (14) and (15) are deleted.

Article 20

In Article 44, paragraph (2), item (1) is amended to read:

"1) where the chairperson or a member of the management board fails to ensure the implementation or fails to implement supervisory measures imposed by the Croatian National Bank or the European Central Bank;"

Paragraph (7) is deleted.

Article 21

In Article 46, paragraph (12) is amended to read:

"(12) A credit institution shall submit an application for the prior approval referred to in paragraph (2) of this Article or paragraph (11) of this Article at least four months prior to the expiry of the term of office of an individual supervisory board member."

Paragraphs (13) and (14) are deleted.

Article 22

In Article 47, paragraph (5) is deleted.

Article 23

In Article 52, paragraph (3) is amended to read:

"(3) By way of derogation from Article 50, paragraph (1) of this Act, the supervisory board of a small and non-complex credit institution shall establish a risk committee or may combine a risk and an audit committee, provided that the members of the combined risk and audit committee have the knowledge, skills and expertise required for the members of both committees."

Article 24

Article 56 is amended to read:

"Banking services within the territory of the Republic of Croatia may be provided by:

- 1) credit institutions with head offices in the Republic of Croatia authorised to provide banking services in accordance with this Act;
- 2) credit institutions of other Member States that have established branches within the territory of the Republic of Croatia in accordance with this Act or that have been

authorised to provide banking services directly within the territory of the Republic of Croatia; and

3) branches of third-country credit institutions authorised by the Croatian National Bank to provide banking services within the territory of the Republic of Croatia."

Article 25

In Article 60, paragraph (1) is amended to read:

"(1) A credit institution shall receive authorisation in accordance with this Act to operate as a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013 (hereinafter referred to as 'authorisation')."

Paragraph (6) is deleted.

The former paragraph (7), which becomes paragraph (6), is amended to read:

"(6) The undertaking referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) No 575/2013, which has obtained authorisation pursuant to the regulations governing the capital market, shall submit to the Croatian National Bank an application for authorisation referred to in paragraph (1) of this Article at the latest on the day when any of the following occurs:

- when the average of its monthly total assets, calculated over a period of 12 consecutive months, is equal to or exceeds an amount of EUR 30 billion; or
- when the average of its monthly total assets, calculated over a period of 12 consecutive months, is less than EUR 30 billion, and the undertaking is part of a group in which the total value of the consolidated assets of all undertakings in the group that individually have total assets of less than EUR 30 billion and that carry out any of the activities referred to in Article 5, paragraph (1), items (3) and (6) of the Capital Market Act (Official Gazette 65/18, 17/20 and 83/21), is equal to or exceeds EUR 30 billion, both calculated as an average over a period of 12 consecutive months."

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

Article 26

Article 62 is amended to read:

"(1) A credit institution which has its head office in the Republic of Croatia, or a branch of a third-country credit institution, shall obtain authorisation to provide financial services in accordance with this Act before it may enter the financial services it intends to provide in the register of companies.

(2) The decision on the authorisation referred to in paragraph (1) of this Article shall be adopted at the same time as the decision on the authorisation of the credit institution or the authorisation of a branch of a third-country credit institution, unless the application for authorisation referred to in this Article is submitted after the credit institution referred to in paragraph (1) of this Article has been granted authorisation or authorisation to establish a branch of a third-country credit institution."

Article 27

In Article 63, paragraph (16) is deleted.

Article 28

Article 64 is amended to read:

"(1) The application for authorisation referred to in Article 63, paragraphs (1) and (2) and paragraphs (4) to (9) of this Act shall be refused where this could lead to the disruption of the safety and soundness of any single credit institution or of the stability of the financial system as a whole.

(2) The application for authorisation of a credit institution for merger by acquisition to a third-country credit institution shall be refused if the application for authorisation of such credit institution to establish a branch of a third-country credit institution in accordance with Article 90, paragraph (4) of this Act had been refused."

Article 29

In Article 65, paragraph (7) is deleted.

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

Article 30

Article 66 is amended to read:

"The following applications may be decided simultaneously when issuing authorisations of credit institutions:

- 1) the application to acquire a qualifying holding;
- 2) the application for prior approval for the chairperson or members of the management board and members of the supervisory board; and
- 3) the application to provide financial services referred to in Article 8 of this Act, if the credit institution submitted an application for authorisation to provide such services at the same time."

Article 31

In Article 67, paragraph (2) is amended to read:

"(2) When deciding on an application for authorisation, the economic needs of the market shall not be examined."

Paragraph (3) is deleted.

The former paragraph (4) becomes paragraph (3) and is amended to read:

"(3) In cases referred to in Article 60, paragraph (7) of this Act, when deciding on an application for authorisation, information from existing authorisations shall be taken into account."

The former paragraph (5) becomes paragraph (4).

Article 32

In Article 69, paragraph (2) is deleted.

The former paragraphs (3) and (4), which become paragraphs (2) and (3), are amended to read:

"(2) The decision to revoke authorisation shall state that the decision shall be publicly disclosed.

(3) By way of derogation from paragraph (1) of this Article, the authorisation to a credit institution may not be revoked from the moment a decision to open resolution proceedings is adopted until the moment a decision on the completion of resolution proceedings is adopted."

Article 33

Article 71 is amended to read:

"The Croatian National Bank shall publish a decision to revoke authorisation in the Official Gazette, deliver it to the competent commercial court and the Croatian Deposit Insurance Agency and issue a press release thereon."

Article 34

Article 72 is amended to read:

"The application for authorisation to provide financial services may be refused:

1) where it is evident from the documentation and other available information that the credit institution fails to meet the technical, personnel, organisational and other requirements for the provision of individual types of core or additional financial services;

2) where supervisory measures have been imposed on a credit institution and the introduction of a new service could adversely affect the implementation of these supervisory measures; or

3) where the credit institution fails to meet the specific requirements for the provision of financial services envisaged in the credit institution's business plan, which are laid down in any other regulation governing the provision of financial services."

Article 35

In Article 73, paragraph (1), the introductory sentence is amended to read:

"(1) The decision to revoke the authorisation to provide financial services shall be adopted:"

At the end of item (2), the word "or" is deleted.

At the end of item (3), the full stop is deleted and the word "or" is inserted and item (4) added, which reads:

"4) where a credit institution submits a written notification stating that it no longer intends to provide one or more financial services for which authorisation has been granted."

Paragraph (2) is amended to read:

"(2) The provisions of Article 71 of this Act shall apply *mutatis mutandis* to the revocation of authorisation to provide financial services."

Paragraph (3) is deleted.

Article 36

In Article 73a, paragraph (20) is deleted.

The former paragraph (21) becomes paragraph (20).

Article 37

In Article 73b, paragraph (13) is deleted.

Article 38

In Article 73c, paragraph (8) is deleted.

Article 39

In Article 73d, in front of the words "the Croatian National Bank" paragraph designation "(1)" is deleted.

Paragraph (2) is deleted.

Article 40

In Article 73e, paragraph (4) is amended to read:

"(4) By way of derogation from paragraph (3) of this Article, a credit institution which has been granted the authorisation referred to in Article 60 of this Act and which is part of a third-country group shall not be required to have an intermediate EU parent undertaking or, in accordance with paragraph (3) of this Article, be designated as the intermediate EU parent undertaking where:

– the total value of assets in the EU of all members of the third-country group is less than EUR 40 billion; or

– the credit institution which has been granted the authorisation referred to in Article 60 of this Act is the only institution in that group which operates in the European Union."

Paragraph (9) is deleted.

Article 41

In Article 75, paragraph (8) is deleted.

Article 42

In Article 90, paragraph (5), the words "HRK 40 million" are replaced by the words "EUR 5,000,000.00".

Article 43

In Article 92, paragraph (1), item (21), the words "periodic penalty payments and" are deleted.

Article 44

In Article 100b, the words "and which have an embedded clause that limits the maximum allowed value of instruments to their value on the date the remuneration was awarded," are deleted.

Article 45

In Article 114, paragraphs (1) and (4), the words "the Croatian National Bank" are deleted.

Paragraph (7) is deleted.

Article 46

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

"(1) The Croatian National Bank shall be the designated authority responsible for setting the countercyclical buffer rate for the Republic of Croatia, i.e. the designated authority for the purposes of Article 136, paragraph (1) of Directive 2013/36/EU."

Article 47

In Article 129, paragraph (2) is deleted.

The former paragraphs (3) and (4) become paragraphs (2) and (3).

Article 48

In Article 137, paragraph (6) is deleted.

The former paragraphs (7) to (12) become paragraphs (6) to (11).

Article 49

In Article 143, paragraph (8) is deleted.

Article 50

Article 144 is amended to read:

"A credit institution and a parent credit institution shall report to the Croatian National Bank the capital buffers referred to in Articles 117, 118, 130, 135 and 137 of this Act and the capital conservation measures referred to in Articles 140 to 143a of this Act in the manner and within the time limits provided for in the subordinate legislation referred to in Article 162 of this Act."

Article 51

In Article 145a, paragraph (1), the word "eligible" is replaced by the word "tier 1".

Article 52

In Article 146, paragraph (2), item (2) is amended to read:

"2) immediate family members of natural persons referred to in paragraph (1), items (1) to (9) of this Article and legal persons in which this immediate family member holds a qualifying holding or in which he/she can exercise significant influence or holds a senior management position or is a member of the management body."

Article 53

In Article 146a, paragraph (2), the words "HRK 50,000.00" are replaced by the words "EUR 7,000.00".

Article 54

In Article 147, paragraphs (1) and (2), the word "eligible" is replaced by the word "tier 1".

Article 55

In Article 149, paragraphs (7) and (8) are deleted.

Article 56

In Article 151, paragraph (3), item (1) is deleted.

Items (2) to (4) become items (1) to (3).

Article 57

In Article 154, paragraphs (3), (9) and (10), the words "item (8)" are replaced by the words "item (7)".

Article 58

In Article 154a, paragraph (12) is deleted.

The former paragraph (13) becomes paragraph (12).

Article 59

In Article 154b, paragraph (3), the words "item (8) " are replaced by the words "item (7)".

Article 60

In Article 154c, paragraph (3), the words "item (8)" are replaced by the words "item (7)".

Article 61

In Article 157, paragraph (3), item (21), the words "State Attorney's Office of the Republic of Croatia" are replaced by the words "competent state attorney's office or the European Public Prosecutor's Office".

Article 62

In Article 166, paragraph (1) is amended to read:

"(1) Credit institutions shall disclose to the public the manner in which they comply with the provisions on:

1) the organisational structure in the manner prescribed in Article 102 of this Act and subordinate legislation adopted under Article 102, paragraph (3) of this Act;

2) the composition, duties and responsibilities of the management and supervisory board prescribed in Articles 35 to 49 of this Act;

3) the obligation of the supervisory board to establish a remuneration committee, a nomination committee and a risk committee in the manner prescribed in Articles 50 to 53 of this Act and subordinate legislation adopted under Article 50, paragraph (4) of this Act;

4) remuneration policies in the manner prescribed in subordinate legislation adopted under Article 100, paragraph (4) of this Act."

Article 63

In Article 175, paragraphs (4) and (5) are deleted.

The former paragraph (6) becomes paragraph (4).

Article 64

In Article 183, paragraph (2), the second sentence is deleted.

Article 65

In Article 190, paragraph (2), the words ",depending on the findings in the report," are deleted.

In paragraph (3), the Croatian words translated as "on examination findings" are replaced by other Croatian words, with no relevance to the English translation.

Article 66

In Article 200, the words "in Article 175 of this Act" are replaced by the words "in Articles 11a and 175 of this Act".

Article 67

In Article 214, paragraph (5), item (5) is amended to read:

"5) data on employees whose annual remuneration exceeds the amount established under the regulation referred to in Article 100, paragraph (4) of this Act".

Article 68

In Article 215, paragraph (12) is amended to read:

"(12) By way of derogation from paragraph (5) of this Article, the Croatian National Bank may postpone the publication of the decision on an administrative sanction if it assesses that the circumstances referred to in paragraph (9) of this Article will cease to exist within a reasonable period of time."

Paragraph (13) is deleted.

Article 69

In Article 216b, paragraph (12) is deleted.

Article 70

In Article 216h, paragraph (13) is deleted.

Article 71

In Article 235a, paragraph (4) is deleted.

The former paragraphs (5) and (6) become paragraphs (4) and (5).

Article 72

In Article 287, paragraph (5), the words "Article 277a of this Act" are replaced by the words "Article 73a of this Act".

Article 73

In Article 302, paragraph (6), the word "kuna" is replaced by the word "euro".

Article 74

In Article 313, paragraph (1) is amended to read:

"(1) A savings bank shall be a credit institution authorised in accordance with this Act as a savings bank and established as a joint stock company which has its head office in the Republic of Croatia."

Article 75

In Article 315, paragraph (2), the introductory sentence is amended to read:

"(2) In addition to the banking services referred to in paragraph (1) of this Article, savings banks may provide financial services for which they have been authorised:".

Article 76

In Article 317, paragraph (1) is amended to read:

"(1) A savings bank intending to operate as a bank shall obtain authorisation in accordance with this Act to operate as a bank."

In paragraph (4), the introductory sentence is amended to read:

"(4) The decision on the authorisation referred to in paragraph (1) of this Article shall be based on:".

Article 77

In Article 323, after paragraph (4), new paragraph (5) is added which reads:

"(5) The Administrative Court in Zagreb shall have exclusive territorial jurisdiction over the proceedings initiated:

1) against individual decisions adopted by the Croatian National Bank pursuant to this Act;

2) against acts of the Croatian National Bank and its omissions to act in the supervision of the implementation of this Act;

3) due to the omission of the Croatian National Bank to adopt individual decisions in accordance with this Act.".

Article 78

In Article 359c, paragraph (2) is amended to read:

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

Article 79

In Article 359d, paragraph (1) is amended to read:

"(1) Upon the completion of the supervisory procedure and based on the report on examination findings referred to in Article 190 of this Act and all accompanying documentation, and based on the request of the European Central Bank to initiate proceedings, in accordance with Article 18, paragraph (5) of Regulation (EU) No 1024/2013, the Croatian National Bank shall preliminarily examine the facts, circumstances and legal qualifications which might raise the grounds for imposing administrative sanctions for breaches referred to in Articles 360 to 365 of this Act.".

Article 80

In Article 359e, paragraph (1), the words "for imposing administrative sanctions" are deleted.

Article 81

In Article 359f, paragraph (4), the words "HRK 3,750,000.00" are replaced by the words "EUR 497,710.00", and after the words "losses avoided" the words "or in the amount of up to a maximum of 10% of total income" are inserted.

Article 82

Article 359g is amended to read:

"In the procedure for imposing a fine or a warning carried out by the Croatian National Bank pursuant to this Act, an oral hearing may be held which excludes the public.".

Article 83

In Article 359j, paragraph (2) is amended to read:

"(2) Decisions determining periodic penalty payments and decisions imposing the total amount of periodic penalty payments shall be adopted by the Governor."

Article 84

In Article 359k, paragraph (3) is deleted.

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

Article 85

The title above Article 359l is amended to read: "*Procedure of execution of fines or of the imposed total amount of periodic penalty payments*".

In Article 359l, paragraph (1) is amended to read:

"(1) The decision of the Croatian National Bank imposing a fine or the total amount of periodic penalty payments shall specify the time limit and method for payment of the imposed fine or total periodic penalty payment."

In paragraph (2), the word "determined" is deleted.

In paragraph (3), the word "determined" is replaced by the word "imposed".

Paragraphs (4) and (5) are amended to read:

"(4) Imposed fines and imposed total periodic penalty payments shall be revenues of the state budget.

(5) Where the perpetrator of the breach fails to pay the fine or the imposed total amount of periodic penalty payments within the set time limit, the Croatian National Bank shall submit to the authority competent for enforcement over monetary assets an order for enforcing the payment of the fine or of the imposed total amount of periodic penalty payments in accordance with a special law, and the amount of enforced fines or imposed total amount of periodic penalty payments shall be credited directly to the state budget."

Article 86

The title above Article 359n is amended to read: "*Limitation periods for the execution of fines or of the imposed total amount of periodic penalty payments*".

In Article 359n, paragraph (1) is amended to read:

"(1) A fine or the total amount of periodic penalty payments imposed pursuant to this Act shall not be executed if a time limit of five years expires from the date of the enforceability of the decision of the Croatian National Bank imposing the fine or imposing the total amount of periodic penalty payments and/or enforceability of a court decision."

Paragraph (4) is amended to read:

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

– during the time allowed to pay the imposed fine or the imposed total amount of periodic penalty payments; or

– upon each action taken by the Croatian National Bank to execute the fine or the imposed total amount of periodic penalty payments."

Article 87

In Article 359r, paragraph (2), the words "may impose" are replaced by the words "shall impose".

Paragraphs (5), (6) and (7) are amended to read:

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

(6) If a party against whom the procedure has been initiated has remedied the breach after the expiry of the time limit referred to in paragraph (5) of this Article, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, determine that the party has not remedied the breach and that the time limit referred in paragraph (5) of this Article has expired, and determine the total amount of periodic penalty payments for each day of the time limit referred to in paragraph (5) of this Article and the period in which the credit institution is required to pay the said amount.

(7) If a party against whom the procedure has been initiated has remedied the breach within the time limit referred to in paragraph (5) of this Article, the Croatian National Bank shall, in the decision imposing the total amount of periodic penalty payments, specify the date of the termination of the breach, and determine the total amount of periodic penalty payments for each day of the breach and the period in which the credit institution is required to pay the said amount."

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

"(8) The provisions of Articles 359e to 359i of this Act shall not apply to the procedure for imposing periodic penalty payments, instead, the procedure referred to in Title XXVII of this Act shall apply *mutatis mutandis*."

Article 88

Before Article 359s, Title XXIX.a.2. and its title and Articles 359s and 359t and their titles are deleted.

Article 89

In Article 360, paragraph (1), item (15d), the words "paragraph (3)" are replaced by the words "paragraph (4)".

In item (25), the words "item (8)" are replaced by the words "item (7)".

Items (38a), (38b) and (38c) are amended to read:

"38a) if it meets the leverage ratio buffer requirement under Article 92, paragraph (1a) of Regulation (EU) No 575/2013 and makes a distribution in connection with tier 1 capital to an extent that would decrease its tier 1 capital to a level where the combined buffer requirement is no longer met, which is contrary to Article 140, paragraph (6) of this Act;

38b) if it fails to meet the leverage ratio buffer requirement and if it fails to calculate the leverage ratio related maximum distributable amount (L-MDA) in accordance with subordinate legislation referred to in Article 140, paragraph (10) of this Act and/or if it fails to notify the Croatian National Bank, without delay, of the calculated distributable amount, which is contrary to Article 140, paragraph (7) of this Act;

38c) if it makes a distribution in connection with common equity tier 1 capital, creates an obligation to pay variable remuneration or discretionary pension benefits or pays variable remuneration or makes payments on additional tier 1 instruments before it has calculated the leverage ratio related maximum distributable amount (L-MDA) and thereby acts contrary to the provisions of Article 140, paragraph (8) of this Act, or if in this manner it distributes more than the maximum distributable amount and thereby acts contrary to Article 140, paragraph (10) of this Act;"

After item (42b), item (42c) is inserted which reads:

"42c) if during the transitional period defined in Article 493, paragraph (3) of Regulation (EU) No 575/2013, the credit institution's exposures referred to in item (c) of that Article, including participations or other kinds of holdings to its parent undertaking, to other subsidiaries of that parent undertaking or to its own subsidiaries, in so far as those undertakings are covered by supervision on a consolidated basis, in accordance with Title XXII of this Act, Regulation (EU) No 575/2013, regulations governing the operation of financial conglomerates or equivalent standards in force in the third country that apply to that credit institution, exceed 25% of the credit institution's tier 1 capital;"

Item (68) is amended to read:

"68) if it fails to notify the Croatian National Bank of exceeding the maximum permitted exposure limits in the manner prescribed in Article 396 of Regulation (EU) No 575/2013 or if pursuant to Article 396 of Regulation (EU) No 575/2013 it fails to deliver to the Croatian National Bank an acceptable and credible plan for timely return to compliance with the limits to large exposures or fails to exercise this plan within the time limit and in the manner envisaged by it;"

In item (82), the words 'HRK 50,000.00' are replaced by the words "EUR 7,000.00".

In item (88), the words "in accordance with Article 11a, paragraph (2) of this Act" are deleted.

Paragraph (2) is amended to read:

"(2) A responsible person of the management board of the credit institution shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (1) of this Article."

Paragraphs (4) and (5) are amended to read:

"(4) A responsible person of the supervisory board of the credit institution shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (3) of this Article.

(5) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to EUR 3,980.00 for breaches referred to in paragraph (1) of this Article."

In Article 361, paragraph (1), item (5) is amended to read:

"5) if it fails to adopt or implement an appropriate policy for selecting and assessing compliance with the criteria for supervisory board members of a credit institution contrary to Article 45, paragraph (6) of this Act or acts contrary to the subordinate legislation adopted by the Croatian National Bank under Article 45, paragraph (8) of this Act".

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

"(2) A responsible person of the management or supervisory board of a credit institution shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article.

(3) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article."

Article 91

In Article 361a, paragraph (1) is amended to read:

"(1) A credit institution shall be fined between EUR 10,610.00 and EUR 26,540.00:".

Paragraph (2) is amended to read:

"(2) A responsible person of the legal person shall be fined between EUR 1,320.00 and EUR 6,630.00 for the misdemeanour referred to in paragraph (1) of this Article."

In paragraph (3), the introductory sentence is amended to read:

"(3) A creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between EUR 10,610.00 and EUR 26,540.00:".

Paragraph (4) is amended to read:

"(4) A responsible person of the creditor who is the legal person referred to in Article 357a, paragraph (5) of this Act shall be fined between EUR 1,320.00 and EUR 6,630.00 for the misdemeanour referred to in paragraph (3) of this Article."

Article 92

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

"(1) A G-SII or an O-SII shall be fined between EUR 4,970.00 and up to 3% of total income:".

Item (11) is amended to read:

"11) if in deposit and lending segment of its consumer operations, as regards services indexed to foreign currency, it fails to apply the midpoint exchange rate of the Croatian National Bank for the respective currency against the euro applicable on the day of the transaction, which is contrary to Article 302, paragraph (6) of this Act."

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

"(2) A responsible person of the management board or supervisory board of a G-SII or an O-SII shall be fined between EUR 460.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(3) A credit institution not identified as a G-SII or an O-SII shall be fined between EUR 1,320.00 and up to 3% of total income for any of the misdemeanours referred to in paragraph (1) of this Article.

(4) A responsible person of the management board or supervisory board of a credit institution not identified as a G-SII or an O-SII shall be fined between EUR 130.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(5) A responsible person competent to represent the founding credit institution in the operation of the branch shall be fined between EUR 130.00 and EUR 2,650.00 for any of the misdemeanours referred to in paragraph (1) of this Article."

Article 93

In Article 362, paragraph (2) is amended to read:

"(2) A responsible person of the management board of a savings bank shall be fined up to EUR 2,650.00 for breaches referred to in paragraph (1) of this Article."

Article 94

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

"(1) Members of a credit institution's management board shall be fined up to EUR 2,650.00:"

In item (4), the words "HRK 50,000.00" are replaced by the words "EUR 7,000.00".

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

"(2) Members of a credit institution's supervisory board shall be fined up to EUR 2,650.00:"

In item (6), the words "HRK 50,000.00" are replaced by the words "EUR 7,000.00".

Article 95

In Article 364, paragraphs (2), (3), (5), (6), (8) and (9), the words "HRK 100,000.00" are replaced by the words "EUR 13,270.00".

In paragraphs (11) and (12), the words "HRK 50,000.00" are replaced by the words "EUR 6,630.00".

In paragraph (14), the words "HRK 100,000.00" are replaced by the words "EUR 13,270.00".

In paragraphs (16) and (17), the words "HRK 50,000.00" are replaced by the words "EUR 6,630.00".

Article 96

In Article 364a, paragraph (1), the words "HRK 7,500.00" are replaced by the words "EUR 990.00".

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

"(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 460.00 and EUR 2,650.00.

(3) A legal person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between EUR 9,950.00 and up to 10% of total income.

(4) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (3) of this Article shall be fined between EUR 4,970.00 and EUR 13,270.00.

(5) A natural person who takes deposits or other repayable funds from the public contrary to the prohibition referred to in Article 57 of this Act shall be fined between EUR 4,970.00 and EUR 13,270.00."

Article 97

In Article 365, paragraph (1), items (1e) and (1f) are amended to read:

"1e) a parent financial holding company or a parent mixed financial holding company, which at the request of the Croatian National Bank fails to submit the information required to monitor on an ongoing basis the organisational structure of the group and compliance with the conditions referred to in Article 73a, paragraph (12) of this Act;

1f) a parent financial holding company or a parent mixed financial holding company, which contrary to suspension of voting rights arising from the shares of the subsidiary institutions held by the financial holding company or mixed financial holding company, as imposed by the Croatian National Bank in accordance with Article 73a, paragraph (14), sub-paragraph (1) of this Act, votes at the general assembly of a subsidiary;"

Item (12) is deleted.

The former paragraph (13) becomes paragraph (12).

Paragraph (2) is amended to read:

"(2) A responsible person of the management board of the legal person shall be fined up to EUR 13,270.00 for breaches referred to in paragraph (1) of this Article."

Article 98

In Article 366, paragraph (1), the introductory sentence is amended to read:

"(1) An audit firm shall be fined between EUR 9,950.00 and EUR 66,360.00:"

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

"(2) A responsible person of the legal person that committed the misdemeanour referred to in paragraph (1) of this Article shall be fined between EUR 4,970.00 and EUR 13,270.00.

(3) A certified auditor shall be fined between EUR 990.00 and EUR 6,630.00 for any of the misdemeanours referred to in paragraph (1) of this Article."

Article 99

Article 367 is amended to read:

"(1) A credit institution that breaches the provisions of Article 156, paragraph (1) or Article 157, paragraph (1), (2) or (5) of this Act on the obligation of banking secrecy shall be fined between EUR 49,770.00 and EUR 132,720.00.

(2) A responsible person of the credit institution's management board shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in paragraph (1) of this Article.

(3) A legal person shall be fined between EUR 49,770.00 and EUR 132,720.00 and the responsible person of that legal person shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (5) of this Act.

(4) A natural person shall be fined between EUR 2,380.00 and EUR 13,270.00 for any of the misdemeanours referred to in Article 157, paragraphs (1) and (5) of this Act.

(5) The legal person referred to in Article 158, paragraph (1) of this Act who breaches the provisions of this Act on the obligation of banking secrecy shall be fined between EUR 49,770.00 and EUR 132,720.00.

(6) A responsible person of the legal person referred to in Article 158, paragraph (1) of this Act shall be fined between EUR 2,380.00 and EUR 13,270.00 for the misdemeanour referred to in paragraph (5) of this Article.

(7) The natural person referred to in Article 158, paragraph (2) of this Act who breaches the provisions of Article 156, paragraph (1) of this Act on the obligation of banking secrecy shall be fined between EUR 2,380.00 and EUR 13,270.00."

TRANSITIONAL AND FINAL PROVISIONS

Position of authorised credit institutions and ongoing procedures

Article 100

(1) Credit institutions entered in the register of companies on the day of entry into force of this Act and authorised to provide banking and financial services and branches of credit institutions from other Member States providing in the Republic of Croatia mutually recognised services that are entered in the register of companies shall continue to operate based on the granted authorisation and entry in the register of companies.

(2) Other authorisations and approvals issued before the entry into force of this Act shall remain in force.

(3) All authorisation and approval procedures initiated before the entry into force of this Act shall be completed in accordance with the procedural provisions of this Act.

(4) All supervisory and other procedures initiated before the entry into force of this Act shall be completed in accordance with the procedural provisions of this Act.

Entry into force

Article 101

This Act shall be published in the Official Gazette and shall enter into force on the day of introduction of the euro as the official currency in the Republic of Croatia.

Class: 022-02/22-01/144

Zagreb, 16 December 2022

CROATIAN PARLIAMENT

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