CROATIAN NATIONAL BANK

Pursuant to Article 161, paragraph (1), item (8) of the Credit Institutions Act (Official Gazette 117/2008, 74/2009, 153/2009, 108/2012 and 54/2013), Article 395, paragraph (1) of Regulation (EU) No 575/2013 (OJ L 176, 27. 6. 2013) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

Decision on amendments to the Decision on large exposures of credit institutions

Article 1

Article 1 of the Decision on large exposures of credit institutions (Official Gazette 2/2010, hereinafter referred to as "Decision") is amended to read:

»(1) This Decision prescribes:

1) a lower limit for the purposes of Article 395, paragraph (1) 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"); and

2) the indicators used to determine connected persons.«

Article 2

Article 2 is amended to read:

»Credit institutions shall implement Article 395, paragraph (1), the first and second subparagraphs of Regulation (EU) No 575/2013 by replacing the words »EUR 150 million« with the words »HRK 3 million«.«

Article 3

The title of Article 3, and Articles 3 to 8 are deleted.

Article 4

Article 9 is amended to read:

»(1) When identifying the group of connected persons in the manner referred to in Article 4, paragraph (1), item (39) of Regulation (EU) No 575/2013, credit institutions shall determine:

1) the relationship of control in accordance with Article 4, paragraph (1), item (37) of Regulation (EU) No 575/2013; and

2) the economic and financial interconnectedness."
(2) When determining the relationship of control referred to in paragraph (1), item (1) of this Article and where the relationship between the parent undertaking and the subsidiary undertaking is not determined in accordance with Article 4, paragraph (1), items (15) and (16) of Regulation (EU) No 575/2013, credit institutions shall also assess the following indicators of control:

1) the person has power to decide on crucial transactions such as the transfer of profit or loss;

2) the person has power to direct the activities of other entity so as to obtain benefits from its activities;

3) the person has power to influence the majority of votes at meetings of the general assembly, management board or other governing body where control of another legal person is exercised by that board or body;

4) the person has power to coordinate the management of a legal person with that of other legal persons in pursuit of a common objective;

5) when the majority of the members of the management or supervisory board or other governing bodies of these undertakings are the same persons; and

6) other relationships that are in their substance similar to indicators stated in items (1) to (5) of this paragraph.

(3) It shall be deemed that the control referred to in this Article exists if credit institutions determine the existence of the indicators of control, regardless whether the person for the time being actually does exercise its control or not.

(4) For the purpose of paragraph (1), item (1) of this Article, it shall be deemed that the relationship of control also exists between undertakings linked by management on a unified basis referred to in Article 23 of the Credit Institutions Act when they prepare consolidated financial statements.

(5) When determining the economic and financial interconnectedness referred to in paragraph (1), item (2) of this Article, credit institutions shall assess the following indicators:

1) in the case when one person guarantees fully or partially the exposure of another person and the exposure is so significant for the issuer that the issuer will be subject to serious financial distress if a claim occurs;

2) in the case when the owner of a residential or commercial property receives the majority of the rent from one tenant;

3) in the case when the significant part of production is for one single customer;

4) in the case when the significant part of receivables or liabilities of a client is to one counterparty;

5) in the case when the operation of one person (e.g. producer) depends on one or more vendors for whose services there is no fast and efficient replacement in the market;
6) in the case when legal persons have an identical customer base, consisting of a very small number of customers and where the potential for finding new customers is limited;

7) in the case when legal persons use a common source of significant funding which it would take time to replace;

8) in the case when there is a relationship of the debtor and the co-debtor;

9) in the case when there is a relationship of the debtor and the guarantor/collateral provider, if the guarantee/collateral is so substantial for the issuer that the collection of the guarantee/collateral would subject the guarantor/collateral provider to serious financial distress; and

10) other relationships that are in their substance similar to indicators stated in items (1) to (9) of this paragraph.

(6) A natural or legal person may be included in more than one group of connected persons.

Article 5

Articles 10 to 28 are deleted.

Article 6

This Decision shall be published in the Official Gazette and shall enter into force on 1 January 2014, with the exception of the part of Article 3 deleting Article 5, paragraph (3) of the Decision, which shall enter into force on 31 December 2013.

No.: 329-020/12-13/BV

Zagreb, 20 December 2013

Croatian National Bank Governor

Boris Vujčić