

Pursuant to Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013) and Article 129 of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015), the Governor of the Croatian National Bank hereby issues the

Decision on the application of the structural systemic risk buffer

1 GENERAL PROVISIONS

Subject matter and legal persons subject to the Decision

Article 1

- (1) This Decision prescribes the level of the structural systemic risk buffer rate, the date of application and location of exposures to which the structural systemic risk buffer applies as well as exemptions from the application of this Decision.
- (2) The provisions of this Decision shall apply to all credit institutions with head offices in the Republic of Croatia, authorised by the Croatian National Bank.
- (3) The provisions of this Decision shall apply *mutatis mutandis* to branches of third-country credit institutions which have been authorised by the Croatian National Bank to establish a branch of the third-country credit institution.

Scope of application of the Decision

Article 2

Credit institutions shall apply the provisions of this Decision on an individual and a consolidated basis in the manner determined in Part One, Title II 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).

2 STRUCTURAL SYSTEMIC RISK BUFFER RATE

The level of the structural systemic risk buffer rate and the manner of its application

Article 3

- (1) The level of the structural systemic risk buffer rate shall be determined depending on the nature, scope and complexity of activities of a credit institution.
- (2) The nature, scope and complexity of activities of a credit institution referred to in paragraph (1) of this Article shall be reflected in the relative size, relative risk exposure and dispersion by sectors and geographical areas of a credit institution's credit activity

and shall be measured indirectly using indicator $R_{i,t}$: $R_{i,t} = \frac{A_{i,t} + A_{i,t-1} + A_{i,t-2}}{E_t + E_{t-1} + E_{t-2}}$, where: A is the assets of an individual credit institution (i) on a non-consolidated basis; E is total assets calculated on the basis of consolidated audited data for the national financial sector that constitutes a part of supervisory public disclosure available on the website of the Croatian National Bank; and t is the reference year.

(3) The nature, scope and complexity of activities of a group of credit institutions referred to in Article 17 of the Credit Institutions Act shall be reflected in the relative size, relative risk exposure and dispersion by sectors and geographical areas of credit activity of a group of credit institutions and shall be measured indirectly using indicator $R_{g,t}$: $R_{g,t} = \frac{A_{g,t} + A_{g,t-1} + A_{g,t-2}}{E_t + E_{t-1} + E_{t-2}}$ where: A is the assets of a group of credit institutions (g) on a consolidated basis, and E and t have the same meaning as in paragraph (2) of this Article.

(4) If at the moment of reporting to the Croatian National Bank on the requirements set in this Decision there are no data available on the assets of a group of credit institutions on a consolidated basis for the entire period as required for the calculation of indicator $R_{g,t}$ referred to in paragraph (3) of this Article, the parent credit institution with head office in the Republic of Croatia shall, when calculating the indicator $R_{g,t}$ for unavailable data, use the sum of assets of credit institutions making up the group of credit institutions on an individual basis.

(5) A credit institution whose indicator $R_{i,t}$ calculated in line with the provisions of paragraph (2) of this Article is equal to or higher than 5% shall apply a structural systemic risk buffer rate of 3% of total risk exposure amount.

(6) A credit institution whose indicator $R_{i,t}$ calculated in line with the provisions of paragraph (2) of this Article, rounded to two decimal places, is lower than 5% shall apply a structural systemic risk buffer rate of 1.5% of total risk exposure amount.

(7) For a group of credit institutions whose indicator $R_{i,t}$ calculated in line with the provisions of paragraph (3) of this Article, rounded to two decimal places, is equal to or higher than 5%, the parent credit institution with head office in the Republic of Croatia shall maintain a structural systemic risk buffer rate on both the individual and consolidated basis in the amount of 3% of total risk exposure amount.

(8) For a group of credit institutions whose indicator $R_{i,t}$ calculated in line with the provisions of paragraph (3) of this Article, rounded to two decimal places, is lower than 5%, the parent credit institution with head office in the Republic of Croatia shall maintain a structural systemic risk buffer rate on both the individual and the consolidated basis in the amount of 1.5% of total risk exposure.

(9) Exposure referred to in paragraphs (4) and (5) of this Article shall include exposures in the Republic of Croatia, exposures in the countries of the European Economic Area (the Republic of Austria, the Kingdom of Belgium, the Republic of Bulgaria, the Republic of Cyprus, the Czech Republic, the Kingdom of Denmark, the Republic of Estonia, the Republic of Finland, the French Republic, the Hellenic Republic, Ireland, the Republic of

Iceland, the Italian Republic, the Republic of Latvia, the Principality of Liechtenstein, the Republic of Lithuania, the Grand Duchy of Luxembourg, Hungary, the Republic of Malta, the Kingdom of the Netherlands, the Kingdom of Norway, the Federal Republic of Germany, the Republic of Poland, the Portuguese Republic, Romania, the Slovak Republic, the Republic of Slovenia, the Kingdom of Spain, the Kingdom of Sweden, the United Kingdom of Great Britain and Northern Ireland) and exposures in third countries.

3 REPORTING TO THE CROATIAN NATIONAL BANK

Reporting to the Croatian National Bank

Article 4

A credit institution shall report to the Croatian National Bank on its compliance with the requirements set out in this Decision in the manner and within the time limits prescribed by the Decision on capital buffers and capital conservation measures.

4 TRANSITIONAL AND FINAL PROVISIONS

Review of the level of the structural systemic risk capital buffer rate

Article 5

The Croatian National Bank shall review the level of the structural systemic risk buffer rate as necessary, at a minimum on a biannual basis.

Entry into force

Article 7

(1) On the date of the entry into force of this Decision, the Decision on the application of a structural systemic risk buffer (Official Gazette 61/2014) shall cease to have effect.

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

No.: 229-020/08-17/BV
Zagreb, 3 August 2017

Croatian National Bank
Governor
Boris Vujčić