

**LAW**  
**ON THE CROATIAN NATIONAL BANK**

**I. GENERAL PROVISIONS**

**Subject Matter of the Law**

Article 1

(1) This Law shall govern the status, operations, ownership status, powers and organization of the Croatian National Bank, as well as the relationship of the Croatian National Bank with the Republic of Croatia, banks and international institutions and organizations.

(2) Obligations of the Croatian National Bank shall be guaranteed by the Republic of Croatia.

**Status of the Croatian National Bank**

Article 2

(1) The Croatian National Bank shall be the central bank of the Republic of Croatia.

(2) The Croatian National Bank shall enjoy operational autonomy and independence and shall be responsible to the Croatian Parliament.

(3) The Croatian National Bank shall be a juridical person.

(4) The Croatian National Bank shall have its seat in Zagreb.

(5) The Croatian National Bank shall not be enrolled in the Register of Companies.

(6) The Croatian National Bank shall have its Statute that is approved by the Croatian Parliament.

(7) The Croatian National Bank shall have a seal consisting of the image of the coat of arms of the Republic of Croatia and the name of the Croatian National Bank.

(8) The Croatian National Bank shall be represented by the Governor of the Croatian National Bank.

(9) The Croatian National Bank shall be in the exclusive ownership of the Republic of Croatia.

(10) The Croatian National Bank shall be independent; in making decisions based on this Law and in their implementation it shall neither seek nor take instructions from the bodies of the Republic of Croatia or the European Union or from any other body.

## **Objectives of the Croatian National Bank**

### **Article 3**

(1) The primary objective of the Croatian National Bank, within the powers granted, shall be to achieve and to maintain price stability.

(2) Without prejudice to its primary objective, the Croatian National Bank shall support the economic policy of the Republic of Croatia, thereby acting in accordance with the principles of the open market economy and free competition.

## **Tasks of the Croatian National Bank**

### **Article 4**

(1) The Croatian National Bank shall be autonomous and independent in its entire responsibilities within the framework of the Constitution and law, which is particularly reflected in:

1. establishing and implementing the monetary and foreign exchange policies;
2. holding and managing the international reserves of the Republic of Croatia;
3. issuing banknotes and coins;
4. issuing and revoking licenses for banks, bank supervision and enactment of subordinate legislation on bank operations;
5. maintaining the accounts of banks, executing payment transactions across these accounts, granting loans to banks and receiving deposits from banks;
6. regulation, improvement and supervision of the payment system;
7. performing operations on behalf of the Republic of Croatia, as provided by law;
8. enactment of subordinate legislation on operations within its fields of competence;
9. performing other operations, as provided by law.

## **Co-operation with Government Bodies**

### **Article 5**

(1) The Croatian National Bank may co-operate with the Government of the Republic of Croatia and other government bodies in pursuing its legally prescribed objectives and tasks, and, within its fields of competence, take actions to promote such co-operation.

(2) The Government of the Republic of Croatia shall submit to the Croatian National Bank all proposals and reports related to the objectives, operations and tasks of the Croatian National Bank, including draft decisions and decrees of the Government of the Republic of Croatia, as well as draft laws prior to their submission to the Croatian Parliament, on which the Croatian National Bank may express its views.

## **International Co-operation**

### **Article 6**

(1) The Croatian National Bank may be a member of international financial institutions and international organizations responsible for monetary policy, foreign exchange policy, payment transactions, bank supervision and other matters that are within its field of activity, and participate in their work.

(2) The Croatian National Bank may represent the Republic of Croatia in international organizations referred to in paragraph 1 of this Article.

(3) The Croatian National Bank may execute payment transactions concerning the Republic of Croatia's participation in and co-operation with international organizations referred to in paragraph 1 of this Article.

### **Disclaimer**

#### Article 7

The Croatian National Bank shall not be held responsible for other persons' obligations.

## **II. OPERATIONS OF THE CROATIAN NATIONAL BANK**

### **1. MONETARY AND FOREIGN EXCHANGE POLICIES**

#### **Authority and Power over the Implementation of Monetary and Foreign Exchange Policies**

#### Article 8

(1) The Croatian National Bank shall establish and implement the monetary and foreign exchange policies of the Republic of Croatia.

(2) Subject to the authorities referred to in paragraph 1 of this Article, the Croatian National Bank may, for the purpose of implementing the established monetary and foreign exchange policies, determine measures and instruments required to regulate credit activities, bank liquidity and money supply, and may adopt measures regarding interest rates and exchange rate of the domestic currency.

(3) The Croatian National Bank shall have the authority to adopt subordinate legislation and other enactments regulating foreign exchange operations of juridical and natural persons.

(4) The Croatian National Bank shall exercise control over foreign exchange operations in the Republic of Croatia in compliance with law.

(5) The Croatian National Bank shall have the authority to establish a method for setting the value of the kuna against other currencies.

### **Open Market Operations**

#### Article 9

(1) For the purpose of implementing the established monetary and foreign exchange policies, the Croatian National Bank may issue securities in its name, denominated in domestic or foreign currency, and enter into agreements on purchasing, selling and exchanging securities, other readily marketable financial instruments, as well as rights and obligations related to these securities in the financial markets.

(2) The agreements referred to in paragraph 1 of this Article shall include prompt and forward purchase and sale agreements, exchange agreements, clearing agreements and repurchase agreements (repo operations), as well as other types of agreements related to securities.

### **Granting Loans to Banks**

#### **Article 10**

(1) The Croatian National Bank may grant loans to solvent banks having a head office in the Republic of Croatia for periods not exceeding six months.

(2) The loans referred to in paragraph 1 of this Article may be secured by any of the following assets:

- a. financial instruments set forth in Article 16, paragraph 2 of this Law;
- b. debt instruments issued by the Croatian National Bank or the Republic of Croatia, payable within the territory of the Republic of Croatia and forming a part of a public issue;
- c. debt instruments referred to in Article 11, paragraph 1, item a) of this Law.

(3) Notwithstanding the provisions referred to in paragraphs 1 and 2 of this Article, the Croatian National Bank may grant loans to solvent banks with head offices in the Republic of Croatia for a period not exceeding 12 months, based on other instruments of collateral, provided that this has been requested by the Republic of Croatia and that the repayment of such loans is guaranteed by the Republic of Croatia.

(4) The terms and conditions of granting loans referred to in this Article shall be established by a separate decision of the Croatian National Bank.

### **Discount Operations**

#### **Article 11**

(1) The Croatian National Bank may discount the following securities based on an offer by a solvent bank:

- a. debt instruments issued or irrevocably guaranteed by a person whose short-term liabilities have been established by two internationally recognized credit-rating agencies and that has been rated in one of the two highest categories, and endorsed to a bank, with a remaining maturity up to three months starting from the date of their discount by the Croatian National Bank;
- b. debt instruments issued or guaranteed by the Republic of Croatia or the Croatian National Bank, payable in the Republic of Croatia, which form a part of a public issue and mature within three months from the date of their discount by the Croatian National Bank.

(2) The terms and conditions of discount operations referred to in paragraph 1 of this Article and the discount rate shall be established by a separate decision of the Croatian National Bank.

### **Interest Rates for Discounts and Loans**

#### **Article 12**

The interest rates for discounts and loans of the Croatian National Bank shall be established by a separate decision of the Croatian National Bank.

### **Required Reserves of Banks**

#### **Article 13**

(1) The Croatian National Bank shall prescribe by a separate decision the obligation of banks to set aside and maintain required reserves in the settlement account and in the vault or in a separate account with the Croatian National Bank.

(2) Required reserves referred to in paragraph 1 of this Article shall be defined as a percentage determined with regard to the type, maturity, size and increase of deposits and other liabilities of a bank. The decision on the required reserves shall also prescribe the base and the manner of calculating the required reserves.

(3) The Croatian National Bank may choose to remunerate banks for their required reserves set aside.

(4) The decision on the level of remuneration referred to in paragraph 3 of this Article shall rest with the Croatian National Bank.

### **Failure to Set Aside Required Reserves**

#### **Article 14**

(1) Banks which fail to calculate the required reserves adequately or which fail to set aside or maintain the required reserves within the prescribed period shall pay to the Croatian National Bank a compensation for the amount which falls short of the prescribed amount.

(2) The decision on the level of compensation referred to in paragraph 1 of this Article shall rest with the Croatian National Bank.

(3) The compensation referred to in paragraph 2 of this Article may not exceed the amount of the double interest rate on loans granted to banks, as set forth in Article 10, paragraph 4 of this Law.

### **Dealing in Foreign Exchange**

#### **Article 15**

(1) The Croatian National Bank shall deal in foreign exchange in the spot and forward markets in cash, financial instruments or such other assets which, pursuant to Article 16, paragraph 2 of this

Law, constitute the international reserves of the Republic of Croatia. The Croatian National Bank shall perform other foreign exchange policy related operations, as provided by law.

(2) The Croatian National Bank shall determine rates at which it will buy and sell foreign exchange in the foreign exchange market.

### **International Reserves of the Republic of Croatia**

#### **Article 16**

(1) The Croatian National Bank shall manage the international reserves of the Republic of Croatia. The international reserves of the Republic of Croatia shall constitute a part of the balance sheet of the Croatian National Bank.

(2) International reserves of the Republic of Croatia shall comprise:

- a. any gold, other precious metals, and precious stones held by the Croatian National Bank or for the account of the Croatian National Bank;
- b. any banknotes and coins in convertible foreign currency held by the Croatian National Bank or for the account of the Croatian National Bank;
- c. any credit balances that are payable in convertible foreign currency and are held in accounts of the Croatian National Bank with foreign central banks, international financial institutions or banks whose short-term liabilities have been rated in one of the two highest categories by two internationally recognized credit-rating agencies;
- d. the total amount of SDRs held by the Croatian National Bank with the International Monetary Fund;
- e. any bills of exchange, certificates of deposit, bonds and other debt securities held by the Croatian National Bank or for the account of the Croatian National Bank, that are payable in convertible currency of obligors whose short-term liabilities have been rated in one of the two highest categories by two internationally recognized credit-rating agencies;
- f. any forward purchase or repurchase agreement of the Croatian National Bank concluded with or guaranteed by foreign central banks or public international financial institutions and any futures and options contracts of the Croatian National Bank with parties whose short-term liabilities have been rated in one of the two highest categories by two internationally recognized credit-rating agencies, providing for payment in convertible foreign currency;
- g. other assets that may, by nature of their contents and significance, be seen as equivalent to assets listed under items a) to f) of this paragraph.

### **International Reserves Management**

#### **Article 17**

(1) In selecting assets for investment referred to in Article 16, paragraph 2 of this Law, the Croatian National Bank shall be governed primarily by principles of liquidity and safety of investment.

(2) The Croatian National Bank shall manage international reserves in a manner which is best suited to the implementation of the monetary and foreign exchange policies and which ensures a smooth settlement of international obligations of the Republic of Croatia.

### **Opening Accounts Abroad, International Transactions and Payments**

#### **Article 18**

- (1) For the execution of its tasks set forth by this Law and other regulations, the Croatian National Bank may open accounts abroad.
- (2) The Croatian National Bank may buy and sell the currency of the Republic of Croatia abroad.
- (3) The Croatian National Bank may perform all types of banking operations with other central banks, foreign financial institutions and international financial organizations, including lending and borrowing.
- (4) The Croatian National Bank may enter into payment and clearing agreements with foreign clearing institutions.
- (5) The Croatian National Bank may enter into agreements referred to in the previous paragraph in its name and for its own account or for the account of the Republic of Croatia.

## **2. MONETARY UNIT, BANKNOTES, AND COINS**

### **Monetary Unit**

#### **Article 19**

- (1) The monetary unit of the Republic of Croatia shall be the kuna, divided into one hundred lipa.
- (2) The kuna shall be legal tender in the Republic of Croatia.
- (3) For domestic payments a law may allow for the use of other currency.

### **Banknotes and Coins Issuance**

#### **Article 20**

The Croatian National Bank shall have the exclusive right to issue banknotes and coins, including numismatic coins.

### **Features of Banknotes and Coins**

#### **Article 21**

- (1) The Croatian National Bank shall regulate by a decision the face value, measures, weights, designs, and other features of the banknotes and coins that it issues.

(2) The Croatian National Bank shall arrange for the printing of banknotes and the minting of coins, for the security and safekeeping of unissued banknotes and coins, and for the custody and destruction of withdrawn banknotes and coins and materials used in the manufacture of banknotes and coins.

### **Currency Inventory and Issue Plan**

#### **Article 22**

The Croatian National Bank shall make issue plans and shall ensure the regular supply of banknotes and coins, and shall administer the currency reserve inventory.

### **Replacement of Unfit Banknotes and Coins**

#### **Article 23**

The Croatian National Bank shall replace unfit banknotes and coins. Worn-out banknotes shall be replaced in their full value while damaged banknotes and coins shall be replaced under such terms and conditions as shall be specified by the Croatian National Bank.

### **Authority to Regulate other Matters**

#### **Article 24**

The Croatian National Bank shall have the authority to regulate all other matters related to currency issuance, printing and minting, as well as supply and replacement of banknotes and coins.

## **3. RELATIONS WITH BANKS**

### **Authority over Banks**

#### **Article 25**

The Croatian National Bank shall, on the basis of a separate law, issue and revoke bank licenses, supervise bank operations, perform other operations within its fields of competence and enact subordinate legislation and decisions which shall regulate banking transactions and set the standards for the stability and safety of bank operations.

### **Submission of Information to the Croatian National Bank**

#### **Article 26**

(1) The decisions of the Croatian National Bank shall stipulate the data and reports that banks are required to submit to the Croatian National Bank, as well as time-limits for their submission. Banks must furnish the Croatian National Bank with such information and data concerning their operations and financial condition as specified by these decisions and with any other information the Croatian National Bank may require for the discharge of its functions and responsibilities.



(2) The Croatian National Bank may publish such information and data for all banks, separately, in aggregated form or classified according to types of banks or the nature of their business, with the exception of the data regarded as a banking secret pursuant to law.

### **Co-operation with Foreign Institutions Authorized for the Supervision of Bank Operations**

#### **Article 27**

(1) In order to improve the supervision of bank operations, the Croatian National Bank shall co-operate and share experience with other foreign institutions authorized for the supervision of bank operations.

(2) The Croatian National Bank and other organizations authorized for the supervision of banks may exchange all data collected and assessments of banks made in the course of supervision. The exchanged data referred to in this paragraph must not be made accessible to unauthorized persons by any of the authorized organizations.

(3) The exchange of information set forth in paragraph 2 of this Article shall not be regarded as the revelation of a banking secret.

### **Information Network for Banks**

#### **Article 28**

The Croatian National Bank may establish and maintain an information network for the whole banking system of the Republic of Croatia.

## **4. PAYMENT SYSTEM**

### **Regulation and Supervision of the Payment System**

#### **Article 29**

(1) The Croatian National Bank shall adopt decisions and other subordinate legislation regulating the forms of payments and the method of executing payment transactions.

(2) The Croatian National Bank shall supervise the execution of payment transactions.

### **Banks' Accounts with the Croatian National Bank**

#### **Article 30**

The Croatian National Bank shall maintain banks' accounts and execute payment transactions across these accounts. Every bank having its head office in the Republic of Croatia shall open an account with the Croatian National Bank.

### **Interbank Payment Systems**

#### **Article 31**

- (1) The Croatian National Bank shall regulate and supervise systems for clearing interbank payment transactions and the methods of settling banks' accounts on the basis of payments executed through interbank systems.
- (2) The Croatian National Bank shall issue licenses for the operation of interbank payment systems, decide on parties participating in and payments executed through them, and determine or approve fees for payments executed through such systems.
- (3) The Croatian National Bank may own interbank payment systems.

### **III. RELATIONS WITH GOVERNMENT BODIES OF THE REPUBLIC OF CROATIA**

#### **Depository**

##### **Article 32**

- (1) The Croatian National Bank shall maintain the accounts of the Republic of Croatia and execute payment transactions across these accounts.
- (2) The Croatian National Bank shall make payments to the limits of the deposited amounts against orders to pay from such accounts given by the depositor referred to in paragraph 1 of this Article.
- (3) The Croatian National Bank shall determine and pay interest on the amounts deposited in such accounts to the depositor referred to in paragraph 1 of this Article.
- (4) The Croatian National Bank shall calculate and collect fees for executing transactions and providing services to the depositor referred to in paragraph 1 of this Article.
- (5) The interest and fees referred to in paragraphs 3 and 4 of this Article shall be mutually agreed between the Croatian National Bank and the Ministry of Finance at market-related rates.
- (6) The Croatian National Bank may authorize another juridical person licensed to conduct payment transactions to execute payment transactions across accounts referred to in paragraph 1 of this Article, in accordance with the terms and conditions prescribed by the Croatian National Bank and with the approval of the Ministry of Finance.

#### **Fiscal Agency Function**

##### **Article 33**

The Croatian National Bank may, on such terms and conditions as it shall agree with the Ministry of Finance, act as fiscal agent for the Republic of Croatia, in regard to the following:

- a. issuance of debt instruments of the Republic of Croatia, acting as registrar or transfer agent therefor;
- b. payment of principal of, interest on and other charges related to such securities;

- c. other matters related to the transactions referred to in this Article, provided they are consistent with the primary objective of the Croatian National Bank.

### **Consultations with the Ministry of Finance and Reporting on the Borrowing of the Republic of Croatia**

#### **Article 34**

At least once in a semi-annual period, the Ministry of Finance shall consult with the Croatian National Bank on its plans for domestic and foreign borrowing of the Republic of Croatia during the next semi-annual period, including the amounts to be contracted and disbursed under such borrowing, as well as the expected effects of such borrowing. The Ministry of Finance shall report to the Croatian National Bank on all domestic and foreign borrowing transactions by the Republic of Croatia, in such detail as shall be mutually agreed upon by the Croatian National Bank and the Ministry of Finance.

### **Participation in Legislation**

#### **Article 35**

(1) The Croatian National Bank may require from the Government of the Republic of Croatia to propose to the Croatian Parliament the enactment of legislation concerning the implementation of the objectives and tasks of the Croatian National Bank, or otherwise relating to its field of activity, including monetary policy and operations, extension of credits, balance of payments, foreign exchange and banking matters.

(2) The Governor of the Croatian National Bank or Deputy Governor shall have the right to comment on and explain the proposed legislation referred to in paragraphs 1 and 2 of this Article before the Croatian Parliament or its relevant committee.

### **Ban on Extending Credit to the Republic of Croatia**

#### **Article 36**

(1) The Croatian National Bank may not extend credit to the Republic of Croatia.

(2) No legal arrangement concluded by the Croatian National Bank with the Republic of Croatia shall have credit features or be used for extending credit to the Republic of Croatia or to third parties acting as intermediaries through which the Republic of Croatia would become the final beneficiary of such credit.

(3) Purchase by the Croatian National Bank of debt instruments issued by the Republic of Croatia shall not be treated as credit referred to in paragraph 1 of this Article, if such purchase has been made in the secondary market in accordance with the monetary policy objectives of the Croatian National Bank.

## **IV. ORGANIZATION AND MANAGEMENT OF THE CROATIAN NATIONAL BANK**

## **Organization of the Croatian National Bank**

### **Article 37**

The Croatian National Bank shall have the Council of the Croatian National Bank and the Governor of the Croatian National Bank.

## **Functions and Powers of the Council of the Croatian National Bank**

### **Article 38**

(1) The Council of the Croatian National Bank shall consist of the Governor of the Croatian National Bank, the Deputy Governor and Vicegovernors by virtue of their office, and eight external members at the most.

(2) The Council of the Croatian National Bank shall have competence in and be responsible for the implementation of the objectives and tasks of the Croatian National Bank. The Council of the Croatian National Bank shall establish policies for the operations of the Croatian National Bank.

(3) Within the general powers referred to in paragraph 2 of this Article, the Council of the Croatian National Bank shall in particular:

- a. establish monetary and foreign exchange policies;
- b. adopt the financial plan of the Croatian National Bank;
- c. adopt the reports referred to in Articles 58 and 59 of this Law;
- d. adopt the Statute of the Croatian National Bank;
- e. establish the conditions for granting loans to banks;
- f. establish interest rates of the Croatian National Bank and the fees for services rendered by the Croatian National Bank;
- g. establish the base for and the rate of required reserves of banks as well as the method, conditions and time-limits for the allocation and maintenance of required reserves, and conditions for the use of required reserves;
- h. issue and revoke licenses for banks and branch offices of foreign banks as well as licenses for performing specific operations;
- i. determine the insolvency of banks and decide on proposals for the initiation of bankruptcy proceedings against banks or on the revocation of bank licenses;
- j. approve mergers of banks and acquisition of shares in banks in accordance with the law regulating bank operations;
- k. approve the appointment of chairpersons and members of banks' management boards;
- l. adopt decisions regulating foreign exchange operations of juridical and natural persons and operations of authorized exchange offices;
- m. issue licenses for interbank payment systems and adopt decisions regulating their operations;
- n. decide on denominations and features of banknotes and coins and their putting into and withdrawal from circulation;
- o. determine the types and forms of assets that shall be suitable for holding international reserves of the Republic of Croatia;
- p. decide on the Croatian National Bank's membership in international organizations;

- q. establish and close branch offices and representative offices of the Croatian National Bank.

(4) The Council of the Croatian National Bank shall take decisions on matters within its field of activity at its meetings.

(5) The Statute of the Croatian National Bank shall specify which matters out of its fields of competence the Council of the Croatian National Bank may assign to the Governor of the Croatian National Bank.

### **Powers of the Governor of the Croatian National Bank**

#### **Article 39**

(1) The Governor of the Croatian National Bank shall be responsible for the implementation of the decisions of the Council of the Croatian National Bank.

(2) The Governor of the Croatian National Bank shall:

- a. manage and govern the operations of the Croatian National Bank;
- b. organize the functioning of the Croatian National Bank;
- c. represent and act for the Croatian National Bank;
- d. regulate the detailed conditions and methods of examination, types, time-limits, order and procedure for taking measures with respect to banks;
- e. enact decisions in the procedure of bank supervision;
- f. adopt enactments on the functioning and development of the information system of the Croatian National Bank;
- g. appoint and remove from office persons vested with special rights and duties in the Croatian National Bank;
- h. enact a by-law on the internal organization and job classification in the Croatian National Bank and by-laws on the rights, duties and responsibilities of the employees of the Croatian National Bank;
- i. adopt decisions and by-laws on matters within the field of activity of the Croatian National Bank which, pursuant to law, are not within the fields of competence of the Council of the Croatian National Bank;
- j. decide on other issues that come within the fields of competence of the Governor of the Croatian National Bank pursuant to this Law and other laws and regulations, as well as on other issues when authorized by the Council of the Croatian National Bank.

(3) The Governor of the Croatian National Bank shall be authorized to issue instructions for the uniform implementation of the decisions made by the Council of the Croatian National Bank.

(4) Should the Council of the Croatian National Bank, when making decisions, not reach the necessary agreement and should the Governor of the Croatian National Bank assess that owing to the failure to reach it the implementation of the tasks or regular operations of the Croatian National Bank cannot be guaranteed, the Governor of the Croatian National Bank shall take a decision on the issue upon which the agreement could not be reached.

(5) The Statute of the Croatian National Bank shall specify which matters out of its fields of competence the Governor of the Croatian National Bank may assign to the Deputy Governor or Vicegovernors.

### **Appointment of the Council Members**

#### **Article 40**

(1) The Governor of the Croatian National Bank shall be appointed by the Croatian Parliament on the proposal of the Elections, Appointments and Administrative Affairs Committee, taking into account the opinion of the Finances and State Budget Committee.

(2) The Croatian National Bank shall have one Deputy Governor and at the most four Vicegovernors.

(3) The Deputy Governor and the Vicegovernors shall be appointed by the Croatian Parliament on the proposal of the Governor of the Croatian National Bank.

(4) External members of the Council of the Croatian National Bank shall be appointed by the Croatian Parliament on the proposal of the Elections, Appointments and Administrative Affairs Committee, taking into account the opinion of the Finances and State Budget Committee.

(5) The members of the Council of the Croatian National Bank must be citizens of the Republic of Croatia; they must be persons of recognized personal reputation and professional experience in monetary, financial, banking and legal matters.

(6) The members of the Council of the Croatian National Bank shall be appointed for a term of six years.

### **Ineligibility to Serve on the Council and other Restrictions**

#### **Article 41**

(1) A member of the Council of the Croatian National Bank shall not be a representative in the Croatian Parliament, or a person performing a duty to which he/she has been appointed by the Croatian Parliament or by the Government of the Republic of Croatia; a member of the Council shall not be a member of the Government of the Republic of Croatia or a person performing a duty in the local government and self-government bodies, political parties and trade unions.

(2) A member of the Council of the Croatian National Bank, his/her spouse and children who are members of his/her household or with whom he/she conducts business shall not own bank shares or shares and equity participation in other juridical persons connected with banks or audit firms by ownership, management or operation.

(3) A member of the Council of the Croatian National Bank shall not be a member of bodies, an employee or external associate of banks, audit firms or other juridical persons connected by ownership and management to banks or juridical persons that are in any way subject to the supervision of the Croatian National Bank, or persons who derive or might derive benefit from the Council member's access to business secret or non-public information.

### **Removal from Office**

## Article 42

(1) The Governor of the Croatian National Bank, Deputy Governor, Vicegovernors and external members of the Council of the Croatian National Bank shall be removed from office by the Croatian Parliament prior to the expiry of the term referred to in Article 40, paragraph 6 of this Law, in the following circumstances:

- a. if he/she has become ineligible pursuant to Article 41 of this Law after being appointed to duty;
- b. if he/she has been validly convicted in criminal proceedings and sentenced to imprisonment;
- c. if the Council of the Croatian National Bank establishes that he/she has engaged in serious misconduct in the exercise of his/her office or actions indicating lack of moral and professional integrity;
- d. if he/she has become permanently unable to perform his/her duties owing to illness;
- e. if he/she resigns from office;
- f. if he/she fails to submit a statement or submits false statements on data referred to in Article 44 of this Law;
- g. if the Croatian Parliament establishes that serious misconduct in the exercise of his/her office results in permanent and significant departure from the primary objective of the Croatian National Bank referred to in Article 3, paragraph 1 of this Law.

(2) Should the Council of the Croatian National Bank establish that any of the circumstances referred to in paragraph 1 of this Article has arisen, it shall immediately notify the Croatian Parliament and propose that the concerned member of the Council of the Croatian National Bank be removed from office.

(3) Should the Croatian Parliament not remove from office a member of the Council of the Croatian National Bank within 30 days after any of the circumstances referred to in paragraph 1 of this Article has arisen, the Council of the Croatian National Bank may decide to exclude this member from participating in the meetings of the Council of the Croatian National Bank pending a final decision by the Croatian Parliament.

(4) No member of the Council of the Croatian National Bank shall be removed from office for any cause not determined by paragraph 1 of this Article.

(5) The decision on the removal from office shall be final. The unsatisfied party may appeal to the Administrative Court of the Republic of Croatia.

## **Meetings of the Council of the Croatian National Bank**

## Article 43

(1) The Governor of the Croatian National Bank shall be the Chairman of the Council of the Croatian National Bank.

(2) Meetings of the Council of the Croatian National Bank shall be convened and chaired by the Governor of the Croatian National Bank.

- (3) In his/her absence, the Chairperson of the Council of the Croatian National Bank shall be replaced by the Deputy Governor.
- (4) Meetings of the Council of the Croatian National Bank shall be valid provided a two-thirds majority of all members of the Council of the Croatian National Bank are present at the meetings.
- (5) The Council of the Croatian National Bank shall decide with a two-thirds majority of the members present at the meeting.
- (6) The Council of the Croatian National Bank shall hold its meetings at least ten times in a calendar year.
- (7) The Council of the Croatian National Bank shall establish its Rules of Procedure.

### **Statements by the Council Members**

#### **Article 44**

Upon joining the Council and after the end of each business year, each member of the Council of the Croatian National Bank shall submit a written statement to the Council of the Croatian National Bank containing data relevant to the matters referred to in Article 41 of this Law.

### **Compensations**

#### **Article 45**

Members of the Council of the Croatian National Bank shall receive compensation for their work.

### **Rights and Duties after the Termination of Office**

#### **Article 46**

(1) Without the prior consent of the Council of the Croatian National Bank, the Governor, Deputy Governor and Vicegovernors shall not become employees of another financial institution in the Republic of Croatia during a period of one year following their removal from office.

(2) Until assuming a new position, the Governor of the Croatian National Bank, Deputy Governor and Vicegovernors shall be entitled to a compensation equivalent to the last salary received in the month prior to their removal from office. This compensation shall be payable for a period not longer than one year following their termination of office.

### **Internal Audit**

#### **Article 47**



(1) The Croatian National Bank, for the purpose of continuous and comprehensive supervision of its operations, shall have Internal Audit as an autonomous organizational unit directly responsible to the Governor.

(2) The Internal Audit shall:

- a. evaluate and improve the efficiency of risk management, internal control system and management procedures of the Croatian National Bank;
- b. perform periodical audits of the performance of persons vested with special rights and duties and all organizational units of the Croatian National Bank in order to ensure strict observance of the laws and other regulations that apply to the Croatian National Bank;
- c. audit and give recommendations to the Governor of the Croatian National Bank on the accounts and records as well as the accounting procedures and controls of the Croatian National Bank; and
- d. audit financial statements.

(3) The Internal Audit shall perform its duties in accordance with the regulations adopted by the Governor of the Croatian National Bank determining the type, scope and time-limits of audit and of the reporting method.

(4) The Internal Audit shall report to the Governor of the Croatian National Bank on its operations.

(5) The Internal Audit shall submit a report to the Council of the Croatian National Bank at least once a year.

## **Employees**

### **Article 48**

(1) While employed by the Croatian National Bank, an employee of the Croatian National Bank may not perform service for another employer without the prior consent of the Governor of the Croatian National Bank.

(2) Executive directors and advisers to the Governor of the Croatian National Bank, as well as their spouses and children who are members of their households or with whom they conduct business shall not own shares in banks and audit firms, or shares and equity participation in other juridical persons connected with banks or audit firms by ownership, management or operation.

(3) The Governor of the Croatian National Bank shall adopt the by-laws of the Croatian National Bank stipulating the conditions of employment and staff regulations in accordance with the Labor Law and other regulations.

## **Business Secret**

### **Article 49**

(1) The Council members and employees of the Croatian National Bank shall be obliged to guard as business secret documents and information they have obtained in the performance of their

duties, disclosure of which to an unauthorized person would harm the reputation and threaten the interests of the Croatian National Bank or other banks. The obligation to guard business secrets shall not cease even after the termination of membership in the Council of the Croatian National Bank or employment in the Croatian National Bank.

(2) Exceptionally, the Council members and employees of the Croatian National Bank may disclose documents and information outside the Croatian National Bank in cases and in accordance with the procedures established by a special enactment of the Governor of the Croatian National Bank and subsequently approved by the Council of the Croatian National Bank, provided that such disclosure is made:

- a. in accordance with the express consent of the person to whom the information relates;
- b. in performance of a duty to the public, including aiding law enforcement bodies and on the order of a court or other person of competent authority;
- c. to the external auditors of the Croatian National Bank in performance of their duties;
- d. to foreign financial institution supervisory authorities and staff of public international financial institutions in performance of their official duties; or
- e. when the interest of the Croatian National Bank itself in legal proceedings requires disclosure.

## **V. CAPITAL OF THE CROATIAN NATIONAL BANK**

### **Capital of the Croatian National Bank**

#### **Article 50**

(1) The capital of the Croatian National Bank shall be 2,500,000,000 kuna.

(2) The capital of the Croatian National Bank shall be exclusively held by the Republic of Croatia and it shall not be transferable or used as collateral.

(3) On the day of entering into force of this Law, the Croatian National Bank shall transfer its reserves into the capital pursuant to paragraph 1 of this Article. The remaining reserves shall be adequately classified into general and specific reserves.

### **Reserves of the Croatian National Bank**

#### **Article 51**

(1) The reserves of Croatian National Bank shall comprise general and specific reserves.

(2) The Croatian National Bank shall establish general reserves for covering general operating risks. The amount of the general reserves of the Croatian National Bank shall not be limited.

(3) Pursuant to a decision of the Council of the Croatian National Bank, the Croatian National Bank shall establish specific reserves for covering identified losses.

## **Calculation of Surplus of Income over Expenditures or Shortfall between Income and Expenditures of the Croatian National Bank**

### **Article 52**

The surplus of income over expenditures or shortfall between income and expenditures of the Croatian National Bank shall be calculated for each financial year as a sum of net operating income (realized income) and net profit (or loss) from the value adjustment of balance sheet items to changes in the exchange rate or market prices (unrealized income). From the sum thus calculated, general administrative expenses and depreciation, as well as assets allocated to general reserves shall be deducted.

## **Allocation of Surplus of Income over Expenditures and Coverage of Shortfall between Income and Expenditures**

### **Article 53**

(1) The surplus of income over expenditures shall be allocated to general reserves and to the government budget.

(2) The Council of the Croatian National Bank shall determine the amount of surplus of income over expenditures to be allocated to general reserves. General reserves for the current financial year may neither be lower than net profit from the value adjustment of balance sheet items to changes in the exchange rate or market prices, nor higher than 20% of the accumulated surplus of income over expenditures. Exceptionally, if the surplus of income over expenditures is lower than net profit from the value adjustment of balance sheet items to changes in the exchange rate or market prices, the total surplus of income over expenditures shall be allocated to general reserves.

(3) The residual amount of the surplus of income over expenditures, after the allocation to general reserves has been made, shall constitute extraordinary revenue to the government budget.

(4) The Croatian National Bank shall cover any shortfall between income and expenditures from general reserves.

(5) Any shortfall between income and expenditures that cannot be covered from general reserves shall be covered from the government budget.

(6) The shortfall between income and expenditures referred to in paragraph 5 of this Article may also be covered by debt securities issued for this purpose by the Republic of Croatia. If the Croatian National Bank holds debt securities issued by the Republic of Croatia in accordance with the provisions of this paragraph, the residual surplus amount of income over expenditures referred to in paragraph 3 of this Article shall be used for the repurchase of such debt securities.

## **VI. FINANCIAL AND OTHER STATEMENTS**

### **Financial Year**

#### Article 54

The financial year of the Croatian National Bank shall correspond to the calendar year.

### **Financial Plan**

#### Article 55

The Croatian National Bank shall forecast its income and expenditures in the financial plan that shall be adopted by December 31 of the current year for the next year.

### **Financial Statements**

#### Article 56

The Croatian National Bank shall prepare financial statements for each financial year in accordance with the accounting regulations and the International Accounting Standards.

### **Audit of Accounts**

#### Article 57

(1) The prepared financial statements and the overall operations of the Croatian National Bank shall be audited by an independent external auditor in accordance with audit regulations and the International Auditing Standards.

(2) The decision on the auditor to audit the financial statements of the Croatian National Bank shall be made by the Finances and State Budget Committee of the Croatian Parliament on the proposal of the Council of the Croatian National Bank.

### **Submission and Publication of Financial Statements**

#### Article 58

(1) The Croatian National Bank shall, within five months after the close of each financial year, submit to the Croatian Parliament information on its financial condition, on the achieved level of price stability and the implementation of its monetary policy. The Croatian Parliament may, based on the submitted information, hold a discussion and draw special conclusions.

(2) The Croatian National Bank shall, on a monthly basis and at the latest within ten working days from the end of the previous month, prepare, draw up and submit to the Ministry of Finance its summary balance sheet as of the last day of the month concerned.

(3) After fulfilling the obligations referred to in paragraphs 1 and 2 of this Article, the Croatian National Bank may publish the said financial and other statements. It may also publish such other reports and studies on financial and economic issues as it may deem appropriate.

### **Reporting on Monetary Policy**

#### Article 59

(1) The Croatian National Bank may, on an annual basis, publish data on the implementation of its monetary policy that shall capture:

- a. a review and its assessment of the monetary policy during the previous year;
- b. a description of, and an explanation of the reasons for, the monetary policy to be pursued by the Croatian National Bank during the next year.

(2) The Croatian National Bank shall regularly and in good time inform the public on its analyses of macroeconomic developments, developments in the financial and monetary system, monetary and lending developments, the balance of payments, the exchange rate and the stability of prices, as well as publish statistical data that are within its field of activity.

## **VII. OTHER PROVISIONS**

### **Accounts**

#### **Article 60**

(1) The Croatian National Bank may open accounts for the Republic of Croatia, for banks with head offices in the Republic of Croatia, for banks and financial institutions with head offices abroad and for international financial institutions.

(2) The Croatian National Bank may not open accounts for natural persons and juridical persons not referred to in paragraph 1 of this Article.

### **Collection of Claims**

#### **Article 61**

(1) The Croatian National Bank shall have the right to collect, without initiating legal or notarial proceedings, its overdue claims from:

- debtor's cash balances deposited with the Croatian National Bank;
- the value of collateral if it is movable property or right not considered real estate.

(2) The Croatian National Bank shall have the right to settle the insured claims from the value of collateral at a public auction, via the person publicly authorized for trading on the stock exchange and for public sale of such property and rights, or through a direct sale.

### **Collection of Statistical Information**

#### **Article 62**

(1) For the achievement of its objectives and the execution of its tasks set forth by this Law, the Croatian National Bank shall collect and process the statistical information received from the Republic of Croatia, other government bodies, banks and other juridical persons.

(2) For the purpose of the execution of tasks referred to in paragraph 1 of this Article, the Croatian National Bank shall co-operate with competent authorities from outside the Republic of Croatia and with international organizations.

(3) By prescribing the uniform forms and by other methods and measures the Croatian National Bank shall, within its fields of competence, contribute to the harmonization of rules and practices governing the collection, processing and distribution of processed statistical information.

(4) The Croatian National Bank shall by a separate decision define the list of statistical information required and the form in which such information shall be provided to the Croatian National Bank, the persons that shall provide such information to the Croatian National Bank and the confidentiality regime that shall apply to statistical information provided to the Croatian National Bank.

### **Status of the Council Members**

#### **Article 63**

(1) During their term of office the Governor of the Croatian National Bank, Deputy Governor and Vicegovernors of the Croatian National Bank shall be entitled to a salary and other benefits in accordance with the by-laws of the Croatian National Bank.

(2) Other rights and obligations of the government officials referred to in paragraph 1 of this Article shall be governed by the Law on Rights and Obligations of Government Officials.

### **Regulations of the Croatian National Bank**

#### **Article 64**

(1) Regulations and other enactments adopted by the Croatian National Bank on the basis of this Law, applicable to banks and other juridical persons, shall be published in the official gazette of the Republic of Croatia Narodne novine.

(2) Regulations referred to in paragraph 1 of this Article shall enter into force on the eighth day following their publication in the official gazette of the Republic of Croatia Narodne novine. Under justifiable circumstances, the Croatian National Bank may set that these regulations shall enter into force on the day of their publication in the official gazette of the Republic of Croatia Narodne novine.

(3) The Croatian National Bank shall keep records of all issued decisions, instructions and other regulations published in the official gazette of the Republic of Croatia Narodne novine.

## **VIII. PENAL PROVISIONS**

### **Violations**

#### **Article 65**

(1) It shall be considered that a bank commits a violation:

1. if it does not adhere to the decision of the Croatian National Bank that prescribes the obligation of banks to set aside and maintain required reserves (Article 13) or if it fails to adequately calculate required reserves (Article 14);
2. if it does not adhere to enactments and decisions of the Croatian National Bank regulating banking transactions and setting the standards for the stability and safety of bank operations (Article 25);
3. if it fails to submit to the Croatian National Bank, within time-limits prescribed by the decisions of the Croatian National Bank, the data and reports and any other information the Croatian National Bank may require for the discharge of its functions (Article 26, paragraph 1);
4. if it fails to adhere to decisions and enactments on the forms of payments and the method of executing payment transactions (Article 29);
5. if it fails to open an account with the Croatian National Bank (Article 30);
6. if it acts contrary to the regulations of the Croatian National Bank regulating systems for clearing interbank payment transactions and to the methods of settling accounts on the basis of payments executed through interbank systems (Article 31);
7. if it fails to provide to the Croatian National Bank, on the prescribed form, information required for statistical processing as defined by the decision of the Croatian National Bank (Article 62);

(2) For any of the violations referred to in paragraph 1 of this Article, a bank shall be fined the amount of 50,000.00 to 500,000.00 kuna.

(3) For any of the violations referred to in paragraph 1 of this Article, the responsible person of a bank shall be fined the amount of 5,000.00 to 50,000.00 kuna.

(4) In addition to the fine referred to in paragraph 3 of this Article, a protective measure shall be taken against the persons who committed the violation and they shall be banned from performing their respective duties in the bank for two years.

(5) Legal proceedings against the bank and its responsible persons who have committed any of the violations referred to in this Law and the Banking Law may not be initiated after the expiry of three years following the day on which a report was made by the Croatian National Bank stating irregularities or unlawfulness of business operations.

(6) The limitation period shall be interrupted by any action of the competent authority, aimed at initiating legal proceedings against the person who committed the violation. The limitation period shall restart after each interruption, and the legal proceedings may in no case be initiated after the expiry of twice the time-period set forth in paragraph 5 of this Article.

(7) It shall be considered that a juridical person commits a violation:

1. if it fails to provide to the Croatian National Bank, on the prescribed form, information required for statistical processing as defined by the decision of the Croatian National Bank (Article 62).

(8) For the violation stated in paragraph 7 of this Article, a juridical person shall be fined the amount of 50,000.00 to 500,000.00 kuna.

(9) For the violation stated in paragraph 7 of this Article, the responsible person of a juridical person shall be fined the amount of 5,000.00 to 50,000.00 kuna.

## **IX. FINAL PROVISIONS**

### **Continuation of the Operation of the Croatian National Bank Bodies**

#### **Article 66**

(1) On the day of entering into force of this Law, the members of the Council of the Croatian National Bank who meet the criteria referred to in Article 41 of this Law shall continue to perform the duty to which they were appointed, until the expiry of their terms of office or until their removal from office.

(2) If a member of the Council of the Croatian National Bank does not meet the criteria referred to in Article 41 of this Law, he/she shall be obliged to comply with the stated criteria within three months following the entering into force of this Law. Otherwise, he/she shall be removed from office after the expiry of that period, and a new member shall be appointed.

(3) The Council of the Croatian National Bank shall assess the compliance of circumstances under which a member of the Council of the Croatian National Bank referred to in paragraph 2 of this Article has been appointed with criteria referred to in Article 41 of this Law and shall propose his/her removal from office.

### **Regulations that Cease to be Valid**

#### **Article 67**

(1) On the day of entering into force of this Law, the following regulations shall cease to be valid:

1. the Law on the Croatian National Bank (official gazette of the Republic of Croatia Narodne novine, Nos. 74/92, 36/93, 79/93, 29/94, 7/95 and 35/95 – amended text);
2. Article 3, paragraph 1 of the Law on the State Audit (official gazette of the Republic of Croatia Narodne novine, Nos. 70/93, 48/95 and 105/99) in the part relating to the Croatian National Bank;

(2) Subordinate legislation and enforcement regulations adopted on the basis of the Law on the Croatian National Bank (official gazette of the Republic of Croatia Narodne novine, Nos. 74/92, 36/93, 79/93, 29/94, 7/95 and 35/95 – amended text), in the part which is not contrary to the provisions of this Law, shall remain in force and shall apply until the adoption of the adequate enactments and enforcement regulations based on this Law.

### **Entering Into Force of this Law**

#### **Article 68**

This Law shall enter into force on the eighth day following its publication in the official gazette of the Republic of Croatia Narodne novine.



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Zagreb, April 5, 2001

THE CROATIAN  
PARLIAMENT  
PRESIDENT  
OF THE CROATIAN  
PARLIAMENT

Zlatko Tomcic m.p.