



HNB

GOVERNOR

Pursuant to Article 304, item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), Article 33, paragraph (6) of the Act on Consumer Housing Loans (Official Gazette 101/2017), Article 22, paragraph (4) of the Consumer Credit Act (Official Gazette 75/2009, 112/2012, 143/2013, 147/2013, 9/2015, 78/2015, 102/2015 and 52/2016) and Article 43, paragraph (2), items (4) and (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

Decision on conducting oversight of credit institutions and credit intermediaries and imposing measures in the area of consumer protection

GENERAL PROVISIONS

Article 1

(1) This Decision prescribes in detail, in the area of consumer protection:

- 1) the conditions and methods of conducting oversight; and
- 2) the conditions and methods of imposing measures.

(2) This Decision shall apply to:

a) as regards the regulations referred to in paragraph (4) of this Article:

- 1) credit institutions with head offices in the Republic of Croatia;
- 2) branches of credit institutions with head offices in other Member States operating in the Republic of Croatia;
- 3) credit institutions with head offices in other Member States in respect of their direct provision of services within the territory of the Republic of Croatia; and
- 4) branches of third-country credit institutions that have been authorised by the Croatian National Bank to establish a branch of a third-country credit institution;

b) as regards the regulations referred to in paragraph (6) of this Article:

- 1) credit intermediaries with head offices in the Republic of Croatia and their branches in other Member States;
- 2) branches of credit intermediaries with head offices in other Member States operating in the Republic of Croatia; and
- 3) credit intermediaries from other Member States providing credit intermediation services directly in the Republic of Croatia.

CROATIAN NATIONAL BANK

(3) For the purposes of this Decision, the entities referred to in paragraph (2) of this Article shall collectively and individually be referred to as "inspected entities"

(4) Pursuant to Article 177, paragraph (1) of the Credit Institutions Act (hereinafter referred to as 'CIA'), the Croatian National Bank shall conduct oversight of the inspected entities referred to in paragraph (2), item (a) of this Article as regards the application of Title XXIII of the CIA, which governs consumer protection, and regulations adopted pursuant to that title of the CIA, pursuant to other laws governing consumer protection regarding to which it is competent to conduct oversight and regulations adopted under these laws, and pursuant to own rules, and professional standards and rules.

(5) Within the meaning of paragraph (4) of this Article, oversight shall include a market conduct assessment of inspected entities and the checking of all types of products and services that inspected entities offer and/or sell to consumers and all other processes connected with the advertising, offering and sale of these products and/or services to consumers, as well as an assessment of the impact that risks, which may arise from the offering and/or sale of such products and/or services, may have on consumer rights.

(6) In accordance with Article 36 of the Act on Consumer Housing Loans, the Croatian National Bank shall conduct oversight of the application of that Act and regulations adopted under that Act in relation to the inspected entities referred to in paragraph (2), item (b) of this Article.

METHOD OF CONDUCTING OVERSIGHT

Article 2

The Croatian National Bank shall conduct oversight by:

- 1) collecting and analysing information and reports obtained from inspected entities and other publicly available information, conducting thematic analyses and other types of analyses and ongoing monitoring and analysis of complaints and the operation of inspected entities with respect to the application of the regulations referred to in Article 1, paragraphs (4) and (6) of this Decision (hereinafter referred to as 'off-site inspection');
- 2) conducting on-site inspections of the operation of inspected entities, including mystery shopping;
- 3) imposing supervisory measures on inspected entities; and
- 4) issuing circular letters, opinions and recommendations to inspected entities.

OFF-SITE INSPECTION

Article 3

(1) Off-site inspections shall be conducted by employees of the Croatian National Bank pursuant to authorisation by virtue of their employment status (hereinafter referred to as 'person authorised by virtue of his/her employment status').

(2) Reports and information necessary for conducting off-site inspections shall be delivered by inspected entities pursuant to laws and other regulations or at the request of the Croatian National bank.

(3) For the purpose of ongoing monitoring of the operation of an inspected entity, the Croatian National Bank shall, where necessary, meet with the management board and/or senior management of the inspected entity.

(4) The end date of the off-site inspection shall be the day of completion of the verification of all information and documentation delivered by the inspected entity at the request of the Croatian National Bank, where such verification may not last more than 15 working days from the day of receipt by the Croatian National Bank of the last requested information and/or documentation related to the subject of inspection.

(5) Following an off-site inspection, a person authorised by virtue of his/her employment status shall prepare a report on inspection findings if the inspection has established:

- 1) illegalities in the operation of the inspected entity and/or;
- 2) grounds for imposing a measure.

(6) Off-site inspections may be conducted in relation to a specific inspected entity or in relation to all inspected entities or a group of inspected entities operating within the territory of the Republic of Croatia at the same time (horizontal inspection).

ON-SITE INSPECTION

Article 4

(1) On-site inspections shall be conducted by employees of the Croatian National Bank at the premises of the inspected entity pursuant to a written authorisation of the Governor of the Croatian National Bank (hereinafter referred to as 'authorised person').

(2) Authorised persons shall conduct on-site inspections led by the head of the on-site inspection.

(3) An on-site inspection may cover the overall operation or a specific segment of the operation of the inspected entity within the scope of the regulations referred to in Article 1, paragraphs (4) and (6) of this Decision.

(4) Prior to an on-site inspection, the Croatian National Bank shall deliver a notification of an on-site inspection to the inspected entity. In addition to the planned scope of the inspection and information about the head of the on-site inspection, the notification of an on-site inspection may include a list of other authorised persons preparing and conducting the on-site inspection, the period during which the inspected entity needs to ensure access to its information system, the minimum resources the inspected

entity needs to ensure to enable access to its information system and other information necessary to prepare and conduct the on-site inspection and the on-site inspection supported by computer programmes.

(5) The scope of the on-site inspection may be expanded in the course of the on-site inspection if the head of the on-site inspection deems it necessary, of which the head of the on-site inspection shall notify the inspected entity in writing.

(6) The start date of the on-site inspection shall be the first day of the inspection at the premises of the inspected entity and the end date of the on-site inspection shall be the last day of the inspection at the premises of the inspected entity. Exceptionally, when after the inspection at the premises of the inspected entity additional data verification related to the subject of the inspection needs to be carried out at the Croatian National Bank, the on-site inspection shall be deemed completed on the end date of data verification. Data verification shall be carried out within 30 working days of the end of the on-site inspection at the premises of the inspected entity.

Article 5

(1) An on-site inspection of an inspected entity shall be conducted:

1) by reviewing policies and other internal procedures, reports which the inspected entity is required to produce, business books, bookkeeping documents, ancillary and other records and accounts and other documents in a paper form and/or in the form of an electronic record in the medium and format required by the person authorised to conduct the inspection;

2) by checking the personnel, organisational and technical structure of the inspected entity;

3) by obtaining written and oral explanations from the management board and, where applicable, the supervisory board of the inspected entity or its employees; and

4) by mystery shopping.

(2) Members of the supervisory and management board, procurators, other managers and employees of the inspected entity shall provide the authorised persons, at their request, with written answers to questions relevant for the conduct of the inspection and, where applicable, supported by documentation.

(3) After an on-site inspection, a report on inspection findings shall be prepared by an authorised person.

MYSTERY SHOPPING

Article 6

(1) Mystery shopping shall be carried out for the purpose of collecting information on the practices used by inspected entities in the advertising, offering and/or sale of consumer products and/or services and collecting evidence of compliance of inspected entities with the regulations referred to in Article 1,

paragraphs (4) and (6) of this Decision with regard to the content, form and quality of consumer information.

(2) Mystery shopping shall be carried out as an independent on-site inspection or as part of an on-site inspection of the inspected entity, without providing the inspected entity with the notification of an on-site inspection referred to in Article 4, paragraph (4) of this Decision and without including the information of the intention to carry out mystery shopping in such notifications in cases when mystery shopping is carried out as part of an on-site inspection.

(3) Mystery shopping shall be carried out in such a way that an authorised person as a potential buyer or client of the inspected entity directly communicates with the staff of the inspected entity at the points of sale at the premises of the inspected entity. Where the inspected entity advertises, offers and/or sells consumer products and/or services by means of digital distribution channels, they shall also be considered as points of sale of that inspected entity although the inspection through mystery shopping in that case shall not be carried out at the premises of the inspected entity, but by means of distance communication (internet, telephone, etc.).

(4) An authorised person carrying out mystery shopping shall record all information collected in the course of mystery shopping and shall, whenever possible, ensure evidence confirming such information (e.g. copies of documents/information for consumers, draft contracts, tariffs of service fees and charges, printouts of websites).

(5) After the end of mystery shopping at the premises of the inspected entity, in case illegalities, deficiencies and/or weaknesses have been identified in the operation of the inspected entity, the authorised person shall identify himself/herself to a responsible person at the point of sale of the inspected entity and shall notify that person of collected information and evidence referred to in paragraph (4) of this Article, and the responsible person at the point of sale of the credit institution shall acknowledge this notification by his/her signature. One copy of the signed notification shall be delivered to the responsible person at the point of sale. If the responsible person at the point of sale of the inspected entity refuses to acknowledge by signature that he/she has been notified of the conducted mystery shopping, this fact shall be entered in the report referred to in paragraph (6) of this Article.

(6) Following an inspection conducted through mystery shopping, the authorised person shall prepare a report on inspection findings if illegalities, deficiencies and/or weaknesses in the operation of the inspected entity have been identified in the course of the inspection. When mystery shopping is conducted as part of an on-site inspection, one report on inspection findings shall be prepared.

(7) Where no illegalities, deficiencies and/or weaknesses in the operation of the inspected entity have been identified through mystery shopping, a note on the conducted mystery shopping shall be prepared and communicated for information to the inspected entity. Where mystery shopping is conducted as part of an on-site inspection, the note of conducted mystery shopping shall form an integral part of the report on inspection findings.

REPORT ON INSPECTION FINDINGS

Article 7

(1) In case a report on inspection findings referred to in Article 3, paragraph (5), Article 5, paragraph (3) and Article 6, paragraph (6) of this Decision is prepared, a person authorised by virtue of his/her employment status or an authorised person shall prepare a report on inspection findings within 30 working days of the end of the inspection and shall deliver it to:

- 1) the chairperson of the management board of the inspected entity; and
- 2) where applicable, the chairperson of the supervisory board of the inspected entity.

(2) The chairperson of the management board of the inspected entity shall discuss the findings in the report with other members of the management board and shall, where applicable, deliver a copy of the report to the internal auditor and the person responsible for compliance of the inspected entity without delay.

(3) The chairperson of the supervisory board shall, without delay, notify other members of the supervisory board of the findings in the report.

(4) Following the activities referred to in paragraphs (2) and (3) of this Article, the inspected entity shall provide to the Croatian National Bank a statement regarding the findings in the report within the time limit laid down by the Croatian National Bank, which may not be shorter than eight working days or longer than 15 working days of receipt of the report.

(5) A person authorised by virtue of his/her employment status or an authorised person of the Croatian National Bank shall consider the objections, if any, raised in the statement of the inspected entity and shall, where he/she deems them justified, prepare an appendix to the report, amending the findings in the report regarding which such justified objections have been raised.

(6) The appendix to the report referred to in the previous paragraph shall be prepared within 15 working days of receipt of the objections and shall be delivered to the persons referred to in paragraph (1) of this Article. The provisions of paragraphs (2) and (3) of this Article shall apply *mutatis mutandis* to the appendix to the report.

(7) Should a person authorised by virtue of his/her employment status or an authorised person find that the objections raised in the statement of the inspected entity referred to in paragraph (4) of this Article are not justified, he/she shall, within 15 working days of receipt of the objections, notify the inspected entity in writing that the objections are not accepted and that the findings in the report will not be amended.

(8) A report or an appendix to the report on off-site inspection findings shall be signed by a person authorised by virtue of his/her employment status, while a report or an appendix to the report on on-site inspection findings shall be signed by the head of the on-site inspection.

Article 8

(1) Where illegalities have been identified in the course of an off-site or on-site inspection, a person authorised by virtue of his/her employment status or an authorised person shall specify in the report the facts and describe the actions by which the inspected entity or a responsible person of the inspected entity acted contrary to the provisions of the laws and other regulations and collect evidence thereof.

(2) For illegalities listed in the report, a person authorised by virtue of his/her employment status or an authorised person shall identify a person responsible on the basis of internal procedures of the inspected entity.

(3) In the statement regarding the report referred to in Article 7, paragraph (4) of this Decision, the inspected entity shall also provide a statement regarding the responsible persons referred to in paragraph (2) of this Article. If, in the opinion of the inspected entity, another person is responsible and not the person identified in the report, the inspected entity shall provide evidence supporting this opinion.

IMPOSITION OF MEASURES

Article 9

(1) The Croatian National Bank may impose measures on the inspected entity where in the course of an inspection it identifies illegalities, deficiencies and/or weaknesses in the operation of the inspected entity. The Croatian National Bank may impose measures to eliminate identified illegalities, deficiencies and/or weaknesses in the operation of the inspected entity and actions and procedures to improve its operation.

(2) The measures referred to in paragraph (1) of this Article shall be implemented, by applying appropriately Title XVIII of the CIA governing supervisory measures, by means of:

- 1) a decision, or
- 2) a memorandum of understanding.

Article 10

(1) A decision to impose measures shall be adopted within 60 working days of expiry of the time limit for the objections of the inspected entity to a report on inspection findings or of the delivery of an appendix to the report to the inspected entity.

(2) Before adopting a decision referred to in paragraph (1) of this Article, the Croatian National Bank shall act in accordance with Article 323a of the CIA.

(3) The chairperson of the management board of the inspected entity shall notify other members of the management board and, where applicable, the chairperson of the supervisory board of the inspected entity of the content of the decision immediately following receipt of the decision. The chairperson of the management board shall, where applicable, deliver a copy of the decision to the internal auditor of the inspected entity. Following receipt of the decision, the chairperson of the supervisory board shall, without delay, notify members of the supervisory board of the measures imposed by the decision of the Croatian National Bank.

Article 11

(1) A memorandum of understanding (hereinafter referred to as 'memorandum') shall be concluded with the inspected entity in the cases laid down in Article 218 of the CIA.

(2) The draft memorandum shall be prepared by an authorised person or a person authorised by virtue of his/her employment status. The draft memorandum shall be delivered to the inspected entity together with the report on inspection findings in the manner prescribed in Article 7, paragraph (1) of this Decision.

(3) The chairperson of the inspected entity shall discuss the content of the draft memorandum with other members of the management board and shall, where applicable, deliver a copy of the draft memorandum to the internal auditor and the person responsible for compliance of the inspected entity without delay.

(4) Where applicable, the chairperson of the supervisory board shall, without delay, notify other members of the supervisory board of the draft memorandum.

(5) Following the activities referred to in paragraphs (3) and (4) of this Article, the inspected entity shall provide to the Croatian National Bank a statement regarding the draft memorandum within the time limit laid down by the Croatian National Bank, which may not be shorter than eight working days or longer than 15 working days of receipt of the draft memorandum.

(6) If the inspected entity fails to provide a statement regarding the draft memorandum within the time limit laid down by the Croatian National Bank or if it has no objections to the draft memorandum, the memorandum shall be deemed final and shall be certified by the signature of the inspected entity. The inspected entity shall deliver the signed memorandum to the Croatian National Bank within the time limit referred to in paragraph (5) of this Article.

(7) If the inspected entity delivers objections to the draft memorandum and the Croatian National Bank assesses that the objections to the draft memorandum are justified, it shall amend the wording of the memorandum and deliver it to the inspected entity within 15 working days of receipt of the objections. The inspected entity shall deliver the signed memorandum to the Croatian National Bank within five working days of receipt of the final wording of the memorandum.

(8) The memorandum signed by the Croatian National Bank shall be sent to the inspected entity within five working days of receipt of the memorandum signed by the inspected entity.

(9) The chairperson of the management board of the inspected entity shall, where applicable, notify the chairperson of the supervisory board of the content of the concluded memorandum and shall deliver a copy of the memorandum to the internal auditor and the person responsible for compliance of the inspected entity. The chairperson of the supervisory board shall notify other members of the supervisory board of the draft memorandum at the next meeting of the supervisory board.

(10) If the inspected entity fails to deliver the signed memorandum within the time limit referred to in paragraphs (6) and (7) of this Article, it shall be deemed that the memorandum has not been accepted and the Croatian National Bank shall issue a decision to the inspected entity imposing the measures referred to in the draft memorandum. In that case, a decision shall be issued immediately after the expiry of the time limit for delivery of the signed memorandum, and at the latest within 30 working days of expiry of the time limit within which the inspected entity should have delivered the signed memorandum to the Croatian National Bank.

ISSUANCE OF CIRCULAR LETTERS, OPINIONS AND RECOMMENDATIONS

Article 12

(1) The Croatian National Bank may address circular letters to inspected entities to inform them of good practices and expectations of the Croatian National Bank regarding transactions with consumers.

(2) In order to prevent illegalities or weaknesses and deficiencies in the operation of inspected entities, the Croatian National Bank may issue opinions and recommendations.

INSPECTION PLANS

Article 13

(1) Inspections pursuant to this Decision shall be conducted on the basis of annual and strategic plans of inspections.

(2) The annual plan shall define inspection priorities in accordance with results of market conduct assessments of inspected entities and results of assessments of the impact of risks on consumer rights, carried out in accordance with Article 1, paragraph (5) of this Decision.

(3) The strategic plan of inspections shall include inspections for all other inspected entities not covered by the annual plan.

FINAL PROVISIONS

Article 14

(1) Inspections initiated prior to the entry into force of this Decision shall be completed in accordance with the provisions of this Decision.

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

No.: 193- 091/05- 22/BV

Zagreb, 27 May 2022

Croatian National Bank

Governor

Boris Vujčić