

Official Gazette 155/2023 (22 December 2023), Act on the manner, conditions and procedure for the servicing and sale of claims

THE CROATIAN PARLIAMENT

2363

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

**DECISION PROMULGATING THE ACT ON THE MANNER, CONDITIONS
AND PROCEDURE FOR THE SERVICING AND SALE OF CLAIMS**

I hereby promulgate the Act on the manner, conditions and procedure for the servicing and sale of claims, adopted by the Croatian Parliament at its session on 15 December 2023.

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No.: 71-10-01/1-23-2
Zagreb, 20 December 2023

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

**ACT ON THE MANNER, CONDITIONS AND PROCEDURE FOR THE
SERVICING AND SALE OF CLAIMS**

**PART ONE
GENERAL PROVISIONS**

**Subject matter
Article 1**

This Act lays down a common framework and requirements relating to:

- a) credit servicers in respect of a creditor's rights and obligations under a non-performing credit agreement issued by a credit institution established in the European Union, acting on behalf of a credit purchaser;
- b) credit purchasers in respect of a creditor's rights and obligations under a non-performing credit agreement issued by a credit institution established in the European Union;
- c) the treatment of borrowers;
- d) granting and revoking authorisation;
- e) the cross-border provision of servicing activities;
- f) supervision of the implementation of the Act;
- g) cooperation between competent authorities;

- h) purchasers of other claims and servicers of other claims; and
- i) misdemeanour provisions.

Compliance with the legislation of the European Union

Article 2

This Act transposes into Croatian legislation Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU (Text with EEA relevance) (OJ L 438, 8.12.2021) (hereinafter referred to as 'Directive (EU) 2021/2167').

Relation to other legislative acts

Article 3

(1) This Act shall not affect the application of the principles of contract law in relation to credit agreements and agreements on other claims to which it applies or to rights based on Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I) (OJ L 177, 4.7.2008) and Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast) (OJ L 351, 20.12.2012) or rights under consumer protection rules, consumer credit rules, consumer housing loans rules, foreclosure and insurance rules, and property rules and rules governing other rights in rem.

(2) This Act shall also apply to credit servicing activities where the credit purchaser is a securitisation special purpose entity, as defined in the regulation governing the implementation of Regulation (EU) 2017/2402 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation.

Principle of equality

Article 4

(1) Credit purchasers and purchasers of other claims shall have the same rights in relation to borrowers as those the creditor had before the conclusion of the agreement on the purchase and sale of a non-performing loan or the agreement on the purchase and sale of another claim, and the borrower shall not be, in law or in fact, in a less favourable position vis-à-vis the credit purchaser and purchaser of another claim.

(2) Within the meaning of paragraph (1) of this Article, credit purchasers, designated servicing entities referred to in Article 12, paragraph (2), sub-paragraph (1), items (a) and (c) of this Act or credit servicers shall have the right to contact borrowers and collect credit claims from them.

(3) Within the meaning of paragraph (1) of this Article, purchasers of other claims or servicers of other claims shall have the right to contact borrowers and collect claims from them.

Principle of fair and professional treatment

Article 5

Credit purchasers, credit servicers, purchasers of other claims and servicers of other claims shall, in their relations with borrowers, act in good faith, fairly, with professional diligence, and respect and protect the personal information and privacy of borrowers.

Principle of prohibition of unfair commercial practice and inappropriate communication with borrowers and others

Article 6

(1) Unfair commercial practices are prohibited, and credit purchasers, credit servicers, purchasers of other claims and servicers of other claims are prohibited, in particular, from contacting borrowers in an inappropriate manner, harassing borrowers, coercing borrowers or unduly influencing borrowers, and from contacting, harassing, coercing or unduly influencing the borrower's household members, neighbours, relatives and persons connected with the borrower.

(2) A commercial practice shall be unfair if:

- it is contrary to the requirements of professional diligence; and
- if it is misleading and/or aggressive.

(3) A commercial practice shall be considered misleading if it contains false information, and is therefore untruthful or if it, in any way, including overall presentation, deceives or is likely to deceive the borrower, even if information is factually correct, thereby causing or likely to cause the borrower to take a decision that the borrower would not have taken otherwise, in particular if, in its factual context, taking into account all its features and circumstances and the limitations of the communication medium, it omits material information which, depending on the context, the borrower needs.

(4) A commercial practice shall be considered aggressive if, in its factual context, taking into account all its features and circumstances, by using harassment, coercion, including physical force or threat and undue influence, it significantly impairs or is likely to impair the consumer's freedom of choice or conduct and thereby causes or is likely to cause the consumer to take a decision to engage in conduct that the consumer would not have taken otherwise.

(5) In determining whether harassment, coercion, including physical force or threat or undue influence as referred to in paragraph (4) of this Article has been used in a commercial practice, account shall be taken of:

- whether the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim used threatening or abusive language or behaviour;
- whether the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim exploited any specific misfortune or other circumstance of the borrower of such gravity as to impair the borrower's reasonable judgement, of which the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim was aware, to influence the borrower's decision;
- any onerous or disproportionate non-contractual barriers imposed on the borrower by the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim where the borrower wishes to exercise any of the borrower's rights; and
- the use of any threat to take action that cannot be taken legally.

(6) The following shall be considered aggressive commercial practices:

- contacting the borrower in an inappropriate manner, in particular harassing the borrower, coercing the borrower or unduly influencing the borrower;
- creating the impression that the borrower may not leave the business premises until the borrower concludes a contract or signs any other document;
- conducting personal visits to the borrower's home, ignoring the borrower's request to leave or not to return;
- making persistent and unwanted solicitations by telephone, mail, electronic mail, fax, short text messages (SMS) or other remote media; and
- explicitly informing the borrower that the job or livelihood of the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim will be in jeopardy unless the borrower takes certain action.

(7) The burden of proof regarding the accuracy of factual statements relating to commercial practices shall lie with the credit purchaser, credit servicer, purchaser of another claim or servicer of another claim.

Terms with gender-specific connotation

Article 7

The terms used in this Act that have a gender-specific connotation shall refer to both the male and female genders.

Personal data protection

Article 8

(1) The processing and the supervision of the processing of personal data within the meaning of this Act shall be carried out in accordance with Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) (Text with EEA relevance; OJ L 119, 4.5.2016; hereinafter referred to as 'Regulation (EU) 2016/679').

(2) When processing personal data referred to in Article 1 of this Act, it is necessary to comply with the relevant security requirements laid down in Regulation (EU) 2016/679 by establishing data processing systems with technical and integrated protection of personal data while respecting the principles of necessity, proportionality, purpose limitation and transparent and proportionate data retention period.

(3) When concluding an agreement on the purchase and sale of a non-performing loan or an agreement on the purchase and sale of another claim, the creditor may transfer to the credit purchaser or the purchaser of another claim only the personal data and data at the creditor's disposal for contacting the borrower, co-borrower and guarantor, where such data are related to the credit agreement or the agreement on another claim.

(4) Credit purchasers, designated servicing entities referred to in Article 12, paragraph (2), sub-paragraph (1), items (a) and (c) of this Act, credit servicers, purchasers of other claims and servicers of other claims shall not be allowed to collect personal data of borrowers other than data related to the credit agreement or the agreement on another claim, except those which are available in public registers and which credit purchasers, designated servicing entities referred to in Article 12, paragraph (2), sub-paragraph (1),

items (a) and (c) of this Act, credit servicers, purchasers of other claims and servicers of other claims may obtain as creditors or interested parties.

PART TWO PURCHASE AND SALE OF NON-PERFORMING LOANS

TITLE I GENERAL PROVISIONS ON TERMS USED IN PART TWO OF THIS ACT AND SCOPE OF APPLICATION

Definitions

Article 9

For the purposes of Part Two of this Act, the following terms shall have the following meaning:

- 1) '*host Member State*' means the Member State of the European Union, other than the home Member State of the European Union, in which the credit servicer has established a branch or performs credit servicing activities and the Member State of the European Union in which the borrower has its domicile or registered office or, if under its national law it has no registered office, the Member State of the European Union in which its head office is situated;
- 2) '*borrower*' means any legal or natural person, including the legal successor of a legal person or the heir of a natural person, who has concluded a credit agreement with a credit institution;
- 3) '*credit service provider*' means a legal person or craftsman, within the meaning of the law governing the content, manner and conditions for carrying out crafts, to whom the credit servicer entrusted the performance of one or more, but not all of the credit servicing activities;
- 4) '*credit institution*' means a credit institution as defined in Article 4, paragraph (1), item (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) 575/2013'), which, within the territory of the Republic of Croatia, means a bank, a savings bank, a housing savings bank or a credit institution referred to in Article 4, paragraph (1), item (1), sub-item (b) of Regulation (EU) 575/2013;
- 5) '*qualifying holding*' means a qualifying holding as defined in Article 4, paragraph (1), item (36) of Regulation (EU) 575/2013;
- 6) '*credit purchaser*' means a natural or legal person, other than a credit institution, who, in the course of its trade, business or profession, purchases a creditor's rights under a non-performing credit agreement in accordance with this Act, and who is not the borrower under that non-performing credit agreement;
- 7) '*home Member State*', in the case of a credit servicer, means the Member State of the European Union in which its registered office is situated or, if under national regulations the credit servicer has no registered office, the Member State of the European Union in which its head office is situated or, in the case of a credit purchaser, the Member State of the European Union in which the credit purchaser or its representative is domiciled or has its registered office or, if under national regulations the credit purchaser has no registered office, the Member State of the European Union in which its head office is situated;

- 8) '*micro, small and medium-sized enterprise*' shall have the meaning as regulated by the law governing the accounting of enterprises;
- 9) '*consumer*' means any natural person who is a party to a credit agreement and is acting on the market for purposes which are outside his trade, business, craft or profession;
- 10) '*professional diligence*' means the standard of special skill and care reasonably expected to be exercised towards borrowers by credit purchasers, credit servicers, credit service providers, purchasers of other claims, servicers of other claims and providers of servicing of other claims, commensurate with fair commercial practices and the principle of good faith in their field of activity;
- 11) '*credit servicer*' means a company under the law governing the establishment, organisation, dissolution and status changes of companies which, in the course of its business, exercises the rights and fulfils the obligations of a credit purchaser as the creditor under a non-performing credit agreement, in its own name or in the name and for the account of the credit purchaser, and performs one or more credit servicing activities;
- 12) '*working day*' means a day other than Saturday, Sunday or a day specified as a non-working day by the law governing holidays, memorial days and non-working days in the Republic of Croatia;
- 13) '*registered office*' means the registered office of a legal person in a Member State of the European Union or a third country or, if the legal person has no registered office, the place in a Member State of the European Union or a third country in which the management of the legal person is located;
- 14) '*third country*' means a country which is not a Member State of the European Union;
- 15) '*credit agreement*' means an agreement, as originally issued, modified or replaced, whereby a credit institution grants a credit in the form of deferred payment, loan or other similar financial accommodation;
- 16) '*agreement on the purchase and sale of a non-performing loan*' means an agreement on the assignment of a claim under a non-performing credit agreement pursuant to which a credit institution undertakes to transfer a claim and ancillary rights under a non-performing credit agreement;
- 17) '*non-performing credit agreement*' means a credit agreement that is classified as a non-performing exposure in accordance with Article 47a of Regulation (EU) 575/2013;
- 18) '*credit servicing agreement*' means a written agreement concluded between a credit purchaser and a credit servicer relating to the services to be performed by the credit servicer on behalf of the credit purchaser;
- 19) '*management and supervisory body*' means the body or bodies of a legal person which are appointed in accordance with the law governing the establishment, organisation, dissolution and status changes of companies and authorised to set the strategy and objectives of the legal person and which oversee and monitor decision-making related to governance, including persons who effectively manage the business operations of the company;
- 20) '*credit servicing activity*' means one or more of the following activities:
- collection and recovery of the borrower's overdue debt, where such collection and recovery imply the exercise of the creditor's rights under a non-performing credit agreement, in accordance with the law;
 - renegotiation of the terms and conditions related to the creditor's rights under a non-performing credit agreement with the borrower in accordance with the credit purchaser's rules and instructions, where the credit servicer is not a credit intermediary

as defined by the law governing consumer credit or the law governing consumer housing loans;

- the administering of protests related to creditor's rights under a non-performing credit agreement;

- informing the borrower about changes in interest rates or charges or any payments due related to the creditor's rights under the non-performing credit agreement;

21) '*creditor*' means a credit institution that granted a credit or a credit purchaser in accordance with this Act.

Co-borrowers and guarantors

Article 10

In addition to the obligations vis-a-vis the borrower imposed on them under this Act, credit purchasers, credit servicers and designated credit servicing entities referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act shall also fulfil all such obligations towards the co-borrower or guarantor of a non-performing credit agreement.

General provision on the application of Part Two of this Act

Article 11

A credit institution shall be permitted to conclude an agreement on the purchase and sale of a non-performing loan only with a credit purchaser referred to in Part Two of this Act and in accordance with the provisions of Part Two of this Act.

Scope of application

Article 12

(1) Part Two of this Act shall apply to the following entities:

- credit purchasers in the part relating to the exercise of a creditor's rights under a non-performing credit agreement granted by a credit institution established in the European Union in accordance with applicable European Union and national law;
- credit servicers acting in the name and on for the account of a credit purchaser to exercise its rights as a creditor under a non-performing credit agreement granted by a credit institution established in the European Union in accordance with applicable European Union and national law.

(2) Part Two of this Act shall not apply to:

- the servicing of a creditor's rights under a credit agreement carried out by:
 - a) a credit institution established in the European Union;
 - b) an alternative investment fund management company authorised in accordance with the law governing the establishment and operation of alternative investment funds and their managers and a management company authorised in accordance with the law governing the establishment and operation of open-end investment funds with a public offering and management companies managing them, on behalf of the fund it manages;
 - c) a legal person who is a creditor within the meaning of the law governing consumer credit and who has been authorised by the Ministry of Finance to provide consumer credit services within the territory of the Republic of Croatia when servicing the creditor's rights under a credit agreement for which it was previously the original creditor, where this legal person is not an institution referred to in item (a) of this subparagraph;
- the servicing of a creditor's rights under a credit agreement which has not been granted by a credit institution established in the European Union, unless the creditor's rights under the credit agreement have been replaced by a credit agreement granted by a credit institution established in the European Union;
- the purchase of a creditor's rights under a non-performing credit agreement where the credit purchaser is a credit institution established in the European Union;
- the servicing of a creditor's rights under a credit agreement performed by notaries or lawyers domiciled or having their registered office in the Republic of Croatia when performing credit servicing activities in the course of their professional activity.

TITLE II

RELATIONS WITH BORROWERS

CHAPTER I

NOTIFICATION SYSTEM AND METHOD OF COMMUNICATION

Notification of the intention to sell a non-performing credit agreement

Article 13

(1) A credit institution shall, at least 30 days before the sale of a non-performing credit agreement, send a notification to the borrower specifying the total balance of the debt as at the date of notification, as well as the structure of the debt and the information on the manner in which the outstanding amount can be paid, announcing its intention to sell the creditor's rights under the non-performing credit agreement and indicating the intended date of sale, which may not be less than 30 days from the date of notification.

(2) The debt structure referred to in paragraph (1) of this Article shall include information on the non-performing credit agreement from which the claim arises (name and number of the agreement, if any, name, surname or firm name, personal identification number (hereinafter referred to as 'OIB'), address or registered office of the parties, date of conclusion of the agreement and other information necessary to identify the non-performing credit agreement), principal amount, maturity date, the period for calculating interest with an indication of the interest rate amount, the basis for and amount of individual cost items, as well as other charges.

(3) By way of derogation from paragraph (1) of this Article, a credit institution under resolution shall not be required to send the notification referred to in paragraph (1) of this Article.

(4) The notification referred to in paragraph (1) of this Article shall be drawn up in intelligible words and in simple form, in the Croatian language and Latin script, and sent to the borrower by means of communication agreed upon between the credit institution and the borrower.

(5) Where the method of communication has not been agreed between the credit institution and the borrower, the credit institution shall send the notification referred to in paragraph (1) of this Article to the borrower using at least one communication channel, in writing or electronically.

Notification of the sale of a non-performing credit agreement

Article 14

(1) After each conclusion of an agreement on the purchase and sale of a non-performing loan, and before the first debt collection, but also whenever requested by the borrower, the credit purchaser shall provide the borrower with a notification containing following information and documentation, using the agreed method of communication between the credit institution and the borrower:

- a) information on the purchase and sale that has been made, including the date of conclusion of the agreement on the purchase and sale of the non-performing loan;
- b) information on the credit servicing agreement concluded and the date of its conclusion;
- c) identification and contact details of the credit purchaser and credit servicer or designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act;
- d) a copy of the credit servicer's authorisation issued in accordance with Article 26 of this Act;

- e) identification and contact details of the credit service provider, if an agreement has been concluded with the credit service provider;
 - f) a prominent contact point at the credit purchaser, designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or the credit servicer and, where relevant, the credit service provider, where the borrower can obtain the necessary information or lodge a protest;
 - g) information on the amount due by the borrower at the time of notification, indicating the total debt balance and the debt structure referred to in Article 13, paragraph (2) of this Act;
 - h) a statement confirming that the entire European Union law and the law of the Republic of Croatia concerning, in particular, the enforcement of contracts, consumer protection, borrower rights and criminal law continue to apply in relation to the transferred agreement on the purchase and sale of a non-performing loan;
 - i) the name, address and contact details of the competent authority in the Republic of Croatia or another Member State of the European Union in which the borrower is domiciled or its registered office is situated to which the borrower may lodge a protest.
- (2) By way of derogation from paragraph (1) of this Article, where a credit purchaser has appointed an entity to provide servicing as referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or has entered into an agreement with a credit servicer, the notification referred to in paragraph (1) of this Article shall be provided to the borrower by the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or by the credit servicer.
- (3) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act and the credit servicer shall specify the contact point referred to in paragraph (1), item (f) of this Article in any communication with the borrower.
- (4) Where a new credit servicer is appointed, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or the new credit servicer shall provide the borrower with a notification including the information referred to in paragraph (1), items (b) to (d) and item (f) of this Article.
- (5) The notification referred to in paragraphs (1) and (4) of this Article shall be drafted in intelligible words and in simple form, in the Croatian language and Latin script and delivered using the method of communication agreed upon between the credit institution and the borrower.
- (6) Where no method of communication has been agreed between the credit institution and the borrower, the persons referred to in paragraphs (1) and (2) of this Article shall deliver the notification referred to in paragraphs (1) and (4) of this Article to the borrower by registered mail or electronically provided that the borrower has previously given consent to the electronic delivery of notifications.

Notification costs and charges

Article 15

- (1) The borrower shall not bear the costs of notification that a credit purchaser, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and a credit servicer are required to deliver to the borrower under this Act or any other charges outside the structure of the borrower's debt.

Communication of credit purchasers and credit servicers with borrowers

Article 16

(1) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer are allowed to communicate with the borrower using the method agreed under a certain credit agreement, including the other agreed form of communication.

(3) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer are allowed to perform the communication referred to in paragraph (1) of this Article exclusively on working days in the period between 8 a.m. and 8 p.m.

(3) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall not contact the borrower more than once during the same month regarding the same non-performing credit agreement, except in the following cases:

- to inform the borrower that they will initiate a forced collection procedure under the non-performing credit agreement;
- to inform the borrower that they are waiving collection under the non-performing credit agreement;
- to contact the borrower regarding a binding offer/settlement offering debt reduction and/or instalment repayment of the debt under the non-performing credit agreement following renegotiation with the borrower regarding the terms related to the creditor's rights under the credit agreement;
- if the borrower gives explicit written consent.

(4) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall not contact the borrower at the borrower's workplace or contact the borrower's employer without the borrower's explicit written consent.

(5) The credit purchaser, the designated servicing entity referred to in Article 12, paragraph (2), sub-paragraph (1), items (a) and (c) of this Act and the servicing provider shall not visit the borrower at his home without the explicit written consent of the borrower.

CHAPTER II

HANDLING OF PROTESTS AND COMPLAINTS

Procedure for handling borrower protests

Article 17

(1) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall enable the borrower to file a written protest free of charge at their business premises, by mail or by electronic mail.

(2) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer may also allow the borrower to file a written protest using other means of communication that allow the time and content of the communication to be recorded on a durable medium.

(3) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall display in a clear, visible and legible manner a notice on the manner of filing the written protest referred to in paragraph (1) of this Article and the procedure for handling borrower protests at their business premises and on their website, if established.

(4) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall acknowledge the receipt of the protest in writing by mail, electronic mail or in the manner set out in paragraph (2) of this Article no later than five working days from the date of receipt of the protest.

(5) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall provide the borrower with a response to any issues raised in the protest no later than 15 days from the date of the receipt of the protest, in writing or, if so agreed between the credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act, the credit servicer and the borrower, on another durable medium, clearly stating whether they accept the merits of the borrower's protest.

(6) By way of derogation from paragraph (5) of this Article, where the credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer are unable to provide a response within the time limit referred to in paragraph (5) of this Article for reasons beyond their control, the credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall provide the borrower with a notice within that time limit setting out the reasons for the delay in responding to the protest and indicate the time limit by which the borrower will receive the final response, which shall not exceed 35 days from the date of the receipt of the protest.

(7) The credit purchaser referred to in Article 25, paragraph (4) of this Act and the credit servicer shall, in response to the protest, refer the borrower to the possibility of submitting a complaint to the Croatian National Bank.

(8) The designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act shall, in the response to the protest, refer the borrower to the possibility of lodging a complaint with the Ministry of Finance and the Financial Inspectorate (hereinafter referred to as 'Financial Inspectorate').

(9) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall develop and apply adequate and effective procedures for handling borrower protests that ensure the recording and processing of protests and make them available to the borrower in the Croatian language and Latin script or in another language and script agreed with the borrower.

(10) The credit purchaser referred to in Article 25, paragraph (4) of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act and the credit servicer shall process the borrower's protest

free of charge and keep a record of all protests lodged and measures taken to deal with each individual protest.

(11) Where a credit servicer from another Member State of the European Union provides credit servicing within the territory of the Republic of Croatia through a branch or a credit service provider operating under the right of establishment, the protest referred to in paragraph (1) of this Article shall be submitted to the branch or the credit service provider and the obligations referred to in paragraphs (3) to (10) of this Article shall apply to the branch or the credit service provider.

(12) The Croatian National Bank shall lay down in subordinate legislation the content of procedures for handling protests submitted by borrowers to entities subject to supervision by the Croatian National Bank referred to in Article 41, paragraph (1) of this Act that ensure the recording and processing of protests.

(13) The minister competent for finance shall lay down rules governing the content of the procedures for handling protests submitted by borrowers to designated servicing entities referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act.

Complaint to the Croatian National Bank and the Financial Inspectorate

Article 18

(1) A borrower may lodge a complaint with the Croatian National Bank against a credit purchaser or its representative designated in accordance with Article 23 of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer and a credit service provider if the borrower considers that they are acting contrary to the provisions of this Act.

(2) Upon the receipt of a complaint, the Croatian National Bank shall invite the credit purchaser or its representative designated in accordance with Article 23 of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, the credit servicer and the credit service provider concerned by the complaint to submit their comments and the evidence on which they rely, unless it follows from the complaint itself and the information known to the Croatian National Bank that the complaint is unfounded.

(3) The credit purchaser or its representative designated in accordance with Article 23 of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, the credit servicer and the credit service provider shall, within the time limit set by the Croatian National Bank, which may not exceed ten days from the date of receipt of the invitation, submit to the Croatian National Bank their comments and the evidence on which they rely.

(4) If, following a complaint, the Croatian National Bank establishes that there are reasonable grounds to suspect that the credit purchaser or its representative designated in accordance with Article 23 of this Act, the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, the credit servicer and the credit service provider have acted contrary to the provisions of this Act, it shall act pursuant to the law governing misdemeanour proceedings.

(5) Upon completed inspection, the Croatian National Bank shall notify the complainant of its findings and of the measures taken within 30 days of the date of the completion of inspection, or, in the case of need to impose measures, 30 days from the date the relevant decision is adopted.

(6) The provisions of this Article shall also apply to complaints against branches of credit servicers performing credit servicing activities in the Republic of Croatia under the right of establishment.

(7) If the Croatian National Bank receives a complaint against a credit servicer established in another Member State of the European Union which provides credit servicing in the Republic of Croatia directly or through a branch, it shall forward such a complaint to the competent authority of the home Member State.

(8) The provisions of this Article shall apply *mutatis mutandis* to the submission of complaints to the Financial Inspectorate against the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act if the borrower considers that it is acting contrary to the provisions of this Act.

TITLE III CREDIT PURCHASERS

Right to information under a credit agreement

Article 19

(1) A credit institution with a registered office in the Republic of Croatia shall provide a prospective credit purchaser with the necessary information on the creditor's rights under the non-performing credit agreement and, where agreed, on the collateral, in order to enable the prospective credit purchaser to carry out its own assessment of the value of the creditor's rights under the non-performing credit agreement and of the likelihood of recovering the value of that agreement before entering into an agreement on the purchase and sale of a non-performing loan.

(2) A prospective purchaser of a non-performing loan shall treat the data referred to in paragraph (1) of this Article in accordance with the provisions on banking secrecy and confidential information laid down in the law governing the operation of credit institutions.

(3) The credit institution shall provide the data referred to in paragraph (1) of this Article on templates that comply with implementing technical standards adopted by the European Commission in accordance with Article 15 of Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC.

(4) The credit institution shall also use the templates referred to in paragraph (3) of this Article for the exchange of information when transferring a non-performing credit agreement to another credit institution.

Obligations of the credit purchaser

Article 20

(1) A credit purchaser having its registered office in the Republic of Croatia shall, at the latest on the date of conclusion of the agreement on the purchase and sale of a non-performing loan, appoint a servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or a credit servicer with a registered office in the European Union to perform credit servicing under a non-performing credit agreement concluded with the consumer.

(2) By way of derogation from paragraph (1) of this Article, the obligation shall not apply to credit purchasers referred to in Article 25, paragraph (3) of this Act.

(3) Where a credit purchaser does not have a registered office in the European Union, its representative designated in accordance with Article 23 of this Act shall appoint one of the persons referred to in paragraph (1) of this Article, unless the representative itself is an entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, to perform credit servicing activities under a non-performing credit agreement concluded:

- with a natural person, including consumers and self-employed persons;
- with a micro, small and medium-sized enterprise.

(4) A credit purchaser shall not be subject to additional requirements when concluding an agreement on the purchase and sale of a non-performing loan other than those

prescribed by the provisions of this Act, law governing consumer protection, law governing civil obligations, law governing ownership and other rights in rem and criminal law.

(5) The law of the European Union and the law of the Republic of Croatia shall continue to apply to the credit purchaser after the conclusion of the agreement on the purchase and sale of a non-performing loan, in particular the law governing agreement enforcement, consumer protection, borrower rights, credit granting, banking secrecy rules, criminal law and personal data protection.

(6) The conclusion of an agreement on the purchase and sale of a non-performing loan shall not affect the level of protection of consumers and other borrowers prescribed by the law of the European Union and the law of the Republic of Croatia and the law governing consumer bankruptcy or the law governing borrower bankruptcy, without prejudice to national and international rules on promissory notes and bills of exchange.

(7) The provisions of this Act shall not affect the powers in respect of credit registers, including the power to require credit purchasers to provide information on a creditor's rights under a credit agreement and on its performance.

(8) The credit servicer or the designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act shall fulfil, in the name and for the account of the credit purchaser, the obligations of the credit purchaser towards the borrower set out in the provisions of Part Two of this Act.

(9) Where a credit purchaser or its representative designated in accordance with Article 23 of this Act has not appointed a credit servicer or a servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, the credit purchaser or its representative designated in accordance with Article 23 of this Act shall remain subject to the obligations referred to in paragraph (8) of this Article.

Engagement of credit servicers or other entities

Article 21

(1) Where a credit purchaser or its representative designated in accordance with Article 23 of this Act appoints an entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or a credit servicer to perform credit servicing activities in relation to an agreement on the purchase and sale of a non-performing loan within the territory of the Republic of Croatia, it shall notify the Croatian National Bank of the identity and address of the entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or of the credit servicer at the latest by the date on which the performance of credit servicing activities commences.

(2) Where a credit purchaser or its representative designated in accordance with Article 23 of this Act appoints an entity other than the one notified in accordance with paragraph (1) of this Article, it shall notify the Croatian National Bank thereof at the latest on the date of that change and provide the identity and address of the new entity it appointed to perform credit servicing activities in relation to the agreement on the purchase and sale of a non-performing loan.

(3) If the new credit servicer does not have its registered office in the Republic of Croatia, the Croatian National Bank shall, without delay, communicate the information received in accordance with this Article to the competent authority of the borrower's host Member State, to the competent authority of the European Union Member State where the credit

was granted and to the competent authority of the home Member State of the new credit servicer.

Contractual relationship between a credit servicer and a credit purchaser

Article 22

(1) Credit purchasers who do not perform credit servicing activities themselves shall conclude a credit servicing agreement with a designated credit servicer authorised to provide its services within the territory of the Republic of Croatia.

(2) The credit purchaser and the credit servicer shall agree on the following in the credit servicing agreement referred to in paragraph (1) of this Article:

- a) a detailed description of the credit servicing activities to be performed by the credit servicer;
- b) the amount of the credit servicer's remuneration for providing credit servicing or how that remuneration is to be calculated;
- c) cases in which the credit servicer may represent the credit purchaser in relation to the borrower;
- d) the obligation of the credit purchaser and the credit servicer to perform their obligations in accordance with the law of the European Union and the law of the Republic of Croatia applicable to the creditor's rights under a non-performing credit agreement, consumer protection and personal data protection;
- e) the obligation to treat the borrower fairly and diligently in accordance with the provisions of this Act; and
- f) the credit servicer's obligation to inform the credit purchaser of the credit service provider before entrusting the credit service provider with the performance of a particular credit servicing activity.

(3) A credit servicer shall keep and maintain the following records for five years from the date of termination, cancellation or expiry of the credit servicing agreement referred to in paragraph (1) of this Article:

- all correspondence with the credit purchaser and the borrower, where the personal data held must be adequate, relevant and limited to what is necessary in relation to the purpose for which they are held;
- instructions from the credit purchaser in respect of the creditor's rights under each non-performing credit agreement for which it performs credit servicing activities; and
- the credit servicing agreement.

(4) A credit servicer shall make the documentation referred to in paragraph (3) of this Article available to the Croatian National Bank when so requested by the Croatian National Bank.

Representative of a third-country credit purchaser

Article 23

(1) A credit institution with a registered office in the Republic of Croatia may not conclude an agreement on the purchase and sale of a non-performing loan with a credit purchaser that is not domiciled or does not have a registered office in the European Union unless that credit purchaser designated a representative with a registered office in the European Union in writing.

(2) Where the Croatian National Bank exercises supervision in accordance with the provisions of this Act or otherwise takes action for the purpose of acting in accordance with the powers referred to in Part Two of this Act, it may, in addition to the credit purchaser, contact the representative designated in accordance with paragraph (1) of this Article or contact that representative only.

(3) The representative designated in accordance with paragraph (1) of this Article shall be responsible for fulfilling the obligations under this Act laying down the obligations of the credit purchaser.

Notification to the Croatian National Bank

Article 24

(1) A credit purchaser with a registered office in the Republic of Croatia or a representative of the credit purchaser designated in accordance with Article 23 of this Act, with a registered office in the Republic of Croatia, who concluded an agreement on the purchase and sale of a non-performing loan in the territory of the Republic of Croatia shall notify the Croatian National Bank by the end of June and by the end of December of the OIB of the legal entity of the new credit purchaser or its representative designated in accordance with Article 23 of this Act.

(2) Where the new credit purchaser or its representative designated in accordance with Article 23 of this Act does not have an OIB, the credit purchaser or its representative designated in accordance with Article 23 of this Act shall submit the following data to the Croatian National Bank:

- firm name and address or name, surname, address and, if any, OIB of the new credit purchaser or its representative designated in accordance with Article 23 of this Act;
- in the case of a legal person, name, surname and, if any, OIB of the members of the management and/or supervisory body of the new credit purchaser or its representative designated in accordance with Article 23 of this Act; and
- name, surname and, if any, OIB of the persons who are holders of qualifying holdings in the new credit purchaser or its representative designated in accordance with Article 23 of this Act, and, if there is no holder of a qualifying holding, name, surname and, if any, OIB of the persons who are the ten largest shareholders or holders of holdings.

(3) In addition to the data referred to in paragraph (1) or (2) of this Article, a credit purchaser or its representative designated in accordance with Article 23 of this Act shall submit the following information to the Croatian National Bank:

- the total outstanding amount under the non-performing credit agreement;
- all the rights belonging to the creditor under the non-performing credit agreement and the number of non-performing credit agreements transferred; and
- information on whether the sale of the creditor's rights under the non-performing credit agreements concluded with consumers includes lien securing the credit agreements.

(4) By way of derogation from paragraph (1) of this Article, a credit purchaser or its representative designated in accordance with Article 23 of this Act shall provide the information referred to in this Article whenever so requested by the Croatian National Bank, in particular where the provision of such information is requested to better monitor a large number of credit agreement purchase and sale transactions that may occur during a crisis period.

(5) The Croatian National Bank shall, without delay, provide the competent authority of the borrower's host Member State or the competent authority of the home Member State of the new credit purchaser with the information referred to in paragraphs (2) and (3) of this Article and any other information it deems necessary for the exercise of the powers of those authorities, as well as any other information requested by the competent authority that may be necessary for the exercise of its powers.

TITLE IV AUTHORISATION OF CREDIT SERVICERS

CHAPTER I CONDITIONS FOR PERFORMING CREDIT SERVICING ACTIVITIES

General requirements Article 25

(1) An applicant with a registered office in the Republic of Croatia may perform credit servicing activities if the applicant obtained authorisation to provide its services as a credit servicer (hereinafter referred to as 'authorisation') from the Croatian National Bank.

(2) In addition to performing credit servicing activities, a credit servicer may perform any other activity provided that the exercise of that activity does not impair the ability of the credit servicer to comply with the provisions of this Act.

(3) A credit purchaser who is a legal person may, as a creditor, perform the servicing of a credit under a non-performing credit agreement concluded with a consumer if the credit purchaser obtained authorisation from the Croatian National Bank.

(4) By way of derogation from paragraph (1) of this Article, a credit purchaser who is a legal person and, as a creditor, performs the servicing of a credit under a non-performing credit agreement concluded with a legal person does not have to obtain authorisation from the Croatian National Bank.

(5) A designated entity for the provision of servicing referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act may provide credit servicing if it obtained authorisation for performing credit servicing activities in relation to non-performing credit agreements where it is not or was not the original creditor.

(6) A credit purchaser who is a natural person who, in the course of his trade, business or profession, purchases a creditor's rights under a non-performing credit agreement may not perform credit servicing activities as a creditor himself, but shall designate an entity to provide the servicing referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or a credit servicer in accordance with the provisions of this Act.

Conditions for authorisation Article 26

(1) An applicant shall be granted authorisation if the applicant meets all of the following conditions:

- the applicant is a legal person with a registered office in the Republic of Croatia;
- members of the applicant's management and supervisory body are of good repute;

- members of the applicant's management and supervisory body collectively have the adequate knowledge and experience to independently and autonomously direct and supervise the activities of the credit servicer, in particular to understand the credit servicer's activities and material risks;
- the holder of a qualifying holding in the applicant or, if there are no holders of a qualifying holding, the ten largest shareholders or holders of a holding in the applicant are of good repute;
- the applicant has put in place effective and sound governance arrangements and adequate internal control mechanisms, including risk management and accounting procedures which ensure compliance with the borrowers' rights under credit agreements and the protection of personal data in accordance with the regulations governing the protection of personal data;
- the applicant has an adequate policy to ensure compliance with the law that protects the borrowers' rights and the fair and diligent treatment of borrowers, including by considering their financial situation and, if necessary, referring borrowers to debt advice or social services;
- the applicant established procedures in accordance with this Act that ensure the recording and handling of borrower protests;
- if the applicant is subject to the law governing the prevention of money laundering and terrorist financing, it has appropriate procedures in place for the prevention of money laundering and terrorist financing; and
- the applicant meets the requirements for reporting and public disclosure in accordance with the law governing the accounting of enterprises.

(2) When assessing the good repute referred to in paragraph (1), subparagraphs (2) and (4) of this Article, the Croatian National Bank shall take into account the following circumstances:

1) whether the person has been convicted by a judgement with final force and effect or whether criminal proceedings have been initiated against the person or have commenced for any of the following criminal offences:

a) criminal offences against life and limb (Title X), criminal offences against values protected under international law (Title XIII), criminal offences against sexual freedom and sexual morality (Title XIV), criminal offences against property (Title XVII), with the exception of violations of copyrights or of the rights of performing artists (Article 229), illicit use of an author's work or an artistic performance (Article 230), violations of the rights of producers of audio or video recordings and the rights related to radio broadcasting (Article 231), and violations of patent rights (Article 232), criminal offences against the payment system and the security of its operations (Title XXI), criminal offences against the authenticity of documents (Title XXIII), criminal offences against official duty (Title XXV), with the exception of failures to execute orders (Article 340) and violations of a duty to guard the state border (Article 341), under the Criminal Code (Official Gazette 110/97, 27/98, 50/00, 129/00, 51/01, 111/03, 190/03, 105/04, 84/05, 71/06, 110/07, 152/08 and 57/11);

b) a criminal offence of unauthorised use and disclosure of privileged information, a criminal offence of price manipulation and spreading of false information, a criminal offence of presentation of false data in the prospectus and its unauthorised distribution, a criminal offence of unauthorised listing of securities, a criminal offence of concealment of ownership and of illicit trade in securities under the Securities Markets Act (Official Gazette 84/02 and 138/06);

c) a criminal offence of use, disclosure and divulging of privileged information, a criminal offence of market manipulation, a criminal offence of unauthorised provision of investment services and a criminal offence of unauthorised performance of activities of tied agents under the Act on Criminal Offences Against the Capital Market (Official Gazette 152/08);

d) criminal offences against humanity and human dignity (Title IX), criminal offences against life and limb (Title X), criminal offence of violation of equality (Article 125), criminal offences against labour relations and social insurance (Title XII), criminal offence of unlawful deprivation of liberty (Article 136), criminal offence of kidnapping (Article 137), criminal offence of misuse of sexually explicit images or videos (Article 144a), criminal offences against sexual freedom (Title XVI), criminal offences against sexual abuse and exploitation of children (Title XVII), criminal offence of unauthorised manufacture and trafficking of drugs (Article 190) and criminal offence of enabling the use of drugs (Article 191), criminal offence of destruction or damage to public devices (Article 216), criminal offence of destruction, damage or misuse of warning signs (Article 218), criminal offence of misuse of radioactive substances (Article 219), criminal offence of handling of generally dangerous substances (Article 220), criminal offence of attack on an aircraft, vessel or immovable platform (Article 223), criminal offence of endangering traffic by a dangerous act or dangerous means (Article 224), criminal offences against property (Title XXIII), criminal offences against the economy (Title XXIV), criminal offence of computer-related forgery (Article 270), criminal offence of computer-related fraud (Article 271), criminal offences of forgery (Title XXVI) and criminal offences against official duty (Title XXVIII), criminal offence of assisting the perpetrator following the commission of a criminal offence (Article 303), criminal offence of unlawful entry, movement and residence in the Republic of Croatia, another Member State of the European Union or a signatory of the Schengen Agreement (Article 326), criminal offence of a criminal association (Article 328), the criminal offence of committing a criminal offence within the composition of criminal association (Article 329), criminal offence of unlawful possession, making and procurement of weapons and explosive devices (Article 331), criminal offence of producing, procuring, possessing or dealing in instruments for misuse of cashless means of payment (Article 331a), criminal offences against a foreign state or an international organisation (Title XXXIII) under the Criminal Code (Official Gazette 125/11, 144/12, 56/15, 61/15, 101/17, 118/18, 126/19, 84/21 and 114/22).

e) criminal offences under law governing the establishment, organisation, dissolution and status changes of companies;

f) criminal offences under law governing investment funds; or

g) criminal offences under law governing accounting;

2) whether a person's good reputation has been damaged due to the commission of a large number of misdemeanours or violations of the law that do not individually impinge on good reputation;

3) whether the person's past business dealings with competent authorities point to fair, transparent and cooperative conduct;

4) whether the person has or had significant holdings or whether the person performed a function in the management or supervisory body or any other managerial function before pre-bankruptcy settlement proceedings against the company have been carried out, bankruptcy proceedings initiated, a decision on winding-up rendered, extraordinary administration proceedings initiated or the company's authorisation or approval issued

by a competent authority revoked, taking into account the person's influence on the occurrence of said events.

Application for authorisation

Article 27

(1) An application for authorisation shall contain the following information:

- a) firm name and address of the legal person's registered office, entity registration number and OIB;
- b) name and surname of the contact person of the applicant;
- c) a copy of the Articles of Association, deed of establishment or a copy of the applicant's memorandum;
- d) name, surname and OIB of the members of the applicant's management and supervisory body and evidence that they are of good repute and possess adequate knowledge and experience referred to in Article 26, paragraph (1), sub-paragraph (3) of this Act;
- e) name, surname and OIB of the persons who are holders of a qualifying holding in the applicant or, in case there is no holder of a qualifying holding, name, surname and OIB of the persons who are the ten largest shareholders or holders of a holding in the applicant, together with the amount of their holdings and evidence that they are of good repute;
- f) information on whether the members of the management and supervisory body and the holders of a qualifying holding in the applicant or, in case there are no holders of a qualifying holding, the persons who are the ten largest shareholders or holders of a holding in the applicant have been convicted by a judgement with final force and effect for any of the criminal offences or for any of the offences referred to in Article 26 of this Act, and, if so, for which criminal offences and which misdemeanours and information on when the judgement became final, as well as a certificate proving that no investigation and no criminal proceedings have been initiated against these persons in respect of the criminal offences referred to in Article 26 of this Act;
- g) a description of the governance arrangements referred to in Article 26, paragraph (1), sub-paragraph (5) of this Act proving that the governance arrangements, internal control mechanisms and procedures referred to are proportionate, adequate, sound and sufficient;
- h) the policy referred to in Article 26, paragraph (1), sub-paragraph (6) of this Act;
- i) a description of internal procedures ensuring the recording and handling of borrower protests referred to in Article 26, paragraph (1), sub-paragraph (7) of this Act;
- j) the agreement with the credit service provider referred to in Article 33 of this Act, if such an agreement has been concluded;
- k) the applicant's consent that, for the purposes of the authorisation procedure and exercise of supervision under the provisions of this Act, it permits the inspection and acquisition of data from official records relating to the compliance with the conditions for the performance of credit servicing activities in accordance with the provisions of this Act;
- l) if, in accordance with Article 32 of this Act, it intends to carry out the activities of receiving and holding borrower funds, evidence of having opened a separate account with a credit institution for the payment of funds by borrowers, where such funds will be

held until they are directed to the credit purchaser under the conditions agreed with the credit purchaser.

(2) The Croatian National Bank shall obtain the data on convictions with final force and effect for criminal offences and misdemeanours in the Republic of Croatia as evidence of the good repute of persons referred to in paragraph (1), items (d) and (e) of this Article from the criminal or misdemeanour records on the basis of a reasoned request, and for criminal offences and misdemeanours in the territory of the European Union, from the European Criminal Records Information System in accordance with the law governing the legal consequences of convictions, criminal records and rehabilitation.

(3) The data referred to in paragraph (1), item (f) of this Article for the persons referred to in paragraph (1), items (d) and (e) of this Article regarding convictions with final force and effect for criminal offences and misdemeanours in other countries which correspond, in their substance, to those referred to in Article 26, paragraph (2), subparagraph (1) of this Act shall be the data from the criminal or misdemeanour records of the competent authority of the relevant country or, if such data cannot be obtained under the laws of that country, a statement by the natural person to whom the data relate, not older than 90 days.

(4) In addition to the information and documentation referred to in paragraph (1) of this Article, the applicant shall submit any information that the Croatian National Bank may request for the purpose of explanation, where the Croatian National Bank deems such information necessary to decide on the granting of authorisation.

(5) During the application procedure, the applicant shall notify the Croatian National Bank of any changes in the information and documentation submitted pursuant to paragraphs (1) and (4) of this Article no later than within seven days of the change occurring.

(6) When submitting an application, the applicant shall pay an application processing fee to the Croatian National Bank.

(7) The credit servicer shall ensure that members of the management and supervisory body meet the conditions for membership in those bodies at all times.

(8) The credit servicer shall adopt an adequate policy for selection and assessment of whether the conditions for members of the credit servicer's management and supervisory body have been met individually as well as collectively.

(9) A credit servicer shall adopt and comply with the following policies or procedures:

- those governing an adequate policy for selection and assessment of whether the conditions for members of the credit servicer's management and supervisory body have been met individually as well as collectively;
- those governing effective and sound governance arrangements and adequate internal control mechanisms, including risk management and accounting procedures, to ensure compliance with borrowers' rights under credit agreements and the protection of personal data in accordance with the regulations governing the protection of personal data;
- those ensuring compliance with laws protecting the rights of borrowers and fair and diligent treatment of borrowers, including consideration for their financial situation and, if necessary, referral of borrowers to debt advice or social services;
- those providing adequate procedures for the prevention of money laundering and terrorist financing if the applicant is subject to the law on the prevention of money laundering and terrorist financing.

- (10) The Croatian National Bank shall adopt subordinate legislation to further regulate:
- the conditions referred to in Article 26, paragraph (1) of this Act that the applicant must meet to obtain authorisation, including the requirements that a credit servicer is required to assess when deciding on the suitability of members of the management and supervisory body;
 - the content of the policy referred to in paragraph (8) of this Article and the dynamics of the assessment of whether members of the management and supervisory body meet the necessary requirements;
 - documentation to be enclosed with the application for authorisation;
 - the amount of the fee for issuing authorisation; and
 - the time limit for the storage of personal data referred to in this Article.
- (11) The provisions of this Article shall apply *mutatis mutandis* to an application submitted by a company being established.

Time limit for deciding on an application for authorisation

Article 28

- (1) The Croatian National Bank shall, within 45 days of the receipt of an application for authorisation, verify whether the application is complete.
- (2) An application for authorisation shall be considered complete once the applicant submits all the information and documents referred to in Article 27, paragraph (1) of this Act and in the subordinate legislation adopted under Article 27, paragraph (10) of this Act.
- (3) The Croatian National Bank shall, within 90 days of the receipt of a complete application for authorisation or, if the application for authorisation is considered incomplete, of the receipt of required information, adopt a decision authorising the applicant for authorisation to perform credit servicing activities and enter the applicant in the register referred to in Article 40 of this Act if, on the basis of the application for authorisation, submitted documentation and information referred to in Article 27 of this Act and the information at its disposal, it assesses that all the conditions referred to in Article 26 of this Act have been met.

Refusal of an application for authorisation

Article 29

The Croatian National Bank shall issue a decision refusing authorisation if the applicant for authorisation does not meet the conditions referred to in Article 26 of this Act.

Reasons for revocation of authorisation and lapsing of authorisation

Article 30

- (1) The Croatian National Bank shall revoke authorisation by means of a decision:
- a) where the credit servicer fails to commence with at least one of the servicing activities for which it obtained authorisation within 12 months from the date the authorisation was delivered;

b) where a credit servicer explicitly, clearly and unequivocally notifies the Croatian National Bank that it no longer intends to perform the credit servicing activities for which it obtained authorisation;

c) where a credit servicer ceases to perform all credit servicing activities for which it obtained authorisation for a continuous period exceeding 12 months; or

d) where, in the event of a renewed procedure, it is established that the authorisation was granted on the basis of false or inaccurate information or statements relevant for the adoption of that decision.

(2) The Croatian National Bank may revoke authorisation:

a) where the credit servicer in any way prevents the exercise of supervision over its operation;

b) where the credit servicer fails to implement supervisory measures imposed by the Croatian National Bank;

c) where the credit servicer fails to notify the Croatian National Bank of material changes in the conditions based on which authorisation was granted;

d) where the credit servicer no longer meets the conditions based on which it was granted authorisation; or

e) where during inspection it establishes a serious breach of applicable regulations, including the provisions of this Act, bylaws adopted under this Act, other consumer protection laws or applicable law of the host Member State or of the Member State of the European Union where the credit was granted.

(3) Authorisation shall lapse:

– on the day the decision on the dissolution of the company performing credit servicing is made;

– on the day bankruptcy proceedings are initiated in respect of the credit servicer.

(4) The credit servicer shall notify the credit purchaser with whom it concluded the agreement referred to in Article 22 of this Act of its intention to reach the decision referred to in paragraph (3), subparagraph (1) of this Article no later than 15 days before the decision is taken.

(5) The credit servicer shall, at the latest within three days of becoming aware of a submitted request to open bankruptcy proceedings, notify the credit purchaser with whom it concluded the agreement referred to in Article 22 of this Act thereof, and where the servicer has itself submitted a request to open bankruptcy proceedings, it shall notify the credit purchaser with whom it concluded the agreement referred to in Article 22 of this Act no later than within three days from the date of submission of that request.

Decision to revoke authorisation

Article 31

- (1) The Croatian National Bank shall deliver to the credit servicer a decision to revoke the authorisation without delay and no later than within 30 days from the date of adoption of the decision.
- (2) The Croatian National Bank shall notify the credit purchaser with whom the credit servicer concluded an agreement and who was appointed credit servicer by the credit purchaser of the adoption of the decision referred to in paragraph (1) of this Article.
- (3) Where a credit servicer provided a service in accordance with Article 34 of this Act, the Croatian National Bank shall notify the competent authority of the host Member State and the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia, of the adoption of a decision revoking authorisation without delay and no later than five working days from the date of adoption.
- (4) Where authorisation is revoked, the credit servicer shall cease to perform credit servicing activities immediately upon the receipt of the decision referred to in paragraph (1) of this Article.

Receiving and holding borrower funds

Article 32

- (1) When performing credit servicing activities, a credit servicer shall be allowed to receive and hold borrower funds for the purpose of transferring those funds to a credit purchaser.
- (2) A credit servicer shall open a separate account with a credit institution to be used exclusively for payment made by the borrower to settle a debt under a non-performing credit agreement, and the payment from that account may be made only to the account of the credit purchaser on the terms agreed between the credit servicer and the credit purchaser.
- (3) The funds referred to in paragraph (2) of this Article shall not constitute the assets of the credit servicer and shall not enter its liquidation or bankruptcy estate, nor shall they be subject to foreclosure in order to collect a claim against the credit servicer.
- (4) A payment made in whole or in part to a credit servicer by a borrower to settle a debt under a credit agreement shall be considered settlement of the borrower's debt to the credit purchaser.
- (5) A credit servicer shall send a confirmation of the amount received to the borrower on paper or using other means of communication that allow the time and content of communication to be recorded on a durable medium whenever the credit servicer receives funds from the borrower, or, at each individual written request of the borrower, a list of the borrower's payments per individual debt account, which shall include the date and the amount of the payment.
- (6) If the credit servicer does not intend to receive and hold borrower funds while performing credit servicing activities, the credit servicer shall include this information in the application for authorisation, in which case the provision referred to in Article 27, paragraph (1), item (l) of this Act shall not apply.

Outsourcing a credit servicing service to a credit service provider

Article 33

(1) Where a credit servicer entrusts the provision of a particular servicing activity to a credit service provider, it shall conclude a written agreement on the outsourcing of a particular credit servicing activity with the credit service provider.

(2) By the agreement referred to in paragraph (1) of this Article, the credit servicer shall not transfer the responsibility for compliance with this Act, the subordinate legislation adopted under this Act and other applicable legislation to the credit service provider, but shall remain responsible for the credit service provider's compliance with this Act, the subordinate legislation adopted under this Act and other applicable legislation.

(3) A credit servicer may entrust the performance of a particular credit servicing activity to a credit service provider only if, by means of the agreement referred to in paragraph (1) of this Article:

a) it agrees that the credit service provider is obliged to act in accordance with the provisions of this Act, the subordinate legislation adopted under this Act and other applicable legislation;

b) it does not entrust the credit service provider with the performance of all credit servicing activities;

c) it does not change the contractual relationship it entered into with the credit purchaser or the obligations it has towards the credit purchaser or borrower as a credit servicer;

d) the outsourcing of a credit servicing activity does not affect its obligation to comply, on an ongoing basis, with all the conditions for authorisation referred to in Article 26 of this Act;

e) the Croatian National Bank is not thereby prevented from exercising supervision of the credit servicer in accordance with this Act;

f) the credit servicer is allowed direct access to all information about the outsourced credit servicing activities performed by the credit service provider at all times.

(4) A credit servicer shall ensure that, in the event of termination or upon the expiry of an agreement on the outsourcing of the performance of credit servicing activities, it has the professional knowledge and resources to be able to independently perform credit servicing activities that it entrusted with the credit service provider under the agreement.

(5) The credit servicer shall ensure that the outsourcing of credit servicing activities is not carried out in a manner that impairs the quality of the credit servicer's internal controls, reliability or the continuity of its credit services.

(6) A credit servicer shall, prior to outsourcing its credit servicing activities in accordance with paragraph (1) of this Article, notify the Croatian National Bank and, where applicable, the competent authority of the host Member State of its intention to do so.

(7) The credit servicer shall keep and maintain documentation on the instructions provided to the credit service provider in accordance with the conditions laid down by applicable law in the Republic of Croatia as well as the agreement referred to in paragraph (1) of this Article for at least five years from the date of termination or expiry of that agreement.

(8) The credit servicer and the credit service provider shall make the documentation and information referred to in paragraph (7) of this Article available to the Croatian National Bank whenever the Croatian National Bank requests so.

(9) A credit servicer shall not delegate the power to receive and hold funds from borrowers to a credit service provider.

CHAPTER II

CROSS-BORDER PERFORMANCE OF CREDIT SERVICING ACTIVITIES

Modalities of cross-border provision of services

Article 34

(1) A credit servicer authorised by the Croatian National Bank may perform credit servicing activities for which it was granted authorisation within the territory of another Member State of the European Union.

(2) A credit servicer from another Member State of the European Union may, under the conditions laid down in this Act, perform credit servicing activities for which it was granted authorisation in its home Member State in the territory of the Republic of Croatia.

(3) A credit servicer referred to in paragraph (1) of this Article may perform credit servicing activities in another Member State of the European Union, subject to the limitations and requirements laid down in the laws of the other Member State of the European Union which transpose Directive (EU) 2021/2167, including, where applicable, a prohibition against receiving and holding borrower funds, where these requirements are not related to other requirements under the authorisation of the credit servicer or to those established to renegotiate the terms and conditions relating to the creditor's rights under a non-performing credit agreement.

Performance of credit servicing activities in another Member State of the European Union by credit servicers from the Republic of Croatia

Article 35

(1) A credit servicer authorised by the Croatian National Bank that intends to perform credit servicing activities within the territory of another Member State of the European Union shall notify the Croatian National Bank thereof in advance.

(2) The notification referred to in paragraph (1) of this Article shall contain:

- the name and address of the credit servicer;
- the host Member State where the credit servicer intends to provide the credit servicing service and, if such information is already known to the credit servicer, the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia;
- a list of credit servicing activities it intends to provide in the host Member State;
- address of the branch of the credit servicer established in the host Member State, where the services are provided through a branch;
- the name and address of the credit service provider in the host Member State, where the services are provided through a credit service provider;
- names, surnames and personal identification numbers of the responsible persons of the credit servicer in the host Member State;
- details on the measures taken to adjust the credit servicer's internal procedures, governance arrangements and internal control mechanisms to ensure compliance with

the laws applicable to the creditor's rights under the credit agreement, where adjustment is necessary;

- information on whether the credit servicer has adequate means of communication in the language of the host Member State or in the language in which the credit agreement was concluded;

- information on whether the credit servicer is authorised to receive and hold funds from borrowers.

(3) The Croatian National Bank shall communicate the information on the intention to perform cross-border credit servicing activities contained in the notification referred to in paragraph (1) of this Article to the competent authority of the host Member State within 45 days from the date of the receipt of complete and accurate information and shall notify the credit servicer of the date on which the information was communicated within seven days from that date.

(4) The Croatian National Bank shall request from the competent authority of the host Member State to which it communicated the information referred to in paragraph (3) of this Article to provide a written acknowledgement of the receipt of that information and notify the credit servicer of the date of the receipt of that acknowledgement within seven days of the receipt.

(5) The Croatian National Bank shall also communicate the information on the intention to provide cross-border credit servicing contained in the notification referred to in paragraph (1) of this Article to the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia.

(6) A credit servicer may start performing credit servicing activities in a host Member State from the earlier of the following:

- upon the receipt of the notification referred to in paragraph (4) of this Article acknowledging the receipt of the communication by the competent authority of the host Member State; or

- in the absence of the receipt of communication from the competent authority of the host Member State, after the expiry of two months from the date of submission of all information referred to in paragraph (2) to the competent authority of the host Member State.

(7) A credit servicer shall notify the Croatian National Bank of any subsequent change to the information referred to in paragraph (2) of this Article, in which case the Croatian National Bank as the competent authority shall carry out the procedure referred to in paragraphs (3) to (6) of this Article.

(8) The Croatian National Bank shall regulate the manner of communicating notifications of cross-border operations in subordinate legislation.

Performance of credit servicing activities in the territory of the Republic of Croatia by a credit servicer from another Member State of the European Union

Article 36

(1) Where a credit servicer from another Member State of the European Union intends to perform credit servicing activities within the territory of the Republic of Croatia and the competent authority of the home Member State notified the Croatian National Bank thereof with information corresponding in content to the information referred to in

Article 35, paragraph (2) of this Act, the Croatian National Bank shall, without delay, send a written acknowledgement of the receipt of the information to that competent authority.

(2) The Croatian National Bank shall also act in accordance with paragraph (1) of this Article when it is notified by the competent authority of the home Member State of changes in information with respect to a credit servicer from another Member State of the European Union that performs cross-border credit servicing activities within the territory of the Republic of Croatia.

(3) A credit servicer from another Member State of the European Union may start performing credit servicing activities within the territory of the Republic of Croatia from the earlier of the following:

- upon the receipt of the notification referred to in paragraph (1) of this Article from the competent authority of the home Member State acknowledging the receipt of the written acknowledgement by the Croatian National Bank;

- in the absence of the receipt of the notification of the written acknowledgement of the Croatian National Bank referred to in paragraph (1) of this Article, after the expiry of two months from the date the competent authority of the home Member State sent the notification referred to in paragraph (1) of this Article to the Croatian National Bank.

(4) A credit servicer from another Member State of the European Union may perform credit servicing activities in the Republic of Croatia subject to the limitations and requirements laid down in this Act, which are not related to other requirements under the authorisation of the credit servicer, including, where applicable, a prohibition against receiving and holding borrower funds, or to those established to renegotiate the terms and conditions relating to the creditor's rights under a non-performing credit agreement.

CHAPTER III

COOPERATION OF COMPETENT AUTHORITIES IN THE SUPERVISION OF CROSS-BORDER PROVISION OF SERVICES

Cooperation in the exercise of supervision over credit servicers performing credit servicing activities in the host Member State or the Member State of the European Union where the credit was granted

Article 37

(1) The Croatian National Bank shall be responsible for supervising whether the operations of a credit servicer who was authorised by the Croatian National Bank and who performs credit servicing activities in a host Member State comply with this Act.

(2) When exercising supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall be authorised to carry out off-site inspection and on-site inspection at the premises of the credit servicer in the host Member State, to impose measures to eliminate identified irregularities and illegalities in accordance with this Act and to act pursuant to the law governing misdemeanour proceedings.

(3) The Croatian National Bank shall without delay notify the competent authority of the host Member State and, where necessary, the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia, of the measures imposed on the credit servicer with the purpose of removing irregularities and illegalities.

(4) In the exercise of its powers under this Act vis-à-vis a credit servicer, the Croatian National Bank shall cooperate with the competent authority of the host Member State where that credit servicer performs credit servicing activities and with the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia.

(5) The Croatian National Bank may request from the competent authority of the host Member State to perform an on-site inspection of:

- a credit servicer that performs credit servicing activities in the host Member State through a branch;
- a credit service provider providing services in the host Member State.

(6) The Croatian National Bank may participate in the on-site inspection of the persons referred to in paragraph (5) of this Article carried out by the competent authority of the host Member State.

(7) Where the competent authority of the host Member State carried out its own inspection of the credit servicer and, following that inspection, notified the Croatian National Bank that the credit servicer, when providing services in the host Member State, acts contrary to legislation and provided the necessary evidence thereof, the Croatian National Bank shall, within 60 days, on the basis of the findings of that inspection, take measures in accordance with this Act and notify the competent authority of the host Member State of those measures and of their implementation.

(8) If the Croatian National Bank assesses that, on the basis of the inspection carried out and the evidence provided by the competent authority of the host Member State, it is not necessary to take measures against the credit servicer in accordance with this Act, it shall notify the competent authority of the host Member State thereof within the time limit referred to in paragraph (7) of this Article and state the grounds for its assessment.

(9) Before taking the measure referred to in paragraph (7) of this Article, the Croatian National Bank shall consult the competent authority of the host Member State which carried out the inspection of the appropriateness of the proposed measures.

(10) If the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia, provides information to the Croatian National Bank proving that the credit servicer acts contrary to national legislation transposing Directive (EU) 2021/2167 or the national legislation applicable to the credit or the credit agreement, the Croatian National Bank may take appropriate measures in accordance with this Act.

Cooperation in the exercise of supervision of a credit servicer authorised in another Member State of the European Union and performing credit servicing activities in the Republic of Croatia

Article 38

(1) If requested by the competent authority of the home Member State, the Croatian National Bank may, in accordance with the provisions of this Act, carry out an on-site inspection of a credit servicer performing credit servicing activities within the territory of the Republic of Croatia through a branch or through a credit service provider.

(2) The Croatian National Bank may perform the inspection of a credit servicer or a credit service provider in respect of the services provided within the territory of the Republic of Croatia *ex officio*.

(3) Following the inspection referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall, without delay and at the latest within five working days after the inspection, submit to the competent authority of the home Member State the findings of the inspection and supporting evidence.

(4) Where the Croatian National Bank, in the course of the inspection it performs, finds that a credit servicer providing services in the Republic of Croatia through a branch or a credit service provider acts contrary to the provisions of this Act, it shall request from the competent authority of the home Member State to take appropriate measures.

(5) Where the competent authority of the home Member State fails to take any measures within 30 days of the receipt of the request from the Croatian National Bank referred to in paragraph (4) of this Article or where a credit servicer continues to act contrary to the provisions of this Act despite the measures taken by the competent authority of the home Member State, the Croatian National Bank may, after notifying the competent authority of the home Member State in advance, impose measures on the credit servicer to eliminate illegalities where:

- the credit servicer has not taken adequate and effective measures to eliminate illegalities within a reasonable time limit; or
- in urgent cases, where the Croatian National Bank assesses that there is a serious threat to the collective interests of the borrowers and urgent action is required.

(6) In the case referred to in paragraph (5) of this Article, the Croatian National Bank may temporarily prohibit the further performance of credit servicing activities by the credit servicer in the Republic of Croatia until the competent authority of the home Member State takes appropriate action or the credit servicer brings its business into compliance or rectifies the illegalities identified.

(7) The Croatian National Bank shall notify the European Commission and the European Banking Authority of the temporary prohibition referred to in paragraph (6) of this Article without delay and at the latest within five working days of the measure being imposed.

(8) Where a credit has been granted in the Republic of Croatia and the Croatian National Bank receives information that a credit servicer authorised in another Member State of the European Union has acted contrary to the provisions of this Act, laws governing consumer protection, laws governing consumer credit, laws governing foreclosure and other legislation, it shall, without delay, forward that information and evidence to the competent authority of the home Member State of that credit servicer and require from that authority to take appropriate measures.

(9) Where the Croatian National Bank acts in the manner referred to in paragraphs (4), (6) or (8) of this Article, such action shall not prevent the Croatian National Bank or another supervisory authority in the Republic of Croatia from acting in accordance with the powers conferred on it by the laws governing the protection of consumer rights, laws governing consumer credit, laws governing foreclosure and other legislation.

Notification to the Croatian National Bank

Article 39

(1) A credit institution with a registered office in the Republic of Croatia that concluded an agreement on the purchase and sale of a non-performing loan with a credit purchaser shall deliver to the Croatian National Bank the OIB of the credit purchaser or its

representative designated in accordance with Article 23 of this Act at the latest within 15 days of the conclusion of that agreement.

(2) Where a credit purchaser or its representative designated in accordance with Article 23 of this Act does not have an OIB, the credit institution shall submit the following data to the Croatian National Bank:

- firm name and address or name, surname, address and, if any, OIB of the credit purchaser or its representative designated in accordance with Article 23 of this Act;
- in the case of a legal person, name, surname and, if any, OIB of the members of the management and supervisory body of the credit purchaser or its representative designated in accordance with Article 23 of this Act;
- name, surname and, if any, OIB of the persons who are holders of qualifying holdings in the credit purchaser or its representative designated in accordance with Article 23 of this Act, or, if there is no holder of a qualifying holding, name, surname and, if any, OIB of the persons who are the ten largest shareholders or holders of holdings.

(3) In addition to the data referred to in paragraphs (1) or (2) of this Article, the credit institution shall submit to the Croatian National Bank the following data:

- the total outstanding amount under all non-performing credit agreements that have been transferred;
- the number of non-performing credit agreements transferred;
- whether the sale of the creditor's rights under non-performing credit agreements concluded with consumers includes lien securing the credit agreements.

(4) In addition to the data referred to in paragraphs (1) to (3) of this Article, the credit institution shall inform the Croatian National Bank whether the Croatian National Bank is the competent authority of the borrower's Member State of the European Union.

(5) The credit institution shall also deliver the data referred to in paragraphs (1) to (3) of this Article to the competent authority of the borrower's host Member State no later than within 15 days from the date of conclusion of the agreement on the purchase and sale of a non-performing loan, unless that competent authority is the Croatian National Bank.

(6) By way of derogation from paragraph (1) of this Article, the credit institution shall submit the data referred to in paragraphs (1) to (3) of this Article whenever requested to do so by the Croatian National Bank, in particular where the submission of such data is requested to better monitor a large number of purchases and sales of non-performing credit agreements that may occur during a crisis period.

(7) Where the Croatian National Bank received the data referred to in paragraphs (1) to (3) of this Article as the competent authority of the borrower's host Member State, it shall, without delay, communicate to the competent authority of the purchaser's home Member State the data referred to in paragraphs (2) and (3) of this Article, any other information it considers necessary for the exercise of the powers of those authorities and any other information requested by that competent authority, where such information is necessary for the exercise of its powers.

(8) The Croatian National Bank shall lay down in subordinate legislation the content and manner of reporting referred to in this Article.

CHAPTER IV

REGISTER OF AUTHORISED CREDIT SERVICERS

Register of authorised credit servicers

Article 40

(1) The Croatian National Bank shall establish and maintain a national register of credit servicers in which it shall, at a minimum, enter data on:

- credit servicers to whom it granted authorisation;
- credit servicers referred to in the subparagraph (1) of this paragraph authorised to perform credit servicing activities in the host Member State in accordance with the provisions of this Act;
- credit servicers authorised in another Member State of the European Union who, in accordance with the provisions of this Act, perform credit servicing activities within the territory of the Republic of Croatia, with details on the home Member State.

(2) For registered entities referred to in paragraph (1), subparagraph (2) of this Article, the Croatian National Bank shall also enter the data on the host Member State or host Member States in which the credit servicer is authorised to perform credit servicing activities and the manner of cross-border performance of credit servicing activities (establishment or freedom to provide services).

(3) The Croatian National Bank shall enter in the register any changes in the data referred to in paragraphs (1) and (2) of this Article within a time limit that may not exceed seven working days from the date of the change.

(4) In the event of withdrawal or revocation of authorisation, the Croatian National Bank shall update the register referred to in paragraph (1) of this Article without delay.

(5) The register shall be public and available on the website of the Croatian National Bank.

(6) When granting authorisation, the Croatian National Bank shall assign a national identification number to the credit servicer, keep a record of assigned identification numbers and publish them on its website.

(7) The Croatian National Bank shall regulate in subordinate legislation the content and manner of keeping the register.

TITLE V

SUPERVISION OF CREDIT PURCHASERS, CREDIT SERVICERS AND CREDIT SERVICE PROVIDERS

CHAPTER I

GENERAL PROVISION ON SUPERVISION

Types of supervision and competence

Article 41

(1) Supervision of credit purchasers having their registered office in the Republic of Croatia or credit purchaser representatives designated in accordance with Article 23 of this Act and having a registered office in the Republic of Croatia, designated servicing entities referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act having a registered office in the Republic of Croatia, credit servicers authorised by the Croatian National Bank, credit service providers providing services to a credit servicer authorised by the Croatian National Bank and credit institutions (hereinafter referred to as 'entities subject to supervision by the Croatian National Bank') shall be exercised by the Croatian National Bank.

(2) Supervision referred to in paragraph (1) of this Article means verification that an entity subject to supervision by the Croatian National Bank operates in accordance with the provisions of this Act and the subordinate legislation adopted under this Act.

(3) The supervision of entities referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act shall be carried out by the Financial Inspectorate.

(4) The supervision referred to in paragraph (3) of this Article means verification that entities referred to in Article 12, paragraph (2), subparagraph (1), item (c) of this Act operate in accordance with the provisions of this Act and the subordinate legislation adopted under this Act.

(5) The supervision referred to in paragraph (4) of this Article shall be carried out by the Financial Inspectorate in accordance with the law governing the scope, competence and powers of the Financial Inspectorate, unless otherwise provided for in this Act.

(6) The Croatian National Bank shall adopt subordinate legislation to further regulate the conditions and manner of exercising supervision and imposing supervisory measures.

CHAPTER II

EXERCISE OF SUPERVISION BY THE CROATIAN NATIONAL BANK

Manner of exercising supervision by the Croatian National Bank Article 42

(1) The Croatian National Bank shall supervise the entities subject to supervision by the Croatian National Bank:

- by collecting and analysing the reports and information that the entities subject to supervision by the Croatian National Bank are required to submit to the Croatian National Bank pursuant to the provisions of this Act and other legislation, by analysing the information submitted to the Croatian National Bank by other competent authorities in the Republic of Croatia and competent authorities of host Member States and by monitoring the operational indicators obtained (off-site inspection);
- by carrying out on-site inspections of the operation of entities subject to supervision by the Croatian National Bank (on-site inspection) and
- by imposing supervisory measures.

(2) At the request of the Croatian National Bank, an entity subject to supervision by the Croatian National Bank, the borrower or any other person shall submit reports and information on all matters relevant for the exercise of supervision or other tasks within the competence of the Croatian National Bank.

(3) The Croatian National Bank shall assess, using a risk-based approach, whether a credit servicer meets the requirements referred to in Article 27, paragraph (1), subparagraphs (e) to (i) of this Act.

(4) In determining the frequency and intensity of supervision referred to in paragraph (1) of this Article, the Croatian National Bank shall be guided by the size, nature, scale and complexity of the servicing activities performed by each entity subject to supervision by the Croatian National Bank.

(5) The inspections referred to in paragraph (1), subparagraphs (1) and (2) of this Article shall be carried out by employees of the Croatian National Bank as authorised persons.

(6) The Croatian National Bank shall notify the competent authority of the host Member State or of the Member State of the European Union where the credit was granted, if

different from the host Member State or the Republic of Croatia, of the results of the assessment referred to in paragraph (3) of this Article at the request of one of those competent authorities or where it considers it appropriate.

(7) When preparing the assessment referred to in paragraph (3) of this Article, the Croatian National Bank shall exchange the information necessary for the exercise of its powers under this Act with the competent authorities of the host Member State and the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia.

(8) The Croatian National Bank shall deliver a notification of an on-site inspection to an entity subject to supervision by the Croatian National Bank no later than eight days before the beginning of the on-site inspection.

(9) By way of derogation from paragraph (8) of this Article, an authorised person may submit a notification of an on-site inspection at the latest prior to the commencement of the on-site inspection.

(10) The notification referred to in paragraph (8) of this Article shall contain the subject matter of the on-site inspection and information on what the entity subject to supervision by the Croatian National Bank is required to prepare for authorised persons for the purpose of carrying out the on-site inspection.

(11) Entities subject to supervision by the Croatian National Bank shall enable authorised persons to carry out on-site inspections and ensure appropriate conditions for the smooth exercise of inspection.

(12) Entities subject to supervision by the Croatian National Bank that process data by computer shall, at the request of an authorised person, ensure the conditions and appropriate means for the examination of business books and records.

(13) As part of the supervision referred to in paragraph (1), subparagraphs (1) and (2) of this Article, members of the management and supervisory body of the entity subject to supervision by the Croatian National Bank shall, if the Croatian National Bank requests so, draw up a written report or make statements on all matters necessary for the exercise of supervision within a time limit set by the Croatian National Bank, which may not be less than three days from the date of delivery of such a request.

On-site inspection of the operation of entities subject to supervision by the Croatian National Bank

Article 43

(1) An entity subject to supervision by the Croatian National Bank shall enable authorised persons, at their request, to carry out an on-site inspection of its operations at its registered office and at other locations where it carries out activities and operations subject to supervision by the Croatian National Bank.

(2) An entity subject to supervision by the Croatian National Bank shall enable authorised persons, at their request, to examine business books, business documentation and administrative or business records, as well as information technology and other related technologies, to the extent necessary to carry out the inspection.

(3) An entity subject to supervision by the Croatian National Bank shall submit computer printouts, copies of business books, business documentation and administrative or business records to authorised persons at their request, in paper form or in the form of

an electronic record on the medium and in the format requested by the authorised person.

(4) An entity subject to supervision by the Croatian National Bank shall provide authorised persons with a standard interface granting access to the database management system it uses for the purpose of carrying out computer-aided inspection.

(5) The inspection referred to in paragraphs (1) and (2) of this Article shall be exercised by authorised persons during the working hours of the entity subject to supervision by the Croatian National Bank.

(6) If necessary due to the scope or nature of the inspection, entities subject to supervision by the Croatian National Bank shall also enable authorised persons to carry out the inspection outside their working hours.

Completion of inspection of an entity subject to supervision by the Croatian National Bank

Article 44

(1) Upon the completion of the inspection of an entity subject to supervision by the Croatian National Bank, a report on inspection findings shall be drawn up.

(2) By way of derogation from paragraph (1) of this Article, a report shall not be drawn up where inspection is carried out pursuant to Article 42, paragraph (1), subparagraph (1) of this Act and no illegalities or weaknesses and deficiencies are identified in the operation of the entity subject to supervision by the Croatian National Bank in the course of the inspection that would require the imposition of supervisory measures.

Types of supervisory measures

Article 45

(1) The Croatian National Bank may, by means of supervisory measures:

- order the body of the entity subject to supervision by the Croatian National Bank to remove a member of the management and/or supervisory body from office if they fail to meet the conditions referred to in Article 26, paragraph (2) of this Act;

- temporarily prohibit a credit servicer from performing one or more credit servicing activities in the case referred to in Article 30, paragraph (2) of this Act;

- remove the credit servicer's branch from the register referred to in Article 40 of this Act;

- order that the conditions on the basis of which the credit servicer obtained authorisation be met;

- in order to effectively secure borrower rights, order changes to the policies and procedures related to governance arrangements and internal control mechanisms;

- order the entity subject to supervision by the Croatian National Bank to amend the policies and procedures governing the relations with borrowers to ensure the fair and diligent treatment of borrowers and the recording and resolution of borrowers' protests;

- order the entity subject to supervision by the Croatian National Bank to submit additional information;

- order an action, omission or acquiescence aimed at improving the operation of the entity subject to supervision by the Croatian National Bank and eliminating established illegalities and irregularities;

- order the establishment of effective and reliable governance arrangements;

- order the establishment of adequate internal control mechanisms;

- order the establishment of risk management and accounting procedures ensuring that borrower rights under the credit agreement are respected;

- order another measure deemed to be appropriate and proportionate in order for the entity subject to supervision to comply with the provisions of this Act.

(2) The Croatian National Bank shall impose the measure referred to in paragraph (1), subparagraph (2) of this Article at the same time as it imposes another supervisory measure, for the duration of up to one year.

(3) The Croatian National Bank shall, without delay and at the latest within five working days, notify the competent commercial court of the imposition of the measure referred to in paragraph (1), subparagraph (2) of this Article.

Decision to impose supervisory measures

Article 46

(1) The Croatian National Bank may adopt a decision to impose supervisory measures on an entity subject to supervision by the Croatian National Bank if, in the course of supervision, it establishes:

- that the entity subject to supervision by the Croatian National Bank, by its actions or omission of particular actions, acted contrary to the provisions of this Act and the subordinate legislation adopted under this Act;

- weaknesses or deficiencies in the operation of the entity subject to supervision by the Croatian National Bank which do not constitute an infringement; or

- that it is necessary for the entity subject to supervision by the Croatian National Bank to take actions and implement procedures to improve its operation, in particular to improve its relations with the borrower.

(2) In the decision referred to in paragraph (1) of this Article, the Croatian National Bank shall set a time limit for the entity subject to supervision by the Croatian National Bank to implement the measures imposed by the decision.

(3) The entity subject to supervision by the Croatian National Bank shall implement the supervisory measures referred to in the decision within the time limit referred to in that decision.

(4) The entity subject to supervision by the Croatian National Bank may, no later than 15 days before the expiry of the time limit referred to in paragraph (2) of this Article, request an extension of that time limit by a reasoned request.

(5) The Croatian National Bank shall decide on the extension of that time limit at the latest by the expiry of the time limit set in the decision.

(6) The Croatian National Bank shall notify the competent authority of the host Member State or the competent authority of the Member State of the European Union where the credit was granted, if different from the host Member State or the Republic of Croatia, of the supervisory measure imposed.

Reporting to the Croatian National Bank on the implementation of the decision

Article 47

(1) In its decision to impose supervisory measures, the Croatian National Bank may order an entity subject to supervision by the Croatian National Bank to report to the Croatian National Bank within a specified time limit on the implementation of the measures imposed.

(2) The entity subject to supervision by the Croatian National Bank shall, within the time limit referred to in paragraph (1) of this Article, report to the Croatian National Bank on the implementation of measures imposed and enclose evidence thereof.

(3) Where the Croatian National Bank finds that the measures imposed have not been implemented or have not been implemented within the time limit and in the manner laid down in the decision, it may adopt a decision imposing a new supervisory measure on the entity subject to supervision by the Croatian National Bank.

Notification to the Croatian National Bank

Article 48

(1) An entity subject to supervision by the Croatian National Bank shall, without delay and at the latest within eight working days, notify the Croatian National Bank of the following:

- all facts to be entered in the register of companies, in particular of each submitted application for the entry of data in the register of companies and completed entries of data changes in the register of companies;
- any planned change of a member of the management and/or supervisory body;
- any announced or completed change of a holder of a qualifying holding of which the management and supervisory body was aware or ought to have been aware;
- the discontinuance of individual credit servicing activities;
- the intention to discontinue all credit servicing activities, as well as the occurrence of circumstances for the revocation of authorisation referred to in Article 30 of this Act;
- any changes to be entered in the register referred to in Article 40 of this Act;
- any other changes that change the facts on the basis of which the Croatian National Bank granted authorisation.

(2) An entity subject to supervision by the Croatian National Bank shall notify the Croatian National Bank of its intention to perform credit servicing activities in a third country in accordance with Article 35 of this Act.

Decision

Article 49

(1) A decision issued by the Croatian National Bank in an administrative procedure shall not be subject to an appeal, but an administrative dispute may be initiated.

(2) If the Croatian National Bank fails to adopt a decision within the time limit laid down in Article 28 of this Act or fails to act in accordance with Article 35, paragraphs (3), (4) or (5) of this Act, a party to the procedure may initiate an administrative dispute.

Restitution

Article 50

It shall not be possible to request restitution in an administrative procedure carried out by the Croatian National Bank.

PART III

SALE OF OTHER CLAIMS

TITLE I

GENERAL PROVISIONS ON THE TERMS USED IN PART THREE OF THIS ACT AND THE SCOPE OF APPLICATION

Terms used in this Act

Article 51

For the purposes of Part Three of this Act, the following terms shall have the following meaning:

- 1) '*(an)other claim*' means a due claim held by a lender against a borrower which the lender tried but failed to recover, with the exception of a claim under a non-performing credit agreement;
- 2) '*borrower*' means a legal or natural person, including a legal successor of a legal person or an heir of a natural person, that concluded an agreement with the lender on the basis of which the claim arose, or that has not concluded an agreement on the basis of which the claim arose with the lender or the purchaser of the claim, but has a debt towards the purchaser of the claim on the basis of this Act;
- 3) '*provider of servicing of another claim*' means a legal person or craftsman within the meaning of the law governing the content, manner and conditions for carrying out crafts, to whom the servicer of another claim entrusted the provision of a service pertaining to the servicing of other claims;
- 4) '*purchaser of another claim*' means a legal person or a natural person who, in the course of his trade, business, craft or profession, purchases the lender's rights under an agreement on another claim in accordance with this Act;
- 5) '*consumer*' means any natural person who is a party to an agreement on another claim to which this Act applies and who is acting on the market for purposes which are outside his trade, business, craft or profession;
- 6) '*servicer of another claim*' means a company under the law governing the establishment, organisation, dissolution and status changes of companies which, in the course of its business, exercises the rights and fulfils the obligations of a purchaser of another claim in its own name or in the name and for the account of the purchaser of another claim as the lender under an agreement on another claim and provides one or more services pertaining to the servicing of other claims;
- 7) '*working day*' means a day other than Saturday, Sunday or a day specified as a non-working day by the law governing holidays, memorial days and non-working days in the Republic of Croatia;
- 8) '*registered office*' means the registered office of the legal person in a Member State of the European Union or a third country or, if the legal person has no registered office, the

place in a Member State of the European Union or a third country in which the management of the legal person is located;

9) '*third country*' means a country which is not a Member State of the European Union;

10) '*agreement on another claim*' means a legal transaction that gives rise to a claim for supplied utilities or universal services in electronic communication and claims under other agreements that may be the subject matter of agreements on the assignment of claims (cession);

11) '*agreement on the purchase and sale of another claim*' is a legal transaction under which the lender undertakes to transfer the claim and ancillary rights under an agreement on another claim to the purchaser of another claim;

12) '*agreement on the servicing of another claim*' means a written agreement concluded between the purchaser of the claim and the servicer of another claim in respect of the services to be provided by the servicer of another claim on behalf of the lender;

13) '*service pertaining to the servicing of other claims*' means one or more of the following activities:

- collection and recovery of the borrower's overdue debt related to the lender's rights under an agreement on another claim, in accordance with the regulations;

- renegotiation of the terms and conditions related to the lender's rights under an agreement on another claim with the borrower in accordance with the regulations and instructions of the purchaser of another claim, where the servicer of another claim is not a credit intermediary as defined by the law governing consumer credit or the law governing consumer housing loans;

- administering protests related to the lender's rights under an agreement on another claim;

- informing the borrower of changes in the interest rate or charges or any payments due related to the lender's rights under an agreement on another claim;

14) '*lender*' means a legal person that entered into a legal transaction with the borrower on the basis of which another claim has arisen.

Scope of application

Article 52

(1) Part Three of this Act shall apply to lenders, purchasers of other claims, their representatives designated in accordance with Article 54 of this Act and servicers of other claims where they are a party to an agreement on the purchase and sale of another claim or to an agreement on the servicing of another claim.

(2) Part Three of this Act shall not apply to claims of the government or of local and regional self-government units, which would constitute revenues of the state budget of the Republic of Croatia or of the budget of a local and regional self-government unit or revenue of extrabudgetary users, regardless of whether they constitute public or non-public benefits as defined in the law governing the budget system and the law governing the relationship between taxpayers and tax authorities applying the regulations on taxes and other public benefits.

TITLE II

RELATIONS WITH BORROWERS

Notification of the intention to sell an agreement on another claim

Article 53

(1) A lender shall, at least 30 days before the sale of the agreement on another claim, send a notification to the borrower specifying the total balance of the debt as at the date of notification, as well as the structure of the debt and information on the manner in which the outstanding amount can be paid, announcing the intention to sell the lender's rights under an agreement on another claim and indicating the intended date of sale, which may not be less than 30 days from the date of notification.

(2) The debt structure referred to in paragraph (1) of this Article shall include information on the agreement on another claim from which the claim arises (name and number of the agreement, if any, name, surname or firm name, OIB, address or registered office of the parties, date of conclusion of the agreement and other information necessary to identify the agreement on another claim), principal amount, maturity date, the period for calculating interest with an indication of the interest rate amount, the basis for and amount of individual cost items, as well as other charges.

(3) The notification referred to in paragraph (1) of this Article shall be drafted in intelligible words and in simple form in the Croatian language and Latin script and delivered to the borrower using the agreed method of communication between the lender and the borrower.

(4) Where no method of communication was agreed between the lender and the borrower, the notification referred to in paragraph (1) of this Article shall be sent to the borrower by the lender using at least one communication channel, in writing or electronically.

Representative of a third-country purchaser of another claim

Article 54

(1) A purchaser of another claim that is not domiciled or does not have a registered office in the European Union shall designate, in writing, a representative with a registered office in the European Union.

(2) Where the Financial Inspectorate exercises supervision in accordance with the provisions of this Act or otherwise takes action for the purpose of acting in accordance with the powers referred to in Part Three of this Act, it may, in addition to the purchaser of another claim, contact the representative designated in accordance with paragraph (1) of this Article or contact that representative only.

(3) The representative designated in accordance with paragraph (1) of this Article shall be responsible for fulfilling the obligations under this Act laying down the obligations of the purchaser of another claim.

Notification to the Financial Inspectorate

Article 55

(1) A lender that concluded an agreement on another claim with a purchaser of another claim shall, by the end of June and by the end of December of the current year, deliver to the Financial Inspectorate the OIB of the purchaser of another claim or its representative designated in accordance with Article 54 of this Act.

(2) Where a purchaser of another claim or its representative designated in accordance with Article 54 of this Act does not have an OIB, the lender shall submit the following data to the Financial Inspectorate:

- firm name and address or name, surname, address and, if any, OIB of the purchaser of another claim or its representative designated in accordance with Article 54 of this Act;
- in the case of a legal person, names, surnames and, if any, OIB of the members of the management and supervisory body of the purchaser of another claim or its representative designated in accordance with Article 54 of this Act;
- name, surname and, if any, OIB of the persons who are holders of qualifying holdings in the purchaser of another claim or its representative designated in accordance with Article 54 of this Act, or, if there is no holder of a qualifying holding, the names, surnames and, if any, OIB of the persons who are the ten largest shareholders or holders of holdings.

(3) In addition to the data referred to in paragraph (1) or (2) of this Article, the lender shall also provide the Financial Inspectorate with the following data:

- the total outstanding amount under the agreement on another claim;
- all the rights belonging to the lender under the agreement on another claim and the number of agreements on other claims transferred; and
- information on whether the sale of the lender's rights under the agreements on other claims concluded with consumers includes lien securing the agreements on other claims.

(4) By way of derogation from paragraph (1) of this Article, the lender shall provide the data referred to in this Article whenever so requested by the Financial Inspectorate, in particular where the provision of such data is requested to better monitor a large number of purchases and sales of agreements on other claims that may occur during a crisis period.

TITLE III

OBLIGATIONS OF PURCHASERS OF OTHER CLAIMS AND SERVICERS OF OTHER CLAIMS

Relationship between purchaser of another claim and servicer of another claim

Article 56

(1) A purchaser of another claim may, on the day the agreement on the purchase and sale of another claim is concluded, appoint a servicer of another claim.

(2) A purchaser of another claim or its representative designated in accordance with Article 54 of this Act that has not appointed a servicer of another claim shall be subject to the provisions of Part Three of this Act relating to the servicer of another claim.

(3) In the relations between the purchaser of another claim and the servicer of another claim vis-a-vis the borrower, Article 6 of this Act shall apply.

(4) Article 32, paragraphs (1) to (5) of this Act shall apply to the receipt and holding of borrower funds by the servicer of another claim.

(5) A servicer of another claim may entrust the performance of a particular activity pertaining to the servicing of other claims to a provider of servicing of another claim under the conditions and in an appropriate manner as provided for in Article 33, paragraphs (1), (2), (3), items (a), (b), (c) and (f), (4) and (9) of this Act.

(6) Before outsourcing its activities pertaining to the servicing of other claims in accordance with paragraph (5) of this Article, the servicer of another claim shall notify the Financial Inspectorate of its intention to do so.

(7) The servicer of another claim shall keep and maintain the documentation on the instructions provided to provider of servicing of another claim and the agreement referred to in paragraph (1) of this Article for at least five years from the date of termination or expiry of that agreement.

(8) The servicer of another claim and the provider of servicing of another claim shall make the documentation and information referred to in paragraph (7) of this Article available to the Financial Inspectorate whenever so requested by the Financial Inspectorate.

Treatment of borrowers by purchasers of other claims and servicers of other claims

Article 57

(1) After each conclusion of an agreement on the purchase and sale of another claim, and before the first debt collection, but also whenever the borrower requests it, the purchaser of another claim shall notify the borrower, using the agreed method of communication, of the following:

- a) information on the purchase that has been made, including the date of conclusion of the agreement on the purchase and sale of another claim;
- b) information on the agreement on the servicing of another claim and the date of its conclusion;
- c) identification and contact details of the purchaser of another claim and the servicer of another claim;
- d) identification and contact details of the provider of servicing of another claim, if an agreement has been concluded with a provider of servicing of another claim;
- e) a prominent contact point with the purchaser of another claim, the servicer of another claim and, if applicable, the provider of servicing of another claim where the borrower can obtain the necessary information or lodge a protest;
- f) information on the amount owed by the borrower at the time of notification, indicating the total debt balance and the debt structure referred to in Article 53, paragraph (2) of this Act;
- g) the name, address and contact details of the competent authority to which the borrower may file a complaint.

(2) The purchaser of another claim and the servicer of another claim shall specify the contact point referred to in paragraph (1), item (e) of this Article in any communication with the borrower and shall inform the borrower of the method of communication between the purchaser of another claim and servicer of another claim and the borrower.

(3) Where a new servicer of another claim is designated, the new servicer of another claim shall deliver a notification to the borrower including the information referred to in paragraph (1), items (b) to (e) of this Article.

(4) The notification referred to in paragraph (1) of this Article shall be drafted in intelligible words and in simple form, in the Croatian language and Latin script, and delivered using the agreed method of communication between the lender and the borrower.

(5) Where no method of communication was agreed between the lender and the borrower, the purchaser of another claim or the servicer of another claim shall deliver the notification referred to in paragraph (1) of this Article to the borrower by registered mail or electronically if the borrower previously consented to the electronic delivery of notifications.

Notification costs and charges

Article 58

The borrower shall not bear the costs of notification that the lender, the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim are required to send to the borrower in accordance with this Act or any other charges outside the structure of the borrower's debt.

Communication between the purchaser of another claim and servicer of another claim and the borrower

Article 59

(1) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall be allowed to communicate with the borrower by telephone, in writing by mail, electronic mail, fax or short text messages (SMS) or using a previously agreed method of communication with the borrower.

(2) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall be allowed to communicate as referred to in paragraph (1) of this Article only on working days between 8 a.m. and 8 p.m.

(3) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall not contact the borrower more than once during the same month regarding the same agreement on another claim, except in the following cases:

- to inform the borrower that they will initiate a forced collection procedure under the agreement on another claim;
- to notify the borrower that they are waiving recovery under the agreement on another claim;
- to contact the borrower regarding a binding offer/settlement offering debt reduction and/or instalment repayment of the debt under the agreement on another claim following renegotiation with the borrower regarding the terms and conditions related to the lender's rights under the agreement on another claim;
- if the borrower gives explicit written consent.

(4) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall not contact the borrower at the borrower's workplace nor shall they contact the borrower's employer without the borrower's express written consent.

(5) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall not visit the borrower at their home without the borrower's express written consent.

Procedure for handling borrower protests

Article 60

- (1) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall allow the borrower to file a written protest free of charge at their business premises, by mail or electronic mail.
- (2) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim may also enable the borrower to file a written protest using other means of communication allowing the storage of records of the time and content of communication on a durable medium.
- (3) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall display in a clear, visible and legible manner a notice on the manner of filing written protests and the procedure for handling the borrower's protests at their business premises and on their website, if established.
- (4) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall acknowledge the receipt of the protest referred to in paragraph (1) of this Article in writing by mail, electronic mail or in the manner set out in paragraph (2) of this Article at the latest within five working days.
- (5) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall provide the borrower with a response to any issues raised in the protest referred to in paragraph (1) of this Article no later than 15 days from the date of receipt of the protest, in writing or, if so agreed between the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim and the borrower, on another durable medium, clearly stating whether they accept the merits of the borrower's protest.
- (6) By way of derogation from paragraph (5) of this Article, if the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim are unable to provide a response within the time limit referred to in paragraph (5) of this Article for reasons beyond their control, the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall provide the borrower with a notice within that time limit setting out the reasons for the delay in responding to the protest and indicating the time limit by which the borrower will receive the final response, which shall not exceed 35 days from the date of receipt of the protest.
- (7) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall, in response to the protest, refer the borrower to the possibility of lodging a complaint with the Financial Inspectorate.
- (8) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall develop and apply adequate and effective procedures for handling borrower protests and make them available to the borrower in the Croatian language and Latin script or in another language and script agreed with the borrower.
- (9) The purchaser of another claim, the servicer of another claim and the provider of servicing of another claim shall process the borrowers' protests free of charge and keep a record of all protests lodged and the measures taken to deal with each individual protest.
- (10) The minister competent for finance shall lay down rules governing the content of the procedures for handling protests submitted by the borrower to the purchaser of another

claim or its representative designated in accordance with Article 54 of this Act, the servicer of another claim and to the provider of servicing of another claim.

Complaint to the Financial Inspectorate

Article 61

(1) A borrower may lodge a complaint with the Financial Inspectorate against a purchaser of another claim or its representative designated in accordance with Article 54 of this Act, a servicer of another claim and a provider of servicing of another claim if the borrower considers that they have acted contrary to the provisions of Part Three of this Act.

(2) Upon the receipt of the complaint referred to in paragraph (1) of this Article, the Financial Inspectorate shall invite the purchaser of another claim or its representative designated in accordance with Article 54 of this Act, the servicer of another claim and the provider of servicing of another claim concerned by the complaint to submit their comments and the evidence on which they rely, unless it is follows from the complaint itself and the information known to the Financial Inspectorate that the complaint is unfounded.

(3) The purchaser of another claim or its representative designated in accordance with Article 54 of this Act, the servicer of another claim and the provider of servicing of another claim shall, within the time limit set by the Financial Inspectorate, which may not exceed ten days from the date of receipt of the invitation, submit to the Financial Inspectorate their comments and the evidence on which they rely.

(4) If, following the complaint and after carrying out an inspection, the Financial Inspectorate finds that there are reasonable grounds to suspect that the purchaser of another claim or its representative designated in accordance with Article 54 of this Act, the servicer of another claim and the provider of servicing of another claim acted contrary to any of the provisions referred to in Part Three of this Act, it shall act in accordance with the law governing the scope, competence and powers of the Financial Inspectorate.

(5) The Financial Inspectorate shall notify the complainant of its findings and of the measures taken within 30 days from the date of completion of the inspection, and in the case of need to impose measures, 30 days from the date the relevant decision is adopted.

TITLE IV
SUPERVISION OF PURCHASERS OF OTHER CLAIMS, SERVICERS OF OTHER CLAIMS
AND PROVIDERS OF SERVICING OF OTHER CLAIMS

CHAPTER I
GENERAL PROVISION ON SUPERVISION

Types of supervision and competence

Article 62

(1) The supervision of purchasers of other claims, representatives designated in accordance with Article 54 of this Act, servicers of other claims and providers of servicing of other claims shall be carried out by the Financial Inspectorate (hereinafter referred to as 'entities subject to supervision by the Financial Inspectorate').

(2) The supervision referred to in paragraph (1) of this Article means verification that entities subject to supervision by the Financial Inspectorate operate in accordance with the provisions of this Act and subordinate legislation adopted under this Act.

(3) The supervision referred to in paragraph (1) of this Article shall be carried out by the Financial Inspectorate in accordance with the law governing the scope, competence and powers of the Financial Inspectorate, unless otherwise provided for in this Act.

CHAPTER II
EXERCISE OF SUPERVISION BY THE FINANCIAL INSPECTORATE

Measures and actions of the Financial Inspectorate

Article 63

(1) Where the Financial Inspectorate, in carrying out supervision, reviewing documentation or otherwise, finds breaches of the provisions of this Act and/or irregularities on the part of lender and/or entities subject to supervision by the Financial Inspectorate, it shall be authorised to:

- issue a written warning to the lender or the entity subject to supervision by the Financial Inspectorate if it detects minor irregularities and deficiencies in their operation that do not have the meaning of breaches of provisions of this Act or, where it considers it necessary for the purpose of achieving the compliance of operations with other regulations, specify the time limit for implementing the measure in question;
- issue a decision imposing a measure to eliminate illegalities and irregularities in the work of the lender or the entity subject to supervision by the Financial Inspectorate within a defined time limit;
- by way of a decision, temporarily restrict or prohibit the entity subject to supervision from providing certain services pertaining to the servicing of other claims for a period not exceeding 12 months if during the inspection it determines that the provision of that service could lead to new breaches of the provisions of this Act;
- take other measures and actions which it is authorised to take by this or another regulation.

(2) The Financial Inspectorate shall impose the measures referred to in paragraph (1) of this Article independently or, where it deems necessary to do so, in cooperation with the Croatian National Bank, applying the principle of proportionality.

(3) If a lender or an entity subject to supervision by the Financial Inspectorate fails to act in accordance with the written warning referred to in the paragraph (1), sub-paragraph (1) of this Article, the Financial Inspectorate shall be authorised to issue a decision ordering the elimination of irregularities.

(4) The lender or the entity subject to supervision by the Financial Inspectorate shall act in accordance with the decision of the Financial Inspectorate referred to in paragraph (1), sub-paragraph (2) and paragraph (3) of this Article.

(5) The decisions referred to in the paragraph (1), sub-paragraphs (2) and (3) and paragraph (3) of this Article shall not be subject to appeal, but an administrative dispute may be initiated.

PART FOUR

PROTECTION AND STORAGE OF DATA AND COOPERATION BETWEEN COMPETENT AUTHORITIES

Obligation of professional secrecy and use of classified information

Article 64

(1) The Croatian National Bank and the Financial Inspectorate, persons who work or who worked for the Croatian National Bank and the Financial Inspectorate as well as auditors and other professionals to whom the Croatian National Bank entrusted the performance of their tasks shall, in accordance with the regulation governing their scope of activity, keep confidential all information obtained in the exercise of their powers and duties under this Act and shall not disclose such information to any other person or body except in cases prescribed by special regulations governing the establishment and operation of the Croatian National Bank or the Financial Inspectorate.

(2) By way of derogation from paragraph (1) of this Article, the following shall not be considered a breach of data confidentiality:

- providing data in aggregated form based on which it is not possible to identify the personal or business data collected;
- providing information in the cases and in the manner provided for in this Act;
- delivery of data for the purpose of conducting criminal proceedings or preliminary proceedings, as requested or ordered in writing by the competent court, the Office for the Prevention of Corruption and Organised Crime, the European Public Prosecutor's Office, the state attorney's office, the Ministry of the Interior, or an authority authorised in criminal proceedings from another Member State of the European Union;
- provision of data to the competent state attorney's office, the Office for the Prevention of Corruption and Organised Crime, the European Public Prosecutor's Office or the Ministry of the Interior for the purposes of reporting, preventing, detecting or investigating criminal offences;
- exchange of data in accordance with other laws;
- exchange of data in accordance with the legal acts of the European Union.

(3) The data submitted to competent authorities by the Croatian National Bank and the Financial Inspectorate under special regulations may be used by the competent authorities exclusively for the purpose for which the data were provided and the competent authorities may not be divulge such data to third parties or enable third

parties to acquire and use them, except in cases prescribed by the law governing the scope of their competence.

Cooperation between competent supervisory authorities

Article 65

(1) The Croatian National Bank and the Financial Inspectorate shall cooperate with each other and exchange data and information necessary for the exercise of their powers, and their mutual exchange of data shall not be considered a breach of the provision of Article 64 of this Act.

(2) The Croatian National Bank shall without delay, and at the latest within 30 days of the completion of inspection, notify the Financial Inspectorate of possible irregularities and illegalities referred to in Part Three of this Act that it has detected in the supervision of an entity subject to supervision by the Croatian National Bank.

(3) The Financial Inspectorate shall without delay, and at the latest within 30 days of the completion of inspection, notify the Croatian National Bank of at least:

- becoming aware that the servicer of another claim also performs non-performing loan servicing;
- possible irregularities and illegalities referred to in Part Two of this Act that it has detected in the supervision of an entity subject to supervision by the Financial Inspectorate;
- a measure imposed on an entity subject to supervision by the Financial Inspectorate referred to in Article 63 of this Act.

(4) The Croatian National Bank and the Financial Inspectorate shall conclude an agreement on cooperation and exchange of information.

Cooperation between supervisory authorities of the Member States of the European Union

Article 66

(1) The Croatian National Bank shall cooperate with the competent authorities of other Member States of the European Union whenever this is necessary for the performance of their functions and duties or the exercise of their powers under this Act.

(2) In cooperation with the competent authorities of other Member States of the European Union, the Croatian National Bank shall coordinate measures to avoid potential conflicts of competence in the application of supervisory powers and the imposition of penalties and measures in cross-border cases.

(3) The Croatian National Bank shall, upon request and without delay, and no later than within 30 days of the receipt of the request, deliver to the competent authorities of a Member State of the European Union the information necessary for the performance of their functions and duties in accordance with the national legislation of that Member State of the European Union.

(4) Where the Croatian National Bank, in carrying out its functions and duties in accordance with this Act, receives confidential information from the competent authorities of other Member States of the European Union, it may use that information in accordance with Article 64 of this Act.

(5) The Croatian National Bank shall be designated as the single point of communication for the purpose of exchange of information between the competent authorities of the Member States of the European Union.

(6) The Croatian National Bank shall take the necessary administrative and organisational measures to facilitate the cooperation laid down in this Article.

PART FIVE PENALTY PROVISIONS

Violation of the principles of equality, fair and professional treatment and the prohibition of unfair commercial practice and inappropriate communication with the borrower and others

Article 67

(1) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser and a purchaser of another claim if the borrower is placed, in law or in fact, in a less favourable position against them after the conclusion of an agreement on the purchase and sale of a non-performing loan or an agreement on the purchase and sale of another claim (Article 4).

(2) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on the credit purchaser and the purchaser of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 500.00 and EUR 6,500.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for misdemeanour on a credit purchaser, a credit servicer or a purchaser of another claim and a servicer of another claim for failure to act in good faith, with honesty and professional diligence in their relations with the borrower and for failure to respect or protect the personal data and privacy of the borrower (Article 5).

(5) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour referred to in paragraph (4) of this Article on the credit purchaser and the purchaser of another claim who is a craftsman or another self-employed person.

(6) A fine of between EUR 500.00 and EUR 6,500.00 shall be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (4) of this Article.

(7) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for misdemeanour on a legal person who is a credit purchaser, a credit servicer, a purchaser of another claim and a servicer of another claim, if they use unfair commercial practices, if they contact the borrower in an inappropriate manner, if they harass the borrower or coerce the consumer, if they unduly influence the borrower, if they contact, harass, coerce or unduly influence the borrower's household members, neighbours, relatives and other persons who are related to the borrower or use misleading or aggressive commercial practices (Article 6, paragraphs (1), (3) and (4)).

(8) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour referred to in paragraph (7) of this Article on the credit purchaser and the purchaser of another claim who is a craftsman or another self-employed person.

(9) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (7) of this Article.

Violation of the provision on personal data protection

Article 68

(1) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a legal person who is a creditor and who, when concluding an agreement on the purchase and sale of a non-performing loan or an agreement on the purchase and sale of another claim, provides the credit purchaser and the purchaser of another claim with personal data and data at their disposal for contacting the borrower, co-borrower and guarantor which are not related to the credit agreement or to the agreement on another claim (Article 8, paragraph (3)).

(2) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on a creditor who is a craftsman or another self-employed person.

(3) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act, a credit servicer, a purchaser of another claim and a servicer of another claim if they collect personal data of borrowers that are not related to a credit agreement or an agreement on another claim and are not available in public registers (Article 8, paragraph (4)).

(5) A fine of between EUR 500.00 and EUR 6,500.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanours referred to in paragraph (4) of this Article.

Violation of the provisions on notification of the intention to sell a non-performing credit agreement

Article 69

(1) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour where, prior to the sale of a non-performing credit agreement, a credit institution fails to notify the borrower within the prescribed time limit of the total balance of outstanding debt as at the date of notification, where it fails to specify in the notification the data included in the structure of the debt, the information on the manner in which specified amounts can be paid and the information on the intended date of sale, where it sets as the intended date of sale a date that precedes the prescribed time limit, and where it fails to draft the notification in intelligible words and in simple form using the Croatian language and Latin script, or where it fails to deliver the notification using the agreed method of communication between the credit institution and the borrower, or where no

method of communication was agreed, using at least one channel of communication, in writing or electronically (Article 13, paragraphs (1), (2), (4) and (5)).

(2) A fine of EUR 500.00 to EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on notification of the sale of a non-performing credit agreement and of the provision on notification costs

Article 70

(1) A fine of between EUR 6,000.00 and EUR 80,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act and a credit servicer for failing to provide the borrower with a notification of the sale of a non-performing credit agreement prior to the first debt collection or whenever the borrower so requests, for failing to provide all the prescribed data in the notification, including the debt structure referred to in Article 13, paragraph (2) of this Act, or for failing to provide the prescribed documentation with the notification, and for failing to notify the borrower in intelligible words and simple form, in the Croatian language and Latin script, or for failing to notify the borrower in the prescribed manner (Article 14, paragraphs (1), (5) and (6)).

(2) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 600.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act and a credit servicer for failing to indicate, in any communication with the borrower, a prominent contact point at which the borrower may obtain the necessary information or lodge a protest (Article 14, paragraph (3)).

(5) A fine of between EUR 1,500.00 and EUR 20,000.00 shall be imposed for the misdemeanour referred to in paragraph (4) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(6) A fine of between EUR 300.00 and EUR 4,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (4) of this Article.

(7) A fine of between EUR 4,000.00 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a new credit servicer and designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act for failure to notify the borrower of the conclusion of a credit servicing agreement, for failure to provide all the prescribed data in the notification or for failure to provide a copy of the credit servicer's authorisation and information about a prominent contact point at which the borrower can obtain necessary information or lodge a protest with the notification (Article 14, paragraph (4)).

(8) A fine of between EUR 200.00 and EUR 2,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (7) of this Article.

(9) A fine of between EUR 6,000.00 and EUR 80,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), point (a) or (c) of this Act and a credit servicer if they require the borrower to bear the costs of sending the notification they are required to send or to pay any charges outside the debt structure (Article 15).

(10) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for the misdemeanour referred to in paragraph (9) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(11) A fine of between EUR 600.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (9) of this Article.

Violation of the provision on the communication between the credit purchaser and credit servicer and the borrower

Article 71

(1) A fine of between EUR 2,000.00 and EUR 30,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act and a credit servicer if they use an illicit method of communication with the borrower or contact the borrower on non-working days at any time or on working days outside the period from 8 a.m. to 8 p.m., if they contact the borrower two or more times during the same month without fulfilling the conditions laid down in this Act, if they contact the borrower at the borrower's workplace or if they contact the borrower's employer without the borrower's express written consent and if they visit the borrower at the borrower's home without the borrower's express written consent (Article 16).

(2) A fine of between EUR 1,000.00 and EUR 15,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 200.00 and EUR 3,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violations of the provisions on the procedure for handling borrower protests

Article 72

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser referred to in Article 25, paragraph (4) of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), items (a) and (c) of this Act, a credit servicer and a branch of a credit servicer from another Member State of the European Union engaged by a credit servicer from another Member State of the European Union where:

1) they do not allow the borrower to file a written protest free of charge at their business premises, by mail, electronic mail or any other means of communication that allows the storage of records of the time and content of communication on a durable medium (Article 17, paragraphs (1) and (2));

2) they fail to display in a clear, visible and legible manner, at their business premises and on their website, if established, a notice on the manner of filing a written protest and the procedure for handling borrower protests (Article 17, paragraph (3));

3) they fail to acknowledge the receipt of a protest in the prescribed manner and within the prescribed time limit (Article 17, paragraph (4));

4) they fail to submit to the borrower, in writing or, where so agreed, on another durable medium, a response to any issues raised in the protest within the prescribed time limit, clearly stating whether they accept the merits of the borrower's protest, or if they fail to notify the borrower within the prescribed time limit of the reasons for the delay in responding, or if they fail to specify the time limit by which the borrower will receive a final response, or specify a time limit longer than 35 days from the date of the receipt of the protest (Article 17, paragraphs (5) and (6));

5) in their response to the borrower's complaint, they fail to refer the borrower to the possibility of submitting a complaint to the Croatian National Bank or the Financial Inspectorate (Article 17, paragraphs (7) and (8));

6) they fail to develop or apply adequate and effective procedures for handling borrower protests or fail to make them available to the borrower in the Croatian language and Latin script or in another language and script agreed with the borrower (Article 17, paragraph (9));

7) they charge a fee to the borrower for the processing of the borrower's protest or if they do not keep a record of all protests lodged and measures taken to deal with each individual protest (Article 17, paragraph (10));

8) they fail to harmonise the content of the procedures with the subordinate legislation of the Croatian National Bank or with the rules laid down by the minister competent for finance (Article 17, paragraphs (12) and (13)).

(2) A fine of between EUR 1,250.00 and EUR 17,500.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 250.00 and EUR 3,500.00 shall be imposed on a member of the management, a person authorised to represent a branch or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provision on non-compliance with the time limit

Article 73

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser, a representative designated in accordance with Article 23 of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer and credit service provider for failing to submit to the Croatian National Bank their comments on the borrower's complaint, for failing to submit the evidence on which they rely in their comments or for failing to submit a response within the time limit set by the Croatian National Bank in the invitation to submit comments and evidence (Article 18, paragraphs (2) and (3)).

(2) A fine of between EUR 1,250.00 and EUR 17,500.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser and a credit service provider who is a craftsman or another self-employed person.

(3) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provision on the right to information under the credit agreement

Article 74

(1) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour on a credit institution for failure to provide a prospective credit purchaser with the necessary information on the creditor's rights under a non-performing credit agreement and, where agreed, on the collateral, for failure to ensure that the prospective purchaser of a non-performing loan treats the information received as banking secrecy and confidential information, and for failure to provide the prospective purchaser or another credit institution with which it intends to conclude an agreement on the purchase and sale of a non-performing loan with the necessary information on templates that comply with the implementing technical standards adopted by the European Commission (Article 19, paragraphs (1) and (3)).

(2) A fine of between EUR 500,00 and EUR 6,500.00 shall be imposed on the responsible person of the management of the credit institution for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the obligation to appoint a credit servicer

Article 75

(1) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser for failure to appoint, on the date of conclusion of an agreement for the purchase and sale of a non-performing loan, an entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of Article 12 of this Act or a credit servicer with a registered office in the European Union to perform credit servicing under a non-performing credit agreement concluded with a consumer (Article 20, paragraph (1)).

(2) A fine of between EUR 10,000.00 and EUR 65,000.00 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 2,000.00 and EUR 6,500.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

Violation of the provision on the obligations of the credit purchaser

Article 76

(1) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour on a legal person who, as a representative of a credit purchaser who does not have a registered office in the European Union, on the date of conclusion of an agreement on the purchase and sale of a non-performing loan, fails to appoint an entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or a credit servicer to perform credit servicing activities under a non-performing credit agreement concluded with a consumer, a natural person conducting business under self-employment or a micro, small or medium-sized enterprise (Article 20, paragraph (3)).

(2) A fine of between EUR 10,000 and EUR 65,000 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on the representative of the credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 2,000.00 and EUR 6,500.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed for a misdemeanour on a credit servicer and a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act for failure to fulfil, in the name and for the account of the credit purchaser, the obligations of the credit purchaser towards the borrower set out in the provisions of Part Two of this Act (Article 20, paragraph (8)).

(5) A fine of between EUR 400.00 and EUR 5,000.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (4) of this Article.

Violation of the provisions on the engagement of credit servicers or other entities

Article 77

(1) A fine of between EUR 4,000.00 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser or its representative designated in accordance with Article 23 of this Act for failure to notify the Croatian National Bank of the identity and address of the entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or of the credit servicer at the latest by the date of commencement of credit servicing activities and for failure to notify the Croatian National Bank of the identity and address of the entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act or failure to notify the credit servicer of the change of the previously appointed entity or of the identity and address of the new entity appointed to perform credit servicing activities in relation to the agreement on the purchase and sale of a non-performing loan at the latest by the date of that change (Article 21, paragraphs (1) and (2)).

(2) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the credit purchaser and the credit purchaser's representative designated in accordance with Article 23 of this Act who is a craftsman or another self-employed person.

(3) A fine of between EUR 400.00 and EUR 5,000.00 shall be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on the contractual relationship between a credit servicer and a credit purchaser

Article 78

(1) A fine of between EUR 4,000.00 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser that does not perform credit servicing itself for failing to conclude a credit servicing agreement with an authorised credit servicer (Article 22, paragraph (1)).

(2) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(3) A fine of between EUR 400.00 and EUR 5,000.00 shall be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 400.00 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser and a credit servicer where the credit servicing agreement they have concluded does not have the mandatory content laid down in this Act (Article 22. paragraph (2)).

(5) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for the misdemeanour referred to in paragraph (4) of this Article on a credit purchaser who is a craftsman or another self-employed person.

(6) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (4) of this Article.

(7) A fine of between EUR 400 to EUR 50,000.00 shall be imposed for a misdemeanour on a credit servicer where the correspondence with the credit purchaser and the borrower, the instructions from the credit purchaser in respect of the creditor's rights under the agreement for which it performs credit servicing activities and the credit servicing agreement are not kept or maintained for five years from the date of termination, cancellation or expiry of the credit servicing agreement or where the documentation it keeps is incomplete or where it fails to make the documentation available to the Croatian National Bank when requested to do so by the Croatian National Bank (Article 22, paragraphs (3) and (4)).

(8) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (7) of this Article.

**Violation of the provision on the conclusion of an agreement on purchase and sale
with a credit purchaser
Article 79**

(1) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed on a credit institution having its registered office in the Republic of Croatia that concludes an agreement on the purchase and sale of a non-performing loan with a credit purchaser that is not domiciled or does not have a registered office in the European Union, if that credit purchaser failed to appoint, in writing, a representative with a registered office in the European Union (Article 23, paragraph (1)).

(2) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of a legal person for the misdemeanour referred to in paragraph (1) of this Article.

**Violation of the provision on notification to the Croatian National Bank
Article 80**

(1) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a credit purchaser and its representative designated in accordance with Article 23 of this Act if, in the case of the conclusion of an agreement on the purchase and sale of a non-performing loan within the territory of the Republic of Croatia, they fail to submit to the Croatian National Bank the prescribed data or fail to submit them within the prescribed time limit or at the request of the Croatian National Bank (Article 24).

(2) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the credit purchaser and the credit purchaser's representative designated in accordance with Article 23 of this Act who is a craftsman or another self-employed person.

(3) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

**Violation of general requirements
Article 81**

(1) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour on an applicant for authorisation as a credit servicer and a credit purchaser who, as a creditor, performs credit servicing activities to a consumer if they failed to obtain previous authorisation (Article 25, paragraphs (1) and (3)).

(2) A fine of between EUR 2,000.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person and a natural person for the misdemeanour referred to in paragraph (1) of this Article.

(3) A fine of between EUR 10,000.00 and EUR 60,000.00 shall be imposed for a misdemeanour on a credit purchaser who is a natural person and who, in the course of his trade, business or profession, purchases a creditor's rights under a non-performing credit agreement and fails to appoint a servicing entity referred to in Article 12,

paragraph (2), subparagraph (1), item (a) of this Act or a credit servicer (Article 25, paragraph (6)).

(4) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a credit servicer for failing to notify the Croatian National Bank, during the authorisation process, of a change that has occurred in relation to any information or documents submitted in the application or enclosed with the application for authorisation, for failing to ensure that the members of the management and supervisory body meet the requirements for membership of those bodies at all times, for failing to adopt an appropriate policy for selecting and assessing whether the requirements for members of the management and supervisory body of the credit servicer have been met individually as well as collectively, and for failing to adopt or comply with the prescribed policies and procedures (Article 27, paragraphs (5) and (7) to (9)).

(5) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (4) of this Article.

(6) A fine of between EUR 4,000.00 to EUR 50,000.00 shall be imposed for a misdemeanour on a credit servicer for failure to notify the credit purchaser, within the prescribed period, of the credit servicer's intention to take a decision on the dissolution of the company or of the request to open bankruptcy proceedings (Article 30, paragraphs (4) and (5)).

(7) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (6) of this Article.

Violation of the provisions on the receipt and holding of borrower funds

Article 82

(1) A fine of between EUR 5,000.00 and EUR 65,000.00 shall be imposed for a misdemeanour on a credit servicer for receiving and holding borrower funds without authorisation or failing to open a separate account with a credit institution used exclusively for payments to settle a debt under a non-performing credit agreement (Article 32, paragraphs (1) and (2)).

(2) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(3) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a credit servicer authorised to receive and hold borrower funds for failure to provide the borrower with a confirmation of the amount received on paper or by any other means of communication that allows the storage of records of the time and content of communication on a durable medium, for failure to send, at each individual written request of the borrower, a list of the borrower's payments per individual debt account and for failure to include the date and the amount of the payment in the list (Article 32, paragraph (5)).

(4) A fine of between EUR 2,000.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (3) of this Article.

Violation of provisions on the outsourcing of credit servicing, provisions on the cross-border provision of services and provisions on notification to the Croatian National Bank
Article 83

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed on a credit servicer for a misdemeanour where the credit servicer:

- 1) fails to conclude a written agreement on the outsourcing of a particular credit servicing activity with a credit service provider (Article 33, paragraph (1));
- 2) by way of the agreement on the outsourcing of a particular credit servicing service, transfers the responsibility for compliance to the credit service provider (Article 33, paragraph (2));
- 3) entrusts the credit service provider with the performance of all credit servicing activities (Article 33, paragraph (3));
- 4) fails to ensure that, in the event of termination or upon the expiry of the agreement on the outsourcing of credit servicing activities, it has the professional knowledge and resources to independently perform credit servicing activities that it entrusted with the credit service provider under the agreement (Article 33, paragraph (4));
- 5) fails to ensure that the outsourcing of credit servicing activities is not carried out in a manner that impairs the quality of the credit servicer's internal controls, the soundness and continuity of its credit services (Article 33, paragraph (5));
- 6) prior to outsourcing its credit servicing activities, fails to notify the Croatian National Bank and, where applicable, the competent authority of the host Member State of its intention to do so (Article 33, paragraph (6));
- 7) fails to keep and maintain the documentation on the instructions provided to the credit service provider and the agreement on the outsourcing of a particular credit servicing activity for at least five years from the date of termination or expiry of that agreement (Article 33, paragraph (7));
- 8) delegates the power to receive and hold borrower funds to a credit service provider (Article 33, paragraph (9)).

(2) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(3) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a credit servicer and a credit service provider for failing to make available to the Croatian National Bank the documentation on the instructions provided to the credit service provider and the agreement on the outsourcing of a particular credit servicing service whenever the Croatian National Bank so requests (Article 33, paragraph (8)).

(4) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a credit servicer where the credit servicer starts performing credit servicing activities in another Member State of the European Union without notifying the Croatian National Bank in advance or before the Croatian National Bank notifies the credit servicer that it received acknowledgement of receipt from the competent authority of the host Member State or before the expiry of two months from the date on which all the information was sent to the competent authority of the host Member State and where

the credit servicer fails to notify the Croatian National Bank on any change to the data contained in the notification (Article 35, paragraphs (1), (6) and (7)).

(5) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraphs (3) and (4) of this Article.

(6) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a credit servicer from another Member State of the European Union where the credit servicer starts performing credit servicing activities within the territory of the Republic of Croatia without having received the notification from the competent authority of the home Member State of the written acknowledgement of receipt of information by the Croatian National Bank or before the expiry of two months from the date on which the competent authority of the home Member State sent the information to the Croatian National Bank (Article 36, paragraph (3)).

(7) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (6) of this Article.

(8) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour on a credit institution for failing to submit the prescribed data to the Croatian National Bank or failing to submit them within the prescribed time limit when concluding an agreement on the purchase and sale of a non-performing loan with a credit purchaser (Article 39, paragraphs (1) to (3)).

(9) A fine of between EUR 20,000.00 and EUR 130,000.00 shall be imposed for a misdemeanour where a credit institution fails to notify the Croatian National Bank of whether the Croatian National Bank is the competent authority of the borrower's Member State of the European Union, where it fails to submit the prescribed information to the competent authority of the borrower's host Member State within the prescribed time limit, unless that competent authority is the Croatian National Bank, and where it fails to submit the prescribed data at the request of the Croatian National Bank (Article 39, paragraphs (4) to (6)).

(10) A fine of EUR 250.00 to EUR 3,500.00 shall also be imposed on a member of the credit institution's management or another responsible person within the credit institution for a misdemeanour referred to in paragraphs (8) and (9) of this Article.

Violation of the provisions on enabling on-site inspections within the competence of the Croatian National Bank

Article 84

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a legal person who is a credit institution, a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer, a credit service provider, a borrower or any other person where they fail to submit, at the request of the Croatian National Bank, the reports and information on all matters relevant to the exercise of supervision and other tasks within the competence of the Croatian National Bank, if they fail to enable authorised persons of the Croatian National Bank to carry out on-site inspection and if they fail to provide appropriate conditions for the smooth exercise of supervision, and if they fail to

ensure the conditions and appropriate means for the examination of business books and records (Article 42, paragraphs (2), (11) and (12)).

(2) A fine of between EUR 1,250.00 and EUR 17,500.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act and a credit service provider who is a craftsman or another self-employed person.

(3) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on supervision by the Croatian National Bank and the implementation of supervisory measures

Article 85

(1) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a legal person who is a credit institution, a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer and a credit service provider where:

1) they do not enable authorised persons of the Croatian National Bank to carry out an on-site inspection at its registered office and at other locations where they carry out activities and operations subject to supervision by the Croatian National Bank (Article 43, paragraph (1));

2) they do not enable authorised persons of the Croatian National Bank to examine business books, business documentation and administrative and business records as well as information technology and other related technologies to the extent necessary to carry out the inspection (Article 43, paragraph (2));

3) they fail to deliver to authorised persons of the Croatian National Bank computer printouts, copies of business books, business documentation and administrative or business records in paper form or in the form of electronic records (Article 43, paragraph (3));

4) they fail to provide the authorised person of the Croatian National Bank with a standard interface for access to the database management system used for the purpose of carrying out computer-aided supervision (Article 43, paragraph (4));

5) they fail to enable authorised persons of the Croatian National Bank to carry out an inspection outside their working hours when this is necessary due to the scope or nature of the supervision (Article 43, paragraph (6)).

(2) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act and a credit service provider who is a craftsman or another self-employed person.

(3) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed for a misdemeanour on a legal person who is a credit institution, a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act, a

designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer and a credit service provider for failing to implement supervisory measures imposed by the Croatian National Bank or for failing to implement them within the time limit set by the Croatian National Bank or for failing to report to the Croatian National Bank on the implementation of measures (Article 46, paragraph (3) and Article 47, paragraph (2)).

(5) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour referred to in paragraph (4) of this Article on a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act and a credit service provider who is a craftsman or another self-employed person.

(6) A fine of between EUR 500.00 and EUR 6500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (4) of this Article.

Violation of the provisions on reporting to the Croatian National Bank

Article 86

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a legal person who is a credit institution, a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act, a designated servicing entity referred to in Article 12, paragraph (2), subparagraph (1), item (a) of this Act, a credit servicer and a credit service provider for failing to notify the Croatian National Bank of all facts entered in the register of companies, of any planned change of a member of the management and/or supervisory body, of any announced or completed change of a holder of a qualifying holding of which the management and supervisory body was aware or ought to have been aware, of the discontinuance of individual credit servicing activities, of the intention to discontinue all credit servicing activities, of the occurrence of circumstances for the revocation of authorisation, of any changes to be entered in the register, of all other changes that change the facts on the basis of which the Croatian National Bank granted authorisation or of the intention to perform credit servicing activities in a third country (Article 48).

(2) A fine of between EUR 1,250.00 and EUR 17,500.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on a credit purchaser, a credit purchaser's representative designated in accordance with Article 23 of this Act and a credit service provider who is a craftsman or another self-employed person.

(3) A fine of between EUR 250.00 and EUR 3500.00 shall also be imposed on a member of the management or another responsible person of a legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on notification of the intention to sell an agreement on another claim

Article 87

(1) A fine of between EUR 5,000.00 and EUR 70,000.00 shall be imposed on the lender for a misdemeanour where the lender fails to notify the borrower of the total balance of the debt as at the date of notification at least 30 days before the sale of the agreement on another claim, where the lender fails to specify the structure of the debt referred to in

Article 53, paragraph (2) of this Act, the information on the manner in which outstanding amounts can be paid or the intended date of sale in the notification, where the lender sets as the intended date of sale a date that precedes 30 days from the date of notification, where the lender fails to draft the notification in intelligible words and simple form, using the Croatian language and Latin script, and where the lender fails to deliver the notification using the agreed method of communication between the lender and the borrower, or where no method of communication was agreed, using at least one channel of communication, in writing or electronically (Article 53, paragraphs (1) to (4)).

(2) A fine of between EUR 500.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

**Violation of the provisions relating to the representative of third-country
purchaser of another claim
Article 88**

(1) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim and is not domiciled or does not have a registered office in the European Union where it fails to appoint in writing a representative that has a registered office in the European Union (Article 54, paragraph (1)).

(2) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

**Violation of the provisions relating to notification to the Financial Inspectorate
Article 89**

(1) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim for failing to notify the Financial Inspectorate of the purchaser of another claim to which it transferred its rights in the manner and within the time limit laid down in this Act or for failing to comply with the request of the Financial Inspectorate for the submission of data (Article 55, paragraphs (1) to (4)).

(2) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the purchaser of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

**Violation of the provisions on the receipt and holding of funds
Article 90**

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a servicer of another claim for receiving and holding borrower funds without authorisation or for failing to open a separate account with a credit institution used exclusively for payments to settle a debt under an agreement on another claim (Article 56, paragraph (4)).

(2) A fine of between EUR 1,000.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(3) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a servicer of another claim who is authorised to receive and hold borrower funds for failing to provide the borrower with a confirmation of the amount received on paper or using any other means of communication that allows the storage of records of the time and content of the communication on a durable medium, for failing to send, at each individual written request of the borrower, a list of the borrower's

payments per individual debt account and for failure to include the date and the amount of the payment in the list (Article 56, paragraph (4)).

(4) A fine of between EUR 1,000.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (3) of this Article.

Violation of the provisions on the relationship between purchasers of other claims and servicers of other claims

Article 91

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed on a servicer of another claim for a misdemeanour where:

1) it does not enter into a written agreement on the outsourcing of a particular service pertaining to the servicing of other claims with a provider of servicing of another claim;

2) it fails, by way of an agreement on the outsourcing of a particular service pertaining to the servicing of other claims, to transfer the responsibility for compliance to the provider of servicing of another claim;

3) it entrusts the provider of servicing of another claim with the provision of all services pertaining to the servicing of other claims;

4) it fails to ensure that, in the event of termination or upon the expiry of an agreement on the outsourcing of the provision of servicing of other claims, it has the professional knowledge and resources to independently perform activities pertaining to the servicing of other claims entrusted to the provider of servicing of another claim under the agreement;

5) it delegates the power to receive and hold borrower funds to a provider of servicing of another claim (Article 56, paragraph (5)).

(2) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on keeping and maintaining documentation

Article 92

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a servicer of another claim for failure to keep and maintain the documentation on the instructions provided to the provider of servicing of another claim and the agreement on the outsourcing of a particular service pertaining to the servicing of other claims for at least five years from the date of termination or expiry of that agreement (Article 56, paragraph (7)).

(2) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

(3) A fine of between EUR 2,500 and EUR 35,000 shall be imposed for a misdemeanour on a servicer of another claim and a provider of servicing of another claim for failing to make available to the Financial Inspectorate the documentation on the instructions provided to the provider of servicing of another claim and the agreement on the

outsourcing of a particular service pertaining to the servicing of other claims at the request of the Financial Inspectorate (Article 56, paragraph (8)).

(4) A fine of between EUR 1,000.00 and EUR 17,500.00 shall be imposed for the misdemeanour referred to in paragraph (3) of this Article on the provider of servicing of another claim who is a craftsman or another self-employed person.

(5) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (3) of this Article.

Violation of the provisions on the treatment of borrowers by purchasers of other claims and servicers of other claims and of the provisions on notification costs and charges
Article 93

(1) A fine of between EUR 6,000.00 and EUR 80,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim if, prior to the first debt collection or at any time at the request of the borrower, it fails to provide the borrower with a notification including information on the sale of another claim, the date of conclusion of the agreement on the purchase and sale of another claim, the concluded agreement on the servicing of another claim and the date of its conclusion, the identification and contact details of the purchaser of another claim and the servicer of another claim, the prominent contact point where the borrower can obtain the necessary information or lodge a protest and the information on the amount owed by the borrower at the time of notification, indicating the total debt balance and the debt structure, if it fails to provide the name, address and contact details of the competent authority to which the borrower may file a complaint, and if the notification is not drafted in intelligible words and simple form using the Croatian language and Latin script, or if the notification is not provided using the method of communication agreed between the lender and the borrower, or where no method of communication was agreed, by registered post or electronically where the borrower previously consented to the electronic delivery of notifications (Article 57, paragraphs (1), (4) and (5)).

(2) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the purchaser of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 600.00 and EUR 6,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

(4) A fine of between EUR 3,000.00 and EUR 40,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim and a servicer of another claim for failure to indicate, in any communication with the borrower, the contact point at which the borrower may obtain the necessary information and for failure to inform the borrower of the method of communication of the purchaser of another claim and servicer of another claim with borrowers (Article 57, paragraph (2)).

(5) A fine of between EUR 1,500.00 and EUR 20,000.00 shall be imposed for a misdemeanour referred to in paragraph (4) of this Article on the purchaser of another claim who is a craftsman or another self-employed person.

(6) A fine of between EUR 300.00 and EUR 4,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (4) of this Article.

(7) A fine of between EUR 4,000.00 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is a new servicer of another claim for failure to notify the borrower of the information on the agreement on the servicing of another claim and the date of its conclusion and of the identification and contact details of the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim with a prominent contact point at the purchaser of another claim, the servicer of another claim and the provider of servicing of another claim at which the borrower may obtain the necessary information or lodge a protest (Article 57, paragraph (3)).

(8) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (7) of this Article.

(9) A fine of between EUR 4,000 and EUR 50,000.00 shall be imposed for a misdemeanour on a legal person who is the lender, the purchaser of another claim, its representative designated in accordance with Article 54 of this Act, the servicer of another claim and the provider of servicing of another claim if they require the borrower to pay the costs of sending the notification they are required to send or if they require the payment of any charge outside the debt structure laid down in this Act (Article 58).

(10) A fine of between EUR 2,000.00 and EUR 25,000.00 shall be imposed for a misdemeanour referred to in paragraph (9) of this Article on the purchaser of another claim, its representative designated in accordance with Article 54 of this Act and provider of servicing of another claim who is a craftsman or another self-employed person.

(11) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (9) of this Article.

Violation of the provisions on the communication between the purchaser of another claim and servicer of another claim and the borrower and failure to comply with the decision of the Financial Inspectorate

Article 94

(1) A fine of between EUR 2,000.00 and EUR 30,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim, a representative designated in accordance with Article 54 of this Act, a servicer of another claim and a provider of servicing of another claim if they use an illicit method of communication with the borrower or contact the borrower on non-working days at any time or on working days outside the period from 8 a.m. to 8 p.m., if they contact the borrower two or more times during the same month without fulfilling the conditions laid down in this Act, if they contact the borrower at the borrower's workplace or if they contact the borrower's employer without the borrower's express written consent or if they visit the borrower at the borrower's home without the borrower's express written consent (Article 59, paragraphs (1) to (5)).

(2) A fine of between EUR 1,000.00 and EUR 15,000.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the purchaser of another claim, its representative designated in accordance with Article 54 of this Act and provider of servicing of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 200.00 and EUR 3,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on the procedure for handling protests

Article 95

(1) A fine of between EUR 2,500.00 and EUR 35,000.00 shall be imposed for a misdemeanour on a legal person who is a purchaser of another claim, a representative designated in accordance with Article 54 of this Act, a servicer of another claim and a provider of servicing of another claim for:

1) failing to allow the borrower to file a written protest free of charge at their business premises, by mail, electronic mail or any other means of communication that allows the storage of records of the time and content of communication on a durable medium (Article 60, paragraphs (1) and (2));

2) failing to display a notice on the manner of filing a written protest and the procedure for handling borrower protests in a legible and visible manner at their business premises and on the website, if established (Article 60, paragraph (3));

3) failing to acknowledge the receipt of a protest within the prescribed time limit and in the prescribed manner (Article 60, paragraph (4));

4) failing to provide the borrower with a written response to all the issues raised in the protest within the prescribed time limit or for failure to provide the borrower with the reasons for the delay in responding within the prescribed time limit or for indicating a time limit exceeding 35 days from the receipt of the protest as the date by which the borrower will receive the final response (Article 60, paragraphs (5) and (6));

5) failing to refer the borrower to the possibility of submitting a complaint to the Financial Inspectorate in the response to the borrower's protest (Article 60, paragraph (7));

6) failing to develop and apply adequate and effective procedures for handling borrower protests or for failing to make them available to the borrower in the Croatian language and Latin script or in another language and script agreed with the borrower (Article 60, paragraph (8));

7) charging the borrower with a fee for processing the protest, for failing to keep a record of protests lodged and measures taken to deal with each individual protest or for keeping incomplete records (Article 60, paragraph (9));

8) failing to harmonise the content of procedures for handling borrower protests with the rules laid down by the minister of finance (Article 60, paragraph (10));

9) failing to submit their comments and the evidence on which they rely within the time limit set by the Financial Inspectorate (Article 61, paragraph (3)).

(2) A fine of between EUR 1,250.00 and EUR 17,500.00 shall be imposed for a misdemeanour referred to in paragraph (1) of this Article on the purchaser of another claim, its representative designated in accordance with Article 54 of this Act and provider of servicing of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 250.00 and EUR 3,500.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on failure to comply with the decision of the Financial Inspectorate

Article 96

(1) A fine of between EUR 2,000.00 and EUR 30,000.00 shall be imposed for a misdemeanour on a legal person who is a lender, a purchaser of another claim, its representative designated in accordance with Article 54 of this Act, a servicer of another claim and a provider of servicing of another claim for failure to act in accordance with the decision of the Financial Inspectorate to eliminate illegalities and irregularities in operations (Article 63, paragraph (1), subparagraph (2) and paragraph (3)).

(2) A fine of between EUR 1,000.00 and EUR 15,000.00 shall be imposed for the misdemeanour referred to in paragraph (1) of this Article on the purchaser of another claim, its representative designated in accordance with Article 54 of this Act and provider of servicing of another claim who is a craftsman or another self-employed person.

(3) A fine of between EUR 200.00 and EUR 3,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for the misdemeanour referred to in paragraph (1) of this Article.

Violation of the provisions on compliance with the provisions of the Act

Article 97

(1) A fine of EUR 4,000.00 to EUR 50,000.00 shall be imposed for a misdemeanour on a legal person for performing credit servicing activities for which it failed to submit an application for authorisation within the prescribed time limit or for which the application was rejected or following removal from the register (Article 99, paragraph (3)).

(2) A fine of between EUR 400.00 and EUR 5,000.00 shall also be imposed on a member of the management or another responsible person of the legal person for a misdemeanour referred to in paragraph (1) of this Article.

Criteria for deciding whether to impose a sanction

Article 98

When deciding on whether to impose a sanction, the following criteria shall be taken into account:

- the gravity and the duration of the infringement;
- the degree of responsibility of the credit purchaser, its representative designated in accordance with Article 23 of this Act, the credit servicer, the credit service provider or the purchaser of another claim, its representative designated in accordance with Article 54 of this Act, the servicer of another claim and the provider of servicing of another claim responsible for the infringement;
- the financial strength of the credit purchaser or credit servicer or of the purchaser of another claim or servicer of another claim responsible for the infringement, including by reference to the total turnover of a legal person or the annual income of a craftsman or another self-employed person;
- the importance of profits gained or losses avoided because of the infringement by the credit purchaser, its representative designated in accordance with Article 23 of this Act or credit servicer or by the purchaser of another claim, its representative designated in accordance with Article 54 of this Act or servicer of another claim responsible for the infringement, insofar as these profits or losses may be determined;
- losses caused to third parties as a result of the infringement, insofar as they can be determined;
- the level of cooperation by the credit purchaser or credit servicer or of the purchaser of another claim or servicer of another claim responsible for the infringement with the competent authorities;
- previous infringements by the credit purchaser, its representative designated in accordance with Article 23 of this Act and the credit servicer or by the purchaser of another claim, its representative designated in accordance with Article 54 of this Act and the servicer of another claim responsible for the infringement;
- any actual or potential systemic consequences of the infringement.

PART SIX

TRANSITIONAL AND FINAL PROVISIONS

Time limits for compliance with the provisions of this Act

Article 99

(1) A legal person that, on the date of entry into force of this Act, performs credit servicing activities or, as a creditor, performs credit servicing under a non-performing credit agreement concluded with a consumer may continue to provide such services in the Republic of Croatia by the expiry of six months from the date of entry into force of this Act.

(2) A legal person performing credit servicing activities on the date of entry into force of this Act and wishing to continue providing such services after the expiry of the time limit referred to in paragraph (1) of this Article shall submit an application for authorisation to the Croatian National Bank no later than 60 days after the date of entry into force of this Act.

(3) Where a legal person performing credit servicing activities on the date of entry into force of this Act fails to submit the application referred to in paragraph (2) of this Article or the Croatian National Bank rejects that application, the legal person shall cease to provide its services upon the expiry of the time limit referred to in paragraph (1) of this Article or on the date of receipt of the decision of the Croatian National Bank.

(4) Where a credit purchaser entrusted the provision of a credit servicing activity to a person who did not submit the application referred to in paragraph (1) of this Article or the Croatian National Bank rejected that application, it shall terminate the agreement with that legal person.

(5) The legal person referred to in paragraph (1) of this Article shall be considered an entity subject to supervision by the Croatian National Bank.

Time limit for the adoption of subordinate legislation

Article 100

(1) The minister competent for finance shall adopt the rules referred to in Article 17, paragraph (13) and Article 60, paragraph (10) of this Act within 30 days of the date of entry into force of this Act.

(2) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 17, paragraph (12), Article 27, paragraph (10) and Article 39, paragraph (8) of this Act within 30 days of the entry into force of this Act.

(3) The Croatian National Bank shall adopt the subordinate legislation referred to in Article 35, paragraph (8), Article 40, paragraph (7) and Article 41, paragraph (6) of this Act within 45 days of the entry into force of this Act.

(4) The Croatian National Bank and the Financial Inspectorate shall conclude the agreement referred to in Article 65, paragraph (4) of this Act within 90 days of the entry into force of this Act.

Entry into force

Article 101

This Act shall enter into force on the eighth day following its publication in the Official Gazette, with the exception of Article 17, paragraphs (1) to (11), Article 60, paragraphs (1) to (9), Article 72, paragraph (1), items (1) to (7) and Article 95, paragraph (1), items (1) to (7) of this Act, which shall enter into force within 90 days of the date of entry into force of this Act.

Class: 022-02/23-01/78
Zagreb, 15 December 2023

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