



OPINION OF THE EUROPEAN CENTRAL BANK

of 25 March 2020

**on close cooperation between the European Central Bank and Hrvatska narodna banka (HNB)
within the Single Supervisory Mechanism, and on the macroprudential mandate and tools of
HNB
(CON/2020/10)**

Introduction and legal basis

On 29 January 2020 the European Central Bank (ECB) received two requests from Hrvatska narodna banka (HNB) for opinions on draft amendments to the Law on HNB (the ‘draft law on HNB’) and to the Law on credit institutions (the ‘draft law on credit institutions’, together with the draft law on HNB, the ‘draft laws’)¹.

The ECB’s competence to deliver this opinion is based on Articles 127(4) and 282(5) of the Treaty on the Functioning of the European Union and the third and sixth indents of Article 2(1) of Council Decision 98/415/EC², as the provisions of the draft laws addressed by this opinion³ relate to HNB, rules applicable to financial institutions insofar as they materially influence the stability of financial institutions and markets, and the ECB’s tasks concerning the prudential supervision of credit institutions pursuant to Article 127(6) of the Treaty. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the European Central Bank, the Governing Council has adopted this opinion.

1. Purpose of the draft laws

The provisions of the draft laws with respect to which this opinion is issued have three main purposes. *First*, the draft laws adapt Croatian law to the provisions of Council Regulation (EU) No 1024/2013⁴, Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17)⁵ and Regulation (EU)

¹ HNB’s authority to consult the ECB is based on Article 39(1) of the Law on HNB, according to which HNB may require the Croatian Government to propose the enactment of laws concerning HNB and other matters to the Croatian Parliament. The Ministry of Finance is the sponsor of the draft laws, which were approved by the Croatian Government on 23 January 2020 and were delivered on the same day to the Croatian Parliament for the next steps in the legislative process.

² Council Decision 98/415/EC of 29 June 1998 on the consultation of the European Central Bank by national authorities regarding draft legislative provisions (OJ L 189, 3.7.1998, p. 42).

³ This opinion addresses those provisions of the draft laws that concern the establishment of close cooperation between the ECB and HNB within the framework of the Single Supervisory Mechanism, Croatia’s participation in the Single Resolution Mechanism, HNB’s macroprudential mandate and tools, and certain other provisions affecting credit institutions. The remaining provisions of the draft laws are addressed in a separate opinion.

⁴ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

⁵ Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

No 806/2014 of the European Parliament and of the Council⁶ to provide for the establishment of close cooperation between the ECB and HNB within the framework of the Single Supervisory Mechanism (SSM) and for Croatia's entry into the Single Resolution Mechanism (SRM). *Second*, the draft laws contain provisions concerning the macroprudential mandate and tools of HNB. *Third*, the draft laws contain provisions addressing a range of matters affecting credit institutions, including restrictions on the remuneration of staff, the outsourcing of business activities and the exchange of information for purposes of assessing the creditworthiness of a credit institution's clients and managing credit risks.

2. The draft law on HNB

- 2.1 The draft law on HNB regulates HNB's tasks within close cooperation with the ECB and participation in the SRM on matters including the issuance and withdrawal or revocation of authorisations and approvals, the adoption of other decisions, the exercise of supervision and oversight in accordance with the laws governing the operation of credit institutions, and the exercise of resolution powers. It is envisaged that HNB will also adopt subordinate legislation regulating banking operations and establishing standards for sound and safe operation of credit institutions. These tasks are to be carried out by HNB within close cooperation with the ECB, or within the SRM, in accordance with EU law⁷.
- 2.2 The draft law on HNB provides that the HNB Council is to issue and revoke authorisations of credit institutions, authorisations for performing specific operations, authorisations for acquiring shares of credit institutions, approve mergers by acquisition, formation and other changes in the status of credit institutions, approve and revoke the approval of appointments of chairpersons and members of credit institutions' management and supervisory boards, and decide whether a credit institution is failing or is likely to fail, within close cooperation established with the ECB and under the conditions governed by the Statute of the European System of Central Banks and of the European Central Bank or the legal acts of the EU, its institutions and bodies⁸.
- 2.3 The draft law lays down the competences that HNB's Governor exercises within the framework of close cooperation with the ECB and HNB's participation in the SRM, including the regulation of detailed conditions for and methods of exercising supervision, the procedure for taking measures with respect to credit institutions and the conditions applicable to the resolution planning process⁹.
- 2.4 The draft law makes provision for the imposition of administrative monetary sanctions in cooperation with the ECB, and for the cooperation of HNB with the Single Resolution Board (SRB) in the procedure of imposing penalties when SRB exercises its powers to impose penalties¹⁰.
- 2.5 The draft law provides that HNB is competent for the definition and implementation of Croatia's macroprudential policy, for the purposes of contributing to the stability of the financial system as a

⁶ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (OJ L 225, 30.7.2014, p. 1).

⁷ See Articles 4 and 24 of the draft law on HNB (amending Article 4 and replacing Article 77 of the Law on HNB).

⁸ See Articles 9 and 28 of the draft law on HNB (amending Article 42(3) and Article 104 of the Law on HNB).

⁹ See Article 10 of the draft law on HNB (amending Article 43 of the Law on HNB).

¹⁰ See Article 26 of the draft law on HNB (introducing new Articles 87a and 87c of the Law on HNB).

whole, acting in accordance with relevant EU legal acts. HNB's Governor is to implement macroprudential policy and adopt subordinate legislation, recommendations and decisions in the field of macroprudential policy¹¹.

- 2.6 The draft law provides that on the date of the introduction of the euro as Croatia's official currency, or if after the establishment of close cooperation with the ECB this cooperation is terminated in accordance with Regulation (EU) No 1024/2013, the relevant provisions of the Law on HNB which arise out of HNB's close cooperation with the ECB cease to have effect¹².
- 2.7 Finally, the draft law provides that HNB will be independent in the performance of its tasks within the SRM conferred on it pursuant to Regulation (EU) No 806/2014, without prejudice to the powers of the Single Resolution Board (SRB) in relation to HNB¹³. It also gives HNB powers to adopt implementing acts providing for the application of SRB guidelines, subject to the SRB's approval¹⁴.

3. The draft law on credit institutions

- 3.1 The draft law on credit institutions empowers HNB to impose supervisory measures that may be required upon the completion of the comprehensive assessment performed by the ECB pursuant to Regulation (EU) No 1024/2013. HNB is to cooperate with the ECB in identifying significant credit institutions in Croatia on the basis of this comprehensive assessment and the requirements set out in Regulation (EU) No 468/2014 (ECB/2014/17)¹⁵.
- 3.2 The draft law seeks to ensure that, whenever the ECB exercises its supervisory powers concerning acquisitions of qualifying holdings in credit institutions, HNB cooperates with the ECB in the decision-making procedure in order to ensure that joint procedures carried out with the ECB in the course of close cooperation may be applied *mutatis mutandis* to supervised entities with a head office in Croatia¹⁶.
- 3.3 The draft law seeks to ensure cooperation with the ECB in the decision-making procedure concerning the prior approval and revocation of approval for management and supervisory board members. A credit institution's management board is obliged to ensure that the credit institution operates, *inter alia*, in accordance with ECB regulations adopted under Regulation (EU) No 1024/2013¹⁷. These provisions are necessary as the ECB does not have directly applicable powers over supervised entities and groups in Croatia during the course of close cooperation¹⁸.
- 3.4 The draft law seeks to facilitate joint decision-making procedures in which HNB takes a decision upon the instruction of the ECB on the authorisation of credit institutions' provision of banking and/or financial services, mergers by acquisition or formation of new credit institutions, the

11 See Articles 4, 10, 25 and 27 of the draft law on HNB (amending Articles 4, 43 and 89 and introducing new Article 77a of the Law on HNB).

12 See Articles 34 (amending Article 118 of the Law on HNB) and 36 of the draft law on HNB.

13 See Article 21 of the draft law on HNB (introducing new Article 71a of the Law on HNB).

14 See Article 21 of the draft law on HNB (introducing new Article 71b of the Law on HNB).

15 See Articles 5-6 of the draft law on credit institutions (amending Articles 11b-11c of the Law on credit institutions).

16 See Articles 7-11 of the draft law on credit institutions (amending Articles 24, 26, 27, 29 and 32 of the Law on credit institutions).

17 See Articles 13-15 and 17-18 of the draft law on credit institutions (amending Articles 39, 41, 44, 46 and 47 of the Law on credit institutions).

18 See Explanation accompanying the draft law on credit institutions, Articles 13, 15, 17 and 18, pp. 48-49.

- granting, expiry and revocation of authorisations, and the establishment of a branch in another participating Member State by a significant credit institution¹⁹.
- 3.5 The draft law requires HNB to decide on changes to credit institutions' internal models, the classification of capital instruments as additional tier 1 or tier 2 capital instruments, and a credit institution's capital conversion plan in accordance with the ECB's instructions²⁰. The existing limitation of exposures to members of the same group or to a single person or group of connected clients, set at 25% of the credit institution's eligible capital, is to remain in force after the establishment of close cooperation²¹. As regards the assessment of recovery plans, HNB is to decide in line with ECB instructions²².
- 3.6 The draft law envisages that credit institutions will continue to address all their applications, notifications or requests to HNB. An unannounced inspection of a credit institution's business premises may only be performed by order of the High Administrative Court where such an order is requested independently by HNB or by the ECB, with HNB submitting such requests on behalf of the ECB²³.
- 3.7 Whenever the ECB exercises and performs its supervisory powers and tasks, HNB as the consolidating supervisor must cooperate with the ECB in the decision-making procedure for the approval of a financial support agreement for a group of credit institutions in Croatia and decide in accordance with the ECB's instructions²⁴. Provision is made for cooperation and decision-making according to the ECB's instructions in relation to supervisory measures in the early intervention phase²⁵. Where the ECB or a supervisory authority from a non-participating Member State is the consolidating supervisor, HNB may participate in the college of supervisors as an observer, and must act in accordance with the ECB's instructions²⁶.
- 3.8 Under the draft law the provisions of the law governing the general administrative procedure apply to administrative procedures carried out by HNB. The draft law on credit institutions establishes the legal framework for the exercise of the right to be heard and to access files. In particular, before adopting a decision that could adversely affect the legal rights of a party, HNB must notify the party of all facts, circumstances and legal issues relevant to the adoption of the decision and invite the party to provide its comments in writing. Where HNB deems it appropriate, it may provide the party with the opportunity of commenting in an oral hearing. In addition, a party subject to a supervisory

19 See Articles 19-23, 24 and 26-27 of the draft law on credit institutions (amending Articles 60, 63, 65, 67-69, 73 and 75 of the Law on credit institutions).

20 See Articles 34 and 38 of the draft law on credit institutions (amending Articles 114 and 143 of the Law on credit institutions).

21 See Article 40 of the draft law on credit institutions (introducing new Article 145a of the Law on credit institutions). See also Article 493(3)(c) 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, p. 1).

22 See Article 41 of the draft law on credit institutions (introducing new Article 154a of the Law on credit institutions).

23 See Article 44 of the draft law on credit institutions (amending Article 175 of the Law on credit institutions).

24 See Article 49 of the draft law on credit institutions (amending Article 216b of the Law on credit institutions).

25 See Article 53 of the draft law on credit institutions (amending Article 235a of the Law on credit institutions).

26 See Article 56 of the draft law on credit institutions (amending Article 277 of the Law on credit institutions).

procedure and a party against whom a procedure for imposing administrative sanctions has been initiated have a right to access the file²⁷.

- 3.9 Under the draft law HNB is competent for establishing breaches and carrying out the procedure for imposing administrative sanctions and imposing administrative sanctions on legal persons and responsible persons for particular breaches of credit institutions²⁸. As noted in the explanatory memorandum accompanying the draft law, in accordance with Article 7 of Regulation (EU) No 1024/2013, the ECB may give instructions that the HNB is obliged to comply with. In exercising its powers under Article 18 in conjunction with Article 7 of Regulation (EU) No 1024/2013, the ECB may instruct HNB to impose administrative sanctions. To enable HNB to comply with such instructions, HNB is given the power to impose administrative sanctions. The procedure by which HNB imposes administrative sanctions aims to fulfil the requirements under close cooperation with the ECB. This includes the types of administrative sanctions that HNB may impose at the request of the ECB²⁹. The draft law introduces administrative disputes and judicial protection as the legal remedy against a decision on administrative sanctions. An appeal against a decision of HNB on administrative sanctions may be made before the Administrative Court in Zagreb, with such an appeal regarded as urgent³⁰. The limitation period for imposing administrative sanctions and executing fines is five years³¹, in line with Articles 130 and 131 of Regulation (EU) No 468/2014 (ECB/2014/17)³². Whenever the ECB exercises its powers, HNB is to cooperate with the ECB in the administrative sanctions procedure and comply with the ECB's instructions³³. In this respect, HNB must follow the same procedural requirements as apply when it imposes administrative sanctions of its own accord³⁴.
- 3.10 Where certain provisions of the Law on credit institutions are breached, a misdemeanour may be committed, the establishment and sanctioning of which falls within the competence of county courts. The draft law provides, in contrast, that HNB, and not the county courts, is to have the power to impose administrative sanctions in relation to certain breaches³⁵.
- 3.11 The draft law contains further provisions regulating HNB's macroprudential mandate and tools. In particular, where necessary to safeguard the stability of the financial system as a whole, to strengthen the resilience of the financial system and to prevent and mitigate systemic risks, HNB as a designated authority must adopt subordinate legislation to set appropriate measures and instruments that may include: (1) the highest permitted ratio of the approved loan amount to collateral value; (2) the highest permitted ratio of the loan amount to the income of the loan

27 See Articles 62-63 of the draft law on credit institutions (introducing new Articles 322a, 323a and 323b of the Law on credit institutions).

28 See Article 65 of the draft law on credit institutions (introducing new Articles 359a to 359s of the Law on credit institutions).

29 See Explanation accompanying the draft law on credit institutions, Article 65, pp. 56-58.

30 See Article 65 of the draft law on credit institutions (introducing new Article 359k of the Law on credit institutions).

31 See Article 65 of the draft law on credit institutions (introducing new Articles 359m and 359n of the Law on credit institutions).

32 See Explanation accompanying the draft law on credit institutions, Article 65, p. 58.

33 See Article 65 of the draft law on credit institutions (introducing new Article 359s of the Law on credit institutions).

34 See Explanation accompanying the draft law on credit institutions, Article 65, p. 56.

35 See Article 66 of the draft law on credit institutions (amending Article 360 of the Law on credit institutions); Explanation accompanying the draft law on credit institutions, Article 66, p. 59.

beneficiary; (3) the highest permitted ratio of the amount of loan instalment repayment or annuity to the income of the loan beneficiary; (4) the maximum duration of the loan agreement; (5) the requirements related to the loan repayment calculation method; or (6) other measures and requirements aimed at safeguarding the stability of the financial system as a whole and preventing and mitigating systemic risks³⁶. Further, HNB is the designated authority responsible for setting the countercyclical and systemic risk buffer rates for Croatia for the purposes of Articles 133(2) and 136(1) of Directive 2013/36/EU of the European Parliament and the Council³⁷ and must also set other systemically important institutions (O-SII) buffer rate. In these cases, HNB carries out these macroprudential tasks together with the ECB, and follows the ECB's instructions³⁸.

- 3.12 The draft law contains provisions prescribing the ratio between the fixed and variable components of the total remuneration of a staff member of a credit institution and restricting the type and design of instruments in which variable remuneration may be awarded³⁹.
- 3.13 The draft law amends existing provisions concerning credit institutions' outsourcing of business activities, prescribing in more detail the content of subordinate legislation that HNB may adopt on outsourcing⁴⁰.
- 3.14 The draft law removes legal impediments to the exchange of confidential information necessary for a credit institution to assess a client's creditworthiness and manage credit risk, ensuring the compliance of such information exchanges with banking secrecy, data protection and other legal requirements. These changes are proposed following the discontinuation of the exchange of information on the credit obligations of citizens by the Croatian Registry of Credit Obligations in 2018⁴¹.

4. Observations regarding close cooperation between HNB and the ECB within the SSM

- 4.1 The ECB welcomes the draft laws as an important step in the process leading to the establishment of close cooperation between the ECB and HNB pursuant to Article 7 of Regulation (EU) No 1024/2013.
- 4.2 The ECB notes that it has already been consulted, and issued an opinion, on a first piece of Croatian legislation adopted for the purpose of establishing close cooperation⁴².
- 4.3 This opinion is without prejudice to the overall assessment of the request filed on 27 May 2019 by the Republic of Croatia to establish close cooperation between the ECB and HNB, which is taking

³⁶ See Article 39 of the draft law on credit institutions (introducing new Title VIIa - Macroprudential measures and Article 144a of the Law on credit institutions).

³⁷ Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (OJ L 176, 27.6.2013, p. 338).

³⁸ See Articles 35-37 of the draft law on credit institutions (amending Articles 119, 129 and 137 of the Law on credit institutions).

³⁹ See Article 30 of the draft law on credit institutions (introducing new Articles 100a and 100b of the Law on credit institutions); Explanation accompanying the draft law on credit institutions, Article 30, pp. 50-51.

⁴⁰ See Articles 31-33 of the draft law on credit institutions (amending Articles 109-111 of the Law on credit institutions); Explanation accompanying the draft law on credit institutions, Articles 31-33, p. 51.

⁴¹ See Articles 42 and 61 of the draft law on credit institutions (amending Articles 157 and 321 of the Law on credit institutions); Explanation accompanying the draft law on credit institutions, Articles 42 and 61, pp. 52 and 55.

⁴² See Opinion CON/2019/25. All ECB Opinions are published on the ECB's website at www.ecb.europa.eu.

place in line with the existing procedures established under Article 7 of Regulation (EU) No 1024/2013 and under Decision ECB/2014/5 of the European Central Bank⁴³. In particular, this opinion remains without prejudice to the assessment being conducted by the ECB in accordance with Article 4 of Decision ECB/2014/5, which includes a broader assessment of the relevant national legislation, also taking into account its practical implementation⁴⁴.

- 4.4 The ECB welcomes the comprehensive approach taken in the draft laws to the establishment and operation of close cooperation with the ECB. As previously noted, the ECB understands that the new provisions will be read in accordance with the other provisions of the Law on HNB and the Law on credit institutions, so that the exercise of prudential supervision over credit institutions established in Croatia will take place under the framework provided for in Regulation (EU) No 1024/2013⁴⁵.
- 4.5 The ECB welcomes the establishment of a legal framework providing HNB with all necessary powers to comply with all the instructions which the ECB may adopt under Regulation (EU) No 1024/2013.
- 4.6 The ECB welcomes the provisions enabling the ECB to carry out the tasks in the areas referred to in Article 4(1) and (2) and Article 5 of Regulation (EU) No 1024/2013 once close cooperation between the ECB and HNB is established.
- 4.7 The ECB welcomes the provisions ensuring that the common procedures laid down in Part V of Regulation (EU) No 468/2014 (ECB/2014/17) can be applied in respect of supervised credit institutions during close cooperation. Consistent with Regulation (EU) No 468/2014 (ECB/2014/17), the draft laws provide for the right of a party to be heard before a decision that could adversely affect its rights is adopted⁴⁶. However, the draft laws do not contain provisions on HNB's powers and procedure in case of the adoption of an urgent decision necessary to prevent significant damage to the financial system. The Croatian authorities are encouraged to align the draft laws in this respect with Article 31 of Regulation (EU) No 468/2014 (ECB/2014/17) and provide HNB with all necessary powers to comply with all the instructions which the ECB may adopt under Regulation (EU) No 1024/2013 in cases of urgency.
- 4.8 The ECB welcomes the fact that the draft law on credit institutions introduces and specifies HNB's sanctioning powers in order to align Croatian law with the scope of the ECB's sanctioning power under Article 18 of Regulation (EU) No 1024/2013. In particular, the ECB welcomes the express requirement for HNB to open proceedings for the imposition of administrative penalties when so requested by the ECB on the basis of Article 18(5) of Regulation (EU) No 1024/2013. The procedure by which HNB imposes administrative sanctions is harmonised with the procedure by which the ECB imposes administrative penalties under Part X of Regulation (EU) No 468/2014 (ECB/2014/17). However, a provision should be added empowering HNB to impose sanctions on holding companies in the event that they breach decisions adopted by HNB pursuant to ECB

43 Decision ECB/2014/5 of the European Central Bank of 31 January 2014 on the close cooperation with the national competent authorities of participating Member States whose currency is not the euro (OJ L 198, 5.7.2014, p. 7).

44 See paragraph 2.3 of Opinion CON/2019/25.

45 See paragraph 3.1.1 of Opinion CON/2019/25.

46 See Article 63 of the draft law on credit institutions (introducing Article 323a of the Law on credit institutions).

instructions or act contrary to legal acts adopted by the ECB which are directly applicable in Croatia. Further on, the definition of total income for the imposition of administrative sanctions on entities belonging to groups should, in line with Article 128 of Regulation (EU) No 468/2014 (ECB/2014/17), take into account the consolidated annual financial accounts of the group irrespective of the place of establishment of the parent undertaking. Also, the provisions on the publication of decisions on administrative sanctions by HNB on its website should be amended to include all sanctions imposed on all subjects sanctioned by HNB upon the ECB's request. Further on, the exceptional ground provided for in the new Article 215(9)(4) of the Law on credit institutions allowing for publication on an anonymous basis should not be applicable to HNB decisions imposing administrative sanctions upon the ECB's request, as it departs from the publication regime provided for in Article 132 of Regulation (EU) No 468/2014 (ECB/2014/17).

5. Observations regarding HNB's macroprudential mandate and tools

- 5.1 The ECB understands that the part of the draft laws which relates to the macroprudential mandate and tools of HNB is to be adopted in line with the commitments made by Croatia in policy areas which are of high relevance for a smooth transition to, and participation in, the exchange rate mechanism (ERM II)⁴⁷.
- 5.2 HNB is competent in the area of macroprudential policy for its contribution to the stability of the financial system as a whole⁴⁸. Based on this competence HNB has already adopted a number of macroprudential measures⁴⁹. HNB is also the designated national authority for the purposes of identifying macroprudential or systemic risks under Article 458(1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council⁵⁰. The draft law does not therefore confer genuinely new tasks on HNB, but rather specifies a more broadly formulated macroprudential mandate and certain new macroprudential tools that HNB may use when discharging its macroprudential responsibilities. Consequently, it is not necessary to assess whether the conferral of new tasks on a national central bank complies with the prohibition of monetary financing.
- 5.3 The ECB welcomes the clarification of the details of HNB's macroprudential toolkit. The objectives of the draft law are also in line with the principles set out in the Recommendation of the European Systemic Risk Board on intermediate objectives and instruments of macroprudential policy⁵¹, in particular with regard to the objective to mitigate and prevent excessive credit growth and leverage⁵².

47 See press release, 'Statement on Croatia's path towards ERM II participation', 8 July 2019, available at www.consilium.europa.eu.

48 See Article 4 of the Law on HNB.

49 See HNB Recommendation for mitigating interest rate and interest rate credit risk in long-term consumer lending (26 September 2017) and HNB Recommendation on the procedure for granting non-residential loans to consumers (28 February 2019), available on HNB's website at <https://www.hnb.hr>.

50 See Article 11(2) of the Law on credit institutions; 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, p. 1).

51 Recommendation ESRB/2013/1 of the European Systemic Risk Board of 4 April 2013 on intermediate objectives and instruments of macroprudential policy (OJ C 170, 15.6.2013, p. 1).

52 See paragraph 2.2 of Opinion CON/2017/11, paragraph 2.3 of Opinion CON/2017/21, paragraph 3.1 of Opinion CON/2018/9 and paragraph 3.1 of Opinion CON/2018/52.

- 5.4 From a financial stability perspective, the ECB welcomes the implementation of a legislative framework for borrower-based measures. The ECB takes positive note of the fact that HNB may activate some or all of the abovementioned tools, as well as any other measures and requirements aimed at safeguarding the stability of the financial system as a whole and preventing and mitigating systemic risks, thereby responding in a flexible and proportionate way to potential risks to financial stability. A thorough quantitative impact assessment will be important to verify the effect and appropriateness of the new tools when they are activated⁵³.
- 5.5 The ECB expects HNB to consult the ECB in accordance with Article 127(4) of the Treaty on subordinate legislation that HNB adopts under the draft law on credit institutions⁵⁴.

6. Observations regarding Croatia's participation in the SRM

- 6.1 The ECB welcomes the provisions of the draft laws which allow for the implementation of Regulation (EU) No 806/2014 in relation to the SRM.

This opinion will be published on the ECB's website.

Done at Frankfurt am Main, 25 March 2020.

[signed]

The President of the ECB

Christine LAGARDE

⁵³ See paragraph 2.3 of Opinion CON/2017/11, paragraph 2.4 of Opinion CON/2017/21, paragraph 3.2 of Opinion CON/2018/9, paragraph 3.2 of Opinion CON/2018/52 and the Governing Council's statement on macroprudential policies of 15 December 2016, available on the ECB's website at www.ecb.europa.eu.

⁵⁴ See paragraph 2.4 of Opinion CON/2017/11.