

## Template for notifying the intended use of a systemic risk buffer (SRB)

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1. Notifying national authority and scope of the notification	
1.1 Name of the notifying authority	Croatian National Bank (HNB)
1.2 Type of measure intended (also for reviews of existing measures)	Maintaining the existing SyRB rates
2. Description of the notified measure	
2.1 Institutions covered by the intended SRB	All credit institutions with head offices in the Republic of Croatia
2.2 Buffer rate (Article 133(11)(f) of the CRD)	<p>Depending on the nature, scope and complexity of activities of credit institutions, the systemic risk buffer rate equals:</p> <ul style="list-style-type: none"> <li>• for credit institutions whose share of assets in total assets of the national financial sector is lower than 5%, the SyRB rate amounts to 1.5% of total risk exposure (Subgroup 1)</li> <li>• for credit institutions whose share of assets in total assets of the national financial sector is equal or higher than 5%, the SyRB rate amounts to 3% of total risk exposure (Subgroup 2)</li> </ul> <p>For details see <a href="#">Decision on the application of the structural systemic risk buffer</a></p>
2.3 Exposures covered by the SRB	All exposures.
3. Timing of the measure	
3.1 Timing of the Decision	September 2nd 2019

<b>3.2 Timing of the Publication</b>	September 6th 2019
<b>3.3 Disclosure</b>	<a href="#">Publication on the official website of the Croatian National Bank.</a>
<b>3.4 Timing of Application</b>	September 2019
<b>3.5 Phasing in</b>	n.a.
<b>3.6 Review/deactivation of the measure</b>	The SyRB is in place until further notice and is reviewed at least every two years, in accordance with Art.131 of the Credit Institutions Act.
<b>4. Reasons for the intended SRB</b>	
<b>4.1 Description of the long-term non-cyclical systemic risk in your Member State (Article 133(11)a of the CRD)</b>	<p>The long-term non-cyclical systemic risks in Croatia primarily relate to structural imbalances such as:</p> <ul style="list-style-type: none"> <li>• high external and public debt</li> <li>• elevated private-sector debt</li> <li>• high concentration of the banking system</li> <li>• low activity rate</li> <li>• negative demographic/migration trends</li> <li>• vulnerability to global economic and financial conditions</li> </ul>
<b>4.2 Reasons why the dimension of the long-term non-cyclical systemic risk threatens the stability of the financial system in your Member State (Article 133(11)(b) of the CRD)</b>	<p>Elevated structural (long-term, non-cyclical) imbalances outlined in 4.1. make the financial system vulnerable and increase the probability for potential shocks to threaten the system's stability and create adverse feedback loops between the real economy and the performance of the financial sector.</p> <p>Such vulnerability is amplified by the fact that Croatia is a small open economy highly vulnerable to global/regional economic conditions.</p>
<b>4.3 Indicators used for the activation of the measure</b>	<p>The indicators used for the activation of the measure comprise the following:</p> <ul style="list-style-type: none"> <li>• Structural macroeconomic indicators such as the level of public, private and external debt (as % of GDP), unemployment, activity etc. and comparison with peer countries (incl. relative macroeconomic imbalances assessed with EC's MIP Scoreboard data)</li> <li>• Indicators measuring market concentration in the domestic financial system such as the relative size and relative RWA shares of credit institutions, and bank assets Hirschman-Herfindahl index</li> <li>• Expert judgement</li> </ul>
<b>4.4 Effectiveness and proportionality of the measure (Article 133(11)(c) of the CRD)</b>	The SyRB, applicable to all credit institutions and all exposures, aims to strengthen the resilience of the Croatian banking sector amid elevated structural imbalances (see 4.1.) and against potential shocks.

	The proportionality of the measure is ensured by the fact that the buffer rate (see 2.2.) is determined based on the nature, scope and complexity of the activities of each credit institution.
<b>4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and 459 of the CRR, to address the identified risks (Article 133(11)(e) of the CRD)</b>	The SyRB is a macroprudential measure applied to all credit institutions and all exposures, targeting system-wide risks of structural nature.  The countercyclical capital buffer, on the other hand, is a countercyclical instrument, while Pillar 2 measures are institution-specific and target risks from a microprudential perspective.
<b>5. Cross-border and cross-sector impact of the measure</b>	
<b>5.1 Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD and Recommendation ESRB/2015/2)</b>	The HNB's framework (Decision, OG 60/2017) provides the assessment of cross-border effects (leakages and regulatory arbitrage) for the implementation of Croatian macroprudential policy measures in own jurisdiction, in other Member States and on the Single Market, following the Recommendation/2015/2. Results of such an assessment show that cross-border effects of the measure are expected to be non-significant.
<b>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</b>	See 5.1.
<b>5.3 Reciprocation by other Member States (Article 134(4) of the CRD and Recommendation ESRB/2015/2)</b>	No reciprocation is requested.
<b>6. Combination of the SRB with other buffers</b>	
<b>6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)</b>	All banks are subject to a SyRB applied to all exposures (domestic and foreign). Both the SyRB and the OS-II buffer (applied only to systematically important institutions) should be maintained on both an individual and a consolidated level. When a credit institution is subject to an O-SII buffer and a SyRB buffer, the higher of the two applies, i.e. the buffers are not cumulative.
<b>6.2 Other relevant information</b>	n.a.
<b>7. Miscellaneous</b>	
<b>7.1 Contact person(s) at notifying authority</b>	Maja Bukovšak, Tel. +38514564751, e-mail: maja.bukovsak@hnb.hr
<b>7.2 Any other relevant information</b>	n.a.