

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	Hrvatska narodna banka
1.2 Type of measure intended (also for reviews of existing measures)	Change of the level of an existing SRB
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 and branches of third country credit institutions that have been authorised by the Croatian National Bank to establish a branch of the third-country credit institution.
2.2 Buffer rate (Article 133(11)(f) of the CRD)	1.50%
2.3 Exposures covered by the SRB	All exposures.
3. Timing of the measure	
3.1 Timing of the Decision	Planned for 16 December 2020
3.2 Timing of the Publication	Planned for 18 December 2020
3.3 Disclosure	Publication in the Official Gazette and on the HNB website. In addition, justification for the chosen level of the SRB will be published on the HNB's web and as a box in regular publication Macroprudential Diagnostics.
3.4 Timing of Application	1 January 2020

3.5 Phasing in	-
3.6 Review/deactivation of the measure	The SRB is in place until further notice and its level is reviewed at least every two years, in accordance with the Credit Institutions Act.
4. Reasons for the intended SRB	
4.1 Description of the long-term non-cyclical systemic risk in your Member State (Article 133(11)a of the CRD)	<p>The Decision on the application of the structural systemic risk buffer is replacing the Decision on the application of the structural systemic risk buffer from August 2017. In the previous Decision, there were two different buffer rates for two groups of credit institutions, depending on their nature, scope and complexity of activities (1.5% and 3.0%). As SRB was applied to all exposures and was higher than the O-SII buffer, the later did not apply under the CRD IV. After the implementation of CRD V these two buffers will be cumulative and there will be no need for the higher SRB rate for larger and more complex credit institutions. To avoid the overlap of SRB and O-SII buffer, the single SRB rate of 1.50% will be applied to all credit institutions, covering the identified long-term systemic risks in Croatia that primarily relate to structural imbalances such as:</p> <ul style="list-style-type: none"> - high external and public debt - elevated private-sector debt - low activity rate - vulnerability to global economic and financial conditions.
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)	<p>Elevated structural 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 and regional economic developments.</p>
4.3 Indicators used for the activation of the measure	The indicators used for the activation of the measure comprise structural macroeconomic indicators such as the level of public, private and external debt (as % of GDP), unemployment and activity rate in comparison with peer countries, complemented by expert judgement.
4.4 Effectiveness and proportionality of the measure (Article 133(11)(c) of the CRD)	The SRB aims to strengthen the resilience of the Croatian banking sector amid elevated structural imbalances and against potential shocks. The proportionality of the measure is ensured by the fact that the buffer is applied to all credit institutions at the same rate, while the O-SII buffer covers systemic risk stemming from the size and importance of credit institutions. As a result of formal changes in the regulatory framework (additivity of O-SII and SRB under CRD V) combined buffer requirement for O-SI institutions will increase by 0.5 p.p. while for the rest of the credit institutions it will remain the same.
4.5 Justification of inadequacy of existing measures in the CRD or in the CRR, excluding Articles 458 and	The SRB applied to all credit institutions and all exposures is a macroprudential measure best suited to target system-wide risks of structural nature.

459 of the CRR, to address the identified risks (Article 133(11)(e) of the CRD)	
5. Cross-border and cross-sector impact of the measure	
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)	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.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	No leakages or regulatory arbitrage are expected.
5.3 Reciprocation by other Member States (Article 134(4) of the CRD and Recommendation ESRB/2015/2)	No reciprocation is requested.
6. Combination of the SRB with other buffers	
6.1 Combination with G-SII and/or O-SII buffers (Article 133(4) and (5) of the CRD)	<ul style="list-style-type: none"> a. If a credit institution is subject to an O-SII buffer, under the CRD V both SRB and O-SII buffer will need to be maintained at both individual and consolidated level. b. There are no G-SIIs in Croatia. c. Since the decision enters into force simultaneously with the Amendments to the Credit Institutions Act implementing the CRD V, new SRB and O-SII buffer will be applied cumulatively.
6.2 Other relevant information	-
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Lana Ivicic, lana.ivicic@hnb.hr , tel. +38514565009
7.2 Any other relevant information	