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Zagreb  
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Sonnemannstraße 20  
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RE: Questionnaire on assigning powers to the NCB to assess competition and issue direction to lenders with regard to interest rates (2016/11/LEGCO)-First WP

Dear Colleagues,

Please find below the answers of the Croatian National Bank to the questionnaire dated 12 October 2016 concerning the new powers to assess competition in the market for mortgage loans and to issue directions to lenders with regard to variable interest rate to be conferred to NCB:

- 1. Has your central bank been assigned with tasks relating to the protection of competition? Has it been assigned similar powers to regularly assess the state of competition? Please describe briefly the scope of those tasks, also referring to the legal basis.**

The Croatian National Bank was in charged for competition issues in banking sector in the past, but after 1st of July 2013, when the Republic of Croatia became the full member of the EU those powers were transposed to the Croatian Competition Agency. Accordingly, the Croatian National Bank has not been assigned with the tasks relating to the protection of competition.

- 2. Has your central bank been assigned with powers to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits; and/or the application of usury laws in your respective**

**jurisdictions? Please describe briefly the scope of those powers, also referring to the legal basis.**

The Croatian National Bank has not been assigned with powers to regulate the interest rates charged by banks in respect of loans and/or the savings remuneration offered by banks in respect of deposits, and/or the application of usury laws.

However, the Consumer Credit Act (Official Gazette 75/2009, 112/2012, 143/2013, 9/2015, 78/2015, 102/2015 and 52/2016) prescribes in Article 11b the maximum allowed interest rates for dwelling house mortgage loans and in article 11c the maximum allowed interest rates for other consumer loans. According to Article 22, paragraph (2) of the Consumer Credit Act, supervision over the implementation of this Act and implementing regulations enacted on the basis of this Act, by credit institutions and credit unions, that are providing services of granting loans on the basis of the authorisation issued by the Croatian National Bank, and by payment institutions and electronic money institutions, that are providing services of granting loans which constitute payment services provided on the basis of the authorisation issued by Croatian National Bank, shall be carried out by the Croatian National Bank in a manner regulated by the specialised regulations governing the operations of those lenders. The Croatian National Bank shall also carry out supervision over the implementation of this Act by other lenders, who pursuant to the legislation governing the operation of credit institutions, provide a service of granting loans in the Republic of Croatia directly or through a branch office. There is no possibility to initiate an infringement procedure. However, the Croatian National Bank, may issue a decision ordering the lender, who exceeds the allowed limits envisaged in Article 11b and 11c of the Consumer Credit Act, to comply with those provisions. Default interest and contractual interest rates for other agreements are regulated in general in the Civil Obligation Act (Official Gazette 35/2005, 41/2008, 125/2011 and 78/2015) as well as usury contracts – Article 329 of the Civil Obligation Act. All disputes arising from the usury contract are under the jurisdiction of the competent national court.

**3. Has another public authority, such as the national competition or consumer protection authority, been conferred with such tasks to assess competition, or to regulate interest rates on loans or deposit rates offered by financial institutions? How do these authorities interact with the central bank and/or the prudential supervisor in carrying out such tasks? Please describe briefly the scope of those powers, also referring to the legal basis.**

The Croatian Competition Agency has the exclusive jurisdiction regarding the competition. The Ministry of Finance, which initiates the adoption of law, has limited the allowed interest rates for consumer credits in article 11b and 11c of the Consumer Credit Act as mentioned above. Also, the law which will regulate the dwelling house mortgage loans and the allowed limits for the related contractual

interest rates and which will implement the Mortgage Credit Directive is under preparation in the Republic of Croatia. The cooperation between the Ministry of Finance and the Croatian National Bank is visible in Article 11b paragraph (4 ) and Article 11c paragraph (4) of the Consumer Credit Act according to which the Croatian National Bank has the obligation to provide and publish the average interest rate used for the calculation of limits for the allowed interest rates. As regards the cooperation between the Croatian Competition Agency and the Croatian National Bank there are no legal basis which proscribe obligation for cooperation, because the Memorandum of understanding which used to regulate those issues ceased to exist on the 1st of July 2013 when Croatian National Bank lost the jurisdiction in the field of competition. However, there are no obstacles in the practice which could obstruct cooperation between these two institutions.

Director

