

Foreword

The **Croatian Banking Association** celebrates in 2004 its fifth anniversary. Exactly when we are publishing this CBA brochure, fifth in a row, at the end of May five years ago, the initiative by five then leading Croatian banks was announced to establish this Association. Reading today what we set out as goals then, I believe we have completed right steps on each one of them. Only continuing work, participation and support of member banks contributed to having Croatian banking today as a stable and secure part of the Croatia's financial system. Our Association became and will remain a key factor in improving the banking system, as it acts towards strengthening the main element on which banking is founded - **confidence**.

This year is marked by several important events for the Croatian Banking Association. It began with the implementation of *Information Exchange System* on bad debtors, through which the CBA materialised the idea of such an exchange and provided tangible support to member banks in quest for better credit risk management. As a follow-up to this system, the Executive Board decided to establish a "full" credit registry in Croatia - under the working title *Croatian Registry of Credit Obligations* (CROC). First step in that direction happened after the November 2003 General Assembly - a Joint Development Agreement on development of CROC was signed with the leading world registries - a consortium of American TransUnion and Italian CRIF. Within the development process, Croatian banks began an initiative to establish an independent company - CROC Ltd. (HROK d.o.o.), which will take over all negotiations and activities from the CBA. The current plan calls to provide first credit reports at the beginning of 2005.

An extraordinary honour for the CBA this year is hosting the **European Banking Federation** (EBF) meetings at the end of May in Dubrovnik. For the two meetings (first day the 215th session of the EBF Executive Committee comprised of 18 members, plus 10 new EU member countries; the second day, the 18th meeting of 17 associate members, where full members also participate) an invitation has been extended to banking associations from 35 countries. Along with busy work agenda and decisions to make, the CBA would try for good time for everyone and good weather.

Let's turn back slightly to history - the **Croatian Banking Association** was founded on October 15, 1999 as an

economic interest grouping of the banking industry in Croatia. By signing an Agreement on Establishing the Croatian Banking Association, thirteen banks set fundamental objectives for the CBA: protect, defend and promote general interests of the banking system in entirety, encourage the development of human resources in the banking industry, promote professionalism and consistency in the implementation of general banking principles, as well as public and transparent business activities of member banks, raise the standards of bank transactions in Croatia and based on that, draw the Croatian banking system closer to European Union standards.

By joining the Croatian Banking Association, member banks took on an obligation to obey the CBA principles, particularly the transparency and consistency, which are based on generally accepted ethic, professional and other standards in the banking business, to apply good business customs and banking practice and implement top standards in order to preserve the reputation of this profession in relation to the public and clients.

The Croatian Banking Association is a place where the best Croatian banks harmonise their standpoints, launch initiatives, come up with ideas and elaborate certain issues. According to data released at the end of 2003, fifteen CBA member-banks represent seven eighths of the Croatian banks' overall assets and more than 90 percent of the realised profit. CBA working bodies (committees and task forces) have held tens of internal sessions and meetings with representatives of other institutions at which more than a hundred of banks' top experts helped achieve the CBA objectives.

Within its scope, the Croatian Banking Association also cooperates with a series of other institutions, particularly with two most important institutions in Croatia's banking industry - the *Croatian National Bank* and the *Ministry of Finance*. Apart from the formal participation in the **National Payment System Committee**, which was founded at the initiative of the Croatian National Bank, the CBA also takes part in all other task forces convened by those two institutions on a permanent or ad hoc basis. In 2004, a new *Law on Deposit Insurance* is expected, with the CBA representing the view that now is the right moment to radically reform the current deposit guarantee scheme. One reason is to give a clear signal about the Croatian

banking system stability, and another, to establish a durable and stable system within an exemplary partnership of public and private sector.

Through the collective membership in the Croatian Employers' Association, the CBA's director is a non-voting member of the parliamentary Committee on Finance and State Budget. There, the CBA has an opportunity to present standpoints of the banking and wider economy regarding all bills and other topics discussed at the Committee's sessions. Along with the Croatian Employers' Association and three chambers (Croatian Chamber of Economy, Croatian Chamber of Crafts and Trades and Croatian Bar Association), the CBA founded the Croatian **National Committee of the International Chamber of Commerce** (NCICC). The CBA's director and the chairman of CBA's General Assembly are by definition members of the NCICC's Executive Board.

The Croatian Banking Association has actively participated in drawing up of laws, regulatory acts, implementation provisions and other regulations in the banking and finance industry. On one hand, such cooperation leads to the adoption of quality regulations because it gives an insight into the feasibility of the regulation to those who moved it, and on the other it enables banks to voice their opinion in the early stage of the adoption process, so that those who moved the regulations can make the best possible decisions to the interest of Croatian financial system stability.

In accordance with its mandate, the Croatian Banking Association also takes part in a series of projects and contacts with Croatian and foreign organisations, providing them with information on the Croatian banking system, responding to proposals and questions, connecting interested institutions with CBA member banks or other institutions in Croatia.

The most important body of the Croatian Banking Association is the **Executive Board**, which once a month gathers the presidents or board members of all leading banks and makes strategic decisions regarding future CBA activities. Without an active contribution of the key people from the Croatian banking system, it would be very difficult to achieve the results we have achieved so far.

You can learn more about the CBA activities in the continuation of the text, as well as on our web site www.hub.hr. In the name of CBA, I wish to thank once again CBA member banks and our partners on cooperation, invested time and support. Our special gratitude goes to the chairpersons of the CBA committees, who contributed the texts on their work, it is also necessary to mention the activities of some of the CBA working bodies.

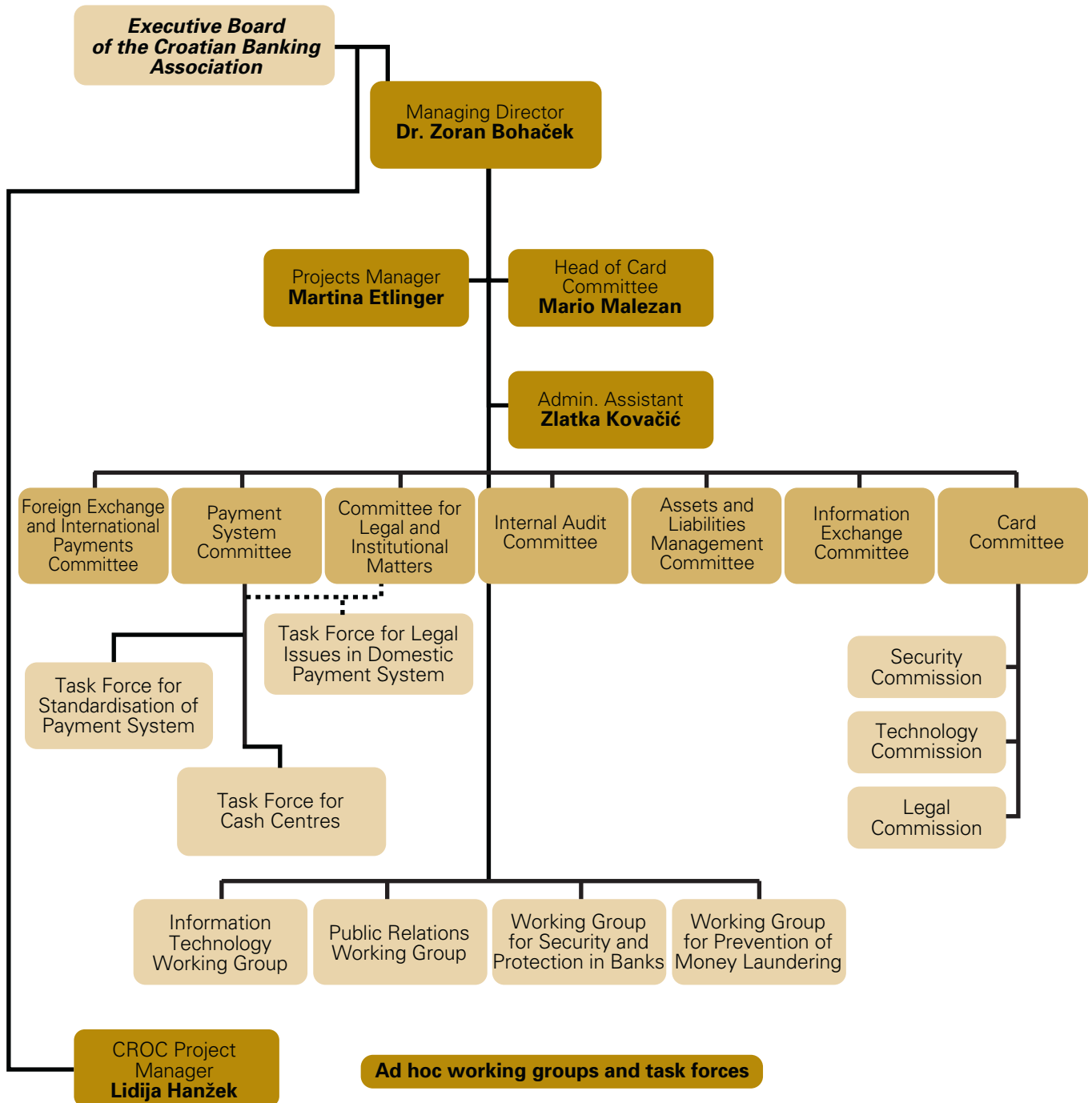
The **Working Group for the Security and Protection in Banks**, apart from regular meetings and cooperation with the Ministry of Interior Affairs, which is confirmed by the presentation of the annual CBA award to the police force, it also had its representative in the Government's task force in charge of drawing up the *Law on Minimum Protection Measures in Transactions with Cash and Valuables*, which was enacted in early 2004. The **Working Group on Prevention of Money Laundering** was actively involved with preparing the new *Law on Money Laundering Prevention*, and especially in designing this Law's sub-acts, which will enable its better efficiency on one side, and simpler practical implementation on the other side.

Last but not least, I would like to thank my small, but daring CBA team for its work and efforts so that all our activities are taking place in the best possible way. That is not always easy to achieve, because we are engaged in so many diverse areas, but CBA team members managed in having all our collocutors, from banks or other institutions, perceive the Croatian Banking Association as a reliable and respectable partner.



Dr. Zoran Bohaček
Managing Director

Croatian Banking Association Structure



Our Activities

Foreign Exchange and International Payments Committee

The Foreign Exchange and International Payments Committee continued acting towards **liberalisation of foreign operations** and with an aim to **clearly define bank's responsibility** as one of a service provider and not as one of a quasi-fiscal or controlling authority. The main problem banks confronted was striving towards minimizing administrative procedures for doing cross-border transactions and more precisely defining mandates of the Foreign Exchange Inspectorate (part of the Ministry of Finance) and the Croatian National Bank.

Following declaration of the *Foreign Exchange Act* (June 2003), the Committee members participated in Croatian National Bank task forces, together with the Ministry of Finance representatives, contriving and discussing drafts of sub-acts, such as the *Decision on Governing the Conditions for and the Manner of Opening and Managing Non-Resident Bank Accounts in Banks*, *Decision Governing the Conditions for and the Manner of Performing External (International) Payment Operations*, *Decision on Payments and Collections in Foreign Means of Payment* and other acts, so through their practical experience they contributed to higher quality legislature.

After discussion with the Foreign Exchange Inspectorate about practical issues and needless provisions, a proposal was sent to the Ministry of Finance - Division for Financial System to amend the *Order on Keeping the Supervisory Book on Regular and Capital Foreign Operations*, that is, to obtain the Ministry's view in writing regarding the need to define particularities related to banks.

In addition, a request to set distinct responsibility of a commercial bank with regards to coding international payment orders was sent, with an emphasis put on the payment instructions code. Specifically, it was asked to exclude responsibility of a bank for wrong international payment order coding, as the bank's client is the only subject who knows the essence of an operation on which the payment is based, and also a proposal to change payment codes was given. In consideration of payment codes, the Committee took a stand that both the Croatian National Bank and the Foreign Exchange Inspectorate ought to coordinate standpoints on certain issues.

The Foreign Exchange and International Payments Committee delegated experts in several narrower CBA bodies, such as the **Task Force for Supplementary Capital Transfers** and the **Task Force for Foreign-Based Executions** (both established by the Payment System Committee). Through joint Committee members coordination, the Committee pointed out operational difficulties in doing business with non-residents and particular regulation deficiencies.

The Committee regards of primary importance the long-term cooperation with the governing institutions, such as the Croatian National Bank, Ministry of Finance - Division for Financial System and the Foreign Exchange Inspectorate, so we would be better prepared for entering the European Union and eventually, the Single European Payment Area (SEPA).

Payment System Committee

The Payment System Committee was established at a beginning of 2002 with an aim to actively participate in introducing the new payment system in the country and reducing difficulties related to it, as a continuation of the Croatian Banking Association **Working Group for Payment System Reform**.

From its establishment until today, agenda of this Committee included many open issues, problems and proposals for more efficient functioning of payment system in the country. The Committee, due to efficiency and specialist knowledge integrated these task forces in its work, among others:

- for **Standardisation of Payment System**
- for **Legal Issues in Domestic Payment System**
- for **Commercial Cash Centres**.

From August 2003 until this text was written, four Committee sessions and ten task force meetings were held. The Committee's chairpersons were present at the **National Committee for Payment System's** (NCPS) three sessions. More information on NCPS work can be found on the Croatian National Bank web site (www.hnb.hr).

Through the Croatian National Bank, Ministry of Finance

and the National Committee for Payment System, our Committee initiated solving the issue of processing *draft payments* when there are no secured funds on the account to process the order. After consideration in detail as well as acknowledging Croatian National Bank's and Ministry of Finance's standpoints, at its 10th session on October 27, 2003, the Committee declared a decision to not accept payment orders based on drafts in the priority order of unexecuted payment orders. It is expected that this issue will be considered again and that Committee will initiate resolving it on the banking system level.

The Committee is actively involved with the issue of supplying banks and their clients with cash funds and it also participates in the coordinating committee for developing a concept for supplying banks with cash at the CNB. Ascribing high priority to reducing problems with the cash supply and its high cost, the Committee established a **Task Force for Commercial Cash Centres**. Its first step was a proposal for inter-bank cash dealing, which was in its entirety approved by the CNB and banks now work towards its operational feasibility.

During observed period, the Committee and its task forces considered the following topics as well:

- a proposal to expand the *Unified Register of Business Entities' Accounts* so it would serve also for other banks' needs, not only to have a single purpose to report account status
- more precise commentary and definition of payment order forms HUB 1 and HUB 1-1 content
- proposal of data content to deliver to the CNB for statistical tracking of payment system, which will soon be enacted by the CNB
- clarifying the Article 11 of the *Law on Consumer Protection*, as the payment system recognizes only the date of payment, while the consumer and service provider define the options and settlement time through contract, general conditions or some other document
- future of the *NCS* (National Clearing System), modes of its operation, services pricing, as well as establishing the Users' Council
- in coordination with the Foreign Exchange and International Payments Committee, defining the proposal of Croatian standard for **IBAN** (International Bank Account Number)
- **Task Force for Standardisation of Payment System**

in its activities also resolved these issues: standardisation of paper cheques specification, processing foreign-based executions (distrains), transferring investors' initial and supplementary capital funds in an out of the country.

Some of the recognized difficulties were resolved over the period (payment order forms, consumer protection provisions), for some the CBA brought about joint standpoint (processing draft payments), but the court practices may have a contrary viewpoint so this issue is being recognized again. Some of the problems require long term solutions (cash centres), while some, such as statistical reporting on payment system, may yet become open issues.

Most of the issues clarified by our Committee have been referred to and verified by the National Committee for Payment System (NCPS).

Committee for Legal and Institutional Matters

The Committee for Legal and Institutional Matters motions initiatives related to legal structures in the CBA member banks, gives its proposals to the Executive Board and other CBA committees, in addition to providing standpoints on legal scope of issues nominated by the Executive Board or other CBA bodies.

The Committee for Legal and Institutional Matters considered issues - provisions regulating execution (distrains), labour regulations, acts on consumer protection, family law, legal topics related to information exchange, legislation on processing drafts in payment system and other regulations relevant to banking operations.

The *Bill on Amendments to the Execution Law*, which is in force as of November 8, 2003, among others, changed stipulations regulating fiduciary rights to transfer collateral ownership and the pawn guarantee rights. Certain stipulations of the amended Law are understated, especially in part regulating the fiduciary collateral collection. The Committee for Legal and Institutional Matters sent a commentary with proposals to the Ministry of Justice about this amended Law. According to the Ministry's response, there are additional amendments to be made to the Law. The Committee for Legal and Institutional

Matters will in the meantime continue working on execution issues under the current Law.

The Committee for Legal and Institutional Matters also considered a collision of the *Banking Law* stipulations and the *Labour Law*, in excerpts which regulate Supervisory Board composition. The Committee for Legal and Institutional Matters accepted a viewpoint that articles of the *Banking Law* are to be applied to the composition of the Supervisory Board in banks, which exclude employee's participation as a member in a bank Supervisory Board. This standpoint had also been confirmed by the Croatian National Bank, which provided its view as a response to the written inquiry sent through the CBA.

The Committee for Legal and Institutional Matters also examined the conclusion of the CBA Payment System Committee in regard to the time of fulfilling payment obligations regulated through the *Law on Consumer Protection* and in that segment this Committee agreed with the Payment System Committee standpoint.

In relation to the *Family Law*, the Committee for Legal and Institutional Matters dealt with provisions regulating property and income of minors (disposal of minors' funds deposited at banks). In order to eliminate uncertainties in applying the Family Law provisions when managing minors' funds deposited at banks, the Committee for Legal and Institutional Matters requested an explication from the parliamentary Legislative Committee.

The Committee for Legal and Institutional Matters examined the legal issues in connection to **Information Exchange System**, within the scope of debtors who are not fulfilling their credit obligations towards banks.

Concerning regulations on processing *drafts* in the payment system, that is, not putting them in the priority of payment orders, the CBA warned about difficulties in practice and recent court orders, so along with the Croatian National Bank and National Payment System Committee, the Committee for Legal and Institutional Matters will continue examining this matter.

In addition to other legal issues in the banking business, the Committee for Legal and Institutional Matters analyzed

the possibility of settling disputes out of courts, based on the *Mediation Law* and the USAID's Chief of Party as well as the Certified Mediator held a lecture to the Committee Members about the Mediation Project.

Assets and Liabilities Management Committee

The Assets and Liabilities Management Committee deals with issues of managing assets and liabilities. Its members are generally banks' treasury heads and it most often discusses measures from the central-banking operations domain of the Croatian National Bank (CNB).

Over the past year, the Committee pointed out again the need for reducing the commitment of banks to maintain a **certain ratio between foreign currency assets and foreign currency liabilities**, as well as for decreasing the **obligatory reserve requirement**. After administrative measures the CNB adopted in early 2003, they were succeeded by the increase in foreign liabilities reserve requirement at the end of August 2003, and then by the increase in obligatory reserve requirement in Croatian Kunas at the end of 2003. In this context, the Committee analyzed regulatory pressure's influence on banks' balance sheets.

Reference indicators **ZIBOR** (Zagreb Interbank Offered Rate) and **ZAGREB FIXING FOR BONDS** are being conducted within the Croatian Banking Association since mid-2002, in line with an agreement with and the coordination and supervision of the Assets and Liabilities Committee of the CBA. The official calculation of ZIBOR and ZAGREB FIXING FOR BONDS is conducted by a company Simple Zagreb d.o.o.

ZIBOR (Zagreb Interbank Offered Rate) is a unique offered referential interest rate for the Kuna (HRK) currency on the Croatian banking market. It reflects the average rates of referential Croatian banks for deposits in Croatian Kuna, according to internationally recognised maturities, which range between overnight loans up to six-months loans.

ZAGREB FIXING FOR BONDS has been designed as a benchmark for the prices of Croatian bonds on the Croatian fixed income market. The list of bonds has been defined by the most active banks on the market (the so-called

market makers) which, through their daily contributions and announcements of bid and ask quotations of bond prices promote a more transparent and liquid market and enable its further development. Apart from providing transparent information from domestic capital markets, the purpose of the FIXING is to become a unique benchmark for the portfolio evaluation.

Internal Audit Committee

Within the last few years, technology of banking business experiences significant changes. As a result, there emerges a need to establish new methods of managing risks in daily operations and redesigning current internal audit systems. Internal audit in banks has an assignment to observe these changes and detect weaknesses through specific methods in established controlling check-points chain.

Due to domestic insights and partially due to the impetus from the international community, Croatian banking regulation framework is changing, yet in its extensiveness it is related to a set of practical issues. In order for an internal audit to perform all tasks stemming from the international standards and the Banking Law, on Committee sessions most attention was put on discussing implementation of particular sub-acts, as they are sometimes incomprehensible and consequently problematic to implement. Such issues dominated all Committee sessions, since its establishment in 2001. Still remains current the issue of coordinating internal audit within a group of legal entities (companies), together with a topic of competence and assignments of internal audit of the owner-bank ('mother-bank') in relation to other group members.

The priority of Committee's work for the following period was defined as well. Namely, in a direction of developing methods to detect risk and weak points in internal control, a need **to improve auditing skills and to provide education** on topics such as IT audit and treasury audit were identified. Mentioned two topics were selected as primary ones in a set of educational lectures and seminars, which are to be organized by the Committee, that is, through the Association.

An inquiry was sent to the CNB to obtain a more precise definition of performing audit on authorised money

exchange offices, as roles of particular organisation units within banks are not defined precisely.

Information Exchange Committee

The Information Exchange Committee was established in 2003 as a continuation of the Working Group, which dealt with realization of Executive Board's decision to set up an information exchange on default debtors.

Information Exchange System (IES) incorporates information about physical persons - banks' clients who do not perform satisfactorily their credit obligations. After coordinating the information exchange concept defining all necessary criteria and parameters, realisation of exchange began with the Financial Agency (FINA) as a partner for information technology and communication solutions.

After finalizing the exchange model, testing was performed and all corrections implemented, as well as practical changes, so that the exchange would be conducted in a most secure way and in accordance with all regulations. Parallel with the technical aspect of the project, the Committee prepared a **Statute on Using the Information Exchange System** within the project of information exchange on default debtors, which Statute was brought by the CBA Executive Board as an Association's internal act. Non-member banks may participate in exchange when they sign an agreement on accepting the Statute and conduct testing with FINA.

The exchange participants are obliged to act in it responsibly and apply all measures of keeping the information secure and confidential, in accordance with regulations and internal acts. Information exchange through the SRI is anticipated to last until the full registry (CROC) is established.

The first information exchange was conducted in late March 2004 and it regularly occurs in monthly cycles. Initial exchange effects have already been noticed, as discipline in fulfilling credit obligations increased as well as early collection of certain credit products improved. Lastly, establishing information exchange will be the most beneficial to consumers, as banks will, through eliminating potentially bad credits, be in a position to offer good debtors **more of, better and more affordable** products (higher amounts, through simpler procedures and with lower interest).

Card Committee

Members of the Card Committee are principal members of the MasterCard International and VISA: Zagrebačka banka d.d., Privredna banka Zagreb d.d., Erste & Steiermärkische Bank d.d., Splitska banka d.d., Raiffeisenbank Austria d.d., Hrvatska poštanska banka d.d., Varaždinska banka d.d., Slavonska banka d.d., Dubrovačka banka d.d., Hypo Alpe-Adria-Bank d.d. and also PBZ American Express d.o.o. and the Diners Club Adriatic d.d. Other banks which are in the card business participate in the Committee through affiliates of the principal member banks.

The scope of activities of the Card Committee covers the non-competitive areas of card transactions, at the level of all brands, such as: security, technology and the law.

Within the Committee there are also the following commissions:

- **Security Commission**
- **Technology Commission**
- **Legal Commission.**

Over the last year, the Committee dealt with issue of amending the *Penal Code* in the area related to the card business (*Proposal to Amend and Change the Penal Code* from March 2004), the CNB initiative to obtain payment system statistics on cards (structuring the relevant data); enacting temporary measure prohibiting usury advertisements; incorporating card departments in the **Information Exchange System** (bad debtors list), altering chip cards structure (introducing PIN to chip cards), defining security standards, annexing the MCC (Merchant Category Code) and new types of card fraud and abuse.

Regarding Amendments to the *Penal Code*, it was recognized that the current *Penal Code* violations in the field of card business are not sanctioned at all, so during 2003 cooperation with the Ministry of Justice, Local Government and Self-Government was founded, with an aim to introduce these issues in the *Amendments to the Penal Code*. The Committee's and the Ministry's Expert Task Force's intention to alter the Penal Code is founded on harmonizing it with directives of the EU legislative regulations, which stipulate fraud and abuse with non-cash means of payment.

Regarding the need to introduce international standard of monitoring payment system in the field of card business, the CNB began an initiative to organize statistics of card payment system. During the first part of 2004, the Committee and CNB representatives coordinated between them the database content, which will enable statistics to observe card business and apply it from January 1, 2004.

With an objective to **increase security in the card business**, the Committee undertook the following activities. Already mentioned is a measure prohibiting displaying advertisements offering usury loans through cards. With that purpose, consent from the MC and VISA was requested to act on their behalf and to enact the temporary measure prohibiting mentioned advertisements. One of the procedures to increase security is participation of card departments in **Information Exchange System** so that a list of bad debtors is exchanged (physical persons). Mentioned list is formed and exchanged at the end of a current month in accordance with accepted criteria, on a monthly basis.

By replacing magnet stripe cards with chip cards, a possibility is being opened to significantly increase security in the card business through introducing PIN on chip credit and charge cards, what will additionally lower certain aspects of fraud and abuse. Accompanying noted security improvement in card business, the standards adopted in our market, by which merchants are stimulated to detect forged cards and certain types of fraud, will also contribute to security, while updating the MCC will enable more precise observing of merchants' operations.

CODE

OF GOOD BANKING PRACTICE

Banks members of the **Economic Interest Grouping Croatian Banking Association** present this Code in order to:

- set standards of good conduct and open communication amongst banks and towards customers;
- increase the visibility and the reputation of the banking industry;
- promote responsibility, transparency and professionalism in the banking business.

1. General principles

- 1.1. THE CODE OF GOOD BANKING PRACTICE (referred to as Code in further text) is a voluntary framework by which banks regulate their business transactions with clients (individual and corporate) and other banks. The Code represents values that banks wish to accept and implement in their relations.
- 1.2. By accepting the Code banks set standards of good banking practice as a minimum to be maintained in business transactions. Competition and market conditions shall stimulate banks to achieve higher standards to the benefit of their clients.
- 1.3. The Code consists of basic elements that each bank should include in their internal rules and regulations.
- 1.4. The Code enables clients to become aware of methods by which banks conduct business transactions and to know what to expect when dealing with banks.

2. Principles of bank relations towards clients

- 2.1. Ethical and professional conduct
- 2.2. Application and respect of laws and regulations
- 2.3. Confidentiality of banking information
- 2.4. Objectivity in business transactions with clients
- 2.5. Competent usage of know-how and technology
- 2.6. Security and reliability of bank and payment systems
- 2.7. Transparency of banking fees and expenses
- 2.8. Quick and accurate correction of possible errors

3. Bank as a partner in financial transactions

- 3.1. Successful banking relations are based on trust that is achieved with honest and open dialogue of both parties, mutual understanding and freedom of choice.
- 3.2. Competence and knowledge are essential in achieving a partnership. Therefore, banks provide adequate education to their employees and associates so that they can entirely respond to their clients' needs. They are made aware of this Code and instructed to apply it.
- 3.3. Bank employees realise that their work and relations reflect the entire bank; therefore their mutual relations must be based on co-operation, respect and assistance.

4. Bank information

- 4.1. A good working relationship is based on openness and trust, meaning that information exchanged between the bank and clients when doing business must be exact, complete and timely.
- 4.2. Fees for bank services, interest rates and other information are available to the clients in all branches. Banks oblige to deliver key data and changes to the Croatian Banking Association so as to make them uniformly available to the general public.
- 4.3. Banking communications, advertising and other marketing activities must be clear, true and unequivocal. They must not mislead the general public, transgress good business practice or inflict harm on others. Honest competition allows for all marketing means and forms of communication as long as such information stresses characteristics of a bank's business, advantages in its services, products or technology in order to achieve market expansion.

5. Client protection

- 5.1. Banking business does not only serve to execute banking transactions, being just a part of the wider economic and social environment. For this reason banks defend the integrity of the banking system as a whole and protect rights and interests of depositors, debtors and shareholders in the same way as their own interests and interests of their employees. Banks are conscious of their responsibility in ensuring transparency and regularity of the entire financial system.
- 5.2. All data regarding bank clients and business partners as well as value judgements obtained working with clients are considered bank secrets even after the end of client status. All personal data, including information concerning client accounts must not be divulged to anyone, including companies belonging to the same owner, except for cases clearly defined by the law, at client's direct demand or with their explicit consent.
- 5.3. Data concerning clients and their accounts are used only in order to enable efficient account management and supplying of banking services. Clients have right to access their information for the sake of verification and eventual correction of inaccuracies.
- 5.4. To protect clients and to respect regulations set by the Croatian National Bank, for particular transactions, including disclosure of personal data and account information, a positive client identification is needed.
- 5.5. Bank information systems should be specially protected from unauthorized access to bank files in order to protect interests of banks and clients and to preserve the integrity of data.
- 5.6. When a client notices a mistake in a banking transaction and informs the bank of such, a bank will attempt to verify the claim as timely as possible and correct such mistake without delay. If a longer time is necessary for verification of the claim, all measures shall be undertaken in order that temporary solution satisfying all parties can be taken. Banks determine procedures for submitting and dealing with clients' complaints within internal regulations.
- 5.7. In cases of financial difficulties of bank clients, the bank shall, while taking care of its own interests, act as a partner and as a first step be ready to open a discussion with the client. Clients are expected to inform their bank as soon as possible of existing or foreseeable future difficulties. That way, some difficulties in clients' business can be avoided and those that have already occurred can be handled in a proper way. Banks are partners with clients and only with clients' full co- operation can they offer a reasonable plan for consolidation, satisfactory to both parties.

6. Relations between banks

- 6.1. Banks adhere to same existing regulations in mutual relations and business transactions as they do with other business subjects, with a special emphasis on protecting interests of the bank industry and fairness with regards to relations, loyal competition, while trying to maintain good reputation of other banks.
- 6.2. If a bank signer of this Code encounters difficulties, experiences loss of clients' confidence or finds itself in a difficult business situation, the entire banking industry will suffer from negative repercussions. Since all banks, accepting the Code have also accepted the principles of good banking practice, every bank is ready to give another bank assistance at its request, undertaking all measures in order to retain client trust while preserving its own business interests.
- 6.3. Should problems or misunderstandings arise between banks that have accepted Code, banks commit themselves to attempt to find a solution constructively through dialogue based on the principles of good banking practice. If a dialogue between two (or more) parties does not result in a solution, banks shall primarily attempt to solve the dispute within the Croatian Banking Association.

7. Final provisions

- 7.1. This Code becomes effective on 1 January 2001, and all members of the Croatian Banking Association shall strive to align their business with its stipulations by 1 July 2000.
- 7.2. Furthermore, all other banks in Croatia will be made aware of the Code, and accepting its principles will allow them to use the Code of Good Banking Practice in their own business.
- 7.3. Amendments and supplements to the Code can be initiated by any member of the Croatian Banking Association, and must be unanimously accepted by all members in order to become effective 30 days following their acceptance.
- 7.4. The full text of the Code is available to the public at the Croatian Banking Association web site - <http://www.hub.hr> .

8. Signed in Zagreb on November 27th, 2000.