



July 25, 2006

Croatia Securitization Project

Independent Legal Panel To Ministry of Finance, HANFA and other authorities

Mr. Boris Porobija, Ms. Zeljka Rostas-Blazekovic

Context

The Ministry of Finance and the Croatian Banking Association had agreed that the banking sector establishes a working group to assess the legal and regulatory framework requirements to undertake securitization transactions on Croatian assets (the Legal Solution Team). The intent is to use this market based assessment as an important input for the drafting of a securitization law. Following preliminary due diligence, the working group has evolved into a more articulated structure summarized in the Table in Annex.

To enhance the likelihood that this market-based legal exploration work be effective for policy purposes, the Ministry of Finance, HANFA and other authorities (collectively “Croatian Authorities” hereinafter) wish to avail themselves of independent legal advice throughout the process. Given the high potential of this public-private project for the development of Croatia’s financial market, Convergence is happy to support this request, in the broader context of its support of and involvement in the overall project jointly with the EBRD and KfW, by hiring up to two distinguished Croatian lawyers, designated by the authorities.

Project Scope

The Independent Legal Panel, consisting of up to two Croatian lawyers (the Lawyers), and namely Mr. Porobija and Ms. Rostas-Blazekovic, supported by an international lawyer made available by Convergence, will be responsible for reviewing the legal exploration work conducted by the Legal Solution Team and for making an independent opinion on their reports available to the Project Public-Private Steering Committee. The specific focus of the Independent Legal Panel shall be to determine the following: (a) the appropriateness of the overall direction of the due diligence work undertaken by the Legal Solution Team, (b) the practicality and constraints of the emerging options under existing Croatian legal and judiciary environment, (c) the alignment with international best practice and, in particular, with the need to ensure harmonization with EU legal instrumentalities.



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Tasks

The Lawyers shall together be responsible for the following:

- to review and make written comments on the reports prepared from time to time by the Legal Solution Team and discuss them with members of the Legal Solution Team;
- to prepare written opinions as necessary for the consideration of the Public-Private Steering Committee;
- to assist the Public-Private Steering Committee in coming to a determination about preferred options and directions for further due diligence by the Legal Solution Team;
- to prepare for the Authorities a final opinion on the final report prepared by the Legal Solution Team. This opinion is intended to be an important input into the legislative actions that Authorities may take on the basis of the final report of the Legal Solutions Team

Governance, Reporting and Administrative Arrangements

The Lawyers will exercise their scientific activity in total independence. From an administrative point of view, they will report to the Head of Convergence. Their work contracts will be issued by the World Bank, the administrator of the Convergence program, according to its applicable guidelines.

Activity Budget

The contract for each Lawyer is expected to be issued for each phases of the project, depending on needs as determined jointly by the Ministry of Finance and Convergence. Phase I consists of an opinion to be rendered to the Public-Private Steering Committee in preparation for its first meeting scheduled for August 30. For Phase I, Mr. Porobija and Ms. Rostas-Blazekovic will have a contract for 2 and 3 working days respectively, calculated on a Full Time Equivalent basis.

Background

Convergence is a World Bank-sponsored program with the mission to facilitate public-private cooperation in financial market-building activities, in partnership with other institutions. It is set up to assist the authorities and market participants in the SEE countries on the formulation of financial sector wide policies and promote active participation of major stakeholders in the identification and implementation of such policies.

By means of the Convergence platform, public and private sector, industry and consumer associations are supposed to maintain a transparent and effective policy dialogue and formal consultations on several issues pertaining to the development of financial sector in these countries.

