



Revised: September 7, 2006 (with Phase II)

## **Croatia Securitization Project**

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

Ms. Zeljka Rostas-Blazekovic

#### **Context**

The Ministry of Finance and the Croatian Banking Association have agreed that the banking sector should establish a working group to assess the legal and regulatory 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 Legal Solution Team has evolved into a more articulated structure summarized in the Table in the Annex.

To enhance the likelihood that this market-based legal exploratory work will be effective for policy purposes, the Ministry of Finance, HANFA and other authorities (collectively “the Authorities”) wish to avail themselves of independent legal advice. Given the high potential of this public-private project for the development of Croatia’s financial market, Convergence is ready to fund these services. It will do so in the context of its support of, and involvement in, the overall Project, which it is supporting jointly with the EBRD and KfW (the “Project”).

#### **Project Scope**

An Independent Legal Panel, consisting of two distinguished Croatian lawyers, namely Mr. Porobija and Ms. Rostas-Blazekovic (the “Lawyers”), has been chosen by the Authorities. Mr. Porobija and Ms. Rostas Blazekovic will be responsible: (a) for reviewing the legal exploratory work conducted by the Legal Solution Team; and (b) for providing an independent opinion to the Public-Private Steering Committee on this Team’s reports. The Public-Private Steering Committee (“the Steering Committee”) has been established by Croatia’s Minister of Finance pursuant to a decision dated August 11, 2006. The Independent Legal Panel shall determine: (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 the existing Croatian legal and judiciary environment; and (c) the alignment with international best practice and, in particular, with the need to ensure harmonization with EU legal instrumentalities.

#### **Tasks**

The Lawyers shall be responsible either together or individually according to specific circumstances for:



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- reviewing and making written comments on the reports prepared from time to time by the Legal Solution Team, discuss them as appropriate with members of the Legal Solution Team;
- preparing written opinions as necessary for the consideration of the Steering Committee;
- assisting the Steering Committee in coming to a determination about preferred options and directions for further due diligence by the Legal Solution Team; and
- preparing a final opinion for the Authorities on the final report of the Legal Solution Team. This opinion is intended to be an important input into the preparatory steps for legislative action that the Authorities may take on the basis of the final report of the Legal Solutions Team.

### **Governance, Reporting and Administrative Arrangements**

The Lawyers will carry out all of their activities hereunder in total independence. From an administrative point of view, they will report to the Head of Convergence. Their consultants' service contracts will be issued by the World Bank, the administrator of the Convergence program, according to the Bank's guidelines.

### **Activity Budget**

Phase I of the Project consists of an opinion to be rendered to the Public-Private Steering Committee in preparation for its first meeting scheduled for August 30, 2006. 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. Phase I is now completed.

Based on the outcome of the discussion held during the August 30, 2006 meeting of the Steering Committee, Phase II of the Project consists of the preparation of three related outputs: a) preparing "Guidelines for Drafting the Securitization Law" ("the Guidelines", based on the document prepared by the Legal Solution Team, on the opinion prepared by the Lawyers in Part I of the Project and on the Finalized Minutes of the meeting; b) preparing the "Consultation Paper", based on the aforementioned "Guidelines", for the purpose of eliciting comments from domestic and international market participants on the operational implications of the main policy options envisaged for the proposed Securitization Law; and c) preparing the "Final Guidelines", based on the feedback received from market consultations and Legal Solutions Team members. Ms. Zeljka Rostas-Blazekovic (the Part II Lawyer) will undertake the Part II assignment alone. The Part II Lawyer is expected a) to issue the Guidelines to the Steering Committee by September 22, following feedback received from the Legal Solutions Group, b) to make the Consultation Paper available to the Steering Committee by September 28 and c) to issue the "Final Guidelines" to be used by the Ministry of Finance's Legal Drafting Team by October 30. The Part II Lawyer will be authorized to bill up to 25 working days respectively, calculated on a Full Time Equivalent basis, broken down as follows: a) five days for the "Guidelines", b) five days for the "Consultation Paper" and c) fifteen days for the "Final Guidelines".



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## **Background**

Convergence is a World Bank-sponsored program to facilitate public-private cooperation in financial market-building activities in partnership with other institutions. It assists authorities and market participants in the SEE countries in the formulation of financial sector policies and it promotes the active participation of major stakeholders in the identification and implementation of such policies.

By means of Convergence interventions, public and private sector, industry and consumer associations are encouraged to maintain a transparent and effective policy dialogue, including formal consultations on issues pertaining to the development of the financial sector in the SEE countries.

