

# COVID -19: Information and guidance for participants to the financial market

3. April 2020



# Croatian agency for supervision of financial services

Directions and announcements to  
subjects of supervision



# Establishment of the Stability Fund

On 2 April 2020, the Agency provided OTP Invest d.o.o. with an approval to establish and manage the Stability Fund.

It is a publicly traded open-end investment fund (UCITS), established for a fixed term of three years, intended for institutional investors who are willing to invest at least one million kuna for three years and who will not need liquidity during that period and can bear moderate investment risk.

Investor funds will be collected during the initial offering period of up to thirty days. The minimum amount that will be collected at the foundation of the fund is five hundred million kuna, and the lowest amount of money for an individual investor during the initial offer of the unit and fundraising is one million kuna, which is the initial price of one unit. Entry and exit fees will not be charged, while management and depository fees will be calculated and charged, as well as other costs and fees specified in the fund's prospectus.

The Fund is primarily intended for the redemption of transferable debt securities and money market instruments issued or guaranteed by the Republic of Croatia from open-ended publicly traded investment funds (UCITS) established in the Republic of Croatia, which mainly invest their assets in bonds.

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## Inaccessible Agency building at 6 Franje Račkoga Street

In view of the extraordinary circumstances caused by the earthquake that occurred on March 22, 2020, the Agency's building at Franje Račko 6, Zagreb, is currently inaccessible for security reasons.

Due to the above, Croatian financial services supervisory agency office will be temporarily relocated to Miramarska 28, Zagreb. Office hours are 9am to 12pm.

Agency employees are available through regular e-mail addresses and telephone numbers between 9am and 2pm, and all letters to the Agency are delivered by email or through the use of a web site, without reaching the Agency's physical address.

## Exemption from issuer fees from the Agency for 2020

The Agency exempted the issuers of financial instruments from payment of the fees paid by the issuers pursuant to the Regulation on the calculation, amount and collection of fees payable to the Croatian Financial Services Supervisory Agency for 2020.

## Prohibition of dividend payment to insurance companies

At its meeting held on 26 March 2020, the Agency's Management Board adopted a decision prohibiting insurance companies in the Republic of Croatia and the Raiffeisen Pension Insurance Company (MOD) from paying dividends from realised profits until 30 April 2021.

The decision shall enter into force on the day of its adoption.

With this measure, around HRK 4 billion of retained earnings in the balance sheets of insurance companies will be retained in Croatia.

The decision made is based on 2019 profits, but also on previous years.

The intention of the Agency is to strengthen the liquidity of insurance companies in the context of the coronavirus pandemic, as well as the recent earthquake that hit Zagreb, by banning the dividend payment.



## Communication with the Agency since March 20, 2020 primarily by email

- ▶ In order to minimize the risk of the spread of COVID-19 (coronavirus) and to protect the health and safety of citizens, all letters to Croatian financial services supervisory agency from 20 March 2020 shall be submitted exclusively by e-mail to [pisarnica@hanfa.hr](mailto:pisarnica@hanfa.hr) and not by delivery to the Agency's address.
- ▶ It is important to keep in mind that this is a temporary measure and that all documents submitted electronically will have to be subsequently submitted in the original to the Office of the Agency, after the expiry of the extraordinary circumstances.
- ▶ Supervised subjects submitting their reports via the Agency's web site will continue to do so in the future, and can only submit their reports by mail [pisarnica@hanfa.hr](mailto:pisarnica@hanfa.hr) in the event of technical difficulties.
- ▶ All official communications of the Agency to the subjects of supervision and other parties will be sent electronically to the official e-mail addresses of the supervised subjects.



# Reports

## Compliance Monitoring Report and Client Asset Protection Report:

These reports are submitted to the Agency by the entities subject to the Rulebook on Organizational Requirements and Rules of Business Conduct for the Performance of Investment Services and Activities, as well as remuneration policies and criteria for significant investment firms (OG 89/18);

The deadline for submission of these reports is March 31, 2020;

Continued on the specific crisis situation, these reports can be exceptionally submitted to the Agency by e-mail within the prescribed deadline:

[investment.firms@hanfa.hr](mailto:investment.firms@hanfa.hr)

## Report on anonymized log analysis:

The aforementioned report shall be submitted by the supervised entities to the Agency in accordance with the Rulebook on determining the occurrence of an insured event in the system of investor protection in the capital market (Official Gazette 66/19);

The deadline for submission of the said report is March 31, 2020;

Continued on the specific crisis situation, the said report can exceptionally be submitted to the Agency by e-mail, to the following address: [investment.firms@hanfa.hr](mailto:investment.firms@hanfa.hr) and the address

[capital.markets@hanfa.hr](mailto:capital.markets@hanfa.hr)

## Extension of reporting deadlines

In view of the extraordinary circumstances caused by the COVID-19 virus and the additional earthquake in Zagreb, the Agency has allowed the members of:

- ▶ Mutual fund management companies associations and
- ▶ Financial Markets and Mediation Associations,

the extension of the reporting deadlines by 30 days for all reports to be submitted to the Agency by the end of March and April.

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# Deadlines for the financial statements to be published (Note: Subtitle in relation to the previous heading Reports)

In view of the current situation caused by the COVID-19 virus, the Agency has directed all issuers (whose financial year ended December 31, 2019) who, regardless of all their efforts, will not be able to publish their revised annual reports for 2019 within the prescribed period and quarterly reports for the first and second quarters of 2020, that they are obliged to inform the Agency and the public (in the manner prescribed by the Capital Market Law) without delay, and to the extent possible, about the anticipated date of publication of the revised annual report for 2019, or the quarterly reports for the first and second quarters of 2020.

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# European Securities and Markets Authority (ESMA)

Directions and Announcements to supervised  
subjects





# Delay of commencement of mandatory reporting of securities transactions (SFTs) under SFTR and MIFIR regulations

According to the SFTR Regulation, obligations to report SFT transactions are foreseen in a phase approach.

Obligations that should have started 13.4.2020 shall be postponed until 13.7.2020 for investment firms and credit institutions and relevant third country entities, when the enrollment obligations for the next group of market participants (CCPs and CSDs) is scheduled to begin.

ESMA expects national supervisory authorities not to prioritize supervisory activities aimed at verifying the compliance of other counterparties, reporting agents and investment firms with respect to the obligations arising from SFT reporting under SFTR and MIFIR regulations. The same applies to the period from 13 April 2020 to 13 July 2020, including SFT transactions concluded during that period, but, at the same time, in applying their day-to-day supervisory activities and having regard to the principle of proportionality, risk-based approach related to compliance with the legislative framework.

Concerning the business of trade repositories (TRs) which need to receive data on SFT transactions, ESMA considers it not necessary to register them before April 13, 2020, but to give them more time to prepare in these circumstances in order to be ready for a later reporting date. ESMA is also not available to record details of the SFT. Consequently, counterparties and participants responsible for reporting, would not be able to report on transactions until the beginning of the reporting date



# Accounting Impact Notice of COVID-19 on the Calculation of Expected Credit Losses in accordance with IFRS 9

ESMA has issued a public statement to financial institutions to ensure consistent application of IFRS 9 accounting standards in the extraordinary circumstances affected by COVID-19 and, consequently, the extraordinary measures taken by the governments of individual Member States to minimize the economic impact of the pandemic.

The public statement seeks to provide guidance to issuers and auditors regarding the application of IFRS 9 Financial Instruments, in particular regarding the calculation of expected credit losses and related disclosures.

The public statement is available through the following link: [Public statement by ESMA](#)

Where special measures are not provided for in IFRS 9, issuers are required to develop their accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Given the significant impact of professional judgment in this situation, it is emphasised that it is necessary to determine whether the change is significant, given that it is a temporary measure related to the impact of COVID-19 and the significance of the impact on the net economic value of the loan.

The aforementioned accounting policy should be made public.

Please note that measures taken by Member State governments do not necessarily mean an automatic increase in credit risk. That is, the time of the moratorium as a result of the measures taken by the Member States does not necessarily imply a negative impact on the credit risk associated with a particular loan. It is important to take into account the short-term nature of the measures adopted and the impact of the virus in relation to the long-term life of the financial instrument. These measures also include guarantees given to financial institutions.

Lastly, timely disclosure of all COVID-19 impacts in accordance with IFRS 7 Financial Instruments: Disclosures is extremely important. This applies to the annual financial statements, but particularly to the semi-annual / quarterly or monthly financial statements, given the timeliness of informing all stakeholders.

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# Delivery of information on net short positions

On 16 March 2020, a provisional obligation was imposed requiring market participants to provide national supervisory authorities with information about net short positions in EU regulated markets stocks if they reach or exceed the 0.1% threshold issuer's equity;

The obligation applies to all natural and legal persons, irrespective of the country of residence;

This measure is considered to be a precautionary measure, which, given the extraordinary market circumstances associated with COVID-19, is necessary for national supervisory authorities to adequately monitor market developments and to assess how net short positions affect the market. The application of this measure may eventually introduce stricter measures if they are needed to ensure the orderly functioning of the EU market, financial stability and investor protection;

This measure does not apply to shares that are the main regulated market in which that stock is traded in a third country. The measure also does not apply to activities aimed at market stabilisation and market making.



# Recommendations to issuers and financial market participants regarding the conduct of business activities in view of the impact of the COVID-19 virus on the financial markets

ESMA provides financial market participants with the following recommendations:

- ▶ Business Continuity Planning - All financial market participants, including infrastructure, should be prepared to apply their contingency plans, including the implementation of business continuity measures, to ensure business continuity in accordance with regulatory obligations;
  - ▶ Market announcements - issuers should disclose as soon as possible all relevant and important information concerning the impact of COVID-19 on their underlying factors, prospects or financial situation in accordance with their transparency obligations under the Market Abuse Regulation;
  - ▶ Financial Reporting - Issuers should ensure transparency regarding the actual and potential effects of COVID-19, to the extent possible and based on a qualitative and quantitative assessment of their business activities, financial situation and economic performance in their 2019 annual financial statements, a year if they have not yet been completed, or otherwise in their interim financial statements; and
  - ▶ Fund Management - Asset managers should continue to apply and respond to risk management requirements.
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Zagreb Stock  
Exchange d.d.

Instructions and announcements  
to investors

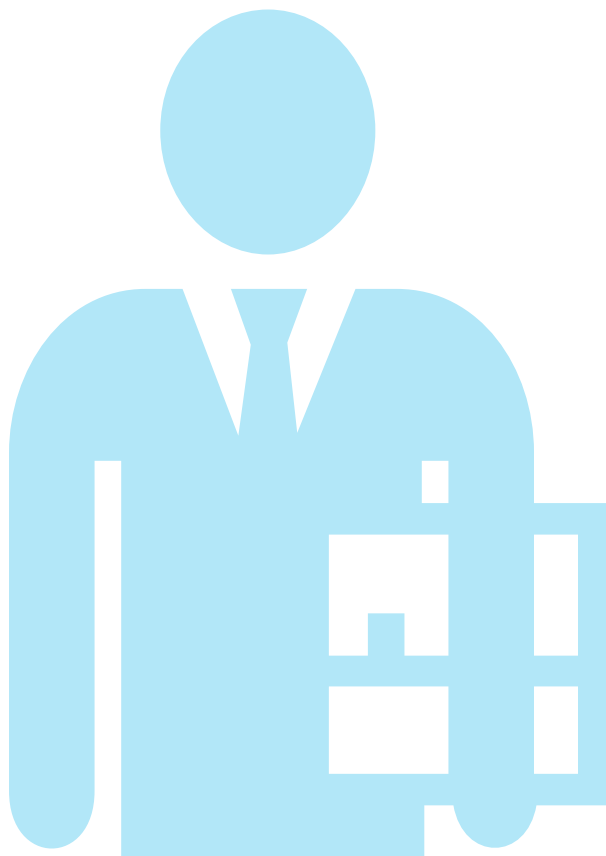


# Conducting business outside of the office

- ▶ Zagreb Stock Exchange d.d. has operated out of the office since March 16, 2020
- ▶ Offices of the Zagreb Stock Exchange d.d. are closed until further notice, and business is regularly carried out at secondary locations
- ▶ Employees are available via landlines, cell phones and e-mail, via contacts:

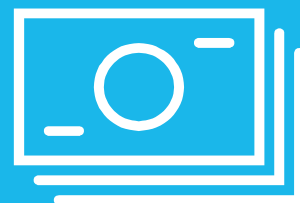
[pitanja@zse.hr](mailto:pitanja@zse.hr)

+385 1 4686 800



Croatian National Bank  
(HNB)

Announcements to investors



## Requirement reserve rate reduced from 12% to 9%

The Governing Council of the Croatian National Bank adopted a Decision on amendments to the Mandatory Reserve Decision at its meeting held on 23 March 2020, reducing the minimum reserve requirement for credit institutions from 12% to 9%.

The reserve requirement rate has been reduced with the aim of releasing additional liquidity which should enable the banking system and consequently the economy as a whole to overcome the COVID-19 crisis more easily.

A decrease in the reserve requirement rate will result in a decrease in the total reserve requirement amount by 10.45 billion, and the Croatian National Bank will give back the surplus of the allocated portion of the HRK obligatory reserve in the amount of HRK 6.33 billion to banks on March 27, 2020.

With this change in the reserve requirement rate, the Croatian National Bank is also moving its minimum reserve system closer to the European Central Bank's minimum reserve system, to which it will move with the introduction of the euro.

## Temporary removal of cash withdrawal fees at ATMs outside of own bank network

The Croatian National Bank, taking into account the recommendations of the Civil Protection Staff of the Republic of Croatia and the Croatian Institute of Public Health regarding the minimization of movement and mutual contacts, recommended that banks temporarily suspend the payment to individuals for ATM transactions outside their own network in the Republic of Croatia.

Pursuant to the recommendation of the Croatian National Bank, all banks have temporarily suspended the fee to their customers for withdrawing cash from debit cards at ATMs outside their own ATM network.

## Retaining net profit from operations in 2019

The Croatian National Bank has ordered credit institutions to maintain their net profit from operations in 2019.



# Decision on Amendments to the Decision on the Implementation of the Monetary Policy of the Croatian National Bank

At its session held on 17 March 2020, the Council of the Croatian National Bank adopted a Decision amending the Decision on the Implementation of the Monetary Policy of the Croatian National Bank, which enables in monetary policy operations conducted with the purchase and sale of government securities, for the other contractual party to also be:

- ▶ pension companies based in the Republic of Croatia which have received the approval of the Croatian Financial Services Supervisory Agency for the management of pension funds;
- ▶ open-end investment fund management companies with public offering (aka UCITS funds) based in the Republic of Croatia, which have received a license from the Agency
- ▶ insurance companies with headquarters in the Republic of Croatia which have received a license from the Agency and are registered in the court registry of the competent court.

Pension and investment funds or insurance companies may participate in the purchase and sale of securities if they are financially stable and meet all the technical requirements set by the HNB and notify them in advance.

The aforementioned decision is a continuation of the HNB's earlier decision, dated March 13, 2020, to commence the purchase of government bonds of the Republic of Croatia in order to maintain stability in the government securities market.



Ministry of finance



Instructions and disclosures to taxpayers

# Delay in payment of due tax liabilities

Applies to all taxes, contributions, membership fees, indemnities and other public charges due between March 20 and June 20, 2020, or until September 20, 2020 in the event of extension of special circumstances of the year

Duration of delay of 3 months

Possibility of extension of the measure for an additional 3 months in case of extension of special circumstances

There is neither interest nor statute of limitation for the duration of the delay.

The measure is intended for entrepreneurs:

- ▶ who make it probable that they are unable to pay their due tax liabilities, and who, on the day of the claim, have no outstanding tax debt in excess of HRK 200.00:
- ▶ in the event of a fall in revenue in the month preceding the month of the claim at least 20% compared to the same month in the previous year or
- ▶ if it becomes probable that, within the next three months from the month of the application, its revenue will fall by at least 20% compared to the same period of the previous year.

In relation to VAT due, the measure also applies to entrepreneurs who in the previous year did not realize the value of deliveries of goods and services in the amount of more than HRK 7,500,000.00 without VAT and who set the tax base according to the deliveries made in accordance with the Value Added Tax Act.

In addition to the criteria that apply to all businesses, it should be proven that VAT has not been collected from issued invoices and / or other indicators that affect liquidity.

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## Submitting a request

The request is submitted to the Tax Administration according to its headquarters electronically - through the ePorezna tax system.

Exceptionally, taxpayers who are not users of the ePorezna tax system may file a claim otherwise provided and published by the Tax Administration on their website.

Due to damage caused by the earthquake in Zagreb, the Tax Administration Offices of Center, Maksimir and Dubrava do not work, so requests can be sent to other branch offices in Zagreb.

- ▶ the application form is available via the link:

<https://www.porezna-uprava.hr/Dokumenti%20vijesti/Zahtjev%20za%20odgodu%20pla%C4%87anja.pdf>

- ▶ the claim should be explained and substantiated by reliable and convincing information and evidence
- ▶ The tax authority may subsequently verify the evidence submitted
- ▶ the tax authority decides on the claim in a hurry
- ▶ notification of the merits of the request electronically

## Interest free installment repayment of tax debt

- ▶ up to 24 installments during the stabilisation period upon termination of special circumstances
- ▶ a written and reasoned request for installment repayment of a deferred tax liability may be filed within 5 days of the due date of the obligation that the applicant is unable to pay
- ▶ in case of non-compliance with the payment deadlines, the installment payment is canceled



# Support for the preservation of workplaces



Instructions and announcements to employers

# Who can use the support?

The support may be used by employers engaged in the activities of:

- ▶ provision of accommodation and preparation and serving of food and drinks;
- ▶ transportation and storage;
- ▶ health tourism;
- ▶ labor - intensive activities within the manufacturing industry - textiles, clothing, footwear, leather, wood and furniture;

who are unable to perform an activity in accordance with the decisions of the Civil Protection Staff;

as well as other employers who can prove the impact of special circumstances.

The drop in revenue should be greater than 20%.

Support cannot be used by:

- ▶ Employers who have registered a business entity for the past 12 months and who use self-employment funds;
- ▶ Employers who have experienced a decrease in the number of employees in the period from 20 March 2020 until the date on which the grant application is submitted if the percentage of employment decline is greater than:
  - 40% for employers employing up to 10 workers;
  - 20% for small businesses;
  - 15% for medium-sized enterprises;
  - 10% large enterprises.

Employers who already use one of the employment incentive measures for their employees may not simultaneously use job retention support, but may choose to suspend contractual obligations under an already active contract.

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## Duration, amount and payment of support

The subsidy is:

- ▶ HRK 3,250.00 a month per full-time worker;
- ▶ up to HRK 1,625.00 per month per part-time worker;
- ▶ a proportionate portion of the amount per employee for time they did not work under the decision of the Civil Protection Staff.

The measure may last from 1 March 2020 and up to a maximum of 3 months.

The subsidy is paid by the 15th of the month for the previous month.



# Applying for the payment of support

The request shall be submitted to:

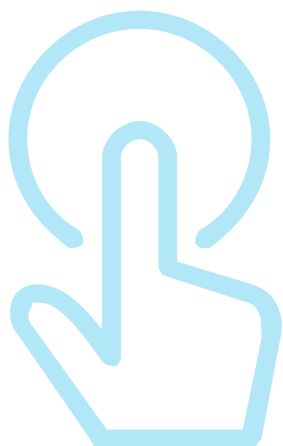
The request can be submitted from March 23, 2020

- ▶ online via the website <https://mjera-orm.hzz.hr/predaja-zahjteva>;
- ▶ via e-mail;
- ▶ to the competent office of the Croatian Employment Service according to the seat of the employer.

The application form can be downloaded from the website <http://mjere.hr/potpore-ocuvanje-radnih-mjesta-dokumentacija-obrasci/>

The request requires the following:

- ▶ attach tables listing the workers for whom the measure is sought and workers for whom active employment policy measures are used and a statement of the accuracy of the information and reasons for using the aid;
- ▶ state and describe the reasons and provide evidence of business difficulties;
- ▶ write an explanation of the fall in income - a tabular comparison of income by the end of the month in which the claim was filed with the same month of the previous year, with a projection of income in the next period for three months with a comparison of the same period of the previous year up to HRK 1,625.00 per month for part-time worker time.





# CROATIAN BANK FOR RECONSTRUCTION AND DEVELOPMENT - HBOR



Measures aimed at maintaining the level of economic activity, the liquidity of economic operators and preserving jobs

## Moratorium on existing commitments

HBOR has granted all its clients a three-month moratorium on liabilities due after February 29, 2020. If the negative impact of the COVID-19 virus (coronavirus) pandemic on the economy lasts longer, there is a possibility of extending the duration of the moratorium.

HBOR clients will not be obliged to pay principal, interest and fees during the moratorium, and customers will be able to pay interest free of charge in 12 equal monthly installments after the end of the moratorium. With customers whose loan repayment deadline ends within this period, the repayment method will be individually regulated.

This measure applies to all HBOR clients, regardless of whether they are granted credit directly or through commercial banks. Clients will be informed of all implementation details.

## Reprogramming of existing credit obligations

HBOR loan beneficiaries will be able to reprogram their existing loan commitments with a grace period in repayment of the loan principal. Each client will individually negotiate a rescheduling of liabilities according to their repayment potential.

This measure will be available to all beneficiaries of HBOR loans, regardless of whether the loan is approved directly or through commercial banks.

Clients will submit a rescheduling request to a commercial bank or HBOR, depending on how the existing loan is approved.



## Insurance policies (guarantees) as collateral for credit approval

Measure in announcement.

Entrepreneurs will be notified about the details of the implementation of this measure, the required documentation and the method of approval after harmonisation of all technical requirements.

HBOR will, on behalf and for the account of the Republic of Croatia, approve portfolio insurance policies (guarantees) to commercial banks and HBOR. Guarantees will be used as collateral for new liquidity loans granted to exporters.

Guarantee policies will allow entrepreneurs to obtain new liquidity loans more easily and more quickly with less demand for collateral insurance.

## New liquidity loans

HBOR will approve new liquidity loans to entrepreneurs in cooperation with commercial banks. The loans will be approved at a favorable interest rate, and the funds will be used to finance basic operating expenses (the so-called cold drive).

Entrepreneurs will be able to contact a commercial bank with requests for new liquidity loans which will be granted in cooperation with HBOR.

All the measures are described on the website we accessed on March 27, 2020:

<https://www.hbor.hr/pomoc-poduzetnicima-za-ublazavanje-negativnih-posljedica-nastalih-pandemijom-covid-19-virusa-koronavirusa/>



# CROATIAN AGENCY FOR SMALL ECONOMY, INNOVATION AND INVESTMENT - HAMAG-BICRO

Measures to help micro, small  
and mid-size entrepreneurs



# The first and second elaborated measures

## Suspension of payment of all loans until 31.12.2020

Suspension of payment applies to all outstanding liabilities (principal and interest), while all prior arrears must be duly settled.

According to the adopted decision, until 31.12.2020 no interest or principal will be due and no default interest will be charged.

Regular interest will be charged on the outstanding principal and will be distributed to the remainder of the repayment period when the repayment begins.

All loan users (ESIFs and Rural Development Loans) will be notified by e-mail about the delayed repayment and will be sent a "Deferred Payment Consent" form.

All contractors who agree to the proposed repayment delay should fill out the form, sign/stamp and submit the scanned/photographed form to the mailing address [zajmovi@hamagbicro.hr](mailto:zajmovi@hamagbicro.hr), so that their consent is recorded in the system.

## Ability to apply for ESIF working capital

HAMAG-BICRO introduced as a measure the possibility to apply for an ESIF working capital loan with significantly less documentation and a ready-made form for a Business Plan through a two-page questionnaire, which significantly shortens the time required to prepare the application;

The differences to the current ESIF Micro Loans for Working Capital Program are

- (i) lower interest rates,
- (ii) longer grace period and
- (iii) the ability to settle accounts incurred up to 3 months before the loan application is received.

Link for online applications:

<https://prijava.hamagbicro.hr/w/Home/Login>

Additional e-mail address:

[zajmovi@hamagbicro.hr](mailto:zajmovi@hamagbicro.hr)

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# Other announced measures of HAMAG –BICRO

Reduction of interest rates on investment loans ESIF Micro and Small loans, with 30% share of working capital, to 0.1% -0.25% -0.5%.

Increase of the maximum guarantee rate for ESIF individual guarantees for loans for working capital from 65% to 80% of the loan principal (guaranteed loans guarantee amount of EUR 150,000-1,000,000) through 17 financial institutions.

Establishment of a new financial instrument "COVID-19 credits/loans" for working capital for small and medium-sized enterprises.

The establishment of the new Micro Rural Development Facility for working capital provides additional liquidity to small business entities in the agricultural, processing and forestry sectors with faster and easier processing, grace periods and lower interest rates.

Taken from the website: <https://hamagbicro.hr/mjere-hamag-bicro-a-za-pomoc-mikro-malim-i-srednjim-poduzetnicima-uslijed-pandemije-uzrokovane-koronavirusom/> on 27. March 2020.

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In case you have  
questions contact us via  
our support e-mail (0-  
24):

[coronadesk@bmwc.hr](mailto:coronadesk@bmwc.hr)

