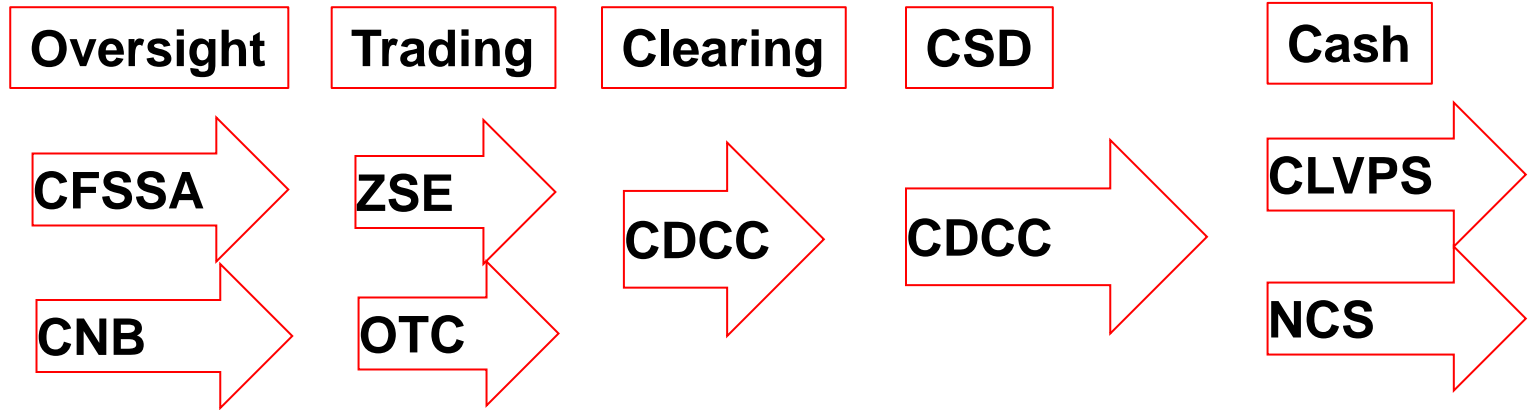


SEE Markets Roadshow CROATIA

Luxembourg, April 29th & 30th, 2014

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Croatia - The Market Structure



Key Market Participants:

Asset owners:

- Retail 7%
- Domestic legal 51%
- Foreign investors 27%
- Other 15%

Key Market Data:

Market Cap US\$ 34bn
Equity trading US\$ 494mn pa
Bond trading US\$ 40mn pa

Croatia - Key Market Participants

CFSSA is the **Croatian Financial Services Supervisory Agency** is an independent legal entity with public authorities that supervises the operations of exchange, CSD, authorised companies, issuers, investment funds, managing companies, insurance companies and other market participants.

CNB is the **Croatian National Bank** enjoys operational autonomy and independence and is accountable to the Croatian Parliament. The primary objective is to achieve and maintain price stability.

ZSE is the **Zagreb Stock Exchange** and accounts for around 85% of Croatian market trading. It is privately owned by market participants.

CDCC is the **Central Depository and Clearing Co.** Croatian only clearing and settlement agent 62,3% owned by state. Can be considered CCP for trades settling in contractual settlement method.

SKDD-CCP Smart Clear Inc. applied to the HANFA for authorization to provide CCP services in line with EMIR.

CLVPS is the **Croatian Large Value Payments System** for the execution of interbank payment systems and settlement in banks' accounts which operates as an RTGS.

Croatia - Market Trends



Strengths

- EU member – 1 July 2013
- Currency stable
- New privatization cycles

Weaknesses

- Influence of political cycle on reform agenda
- Slow recovery of economy
- Low liquidity

Croatia – Latest market development, changes in the past 24 months

Changes in the market infrastructure and regulatory environment

- Personal identification number (so called OIB) requirement
- Safekeeping of local credit institution shares, stock exchange and CSD shares on segregate account
- Abolished OTC reporting requirement
- Withholding tax on dividends and distribution introduced
- Introduction of IBAN structure for cash accounts
- SKDD-CCP Smart Clear Inc. established to act as a central counterparty
- Remote brokerage allowed
- ZSE new trading hours
- Changes in MTF structure
- Regulatory fees reduced for 2014
- New Investment Fund Act

Impacts on clients

- All investors need to obtain OIB number from local tax authorities
- Segregate account on beneficial owner level at the CSD need to be opened
- For foreign investors as of January 1, 2014
- Introduced at the rate of 12% for foreign private and legal persons
- Mandatory as of June 1, 2014
- Will take over clearing services from SKDD for on exchange trades
- Possibility of direct trading on the ZSE
- Extended from 9:15am to 4:30 pm CET
- Introduced of MTP-Alter, MTP- Fortis and MTPX
- Fees paid to regulator in line with services provided
- Foreign investor can keep local units on custody account

Croatia - Expected changes in the next 24 months

Expected changes in the market infrastructure and regulatory environment

- Establishing of CCP on the market
- OTC trades - new settlement type
- Switch to T+2 settlement cycle
- Continuation of the privatization process
- Implementation of UCITS/AIMFD
- T2S
- FATCA

Impacts on clients

- Introducing formal CCP on the market in line with EMIR
- Abolishing guaranteed settlement for OTC trades
- As of October 6 2014
- Higher capitalization and liquidity of the market
- Alignment with EU directives by end of June 2014
- Will be based on other countries experience
- Compliance through Intergovernmental Agreements – Model 1

Croatia - The major challenges

The major challenges are

- Ensuring compliance with EU regulation
- Dealing with domestic infrastructure change
- OTC trades only in trade for trade settlement
- Custodian outside CCP
- Unique corporate action data provider
- Wider use of swift among participants

Lobbying for

- Clarity on liability and on scope of business provided for UCITS and AIFMD
- Simplification of tax relief at source procedure, further OIB requirement clarification
- More flexible deadlines
- Possibility to become member for on exchange trades through trade affirmation
- Standardization of way of distribution
- Standardization of swift communication