



Q2 2021

**Editorial | CEE**

While there is now a light at the end of the pandemic tunnel in CEE and SEE, the second quarter of 2021 again brought many changes and challenges in the region's finance sector. Sustainability is becoming an increasingly important factor, which can be seen in certain measures that we examine in this edition. While growth has returned and green energy financing (also under the flag of sustainability) drives the market in both Romania and Hungary, the financial sector also foresees consolidation in Slovenia and Hungary.

The implementation of the restructuring directive continues throughout the region, but we have instead focused in this edition on already ongoing trends (like banking regulatory changes in Croatia and Serbia or the digitalisation of the securities market in Austria), since we will soon dedicate a special edition to restructuring, which we expect will become a major market driver in the years after the pandemic subsidies.

In this edition, the focus is on the changes and challenges that affect the financial sector daily. I believe you will find these brief reports illuminating and that they will encourage you to get in touch with us for more on any of these topics.



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**Regulators consider regulatory changes for non-bank financing of sustainable companies | Croatia**

- **The Council of the HANFA, Croatia's financial services supervisory agency, recently discussed proposed regulatory changes** that should strongly encourage alternative financing of the economy and prepare listed companies for new ESG reporting.

The changes should lead to liberalisation of the regulatory environment primarily for AIFs (easier licencing and reporting, lower fees, etc.). The HANFA is also considering allowing certain AIFs to grant loans. The regulator's main concern is that the value of AIF assets in Croatia is only 1.1 % of Croatian GDP compared to an average of 48.4 % in other EU Member States.

In addition, the HANFA has recently prepared national guidelines for ESG reporting, which define deadlines and ways of publishing non-financial reports, while also providing further instructions on regulations and non-financial reporting standards.

[Ozren Kobsa](#)

**New legislation on digital global certificates | Austria**

- **An amendment to the Austrian Securities Deposit Act takes a step towards digitalising** the Austrian securities market by introducing digital global certificates for bonds and investment certificates. Due to the amendment, securities issuers will no longer be required to produce, sign, obtain countersignatures of and deliver a physical global certificate in paper form to the Austrian Central Securities Depository (OeKB CSD GmbH). A digital global certificate is created by an electronic data record at OeKB CSD GmbH, which will be responsible for the technical implementation of the digital global certificate, based on the information electronically communicated by the issuer. The shares in a digital global certificate will bear the same rights and functions under securities law as the shares in a physical global certificate.

[Angelika Fischer | Viktoria Stark](#)

## Special Situations | Poland

- **The Court of Justice of the EU (CJEU) recently ruled on Polish foreign currency loans.** Many Poles took out such loans denominated in the Swiss franc in the 2000s. After the 2008 crisis, they struggled with instalment payments, as the value of the Polish zloty tumbled. The CJEU said that the Polish courts would need to decide how to deal with abusive contractual clauses. In May, the Polish Supreme Court was to issue its landmark decision on such contracts, e.g. whether to annul them, but the ruling was (again) delayed and the court is now awaiting opinions from, among others, the Polish Central Bank and the financial regulator. The decision may impact Polish lenders and result in out-of-court settlements with customers.

[Paula Weronika Kapica](#)

## Green April | Austria

- **On 21 April 2021, the European Commission published a sustainable finance and reporting package** as the next steppingstone towards the European Green Deal. It is comprised of a proposal for an EU Taxonomy Climate Delegated Act, which is set to apply as of 1 January 2020 and sets out technical screening criteria as to whether an economic activity in certain sectors such as bioenergy, forestry, hydrogen and hydropower can be regarded as contributing substantially to the environmental goals of climate change mitigation and adaptation. The Commission also put forward a proposal for a Corporate Sustainability Reporting Directive (CSRD) that revises the Non-Financial Reporting Directive (Directive 2014/95/EU) and is set to apply as of January 2022. The CSRD aims to extend both the scope of listed companies required to report sustainability information and the scope of information to be reported (*inter alia* a reporting company's impact on global supply chains). Other proposals for delegated acts contained in the package aim to embed sustainability considerations in (among others) financial product design, suitability assessments of investors and asset management. This legislative package is expected to be supplemented in time with certain energy sectors and environmental goals yet to be covered by the European Taxonomy. You can read more about it in our [legal insight](#).

[Henri Bellando](#)

## Marketplace | Serbia

- **The Serbian Financial Collateral Act: Love at second sight?** The adoption of the Financial Collateral Act (**FCA**) in 2018 was widely regarded as a great addition to the Serbian financial law infrastructure. Still, more than two years later, the FCA's full potential has largely remained untapped. The key reason lies in its narrow scope in terms of covered counterparties. Although the FCA delivered adequate protections for close-out netting in financial transactions among eligible counterparties (i.e. mostly sovereign and financial sector entities), it still does not protect close-out netting in

transactions that involve regular corporate entities. Perhaps the time has come for the legislator in Serbia to consider suitable updates to the FCA so that market participants can give it another chance.

[Petar Kojdić](#)

## Renewable energy projects: is a second wave coming to Romania? | Romania

- **It is well-known that Romania must step up the deployment of renewable projects** to achieve its 30.7 % target for 2030. Some 6 GW of new wind power and solar PV capacities need to be installed over the next 10 years. Our new publication "[renew romania](#)" is online. Read it to find out what is going on in the renewable energy market and about project financing renewables in Romania. To sum up, we believe the "second wave" is already here. It will largely be up to all stakeholders to shape this wave into one that will boost the sector and benefit everyone. There is little sense in pointing in a single direction. The regulator needs good ideas and support from sponsors and financial backers, who in turn cannot work miracles without the appropriate commitment and investments from sponsors, and so on. It will take a joint effort and we are optimistic that quite a few pathways have been identified and need to be pursued. In the meantime, as our experience in 2020 and in Q1 2021 has already shown, where there is a will there is a way. We will continue to support our clients and market initiatives in shaping this second wave into a success for as many stakeholders as possible.

[Matei Florea](#)

## Q1 2021 review – getting back on track? | Slovenia

- **The developments in the first quarter of 2021** (as summarised by the [Bank of Slovenia](#)) can, if looked at through somewhat rose-coloured glasses, be viewed as early symptoms of a transition by the banking sector towards a post-pandemic period. On the transactional side, activity seems to be picking up – although sizeable deals are still few in number. On the corporate lending side, the primary drivers behind the trend are the increase in M&A/investment activity (particularly in the IT/newtech sector and infrastructure) and an overall improvement of the economic outlook (resulting in some large-scale refinancings). Alongside this trend, the banking landscape itself is looking at an interesting potential shift, with one of the largest players being in the process of changing ownership. Likewise, shareholders of bank stocks are keeping an eye on the Bank of Slovenia, which will either enable a distribution of dividends for 2020 or decide to prolong the current freeze (set to expire on 30 September 2021), pushing pay-outs into 2022.

[Vid Kobe](#)