

purchases. The vast majority of non-Swiss franc FX loans are denominated in euro – a fact which is of less concern because the Croatian kuna is pegged to the euro. On September 30, 2015, the “Amendment of the Consumer Act” came into effect, which stipulates conversion of Swiss franc-denominated loans into euro loans, using historical exchange rates as at the date the respective loan was initially granted and interest rates equal to the interest rate that would have been charged by the lender for a loan extended in euro at the date the loan was initially granted. Creditors had to provide debtors with a proposal for conversion; by January 26, 2016 90% of Swiss franc debtors had opted for conversion. The conversion is expected to cost affected banks around EUR 1 billion. The public sector bears a minor part of the conversion costs as banks’ conversion costs are tax deductible. Some banks have lodged a law suit with the Croatian Constitutional Court to evaluate the amendments to the law; a procedure which is still ongoing.

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