Financial Stability Council
Press release, 18 December 2017

9th Session of the Financial Stability Council

The Financial Stability Council met on 12 December at the Croatian National Bank for its 9th session, chaired by Boris Vujčić, the Croatian National Bank Governor, and attended by Zdravko Marić, Minister of Finance, Petar-Pierre Matek, President of the Board of the Croatian Financial Services Supervisory Agency, and Marija Hrebac, Chief Executive Officer of the State Agency for Deposit Insurance and Bank Resolution and their associates.

The members of the Council were informed in detail about the state of systemic vulnerabilities and risks in the light of economic developments and those in the market of bank and non-bank financial intermediaries. They noted a considerable reduction of risks in the household and non-financial corporations sectors resulting from a rise in income, interest rate fall and a rise in kuna lending. Nevertheless, considerable structural vulnerabilities and relatively low potential growth rates are the main reasons why the risks remain elevated. At the same time, developments in the capital markets do not point to a considerable increase in systemic risks. The members of the Council were informed about recent macroprudential activities of the CNB and the new cycle of identification of a number of banks as other systemically important credit institutions.

The members of the Council were also informed about the progress made by the working group for alignment with the Recommendation of the European Systemic Risk Board (ESRB) in closing the real estate data gaps (ESRB/2016/14).

The members of the Council also analysed the use of the virtual currencies, such as, for instance, Bitcoin, Ethereum, Ripple and Litecoin. They noted that these products were associated with considerable risks, such as the risk of digital wallet theft, the risk of transaction misuse and the absence of protection in the form of fund refunds in the case of payment transactions executed by means of these products, when compared to regulated payments. In addition, it was noted that such products were prone to quick changes in value and that their holders should be aware of possible taxation, etc. It was also noted that monetary funds invested in such products were not protected by a deposit insurance scheme nor by an investor-compensation scheme. By virtue of their features, these products do not bear resemblance to traditional currencies and financial instruments. The use of virtual currencies is also associated with some other risks such as the risks associated with IT system protection and fraud.

Also, virtual currencies are not electronic money in terms of the provisions of the Electronic Money Act, nor are they payment services in terms of the provisions of the Payment System Act. Therefore, the individuals issuing these products or trading in these products are not authorised by Croatian regulators to carry out these activities, nor are the regulators responsible for their oversight.

This means that the individuals deciding to invest in these products bear sole responsibility for their losses. Therefore, before making an investment decision, one should inform oneself in detail, based on reliable and verified sources, of the possible risks of purchasing, trading in and using virtual currencies.