



SPI Project:
**Amendment of the law on goods
safeguard, values and persons protection**

Regulatory Impact Assessment Approach Note

Background* - 1

At present, Law no. 333/2003 regulates the goods safeguard, values and persons' protection, whose provisions apply to all commercial companies, including banks. Banks are confronted with some practical difficulties in applying the provisions of the law, of which the most important are:

1. Each territorial unit of banks has to draw up safeguard plans, which are subject to a complicated and lengthy approval procedure by the police. This can delay the setting up of new territorial units by two months. Also, any subsequent modification of the safeguard plans has also to get the approval of the police that can request new safety measures resulting in additional costs for banks;
2. Each territorial unit of banks has to draw up transportation plans for valuables, which are also subject to police approval, regardless the fact that in some cases banks have externalized the transport of valuables to specialized companies. Any change in the transportation plans for valuables has also to be approved by the police;
3. The banks have to dispose of non-stop video monitoring in each of the territorial units. The full records of the monitoring have to be archived for 30 days, even if monitoring sensors have not been activated during this time, resulting in the storing of a large amount of "blank" records;

Background* - 2

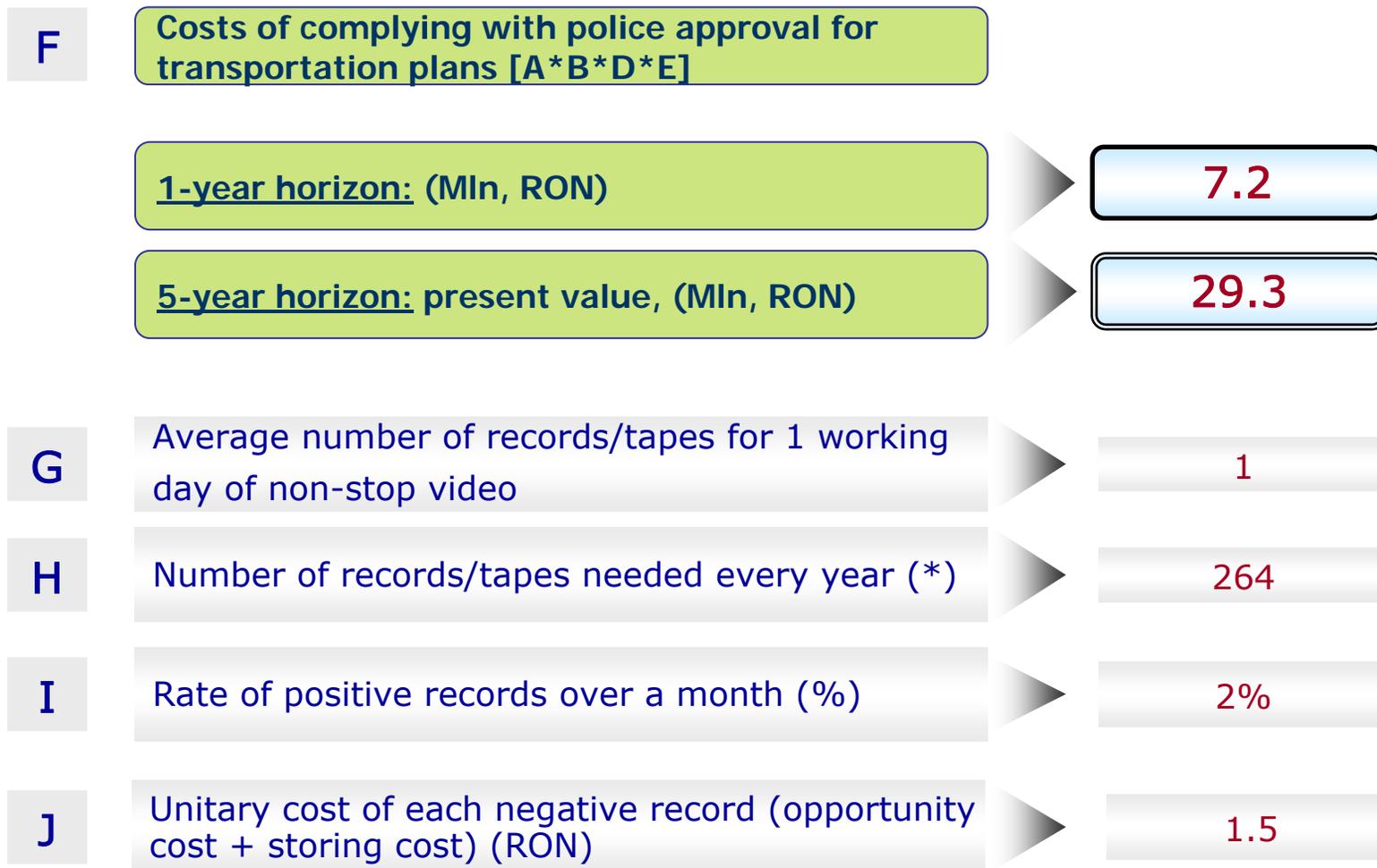
4. The requirements for the physical security of the banks' managers are cumbersome (*to be further clarified*);
5. The provisions of the law do not provide clear guidance on how to correlate the security requirements with the degree of criminality corresponding to the location of the territorial units of banks.

The provisions of the law apply to all territorial units of banks, estimated at 4000 units at the end of July 2006 (the growth rate of the banking network is of 24%/year). In practice, the above mentioned drawbacks of the law generate additional costs for banks and complicate their organizational structures. In this context, RBA wants to propose amendments to the current law to reduce the cost of compliance to the banking system.

Economic impact assessment - 1

| | | |
|----------|---|-------|
| A | Total territorial units of banks | 3,845 |
| B | Average number of transportation plans over a year drawn by each unit for police approval | 24 |
| C | % total territorial units that externalize the transport of valuables | 40% |
| D | Time needed by each unit to take care of the approval procedure (FTE) | |
| | D-1 Average unit that rely on internal services | 0.25 |
| | D-2 Average unit that externalizes | 0.50 |
| E | Gross daily cost of a bank staff (RON) | 222 |

Economic impact assessment - 2



(*)= Working days

Economic impact assessment - 3

K

Costs of complying with storing "blank" records in each of the territorial unit

1-year horizon: (Mln, RON)

1.5

5-year horizon: present value, (Mln, RON)

6.1

L

Overall impact [F+K]

1-year horizon: (Mln, RON)

8.7

5-year horizon: present value, (Mln, RON)

35.4

Analytics - 1

| | | |
|---|------------|------------|
| Total territorial units of banks | a) | 3,845 |
| Average number of transportation plans over a year drawn by each unit for police approval (#) | b) | 24 |
| % total territorial units that externalize the transport of valuables | c) | 40% |
| Time needed by each unit to take care of the approval procedure (FTE) | d) | |
| Average unit that rely on internal services | d1) | 0.25 |
| Average unit that externalize | d2) | 0.50 |
| Gross daily cost of a bank staff (RON) | e) | 222 |
| Costs of complying with police approval for transportation plans (Mln, RON) | f)=a*b*d*e | 7.2 |
| Average number of records for 1 working day of non-stop | g) | 1 |
| Rate of positive records over a month (%) | h) | 2% |
| Unitary cost of each negative record (opportunity cost + storing cost) (RON) | i) | 1.5 |
| Number of records needed every year [#] | i) | 264 |
| Costs of complying with storing "blank" records in each of the territorial unit (Mln, RON) | j) | 1.5 |

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 5-year NPV |
|--|-----|------|------|------|------|------|-------------|
| PV - Costs of complying with police approval for transportation plans (Mln, RON) | i) | 6.7 | 6.3 | 5.8 | 5.4 | 5.1 | 29.3 |
| PV - Costs of complying with storing "blank" records in each of the territorial unit (Mln, RON) | ii) | 1.4 | 1.3 | 1.2 | 1.1 | 1.1 | 6.1 |

| | | | | | | |
|-------------------|----------|----------|----------|---------|----------|--|
| Discount rate (%) | 7.10% | | | | | |
| Discount factor | 0.933707 | 0.871808 | 0.814013 | 0.76005 | 0.709664 | |

Analytics - 2

Data and assumptions:

| | | |
|---|------|-----|
| a) % total territorial units that externalize the transport of valuables | | 40% |
| b) Time needed by each unit to take care of the approval procedure (FTE) | | |
| i) Average units that rely on internal services | 0.25 | |
| ii) Average units that externalize | 0.50 | |
| c) Gross daily cost of a bank staff (RON) | | 222 |
| d) Average number of records for 1 day of non-stop video (#) | | |
| e) Rate of positive records over a month (%) | | 2% |
| f) Unitary cost of each negative record (opportunity cost + storing cost) (RON) | | 2 |
| g) Number of records needed every year [#] (<i>1 record per working day</i>) | | 264 |