

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



SPI Project on Ombudsman

Project Objective

To prepare a comprehensive proposal to establish the Romanian Bank Ombudsman (RBO) together with the implementation plan.

Project Management Team

Project Owner (PO): Radu Negrea (RBA General Secretary, on behalf of RBA)

Project Manager (PM): Monica Iovu (Director, Alphabank Romania)

Deputy Project Manager (DPM): Alis Avramescu (Deputy Director, NBR).

Minutes

Second Meeting

February 15th, 2007 – RBI Premises

Attendees: Monica Iovu, PM
Alis Avramescu, DPM
Aurora Stancu, member
Dorin Octavian Bortoi, replacing Catalina Clinci, member
Constantina Samson, member
Ioana Bosinceanu, member
Bogdan Stanica, member
SPI Secretariat: Ramona Bratu, SPI Director for Bank Products and Services and Oana Nedeleucu, SPI Director for Analytics and Policy

I. Discussions and endorsement of the project ToRs

Participants discussed and endorsed the project ToRs. Likewise, participants agreed that the proposed action plan ensures the timely achievement of the project objective, respectively the preparation of a document containing different options for establishing Bank Ombudsman in Romania together with the PWC's recommendation to be presented in the RBA General Assembly March meeting and in the SPI Committee April meeting.

II. Identification of the possible options for the RBO scheme and of the legal framework for its establishment and functioning

Participants expressed their opinions on the most suitable name for the Ombudsman taking into account the specific activity of this institution and the accessibility of the Romanian version to the public. These led to the conclusion that the best name would be “Bank Mediator” (BM).

Building on the study prepared by the Convergence Program, participants discussed the possible options starting from the two proposals made by the PWG members, based on the table whose outline has been prepared by the SPI Secretariat before the meeting. A third possible option emerged during discussions.

The three identified options, described extensively in the attached table, are:

- 1. A private, voluntary and independent BM scheme**, established as an association of public interest, where participation is open to all the interested credit institutions, financed by the banks’ annual contributions (both fixed and variable), and whose activity is governed by the Mediation Law. According to rules set by the law on associations regarding the Board, the BM would be managed by a Board with 6 members representing banks, one from NAPC and one from NBR (if NBR participation is allowed by the Law). The BM would be selected by this Board from a Mediation Council’s list of authorized mediators, who have a bank experience of at least 5 -7 year (to be decided), but who have not been working in a bank in the past three years. The activity of the BM would be under the Mediation Council’s supervision that can withdraw his license in case he doesn’t observe the Professional and Ethics Code and the mediation standards. The BM services would be available to individual clients, for complaints on all the bank products and services in which the amounts claimed are up to EUR 50,000, and free of charge (for exclusions, details in table). The BM would issue recommendations within 30 days from the complaint registration. In order to allow banks to give information and documents to BM under the mediation process, without breaking the bank secrecy, the Banking Law would likely need to be modified. The BM scheme would comprise one Bank Mediator, one Deputy Bank Mediator, one expert and one assistant, to work in a rented office visible and accessible to the public (not in a bank’s premises) with all necessary equipment. The Convergence background study reveals that this BO scheme is functioning in Austria, France, Germany, Greece and Italy.
- 2. A public and independent BM scheme (a public institution)** established through a special law, being financed by the banks or by the state and banks or by the state only. The BM would be managed by a Board of 3 persons: one bank representative, NACP representative and NBR representative (if possible). The BM services would be available to individual clients, for complaints on all the bank products and services in which the amounts claimed are up to EUR 50,000, and free of charge (for exclusions, details in table). The BM would issue

- recommendations within 30 days from the complaint registration. The establishment law could have special provisions regarding banking secrecy. In case the state budget financing is needed, the BM would have to report to the Parliament. The BM scheme would comprise one Bank Mediator, one Deputy Bank Mediator, one expert and one assistant, to work in a rented office visible and accessible to the public (not in a bank's building) with all necessary equipment.
3. **A public and independent BM scheme born as a development of the existing Ombudsman** that is dealing currently only with issues related to the citizens' relationship with public institutions. The BM would be established through a law amending the Ombudsman law and would be financed from the state budget. According to the Convergence study a public institution scheme is currently functioning in the United Kingdom, while initially established as a voluntary and private initiative.

Participants outlined that while a public institution would be more trustworthy in the public eye, the BM establishment on these principles would entail a long and complex enactment process in which the initial ideas on the institution might get distorted and the resources mobilization from the state budget may be subject to delays. At the same time, the concerns referring to the independence and objectivity of the private and voluntary BM scheme could be addressed through the BM selection process and criteria and by the supervision exercised by the Mediation Council. Although it would also entail also a law amendment, the establishment of a private-driven BM would be shorter. The advantages and disadvantages, as well as ways of mitigating the latest ones are detailed in the attached table.

Based on the outlined advantages and disadvantages of the identified options, the PWG will have to analyze which scheme could serve better the interests of the banking community of improving the quality service and the banks' image and will have to formulate its recommendation to the banking community.

III. Next steps

PWG members with legal background (Mrs. Iovu, Mrs. Avramescu, Mrs. Bosinceanu, Mrs. Samson, Mr. Stanica) will clarify all legal requirements and all other governance needs for the solutions.

PWG members with economic background (Mrs. Stancu and Mrs. Clinci/Mr. Bortoi) will prepare indicative budgets for the identified solutions.

SPI Secretariat will gather the individual contributions.

SPI Secretariat will propose the outline of the position paper and the PM and DPM will approve it and set up the individual contributions to the SPI actionable document. SPI Secretariat will prepare the project status report.

IV. Next PWG meeting

Next PWG meeting will be held on March 2nd, at RBA, at 2 p.m.

The meeting objectives: to analyze the status of the project; to agree on the PWG recommendation to the banking community on the BM scheme and to discuss on the individual contributions.