

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



**SPI Project: Lending Databases
(Mortgage Loan Servicing and Loss Given Default Databases)
Project Strategy Meeting
February 1st, 2007
starting with 10-11 am
Banca Comerciala Romana S.A.**

Participants:

Project Management Group

Project Manager: Dragos Stoian, BCR

Project Working Group

Angela Margarit, National Bank of Romania

Alexandru Berea, BCR

Camelia Ionescu, BCR

Monica Obaciu, BCR

Teodor Dinu, BCR

SPI Secretariat (Oana Nedelescu, SPI Director for Analytics and Policy, Ramona Bratu, SPI Director for Bank Products and Services)

MINUTES

1. Discussion on the conclusions of the technical workshop on the “International Experience with Lending Databases”

Participants agreed that the following recommendations made by the Italian Banking Associations experts at the workshop held on December, December 16, 2006, could represent the guiding principles for the future work of the project working group (PWG):

- a) Banks should ***start by understanding the benefits*** of setting up the two databases. This could start from gathering each bank’s perspective on the perceived benefits (by performing a survey) and then developing a common vision on the benefits, followed by an awareness-raising campaign;
- b) The databases set-up should be a ***joint effort*** by the banking community and the NBR in order to ensure consistency with the central bank requirements;
- c) Once the specific data needs are clear, it is important to agree on a ***uniform set of definitions*** for data collection purposes;
- d) The database project working group should then focus on thinking how to ***design an uniform database structure*** and at the practical implementation solutions;

- e) The database project working group could also think on how to *enhance the use of credit registers' databases*. In this regard, participants outlined the importance of having comprehensive and representative positive information available at the Credit Bureau as this information could be used also for better calibrating the capital requirements. However, as the positive information reported to the Credit Bureau has a limited market coverage (26 percent of the retail market), it would be important that big banks, like BCR, start disseminating positive information.

At the same time, participants agreed that two additional elements should be taken into consideration by the project working group as it progresses with its work:

- f) The databases should include *information that could be used by both risk management and business development* departments of banks;
- g) The process of designing the database should be very transparent and the banking community should be kept *informed regularly* on the progress of the PWG.

2. Discussion and endorsement of TORs

Participants discussed and endorsed the TORs. The PWG will *start by enquiring on the existence of vendor-provided and managed databases*. The PWG will assess the features offered by these market solutions and their adjustment needs to the Romanian market realities, indicating the preferred option. Likewise, the PWG will analyze the feasibility of a solution that accommodates the requirements of both database modules (mortgage loan servicing and loss given default). Based on the findings of this analysis, the PMG may decide on how to further structure and prioritize the activities of the two PWGs.

Participants outlined that it would be of interest to start by exploring:

- i) the offer of Real Estate Stock Exchange (Bursa Valorilor Imobiliare) database. The NBR already had some discussions with this company and outlined that at present the database collects data from real estate agencies and is supported by ANEVAR (the National Association of Romanian Valuers). The company would be interested to gather information from banks;
- ii) the relevant experience of the Polish Banking Association which has in place fully operational mortgage loan servicing and loss given default databases.

3. Discussion on the bank survey to outline the possible benefits for banks from the two databases and the experience of the banks' foreign parent entities with off-the-shelf / custom made MLS/LGD databases

Participants discussed about the content of the questionnaire and made some recommendations for improvement.

4. Discussions on the steps forward

The following tasks were assigned to the project working group members:

SPI Secretariat:

- will circulate a revised version of the questionnaire and will ask the PWG for feedback (by February 2, 2007);
- will contact the RBA in order to get in touch with the Polish Banking Association (by February 7, 2007);
- will explore with the Big Four whether there is any interest on their side in participating in the database initiative (by February 9, 2007);
- will support the PWG in having discussions with the Real Estate Stock Exchange on the existing database. The PWG will explore whether this could be a feasible solution (by February 14, 2007);
- will prepare relevant documentation (by the second meeting of the PWG);

NBR:

- will provide the contact of the Real Estate Stock Exchange (by February 5, 2007);

Banks:

- will make a list of the database information requirements from both a risk management and business development perspective (by February 8, 2007);
- will send their feedback on the questionnaire (by February 8, 2007);
- will also explore with their auditor (Big Four) whether there is any interest on their side in participating in the database initiative (by February 9, 2007).

5. Next project working group meeting

Depending on the relevant information availability, the next project working group meeting could be held in the week February 19-23.