

Convergence Romania Financial Sector Modernization

Public-Private Special Projects Initiative



SPI Monthly Activity Report May 2007

Project Highlights:	<u>6 Project Working Group Meetings</u>	<i>(Monthly New Item)</i>
<i>New projects:</i>	<i>Implementation of Market in Financial Instruments Directive (MIFiD)</i>	
<i>Regulatory-making process:</i>	<i>Law on Safety, Electronic processing of debit instruments, AML Law</i>	
<i>Institutional development:</i>	<i>Credit Positive Information Sharing, Ombudsman</i>	
<i>Good progress:</i>	<i>Rural lending, Provisioning in view of IFRS</i>	
<i>Lagging behind:</i>	<i>Bank Guarantees, Lending databases</i>	

SPI Project Working Groups Activities

New projects

- **Implementation of the MIFiD:** A preliminary meeting was held with banks in order to determine the banks' concerns on the MIFiD implementation and to outline a possible project strategy. More discussions will be held on the occasion of a technical workshop to be held with the participation of relevant authorities, market players, and international experts. Following the workshop, the project management team, with the support of the SPI Secretariat, will finalize a proposal for the strategy to be adopted for MIFiD implementation to be discussed and endorsed at the fourth SPI Committee meeting.

Regulatory-making process

- **Amendment of law on goods safeguard:** The SPI Committee wrote to the Ministry of Internal Affairs and Administrative Reforms (MIAAR), requesting follow-up on the proposed law amendments. SPI Secretariat, with support from MEF, will arrange a meeting for the working group with MIAAR representatives.
- **Amendment of AML law and Electronic processing of debit instruments:** The law amendment proposals are now undertaking an internal review process by the Ministry of Economy and Finance (MEF) that assumed the legislative initiative. The SPI Secretariat liaises on an ongoing basis with MEF on the legislative proposal enactment. The PWG working on the project regarding the electronic processing of debit instruments advanced well with the preparation of the secondary regulations.

Institutional development

- **Credit positive information sharing:** The conference held on May 24, 2007 held with the National Authority for Supervision of Personal Data Protection opened the dialogue regarding the outstanding issues from the proposed draft regulation. NASPDP and National Authority for Consumer Protection accepted to participate in the PWG.
- **Ombudsman:** The second phase of the project regarding the implementation arrangements has successfully started. The PWG approved the implementation strategy and started drafting the Bank Mediator by-laws and terms of reference with the support of the SPI Secretariat.

Close to analytical completion

Good progress

- **Rural lending:** Based on the comprehensive technical anchor report, the PWG outlined, with the support of the SPI Secretariat, the features of the public and private options for removing the current deadlock in utilizing warrants–deposits certificates, together with their implementation criticalities. The PWG recommends a hybrid public-private solution. At the same time, the SPI Committee members initiated the process of opening a closer dialogue with the Ministry of Agriculture in order to identify a commonly agreed solution. *Following the discussions with the MA, the PWG will finalize its*

recommendations on the regulatory and/or the technical and organizational implementation steps needed to remove the current roadblocks, marking the successful achievement of the project objective.

- **Provisioning in view of IFRS:** The NBR is well advancing on drafting the principles for the new regulation which will be shortly discussed with banks. Consultations will continue with the technical anchor on the possible methodological approach. A regulatory impact assessment has been initiated in order to support the MEF decision with regard to the fiscal treatment of the new provisions. *Upon extensive consultations, the PWG will prepare a set of principles commonly agreed by NBR-banks-MEF on a feasible update of the prudential requirements.*

Lagging behind

- **Lending databases:** More banks have been invited to join the project and the NBR Supervision Department to designate a working group member to ensure that the solutions are in line with the supervisory approach. So far, three banks have confirmed participation in the PWG. The SPI Secretariat is currently preparing a discussion paper to facilitate the dialogue in the renewed PWG. Upon PWG discussions, a set of recommendations for the consensus-building, methodological, and technical implementation steps will be presented to the SPI Committee at its fourth meeting.
- **Law on bank guarantees:** Following the endorsement by the SPI Committee of the project “rescue” strategy a local independent expert has been appointed to draft the law. The draft law will be discussed by the PWG, which will finalize the legislative act for its endorsement by the competent authorities.

Others

- **Consumer education:** The SPI Secretariat contacted the OECD Financial Education Program in order to get guidance on national strategy options. Likewise, a specialized ONG has been brought in the project. With local and international support, *the PWG will prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders (authorities and financial institutions) to promote customers’ financial education.*
- **Stress testing:** The SPI Secretariat has activated the discussions on the knowledge transfer between the NBR and banks. *A set of guidelines of best practices for stress testing by banks will mark the achievement of the project objective.*

Other Developments

- **EC Green Paper Consultations on the Retail Financial Services in the Single Market:** The public consultations on the EC Green Paper have been placed under the auspices of the SPI Committee in order to strengthen and deepen the understanding of the problems faced by consumers and industry in the field of retail financial services, as well as to establish the scope for and impediments to further initiatives in this area. The SPI Secretariat is currently conducting a survey with market players, financial market authorities and consumer representatives. A round table will be held in June at the EC InfoEuropa center in order to steer discussions among relevant stakeholders. The SPI Secretariat will compile the Romanian position on the Green Paper by July which will be sent to the EC in mid July.
- **RIA Capacity Building Program with the Authorities** had a successful launch on May 16-17, 2007. Participants from NBR, National Securities Commission, Insurance Supervision Commission, Commission for Supervision of Private Pension Systems, MEF and General Secretariat of the Government got familiar with the RIA concept and methodology in order to strengthen their regulatory capacities.
- **SPI 2008 Arrangements:** The RBA and NBR Boards have approved the continuation of the SPI Program and the organizational arrangements for 2008. With the support of Convergence the transitory arrangements have started to be implemented.

Highlights of expected June activities

- Analytical activities in the Rural lending will be finalized and the analytical activities in the IFRS Provisioning, Stress Testing and the Consumer Education projects will advance well;
- Design of the SPI Program website completed;
- RIA Capacity Building Program with Authorities Second Phase will be Completed;
- EC Green Paper Consultations will be held;
- Credit Rating Agencies Development project will be launched.

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