

## 2008 Project Proposals for SPI Committee Endorsement

		I. Business Competi tiveness	II. Industry Competi tiveness	III. Industry Reputation		
		-	-	<i>1)Bank Code of Conduct</i>	<i>2)Responsible borrowing</i>	<i>3)Expanding Banking Mediator</i>
<b>Description – background</b>				The Banking Ombudsman should rely on the industry Code of Conduct when solving the consumers’ complaints. RBA has on its agenda the preparation of the Code for some time, but the current problems and emergencies to be solved prevented an approach of this issue. The Code of Conduct should be also a benchmark for the consumer protection and a reference for consumer education areas.	The indebtedness level of consumers is an EC and Romanian authorities concern. In order to prevent financial crisis and unpleasant situations, consumers should be more aware on the consequences of their borrowing on their family budgets. They should get more support in terms of financial education in order to make better financial planning.	By next year the Banking Ombudsman will be established and functioning. It is designed to cover disputes of banks with individual customers on the banking services and products provided. The projected Payment Services Directive (PSD) provides that member states should have alternative dispute resolution concerning payments and it covers not only individuals, but also SMEs. An opportunity study would be necessary in order to determine whether a separate and specialized body should be organized or the coverage of the Banking Mediator should be extended.
<b>Impact drivers</b>	Industry economic driver			The existence of a Code of Conduct would enhance the industry reputation and would be a benchmark for improving the quality of the bank service.	By supporting an education campaign on better financial planning and on the costs of borrowing, banks could register lower bad debts ratio and could decrease their costs with debts recovering	By complying with the PSD requirements, the banking industry would be ensured the same level paying field as their competitors from the EU.

	Public good driver			The Code of Conduct would be a very useful tool for consumer education and would enhance the consumer position in relation with the industry.	This initiative has the potential to improve financial stability and to prevent the occurrence of social cases resulting from financial crisis.	The PSD implementation is meant to enhance the consumers' and SME's protection in respect of payment services. The solution of including the SMEs complaints in the already existing institution would facilitate NBR's mission in the PSD implementation.
	Economics			N/a	To be determined	N/a
<b>SPI Committee Involvement Rationale</b>				SPI Committee which was the promoter of the Banking Mediator should take care of giving this institution all the necessary instruments for a proper functioning.	SPI Committee would facilitate the design of an educational initiative providing consumers with the necessary information for responsible borrowing decisions.	SPI Committee which was the promoter of the Banking Mediator establishment is the right forum for analyzing the opportunity of expanding its service.
<b>Actionable SPI Committee Proposal</b>  (prepared by SPI Secretariat)				A recommendation to the bank community to adopt the content of the Code of Conduct.	A document presenting the information to be provided to consumers in an accessible language together with an action plan for disseminating the information.	A recommendation to the banking system in respect of the opportunity of enlarging the Banking Mediator or creating a separate and specialized institution to solve disputes related to payments.
<b>Proposed SPI Secretariat Contribution</b>  (in addition to preparing SPI Committee Proposal)				The SPI Secretariat could prepare a research paper on the international experience.	SPI Secretariat could search for international experience, could run a bank survey and could ensure the alignment to the EC recommendations and regulations in this area.	The SPI Secretariat could run the quantitative analysis of the two options. SPI Secretariat could also prepare a research paper on the international experience.
<b>Expected RBA Contribution</b>				<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To validate the results</li> <li>• To approve the Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To validate the solutions</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run an industry survey</li> </ul>

<b>Other Expected Contributions</b>				NBR, NAPDP and NACP to provide experts for the working group	NBR and NSC to provide experts for the working group. NSC to validate with consumers the identified solutions. NBR to endorse the set of information to be provided to the public.	NBR and NACP to provide experts for the working group
<b>Summary of Envisaged Convergence Role</b>	Analytical					
	Consensus – building			Facilitating the access to international experience	Facilitating the access to international experience	Facilitating the access to international experience
<b>Estimated completion date of actionable SPI document</b>				Medium level importance	Medium level impact	March 2008

		I. Business Competi tiveness	II. Industry Competi tiveness	III. Industry Reputation		
		-	-	<i>4)Enhancing financial consumer's protection</i>	<i>5)Ombudsman knowledge transfer</i>	<i>6) Enhancing Corporate Social Responsibility in the Banking Industry</i>
Description - background				Banks have the possibility of changing unilaterally the terms under which they provide the services, sometimes without being obliged to notify the modifications to their clients (as for example by charging a new type of charge. A solution preventing such abusive measures would be highly desirable.	SPI Romania has the experience of researching and formulating recommendations and of preparing the documentary framework for establishing the Banking Ombudsman. There are financial areas that would also need ADR schemes to deal with consumers' complaints and for which supporting packages could be provided on request.	Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large. CSR refers to the way companies manage the business processes to produce an overall positive impact on society. In the Romanian banking industry, there are individual initiatives of some banks in this respect, but there are no common policies and initiatives at the community level.
Impact drivers	Industry economic driver			Banking community would improve its image in the public eyes and the costs with solving the consumers' complaints.	By having an off-the-shelf solution for establishing ADR schemes, financial institutions could save resources.	A coordinated and coherent approach at the banking industry level would contribute to the improvement of the banking industry's image and would strengthen its position within the society.
	Public good driver			A solution preventing unilateral abusing measures would improve the consumers' protection in relation with banks.	ADR schemes would improve consumer protection and would decrease consumers' costs with disputes related to financial products.	Consumers' confidence in the banking system would increase.
	Economics			To be determined	To be determined	N/a

<b>SPI Committee Involvement Rationale</b>			SPI Committee would ensure a balanced approach of this sensitive issue and would facilitate the identification of a solution that would address both consumers and banks concerns.	SPI Committee endorsement to the proposed standard package would be a guarantee for the quality of the offer	The coordination offered by the public-private Committee would help the coagulation of forces and would give strength to the initiatives in the public eye.
<b>Actionable SPI Committee Proposal</b> (prepared by SPI Secretariat)			A document presenting a balanced and well founded solution acceptable for all involved parties.	A document presenting the package for knowledge transfer in establishing ADR in other financial sectors.	A policy statement endorsed by the entire banking community and a national strategy to be implemented under the coordination of a permanent body.
<b>Proposed SPI Secretariat Contribution</b> (in addition to preparing SPI Committee Proposal)			SPI Secretariat could search for international experience and could run a bank survey	SPI Secretariat could draft the package	The SPI Secretariat could prepare a research paper on the CSR concept, benefits and way and the international experience. SPI Secretariat could also support a campaign that would bring to the public attention the commitment of the banking community.
<b>Expected RBA Contribution</b>			<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To validate the solutions</li> </ul>	<ul style="list-style-type: none"> <li>• To validate the package content through its specialists</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run an industry survey</li> <li>• To finance the public campaign</li> </ul>
<b>Other Expected Contributions</b>			NBR and NSC to provide experts for the working group. NSC to validate with consumers the identified solutions.	NSC and MEF to validate the package content	NBR and NACP to provide experts for the working group
<b>Summary of Envisaged Convergence Role</b>	Analytical			Support for designing the knowledge transfer package	

	Consensus – building			Facilitating the access to international experience		Facilitating the access to international experience
<b>Estimated completion date of actionable SPI document</b>				Low level impact	Low level impact	

	I. Business Competitiveness	II. Industry Competitiveness	III. Industry Reputation			
	-	-	<i>7) Improving the quality of the education and professional training in the banking field</i>	<i>8) Standardizing the minimal information for basic bank products and services</i>	<i>9) Standardizing the advice on selected bank products and services</i>	<i>10) Better information on saving products</i>
<b>Description – background</b>			<p>Banks are rapidly expanding their activities and their demand for staff is increasing. They are complaining on the inappropriate level of expertise of the human resources on the market. Because of the high pace of their expansion, banks can afford only short training periods whose consequence is the increase in the operational risk. Other institutions that have interferences with the banking system may feel the need to increase their expertise in the area. The formulation of an aggregate demand for expertise in the next 5 years would help universities, consultants and other institutions to adjust their curricula and programs (especially universities).</p>	<p>In respect of financial services, consumers complaint on the lack of knowledge and/or information or of clarity of the contractual terms. The terminology used by the financial industry should be simpler and understandable for all consumers. An obstacle in the achievement of a relevant, clear and simplified content of the information provided to consumers could be, in some cases, the regulatory requirements such as in the case of the prospectus for the investment funds. The simplified prospectus should contain key information, similar and comparable for similar products, in an accurate and understandable language.</p>	<p>MiFID provides specific requirements on financial intermediaries in respect of advice to customers. EC intends to review all directives on the retail financial services in order to insert this kind of requirements; therefore the future need for compliance with the legal requirements is easily predictable. The advice to consumers should be tailored to the client level of financial literacy and should be borne by the industry but endorsed by the regulatory authority.</p>	<p>Banks have to provide clear information on lending costs to consumers: all the costs related to loans have to be expressed in terms of annual interest rate. This allows better information of the public and creates the possibility for comparing offers and facilitates the decision making. The existence of similar information on deposits would have the same effects in respect of investment options.</p>

<b>Impact drivers</b>	Industry economic driver			A proper response of the educational offer would facilitate the expansion of their business. They would see also their training costs reduced and a decrease in their exposure to operational risks.	Standard information to customers could decrease banks' costs with solving unsatisfied clients' complaints and could enhance competition.	The use of a standard content of the advice to customers could decrease banks' costs with providing advice on request and with monitoring/controlling advice provision. The regulating authority's endorsement could establish a level playing field and could be also the base for supervision in this area.	Banking industry would improve its reputation by being more transparent in the information on saving products.
	Public good driver			Consumers would benefit from a higher quality of the banking service. NBR and other public institutions would see their needs for training better met.	Better information could enable consumers to make better choices. At the same time, the decrease in the banks' costs has the potential to reduce costs of bank products and services.	By benefiting of standardized advice, consumers could better understand, compare and choose between different offers. At the same time, the decrease in the banks' costs has the potential to reduce costs of bank products and services. The supervising authority could have established a benchmark for supervising activities in this area, thus decreasing its costs.	Consumers' will have access to more clear information and will be able to make better investment.
	Economics			To be determined	To be determined	To be determined	To be determined
<b>SPI Committee Involvement Rationale</b>				SPI Committee aegis would encourage banks, NBR, MEF, NACP and MEF to express their needs for specialized staff or for training according to	SPI Committee aegis would facilitate the identification of a balanced approach in respect of the information provided to customers	By gathering the representatives of the consumers, supervision authorities and the industry, SPI Committee	SPI Committee would ensure that the information is relevant and well founded.



			their medium term strategies.		could facilitate the identification of the most suitable standard content of the advice to consumers.	
<b>Actionable SPI Committee Proposal</b>  (prepared by SPI Secretariat)			A document representing the medium-term aggregate demand for education and professional training in the banking field and identifying possible incentives for adjusting the offer.	A document containing the information considered to be necessary, relevant and enough for each bank product/service, with details on the content.	A document containing the standard content of the advice to consumers on selected bank products and services.	A document on the advantages coming from better information and presenting the standard for the calculation of the net income for savings products.
<b>Proposed SPI Secretariat Contribution</b>  (in addition to preparing SPI Committee Proposal)			The SPI Secretariat could help design a survey in order to estimate the impact of the current situation on banks and to ascertain general priorities and strategies.	SPI Secretariat could search for international experience, could run a bank survey and could ensure the alignment to the EC recommendations and regulations in this area.	SPI Secretariat could search for international experience, could run a bank survey and could ensure the alignment to the EC recommendations and regulations in this area.	SPI Secretariat could search for international experience and to prepare the draft questionnaire to banks in order to make an inventory of the costs related to saving products.
<b>Expected RBA Contribution</b>			<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To validate the final document</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To validate the solutions</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To validate the solutions</li> </ul>	<ul style="list-style-type: none"> <li>• To provide experts for the working group</li> <li>• To run the industry survey</li> <li>• To approve the solutions</li> <li>• To apply the standard</li> </ul>
<b>Other Expected Contributions</b>			NBR, MEF and NSC to provide experts for the working group and to run the survey	NBR and NSC to provide experts for the working group. NSC to validate with consumers the identified solutions. NBR to endorse the standard information.	NBR and NSC to provide experts for the working group. NSC to validate with consumers the identified solutions. NBR to endorse the standard information/issue a regulation.	

<b>Summary of Envisaged Convergence Role</b>	Analytical						
	Consensus – building			Facilitating the access to international experience	Facilitating the access to international experience	Facilitating the access to international experience	Facilitating the access to international experience
<b>Estimated completion date of actionable SPI document</b>			December 2008 Medium level impact	Medium level impact	Medium level impact	Medium level impact	