

Special Projects Initiative Romania
Annual Report
2007



ROMANIA

CONVERGENCE FINANCIAL SECTOR MODERNIZATION

Public-Private Special Projects Initiative



SPI Romania follows the “Better Regulation” practices recommended by the EU financial sector committees:

Committee of European Banking Supervisors (CEBS)
 Committee of European Securities Regulators (CESR)
 Committee of the European Insurance and Occupational Pension Supervisors (CEIOPS)

Better Regulation Approach

Steps	Purpose
Scoping of problem	
1. Problem identification	To understand if a market/regulatory failure creates the case for regulatory intervention.
2. Policy objectives	To identify the effects of the market /regulatory failure to the regulatory objectives.
3. “Do nothing option”	To identify and state the status quo.
4. Alternative policy options	To identify and state alternative policies (among them the “market solution”).
Analysis of impact	
5. Costs to users	To identify and state the costs borne by consumers
6. Benefits to users	To identify and state the benefits yielded by consumers
7. Costs to regulated firms and regulator	To identify and state the costs borne by regulator and regulated firms
8. Benefits to regulated firms and regulator	To identify and state the benefits yielded by regulator and regulated firms
Consultations	
9. Data Questionnaire	To collect market structure data to feed into cost and benefit analysis
10. Policy Document	To learn market participant opinions on various policy options
Conclusion	
11. Final Recommendations	Final report to decision-makers, based on CBA and market feedback





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Foreword

“We are pleased to present to the Romanian financial community the SPI Romania 2007 Annual Report.

The World Bank’s Convergence Program has helped us organize a new mode of cooperation among public and private stakeholders .

We are immensely grateful to the dedication and hard work of the more than 120 Romanian experts that have shared their knowledge to prepare well articulated proposals for financial sector modernization.

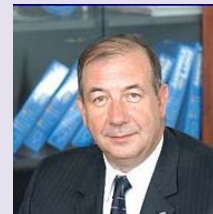
The institutions that mobilized these experts gave an important contribution to anchoring Romania in the European Union.

The forthcoming enactment of many measures proposed by our working groups will serve as a powerful motivation for deploying even more energies in the pursuit of our ambitious 2008 Program.

We welcome Mr. Petru Rareș, President of the Romanian Banking Institute, to join the SPI Committee in 2008. “



Florin Georgescu
First Deputy Governor
National Bank of Romania
SPI Committee Member



Radu Grațian Ghețea
President
Romanian Banking Association
SPI Committee Member



Ștefan Nanu
General Director
Ministry of Economy and Finance
SPI Committee Alternate Member



Mihail Meiu
Director
National Authority for Consumer Protection
SPI Committee Alternate Member

About SPI

The **Special Projects Initiative** (SPI) is a public-private partnership that started operating in September 2006 to provide focus and coordination to accelerate the modernization of the Romanian financial sector, with a specific emphasis on banking issues.

The program is placed under the coordination of a five-person high-level committee (the SPI Committee) composed of :

- **Florin Georgescu**, First Deputy Governor, National Bank of Romania;
- **Radu Grațian Ghețea**, President, Romanian Banking Association;
- A State Secretary, Ministry of Economy and Finance (to be appointed)
(alternate Mr. **Ștefan Nanu**, General Director);
- **Gherghe Ciubotaru**, Vice-President, National Authority for Consumer Protection
(alternate Mr. **Mihail Meiu**, Director);
- **Luigi Passamonti**, Head, Convergence Program.

SPI Romania is based on the recognition that public and private financial sector stakeholders have a common interest in a regulatory environment that supports economic development and growth, financial stability and consumer protection and therefore that they need to cooperate on an ongoing and consistent basis.

SPI Romania was established with support of Convergence Program, a joint initiative set up in 2005 by the World Bank and the Italian Ministry of Economy and Finance to promote financial sector modernization in South-East European countries through micro-regulatory reforms designed in partnership by authorities and market participants.

The Convergence team is composed of **Luigi Passamonti**, Founder and Head of Convergence Program, World Bank, Washington Office, **Riccardo Brogi**, Senior Regulatory Economist, World Bank, Rome Office and **Rumyana Uzunova**, Office Manager, World Bank, Rome Office.



“Romania’s public and private financial sector stakeholders embraced with enthusiasm and effectiveness the analytical approach promoted by the Convergence Program as a tool to accelerate financial sector modernization. Romania’s 2007 results set the stage for Convergence’s expanded activities in other South-East European countries”

Luigi Passamonti
Head of Convergence
World Bank

About SPI

SPI Romania works through the following **structure**:

- SPI Committee: which ensures the ex-ante agreement on public-private priorities and pushes for prompt enactment of proposals;
- Project Working Groups (PWGs): which propose solutions based on collective expertise and facilitate public-private technical consensus;
- SPI Secretariat: the “engine” of the structure.

The Project Working Groups mobilize the best expertise available in Romania, be it from the financial authorities, the banking community or from other organizations. As of December 2007, there have been 63 project working group meetings, gathering more than 120 professionals from 33 institutions, of which 17 public institutions and 16 private institutions.

SPI Secretariat Under SPI Committee oversight, and with support from the Convergence Program, the SPI Secretariat supports the analyses formulated by the working groups with qualitative and quantitative evidence and adds an international perspective to the documents submitted for SPI Committee endorsement.

The SPI Secretariat strives to help public and private stakeholders achieve commonly-agreed solutions with evidence-based analytical approaches. Through reliance on regulatory impact assessment (RIA) techniques and associated public consultation sessions, the SPI Secretariat aims at building a *Better Regulation* culture in Romania.

In the SPI projects, the SPI Secretariat roles can be of: executive project manager (convener, international benchmarking, analytical consensus-building, and solution finder); international benchmarking (preparation of background studies for PWG consideration, convener); or convener (gathering public-private working groups and supporting their meetings).

SPI Secretariat Management:

Ramona Bratu, Director of Bank Products and Services

Oana Nedelescu, Director of Analytics and Policy

Marina Neagu, Office Management



“If we look back, it is amazing to see how much the SPI community has contributed over the past year to key banking sector development issues such as the expansion of positive credit information sharing, the initiation of the bank ombudsman, promoting the electronic processing of debit instruments, modernizing the AML and the warrants-backed rural lending, and so on. I believe that the highly cooperative approach and the strong analytical focus were the key ingredients for the SPI success. We have also learned that we should place more emphasis on implementation issues.”

Oana Nedelescu
Director of Analytics and Policy
SPI Secretariat



2007 SPI Activity

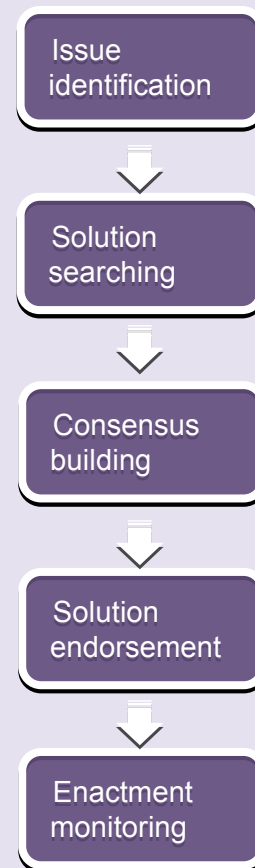
During 2007, 14 micro-structural projects were executed under the auspices of the SPI Committee by public-private working groups mobilizing more than 120 banking professionals. This approach strengthens the necessary technical cooperation and mutual understanding between public institutions and market participants in respect of financial sector modernization needs.

The selected projects are relevant to both authorities and market participants as they reflect a mix between industry economic drivers (e.g., improvement of market infrastructure, accounting and reporting systems; diversification and growth of market opportunities; reduction of costs) and public good drivers (e.g. potential reduction in costs of bank products and services; improved access to bank products and services; improved regulatory and enforcement environment; enhanced tools for monitoring financial stability).

SPI 2007 projects, classified according to the European Central Bank (ECB) and Italian Banking Association (ABI) criteria

ABI CRITERIA	ECB CRITERIA				
	Asymetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Business development	Expansion of positive credit information sharing	Rural lending Credit rating agencies	Law on bank letters of guarantee	Loss given default database	Mortgage loan servicing database
Industry competitiveness	Credit exposures stress test techniques	MiFID implementation		Anti-money laundering law Law on goods safeguard, values and persons protection Electronic processing of debit instruments Roland Berger study IFRS provisioning	
Industry reputation			Ombudsman Financial consumer education		
	2	3	3	5	1

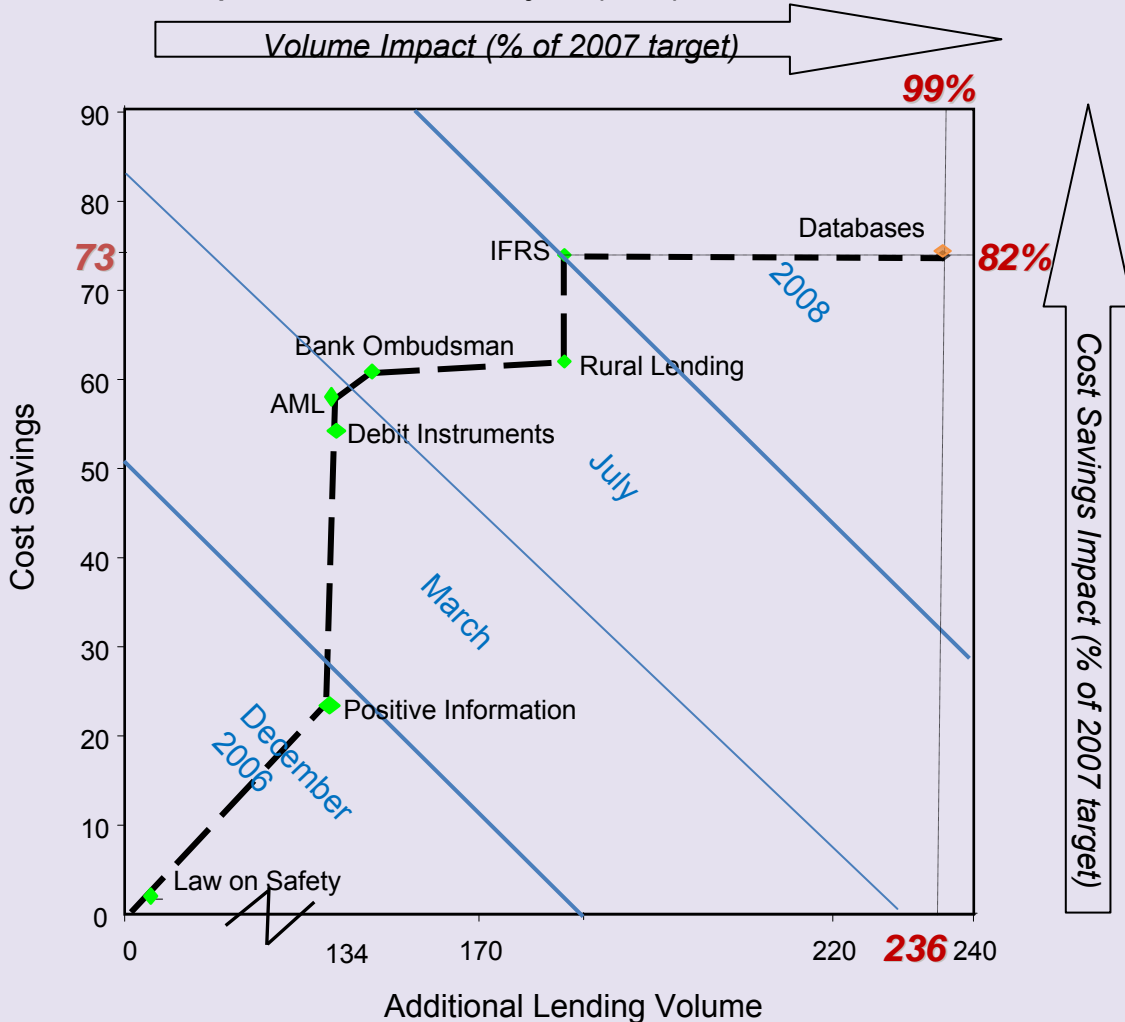
Project Flow



2007 SPI Romania Activity

<http://www.spi-romania.eu/spi-secretariat/activity-reports/>

Financial Impact of Finalized SPI Projects (€ Mln) – First Full Year



Total number of projects: 14 (updated October 2008)



Self regulatory actions completed

1. Expansion of positive information sharing
2. Ombudsman
3. Mortgage loan servicing and loss given default databases
4. Consumer financial education
5. MiFID
6. Credit exposures stress testing techniques



Regulatory changes completed

7. E-processing of debit instruments
8. AML Law Amendments
9. Rural Lending



Regulatory changes underway

10. Law on goods safeguard, values and persons protection
11. IFRS loan loss provisioning



Proposals to be completed in 2008

12. Law on bank letters of guarantee
13. Roland Berger study



Abandoned

14. Credit rating agencies

Self Regulatory Actions Completed

1. Expansion of Positive Credit Information Sharing

<http://www.spi-romania.eu/program-2007/expansion-of-positive-credit-information-sharing/>

Objective: The achievement of positive credit information sharing based on a system of market based and/or regulatory incentives. As an implementation component, to draft a data protection regulation that strikes a balance between the need to protect the consumer data and to dispose of adequate information for improving financial institutions' credit risk management.

Activities undertaken: Based on the comprehensive analytical document prepared by the PWG, the SPI Committee called upon the management of the two largest banks to share positive credit information. The public-private moral suasion prompted the two banks to start sharing positive information. The coverage of the positive information increased in 2008 to more than 83% of the retail market from a modest 27% before the initiation of the SPI project.

In order to support the National Authority for Supervision of Personal Data Processing (NASPDP) to issue a regulation in line with the market realities and international best practices, the PWG was expanded to include representatives of NASPDP and NACP. By December 2007, the PWG has prepared a draft regulation which strikes a reasonable compromise between the need to protect personal data and the credit information requirements for an adequate credit risk management by banks.

Current status: Finalized.

SPI Secretariat contribution:

- Prepared the analytical documents outlining the international best practices, as well as the pros and cons of the issues under discussion and the possible compromise solutions;
- Related with all stakeholders in keeping the dialogue on the positive information sharing and data protection issues open and transparent;
- Prepared the meetings of the project working group meetings and PWG and SPI Committee documents.

Main economic impact

Higher lending volumes: EUR 134 Mil

Project Working Group

Management

Steven Cornelis van Groningen, Project Owner, Raiffeisen Bank Romania, President
Jianu Lazăr, Project Manager, Raiffeisen Bank Romania, Manager
Șerban Epure, Deputy Project Manager, Credit Bureau, General Manager

Members

Lucia Ștefan, Raiffeisen Bank, Team Leader
Daniela Barbu, Bancpost, Director
Dragoș Cabat, OTP Bank Romania, CFA
Doru Calițoiu, Credit Bureau, Deputy General Manager
Angela Mărgărit, NBR, Expert
Mihail Meiu, NACP, Director
Simona Șandru, NASPDP, Director
Mihaela Ududec, NASPDP, Division Head
Simona Zamfir, NASPDP, Division Head

Project Technical Anchors

Riccardo Brogi, Convergence Program, Senior Regulatory Economist
Stefano Stoppani, IFC, Credit Bureau & Credit Risk Management Advisor



9 project working group meetings

Self Regulatory Actions Completed

2. Ombudsman

<http://www.spi-romania.eu/program-2007/ombudsman/>

Initial objective: To prepare a set of comprehensive proposals for establishing the Romanian Bank Ombudsman (RBO) together with a detailed implementation plan.

Extended objective: To prepare the documents for Bank Ombudsman establishment.

Activities undertaken: Based on the document prepared by PWG, SPI Committee gave its endorsement for the establishment of the Ombudsman scheme as an independent, private and voluntary scheme. The PWG finalized the Bank Mediator ToRs and bylaws for establishing the institution named Bank Mediator, with the input received from the project peer reviewer. The Bank Mediator setting up documentations has been endorsed by the SPI Committee and was submitted for the RBA Board approval.

Current status: Finalized. RBA asked for NBR and MEF endorsement on the initiative to establish the Bank Mediator. RBA registered the trade mark with OSIM and the banking community will set up the Bank Mediator in the first half of 2008.

SPI Secretariat contribution:

- Support for PWG meetings and discussions;
- Prepared proposal for a simplified Ombudsman scheme;
- Preparation of the ToRs for the Bank Mediator;
- Managed the relationship with the project peer reviewer;
- Revision of the individual contributions and preparation of the SPI actionable documents;
- Support for consensus-building;
- Monitored implementation progress.

Main economic impact

Higher lending volumes: EUR 21 Mil

Project Working Group

Management

Radu Negrea, Project Owner, Romanian Banking Association, General Secretary
Monica Iovu, Project Manager, Alpha Bank Romania/OTP Bank Romania/CEC, Director
Alis Avramescu, Deputy Project Manager, National Bank of Romania, Deputy Director

Members

Cătălina Clinci, Raiffeisen Bank Romania, Manager (with Dorin Bortoi's support)
Aurora Stancu, Banca Comerciala Romana, Quality Manager (with help from Gabriela Dumitrescu)
Bogdan Stănică, National Bank of Romania, Legal Advisor/OTP Bank Romania, Director
Ioana Bosînceanu, ING Romania, Head of Legal Department

Project peer reviewer

David Thomas, Corporate Director and Principal Ombudsman, Financial Ombudsman Service, UK, Member of FIN-NET Steering Committee



8 project working group meetings

Self Regulatory Actions Completed

3. Mortgage Loan Servicing and Loss Given Default Databases

<http://www.spi-romania.eu/program-2007/loan-loss-and-mortgage-loan-servicing-databases/>

Objective: To prepare a set of recommendations on the consensus-building, practical and technical steps that the banking system will need to take in order to set up databases that address mortgage loan servicing and loss given default information requirements.

Activities undertaken: The project has a critical importance for the banking sector as it support banks in reducing their capital requirements under Basel II; improves the risk management and the pricing of certain categories of products; and enhances the tools available to the central bank for monitoring financial stability. Little progress has been achieved till recently, when the project management team has been revamped to ensure a stronger ownership on the banks' side.

The PWG is undertaking a thorough analysis of the information, technical, and consensus-building requirements based on the comprehensive technical study prepared by the SPI Secretariat.

The PWG will identify the possible solutions for setting up the industry-wide lending databases, together with the implementation steps and criticalities. Also, awareness will be raised within the banking community regarding the significant potential benefits from setting up industry-wide lending (mortgage loan servicing and loss given default) databases.

Current status: Ongoing.

SPI Secretariat contribution:

- Prepared the technical seminar;
- Prepared the meetings and the documents for the PWG and the SPI Committee;
- Prepared the technical document on the consensus-building, practical and technical steps that the banking system will need to take in order to set up databases that address mortgage loan servicing and loss given default information requirements.

Main economic impact
Higher lending volumes: EUR 27 Mil

Project Working Group

Management

Mirela Bordea, Project Owner, Credit Europe Bank, Vice President

Ovidiu Bordeuț, Project Manager, Credit Europe Bank, Director

Beatrice Popescu, Deputy Project Manager, Alpha Bank, Director

Members

Angela Mărgărit, National Bank of Romania, Expert

Luca Rogojanu, National Bank of Romania, Expert

Andrei Burciu, Manager, Raiffeisen Bank, Manager

Alexandru Berea, BCR, Legal Adviser

Iulian Zaharia, UniCredit, Manager

Mihai Stoica, BRD-GSG, Manager



2 project working group meetings

Self Regulatory Actions Completed

4. Consumer Financial Education

<http://www.spi-romania.eu/program-2007/consumer-education/>

Objective: To 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.

Activities undertaken: The PWG started the project by reviewing the relevant international experience in the area of financial education, as prepared by the SPI Secretariat. The PWG endorsed in October 2007 the national strategy for promoting consumer financial education to provide the basis for an efficient coordination of financial education programs and measures, mainly by establishing a set of principles and good practices for promoting financial education.

SPI Committee endorsed the broad financial education strategy, in compliance with the national consumer protection strategy, and the set of concrete measures to promote consumer financial education during 2008 by SPI institutions.

The SPI Committee will support the implementation of the proposed measures and will invite relevant stakeholders to get involved in promoting financial education.

Current status: Finalized. Implementation underway.

SPI Secretariat contribution:

- Prepared the meetings and the relevant meeting documents of the PWG;
- Prepared a document on the international experience with promoting consumer financial education;
- Prepared the draft of the national strategy for promoting consumer financial education;
- Prepared the draft of a simplified set of measures for promoting consumer financial education.

Main economic impact
Not estimated

Project Working Group

Management

Petre Tulin, Project Owner, HVB Banca pentru Locuințe, President

Mihail Meiu, Project Manager, NACP, Director

Members

Paula Moranciu, National Bank of Romania, Expert,

Sorin Mierlea, The National Association for Consumers' Protection and Promotion of Programs and Strategies from Romania, President

Florentina Ștefănescu, National Commission for Supervision of the Private Pension System, Director



2 project working group meetings

Self Regulatory Actions Completed

5. Market in Financial Instruments Directive (MiFID) Implementation

<http://www.spi-romania.eu/program-2007/mifid/>

Objective: To identify the and solve the most important implementation problems in connection with the MiFID transposition in a public-private context.

Activities undertaken: The first step of the project was raising awareness on the complexity of MiFID implementation through a workshop with international participation. In order to assess the difficulties encountered by banks and the status of MiFID implementation, SPI Secretariat prepared a questionnaire, which was subsequently approved by the PWG. The survey revealed that banks encountered problems especially in implementing MiFID provisions regarding suitability and appropriateness, research and market communication, systematic internalization, transaction reporting, etc.

NSC answered RBA's invitation to join PWG by appointing two experts from the Regulation and from Authorization Divisions. The issues in MiFID implementations have been discussed in the expanded public-private working group. NSC representatives brought clarifications on some of the issues raised by banks and provided information on the relevant information sources and guidelines. These clarifications were conveyed with the whole banking community.

Current status: Finalized.

SPI Secretariat contribution:

- Contributed to the organization of the technical workshop on MiFID implementation;
- Drafted the questionnaire to assess the MiFID implementation constraints perceived by banks;
- Organization of meetings and drafting the minutes of the PWG;
- Preparation of the informing messages to banks;
- Prepared the documents for the SPI Committee.

Main economic impact
Not estimated

Project Working Group

Management

Sergiu Oprescu, Project Owner, Alpha Bank Romania, President
Cristian Agalopol, Project Manager, Citibank, Director
Doru Bulatǎ, Deputy Project Manager, BCR, Director

Members

Cristina Irimia, National Securities Commission, Expert
Dora Badea, National Securities Commission, Expert
Mirela Șerban, ABN Amro Bank, Manager
Dana Vuvrea, Bancpost, Head of Reporting and Client Relationship
Luminița Buchidǎu, Bancpost, Project Manager



2 project working group meetings

Self Regulatory Actions Completed

6. Credit Exposures Stress Test Techniques

<http://www.spi-romania.eu/program-2007/stress-test-methodology-for-household-and-firms/>

Objective: Create a framework for the National Bank of Romania to share its knowledge in the area of stress testing for banks with credit institutions.

Activities undertaken: The SPI Secretariat prepared a background document on stress testing aimed at laying down the main elements of the banks' stress testing methodologies, as captured by relevant international guidance, for a more informed professional dialogue between the banks and the central bank. The paper also includes the most recent approach of National Bank of Romania for banks' stress testing, prepared by the NBR Financial Stability Department.

The stress testing background study has been disseminated with banks. Also, the paper has been discussed with banks on the occasion of the knowledge sharing round table organized at the RBA on October 19, 2007. The event marked the initiation of an effective dialogue between the NBR and the credit institutions on the methodologies and practices of stress testing.

Current status: Finalized.

SPI Secretariat contribution:

- Prepared the meetings of the project working group and supported NBR in undertaking necessary actions for obtaining necessary technical assistance for improving its framework on stress testing for households;
- Prepared, in cooperation with the NBR Financial Stability Department, the stress testing knowledge sharing document for banks;
- Organized the knowledge sharing round table at the RBA where representatives of banks and of the NBR shared their experience on stress testing and opened the dialogue on this matter.

Main economic impact
Cost savings: EUR 11 Mil

Project Working Group

Management

Ion Drăgulin, Project Owner, National Bank of Romania, Director

Bogdan Moinescu, Project Manager, National Bank of Romania, Expert

Members

Mihai Stoica, BRD-GSG, Manager

Viorel Hodoiu, CEC, Manager



2 project working group meetings

Regulatory Changes Completed

7. Electronic Processing of Debit Instruments

<http://www.spi-romania.eu/program-2007/electronic-processing-of-debit-instruments/>

Initial objective: A comprehensive summary document representing a solution acceptable to all stakeholders, and that can serve as a guiding blueprint for the drafting of the revised law on debit instruments.

Extended objective: Preparing the law and secondary regulation amendment proposals in order to implement the electronic processing of debit instruments.

Activities undertaken: SPI Committee has approved the law amendment proposals prepared by the PWG, marking the project completion. The SPI Committee transmitted the respective law amendment proposals to Ministry of Economy and Finance for promoting their enactment and expressed its support throughout all the enactment process. PWG finalized the preparation of the secondary regulations for enabling the electronic processing of debit instruments and sent them to NBR for approval, after being endorsed by the banking community.

Current status: Finalized. After National Bank of Romania official endorsing, MEF will send the law amendment proposals to Ministry of Justice for further enactment. Also, NBR will send the proposed amendments to the laws on checks, drafts and promissory notes to European Central Bank for endorsement.

SPI Secretariat contribution:

- Support for PWG meetings and discussions;
- Preparation of the SPI actionable documents;
- Preparation of the note for stakeholders' approval;
- Performed Regulatory Impact Assessment;
- Support for consensus-building;
- Revised enactment package;
- Monitored the enactment process.

Main economic impact
Cost savings: EUR 27 Mil

Project Working Group

Management

Gabriela Tudor, Project Owner, former RBA Vice President
Mirela Palade, Project Manager, Transfond Deputy General Manager
Constantin Rotaru, Deputy Project Manager, BCR/RIB, Director

Members

Mihail Meiu, NACP, Director
George Carabaşan, Alpha Bank Romania, Director/CEC, Vicepresident
Maria Sheikh-Ahmad, BRD-GSG, Director (with support from Marina Drăgoi)
Ruxandra Avram, National Bank of Romania, Head of Department
Ileana Velicu, Banca Comerciala Romana Head of Department

TransFond supporting team

Ionel Dumitru, Head of Department
Liliana Popa, Expert
Doina Cristea, Expert
Bogdan Năstase, Expert
Angela Apetrei, Expert



12 project working group meetings

Regulatory Changes Completed

8. Anti-money Laundering Law

<http://www.spi-romania.eu/program-2007/anti-money-laundering-law/>

Objective: Prepare a draft amendment to the relevant legislation, in line with the EU Third Directive provisions, which will address both banks' concerns for cost-effectiveness of reporting and avoidance of reputation and legal risks, and authorities' concerns for maintaining high standards about AML.

Activities undertaken: The law amendment proposal prepared by the PWG was approved by the SPI Committee, marking the successful achievement of the project objective. The SPI Committee members asked the Ministry of Economy and Finance (MEF) to take the legislative initiative and expressed their support throughout all the enactment process. SPI Secretariat will liaised with MEF on the legislative proposal enactment.

Current status: Finalized. Ministry of Justice posted on its website, for public consultations, a different law amendment proposal. The SPI Committee, the Project Manager and the SPI Secretariat sent their opinion on the newly proposed amendment, outlining the strong points of the proposal prepared by the PWG. The Project Manager and SPI Secretariat sustained the PWG proposals in the public hearing organized by MoJ. The revised law amendment proposals, reflecting the results of the multi-stakeholders negotiations, will be enacted in the next future.

SPI Secretariat contribution:

- Support for PWG meetings and discussions;
- Preparation of the SPI actionable documents;
- Study on international experience;
- Performed Regulatory Impact Assessment;
- Support for consensus-building;
- Prepared enactment package;
- Monitored the enactment process.

Main economic impact

Cost savings: EUR 3 Mil

Project Working Group

Management

Petre Bunescu, Project Owner, Romanian Banking Association, Vice President

Doru Bulată, Project Manager, Banca Comerciala Romana, Director

Alis Avramescu, Deputy Project Manager, National Bank of Romania, Deputy Director (represented by Nicoleta Iacob, Legal Advisor)

Paula Lavric, Deputy Project Managers, Anti-Money Laundering Office, Member of the Board

Members

Liana Tudorescu, Bancpost, Manager

Victoria Preoteasa, OTP Bank, Manager

Magdalena Calangiu, Finansbank, Manager

Constantin Jumuga, BRD- GSG, Director

Magdalena Scrieciuc, Ministry of Economy and Finance, Counselor

Simona Butoi, Ministry of Economy and Finance, Expert

Isabelle Chelariu, National Bank of Romania Legal Advisor

Project peer reviewer

Emile van der Does de Willebois, Financial Sector Specialist, Financial Market Integrity, World Bank



9 project working group meetings

Regulatory Changes Completed

9. Rural Lending

<http://www.spi-romania.eu/program-2007/rural-lending/>

Objective: To prepare a set of specific recommendations (“secondary” rules and regulations and technical and organizational implementation steps) on the measures needed to be undertaken by the competent authorities, market participants and other institutions in order to remove the existing roadblocks to the development of the agricultural warrants-backed lending within acceptable risk parameters.

Activities undertaken: The PWG prepared a document on a hybrid public-private solution for removing the current deadlock in utilizing warrants–deposits certificates, the regulations which will enable the implementation of this solution, together with an implementation plan. Also, the PWG held discussion with the Ministry of Agriculture on the proposed institutional and legislative measures. The SPI Committee endorsed the multi-stakeholder solution to activate the warrants-deposit certificates (WDC) market supported by the catalytic role of the MA and recommended that the current Rural Credit Guarantee Fund assumes the proposed functions for the WDC indemnity fund. SPI Secretariat sent the package to the MA.

Current status: Finalized. The documentation package on rewinding the WDC system is currently under MoA consideration.

SPI Secretariat contribution:

- Support for PWG meetings and discussions;
- Support for the study prepared by the project technical anchor;
- Revision of the individual contributions and preparation of the SPI actionable documents;
- Support for consensus-building;
- Monitored implementation progress.

Main economic impact
Higher lending volumes: EUR 27 Mil

Project Working Group

Management

Radu Negrea, Project Owner, Romanian Banking Association, General Secretary
Claudiu Nicula, Project Manager, Raiffeisen Bank Romania, Director
Aurica Stoica, Deputy Project Manager, Ministry of Agriculture and Rural Development, Advisor to Minister/Director

Members

Veronica Toncea, Rural Credit Guarantee Fund, President
Viorel Marin, National Grading Commission for Comestible Seeds, President
Dina Ilie, National Bank of Romania, Expert
Adrian Sorescu, Romanian Stock Exchange, Director
Dumitru Săndulescu, Romanian Stock Exchange, Head of Department
Adrian Răducan, Raiffeisen Bank Romania, Manager
Ștefan Florescu, Cargill, Director

Project Technical Anchor

Les Clarke, Consultant, Goodwood Financial Consulting



5 project working group meetings

Regulatory Changes Underway

10. Law on Goods Safeguard, Values and Persons Protection

<http://www.spi-romania.eu/program-2007/law-on-goods-safeguard-values-and-persons-protection/>

Objective: To prepare a draft law amendment to the relevant legislation, which will reduce the operational costs of banks and help improve their organizational structure, while adequately substantiating alternative risk-mitigation measures that the banking system will undertake on a self-regulatory basis in order to address the authorities' concern about maintaining high standards on goods safeguard, values and persons protection.

Activities undertaken: The SPI Committee forwarded the law amendments proposals prepared by the PWG to the Ministry of Internal Affairs and Administrative Reforms. The law amendment proposals were accompanied by a preliminary impact assessment prepared by the Convergence Program. In order to ensure that the SPI proposals will be integrated into the new law, the PWG met with the Ministry representatives. The Ministry is currently revising the draft law based on the feedback received from other stakeholders.

Current status: Finalized. Implementation underway.

SPI Contribution:

- Centralized the law amendment proposals received from the various PWG members;
- Prepared the meetings of the project working group meetings and PWG and SPI Committee documents;
- Related with the relevant stakeholders in keeping the dialogue on the draft law open and transparent.

Main economic impact

Cost savings: EUR 2 Mil

Project Working Group

Management

Ionel Arghiroiu, Project Manager, Bancpost, Director

Members

Traian Pometcu, National Bank of Romania

Marian Georgescu, BCR, Head of Division

Alin Lupea, BRD – GSG, Director

Eugen Bezdedeau, Raiffeisen Bank, Director

Sergiu Bogea, Unicredit, Director



3 project working group meetings

Regulatory Changes Underway

11. IFRS Loan Loss Provisioning

<http://www.spi-romania.eu/program-2007/ifrs-loan-loss-provisioning/>

Objective: Prepare a set of principles commonly agreed by the relevant stakeholders (NBR-banks-MEF) on updated prudential requirements that would meet supervisory objectives and reflect IFRS standards. Also, to enable MEF to make a decision on the tax treatment of IFRS provisions, a comprehensive impact assessment study has been carried out.

Activities undertaken: The PWG group activities have been catalyzed by the *Workshop on the International Experience with Provisioning in View of IFRS and Basel II Implementation* held on April 11, 2007 and by the extensive discussions with the technical anchor and the peer reviewer. The PWG has outlined, with the support of the technical anchor, a possible approach for the new provisioning rules and decided on a concrete work plan. By end of July, the PWG has finalized the principles for the new IFRS provisioning regulations, which were submitted to the SPI Committee for approval.

Following the endorsement of the principles, the SPI Committee asked MEF to conduct the impact assessment study aimed at providing evidence on the tax implications and supporting the Ministry in making a decision on the fiscal treatment of the IFRS provisions. The impact assessment outlined that deferred implementation in 2010 of IFRS provisions would be in line with market preparations of fully compatible internal models and would mitigate a negative tax impact. The impact assessment will be sent to MEF. Once finalized, the new IFRS regulation will be sent to the SPI Committee for its endorsement.

Current status: Finalized. Implementation underway.

SPI Secretariat contribution:

- Prepared a background study on the international experience with IFRS provisioning;
- Organized the international conference on provisioning in view of IFRS and Basel II (with participation of about 100 specialists and 8 international speakers);
- Prepared the meetings of the project working group meetings and PWG and SPI Committee documents;
- Prepared the impact assessment study with the support of Convergence;
- Related with the relevant stakeholders in keeping the dialogue open and transparent.

Main economic impact

Lower provisions: EUR 422 Mil

Project Working Group

Management

Veronica Răducănescu, Project Owner, National Bank of Romania, Director

Oana Bălănescu, Project Manager, National Bank of Romania, Head of Division

Dana Zachi, Deputy Project Manager, BCR, Director

Cornelia Dumitrescu, Deputy Project Manager, Alpha Bank, Director

Members

Iulian Zaharia, UniCredit, Manager

Mihai Stoica, BRD-GSG, Manager **Antonela Rozolimo**, Alpha Bank Romania, Arrears Officer

George Popescu, National Bank of Romania, Expert

Cristian Ștefan, National Bank of Romania, Expert

Georgeta Toma, Ministry of Economy and Finance, Head of Division

Mihaela Nedelcu, Ministry of Economy and Finance, Public Manager

Technical experts

Javier De La Cruz, Project Technical Anchor, SPI

Luca Giannini, Project Peer Reviewer, SPI



7 project working group meetings

Proposals to be completed in 2008

12. Law on Bank Letters of Guarantee

<http://www.spi-romania.eu/program-2007/law-on-bank-guarantees/>

Objective: To prepare a bank guarantee law proposal that would meet the interest of the banking industry to improve the enforceability of banking contracts, supported by a legal comparison of similar laws in other EU countries.

Activities undertaken: An independent legal expert commissioned by the RBA prepared an analysis of the current legal framework pertaining to bank letters of guarantee, outlining that the Romanian legislation does not recognize expressly the concept of independent guarantees, providing the pros and cons regarding the issuance of special regulations, and concluding that it would be necessary to have special legal provision on the matter. Based on the opinion expressed by the independent legal expert and on available international experience, a working group of the RBA Legal Commission prepared a proposal for amending the Civil Code in order to introduce special references for the bank letters of guarantee and for bank letters of comfort. The proposals are currently under review by all relevant private and public stakeholders.

Current status: Ongoing.

SPI Secretariat contribution:

- Expanded the original RBA working group to include NBR and MEF senior experts;
- Made a proposal to outsource the preparation of the draft law to a local independent expert;
- Requested for NBR and MEF review of the draft law.

Main economic impact
Higher lending volumes: EUR 10 Mil

Project Working Group

Management

Constantin Barbu, Project Owner, Romanian Banking Association, Director
Ianfred Silberstein, Project Manager, National Bank of Romania, Director of Legal Department
Tudor Tăslăoanu, Deputy Project Manager, Alpha Bank România, Director

Members

Margareta Pușchiaza, Raiffeisen Bank, Manager
Simona Butoi, Ministry of Economy and Finance, Legal Advisor
Mădălina Cristea, UniCredit Țiriac Bank, Manager
Raluca Cristofor, National Bank of Romania, Legal Advisor



1 project working group meeting

Proposals to be completed in 2008

13. Implementation of the Findings of the Roland Berger Study

Objective: A document identifying the areas where SPI projects could be undertaken for bringing down the costs of bank products and services, closer to EU member states.

Activities undertaken: The SPI Secretariat has prepared a summary of the Roland Berger study and identified the areas where SPI projects could be undertaken in line with the findings of the paper.

Current status: The study was a useful source of reference for identifying potential 2008 SPI projects.

SPI Secretariat contribution:

- Prepared the SPI Committee document.

Abandoned

14. Credit Rating Agencies

Objective: Prepare a set of draft regulations that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies.

Activities undertaken: The PWG outlined feasible project strategy: to prepare a set of draft regulations that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies. The NSC regulation regarding accreditation requirements for rating agencies has been enacted in July 2007. Also, it is expected that the NBR will also issue the ECAI-related regulation by the end of 2008. However, the PWG had no effective contribution to the drafting of the two regulations.

Current status: Abandoned.

SPI Secretariat contribution:

- Convened the meeting of the PWG.

Project Working Group

Management

Steven Cornelis van Groningen, Project Owner, Raiffeisen Bank Romania, President

Project Working Group

Management

Doina Ionescu, Project Manager, Bancpost, Director

Members

Bogdan Moinescu, NBR Financial Stability Department, Expert

Iulia Pruna, National Securities Commission, Expert

Oana Marinoiu, National Securities Commission, Expert

Radu Oniga, National Securities Commission, Expert

Laurentiu Bădiță, Coface Romania, Manager



1 project working group meeting

Other initiatives

I. Regulatory Impact Assessment (RIA) Knowledge Transfer and Capacity Building Program

To help the Romanian financial sector regulatory authorities develop evidence-based regulatory design skills in support of continuing financial sector modernization, the Convergence Program has organized, with the support of SPI Romania, a RIA Capacity Building Program.

The program took place in the May-November 2007 period, and was designed to make regulators more familiar with RIA analytical steps, including consultation of interested parties, through a series of practical sessions led by international regulators and experts with focus on Romanian regulatory issues.

Program phases:

- April : Preliminary kick off meeting to discuss program approach;
 May: Phase 1 – Assembling financial sector RIA teams;
 June: Phase 2 – Applying RIA to an existing regulation – a. launch of impact assessment;
 October: Applying RIA to an existing regulation – b. conducting consultations;
 Phase 3 – Policy options analysis and policy proposal drafting;
 November: Final RIA presentations.

II. Other RIA initiatives

• Committee of European Securities Regulators (CESR), Paris, Dec 5

Ramona Bratu, SPI Director of Bank Products and Services has illustrated Romania's pioneering RIA experience at an impact assessment workshop with the participation of regulators from 12 EU countries;

• RIA Knowledge Transfer and Capacity Building Program for Bulgaria, Sofia, Nov 13-15

Ramona Bratu, SPI Director of Bank Products and Services has participated as trainer in the Bulgarian RIA initiative, which builds on the successful Romanian RIA program.

• Financial Sector Regulatory Impact Assessment Seminar, Ljubljana, Sep 12-14

Ștefan Nanu, Director-General in the MEF and SPI Committee Alternate Member and Oana Nedelescu, SPI Director of Analytics and Policy, discussed how RIA techniques benefit the SPI Romania program at a regional workshop held at the Ljubljana's Center of Excellency in Finance and addressed to South-East European financial regulators.

Trainers in the Romanian RIA Program

Stephen Dickinson, Senior Regulator, UK Financial Services Authority;

Paul Gower, Senior Advisor, Oxera, England;

Claus-Michael Happe, Head of Better Regulation Unit, German Ministry of Finance;

John Pyne, Senior Regulator, Irish Financial Services Authority

Riccardo Brogi, Senior Regulatory Economist and RIA Program Director, Convergence Program.

Participating authorities

- General Secretariat of the Government;
- National Bank of Romania;
- National Securities Commission;
- Ministry of Economy and Finance;
- National Authority for Consumer Protection;
- Insurance Supervision Commission;
- Commission for Supervision of Private Pensions System.

III. EC Green Paper Consultations on the Retail Financial Services in the Single Market

To prepare Romania's submission on the European Commission Green Paper on Retail Financial Services in the Single Market, the SPI Secretariat organized on June 19, 2007, a Round Table at the Info Europa Center of the European Commission Bucharest Office to seek the views by authorities, banking industry and consumers in the field of retail financial services.

The participants, financial market authorities and market players, outlined that the event represented “the first initiative aimed at gathering the feedback from all relevant Romanian stakeholders on the EC financial market policies and an indication of Romania’s financial sector maturity”. The SPI Secretariat also participated to the public hearing organized by the EC on September 19, 2007 and debriefed the Romanian stakeholders on future policy directions in the area of retail financial services on September 26, 2007.

IV. Sharing SPI Romania Best Practice

SPI Secretariat visit to Sofia, Nov 2, 2007 and November 15, 2007

Oana Nedelescu, SPI Director of Policy and Analytics and Ramona Bratu, SPI Director of Bank Products and Services, illustrated the SPI Romania activities to the Bulgarian Financial Services Commission and to the Bulgarian Association of Banks, which are considering launching the SPI Bulgaria.

• SPI Secretariat Follow-Up Visit to Serbia, Sep 10, 2007

Oana Nedelescu, SPI Director of Policy and Analytics, has illustrated the SPI Romania activities to the Serbian Ministry of Trade and Services, at the invitation of the Serbian Ministry of Finance. Also, Mrs. Nedelescu has met with the Deputy Governor of the National Bank of Serbia and with representatives of the banking community to help them consider launching SPI Serbia based on the SPI Romania success story.

• SPI Secretariat Visit to Serbia, Jul 27, 2007

Ramona Bratu, SPI Director of Bank Products and Services, and Oana Nedelescu, SPI Director of Policy and Analytics, joined the Head of the Convergence Program in a visit to illustrate the SPI Romania activities to the Serbian Ministry of Finance and the Association of Serbian Banks.

Getting more integrated with EU

SPI strives to be more integrated with EU directions and guidelines:

- SPI promotes the concept of “**Better Regulation**”, implying evidence and consultation based policy making;
- SPI is keen to continue to conduct **public consultations** on EC financial sector initiatives;
- SPI built a **network with EU bodies (EC) and specialized financial sector organizations** (CESR, EBF, etc.).

Countries that are currently considering adopting the SPI model

- Albania
- Serbia
- Bulgaria

Organizational Arrangements

SPI Romania recorded in 2007 annual operating costs of about Euro 390 thousand, covered from the World Bank budget (52%) and the Italian Trust Fund (48%) made available by the Italian Ministry of Economy and Finance. The budget covered the costs of its technical staff, of local and international experts supporting the working groups and of its management arrangements.

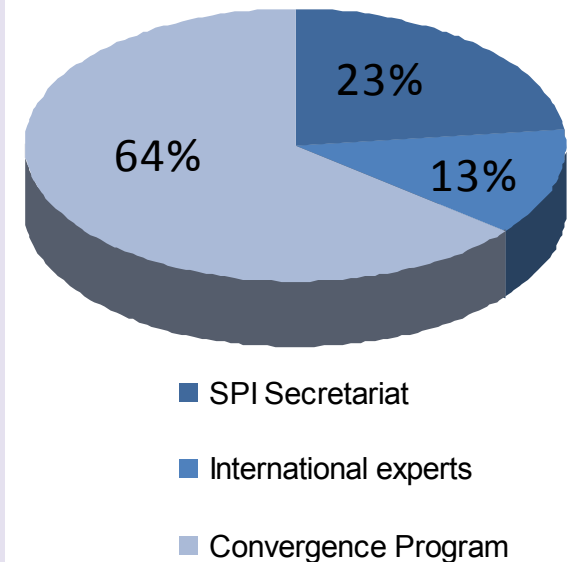
2007 SPI Romania Budget

Expenses with:	2007 (Projected to Dec 31)	Comments
SPI Secretariat	90	Two SPI Directors
International experts	50	5 experts
Convergence Program (SPI Romania specific, incl. travel)	250	Head, Senior Regulatory Economist, Office Manager
Office management	n.s.	Temporary office support
Total	390	

Starting from 2008, SPI Committee members decided to take operational and financial responsibility for the SPI Program, placing it under Romanian Banking Institute administration. The Boards of the Romanian Banking Association and of the National Bank of Romania have approved the institutional, organizational, and financial arrangements proposed for 2008.

The Convergence Program is currently expected to manage the SPI Secretariat through June 2008.

2007 SPI Romania Budget





2008 SPI Plans

The 2008 SPI Program currently comprises 21 projects and could reach a total of 25 projects – a substantial increase from the budgeted 15 projects.

The SPI Secretariat is reasonably confident to reach this higher productivity level, if it succeeds in better leveraging the commitment of other stakeholders to the success of SPI projects, based on 2007 experience.

Stronger operational involvement by working groups, whenever feasible, would allow a major scaling-up of the Romania Financial Sector Modernization Program.

The project proposals and recommended selection results from multiple consultation sessions with stakeholders and benchmarking with EU priorities and EU members' experience conducted in the June-December 2007 period. The proposals were approved by the SPI Committee based on a comprehensive metrics prepared by the SPI Secretariat to ensure their fit with the SPI Program objective

The metrics classifies the proposed projects into three categories: business development, industry competitiveness, and industry reputation.

Also, the metrics include a description of the proposed project background, its impact drivers (industry economic and public good drivers, SPI Committee involvement rationale, actionable SPI Committee proposal, proposed SPI Secretariat contribution and expected stakeholders contributions, a summary of the envisaged Convergence role and the estimated completion date of the actionable SPI document.



“The 2008 proposed agenda intends to value better the SPI Secretariat contribution to the projects accomplishment, to enhance stakeholders ownership and to complement stakeholders and SPI Secretariat efforts.”

Ramona Bratu
Director of Banking
Products and Services
SPI Secretariat



2008 SPI Plans

European Central Bank CRITERIA					
Italian Banking Association CRITERIA	Asymmetric information	Completeness of the market	Increased opportunities to engage in financial transactions	Reduced transaction costs	Increased competition
Business development		1. Increasing bank lending under PPPs 5. Modernizing T-bill regulatory framework 11. T-bills OTC market organization 12. Environmental Lending 23. Promoting refinancing through securitization 24. BSE Listing T-bills	2. Co-financing with EU structural funds 3. Standard repo transactions 4. Development of Interbank Direct Debit 25. Securing down payments made by individuals for real estate projects 26. Supporting thermal rehabilitation of houses 27. Developing lending to municipalities		
Industry competitiveness	28. Database for risk rating the corporate clients 29. Centralized database for AML purposes		17. Electronic employment register and services 19. Loan-loss & Mortgage Loan Databases (2007) 20. Law on bank letters of guarantee (2007) 22. Improving access to and availability of the basic banking products	6. Reviewing bad debts recovery procedures 14. Improving account stopping regulation 15. Reducing the paper-based documents 16. Centralized tax roll 21. The banks' future contributions to RDGF	13. Various EU – related payment initiatives
Industry reputation	30. Better information on saving products	7. Bank ethics code 8. Expanding banking mediator 31. Ombudsman knowledge transfer	9. Basic bank products info 10. Basic bank products Advice 32. Enhancing corporate social responsibility in the banking industry	18. Improving NACP –RBA cooperation framework for consumer protection 33. Improving the quality of the education and professional training in the banking field	34. Enhancing financial consumer's protection 35. Responsible borrowing
	3	9	13	7	3

Legend: Focus projects Projects Other potential projects

SPI Partners

SPI Romania thanks all public and private institutions that have been involved in the SPI project working groups or other SPI activities.

- National Bank of Romania
- Romanian Banking Association
- National Authority for Consumers Protection
- Ministry of Economy and Finance
- Ministry of Agriculture and Rural Development
- Ministry of Interior and Administration Reform
- Anti-Money Laundering Office
- TransFonD
- Credit Bureau
- National Authority for the Supervision of Personal Data Processing
- Rural Credit Guarantee Fund
- Grading Commission for Comestible Seeds
- Romanian Commodities Exchange
- Romanian Stock Exchange
- National Securities Comission
- The National Association for Consumers' Protection and Promotion of Programs and Strategies from Romania
- Italian Banking Association
- OECD
- International Finance Corporation
- World Bank
- Raiffeisen Bank
- Raiffeisen Banca pentru Locuințe
- OTP Bank
- Bancpost
- CEC
- BCR
- Alpha Bank
- BRD-GSG
- UniCredit Țiriac Bank
- RIB Romanian International Bank
- Credit Europe Bank
- ING Romania
- Citibank
- ABN AMRO
- ATE Bank Romania
- Coface Romania
- Cargill
- KPMG
- Deloitte
- Clifford Chance
- Algoritmics
- Bearing Point
- Financial Ombudsman Service, UK
- Goodwood Financial Consulting

SPI Romania

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