

**E-mail**

Mr. Jörgen HOLMQUIST, Director General  
DG Internal Market and Services  
European Commission  
B - 1049 Brussels - Belgium

Brussels, 30 June 2008

**Subject: World Bank's SPI Convergence Program**

Dear Mr. Holmquist,

As part of a broader EU agenda, modernisation of the financial sector of the new EU Member States, in particular those of most recent accession, and of candidate and associate countries (e.g. Croatia, Turkey, Albania, Montenegro, Serbia) is an important policy objective for many EU financial institutions as it is for the European Commission.

At the recent bi-annual meeting of the Associate members of the European Banking Federation, an interesting presentation was made about SPI Romania ([www.spi-romania.eu](http://www.spi-romania.eu)), a public-private financial sector modernisation program that Romania launched in 2006, supported by an innovative institutional design introduced by the World Bank's Convergence Program.

SPI Romania represents in many ways an exemplary commitment by Romanian financial authorities to engage with the banking community (and representatives of the consumer protection agency) to design regulatory and self-regulatory measures to address financial sector modernisation challenges such as asymmetric information, completeness of markets, opportunities to engage in financial transactions, reduced transaction costs and increased competition. The SPI Romania analytical work complies with the Better Regulation 3L3 guidelines recently enacted by CEBS, CESR and CEIOPS.

We consider that a wider adoption of the SPI Romania governance and operational principles by financial authorities in other South-East and Eastern European countries would greatly contribute to an accelerated modernisation of those financial systems in broad accord with policies and practices of the EU financial market.

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I therefore suggest that the relevant units of DG MARKT are informed of and become familiar with the SPI Romania innovative features so as to promote their wider adoption in the region (see Enclosure). I believe the project is really worthy of interest and it may be a positive step for the Commission to directly support the establishment of structures similar to SPI Romania as it designs its financial sector strengthening projects.

Sincerely yours,

A handwritten signature in blue ink, appearing to read 'Guido Ravoet', is written over a faint, light blue circular stamp or watermark.

Guido RAVOET  
Secretary General

Enclosure: Convergence Program: Public-Private Financial Sector Modernisation in South-East Europe (Ref: D1331)



EBF Ref: D1331

## **CONVERGENCE PROGRAM**

### **Public-Private Financial Sector Modernisation in South-East Europe**

Within its regional mandate, the World Bank's Convergence Program aims to promote financial modernisation as defined by the European Central Bank: "*Financial modernisation refers to the process of financial innovation and organisational improvements in the financial system that reduces asymmetric information, increases the completeness of markets, increases opportunities for agents to engage in financial transactions through (explicit or implicit) contracts, reduces transaction costs and increases competition*".

The Convergence Program adopts a programmatic approach and the use of evidence-based analysis supported by market consultations ("Better Regulation"). Its activities are based on the following principles:

- unanimous public-private agreement on a modernisation program with strong public and private benefits;
- comprehensive analysis and careful recommendation of possible solutions prepared by teams of local public and private experts with occasional international help;
- unanimous public-private agreement on how to implement the recommendations; and
- strong implementation discipline to reach the intended public and private benefits.

Operationally, the Convergence Program intervenes at two levels:

- it promotes the formation of a high level public-private steering committee that decides the modernisation program and monitors its implementation;
- it recruits and trains a small Secretariat that supports the analytical and technical consensus-building activities of local public-private working groups.

To strengthen evidence-based policy design skills in the region, the Convergence Program has delivered four extensive and in-depth Regulatory Impact Assessment Knowledge Transfer Programs in Albania, Bulgaria, Romania and Slovenia (regional). About 100 South-East European financial regulators have been exposed to the EU Better Regulation techniques through class sessions delivered by EU regulators and practical case work facilitated by Convergence Program staff.

Through these activities, the Convergence Program helps create an institutional infrastructure in South-East Europe with analytical, consultative and implementation skills and incentives that support collaborative large-scale financial sector modernisation programs centred on micro-regulatory reforms.

The Convergence Program has started its activities in Romania<sup>1</sup> and is now supporting a modernisation program in Albania, as part of a broader regional initiative. It has helped the International Finance Corporation launch a modernisation program in Bangladesh.

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<sup>1</sup> [www.spi-romania.eu](http://www.spi-romania.eu)