



SPI Project:

Anti Money Laundering Law (AML)

**Regulatory Impact Assessment
Approach Note**

Background* - 1

Bank anti-money laundering responsibilities are regulated by Law no. 656/2002. The law was amended in 2005 (Law no. 230/2005), when RBA tried unsuccessfully to have some of proposals incorporated.

The RBA proposals were meant to improve the efficiency of the AML mechanism in harmonization with the provisions of the EU Third Directive.

The main RBA proposals referred to:

- Better definition of the “linked operations”: by not explaining the meaning of this term, there is room for controversies and interpretations;
- Reporting frequency: currently, the daily reporting to the AML Office is considered by banks too frequent;
- Content of AML Office reporting: currently, the level of detail is considered by banks too high;
- Threshold for AML Office reporting: currently, the threshold is set to EUR 10,000, which is considered by banks too low compared to the EU Directive reporting threshold set at EUR 15,000;

Background* - 2

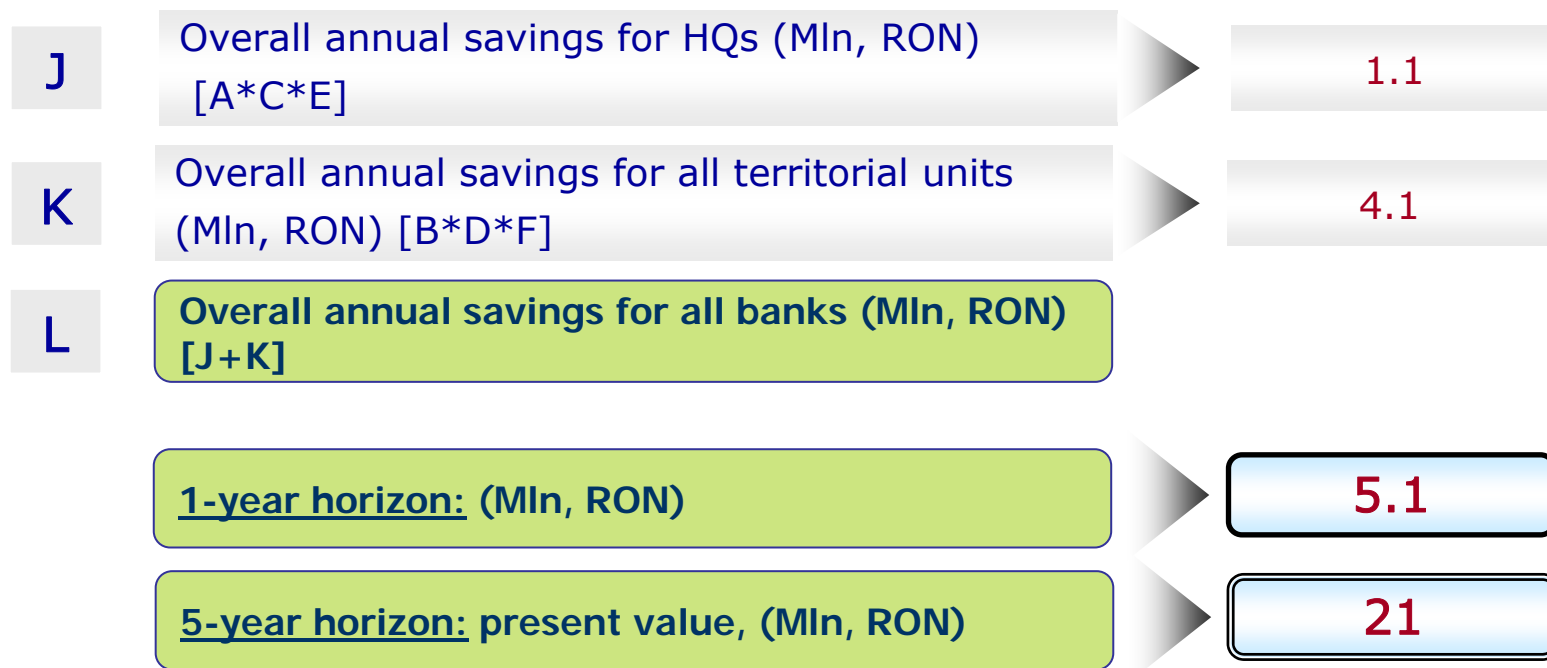
- Exclusion of some transactions from reporting: cash transactions between banks and between banks and NBR (40% of the total reported transactions) are subject to daily reporting, although the risk for suspicious transactions is low;
- Long period to receive the AML Office decision (3 working days) and the courts decision (4 working days) in order to block the execution of a suspicious transaction: these delays generate an operational risk for banks and may lead to situations in which the banks can be sued by their clients for non-executions of their operations;
- AML Office's feed-back: the AML Office obligation to offer a feed-back on the suspicious transactions reported by the banks is not clear in the law;
- Amount of penalties: the penalties are expressed in lei, not in RON and can lead to misinterpretation.

The above mentioned issues generate high costs for banks and hamper good co-operation with the AML Office. The RBA intends to promote law amendments so that the above mentioned issues are resolved.

Economic impact assessment - 1

A	Number of banks	▶	38
B	Number of branches	▶	3,845
C	AML-related annual costs borne by HQ under baseline (RON)	▶	112,640
D	Average AML-related annual costs borne by each branch under baseline (RON)	▶	2,640
E	Average savings in HQ under scenario (%)	▶	25%
F	Average savings in each branch under scenario (%)	▶	40%

Economic impact assessment - 2



Analytics - 1

Number of banks	a)	38
Number of branches	b)	3,845
Annual AML-related costs borne by HQ under baseline (RON)	c)	142,743
Average annual AML-related costs borne by each branch under baseline (RON)	d)	6,342
Savings (as FTE) in HQ under scenario (%) (*)	e)	36%
Savings (as FTE) in each branch under scenario (%) (*)	f)	59%
Average annual cost borne by each HQ under baseline (RON) (**)	g)	112,640
Average annual cost borne by each branch under baseline (RON) (**)	h)	2,640
Savings (as FTE) in HQ under scenario (%) (**)	i)	25%
% savings (as FTE) in each branch under scenario (**)	j)	40%
Overall annual savings for HQs (Mln, RON)	k)=a*g*i	1.1
Overall annual savings for branches (Mln, RON)	l)=b*h*j	4.1
Total annual savings (Mln, RON)	m)=k+l	5.1
Present value (over 5 years) (Mln, RON)	n)	21

(*)=Source: Roland Berger Study. It makes reference to a bank with HQ and 307 branches

(**)= Convergence estimate

Analytics - 2

Data and assumptions:

a) Baseline:

Compliance for bank reporting takes place as follows:

- i) on a daily basis
- ii) cash transactions and external transfers
- iii) over EUR 10,000
- iv) reporting system consists in
 - 56 columns for external transfers
 - 35 columns for cash transactions

Source: Roland Berger, *The impact of external regulation on the Romanian banking system.*

b) Scenario:

Compliance for bank reporting takes place as follows:

- i) on a weekly basis
- ii) over EUR 15,000
- iv) reporting system consists in
 - 20 columns for external transfers
 - 15 columns for cash transactions

Source: Roland Berger, *The impact of external regulation on the Romanian banking system.*

c1) Annual cost borne by HQ under baseline (Roland Berger sample)

EUR	40,552
RON	142,743

Source: Roland Berger, *The impact of external regulation on the Romanian banking system.*

c2) Annual cost borne by HQ under baseline (all banks)

EUR	32,000
RON	112,640

d1) Average annual cost borne by each branch under baseline (RB sample)

EUR	1,802
RON	6,342

Source: Roland Berger, *The impact of external regulation on the Romanian banking system.*

d2) Average annual cost borne by each branch under baseline (all banks)

EUR	750
RON	2,640

e) Savings gained by Roland Berger sample under scenario (%)

- i) HQ: 36%
- ii) Average of each territorial unit 59%

Source: Roland Berger, *The impact of external regulation on the Romanian banking system.*

f) Savings gained by all banks under scenario (%)

- i) HQ: 25%
- ii) Average of each territorial unit 40%