

# Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



## Technical and regulatory requirements for improving clearing and settlement of checks, drafts and promissory notes

**WORKING GROUP MEETING: February 23, 2007, 2 pm, Transfond premises**

### Project Objective

To prepare a document that would represent a solution acceptable to all stakeholders for transition to final solution on paper-less check and other debit instrument processing on a time-compressed schedule.

### Main Problem to Solve

To convince all banks, irrespective of their DI market share, on the necessity and opportunity to get to the electronic processing of DI and to agree on a comprehensive technical and regulatory framework for implementation.

### Project Management Team

**Project Owner (PO):** Gabriela Tudor (RBA Vice President)

**Project Manager (PM):** Mirela Palade (TransFonD, Deputy General Manager)

**Deputy Project Manager (DPM):** Constantin Rotaru (BCR, Director)

**Attendees:** Mirela Palade, PM  
Constantin Rotaru, DPM  
Ruxandra Avram, member, NBR  
Marina Dragoi, replacing Maria Sheikh-Ahmad, member (BRD – GSG)  
Ileana Velicu, BCR  
George Carabasan, member (Alpha Bank Romania)  
Bogdan Nastase, TransFond  
Ionel Dumitru, TransFond  
Angela Apetrei, TransFond  
Gabriela Nita, BCR  
Dragos Constantinescu, Alpha Bank Romania  
Ramona Bratu and Oana Nedelescu, SPI Secretariat

### **Agenda:**

1. discussions on the draft amendment proposal for the Law on checks;
2. distribution of the draft amendment proposal for the Law on drafts and promissory notes;
3. set up the next PWG meeting.

1. Participants discussed the proposed amendments prepared by Transfond, the main topics being:
  - the standard format of the paper checks, in order to allow their efficient and smooth processing. The conclusion was that no reference on the standard format will be included in the law, but the issue will be regulated through an NBR norm;
  - the truncation is referring only to the checks in RON. The applicability issue is solved in the proposed amendment by stating that truncation is applied based on the payment arrangements between banks or based on the payment systems contracts and rules;
  - the necessity to enlarge the category of institutions entitled to issue checks in accordance with the European Parliament Regulation no. 1781/2006. It is necessary to expand the checks' issuers from banks to "credit institutions and other similar", in order to include also the non-banking financial institutions;
  - the need to introduce a provision stating that checks can be presented for payment on paper or in electronic format;
  - using an uniform language throughout the amendment proposals, such as "information relevant for truncation", "check owner", etc;
  - some of the amendment proposals pertaining to procedures not to be included anymore in the law, but in the secondary regulations to be further proposed by the working group;
  - two additional articles if the law to be changed: Art. 11 and 62.

Next steps and strategy:

- DPM to draft and send proposals for amending Articles 11 and 62 of the law (by Monday, February 26);
  - Transfond to operate the changes, including the DPM proposals and to send them to the PWG members (by Tuesday, February 27);
  - after agreement in the PWG, the amendment proposals to be discussed and endorsed by the RBA Settlements Technical Commission (week March 5 – 9);
  - after PWG agreement, the amendment proposals to be sent to Mr. Georgescu asking to arrange for getting NBR Legal Department's opinion (SPI Secretariat, week March 5 – 9);
  - SPI Secretariat to circulate the law amendment proposals to the SPI Committee members for endorsement (week March 19 – 23);
  - SPI Committee member from MoPF to take over the legislative initiative;
  - SPI Committee, under Mr. Georgescu's and Mr. Ghetea's signature, to ask for the Ministry of Justice's opinion on the law amendment proposals (week March 26 – 30);
  - SPI Secretariat will present the law amendment proposals to the SPI Committee members for endorsement at the third SPI Committee meeting to be held in early April.
2. The PWG members will work on the amendment proposals for the Law on drafts and promissory notes based on the ideas revealed in the discussions on the Law on checks amendment proposals.
  3. **Next PWG meeting:** March 1<sup>st</sup>, NBR, 9:30. The meeting objectives: to agree on the amendment proposals; to discuss on the project status.

4. **Pending Issue:** To receive RBA Board agreement about electronic processing implementation plan and NBR's endorsement of inventory of regulatory changes necessary to underpin the former (both illustrated in Decision note dated February 1<sup>st</sup>, 2007). NBR's representative in the PWG will ensure the timely completion of the later tasks.