

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



SPI Project on Ombudsman

Project Objective

To prepare a comprehensive proposal to establish the Romanian Bank Ombudsman (RBO) together with the implementation plan.

Project Management Team

Project Owner (PO): Radu Negrea (RBA General Secretary, on behalf of RBA)

Project Manager (PM): Monica Iovu (Director, Alphabank Romania)

Deputy Project Manager (DPM): Alis Avramescu (Deputy Director, NBR).

Minutes

Third Meeting

March 1st, 2007 – RBA Premises

Attendees: Radu Negrea, PO
Monica Iovu, PM
Gabriela Dumitrescu, BCR, replacing Aurora Stancu, member
Oana Ciobanu, legal adviser, ING Romania, replacing Ioana Bosinceanu, member
Bogdan Stanica, NBR, member
Marko Skreb, independent evaluator as observer
SPI Secretariat: Ramona Bratu, SPI Director for Bank Products and Services and Oana Nedelescu. SPI Director for Analytics and Policy

Agenda

1. Discuss the status project report;
2. Clarify all legal requirements and all other governance needs for the identified solutions;
3. Prepare indicative budgets for the identified solutions;
4. Discuss and agree on the recommendation to be made to the banking community;
5. Sign the letter to Mr. Thomas, FIN-NET Steering Committee member.

Minutes

I. Project Status Report

Participants agreed with the proposed next steps in order to achieve the project objective and present to the RBA General Assembly a recommendation to establish the Bank Ombudsman. PM and SPI Secretariat will work on the draft position paper to be discussed in the next PWG meeting.

II. Legal requirements

Participants appreciated the comprehensive and professional recommendations made by Mr. Thomas David, Principal Ombudsman in UK, and their valuable contributions in enhancing the independent feature of the voluntary Ombudsman scheme.

Participants decided to modify the Option 1 section of the table by including all the suggestions received. The financing scheme could be either equal banks' contributions or proportional to their retail market share/turnover.

The NBR participation in the Ombudsman's Board was clarified: NBR participation in the Ombudsman Board is allowed by the Law no. 312/ 2004 and the conditions of its participation are described by Law no. 161/2003.

The PWG member representing NBR presented a position in favor of the public scheme. Participants discussed on the problems raised by the usual legislative enactment process through an organic law and how this could be speed up.

Participants identified two possibilities under option 2: by issuing an emergency government ordinance or by amending the Banking Law in order to provide the institutional establishment through the Minister of Justice's order. The Banking Law is currently under amending process and there is a possibility to take advantage of this situation and to include the proposal on the Banking Ombudsman.

Participants discussed also on the potential initiator of the law and agreed that the Ministry of Justice should initiate the legislative process.

The financing scheme for a public Ombudsman could be extra-budgetary (out of the contributions of the banks and of the associations for consumer protection), co-financing (banks and state budget) or budgetary.

Under the public scheme, the ombudsman could be either a dignitary or a contractual employee, depending also on the financing scheme (budgetary or extra-budgetary). In case of budgetary financing or co-financing, the ombudsman could be a dignitary appointed by the Romanian Parliament, thus ensuring his independence. The ombudsman's independence being thus secured, there is no need that the other employees of the Bank Mediator be public servants, but contractual employees. Participants outlined that in the public option, the participation of all the credit institutions would be compulsory, especially when public money is involved. All the conclusions of the discussions are reflected in the attached table.

III. Indicative budget

The estimations done for the three options showed that the annual budget for the private and voluntary scheme would be up to RON 490.000, and for the public schemes would be of about RON 380.000 for option 2 and RON 360.000 for option 3. In case of equal banks' contributions, these would mean about RON 13.000 annual contribution for each bank under the voluntary scheme and RON 10.000 under option 2 (if fully covered by banks). Reporting the figures to a market share, the result is RON 4.900 for 1% market share for the voluntary scheme and RON 3.800 for option 2.

IV. PWG recommendation

Participants agreed that option 3 would be long time consuming (no ways to shorten the enactment process) and difficult put in place, by relying only on the state budget financing. Therefore, participants agree to present their recommendation to the banking community to establish a banking ombudsman basing the decision on the two options: the private/voluntary scheme (option 1) and the public/compulsory scheme (option 2).

V. Letter to Mr. Thomas

PMG members attending the meeting suggested sending the letter to Mr. Thomas, FIN-NET Steering Committee member, asking for FIN-NET assistance after the banking community's decision.

VI. Homework

- to find out if the stage of the Banking Law amending process would enable the introduction of the additional provision on the banking Ombudsman in order to allow a more rapid legislative enactment process (PWG members);
- to adjust the table describing the eligible options in order to reflect the conclusions of the discussions (SPI Secretariat);
- to draft the position paper, based on the agreed outline (SPI Secretariat and the PMG).

VII. Next meeting: March 9th, SPI Secretariat office in RBI, at 9 am.