

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



TERMS OF REFERENCE

Project: Ombudsman and consumer education

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

Project Manager: Monica Iovu, Director, Alphabank Romania

Deputy Project Manager: Alis Avramescu (an NBR manager)

Technical Anchor: Convergence Program

I- Background

In Romania, there is a perceived need to adequately address the complaints made by individual consumers or businesses against the financial service providers and to improve the public image of the banks. Unsatisfied clients send their complaints to the financial institution itself and, if they are not resolved satisfactorily, they submit them to the National Authority for Consumers Protection (NAPC), National Consumers' Association (APC), or to the National Bank of Romania (NBR). Hence, there is no specialized and impartial institution or process in charge of the protection of bank customers.

Most European countries have established successful Banking Ombudsman schemes in the past 30 years, either financed by banks or set up as external organizations. Their increasing popularity lies in their ability to settle a large volume of specialized cases in a flexible way and within a short period of time, as compared to bureaucratic and time-consuming remedies, such as court proceedings. For example, the Italian Banking Ombudsman received about 4,700 complaints in 2004 and addressed a large majority of them.

As Romania is about to join the EU, the Romanian banking industry needs to be tuned with European recent developments in the financial consumer protection area. The European Commission has supported the creation of an informal network of national ombudsmen - Fin-Net to help settle cross-border disputes between private retail investors and financial services companies. Another EU benchmark is the FIN-USE independent forum of experts, which responds to the Commission's requests for opinions on initiatives affecting users of financial services and seeks to identify key financial services issues which affect users.

To inform the project planning decisions of the PMG, Convergence prepared a background study to highlight the current status of consumer protection in the Romanian banking industry, the benefits of establishing an Ombudsman, and options for institutional setting up and operating principles, based on international experience.

The PMG prepared a recommendation to the banking industry that a Banking Ombudsman is created in Romania based on evidence of potential benefits for banks and consumers and international experience that was discussed in the SPI Committee meeting in December 2006.

II - Project Objective

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

III – Intended Strategy

The PWG, supported by the SPI Secretariat, acts based on the mandate received from the SPI Committee to prepare a position paper that covers all governance, functional, operational and funding issues for the RBO and the implementation plan.

The PWG will consider the possible options for institutional setting up and operating principles of the RBO, and will draft RBO scheme options suitable to the Romanian environment. Starting from the identified schemes, the PWG establish the legal necessary arrangements for the establishment of the institution. Finally, the PWG will prepare a set of comprehensive proposals for establishing the Romanian Bank Ombudsman (RBO) together with the implementation plan. The proposal will be presented to RBA General Assembly for approval and to SPI Committee for endorsement.

IV- Methodology: from kick off to the accomplishment of the project

Preparatory work: (January 2007)

Convergence prepared a memorandum on a possible simplified scheme of the Romanian Banking Ombudsman and SPI Secretariat prepared a note to be discussed in a PWG meeting regarding the necessary steps for the rapid implementation of the proposed scheme.

1st PWG meeting – February 2nd, 2007

The PWG members attending the meeting discussed the proposal and expressed their concerns on the credibility, respectability and acknowledgement that such a simplified scheme would enjoy. They consider that the Romanian public needs a well-founded, trust-worthy and visible institution, and that it is very unlikely that a simplified scheme would ensure all these. The PWG agreed to work to the accomplishment of the objective set up by the SPI Committee and to prepare a comprehensive proposal for the RBO.

Homework:

SPI Secretariat:

- will send the PM's study to the PWG members;
- will search for the FIN-NET study mentioned in the first meeting and will share it with the PWG members;

- will prepare a table containing Ombudsman scheme, governing principles and standards, scheme participants, scope of the Ombudsman, eligible beneficiaries, staffing, operations, funding, etc in different countries;
- will gather individual contributions.

PWG members: will analyze the findings of the documentation sent by SPI Secretariat. PWG members will look for other relevant international experience (for example, the Austrian one), filling in the respective elements in the table prepared by the SPI Secretariat.

2nd PWG meeting – February 13th, 2007

1. PWG endorses the revised TORs prepared by the SPI Secretariat, approving the action plan;
2. PWG analyzes the findings of the studies;
3. PWG identifies possible options for the RBO scheme;
4. PWG members will analyze how the identified possible solutions fit into the Romanian realities and customs, and the national legal framework (for example, the law on the mediators and mediation activities).

Homework:

PWG members with legal background will identify all legal requirements and all other governance needs for the solution(s).

PWG members with economic background will prepare indicative budget(s) for the identified solution(s).

SPI Secretariat will gather the individual contributions. PM/SPI Secretariat will prepare the outline of the position paper.

3rd PWG meeting – February 23rd, 2007

1. PWG members will discuss and decide on the legal requirements and all other governance needs for the solution(s);
2. PWG members will discuss and approve the indicative budget(s);
3. PWG members will discuss and agree on the position paper outline and will set up the individual contributions.

Homework:

PWG members will prepare their individual contributions to the position paper.

SPI Secretariat will gather the individual contributions in a single document.

PM and DPM will revise and refine the draft document.

4th PWG meeting – March 12th, 2007

1. PWG members will approve the position paper.

V- Output

PWG 1st meeting

- o PWG analyzes the findings of the studies prepared by Convergence, by the PM and the FIN-NET study;

- PWG members will look for other relevant international experience.

PWG 2nd meeting

- PWG identifies possible options for the RBO and the legal and governance requirements;
- PWG analyzes how the identified possible solutions fit into the Romanian realities and customs, and the national legal framework;

PWG 3rd meeting

- PWG discusses and decides on the legal requirements and all other governance needs for the solution(s);
- PWG discusses and approves the indicative budget(s);
- PWG discusses and agrees on the position paper outline and sets up the individual contributions.

PWG 4th meeting

- PWG approves the position paper.

VI - Project Team

Banks:

- Daniela Copoiu, Unicredit
- Aurora Stancu, BCR
- Catalina Clinci, Raiffeisenbank
- Ioana Bosinceanu, ING Romania
- Bogdan Stanica, NBR

The team will be chaired by the Project Manager and co-chaired by the Deputy Project Managers. Convergence will be the technical anchor for the project.

PM/DPM have to report to PO at least after each meeting of the PWG.