

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



SPI Monthly Activity Report April 2007

Project Highlights:	5 Project Working Group Meetings	<i>(Monthly New Item)</i>
Regulatory-making process:	<i>Law on Safety, <u>Electronic processing of debit instruments</u>, <u>AML Law</u></i>	
Institutional development:	<i><u>Credit Positive Information Sharing</u>, <u>Ombudsman</u></i>	
Good progress:	<i>Rural lending, Provisioning in view of IFRS</i>	
Lagging behind:	<i>Bank Guarantees, Lending databases</i>	

SPI Project Working Groups Activities

Regulatory-making process

- **Amendment of law on goods safeguard:** Following the SPI Committee submission of the law amendments proposals to the Ministry of Administration and Internal Affairs, *the task of PWG can be considered completed*. SPI Committee will write to the Ministry of Internal Affairs and Administrative Reforms (MIAAR), requesting follow-up on proposed amendments. SPI Secretariat, with support from MEF, will arrange a meeting for the working group with MIAAR representatives.
- **Amendment of AML law:** The law amendment proposal prepared by the PWG was approved by the SPI Committee, *marking the successful achievement of the project objective*. The SPI Committee members asked the Ministry of Economy and Finance (MEF) to take the legislative initiative and expressed their support throughout all the enactment process. The SPI Secretariat will liaise with MEF on the legislative proposal enactment.
- **Electronic processing of debit instruments:** The SPI Committee has approved the law amendment proposals prepared by the PWG, *marking the project completion*. The SPI Committee transmitted the respective law amendment proposals to MEF for promoting their enactment and expressed its support throughout all the enactment process. The SPI Secretariat will coordinate the preparation of secondary regulations and will liaise with MEF on the enactment progress.

Institutional development

- **Credit positive information sharing:** The two largest banks decided to start sharing positive credit information, proving the potential for self-regulation and *marking the successful achievement of the project objective*. The PWG will continue its follow up with NASPDP on the outstanding issues from the proposed draft regulation. The SPI Secretariat is also supporting the RBA in organizing the upcoming conference with the National Authority for Supervision of Personal Data Protection.
- **Ombudsman:** The SPI Committee gave its endorsement for the establishment of the Ombudsman scheme as an independent, private and voluntary scheme, *marking the successful completion of the project*. As a second phase of the project, the PWG will proceed with its implementation arrangements in view of a November 2007 launch, under the coordination of the SPI Secretariat.

Close to analytical completion

Good progress

- **Rural lending:** The technical anchor has finalized the report which will constitute a valuable reference for the PWG in designing a solution for removing the current deadlock in utilizing warrants–deposits certificates. Based on the technical anchor report, the SPI Secretariat will outline the features of the public and private options, together with their pros and cons for PWG discussions. *The PWG will outline the regulatory and/or the technical and organizational implementation steps needed to remove the existing roadblocks to the development of the agricultural warrants-backed lending.*

- **Provisioning in view of IFRS:** The PWG group activities have been catalyzed by the *Workshop on the International Experience with Provisioning in View of IFRS and Basel II Implementation* held on April 11, 2007 and by the extensive discussions with the technical anchor and the peer reviewer. The PWG has outlined, with the support of the technical anchor, a possible approach for the new provisioning rules and decided on a concrete work plan. Likewise, a regulatory impact assessment will be performed with the support of Convergence in order to support the MEF decision with regard to the fiscal treatment of the new provisions. *Upon extensive consultations, the PWG will prepare a set of principles commonly agreed by NBR-banks-MEF on a feasible update of the prudential requirements.*

Lagging behind

- **Lending databases:** The SPI Committee has endorsed the project “rescue” strategy proposed by the SPI Secretariat. In particular, to catalyze stronger involvement by the banking community in the design of industry-wide lending databases solutions, more banks will be involved in the project and NBR Supervision Department will designate a working group member to ensure that the solutions are in line with the supervisory approach. Upon discussions with the project owner, the SPI Secretariat, together with a revitalized PWG, will outline a strategy for achieving the project objective in a useful time frame, to be approved by the SPI Committee at its third meeting.
- **Law on bank guarantees:** The SPI Committee has endorsed the project “rescue” strategy prepared by the SPI Secretariat for speeding up the PWG work. The SPI Committee encouraged the PWG to speed up the work on the law proposal by having a more structured approach and by using a local independent expert to draft the law.

Others

- **Consumer education:** The project strategy meeting discussed the background document prepared by the SPI Secretariat on the international experience with promoting consumer education and outlined a feasible strategy for promoting financial education in Romania. The SPI Secretariat will contact the OECD Financial Education Program in order to get guidance on national strategy options. *The PWG will prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders (authorities and financial institutions) to promote customers’ financial education.*
- **Stress testing:** The SPI Secretariat, with the support of Convergence, followed up with Bank of Italy and NBR on a transfer of knowledge in the area of stress testing for households and companies between the two central banks. The SPI Secretariat will activate shortly the discussions on the knowledge transfer between the NBR and banks. *A set of guidelines of best practices for stress testing by banks will mark the achievement of the project objective.*

Other Developments

- At the **third SPI Committee Meeting**, held on April 27, 2007, the SPI Committee members commended the significant progress registered with the SPI projects and thanked the PWGs for their dedication for the modernization of the Romanian financial sector. Also, the SPI Committee outlined that the new SPI projects should be consistent with current strategic directions of the EU Commission pursuant to the Financial Services Action Plan. The SPI Committee has also endorsed the plan for the 2008 SPI Administrative Arrangements and asked the SPI Coordination Unit to be shortly appointed and Convergence to facilitate the smooth implementation of the new SPI administrative arrangements.

Highlights of expected May activities

- Analytical activities in the Rural lending and the IFRS Provisioning projects will advance well;
- Lending databases and the Law on bank guarantees projects will be put on track again;
- Design of the SPI Program website completed;
- RIA Capacity Building Program with Authorities will start;
- Conference with Data Protection Agency will be held.

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