

Convergence Romania Financial Sector Modernization

Public-Private Special Projects Initiative



SPI Monthly Activity Report June 2007

Project Highlights:	<u>6 Project Working Group Meetings</u>	<i>(Monthly New Item)</i>
New projects:	<u>Credit rating agencies development, Implementation of Market in Financial Instruments Directive (MiFID)</u>	
Regulatory-making process:	<u>Law on Safety, Electronic processing of debit instruments, AML Law</u>	
Institutional development:	<u>Credit Positive Information Sharing, Ombudsman</u>	
Close to completion:	<u>Rural lending, IFRS Provisioning</u>	
Lagging behind:	<u>Bank Guarantees, Lending databases</u>	

SPI Project Working Groups Activities

New projects

- ***Credit rating agencies development:*** The PWG outlined a feasible project strategy: to prepare a set of draft regulations that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies. Also, the PWG will outline implementation constraints and criticalities, in order to allow for the further development of these rating agencies into local ECAIs. The proposed NSC regulation regarding accreditation requirements for rating agencies has been sent to the project working group for review.
- ***Implementation of MiFID:*** The SPI Secretariat has prepared the workshop to be held with the participation of relevant authorities and international experts in July, 2007. Following the workshop, the project management team, with the support of the SPI Secretariat, will finalize a proposal for the strategy to be adopted for MiFID implementation to be endorsed at the fourth SPI Committee meeting.

Regulatory-making process

- ***Amendment of law on goods safeguard:*** The SPI Secretariat will arrange a meeting for PWG with Ministry of Internal Affairs and Administrative Reforms on the proposed law amendment proposals.
- ***Amendment of AML law and Electronic processing of debit instruments:*** The relevant MEF departments are close to finalize the review process of the law amendment proposals. The SPI Secretariat prepared for MEF departments all the necessary enactment documents: impact assessment analyses, EU directives compliance tables, etc. The electronic processing of debit instruments PWG continued the preparation of the secondary regulations.

Institutional development

- ***Credit positive information sharing:*** The expanded project working group, including representatives of NASPDP and NACP, continued the dialogue regarding the outstanding issues from the proposed draft data privacy regulation. The project working group will continue the discussions in order to strike a balance between the need to protect the consumer data and to dispose of adequate information for improving financial institutions' credit risk management. At the end of June, BRD started sharing positive credit information. Also, BCR is preparing to disseminate positive credit information.
- ***Ombudsman:*** The PWG approved the Bank Mediator by-laws and started the discussions on the TORs. The project peer reviewer also sent his comments on the Bank Mediator terms of reference. The PWG will finalize the setting up documentation and will submit it for RBA General Assembly approval.

Close to completion

- ***Rural lending:*** The PWG continued the discussions on the features of the hybrid public-private solution for removing the current deadlock in utilizing warrants–deposits certificates. Also, the PWG drafted the regulations which will enable the implementation of the solution identified. The PWG will discuss with the

Ministry of Agriculture on the proposed institutional and legislative measures. *Following the discussions with MA, the PWG will finalize its recommendations on the regulatory, technical and organizational implementation steps, marking the achievement of the project objective.*

- **IFRS Provisioning:** The NBR has presented the general principles for the new regulation in a meeting with banks and MEF representatives. In essence, the credit institutions could develop and apply their own internal models for determining the needed provisions. The SPI Secretariat outlined the need for a full impact assessment following the simplified survey performed with banks and started the procedures in this regard. Consultations will continue with the technical anchor on the possible methodological approach. *Upon extensive consultations, the PWG will prepare a set of principles on a feasible update of the prudential requirements.*

Lagging behind

- **Lending databases:** Following the confirmations for participation in the project received from four banks and the NBR Supervision Department, the SPI Secretariat will organize a PWG meeting to discuss and endorse the project action plan, which will be submitted to the SPI Committee for its consideration at its July meeting.
- **Law on bank guarantees:** The local independent expert started the preparation of the draft the law. The draft law will be discussed by the PWG, which will finalize the legislative act for its endorsement by the competent authorities.

Others

- **Consumer education:** The SPI Secretariat gathered relevant international documentation in order to prepare the drafting the national strategy for consumer education. With local and international support, *the PWG will prepare a strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders to promote customers' financial education.*
- **Stress testing:** The SPI Secretariat prepared a background paper on the role, formulation and international experience of stress testing in banks. The NBR will prepare its input on the central bank experience in banks' stress testing and the recommended guidelines for banks. Following its finalization based on the NBR input, the paper will be disseminated and discussed with banks. *A set of guidelines of best practices for stress testing by banks will mark the achievement of the project objective.*

Other Developments

- **EC Green Paper Consultations on the Retail Financial Services in the Single Market:** The SPI Secretariat has organized the Round Table on the EC Green Paper on June 19, at the Info Europa Center. The participants (financial market authorities and market players) outlined that the Round Table represented "the first initiative aimed at gathering the feedback from all relevant Romanian stakeholders on the EC financial market policies and an indication of Romania's financial sector maturity". The event represented an important catalyst for the broad consultation process. The SPI Secretariat will compile the Romanian position on the Green Paper to be sent to the EC in mid July.
- **RIA Capacity Building Program with the Authorities:** The program continued with the carrying out of ex post impact assessments on two regulations issued by the NBR and NSC under the guidance of RIA experts from the UK and Irish FSA. Participants from NBR and NSC acquired hands on experience on performing RIA and got familiar with the RIA methodology and consultation process.
- **SPI 2008 Arrangements:** The SPI Secretariat launched the SPI 2008 project selection based on a clear selection methodology approved by the SPI Committee (attached). The SPI stakeholders are encouraged to submit their project proposals to the SPI Secretariat in due time. Also, the SPI Secretariat prepared the enactment procedures for the legislative initiatives undertaken under the public-private partnership auspices.

Highlights of expected July activities

- Rural lending and IFRS Provisioning projects will be finalized;
- Launch of the SPI Program website;
- Submission to EC of consolidated Romanian feedback on retail financial sector Green Paper;
- Discussions with MEF, NBR and GSG experts on RIA support for SPI 2008 Program.
- SPI Committee fourth meeting will be held on July 25, 2007.

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SPI Committee Secretariat:

Ms. Oana Nedelescu, SPI Committee Secretary and SPI Director of Analytics and Policy

Ms. Ramona Bratu, SPI Director of Bank Products and Services

Tel: 021- 323.66.10

oana.nedelescu@convergence-see.eu

ramona.bratu@convergence-see.eu