



## ***SPI PROJECTS***

### ***Summary of Preliminary RIA***

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#### **1. Overall Impact**

A preliminary regulatory impact assessment (RIA) has been undertaken on the 13 SPI Projects that have been approved at the first SPI Committee meeting in September, 2006. They can be classified according to the three following items:

- **Business development:** 3 (Positive Information, Rural Lending, Law on Bank Guarantees);
- **Industry competitiveness:** 9 (Debit Instrument Processing, AML Law, IFRS for Loan Loss Provisioning, Mortgage Loan Database, Loan Loss Database, Rating Agencies, Stress Testing, Law on Safety, Other Costs of Bank Products);
- **Industry reputation:** 1 (Bank Ombudsman).

Micro-regulatory changes can have an impact on both the Profit and Loss and the balance sheet of the Romanian banking system.

The preliminary RIA performed shows with reference to first full year that the overall impact on the balance sheet can be estimated at \$ 154 million as capital released and at \$ 308 million as lending increase. Also, with reference to first full year, the overall impact on Profit and Loss can be estimated at \$ 140 million.

<b>Impact on Balance Sheet – Breakdown of contributions</b>			
	<b>Business development</b> <i>(3 Projects)</i>	<b>Industry competitiveness</b> <i>(9 Projects)</i>	<i>Total</i>
i) Lending increase	\$ 247 million	\$ 61 million	\$ 308 million
ii) Capital released	-	\$ 154 million	\$ 154 million



**Impact on P&L – Breakdown of contributions**

	<b>Business development</b> <i>(3 Projects)</i>	<b>Industry competitiveness</b> <i>(9 Projects)</i>	<i>Total</i>
i) Interest Margin	\$ 16 million	\$ 7 million	\$ 23 million
ii) Operational costs	-	\$ 62 million	\$ 62 million
iii) Loan Loss Provisions	\$ 26 million	\$ 29 million	\$ 55 million
Overall impact	\$ 42 million	\$ 98 million	<b>\$ 140 million</b>



## 2. Detailed Impact

The table and graph below provide more detail on the preliminary RIA activity undertaken for each project.

**Table 1 – Detailed impact per project.**

SPI Projects	Impact on Romania Banking Industry (*)			
	Balance Sheet		Profit & Loss	
	Key item	First full year (Mln, USD)	Key item	First full year (Mln, USD)
Credit Bureau Services	Lending increase	170	Margin	8
			Loan Loss Provisions	26
Debit Instruments			Operational costs	34
Anti Money Laundering Law			Operational costs	2
Rural Lending	Lending increase	63	Margin	8
Law on Bank Guarantees			Operational costs	0.2
	Lending increase (**)	13	Margin	0.1
Loan Loss Provisioning in View of IFRS Application			Operational costs	1
			Loan Loss Provisions	14
Mortgage Loans Database	Capital released	49		
	Lending increase	14	Margin	2
LGD Database	Capital released	94		
	Lending increase	20	Margin	3
Rating Agencies	Capital released	11		
	Lending increase	28	Margin	3
Stress testing			Loan Loss Provisions	14
Law on safety			Operational costs	3
Ombudsman (***)	<i>To be estimated</i>			
Structure of Banknotes Withdrawn from NBR (****)			Operational costs	22

(\*)= Impact assessment of projects endorsed by SPI Committee has been validated by the RIA Working Group.

(\*\*)= Incremental annual volume of bank guarantees

(\*\*\*)= Draft RIA

(\*\*\*\*)=Projects drawn from the Roland Berger study. Impact assessment run by Roland Berger



**Chart 1 – Detailed impact per project**

