

Convergence Romania Financial Sector Modernization

Public-Private Special Projects Initiative



SPI Monthly Activity Report July 2007

also on www.spi-romania.eu

Project Highlights:	<u>3 Project Working Group Meetings</u>	<i>(Monthly New Item)</i>
<i>New projects:</i>	<i>Credit rating agencies development, Implementation of MiFID</i>	
<i>Regulatory-making process:</i>	<i>Law on Safety, Electronic processing of debit instruments, AML Law</i>	
<i>Institutional development:</i>	<i>Credit Positive Information Sharing, Ombudsman</i>	
<i>Finalized projects:</i>	<i>Rural lending, IFRS Provisioning</i>	
<i>Lagging behind:</i>	<i>Bank Guarantees, Lending databases</i>	

SPI Project Working Groups Activities

New projects

- ***Credit rating agencies development:*** The NSC enacted the regulation regarding the criteria for the credit rating agencies accreditation. Likewise, the NBR is in an advanced stage of preparing the ECAI-related regulation. The PWG will focus on outlining the implementation constraints and criticalities, in order to allow for the further development of the rating agencies into local ECAIs.
- ***Implementation of MiFID:*** The SPI Secretariat has organized on July 6, 2007 a workshop on the MiFID implementation with the participation of relevant authorities and international experts (Italian Banking Association, KPMG, and Clifford Chance). The workshop conclusion was that the competent authorities (NSC and NBR) and market players have to join forces in a sustained and structured effort to implement MiFID in Romania. Following the workshop, the SPI Secretariat finalized an action plan for MiFID implementation that has been endorsed at the fourth SPI Committee meeting.

Regulatory-making process

- ***Amendment of law on goods safeguard:*** The SPI Secretariat organized on July 20, 2007 a meeting between the PWG and the Ministry of Internal Affairs and Administrative Reforms (MIAAR) on the proposed law amendment proposals. It resulted that the draft law prepared by MIAAR incorporates some of the main PWG proposals (i.e. the calibration of security measures based on the banks' own risk analyses and allowing for a standardization of security plans based on types of territorial units). The PWG will review the final draft law once received from MIAAR and will propose further adjustments if needed.
- ***Amendment of AML law and Electronic processing of debit instruments:*** MEF will finalize the review process of the legislative proposals and will start the public consultations. The PWG finalized the preparation of the secondary regulations for enabling the electronic processing of debit instruments and sent them to NBR for approval. Also, NBR will send the proposed amendments to the laws on checks, drafts and promissory notes to ECB for endorsement.

Institutional development

- ***Credit positive information sharing:*** The dialogue regarding the outstanding issues from the proposed draft data privacy regulation continued within the expanded project working group, including representatives of NASPDP and NACP. The SPI Secretariat will prepare a document for the SPI Committee endorsement outlining the proposed PWG solutions. The solutions could encompass possible self-regulatory measures that banks could undertake in order to improve the performance of the credit bureau system, amendments to the Credit Bureau operating guidelines, and the finalized draft regulation.
- ***Ombudsman:*** The PWG finalized the Bank Mediator TORs based on the input received from the project peer reviewer. The Bank Mediator setting up documentations has been endorsed by the SPI Committee and will be submitted for the RBA Board approval.

Finalized projects

- **Rural lending:** The PWG finalized the hybrid public-private solution for removing the current deadlock in utilizing warrants–deposits certificates and the regulations which will enable the implementation of this solution. Also, the PWG held discussion with the Ministry of Agriculture on the proposed institutional and legislative measures. *The SPI Committee endorsed the multi-stakeholder solution to activate the WDC market supported by the catalytic role of the MA, thus marking the successful accomplishment of the project objective.* Also, the SPI Committee recommended that the current Rural Credit Guarantee Fund assumes the proposed functions for the WDC indemnity fund.
- **IFRS Provisioning:** The NBR has finalized the general principles for the new regulation. Also, the impact assessment study has been initiated with the participation of banks and NBR. *The SPI Committee endorsed the set of principles prepared by the PWG for the new IFRS provisioning regulations, expected to be enacted by year-end, thus marking the successful achievement of the project objective.* The SPI Committee asked MEF to lead the impact assessment study to examine the options regarding the fiscal treatment of IFRS provisions.

Lagging behind

- **Lending databases:** The SPI Committee noted the slow progress in the lending database, project that is expected to produce the highest financial impact to the Romanian financial sector among the lagging behind projects. The RBA will revamp the project management group.
- **Law on bank guarantees:** The SPI Committee encouraged the PWG to speed up work on the draft the law in order to have it finalized this fall.

Others

- **Consumer education:** The SPI Secretariat held discussions with OECD on its Financial Education Program and ways to extend the international organization knowledge and experience on the matter to Romania. The SPI Secretariat started preparing a proposal for a national strategy for promoting consumer financial education. *The PWG will review and endorse the strategy for a nation-wide financial literacy campaign, including specific guidelines for relevant stakeholders to promote customers' financial education, thus marking the successful achievement of the project objective.*
- **Stress testing:** The NBR started preparing its input on the central bank experience in banks' stress testing and the recommended guidelines for banks. The paper jointly prepared by the NBR and the SPI Secretariat will be disseminated and discussed with banks. *A roundtable between banks and NBR on stress testing will mark the achievement of the project objective.*

Other Developments

- **SPI Committee Meeting:** The fourth SPI Committee meeting was held on July 25, 2007. The members of the SPI Committee commended the finalization of the SPI projects on rural lending and IFRS provisioning and recommended to speed up work on the remaining 2007 SPI Projects. Also, the SPI Committee encouraged the build-up of a list of some 40 sound public-private project proposals for 2008. The SPI Committee decided to use the RBI as the institutional platform for SPI 2008.
- **SPI Secretariat visit to Serbia:** On July 27, 2007, the SPI Romania Secretariat has made a visit together with the Convergence Head to Belgrade to meet with relevant Serbian financial sector stakeholders in order to help them consider launching the SPI in Serbia by the end of 2007.
- **Launch of the SPI Program website:** The SPI Romania website www.spi-romania.eu was launched. The website is a comprehensive and transparent representation of the SPI projects and initiatives.
- **SPI 2008 Pipeline:** The SPI Secretariat started receiving project proposals for 2008 from SPI stakeholders. The SPI Secretariat will ensure that the SPI 2008 projects will meet the selection methodology approved by the SPI Committee. The SPI stakeholders are encouraged to continue sending their project proposals to the SPI Secretariat.

Highlights of expected August activities

- MEF designates the members to the IFRS provisioning impact assessment working group;
- Financial education project advances well.

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