Summary of Questionnaire Results

Project SPI:
Proposed regulation: Regulation nr. 3/2007 on restriction of the credit risk on credits granted to individuals

Questionnaire for banks and consumers on restriction of the credit risk on credits granted to individuals

This questionnaire is part of an IA simulation exercise being carried out by functions of the Romanian government in concert with the World Bank and external IA experts from the UK and Ireland. Its purpose is to provide us with information about a problem to which a regulatory solution was found and information on the costs and benefits of the regulatory solution and of two alternative options that could in principle have been chosen instead.

Section 1: What is the problem?

In this section we consider what the rationale for a particular regulatory intervention might have been.

We are looking at NBR Regulation no. 3/2007 on restrictions of the credit risk on credits granted to individuals

In our view, the problem being addressed by this regulation is as follows: there are two distinct elements to be considered:

a) the repeal of the 2005 regulation, and

b) the introduction of the 2007 regulation.

The 2005 regulation needed to be repealed because of EU competition. Instead 2007 regulation was introduced in order to manage potential market failure consisting in not properly managing credit risk.

Question 1: do you agree with us that the problem is as described above? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.

CONSUMERS: Yes.

BANK 1: Yes, we agree to the description above

NBFI 1 : Yes, we agree with your assessment of the problem. However, please note that the replacement of the 2005 regulation by the 2007 regulation does not create a free competitive market due to the fact that NBR, when approving crediting norms for the players, still limits the debt to income ratio applicable to consumer lending according to internal rules which are not transparent to the market.

NBFI 2 : Yes, it needed correction, but lack of proper consultation resulted in a new regulation that is very unclear and introduces divisions in the market. These divisions are anticompetitive in that large NBFI’s (in the Special Register) are subjected to strict lending controls that smaller NBFI's (in the General Register) do not have to comply with. On top of this, an NBFI that has passported into the country using their European parent banking licence does not have to comply with any lending regulations imposed by the NBR at all, irrespective of their size.

Question 2: the regulatory failure caused by the 2005 regulation could not have corrected itself without intervention. Do you think that the policy concerns that gave rise to the 2007 regulation would have been corrected by the market in the short term? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant, for instance statistics from other similar foreign experiences) where at all possible.

CONSUMERS: Concerning EU competition - a measure should have been taken. There is still the risk of distortion of competition as Norm 3/2007 does not apply to all credit institutions.

BANK 1: The market would have corrected some of the concerns, but it is hard to estimate if this would have happened on short term (say 1 year) or medium term (say 2-3 years). Anyway, it is hard to believe that the market would have corrected AALL of the concerns in a short term

NBFI 1: Indeed, the issues generated by the 2005 regulation could not have been corrected by the market itself. Therefore, we believe that an intervention was needed however, we do not believe that the way the 2007 regulation approached the issue was appropriate. It is important to understand that the main driver for the players in the market is the development of profitable activity, which implies inter alia also a proper risk management.

We admit that some heretic movements in the market of some players with high risk appetite could lead to isolated unbalances, but these players are monitored by NBR in their general behaviour, including but not limited to their financial performance.

NBFI 2: As shown by ALB, our trade Association, credit restrictions, such as imposing maximum credit limits have unintended consequences on the financial market, and, consequently, a negative impact on consumers.

The restrictions introduced in 2005 generated distortions on the financial market such as:

- There is a tendency to grant credits on longer terms, so that the monthly repayments observe the allowed limits, the consequence being more expensive credits for customers.
- Lenders are encouraged to grant loans at the maximum value allowed, over the amount the customer needs, aiming at excluding competition. Consequently, customers may end up contracting credits that exceed their financial needs.

- The customers on low income are financially excluded, because they will not have access to loans any longer. In this case, the consequence is encouraging the illegal crediting.

As regards the consumer credit, the latest developments have shown that the market immediately reacted and found alternatives very fast. For example, the "credit with ID" – a concept widely mentioned in the media, but which didn't exist in reality (creditors applied their own system of verifying the potential customers) – has been replaced by flexible instruments, such as credit cards.

Credit restrictions limit this growth potential, and more seriously, affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term.

There are also studies showing that a too low level of credit create debt problems. Although it looks surprising at first glance, the *ORC Macro Study of the problem of Consumer Indebtedness* conducted for the European Commission in 2001 shows that in **countries** (Austria, Germany, Greece, Spain, Italy and Portugal) **credit level is low** *there is a high proportion of indebted households with debt problems"*. One explanation is that *"households in countries with restricted access to credit are severely constrained in their ability to borrow and to smooth out fluctuations in income and other adverse impacts" (ORC Macro Study of the problem of Consumer Indebtedness).*

Maintaining lending restrictions considerably affects the process of credit sector liberalization and does not lead to the results expected. As mentioned above, concrete data show that economies without credit restrictions operate more efficiently than the ones where such restrictions exist.

Section 2: What are the possible policy solutions.

In this section we identify 4 possible policy solutions to the problem identified in section 1 above. Clearly other options could have been considered.

The Options analyzed are the following:
I. Do Nothing Option - Maintaining the provisions of Norms No. 10 of July 27th, 2005 on mitigation of the credit risk related to credits granted to individuals;
II. Option 1 – The new Regulation no. 3/2007 on restriction of the credit risk on credits granted to individuals.
III. Option 2 - Self Regulation (e.g. A Voluntary Code elaborated by Lenders Professional Association)
IV. Option 3 – Bring amendments to Norms no. 10 / 2005 in order to keep uniform limits at the level of all financial institutions, but at the same time, adjusted to different categories of consumers (incomes)

Considering each of these options, please prepare answers to the questions in the following Cost Benefit Analysis (CBA) Section, to be later discussed during a meeting with our representative. For each answer, please provide a qualitative and, if possible, a quantitative assessment with a monetary value attached.

Section 3: Cost-Benefit Analysis

I. Do Nothing Option – Maintaining the provisions of Norms No. 10 of July 27th, 2005 on mitigation of the credit risk related to credits granted to individuals

Costs to regulated banks		
	Questions	**Answer**
1.	The repealed regulation prevented banks from granting higher volumes of loans. Do you think that maintaining the old norms would have significantly prevented an increase of lending/access to credit without impairing the quality of credit?	**BANK 1:** No. We think that the quality of credit isn`t in direct relationship with the old repayment rule. The customers capacity of repayment is not correctly appreciated and this thing generate bad debts. **NBFI 1:** We agree that Norm 10 significantly prevented an increase of lending access to credit, and as a consequence preserved the quality of credit. According to G.O. no. 28/2006 our company started to be supervised by NBR at the end of 2006 and started to apply Norm 10 immediately. In 7 month the consumer portfolio decreased with 71 %. **NBFI 2:** As stated by our trade association, ALB, the implementation of the old norms had some unintended consequences that caused distortions on the market: - Lending on longer terms (to ensure that the monthly repayment rate is under the maximum limit), with a negative impact on costs and credit risk (NBR statistics could be available) - Increased bureaucracy - Financial exclusion of low income

Costs to regulated banks		
	Questions	**Answer**
		categories - Anti-competitive market – unfavorable treatment for NBFI's compared with banks. In addition, the current regulation creates discriminatory conditions between NBFIs in the Special Registry and those in the General Register. Moreover, the passporting rules will favor NBFIs set up by credit institutions based in other EU countries, which do not have to observe the credit restrictions. In effect consumers were charged higher interest rates for this option as they often repaid the loans earlier than term in order to borrow again.

Benefits to regulated banks		
	Questions	**Data**[1]
1	We think that "do nothing option" would have affected credit activity. Please provide information on the following items	**NBFI 1:** Comment: Many non banking financial institution, including our company, which implemented Norm 10 after the registration in the Special Register and did not obtain yet the approval of a new credit policy from NBR, are still falling within a situation very similar to the "Do Nothing Option" **NBFI 2:** Not applicable due to the fact the **NBFI 2** started its operations at the beginning 2006.
a.	- Annual Growth Rate of Credits granted to individuals	**BANK 1:** 40.25% in 2006 **NBFI 1:** - decrease with 71% in 7 months **NBFI 2:**
b.	- NPL rate	**BANK 1:** 0.90% (off-balance sheet individuals loans and past due individual loans more than 90 days) **NBFI 1:** Mid 2007 – 0.0538 % **NBFI 2:**

[1] Please provide data regarding the period before the implementation (by the end of 2006) of Regulation 3/2007

c.	- Market Share	**BANK 1 :** 6.45% for individuals loans at 31.05.2007 **NBFI 1:** decreasing from 0.55 % to 0.17 % in 7 months (percentages as of total leasing market, including corporate) **NBFI 2:**
2	Do you think that there are other benefits that have not been considered? Please suggest	**Answer** **BANK 1:** Cannot evaluate **NBFI 1:** We did not perceive any benefits whatsoever in the “:Do Nothing Option” **NBFI 2:** Not the case

Market impact – *(addressed both to banks and to consumers)*		
	Questions	**Answer**
1	We think that “do nothing option” would have affected the quality and variety of products and efficiency of competition. How do you assess that the following items would have been affected?	**NBFI 2:** This option created an anticompetitive environment for NBFI’s, who were treated like banks, even though they do not compare to banks in terms of assets (NBFIs are not allowed to attract deposits) or in terms of portfolio of products. The conditions for NBFIs were discriminatory also because they did not have access to overdrafts, which were exempted from the credit restrictions. The credit insurance element could have also caused problems, increasing the costs for the consumers (this requirement has been eventually removed from the regulation). As regards the competitive aspect, one consequence of the N10/2005 was that lenders were encouraged to rule out competitors by granting loans up to the maximum limit, without properly evaluating the customer’s solvency. We can not answer this question more specifically, because **NBFI 2** provides a single product.
1.	Quality of products offered *(Please choose among the proposed options)*	**CONSUMERS:** a) significant increase_____ b) significant decrease – probably c) no significant effect_____

		BANK 1 : a) significant increase_____ b) significant decrease_____ c) no significant effect_X____ **NBFI 1:** a) significant increase_____ b) significant decrease_____ c) no significant effect_YES____ **NBFI 2:**
2.	Variety of products (e.g. no. of products offered to individuals) *(Please choose among the proposed options)*	**CONSUMERS:** a) significant increase_____ b) significant decrease_yes____ c) no significant effect_____ **BANK 1:** a) significant increase_____ b) significant decrease__ X _ c) no significant effect__ ___ **NBFI 1:** a) significant increase_____ b) significant decrease_____ c) no significant effect_YES____ (compared to the 2005 situation) **NBFI 2:**
3.	Efficiency of competition *(Please choose among the proposed options)*	**CONSUMERS:** a) significant increase_____ b) significant decrease__ yes ___ c) no significant effect_____ **BANK 1:** a) significant increase_____ b) significant decrease__ X__ c) no significant effect___ _ **NBFI 1:** a) significant increase_____ b) significant decrease_YES____ c) no significant effect_____ **NBFI 2:**

Costs to consumers		
	Questions	**Answer**
1.	Do you think that consumers' access to lending is limited under these circumstances?	**CONSUMERS:** For some categories of consumers access to lending is limited. **BANK 1:** Yes, since the monthly repayment value is limited to max 40% of the monthly income, no matter if it is a 300 EUR or 5000 EUR monthly income. **NBFI 1:** Yes, significantly limited.

Costs to consumers		
	Questions	**Answer**
		NBFI 2: Lower income groups found (and still find) it much harder to meet the minimum threshold imposed by lenders (banks and NBFIs in the Special Registry), according to the Norm 10 and the existing regulations. Such restrictions affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term.
2	Do you think the current option can bring other costs to consumers? Please write if any.	**CONSUMERS:** No. **BANK 1:** A shift of costs from interest rate to loan fees and commissions **NBFI 1:** Yes, because compliance with any regulation would induce additional costs for the players (to be transferred to the consumers). **NBFI 2:** By maintaining the limits on credit restrictions, the current regulation continues to favor lending on longer terms, which increases the costs for the consumers. Categories of consumers on low income are financially excluded, which could encourage illegal lending.

Benefits to consumers		
	Questions	**Answer**
1.	Do you think that the lending limits could protect consumers against over-indebtedness?	**CONSUMERS**: Yes, lending limits to prevent consumers' over-indebtedness are necessary. **BANK 1:** No, as long as there is no nationwide database containing all the granted loans, and banks have to rely more or less on individual statements regarding indebtness. **NBFI 1:** In a certain measure, but this should be assessed by the client and the lender considering the risk profile of the consumer

Benefits to consumers		
	Questions	**Answer**
		NBFI 2: Studies conducted in highly developed financial markets show that the main causes of over-indebtedness are life events (unemployment, marriage breakdown, childbirth). Arrears are also generated by household bills, rather than credit (e.g. UK – the Kempson study on over-indebtedness in Britain conducted for the Department of Trade and Industry in 2002 DTI). As mentioned before, credit restrictions affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term. There are also studies showing that a too low level of credit create debt problems. Although it looks surprising at first glance, the *ORC Macro Study of the problem of Consumer Indebtedness* conducted for the European Commission in 2001 shows that in **countries** (Austria, Germany, Greece, Spain, Italy and Portugal) where **credit level is low** *there is a high proportion of indebted households with debt problems”*. One explanation is that *“households in countries with restricted access to credit are severely constrained in their ability to borrow and to smooth out fluctuations in income and other adverse impacts”*.
2.	Do you think the current option can bring other benefits to consumers? Please write, if any.	**CONSUMERS:** No. **BANK 1:** No **NBFI 1:** No benefits foreseen. **NBFI 2:** NA

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Development of responsible lending practices and access to credit to	**CONSUMERS:** No.

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	specific categories of clients are the main specific policy objectives considered by the regulation. Do you think that this option brings unintended consequences (both positive and negative)?	**BANK 1:** Negative consequences: Limits the acces of customers to mortgage loans (the regulated 25 % downpayment) Limits the acces of medium to high income customers to loans with higher value. Positive consequences: None **NBFI 1:** We agree that the development of responsible lending practices is important in a healthy market. However, 2005 regulation introduces significant distortions in the market due to: i) timing differences between the registration of certain NBFIs with the Special Register (and hence the application of the crediting constraints); ii) the existence of two level of supervision for different players (those in the Special Register and those in the General Register) iii) the existence of other passporting EU firms which do not fall under the NBR supervision **NBFI 2:** In the UK, a highly developed financial market, responsible lending practices are ensured through **strong industry codes of practice, debt advice systems and networks** (e.g. Citizens' Advice have about 2,000 or so outlets), **legal rules** to give the customer a breathing space (e.g. time orders and default notices), **insolvency systems** to deal with irretrievable problems (e.g. bankruptcy, administration orders & IVAs), and **devices within the credit product itself** (e.g. minimum payment on credit cards; e.g. the new **flexible** mortgages). Shock absorption systems within modern credit products are often overlooked but are vitally important. **The unintended consequences** of the old and current credit restrictions in Romania are: - Lending on longer terms, with a

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		negative impact on costs and credit risk - Increased bureaucracy - Financial exclusion of low income categories - Anti-competitive market (see above).

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that this option brings implication for competition (namely, competition between Romanian firms, and competition between Romanian firms and other passporting EU firms)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS:** Yes, distortion of competition. **BANK 1:** All the non Romanian banks (branches of foreign banks) will not be legally bound to observe the NBR regulations, and will grant loans according to their mother bank risk policy. Competition on the market is affected. **NBFI 1:** Yes, passporting EU firms (not being supervised by NBR) have an important competitive advantage compared to supervised institution. Also, Romanian NBFIs which are not supervised by NBR due to the delays in the registration procedure, as well as the NBFIs that qualified only for the registration in the General Register, have an important competitive advantage compared to players qualified for the Special Register. **NBFI 2:** According to the current regulation, credit restrictions apply only to banks and NBFIs in the Special Registry. Firstly, NBFIs shall no be subject to the same regulations as banks, as they do not compare to banks in terms of assets (NBFIs are not allowed to attract deposits) or in terms of portfolio of products. Secondly, the current regulations are discriminatory also because NBFIs in the Special Registry have to comply with stricter rules that those in the General Register. Thirdly, the passporting rules are likely to

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		increase unfair competition, because credit restrictions do not apply to the NBFIs set up in Romania by credit institutions based in other EU countries.

Social impact *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	What are likely to be, according to your opinion, social impacts of this option (e.g. restriction of access to regulated credit sources, potential inflation of house prices)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS:** No. **BANK 1:** Medium to high income customers have limited aces to loans of high nominal value. Prices oh houses could not increase too much, because customers were not able to access large value loans. **NBFI 1:** The restriction of access to regulated credit sources will lead the clients to non-regulated, expensive and (from social perspective) riskier markets. **NBFI 2:** Categories of consumers on low income are financially excluded, which could encourage illegal lending. As mentioned before, credit restrictions affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term. There are also studies showing that a too low level of credit create debt problems (*the ORC Macro Study of the problem of Consumer Indebtedness).*

Further impacts not considered		
	Questions	**Answer**
	Do you think that there are other impacts which are worth of being	**CONSUMERS:** No.

Further impacts not considered		
	Questions	**Answer**
	taken into account of and which have not been identified yet? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**BANK 1:** Nothing we can identify at this moment, apart of those described in the answers above . **NBFI 1:** In order to comply with the DTI ratio constraints, the players in the market would try to find alternative solutions, most of them leading to higher risks to be assumed by the lender (e.g. longer tenors, non-commercial interest rates). Finally, this would end up in higher costs for the system (although the short term effects would be beneficial for the consumers). **NBFI 2:**

II. Option 1 – Elaboration of a new regulation (Regulation no. 3/2007)

Costs to regulated banks		
	Questions	**Data**
Compliance costs		
We think that Option I results in compliance costs incurred by banks both for elaboration of internal norms and for procedural and IT changes. Please provide an approximate estimate of the following itemized cost categories.		**NBFI 2:** NBFI 2 has been included in the General Registry of NBFIs. The company will have to submit the internal lending policies to the NBR once it will be included in the Special Registry, possibly in the second half of 2008. The rough estimate of the costs for drafting the new internal policies is approx 120,000 Euro.
1. Elaboration of internal norms		
1.1.	- no. of persons that worked at the elaboration of norms	**BANK 1**: 6 persons for CC and OD regulation and 2 persons for individual loans regulation **NBFI 1**: 3 **NBFI 2:** NA
1.2.	- no. of days worked by all the persons indicated in 1.1 for the elaboration of norms	**BANK 1**: 5 days worked by the persons implicated in CC and OD norms elaboration and 30 days worked by the other mentioned persons. **NBFI 1:**

Costs to regulated banks		
	Questions	**Data**
		30 **NBFI 2:** NA
1.3.	- average monthly salary of people involved in the elaboration of norms	**BANK 1:** 1.000 EUR **NBFI 1:** EURO 1800 (net) **NBFI 2:** NA
2. IT Costs		
2.1	- the total no. of persons that worked at the implementation of IT system	**BANK 1:** 5 **NBFI 1**: 3 **NBFI 2:** NA
2.2	- no. of days worked by all the persons indicated in 2.1 for the elaboration/installation of new software	**BANK 1**: 10 **NBFI 1**: 120 **NBFI 2:** NA
2.3	- average monthly salary of an IT person in the bank	**BANK 1**: 1500 EUR **NBFI 1**: **NBFI 2:** NA
2.4	- *new soft acquisition*	**BANK 1:** **NBFI 1**: EURO 900 (net) **NBFI 2:** NA
3. Training of personnel costs		
3.1	- no. of training sessions held for the new norms	**BANK 1**: Not available yet **NBFI 1**: 10 **NBFI 2:** NA
3.2	- no. of hours of a training session	**BANK 1**: Not available yet **NBFI 1**: 4 **NBFI 2:**

Costs to regulated banks		
	Questions	**Data**
		NA
3.3.	- average monthly salary for a trainer	**BANK 1:** Not applicable because of the two answers above **NBFI 1**: EURO 1000 (NET) **NBFI 2:** NA
4. Validation Costs		
4.1	- no. of persons collaborating with NBR in the process of validation	**BANK 1:** 9 **NBFI 1:** 3 **NBFI 2:** NA
4.2	- no. of days worked by all persons indicated in 4.1 for the validation process of norms	**BANK 1:** 30 **NBFI 1**: 3 **NBFI 2:** NA
4.3	- average monthly salary of people involved in the elaboration of norms	**BANK 1**: 1000 EUR **NBFI 1**: EURO 1800 (net) **NBFI 2:** NA
Indirect costs[2]		
1.	- There are indirect costs to banks produced by option 1 that you may deem should be considered?	**BANK 1**: Amounts payd to service providers for outsourced development of lending systems (e.g. for card related lending) **NBFI 1**: Cost of managing the ongoing relationship with the NBR (e.g. personnel, IT system upgrade) **NBFI 2:** NA

[2] Namely, those costs which are negative effects of a regulatory policy in the market. Indirect costs are usually divided further into the costs resulting from a change in the quantity, the quality and the variety of products sold, as well as a change in the effectiveness of competition.

Other direct costs		
	Questions	**Answer**
1.	Do you that this option can produce other direct costs that have not been taken into account? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible	**BANK 1:** Stationary costs (update of credit applications, loan agreements, etc, destroying “old” stationary) **NBFI 1:** No other foreseen direct costs. **NBFI 2:** NA

Benefits to regulated banks		
	Questions	**Data**[3]
1	We think that “Option I” has affected credit activity. Please provide information on the following items	**NBFI 2:** Not applicable due to the fact the **NBFI 2** started its operations in 2006 and is included in the General Registry of NBFIs.
a.	- Annual Growth Rate of Credits granted to individuals	**BANK 1**: Cannot estimate at this moment (our bank has not yet been granted approval for the “new” Loan Norms/procedures **NBFI 1**: No identified yet due to the delays in the new crediting norms approval process **NBFI 2:** NA
b.	- NPL rate	**BANK 1:** Not applicable because of the answer above **NBFI 1**: No identified yet due to the delays in the new crediting norms approval process. **NBFI 2:** NA
c.	- Market Share	**BANK 1**: Not applicable because of the answer above **NBFI 1**: No identified yet due to the delays in the new crediting norms approval process. **NBFI 2:** NA

[3] Data referring to 1 year implementation period.

2	Do you think that there are other benefits that have not been considered? Please suggest	**Answer** **BANK 1:** Cannot estimate **NBFI 1**: No foreseen benefits. **NBFI 2:** NA

Market impact– *(addressed both to banks and to consumers)*		
	Questions	**Answer**
1	We think that "Option I" would have affected the quality and variety of products and efficiency of competition. How do you assess that the following items would have been affected?	**NBFI 1**: Comment 1: After Regulation 3 enforcement consumers were lead to those financial institutions which: 1. succeeded to obtain an approval for the new credit policy from NBR after Regulation 3 enforcement 2. were not registered in the Special Register (eligible NBFIs which postponed their registration process) 3. not have to be registered in the Special register (other passporting EU financial institutions, NBFIs registered only in the General Regsiter) Comment 2: criteria used in approving the new credit procedure for banks/NBFIs are not transparent to the market and). **NBFI 2:** As already mentioned, according to the current regulation, credit restrictions apply only to banks and NBFIs in the Special Registry. Firstly, NBFIs shall no be subject to the same regulations as banks, as they do not compare to banks in terms of assets (NBFIs are not allowed to attract deposits) or in terms of portfolio of products. Secondly, the current regulations are discriminatory also because NBFIs in the Special Registry have to comply with stricter rules that those in the General Register. Thirdly, the passporting rules are likely to increase unfair competition, because credit restrictions do not apply to the NBFIs set up in Romania by credit institutions based in other EU countries.

1.	Quality of products offered *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__probably b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect___X__ **NBFI 1**: a) significant increase__YES b) significant decrease_____ c) no significant effect_____ **NBFI 2:**
2.	Variety of products (e.g. no. of products offered to individuals) *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes___ b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect___ X _ **NBFI 1**: a) significant increase__YES b) significant decrease_____ c) no significant effect_____ **NBFI 2:**
3.	Efficiency of competition *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase_____ b) significant decrease___ __ c) no significant effect____ X _ **NBFI 1**: a) significant increase________ b) significant decrease_____YES c) no significant effect_____ **NBFI 2:**

Costs to consumers		
	Questions	**Answer**
1	Do you think that consumers' access to lending is limited under these circumstances?	**CONSUMERS**: - Some categories of consumers (with low incomes) would not have access to lending. - Consumers would have to gather and

Costs to consumers		
	Questions	**Answer**
		assimilate not only large amount of information but also a very diversified one, therefore consumers could have difficulties when comparing the credit offers. **BANK 1**: Yes , for customers whit monthly income below 350 EUR and supporting a family of at least 3 members **NBFI 1**: Yes, we consider that the access is still limited because only a limited number of players are in the categories mentioned above Comment 1 **NBFI 2:** Categories of consumers on low income are financially excluded, which could encourage illegal lending.
2.	Do you think that lending costs will increase?	**CONSUMERS**: It could be possibly, but, at the same time, if competition increases, then this could be surpassed. **BANK 1**: Yes for most of the customers, no for the upper customer segment (say people whit monthly income above 2000 EUR) **NBFI 1**: The lending costs will increase due to implementation and compliance costs **NBFI 2:** The costs will increase due to the fact that the tendency to lend on longer terms in order to comply with the maximum credit exposure will be maintained.
3.	Do you think that lower income consumers will be disadvantaged because of taking in consideration the deductible expenses (living)?	**CONSUMERS**: Yes. **BANK 1**: YES . (customers wiht monthly income below 350 EUR/month, having to support a 3 members family will NOT qualify under the current regulations no 3/2007 for any tipe of bank loans, given that the minimum deductible expenses -living costs - are currently around 100 EUR per family member)

Costs to consumers		
	Questions	**Answer**
		NBFI 1: Yes, thei will be disadvantaged. Even more, the quasi-monetary incomes like meal tickets are not considered as a part of the monthly income, even if these instruments are fully regulated. **NBFI 2:** As mentioned before, credit restrictions affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term. Studies show that in **countries where credit level is low** *"there is a high proportion of indebted households with debt problems"* (*the ORC Macro Study of the problem of Consumer Indebtedness).*
4	Do you think the current option can bring other costs to consumers? Please write if any.	**CONSUMERS**: Consumers would need to use more resources (time, the documents needed to obtain the credit could vary very much form one bank to another, own rules of banks could become stronger) in order to find out and gather information and to obtain the credit. **BANK 1**: YES, at least for customers in the lower segment that still qualify for loans (say between 500-100 EUR monthly income) Banks will probably try to compensate the shrinking of the customer base whit higher fees/commissions (not necessary higher interest rates) applied to loans **NBFI 1**: Probably, some players will adjust their pricing with a risk premium according to the coustomer category. **NBFI 2:** The current credit restrictions considerably affect the process of credit sector liberalization, with a negative impact on the costs and the availability of financial services for consumers.

Benefits to consumers		
	Questions	**Answer**
1.	Do you think that consumers' access to lending is improved under these circumstances?	**CONSUMERS**: Yes, for certain categories of consumers. **BANK 1**: No . Only people whit income of at least 1000-1500 EUR/month will benefit from the new regulation 3/ 2007 **NBFI 1**: If applied consistently and transparently, the Regulation 3 should lead to more flexible crediting norms that will broaden the range of products the individuals would have access to. **NBFI 2:** Not the case.
2.	Do you think the current option can bring other benefits to consumers? Please write, if any.	**CONSUMERS**: Diversity of products – qualitative and quantitative. **BANK 1:** Better acces to high value loans for customers whot monthly income higher than 2000 EUR **NBFI 1**: Benefits: - wider range of products - better products for the consumers, due to competition efficiency **NBFI 2:** Not the case.

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Development of responsible lending practices and access to credit to specific categories of clients are the main specific policy objectives considered by the regulation. Do you think that this option brings unintended consequences (both positive and negative)[4]?	**CONSUMERS**: Yes. It would take time for consumers to familiarize with the new rules. **BANK 1**: Negative consequences: Low to medium income customers will get no or less credit than under the previous regulations. Prices of houses may increase . Positive consequences:

[4] For banks, an example could be the losses registered within the period between the elaboration and validation of internal norms.

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		Above medium income customers will access higher volumes of loans than under the previous regulations. Overall consequences: The number of customers that qualify for loans will decrease, competition between banks to attract ”good” customers will increase, and will probably bring a cost decrease for these customers. The customers that will not have access to bank loans will probably move toward Non Bank financial Institutions, which will ask higher prices for their loans, because there will be no competition against bank. As a result: wealthy people will constantly increase their living standards, people whit below average income will pay more for financial services, especially loans. **NBFI 1**: We agree that the development of responsible lending practices is important in a healthy market. However, 2007 regulation introduces significant distortions in the market due to: i)timing differences between the registration of certain NBFIs with the Special Register (and hence the application of the crediting constraints) ii) timing differences between the approvals of the credit policy for different players iii) the existence of two level of supervision for different players (those in the Special Register and those in the General Register) iv) the existence of other passporting EU firms which do not fall under NBR supervision **NBFI 2:** Credit restrictions (N no 10/2005 and Regulation no3/2007) question, in fact, the capability of lenders to grant loans responsibly. In Romania, the legal framework ensures through monitoring different indicators the health of financial

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		institutions. Credit restrictions of this type are causing distortions on the market, as mentioned before: - Lending on longer terms, with a negative impact on costs and credit risk - Increased bureaucracy - Financial exclusion for persons on low income - Anti-competitive market

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that this option brings implication for competition (namely, competition between Romanian firms, and competition between Romanian firms and other passporting EU firms)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: On one hand it would increase competition between Romanian firms, on the other hand, it would determine distortion of competition between Romanian firms and other passporting EU firms which are not subject to the regulation. **BANK 1**: All Romanian registrated banks will have to get National Bank of Romania approval/advise for their lending norms/procedures. All the non Romanian banks (branches of foreign banks) will not be legally bound to observe the NBR regulations, and will grant loans according to their mother bank risk policy. Competition on the market is affected. **NBFI 1**: All above mentioned issues are arguments for the fact that the free competition on the credit market is impaired. **NBFI 2:** As already mentioned, according to the current regulation, credit restrictions apply only to banks and NBFIs in the Special Registry. Firstly, NBFIs shall no be subject to the same regulations as banks, as they do not compare to banks in terms of assets (NBFIs are not allowed to attract

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		deposits) or in terms of portfolio of products. Secondly, the current regulations are discriminatory also because NBFIs in the Special Registry have to comply with stricter rules that those in the General Register. Thirdly, the passporting rules are likely to increase unfair competition, because credit restrictions do not apply to the NBFIs set up in Romania by credit institutions based in other EU countries.

Social impact *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	What are likely to be, according to your opinion, social impacts of this option (e.g. restriction of access to regulated credit sources, potential inflation of house prices,)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: It is hard to estimate at this stage. **BANK 1**: Low to medium income customers will get no or less loans than under the previous regulations. Above medium income customers will aces higher volumes of loans than under the previous regulations. The number of customers that qualify for loans will decrease, competition between banks to attract ”good” customers will increase, and may bring a cost decrease for the upper segment of customers. The customers that will not have aces to bank loans will move toward Non Bank financial institutions, which will ask higher prices for their loans, because there will be no competition against bank. As a result: wealthy people will constantly increase their living standards, people whit below average income will pay more for financial services, especially loans. Consumer lending will stagnate or only slightly increase (for banks, at least as number of loans granted). **NBFI 1**: 1. The over indeptedness of certain customers, bad debts followed by

Social impact *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		debit execution 2. Potential inflation of house prices **NBFI 2:** Categories of consumers on low income are financially excluded, which could encourage illegal lending. As mentioned before, credit restrictions affect low income people capacity of dealing with some temporary difficulties, when they need relatively small amounts, on short term. There are also studies showing that a too low level of credit create debt problems (*the ORC Macro Study of the problem of Consumer Indebtedness).*

Further impacts not considered *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that there are other impacts which are worth of being taken into account of and which have not been identified yet? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: No. **BANK 1**: Nothing we can identify at this moment, apart of those described in the answers above . **NBFI 1**: **NBFI 2:** The current credit restrictions considerably affect the process of credit sector liberalization, with a negative impact on the costs and the availability of financial services for consumers.

III. Option 2 Self Regulation (e.g. Voluntary Code)

Costs to regulated banks		
	Questions	**Answer**
Compliance costs		
1	**Elaboration of the Voluntary Code**	
1.1.	Should a self-regulatory solution have been adopted, do you think that banks would have incurred additional[5] significant costs? If yes, please explain some example of costs.	**NBFI 1**: The elaboration process will engage significant of resources (people, systems, processes) that will be reflected in credit costs. **NBFI 2:** For responsible lenders, the costs will be lower than implementing mandatory legal provisions.
2. Elaboration of internal norms		
2.1.	In comparison to your reply to Question 1 under Option 1, how do you assess the elaboration of self-regulatory norms (e.g. Voluntary Code) in terms of staff required?	**NBFI 1**: The elaboration effort will increase (negotiations), so the resources allocated would increase. **NBFI 2:** Such an Option would involve the efforts of different players on the market, through the ALB (our trade association). The costs of drafting such policies would be shared by the ALB members. So, the costs will be lower than implementing mandatory legal provisions.
.a)	Option 2 would have been significantly more expensive than option 1 in terms of staff required	**BANK 1**:- **NBFI 1**: Probably, yes. **NBFI 2:** Not the case, because the industry will produce the Voluntary Code.
b).	Option 2 would have been significantly less expensive than option 1 in terms of staff required -	**BANK 1**:- **NBFI 1**:- **NBFI 2:** Yes, no extra staff would be required.
c).	Option 2 would have been not significantly	**BANK 1**: X

[5] In comparison with "do nothing option".

Costs to regulated banks		
	Questions	**Answer**
	different from option 1 in terms of staff required	**NBFI 1**: **NBFI 2:** The answer is b)
3. IT Costs *(to prepare and implement adequate software programs with different parameters on indebtedness, scoring and other internal procedural rules related to lending activity)*		
3.1	In comparison to your reply to Question 2 under Option 1, how do you assess the elaboration of self-regulatory norms (e.g. Voluntary Code) in terms of implied IT costs?	**NBFI 1**: It will depend on yhe new Regulations that are to be elaborated and approved **NBFI 2:** Option 1 could require high IT costs for providing the agents with handheld computers and for software development.
a)	Option 2 would have been significantly more expensive than option 1 in terms of implied IT costs	**BANK 1**: - **NBFI 1**: It will dependon the new regulation that are to be elaborated and approved **NBFI 2:** Not the case.
b)	Option 2 would have been significantly less expensive than option 1 in terms of implied IT costs	**BANK 1**: **NBFI 1**: **NBFI 2:** No requirements for extra IT equipment
c)	Option 2 would have been not significantly different from option 1 in terms of implied IT costs	**BANK 1**: X **NBFI 1**: **NBFI 2:** The answer is b)
4. Training of personnel costs		
4.1	In comparison to your reply to Question 3 under Option 1, how do you assess the elaboration of self-regulatory norms (e.g. Voluntary Code) in terms of implied training costs?	**NBFI 1**: It will depend on the new Regulation that are to be elaborated and approved **NBFI 2:** NBFI 2 has in place a responsible lending policy and our staff and representatives have already been provided with compliance training courses. However, new lending policies could require additional training for staff & representatives.

Costs to regulated banks		
	Questions	**Answer**
a)	Option 2 would have been significantly more expensive than option 1 in terms of implied training co sts	**BANK 1**:- **NBFI 1**: It will depend on the new Regulations that are to be elaborated and approved **NBFI 2:** Not the case.
b)	Option 2 would have been significantly less expensive than option 1 in terms of implied training costs	**BANK 1:-** **NBFI 1:-** **NBFI 2:** A Volutary Code of practice would involve lower training costs.
c).	Option 2 would have been not significantly different from option 1 in terms of implied training costs	**BANK 1:** X **NBFI 1:-** **NBFI 2:** The answer is b)

Benefits to regulated banks		
	Questions	**Data**[6]
1	We think that "Option II" has affected credit activity. Please provide information on the following items	**NBFI 1:** Not available information **NBFI 2:** Not applicable due to the fact the **NBFI 2** Financial Romania started its operations in April 2006.
a.	- Annual Growth Rate of Credits granted to individuals	**BANK 1:** Cannot estimate **NBFI 1:** Not available information **NBFI 2:** NA
b.	- NPL rate	**BANK 1:** Cannot estimate **NBFI 1:** Not available information **NBFI 2:** NA
c.	- Market Share	**BANK 1:** Cannot estimate **NBFI 1:** Not available information **NBFI 2:**

[6] Data referring to 1 year implementation period.

		NA
2	Do you think that there are other benefits that have not been considered? Please suggest	**Answer** **BANK 1:** Cannot estimate **NBFI 1:** Not available information **NBFI 2:** NA

Market impact– *(addressed both to banks and to consumers)*		
	Questions	**Answer**
1	We think that "Option I" would have affected the quality and variety of products and efficiency of competition. How do you assess that the following items would have been affected?	**NBFI 1:** Not available information **NBFI 2:** As already mentioned, according to the current regulation, credit restrictions apply only to banks and NBFIs in the Special Registry. Firstly, NBFIs shall no be subject to the same regulations as banks, as they do not compare to banks in terms of assets (NBFIs are not allowed to attract deposits) or in terms of portfolio of products. Secondly, the current regulations are discriminatory also because NBFIs in the Special Registry have to comply with stricter rules that those in the General Register. Thirdly, the passporting rules are likely to increase unfair competition, because credit restrictions do not apply to the NBFIs set up in Romania by credit institutions based in other EU countries. We can not answer this question more specifically, because **NBFI 2** provides a single product.
1.	Quality of products offered *(Please choose among the proposed options)*	**CONSUMERS:** a) significant increase__probably b) significant decrease_____ c) no significant effect_____ **BANK 1:** a) significant increase___X__ b) significant decrease_____ c) no significant effect_____ **NBFI 1:** a) significant increase_____ b) significant decrease_____ c) no significant effect_____

		NBFI 2:
2.	Variety of products (e.g. no. of products offered to individuals) *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__probably b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase____X_ b) significant decrease_____ c) no significant effect_____ **NBFI 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect_____ **NBFI 2:**
3.	Efficiency of competition *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes___ b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase___X__ b) significant decrease_____ c) no significant effect_____ **NBFI 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect_____ **NBFI 2:**

Costs to consumers		
	Questions	**Answer**
1.	Do you think that lending costs will increase?	**CONSUMERS**: It could be possibly, but, at the same time, if competition increases, then this could be surpassed. **BANK 1**: No **NBFI 1**: Not available information **NBFI 2:** No
2.	Do you think that self – regulation could lead to arbitrary decision in lending to individuals?	**CONSUMERS**: Not necessary. **BANK 1**: Yes **NBFI 1**: Not available information **NBFI 2:** Regulation in itself is not 100% effective

Costs to consumers		
	Questions	**Answer**
		in preventing companies from breaking or bending the rules. Actually, this is more likely if those impacted by the regulation do not support them in the first place. In reality it would be impossible to adequately police all NBFI's hence the current lending restrictions apply only to NBFIs in the Special Registry, and not to those in the General Registry. This created an anti-competitive environment. If NBFI's agree to a strong code of practice, there is actually less chance of an individual company breaking it. A code of practice could cover all NBFI's

Benefits to consumers		
	Questions	**Answer**
1.	Do you think that consumers' access to lending is improved under these circumstances?	**CONSUMERS**: No. **BANK 1**: Yes **NBFI 1**: Not available information **NBFI 2:** Yes, significantly. Current lending regulations restrict and even financially exclude lower income groups.
2.	Do you think the current option can bring other benefits to consumers? Please write, if any.	**CONSUMERS**: Diversity of products. **BANK 1**: Yes. Banks may develop special loan products for customers whit smaller incomes, if credit behavior assessment would score a good mark (risk scoring, positive data from credit bureau, etc) This option would not disqualify an entire customer segment based only on the low monthly income. A more customer segment tailored approach may be taken, much more related to credit risk assessment. and credit behavior. **NBFI 1**: Not available information

Benefits to consumers		
	Questions	**Answer**
		NBFI 2: • A free market in which the consumer can choose products best suited to their needs • Lower costs • Increased range of products to choose from

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Development of responsible lending practices and access to credit to specific categories of clients are the main specific policy objectives considered by the regulation. Do you think that this option brings unintended consequences (both positive and negative) [7]?	**CONSUMERS**: - Distortion of competition; - Lowering the level of protection of consumer against over-indebtedness; - Romanian market and consumers not prepared for it yet. **BANK 1**: Positive consequences: More customers have aces to lending. Loan values can be tailored according to the individual income and type of security Negative consequences: Some banks may risk too much, breaking responsible lending practices, in order to gain market share at any cost, but this aspects are in the end regulated by the market mechanism. **NBFI 1**: Not available information **NBFI 2:** In Romania, there is a comprehensive legal framework for NBFIs. We believe that there is no need for lending restrictions, and that self-regulation is a viable option for the financial industry.

[7] For banks, an example could be the losses registered within the period between the elaboration and validation of internal norms.

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that this option brings implication for competition (namely, competition between Romanian firms, and competition between Romanian firms and other passporting EU firms)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS:** Distortion of competition between Romanian firms. **BANK 1**: Competition would be quite fair for both Romanian and non Romanian banks. **NBFI 1**: Not available information **NBFI 2:** This option would ensure a level playing field for all the players: Romanian companies, European companies and other international companies.

Social impact		
	Questions	**Answer**
	What are likely to be, according to your opinion, social impacts of this option (e.g. restriction of access to regulated credit sources, potential inflation of house prices)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**:- **BANK 1**:Inflation of house prices may be a marginal effect, but on short term only. **NBFI 1**: Not available information **NBFI 2:** This option is the least likely to exclude socially disadvantaged individuals.

Further impacts not considered *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that there are other impacts which are worth of being taken into account of and which have not been identified yet? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: No. **BANK 1:** Cannot estimate at this moment **NBFI 1**: Not available information **NBFI 2:** Not the case

IV. Option 3 – Bring amendments to Norm 10 / 2005 in order to keep uniform limits at the level of all financial institutions, but at the same time, adjusted to different categories of consumers (incomes)

Costs to regulated banks		
	Questions	**Data**
Compliance costs		
We think that Option 3 results in compliance costs for banks. Please provide an approximate estimate of the following itemized cost categories.		**NBFI 2:** See answers for Option 1
1	**Elaboration of new internal norms**	
1.1	In comparison to your reply to Question 1 under Option 1, how do you assessOption 3 solution in terms of staff required?	
.a)	Option 3 would have been significantly more expensive than option 1 in terms of staff required	-
b).	Option 3 would have been significantly less expensive than option 1 in terms of staff required -	-
c).	Option 3 would have been not significantly different from option 1 in terms of staff required	**BANK 1:** X **NBFI 1:** Yes **NBFI 2:**
2. IT Costs *(to prepare and implement adequate software programs with different parameters on indebtedness, scoring and other internal procedural rules related to lending activity)*		
2.1	In comparison to your reply to Question 3 under Option 1, how do you assess Option 3 solution in terms of implied IT costs?	
a)	Option 3 would have been significantly more expensive than option 1 in terms of implied IT co sts	
b)	Option 3 would have been significantly less expensive than option 1 in terms of implied IT costs	
c).	Option 2 would have been not significantly different from option 1 in terms of implied training costs	**BANK 1**: X **NBFI 1**: Yes **NBFI 2:**
3. Training of personnel costs		
3.1	- no. of training sessions held for the new norms	**BANK 1**: Same as for option 1 **NBFI 1**: 10 **NBFI 2:**
3.2	- no. of hours of a training session	**BANK 1**: Same as for option 1

Costs to regulated banks		
	Questions	**Data**
		NBFI 1: 4 **NBFI 2:**
3.3.	- average monthly salary for a trainer	**BANK 1**: Same as for option 1 **NBFI 1**: EURO 1000 (net) **NBFI 2:**

Other direct costs		
	Questions	**Answer**
1.	Do you that this option can produce other direct costs that have not been taken into account? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible	**BANK 1**: Same as for option 1 **NBFI 1**: Not available information **NBFI 2:**

Benefits to regulated banks		
	Questions	**Data**[8]
1	We think that "Option 3" has affected credit activity. Please provide information on the following items	
a.	- Annual Growth Rate of Credits granted to individuals	**BANK 1**: Cannot estimate **NBFI 1**: Not available information **NBFI 2:**
b.	- NPL rate	**BANK 1**: Cannot estimate **NBFI 1**: Not available information **NBFI 2:**
c.	- Market Share	**BANK 1**: Cannot estimate **NBFI 1**: Not available information **NBFI 2:**

[8] Data referring to 1 year implementation period.

2	Do you think that there are other benefits that have not been considered? Please suggest	**Answer** **BANK 1**: Cannot estimate **NBFI 1**: **NBFI 2:**

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
1	We think that "Option I" would have affected the quality and variety of products and efficiency of competition. How do you assess that the following items would have been affected?	
1.	Quality of products offered *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect___X__ **NBFI 1**: a) significant increase__yes b) significant decrease_____ c) no significant effect_____ **NBFI 2:**
2.	Variety of products (e.g. no. of products offered to individuals) *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase__X___ b) significant decrease_____ c) no significant effect_____ **NBFI 1**: a) significant increase_______ b) significant decrease_____ c) no significant effect_ yes ____ **NBFI 2:**
3.	Efficiency of competition *(Please choose among the proposed options)*	**CONSUMERS**: a) significant increase__yes b) significant decrease_____ c) no significant effect_____ **BANK 1**: a) significant increase_____ b) significant decrease_____ c) no significant effect__X___

		NBFI 1: a) significant increase________ b) significant decrease_____ c) no significant effect_ yes ____ **NBFI 2:**

Costs to consumers		
	Questions	**Answer**
1.	Do you think that lending costs will increase?	**CONSUMERS**: Not necessary. **BANK 1**: Yes for medium to low income customers. No for medium to income customers **NBFI 1**: Yes, for high risk categories the banks would charge a higher risk premium **NBFI 2:**
2.	Do you think that lower income consumers will be disadvantaged because of taking in consideration the deductible expenses (living)?	**CONSUMERS**: Yes, they could be disadvantaged. **BANK 1**: Customers whit low monthly income would have very limited acces to loans or no acces at all (people with income of 350 EUR and below, and whit a family of at least 3 persons) **NBFI 1**: Yes, they will be disadvantaged. Even more, the quasi-monetary incomes like meal tickets are not considered as a part of the monthly income, even if these instruments are fully regulated. **NBFI 2:**

Benefits to consumers		
	Questions	**Answer**
1.	Do you think that consumers' access to lending is improved under these circumstances?	**CONSUMERS**: Yes, of some categories. **BANK 1**: Yes, but only for customers whit medium to high monthly income (at least 1000 EUR/month) **NBFI 1**: Depends on the limits imposed by the new regulation. **NBFI 2:**
2.	Do you think the current option can bring other benefits to consumers?	**CONSUMERS**: More protection for consumers against

Benefits to consumers		
	Questions	**Answer**
	Please write, if any.	over-indebtedness. **BANK 1:** Only the above mentioned **NBFI 1**: Probably, the interest rates would go down. **NBFI 2:**

Unintended consequences *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Development of responsible lending practices and access to credit to specific categories of clients are the main specific policy objectives considered by the regulation. Do you think that this option brings unintended consequences (both positive and negative)?	**CONSUMERS**:- **BANK 1**: Cannot elaborate answer without knowing the adjustment rates of loan exposures related to groups of customer income (say for the income group of 2000 - 3000 EUR max exposure is 60 %, , for income group 3004 -5000 EUR max exposure is 65 %, etc) **NBFI 1**: I order to comply with the DTI ratio constraints, the players in the market would try to find alternative solutions, most of them leading to higher risks to be assumed by the lender (e.g. longer tenors, non-commercial interest rates). Finally, this would end up in higher costs for the system (although the short term effects would be beneficial for the consumers). **NBFI 2:**

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that this option brings implication for competition (namely, competition between Romanian firms, and competition between Romanian firms and other passporting EU firms)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: Yes, it affects competition. **BANK 1**: All the non Romanian banks (branches of foreign banks) will not be legally bound to observe the NBR regulations, and will grant loans according to their mother bank risk policy. Competition on the market affected. **NBFI 1**:

Impact on competition *(addressed both to banks and to consumers)*		
	Questions	**Answer**
		Yes, passaporting EU firms (not being supervised by NBR) have an important competitive advantage compared to supervised institutions. Also, Romanian NBFIs which are not supervised by NBR due to the delays in the registration procedure, as well as the NBFIs that qualified only for the registration in the General Register, have an important competitive advantage compared to players qualified for the Special Register. **NBFI 2:**

Social impact *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	What are likely to be, according to your opinion, social impacts of this option (e.g. restriction of access to regulated credit sources, potential inflation of house prices)? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: - **BANK 1**: Cannot elaborate answer without knowing the adjustment rates of loan exposures related to groups of customer income (say for the income group of 2000 - 3000 EUR max exposure is 60 %, , for income group 3004 -5000 EUR max exposure is 65 %, etc) **NBFI 1**: Depends on the limits imposed by the new regulation. **NBFI 2:**

Further impacts not considered *(addressed both to banks and to consumers)*		
	Questions	**Answer**
	Do you think that there are other impacts which are worth of being taken into account of and which have not been identified yet? Please explain your answer, including evidence (or suggesting the type of evidence that would be relevant) where at all possible.	**CONSUMERS**: No. **BANK 1**: Cannot elaborate answer without knowing the adjustment rates of loan exposures related to groups of customer income **NBFI 1**: - **NBFI 2:**

III. General questions

A. Do you consider Regulation no. 3 is the best option for your interest?

CONSUMERS:

Yes ☐ No ☒

BANK 1:

Yes ☐ No X☐

NBFI 1:

Yes ☐ No X☐

NBFI 2:

Yes ☐ No ☒

B. Do you think that the new norms validated by NBR will improve credit quality?

CONSUMERS:

Yes, it should. No ☐

BANK 1:

Yes X☐ No ☐

NBFI 1:

Yes X but limited No ☐

NBFI 2:

Yes ☐ No ☒

C. Do you think that the new norms validated by NBR will improve the portfolio of clients?

CONSUMERS:

Yes ☒ No ☐

BANK 1:

Yes X☐ No -

- YES in terms of selecting “good” customers (mid to high monthly income), but also
- NO, because it limits the number of loans granted and does not permit the bank to have a flexible loan policy for customers whit mid to low income (because of the impact of monthly living cost)

NBFI 1:

Yes X☐ No ☐

NBFI 2:

Yes ☐ No ☒