

NATIONAL BANK OF ROMANIA

Circular No. 7 of 25 February 2005

**on the measures to be taken by credit institutions/State Treasury
for enforcement of Law No. 348/2004 on domestic currency redenomination**

Having regard to the provisions of Art. 2 of Order No. 1840/2004 issued by the Ministry of Public Finance on the approval of the Notes on the measures to be taken for enforcement of Law No. 348/2004 on domestic currency redenomination and of Art. 44 para. (2) of Law No. 82/1991–Accounting Act, as republished,

Pursuant to the provisions of Art. 48 of Law No. 312/2004 on the Statute of the National Bank of Romania,

The National Bank of Romania issues this Circular:

Art. 1. (1) Starting May 2005, the National Bank of Romania shall ensure frontloading of credit institutions with the new currency (RON) based on agreements concluded between the National Bank of Romania and the credit institutions.

(2) For the RON notes and coins to be collected from the National Bank of Romania by 1 July 2005, credit institutions shall pledge with the National Bank of Romania collateral backed by government securities issued by the Ministry of Public Finance and/or certificates of deposit issued by the National Bank of Romania that do not fall due during the period for which they were pledged. The value of collateral shall be updated with the reading recorded on the day prior to the day it was pledged. The collateral shall fully cover the value of RON notes and coins collected from the National Bank of Romania; the value shall be updated at the time of signing the collateralisation agreement between the National Bank of Romania and the credit institution.

(3) The RON notes and coins to be frontloaded to credit institutions prior to 1 July 2005 shall be recognised as off-balance sheet items under account 9981.

(4) On the basis of the collateral set up in accordance with para. (2), credit institutions may use RON notes and coins to make payments starting 1 July 2005.

(5) On 4 July 2005, the operations of collecting RON notes and coins, including the related commission fees, shall be settled in virtue of the payment instructions initiated by credit institutions via ReGIS.

Art. 2. (1) During 1 July 2005 - 31 December 2006, the National Bank of Romania shall gradually put into circulation the RON notes and coins and shall make payments and collections in both ROL and RON. At the request of credit institutions/State Treasury, the National Bank of Romania's branches shall not exchange the ROL notes and coins that are in good condition for RON notes and coins.

(2) Credit institutions/State Treasury shall make cash payments and collections in both ROL and RON during 1 July 2005 - 31 December 2006. They shall continue to check the ROL notes and coins coming from collections, shall again put into circulation the adequate ones and shall deposit the damaged ones with the National Bank of Romania's branches.

Art. 3. (1) In order to adapt ATMs and other cash processing equipment to the use of RON notes and coins, the technical specifications of the new notes and coins and the specimens shall be shown by the National Bank of Romania to the credit institutions/State Treasury starting March 2005.

(2) By 30 June 2005, the amounts shown on the cash receipts released by ATMs, POSs, automated exchange teller machines or displayed on their monitors shall be expressed in ROL. Starting 1 July 2005, such amounts shall be expressed in RON, regardless of the type of currency in which the operations are performed.

Art. 4. After the ROL notes and coins are no longer legal tender, during 1 January 2007 - 31 December 2009, they may be exchanged for RON notes and coins free of charge at the National Bank of Romania's branches or at the credit institutions established by order of the National Bank of Romania Governor.

Art. 5. The new currency to be put into circulation on 1 July 2005 shall be assigned, in accordance with ISO 4217, the following code: **RON 946 minor unit 2 (leu 1 = ban 100)**.

Art. 6. (1) For the purpose of preparing periodical accounting reports and annual financial statements, the credit institutions/State Treasury, as appropriate, shall consider the following:

- (a) By 30 June 2005, the credit institutions/State Treasury shall keep the books in ROL. Books, accounting and financial forms, VAT forms, as well as other registers, statements and ledgers shall be prepared in ROL.
- (b) The accounting, prudential and any other reports of credit institutions to be submitted to the National Bank of Romania for 30 June 2005 shall be generated in ROL.
- (c) Starting 1 July 2005, all the reports to the National Bank of Romania, including financial statements for fiscal 2005, shall be issued in the new currency by rounding off to one RON (without its fractional coin).
- (d) On 1 July 2005, credit institutions/State Treasury shall convert into the new currency the following: beginning balances, turnover and ending balances in the trial balance as of 30 June 2005. All the goods, rights and liabilities expressed or

valued in the old currency, arising prior to 1 July 2005, shall be converted into the new currency, including overdue and outstanding instalments on balance as of 30 June 2005.

(2) The responsibility for the accuracy of the conversion shall be incumbent on the administrator or on any other person who is in charge of managing the institution concerned.

(3) Starting 1 July 2005, the accounting of the credit institutions/State Treasury shall be kept in the new currency, referred to as leu by law, and its fractional coin, ban.

(4) The conversion of the amounts on balance as of 30 June 2005 into the new currency shall be accomplished by credit institutions/State Treasury as follows:

- (a) Either by rounding off the values in the old currency to hundred (the values equal to or higher than ROL 50, shall be rounded upwards, while the values lower than ROL 50 shall be rounded downwards) and then by dividing the values thus obtained to 10,000 (ten thousand);
- (b) Or by dividing the values in the old currency to 10,000 (ten thousand) and then by rounding off the decimal of the values thus obtained to the second decimal (i.e. ban). Thus, the value obtained after division which is equal to or higher than RON 0.0050 shall be rounded off to RON 0.01, while the value which is lower than RON 0.0050 shall be rounded off to RON 0 (zero).
- (c) For the conversion, the provisions (other than those referring to the conversion method) laid down under point A.4 of the Notes of 10 December 2004 on the measures to be taken for enforcement of Law No. 348/2004 on domestic currency redenomination, as approved by Order No. 1840/2004 issued by the Ministry of Public Finance, shall be considered.

(5) The differences arising from conversion shall be subject to adjustment as follows: the differences arising from conversion of assets and liabilities shall be recognised under account 3799 "Other adjustment accounts". On 31 December 2005, the balance on account 3799 "Other adjustment accounts" shall be recognised as either expense or income, under account 6497 "Other operating expenses" or 7497 "Other operating incomes", as appropriate.

Art. 7. For the preparation of accounting, financial and supporting documents, credit institutions/State Treasury shall consider the following:

- (a) Starting 1 July 2005, the invoices and all the accounting, financial and supporting documents shall be prepared in the new currency. Likewise, the books, VAT registers, any other registers or ledgers used by credit institutions, as well as the documents on their IT applications shall be prepared in the new currency;
- (b) Starting 1 July 2005, all the forms generated by credit institutions/State Treasury which make reference to ROL shall refer to RON.

Art. 8. (1) In bookkeeping, the amounts in ROL shown on invoices and other documents issued prior to 30 June 2005 and received after 1 July 2005 shall be converted to RON, pursuant to the provisions of Art. 5 para. (1) of Law No. 348/2004 on domestic currency redenomination.

(2) During 1 March 2005 - 30 June 2006, prices and commission fees charged by credit institutions shall be displayed at their headquarters and operational units in both ROL and RON.

(3) The amounts shown on debit payment instruments, such as cheques, bills of exchange and promissory notes held by beneficiaries based on agreements concluded between the parties prior to 1 July 2005 for being settled after this date shall be converted by credit institutions, on the responsibility of the holder of the payment instrument in question, in accordance with the rate referred to in Art. 1 para. (1) of Law No. 348/2004 on domestic currency redenomination.

(4) Starting 1 July 2005, all the payments carried out between credit institutions, between credit institutions and the National Bank of Romania, as well as all the payments in which the State Treasury is involved, shall be made in the new currency.

(5) By 31 December 2006, while ROL is legal tender, the balance of the cash register shall be expressed in RON. The cash balance shall be presented in accordance with the composition of cash, i.e. in ROL and/or RON.

The cash statement of credit institutions/State Treasury at end-month shall be set out for each denomination in terms of both quantity and value and the total amount shall be expressed in RON, including the fractional coin (ban).

Art. 9. The exchange rates published by the National Bank of Romania in the list of forex market exchange rates shall have four decimals (for instance, EUR 1 = RON n. dddd).

Art. 10. During 1 March 2005 - 30 June 2006, the bid and ask rates for convertible currencies and cash substitutes shall be displayed by credit institutions in both ROL and RON.

Art. 11. In order to update the software used by credit institutions/State Treasury, 30 June and 1 July 2005 shall be non-banking days. For this purpose, the National Bank of Romania shall issue Notes regarding the settlement of fund transfers, stipulating that by 29 June 2005 the settlement of fund transfers between credit institutions, between credit institutions and the National Bank of Romania, as well as the payments in which the State Treasury is involved, shall be made in ROL. The settlement of operations performed on the last banking day of June 2005 shall be made on the same day.

Art. 12. The provisions of this Circular shall be applied by credit institutions/State Treasury, as appropriate, by the National Bank of Romania's branches, as well as by the branches operating in Romania of foreign credit institutions.