

ROMANIA

Legal and Financial Framework in Force,
Compliant with Acquis Communautaire

May 2002

NATIONAL BANK OF ROMANIA



Main Steps of the Bank Reform

- ? **1990:** beginning of bank reform by introducing the two-tier banking system (central bank + commercial banks);
- ✍ **1991:** Law No. 33 on Banking and Law No. 34 on the Statute of the National Bank of Romania (NBR);
- ✍ **1997-1998:** improvement and supplementation of the legislative framework for the regulation of banking and central bank's activity – new laws:
 - ✍ Bank Privatisation Act: Law No. 83/1997;
 - ✍ Banking Act: Law No. 58/1998;
 - ✍ Bank Insolvency Act: Law No. 83/1998;
 - ✍ National Bank of Romania Act: Law No. 101/1998.

Harmonisation of banking legislative and regulatory framework with EU Directives – steady concern of the NBR

- ✍ Progress in harmonisation of prudential supervision and accountancy practices :
 - ✍ New banking laws (1998), including subsequent amendments (the latest – 2001);
 - ✍ Regulatory framework for credit cooperatives (2000);
 - ✍ NBR's norms:
 - ✍ on access of credit institutions to banking business (minimum capital, licensing requirements);
 - ✍ on banks' pursuit of banking business (own funds, solvency, large exposures, derivatives);
 - ✍ harmonisation of accountancy practices: banks' chart of accounts, introduction of the International Accounting Standards, annual and consolidated accounts ;
- ✍ The relevant *acquis* will be fully incorporated in 2002– 2003:
 - ✍ amendment of The Banking Act (2002) and adjustment of the present regulatory framework (2002-2003);
 - ✍ adjustment of bank chart of accounts and prudential regulations on pursuit of banking business to the requirements of credit cooperatives (2002);
 - ✍ regulations on internal control of credit institutions (2002);
 - ✍ prudential regulations applicable to e-money issuers (2003);
 - ✍ regulations on consolidated supervision of credit institutions (2003 – 2004);
 - ✍ regulations on market risk management by credit institutions (2003 – 2004).

Regulatory Framework for Banks

Type	Prudential Regulation	Comparison with EU Standards
Solvency Ratio	12% (risk-weighted)	8% (risk-weighted)
Liquidity indicator	Actual liquidity ? Required liquidity	No liquidity indicator
Limits on lending (as % of own funds) • Credit concentration per client (group of connected clients) • Insider lending	20% 20% (aggregate)	25% 20%
Limits on foreign exchange exposure (as % of own funds)	20% (overall) 10% (any one currency)	2% excess multiplied by 8 to get capital adequacy
Minimum registered capital	ROL 250 billion (EUR 8.85 million)	EUR 5 million
Loan classification and provisioning	0% for standard 5% for watch 20% for substandard 50% for doubtful 100% for loss	No EU-wide standards
Audited annual reports	By audit companies	External comprehensive audits

Source: NBR

Supervisory Agencies - Duties, Accountability, Information Sharing and Autonomy

Supervisory Agency	Licensing Authority	De-licensing authority	Appointment and Term of Head of Agency	Accountability of Head	MoUs with Other Agencies	How is the Agency Financed	Regulatory Autonomy
National Bank of Romania (NBR)	Yes for banks, credit cooperatives and their central institutions	Same	The Governor of the NBR is appointed by the Parliament at the recommendation of its specialized commissions. Term: 6 years.	Governor of NBR is accountable to Parliament	Memorandum of Understanding with NSEC. A draft MoU with ISC was prepared.	The resources are allocated from NBR's budget	NBR is entitled to issue secondary legislation
National Securities and Exchanges Commission (NSEC)	Yes for brokerage companies, investment advisors, investment funds, stock exchanges and OTCs	Same	The president of NSEC is appointed by Parliament at the recommendation of its specialized commissions. Term: 5 years.	President of NSEC is accountable to Parliament	MoU with NBR	Fees	Same as above
Insurance Supervision Commission (ISC)	Yes for insurance, reinsurance, and insurance-reinsurance companies, mutual insurers and insurance brokers	Same	President of ISC is appointed by the Parliament at the recommendation of its specialized commissions. Term: 5 years.	President is accountable to the Parliament	See above	Fees	Same as above

STRUCTURE OF ROMANIAN BANKING SYSTEM

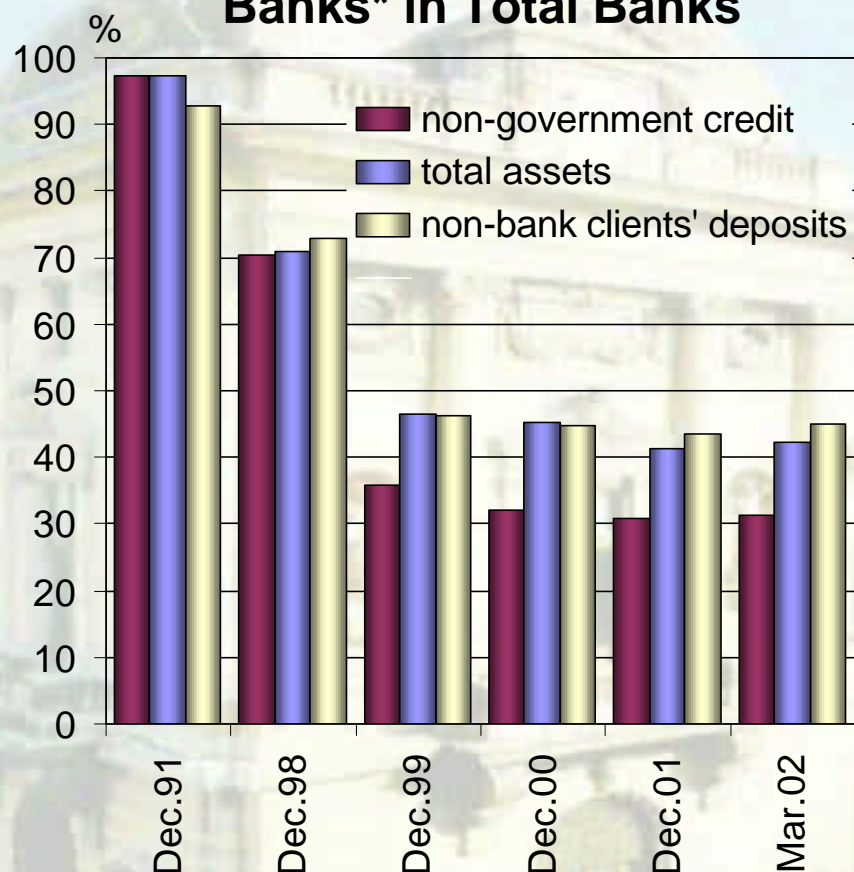
as at March 31, 2002

	Number	Percent in total net assets
Commercial banks, of which:	32	92.0
Banks with majority state-owned capital, of which:	3	42.9
✍ directly owned by the MPF	1	8.5
✍ directly owned by the AMP SO	2	34.4
Private-sector banks, of which:	29	49.1
✍ with majority domestic capital	5	2.9
✍ with majority foreign capital	24	46.2
Foreign branches	8	8.0
Total banking system	40	100.0

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Share of Majority State-owned Banks* in Total Banks



share in total banks (%); March 2002

	Total assets	Non-govt. credit	Non-bank clients deposits
Banks with majority foreign capital	54.4	65.1	52.2
Banks with majority domestic state-owned capital ¹	42.4	31.3	45.0
Banks with majority domestic state-owned capital ^{1,2}	10.4	2.6	11.0

1) including CEC; 2) excluding BCR

*) Banca Comerciala Română (BCR), Banca de Export Import a României (EXIMBANK), Casa de Economii si Consemnatiuni (CEC)

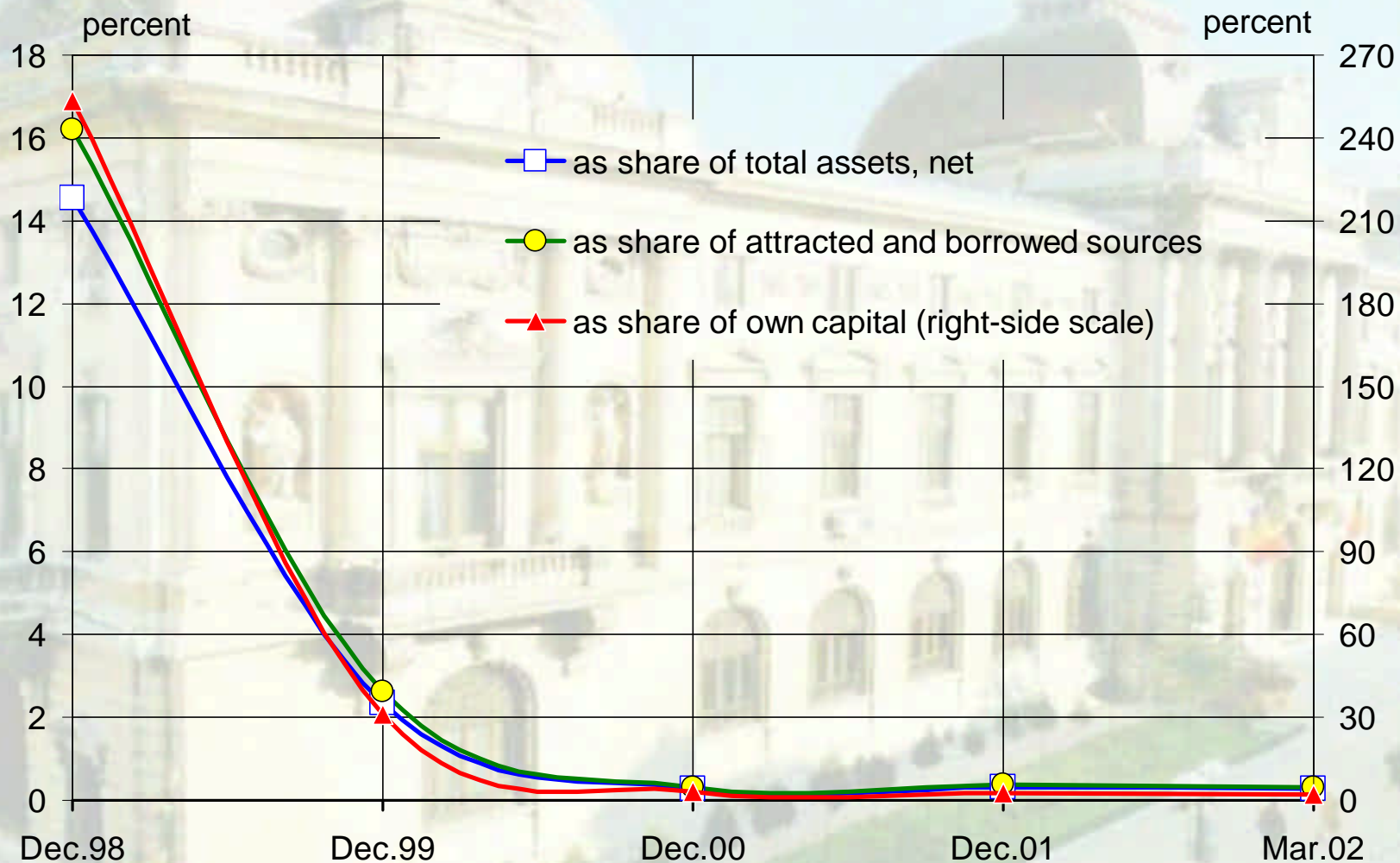
Note: Starting Sep. '99 BANCOREX was subject to merger with BCR; Except BANC POST and Banca Română pentru Dezvoltare (BRD) starting Feb. '99 and Banca Agricola (BA) starting Sep. '01.

Source: National Bank of Romania

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Banking System Past Due and Doubtful Claims, Net

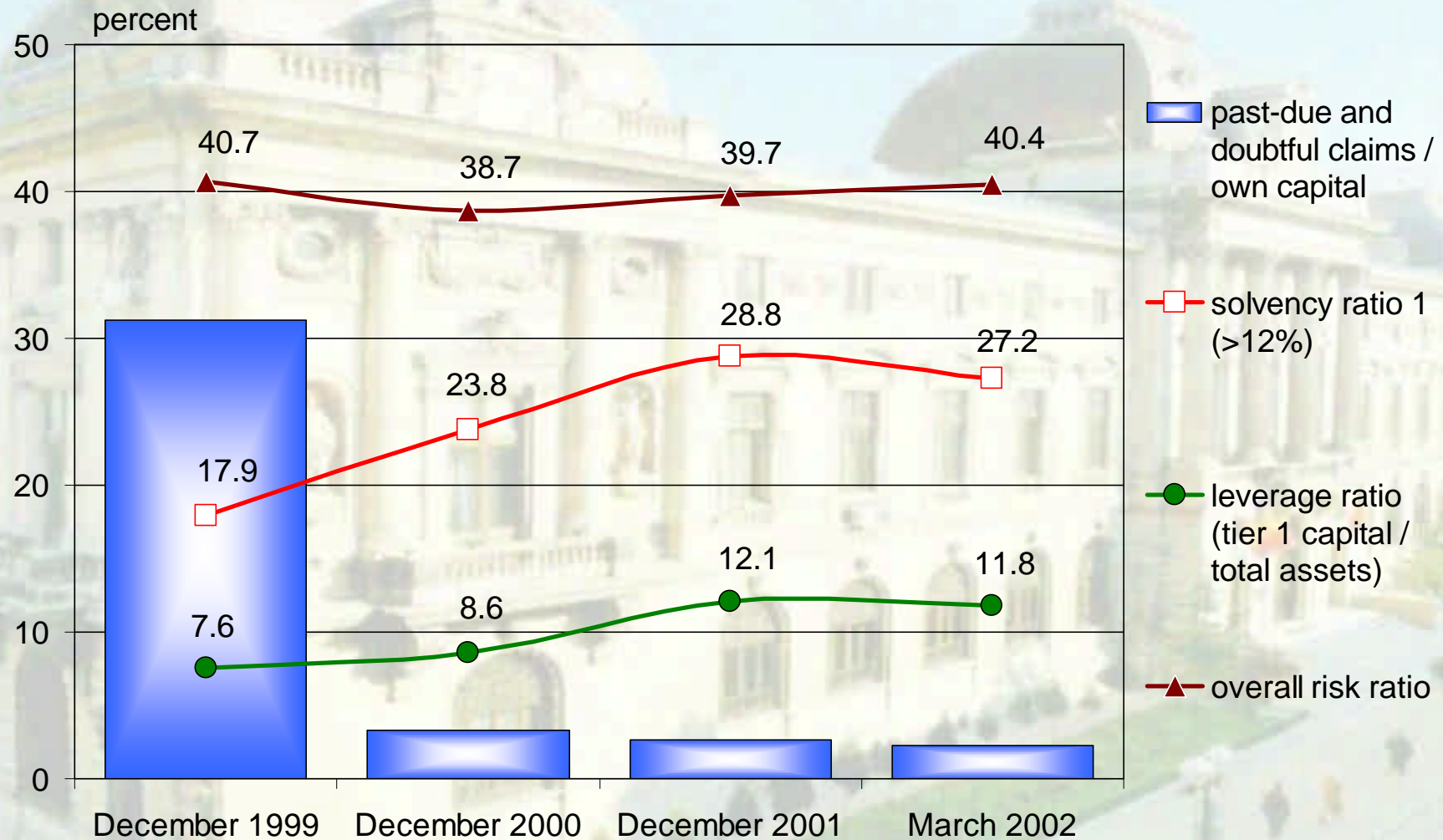


Source: National Bank of Romania

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Analysis Ratios for the Banking System



Source: National Bank of Romania

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Liberalisation of International Flows

1998: liberalisation of current account operations (Art.VIII of the IMF's Articles of Agreement);

1999: liberalisation of medium- and long-term capital inflows

2001: schedule of capital account liberalisation

Liberalisation of capital flows with low impact on balance of payments

2001-02

- direct and real-estate investment by residents abroad;
- admission to quotation of national securities* on foreign capital markets
- collateral granted by foreigners to residents
- personal capital movements

Liberalisation of capital movements consisting of transfers in performance of insurance contracts and other capital flows with significant impact on the real sector

2003

- medium- and long-term loans related to commercial transactions or services granted by residents to non-residents
- capital transfers in performance of insurance contracts
- collateral granted by residents to foreigners

2004

- acquisition by residents of traded foreign securities* (including OTC)
- financial borrowings and loans with maturity less than 1 year granted by foreigners to residents
- financial borrowings and loans granted by residents to foreigners

- admission of foreign securities* to quotation on domestic capital markets
- operations in ROL-denominated deposit accounts of foreigners opened with resident financial institutions

Liberalisation of capital flows with significant impact on the balance of payments

upon accession to EU

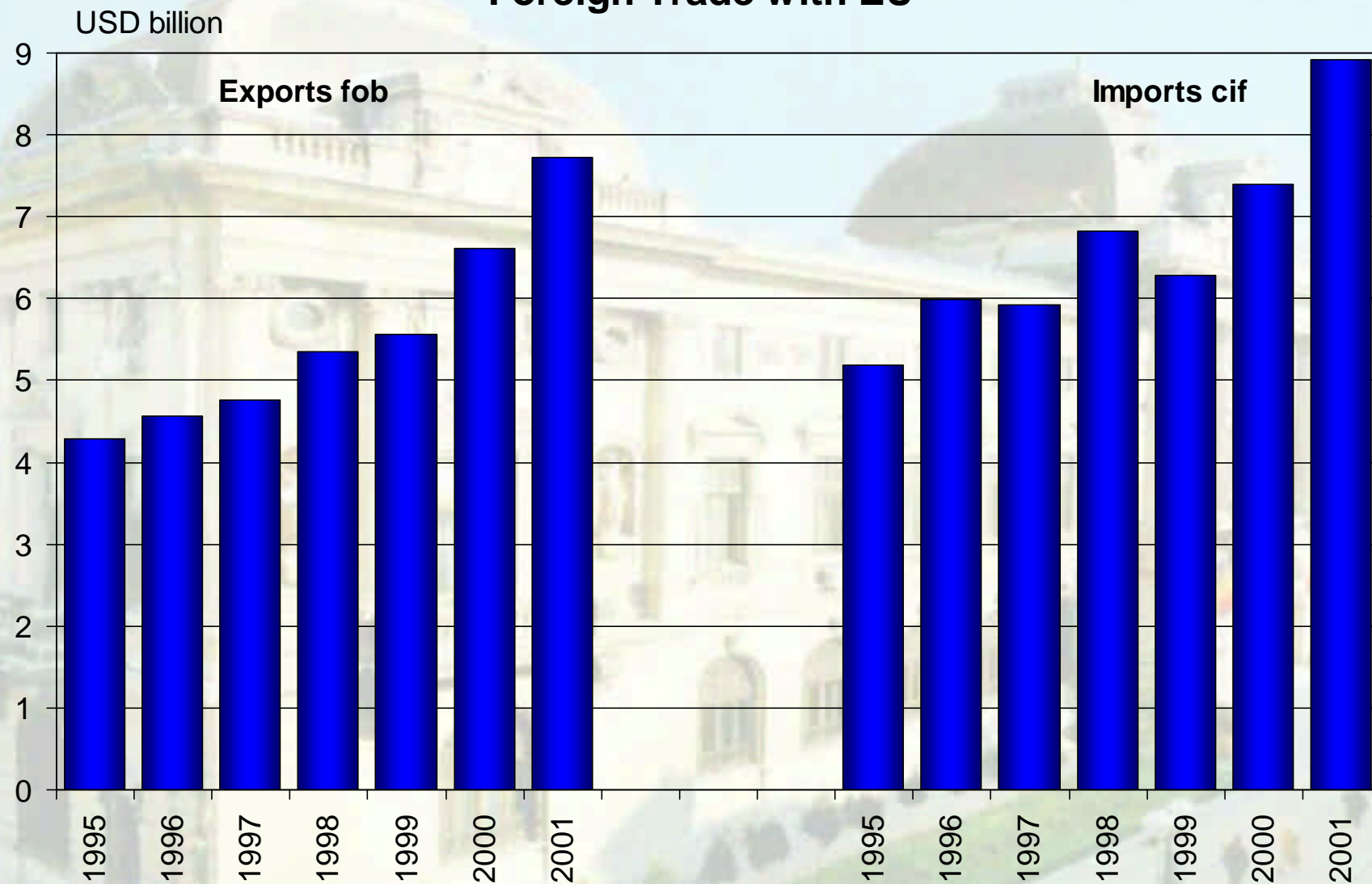
- operations in securities and other money-market specific instruments
- operations in current and deposit accounts carried out by residents with foreigners

*) including operations in units of collective investment undertakings

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Foreign Trade with EU

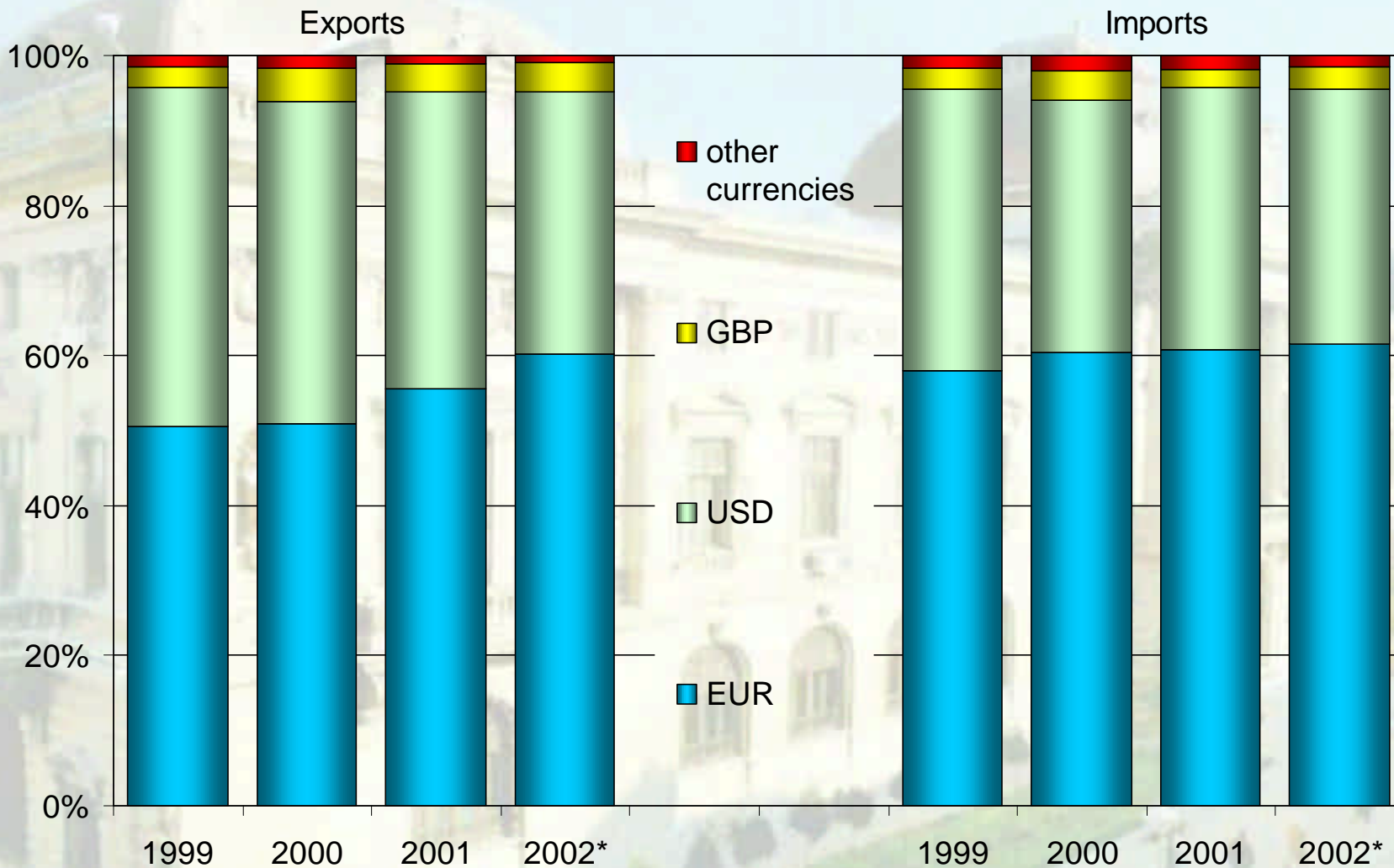


Source: National Institute of Statistics

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Foreign Trade Composition by Currency



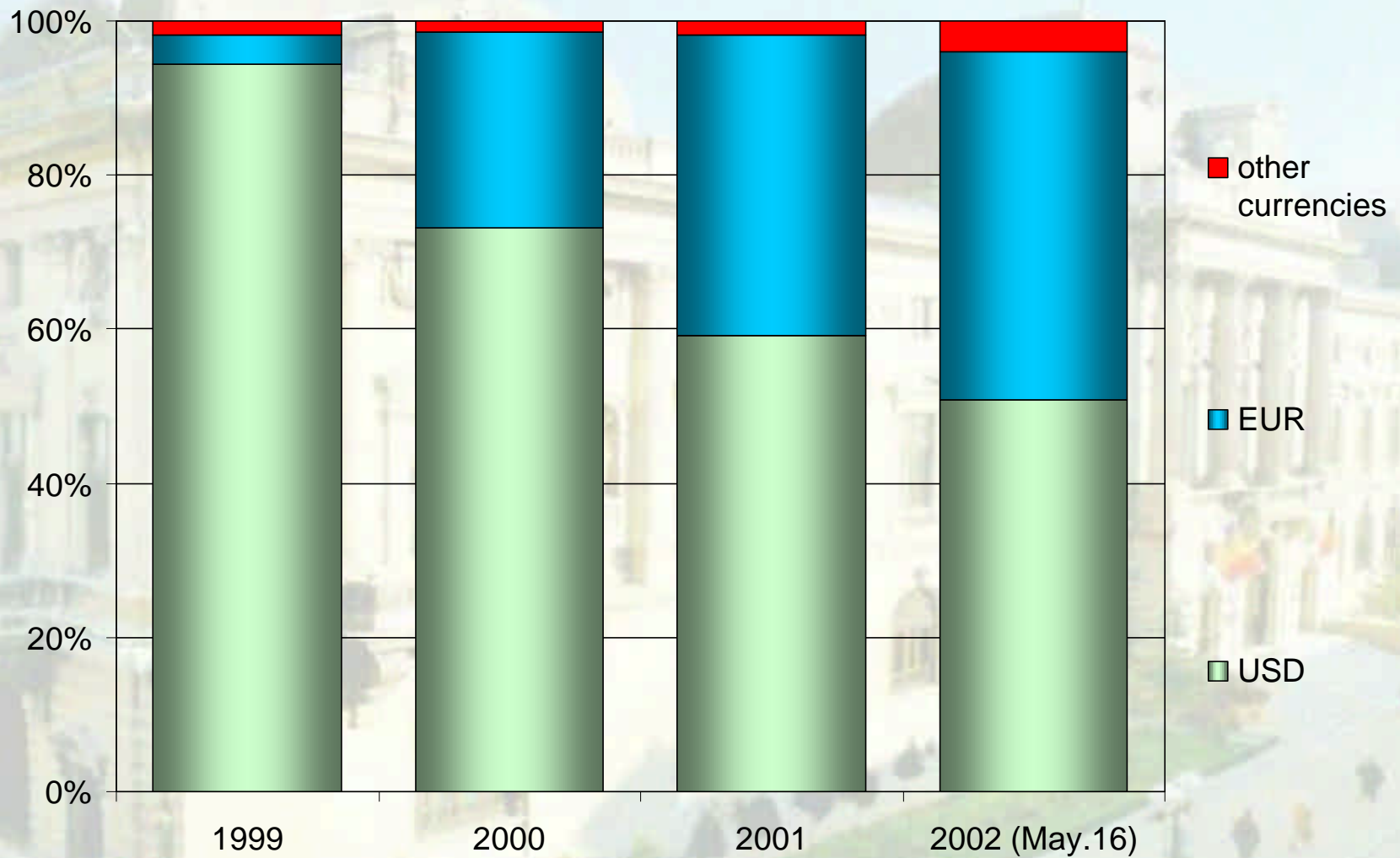
Source: National Bank of Romania

*) March

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NBR Forex Reserves Composition



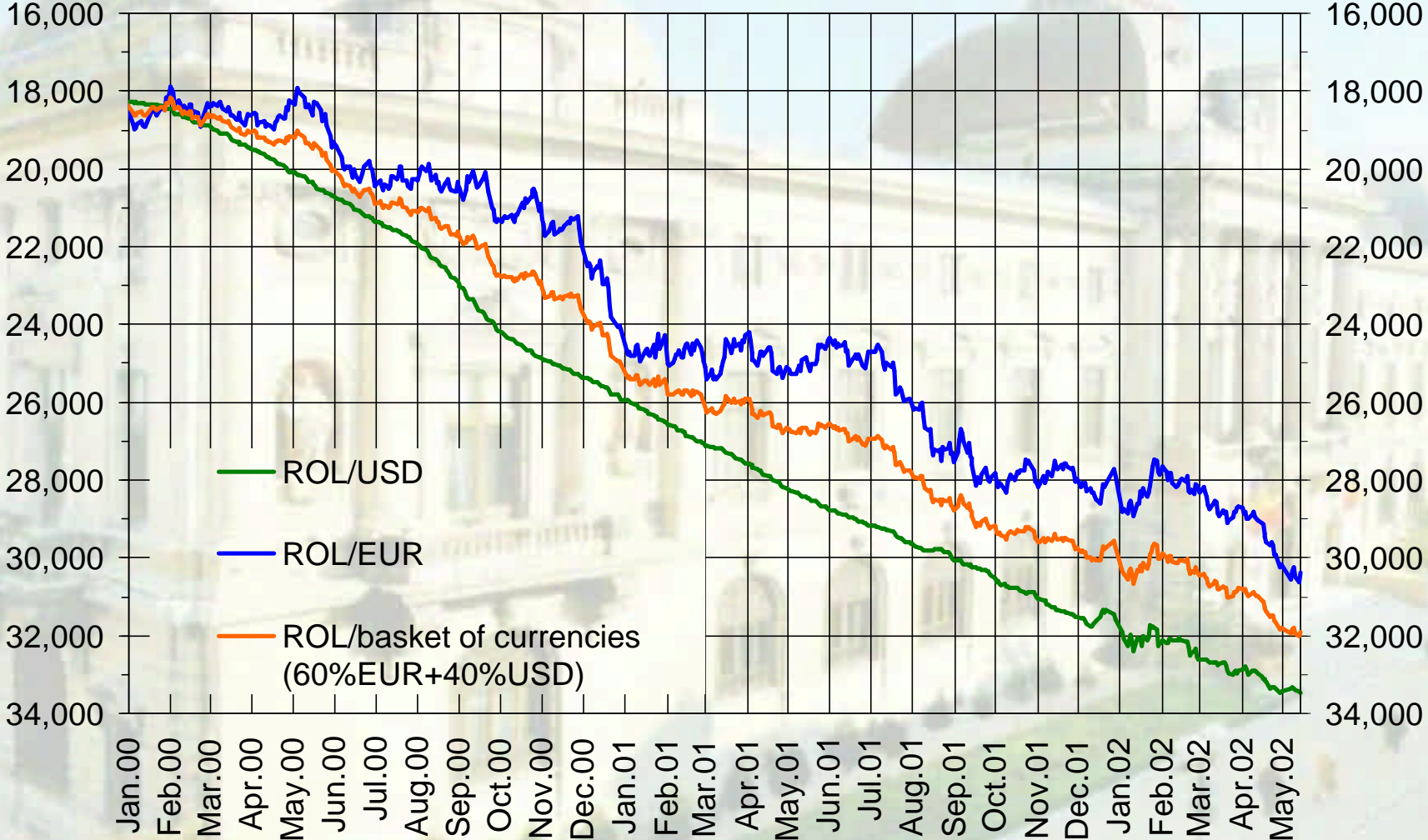
Source: National Bank of Romania

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Nominal Exchange Rate

(Daily Data)



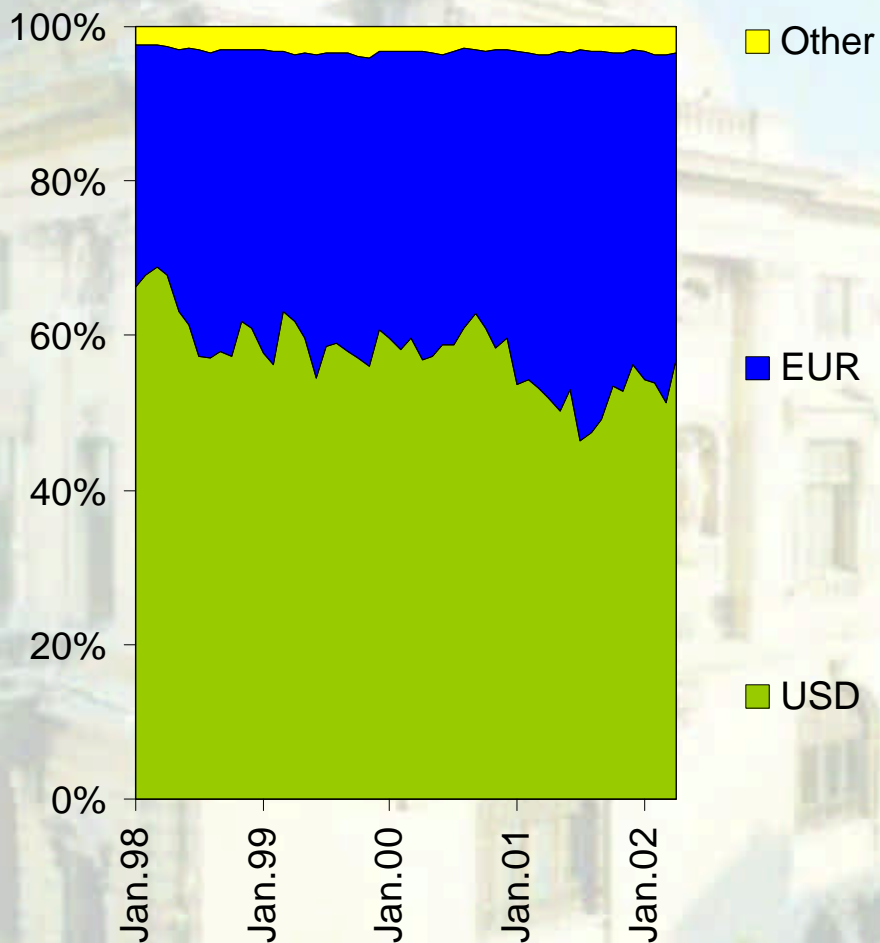
Source: National Bank of Romania

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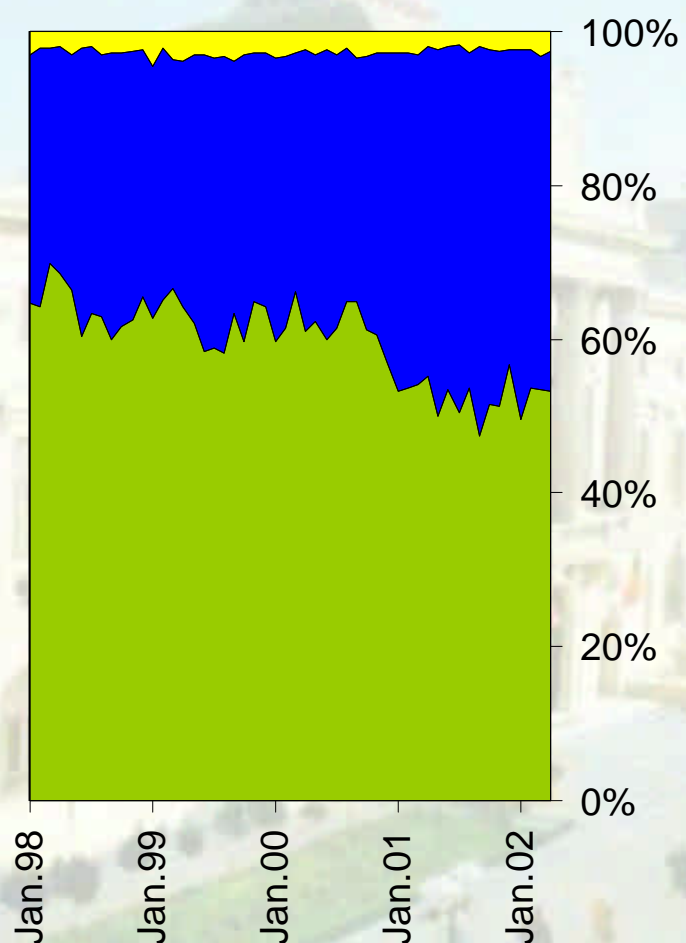


Transactions on Interbank Forex Market by Currency

Purchases from clients



Sales to clients

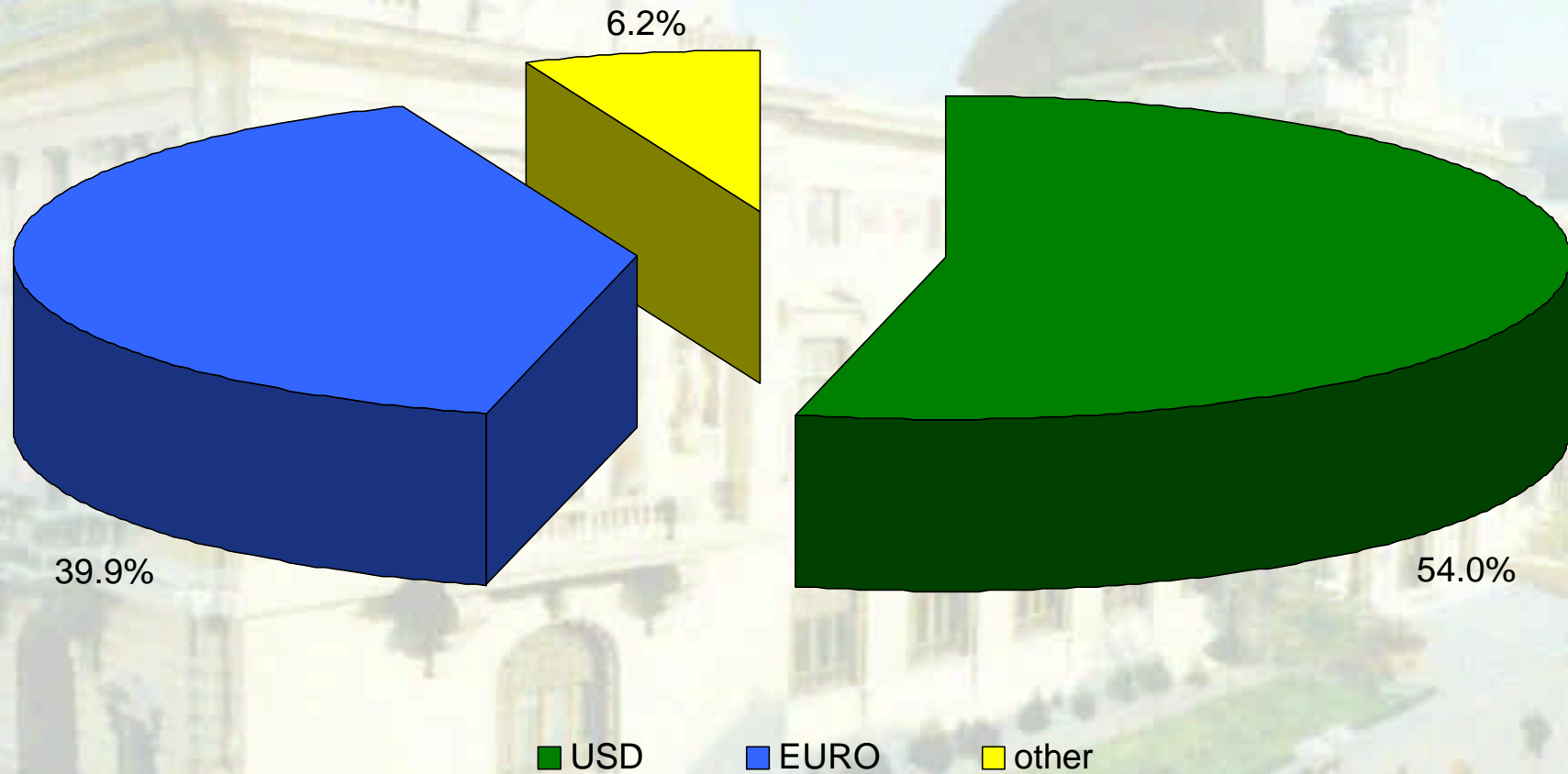


Source: National Bank of Romania



External Debt by Currency

March 31, 2002



Source: National Bank of Romania

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