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This Technical Note was prepared in the context of a joint IMF-World Bank Financial Sector Assessment Program (FSAP) mission to Romania during October 31–November 21, 2017, and January 11–23, 2018 led by Erlend Nier, IMF and Laurent Gonnet, World Bank, and overseen by the Monetary and Capital Markets Department, IMF, and the Finance, Competitiveness and Innovation Global Practice, World Bank. The note contains the technical analysis and detailed information underpinning the FSAP assessment’s findings and recommendations. Further information on the FSAP program can be found at http://www.imf.org/external/np/fsap/fssa.aspx.
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## Glossary

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ASF</td>
<td>Financial Supervisory Authority</td>
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<tr>
<td>BCP</td>
<td>Business Continuity Plan</td>
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<td>BRRD</td>
<td>Bank Recovery and Resolution Directive</td>
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<td>ELA</td>
<td>Emergency Liquidity Assistance</td>
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<tr>
<td>FGDB</td>
<td>Bank Deposit Guarantee Fund</td>
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<tr>
<td>IADI</td>
<td>International Association of Deposit Insurers</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
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<tr>
<td>MoPF</td>
<td>Ministry of Public Finance</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
</tr>
<tr>
<td>MREL</td>
<td>Minimum Requirement for Own Funds and Eligible Liabilities</td>
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<tr>
<td>NBR</td>
<td>National Bank of Romania</td>
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<tr>
<td>NFSC</td>
<td>National Financial Stability Committee</td>
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<tr>
<td>NIR</td>
<td>Net International Reserves</td>
</tr>
<tr>
<td>NCMO</td>
<td>National Committee for Macroprudential Oversight</td>
</tr>
<tr>
<td>P&amp;A</td>
<td>Purchase and Assumption</td>
</tr>
<tr>
<td>SRB</td>
<td>Single Resolution Board</td>
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EXECUTIVE SUMMARY

The bank resolution and crisis management toolkit has been significantly revamped since the last FSAP. The implementation of the Bank Resolution and Recovery Directive (BRRD) in Romania enhanced the National Bank of Romania (NBR)'s powers to deal with failing banks, while the Bank Deposit Guarantee Fund (FGDB) gained greater involvement in these processes, and important new tools for resolution are now established in the law. As the resolution authority, the NBR received the power to: (i) take control of an institution (intervention); (ii) transfer the shares or any other instruments of ownership, rights, assets, or liabilities (purchase and assumption); (iii) cancel debt instruments; and (iv) write down/convert into common shares or other instruments of ownership the eligible liabilities of an institution under resolution (bail-in). Furthermore, in exceptional circumstances, if all other resolution tools were insufficient, and financial stability remained at stake, public equity support and temporary public ownership may also be applied. To date, none of the new tools and powers have been exercised. Finally, the NBR has been charged with new responsibilities that flow from its ongoing role as supervisory and resolution authority, namely the enforcement and analysis of recovery planning requirements and the preparation of resolution plans.

The efforts to consolidate institutional coordination must continue. Over the years, the NBR enhanced its internal resolution and supervision organization, the coordination between different crisis management functions, and related powers. At the same time, the Ministry of Public Finance (MoPF) and FGDB are also adapting to their new responsibilities and making the new toolkit operational. Inter-institutional coordination has also intensified at the domestic and international level through agreements on information sharing, and NBR’s participation in supervisory and, more recently, resolution colleges for Romanian subsidiaries of foreign banks. However, some operational elements of implementing the new framework have yet to coalesce. The interagency simulation exercise planned for 2018 (for the NBR, FGDB, and the MoPF) will help the efficacy of the Romanian framework by bringing up practical elements, potential coordination issues, and even possible legal constraints for an effective application of the principles in the law. Table 1 summarizes the main recommendations in these areas.

Some elements needed for the effectiveness to the crisis management framework are still work-in-progress. These are mainly legal in nature and tackling them should be a priority:

- The public procurement law applies to bank resolution actions. This could pose serious obstacles, by limiting the ability of the authorities to act swiftly, and constrain the viable resolution options, thereby potentially increasing overall costs. The authorities are implementing actions to improve their readiness, but a comprehensive solution that exempts bank resolution from the scope of the procurement law would be preferred.

- The resolution framework stipulates legal protection for NBR officers in charge of key decisions, but the protection does not include staff from the MoPF. This gap should be addressed.
- The legal instrument that will implement support from the MoPF to the bank resolution and deposit insurance framework (i.e., contingent funding to FGDB in the event its resources are exhausted), has yet to be formally executed.

- The establishment of the National Committee for Macroprudential Oversight (NCMO) in 2017 was an important step to enhance crises preparedness, the members of the committee have been appointed, but it is not yet fully operational. In particular, the NCMO’s Technical Commission on Financial Crisis Management should be activated.

The important presence of subsidiaries of major international banks in Romania, which are under the authority of the Single Resolution Board (SRB), calls for intense cross-border coordination and a domestic capital market strategy. Of particular importance is ensuring that Romanian interests are adequately represented in resolution colleges and recovery planning at the level of parent banks. In addition, per the colleges decision, the resolution planning for foreign subsidiaries is based mainly on single point of entry considerations, and incorporating other resolution alternatives (e.g., multiple point of entry) will require a medium-term strategy for the development of loss-absorbing eligible instruments in the domestic capital market. If the resolution college adopted a multiple point of entry strategy, the resolution planning must also ensure separability and autonomy of Romanian subsidiaries from their parent from a financial and operational point of view.

The responsibilities of the FGDB have grown significantly from a pure paybox function into a vehicle for bank resolution. The 2015 law empowered the FGDB as the administrator of the newly created bank resolution fund—which is on track to reach its funding target by end–2024. In addition, the FGDB has been mandated to be (i) a temporary administrator; (ii) special administrator of a credit institution under resolution; (iii) shareholder of a bridge institution; or (iv) shareholder of an asset management vehicle.

The FGDB should diversify its investment policy, while keeping the principles of liquidity and security, and the NBR should provide the FGDB operational access to its facilities. Currently, three quarters of the FGDB’s funds are invested in domestic T-bills and the rest is deposited in the banking system it insures. A gradual migration towards first-rate paper from domestic and international issuers is warranted. In addition, the FGDB would benefit from having accounts at the central bank, which would help in drawing down its deposits in the banking system to minimum operational levels, while increasing flexibility and liquidity of its funds. The FGDB should also be provided with access to the NBR’s repo facility, to enable the fund to obtain liquidity against treasury bills and other assets, in scenarios of reduced market liquidity.

The NBR has a liquidity provision framework in place based on traditional instruments and windows, but an emergency liquidity assistance (ELA) scheme is still lacking. Liquidity support is critical for crisis management, not only prior to resolution, but even once a resolution path has been established (e.g., for a bridge bank, or a for a bailed-in institution). ELA arrangements provided for in the law have not been fully implemented and there is very limited experience with ELA in the
country. An operational framework for ELA policy based on the ECB 2017 agreement is under development and should be concluded, including by establishing appropriate conditions, stipulating the necessary operational elements (e.g., charges, maximum terms, etc.), and extending eligible collateral to a more diverse asset pool. Finally, given the still significant presence of foreign exchange (FX) transactions in Romania’s system (e.g., 41 percent of banks’ liabilities are in foreign currency, including a sizable share of retail in deposits), the ELA framework will have to incorporate a strategy for a crisis response in cases of illiquidity in FX.

<table>
<thead>
<tr>
<th>Table 1. Romania: Main Recommendations</th>
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<tbody>
<tr>
<td><strong>Resolution planning and crisis preparedness</strong></td>
</tr>
<tr>
<td>Prepare and conduct a simulation exercise that includes all members of the NCMO plus the FGDB. (Paragraph 15)</td>
</tr>
<tr>
<td>Seek a well-delimited exemption from the scope of the procurement law for bank resolution. (Paragraph 25)</td>
</tr>
<tr>
<td>Prepare a business continuity plan covering the emergency arrangements for crises. (Paragraph 16)</td>
</tr>
<tr>
<td>Include MoPF officers linked to bank resolution under personal legal protection provisions. (Paragraph 30)</td>
</tr>
<tr>
<td>Ensure that Romania’s interests are addressed in recovery and resolution plans of Romanian subsidiaries of foreign bank. (Paragraph 27)</td>
</tr>
</tbody>
</table>

| **Deposit insurance** |
| Diversify the investment policy of the FGDB. (Paragraph 32) | FGDB/NBR | ST |
| Formalize contingent documentation between the FGDB and the MoPF to allow financing support. (Paragraph 34) | MoPF/FGDB | ST |
| Establish operational procedures with the NBR that allow the FGDB to have accounts in the central bank. (Paragraph 33) | FGDB/NBR | ST |
| Formalize a repo line with the NBR. (Paragraph 33) | FGDB/NBR | ST |
| Eliminate the constraint to cover FGDB’s operational expenses only from the yield of the Fund. (Paragraph 37) | FGDB | MT |

| **Emergency liquidity assistance** |
| Finalize and implement an ELA scheme. (Paragraph 38) | NBR | ST |
| Prepare contingent plans about the case in which liquidity needs are in FX. (Paragraph 39) | NBR | ST |

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1 Regulation No. 3/2016 establishes a list of eligible collateral for liquidity operations, with sovereign risk paper predominating. Given the balance sheet composition of banks, in practice the only collateral acceptable is limited to government securities and cash (from reserve requirements), severely limiting the options for ELA purposes.
Table 1. Romania: Main Recommendations (continued)

<table>
<thead>
<tr>
<th>Recommendation</th>
<th>NBR</th>
<th>ST</th>
<th>MT</th>
</tr>
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<tbody>
<tr>
<td>Increase the types of assets that can be accepted as collateral by the NBR. (Paragraph 38)</td>
<td>NBR</td>
<td>ST</td>
<td></td>
</tr>
<tr>
<td>Liquidation regime</td>
<td>NBR</td>
<td>MT</td>
<td></td>
</tr>
<tr>
<td>The amendments to Law No. 85/2014 should increase the intrusiveness of the role of the NBR during liquidation procedures. (Paragraph 40)</td>
<td>NBR</td>
<td>MT</td>
<td></td>
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1/ C=Continuous, ST=Short Term (1 year), MT=Medium Term (up to 3 years)

BACKGROUND

A. Introduction

1. This technical note provides the basis for the recommendations of the 2018 FSAP in the area of crisis management, preparedness, and the financial safety net. It reflects extensive information exchange and discussions during a mission that took place from October 31, 2017 to November 14, 2017 in Bucharest. The note provides a brief stocktaking of developments since the latest FSAP in 2010, but the main aim is to offer a view for further enhancements to the crisis preparedness framework. The note presents an overview of Romania’s crisis management arrangements, including bank resolution, contingent planning, and the financial safety net.

2. In recent years, Romania upgraded its framework in the areas of bank resolution, cross-border coordination, and supervision. As a result of a supervisory action plan nonperforming loans were reduced from very high levels, and the capital positions of the banks were reinforced. More recently, progress in these areas has been buttressed by the adoption of European standards and the embracing of regional supervisory mechanisms.

B. Institutional Arrangements

3. Four domestic institutions are devoted to providing a financial safety net in Romania: the central bank (NBR), the deposit insurance scheme (FGDB), the Ministry of Public Finance (MoPF), and the Financial Supervisory Authority (ASF). The NBR is the monetary authority and lender of last resort, the resolution authority, as well as the supervisor and regulator of the banking system. It is part of the European system of central banks and implements the corresponding European standards and policies in addition to the statutory domestic goal of maintaining price stability. The FGDB is the deposit insurer and is mandated to manage two funds: the deposit

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2 Prepared by Mario Mansilla, Monetary and Capital Markets Department, IMF

3 The NBR does not have an explicit financial stability objective.
insurance fund and the resolution fund, created in 2015. Through the implementation of the BRRD, the FGDB acquired additional functions related to resolution procedures. The MoPF is the main liaison of financial oversight agencies with the government; it is in charge of fiscal policy and, in a scenario of need, is also the source of contingent funding to the FGDB. The ASF also takes part in the crisis management framework on issues related to its scope of supervisory work, mainly the insurance and private pension industry, asset managers, and capital markets participants. The ASF is the resolution authority within its scope of supervision.

C. Scope

4. The analysis in this technical note covers the crisis management and safety net supporting the banking system. The banking system accounts for 80 percent of total financial system assets, and is dominated by foreign-owned entities that own 91 percent of banks’ assets. As of June 2017, there are a total of 35 banking institutions, of which 14 are subsidiaries of groups under the remit of the SRB, and seven are foreign banks’ branches. None of the nonbank financial institutions are systemically important, although some are linked to banking institutions.

5. The technical note reviews Romania’s contingent arrangements against good international practices emerging from the recent crisis. For the purpose of this note, the crisis management framework comprises the set of institutions, policy tools, and mandates that permit authorities to respond adequately to adverse circumstances. Crisis preparedness entails constant monitoring, planning, including through crisis-simulation exercises, a continuous effort to build financial and human resources to face a crisis, and requires tight coordination among the relevant institutions. The judgment and recommendations contained in this note are informed by international standards (Key Attributes, IADI principles) as well as the IMF’s experience in technical assistance in this area, but it does not constitute a formal assessment of compliance.

FOUNDATIONS OF ROMANIA’S CRISIS MANAGEMENT FRAMEWORK

6. Romania has significantly enhanced its capacity to manage a banking crisis since the last decade. The overall framework has its foundation in the Bank Recovery and Resolution Law, which empowers the supervisory and resolution authorities to deal with failing institutions more effectively. Beyond such a legal basis, four elements characterize a modern crisis management framework: (i) early intervention by supervisors; (ii) an effective resolution regime; (iii) effective deposit insurance; and (iv) effective ELA. The Supervision Department of the NBR is a credible authority with a good track record in implementing preventive action, and this FSAP undertakes a comprehensive assessment in this area against the Basel Core Principles in a separate note. This note covers the other three elements.

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4 Per Article 531 of Law 312/2015 (Transposing Article 100(1) of BRRD).

5 Law 311/2015, Article 119.
A. Resolution Regime

7. The bank resolution and crisis management toolkit has been significantly revamped since the last FSAP (Box 1). Over the years since 2010, the NBR has introduced successive adjustments to enhance its internal resolution and supervision organization, the coordination within those functions, and its powers. Importantly, the Supervision Department and the recently created Resolution Department have established a set of criteria for the handling of failing banks. Coordination with other financial supervisors also intensified at the domestic level through the signing of agreements for better information exchange. At the international level, the NBR participated actively in the relevant supervisory colleges (Annex I). However, the transposition of Bank Recovery and Resolution Directive (BRRD) represented an integral reform that established an enhanced framework for bank recovery and resolution by way of Law No. 312 of 2015. Its provisions came into force in its entirety starting January 1, 2016.7

Box 1. Implementation of the 2010 FSAP Key Recommendations in the Area of Crisis Management

The main advice from the previous FSAP has been materially adopted in a gradual manner since 2010, with the transposition of the BRRD in 2015 representing a qualitative step forward. Specifically:

- **Seek strengthening of capital positions of some banks and set medium-term targets for increasing minimum capital adequacy ratios (CARs).** This was implemented in all material cases, including through the adoption of Basel III standards.

- **Strengthen monitoring of bank loan portfolios and problem loan workout procedures and capacity.** Implemented. Loan classification, collateral valuation, and provisioning have been strengthened. Loan portfolios have improved significantly through write-offs and nonperforming loan (NPL) sales, allowing NPL ratios to drop significantly.

- **Accelerate crisis management planning, communications, implementation of simulation exercises, and strengthen cross-border and cross-sectoral coordination of crisis management.** Implemented to a great extent by the transposition of the BRRD. In 2013 a simulation exercise was conducted with support from the World Bank.

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6 If an institution is downgraded internally beyond a certain point, the RD is informed and further steps are taken to determine if the bank is failing or is likely to fail; if there is a private solution possible; and if there is public interest in keeping the entity or its key functions in existence (Article 180 of Law 312/2015).

7 The law was published in the Official Gazette, Part I, No. 920 of December 11, 2015 and was accompanied by additional regulations supplementing Directive 2014/59/EU adopted by the EC.
Box 1. Implementation of the 2010 FSAP Key Recommendations in the Area of Crisis Management (concluded)

- **Consider additional measures to provide liquidity, especially under ELA.** Not implemented yet. Arrangements remain limited by the types of collateral accepted. The NBR is working on the implementation of the ECB’s standards for ELA.

- **Review bank resolution framework to facilitate rapid action and options for bank restructuring.** Also implemented through the transposition of the BRRD.

- **Strengthen deposit insurance funding arrangements and speed up payouts.** The FGDB has reached its target for the deposit insurance fund. The institution’s workplan includes increasingly complex tests to enhance its ability to provide fast payouts. Contingent funding arrangements with the MoF are still pending implementation.

8. **The implementation of the BRRD (Box 2) in Romania enhanced the central bank’s powers to deal with failing banks.** Under the revised framework the NBR and FGDB were granted important new powers. Notably, as the resolution authority, the NBR received the power to: (i) take control of an institution (intervention); (ii) transfer the shares or any other instruments of ownership, rights, and assets or liabilities (purchase and assumption); (iii) cancel debt instruments; and (iv) write down/convert into common shares or other instruments of ownership the eligible liabilities of an institution under resolution (bail-in). Bail-in powers can be exercised either independently or in combination with other resolution actions. Furthermore, under exceptional circumstances, if after all other resolution tools have been assessed and used to their maximum, and market confidence and stability remain at stake, government financial tools may also be applied (in the form of public equity support and temporary public ownership). The NBR has also been charged with new responsibilities that follow from its ongoing supervisory role and its new function as resolution authority, namely the enforcement and analysis of recovery planning requirements and the preparation of resolution plans. Finally, new mechanisms of coordination were created, including notably the National Committee for Macroprudential Oversight (NCMO), which foresees to include a Technical Commission on Crisis Management.

Box 2. Key Elements of the Bank Resolution and Recovery Directive

The BRRD (Directive 2014/59/EU) put forward a set of measures focused on: (i) preparedness by both banks and authorities; (ii) better tools for early intervention; (iii) harmonized resolution tools and powers; (iv) effective cross-border cooperation; and (v) the contribution by banks to resolution financing arrangements to support the costs of restructuring.

- The directive introduced a set of resolution tools aiming at the minimization of bank failure costs borne by the state and taxpayers. These tools include the power to:
  -
Box 2. Key Elements of the Bank Resolution and Recovery Directive (concluded)

- Effect private sector acquisitions (purchase and assumption, P&A) by selling or merging the business with another bank;
- Transfer business to a temporary structure, by setting up a bridge bank to operate essential banking functions and/or facilitate continuous access to deposits;
- Separate good assets from bad ones, allowing the partial transfer of assets and liabilities; and
- Convert to shares or write down the debt of failing banks as a way to restore the institution’s capital position (bail-in).

The tools are also intended to preserve critical functions without the need to bail out the failing bank, and to protect depositors while shareholders and creditors bear an appropriate part of the losses.

Source: European Commission.

Recovery and resolution planning

9. A track record on recovery and resolution planning is just being established. In line with the directive, banks and the resolution authority need to prepare periodic recovery and resolution plans, respectively, that anticipate the actions to be taken in scenarios of stress and potential bank failure. The objective of such recurring exercises is to identify obstacles to resolvability, e.g., corporate and legal structures that would need to be tackled according to the supervisor’s requirements. Recovery and resolution planning is a new line of work for the NBR (as supervisor and resolution authority) and for many supervised entities, with the notable exception of foreign bank subsidiaries. The first round of plans was initiated in 2016, when all banks were required to prepare recovery plans (at individual or group level for cross-border cases). These were assessed by the NBR for the domestic entities, or by the consolidating supervisors in the home jurisdictions of foreign banks in the first instance, and later discussed in the context of supervisory colleges. Inspectors of the Supervision Department are in charge of identifying factors that could affect the viability of the measures identified in the plans to restore banks to a normal financial standing, while the Resolution Department assesses resolvability issues. In this first cycle, the assessment of the Supervision Department identified material room for improvement, especially a lack of specific actions for the activities of some foreign subsidiaries in Romania. The Supervision Department raised those observations at the supervisory college level and has required banks to address their observations in a second cycle, now in progress.
10. The NBR is in charge of preparing the resolution plans at the individual bank level and participates in drafting the group resolution plans for the subsidiaries of cross-border groups. The Resolution Department started its resolution planning cycles in 2016 and currently cover 16 out of 22 subsidiaries of cross-border groups subject to consolidated supervision (falling under the scope of SRB or other supervisory authority) and for nine domestic banks (under NBR remit), of which two domestic banks qualify as systemic (NBR order No. 12/2017). The plans examine resolution strategies for each bank, including, notably, the key actions to be taken in a given failure scenario, specific tools to be used, ways to preserve critical functions in the system, and a communication plan. For cases of holding companies, the Bank Recovery and Resolution Law permits the adoption of both Single Point of Entry (SPE) or Multiple Point of Entry (MPE). Most resolution plans for foreign subsidiaries, assessed at the resolution college level, concluded that the SPE option (i.e., at the parent level) was the most appropriate resolution strategy. The key determinants for this preference are the limitations for the issuance of appropriate loss-absorbing instruments in Romania, given the shallowness of the local bond market, and the lack of sufficient separability and autonomy of the subsidiary from the group. The remaining challenge in this area is the viability of the plans, which could be tested in the context of simulation exercises (see below), and the potential strategic behavior of cross-border institutions in response to the plans themselves.

11. Pursuant to Article 4 of the BRRD, Romania has chosen to add rules and simplify certain requirements. Law 312/2015 allows the NBR to apply simplified requirements regarding resolution planning. Along these lines, four credit institutions are subject to simplified obligations in the 2017 resolution planning process. The set of simplified obligations consists of: (i) a simplified structure of the resolution plans; (ii) lower frequency for updating the plans; and (iii) less detailed updates. Also, consistent with Article 1.2 of the BRRD, the law stipulates certain minimum conditions for bridge banks capital, shareholding, and operational requirements.

**Simulation exercises and business continuity plans**

12. Simulation exercises and testing provide vital support to the legal reforms, making their practical implementation viable. Depending on the needs and resources, simulation exercises can focus on certain areas (e.g., IT systems), involve one or more agencies, or their scope could even include cross-border counterparts. Following the simulation exercise in 2013, authorities identified a number of areas of attention for their regular activities and for contingent purposes (Annex II).

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8 For those groups subject to consolidated supervision, within the resolution colleges established by the resolution authorities at the group level.

9 The Resolution Department is of adequate size for carrying out these functions given the market size. It currently counts 25 dedicated professionals, and is expected to grow over time as needed. If necessary, in case of an actual resolution the department will have access to additional resources within the NBR and to external experts.

10 Representing 97 percent of the cross-border groups’ subsidiaries’ net assets as of June 2017.

11 The decision between an MPE or an SPE resolution strategy depends on the financial and operational structure of the group, which, in a cross-border setup, has complex legal implications. The approach is set out in the group resolution plan in the context of resolution colleges. Commission Delegated Regulation (EU) 2016/1075 covers the relevant criteria for the choice.

12 Consistent with EBA guidelines (EBA/GL/2015/16).
13. **The NBR is developing detailed internal operational procedures for bank resolution, which will benefit from comprehensive testing.** Aiming at effectiveness and expedited decision making, these procedures include the necessary step-by-step actions and exchanges between relevant departments and external stakeholders; i.e., the MoPF and the FGDB, for each resolution tool. A simulation exercise planned for 2018 will test the resolution procedures within the NBR, which by then would be adopted officially. As a next step, joint simulation exercises with the MoPF and FGDB are in the pipeline.

14. **Separately, the FGDB has started a simulation program with three exercises in accordance with EBA guidelines.** A first exercise took place in 2017, with the aim to test the information stream procedures for a single deposit-taking institution. The test planned for 2018 will simulate the pay-out to depositors following the failure of a medium-sized bank. The exercise planned for 2019 will assume that funds in the deposit guarantee fund are insufficient. External stakeholders, notably the NBR, will participate in the test as observer.

15. **No nationwide crisis management exercises under the new framework have taken place.** The NCMO’s Technical Commission on Crisis Management has not been activated. Given the material changes in the institutional arrangements, including the merger of capital market, insurance, and pension fund supervisory entities into the ASF, and the legal reforms, a new comprehensive test is warranted.13

16. **Business continuity planning needs to be further entrenched in institutions and the financial safety net.** Business continuity plans help institutions preempt possible events where executive action, even if fully viable from the legal and institutional point of view, could be disturbed by other idiosyncratic shocks (e.g., IT failure, communication breakdown, natural disasters, etc.). Given the vital role of the institutional members of the NCMO, not only in the event of a crisis but in the economy in general, it is good practice to establish contingent plans for business continuity at the individual level and also jointly. The NBR has in place a Business Continuity Plan that includes provisions regarding roles and responsibilities at different levels of the organization, IT needs, an alternative site, inward and outward notification mechanisms, and dissemination and testing activities. The FGDB is currently planning to revamp its IT systems backup infrastructure and has, in recent times, worked on enhancing its preparedness, including the implementation of a backup site outside Bucharest. The MoPF operates a well-established phone tree scheme for the general functions of the ministry, but it is not geared toward crisis management in the context of a formal business continuity plan.

**Tax implications**

17. **Finally, the Bank Recovery and Resolution Law addresses explicitly tax liabilities associated with bank restructuring operations in the context of resolution.** Transfers of assets

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13 At the end of 2017 the NBR applied for European Commission assistance for further development and testing of the resolution framework with external consultants. A full exercise is expected to take place in 2018.
and liabilities associated with purchase and assumption (P&A) or bridge banks could be delayed or made nonviable if affected by taxes and other encumbrances that apply to regular market transactions. In order to avoid such obstacles, the law empowers the NBR to mandate such portfolio transfers free of tax liabilities and other fiscal burdens. In addition, in order to anticipate other possible tax impacts in this area, including, notably, those of deferred tax assets if present in the balance sheet, resolution plans elaborated by the NBR’s Resolution Department incorporate this factor on a case-by-case basis.

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14 Article 385 (1) of Law 312/2015.
B. Deposit Insurance

18. **The role and position of the FGDB strengthened in recent years.** The FGDB was established in 1996, and has played a key role during periods of financial instability; its latest depositor payout was 10 years ago, which has allowed a substantive accumulation in the deposit insurance fund, currently equivalent to 3.4 percent of eligible deposits, covering 99.5 percent of accounts. The high coverage level is also a consequence of the high insurance threshold of EUR 100,000, which aligns Romania with European practices despite the country’s below-average per capita income. In December 2015, the FGDB implemented new legislation (Law 311/2015), which transposed EU Directive 2014/49 on deposit guarantee schemes.

19. **From the point of view of the FGDB, the operationalization of the new resolution framework rightly aims at reducing the costly option of liquidation and payout to depositors.** Over the years since the last decade, the role of the FGDB in the safety net has turned more complex and with deeper participation in bank resolution. Notably, since 2011, the FGDB became able to participate in resolution measures dictated by the NBR. The 2015 framework empowered the FGDB as the administrator of the newly created bank resolution fund. In addition, the institution was mandated to serve as (i) a temporary administrator; (ii) a special administrator of a credit institution under resolution; (iii) a shareholder of a bridge institution; or (iv) a shareholder of an asset management vehicle.

20. **The fund is presently focused on ensuring its preparedness for resolution scenarios.** The FGDB’s potential deeper involvement in resolution requires having access to resources on a contingent basis. Therefore, the FGDB is building a roster of professionals who could be tapped on demand to act as administrators or Board members on its behalf. At the same time, the institution is executing and planning simulation tests of their procedures and systems to identify possible gaps and to enhance readiness. Also, cross-border resolution under the new framework requires tighter coordination channels with other deposit insurers in jurisdictions with banks exposed to Romania through branches or subsidiaries. These tasks are in progress and will require an ongoing effort of the institution.

C. Liquidity Assistance

21. **Over the years since the crisis, the NBR has maintained its liquidity provision framework for monetary policy purposes, but the toolkit is lacking a well-developed ELA scheme.** Liquidity support is critical for crisis management, not only prior to resolution, but even once a resolution path has been established (e.g., for a bridge bank, or a for a bailed-in institution). The overarching framework for liquidity provision in Romania flows from the NBR’s statutory objectives of preservation of price stability and supports the conduct of monetary policy in general,

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15 Per the BRRD specification, this second fund is targeted at one percent of deposits, expected to be attained by 2024.
but it is not geared towards managing economic stress episodes. Also, there is very limited experience with providing ELA in the country, and ELA arrangements provided for by law have not been fully implemented.\(^{16}\) Currently, Regulation No. 3/2016 establishes a list of eligible collateral for liquidity operations, where domestic sovereign risk paper predominates. Given the balance sheet composition of banks, in practice the main collateral acceptable is limited to domestic government securities and cash (from reserve requirements), severely limiting the options for ELA purposes, and with none of the other necessary principles (i.e., maximum terms, charges, etc.) stipulated formally. A formal operational framework for ELA is under construction, and the authorities are looking to the legal framework of the ECB 2017 agreement in this area as the base for its formulation.\(^{17}\)

D. Liquidation Regime

22. Romanian laws adequately differentiate between the liquidation scheme for banks in relation to nonfinancial corporates. The new resolution framework includes specific provisions to update the Corporate Insolvency Law stipulations for bank liquidation.\(^{18}\) If resolution protocols for non-systemic banks fail to find a viable alternative of lower cost than liquidation, the NBR would activate a liquidation procedure that is then left in the hands of the judicial system to administer. Under the previous law, the FGDB could be called in to act as judicial liquidator, but this function for the FGDB has now been eliminated. Presently, once the NBR Board decrees the bank liquidation, the FGDB is given seven business days to reimburse holders of insured deposit accounts, and then a syndicated judge would take over the responsibility of liquidating the remaining assets and liabilities. In carrying out the liquidation duties, the syndicated judge may request the opinion of the NBR on relevant issues, but such advisory function is optional. Given the limited experience of the judiciary in this area, and the different nature of assets and liabilities in a bank versus a corporation, such detachment of the NBR in a liquidation case could lead to protracted processes and loss of value.\(^{19}\) Other provisions in the law explicitly order that the Liquidation Creditors Committee will include the FGDB, which appropriately protects its interest in recovering, at least in part, the funds that have been mobilized in the process.

AREAS FOR FURTHER STRENGTHENING

A. Institutional Arrangements for Bank Resolution and Crisis Preparedness

\(^{16}\) In recent years, the NBR provided ELA only once for three months in 2009.


\(^{18}\) Romania enacted laws No. 85/2014 and No. 151/2015 to deal with corporate and personal insolvency, respectively. As of end–2017, Law 151/2015 is not yet in force; successive postponement of its validity is due partly to the necessary capacity building in the judiciary. Chapter II of Title XI of Law 312/2015 establishes modifications to the insolvency proceedings for banks, which were differentiated from those of nonfinancial corporates in Law No.85/2014. The Romania 2017 Article IV Consultation report includes an analysis of the progress in this area.

\(^{19}\) As an illustration, the new law allows liquidation processes to be carried out as P&A schemes, as a way to maximize the recovery from the remaining assets and liabilities; however, implementing that option would require the know-how of NBR experts.
23. The crisis management framework in Romania has materially strengthened since the previous FSAP, but more coordination is needed. As in any activity where coordination is needed, the framework is as strong as the weakest component. The NCMO and its Technical Commission on Crisis Management are new mechanisms that should be used to further coordinate crisis preparedness. Participating institutions would benefit from the execution of contingent arrangements that make the tools mandated by the law viable in a swift way. In particular, the MoPF is currently finalizing the Memorandum of Understanding (MoU) that would formalize key interactions with the FGDB in the context of the new Bank Recovery and Resolution framework, not only for resources or data but also for critical and opportune information. Similarly, access by the FGDB to NBR repo facilities and deposit accounts would increase efficiency (see below). A well-designed global simulation exercise would help identify other bottlenecks.

24. The bank recovery and resolution law and its provisions and tools are subject to the requirements of the public-sector procurement law, which entails certain risks. It implies that the process to be followed for arranging the hiring of independent assessors and external resolution experts, and/or disposing/selling of assets and liabilities, even in a crisis scenario, has to stick to the strict requirements of regular procurement. Such requirement in resolution cases would generally lead to lengthy tendering procedures and, likely, to higher costs, due to asset value depreciation and risks of further market instability. This feature of Romanian legislation also limits de facto the effectiveness of P&A procedures and partial transfers of assets and liabilities, reducing in practice the available resolution toolkit to the establishment of a bridge bank (assuming its bad assets can be disposed gradually) and bail in. Of course, liquidation procedures would also be affected by regular procurement requirements, but in those cases the impact would be mostly on the recovery value of the assets and would not increase spillovers or instability.

25. The NBR Resolution Department is working on a strategy to mitigate the risk of delayed resolution action due to procurement rules. They are organizing a scheme of contracting qualified professionals ahead of time, which would be effective for the stage of resolution options assessment. Such arrangement would be effective for swift specialized services contracting, but will require periodic updates. Moreover, such a retention scheme would not solve problem in the scenario in which resolution action would require the disposal of assets or the sale of the failing institution when these actions are subject to public procurement requirements. A more comprehensive solution is required which could seek a well-delimited exemption of resolution actions from the requirements of the procurement law.

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20 The Protocol of collaboration between the NBR as resolution authority and the MoPF, as part of the resolution safety net, was signed in early 2018.

21 This arises mainly from legal provisions particular to Romania, not from the transposition from European directives, but the issue has been observed in other countries in the region.

22 Two-year framework agreements on resolution valuation services with three consultancy/audit firms have been concluded. At the time of a resolution action, the NBR will choose among those retained firms.
26. **Other local market features can limit the effectiveness of resolution tools, notably the bail-in and bridge-bank options.** The Romanian system is mainly deposit-based and the domestic capital market nascent, so that financial instruments that could become part of a bail-in operation are not available at this point. These constraints limit the efficacy of the bail-in tool, while for P&A or bridge bank resolutions they also lead to a wider balance sheet gap to be closed. At the same time, in a bridge-bank scenario, the likelihood of a domestic transfer is limited by the market size and small number of players, potentially leading to longer periods of sustaining the bridge institution than in advanced markets. The authorities are conscious of these issues and must keep them in mind during their resolution and recovery planning work.

27. **Having completed the first round of recovery and resolution planning last year, Romania is finalizing the second one, which incorporates requirements, comments, and lessons learned during the initial effort.** Regarding recovery plans, in view of the important presence of subsidiaries of major international banks under the authority of the SRB, further work is needed to address specific Romanian concerns in the parent banks’ planning. Scrutinizing parent bank commitments in this regard is a major challenge that needs to be tackled in the context of supervisory colleges. Overall, the NBR must continue aiming at increasing the level of specificity, clarity, completeness and internal consistency of recovery and resolution measures. For domestic entities, the shareholding structure can be a key determinant of the bank’s ability to eventually be recapitalized under critical circumstances. The resolution planning for foreign subsidiaries is based mainly on single point of entry considerations. If a resolution college were to adopt a multiple point of entry strategy, resolution planning must ensure separability and autonomy from group/parent undertaking from financial and operational point of view, so that Romanian subsidiaries would be able to operate their businesses on a stand-alone basis as a going concern. In addition, a multiple point of entry model would require a strategy for the development of loss-absorbing eligible instruments in the domestic capital market.

28. **Resolution plans as prepared by the NBR also need to evolve into a tool that can reinforce the design and focus of bank supervision in general.** As the teams in charge of assessing these plans gain experience and insight, the process would benefit from a risk-based approach in terms of the plans’ internal focus and across institutions, depending on their complexity and importance. In this sense, developing a resolvability assessment methodology adapted to the needs of Romania would also help spread the knowledge acquired during this period, and ensure analytical consistency of the assessments over time.

29. **The crisis management legal framework provides for personal legal protection for NBR and FGDB officers enforcing bank resolution mandates under certain conditions.** Following the
formulation of the BRRD, the Romanian transposed law stipulates a broad coverage for specific tasks of the NBR as resolution authority during the resolution process as well as for the FGDB. Apart from the decision-making process, which in this context corresponds mostly to the NBR Board, the tasks specifically included in the scheme of personal legal protection include: temporary administrators of intervened banks, the management body or senior management of bridge institutions, external experts hired on an ad-hoc basis for resolution tasks, and the management body or senior management of asset management vehicles. All of these are in relation to potential accusations from shareholders or creditors of the institution under resolution, and in the discharge of their duties, with the exclusion of gross negligence or serious misconduct that directly affects the rights of such shareholders or creditors.

30. However, MoPF officials are not legally protected when executing their responsibilities as ultimate lender of last resort, which is suboptimal. NCMO members are also protected to the extent that Committee agreements are executed by protected institutions’ authorities. While there is no recent experience in Romania of litigation in this area, the provisions described above should be supplemented, not only to incorporate institutions’ officers that currently are not covered by the law, but also to include former officials, and the indemnification of legal costs. Operational arrangements, specifying modalities and timing of payments, are also desirable. A strong personal protection scheme not only contributes to a more effective execution of the law, but can also be instrumental in helping build a case for the corresponding agency in scenarios of litigation.

B. Deposit Insurance Policies and Operations

31. The migration of the FGDB from a pure paybox scheme to a paybox plus one is following appropriate steps, but needs further implementation and may require a further build-up of capacity. The FGDB’s governance is now tightly linked to the NBR. Its Supervisory Board has five representatives of the NBR and two from the MoPF. All Supervisory Board members have to be approved by the NBR Board and the mandate of each member is for three years. There is an Executive Committee (comprising three directors) that has the full responsibility for the implementation of the annual investment strategy, which is approved by the NBR’s Board. Given its continued accumulation process since 2006, as of June 2017 the total funds administered by the FGDB amounted to a healthy US$1.6 billion, of which US$1.4 billion corresponded to the deposit guarantee fund, with the rest belonging to the

<table>
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<th>Year</th>
<th>Annual Contribution (RON million)</th>
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<tbody>
<tr>
<td>2010</td>
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<tr>
<td>2011</td>
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<td>419.8</td>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>482.9</td>
</tr>
<tr>
<td>2015</td>
<td>515.5</td>
</tr>
<tr>
<td>2016</td>
<td>348.0</td>
</tr>
</tbody>
</table>

Source: FGDB.

24 Articles 3.12, 29.9, 40.12, and 42.13 sentence 1 of the BRRD were transposed into Articles 8, 161, 250, and 280 of Law 312/2015, respectively.

25 Other elements of legal protection derive from the NBR law.

26 Previously the Board of Administrators was composed by three representatives of the NBR, one from the MoPF, one from the Ministry of Justice, and two from the Romanian Banking Association.
resolution fund. At that level, the deposit insurance fund is on target, and the institution recently moved to a scheme of risk-based bank contributions (i.e., institutions contribute based on their risk rating). Improved planning will allow the institution to move to a multiyear system of announced contributions level, which will also help banks in their own planning.

32. **The FGDB’s investment policy needs to gradually migrate toward a diversified portfolio.** Currently, 73 percent of the Fund’s resources is concentrated in Romanian sovereign securities, with the rest deposited domestically in the same banks covered by the Fund. This creates a high correlation of risks between the Fund, the fiscal cycle, the banking system’s risks, and the Romanian economy in general. IADI principles and international good practice prescribe that the insurer should minimize direct exposure to insured banks and should diversify the portfolio of investments, including by investing in first-rate paper internationally. Priority must be given to liquidity and security in the investment portfolio over yield. Diversification can be done gradually over a prudent period that can last several years, but could start with the current year’s contributions flow. Such a move will create the need to build additional risk-management capacities, for instance, to implement currency hedging strategies, but the gains in terms of volatility will compensate the costs, especially if judged on a mark-to-market basis. This recommendation is feasible under current laws and regulations.

33. **Access to central bank accounts and the NBR’s repo facility will bolster the FGDB’s operational capacity and efficiency.** Currently, the fund does not have accounts at the central bank, which is one of the reasons it has exposure to commercial banks. This should be corrected, not only for risk management reasons, but also for operational reasons. For instance, by virtue of international agreements with deposit insurers of foreign banks that have subsidiaries in Romania, the FGDB could be formally designated as the paying agent in a scenario of liquidation by the home supervisor, and it would be safer to have the resources flow via the central bank. Finally, the FGDB requires a contingent short-term repo facility with the NBR, which on a fully collateralized basis could help the FGDB make their government paper liquid, avoiding losses from fire sales of government securities into illiquid markets to discharge its deposit repayment obligations.27

34. **The contingent treasury funding to the FGDB needs formalization.** In the extreme event of the deposit insurance fund being insufficient, such a contingent agreement should establish the levels of authority (with alternate signatories) to execute the financing, perhaps by tranches, the type of security to be issued, and mechanisms to operationally transfer the funds to the FGDB. Also, good practices specify that this kind of support to the deposit insurer should take the form of a credit to be repaid on the basis of future contributions from banks. The law specifies that such funding should come in a first instance from the privatization proceeds fund, which at present amounts to €600 million. However, it also mentions that, in case of need, the treasury can issue paper within five days for depositor repayment purposes. All these provisions should be laid out in a master agreement that could lead then to a quick execution in case of need.

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27 The ECB has explicitly agreed with such mechanisms for deposit guarantee purposes only (Convergence Report, June 2014), and other countries in the region have established them (Czech Republic, Hungary, Poland).
35. The deposit insurer is mandated to manage the new resolution fund, which is on track to reach the BRRD target. The resolution fund inherited the resources from a predecessor fund (the Bank Restructuring Fund) and its management mimics that of the deposit insurance fund, but it is formally separated and has its own bookkeeping. The use of resources of the resolution fund is decided by the NBR, as the resolution authority, to cover the needs related to the application of resolution tools, only for the purposes set out in Law 312/2015. The resolution fund amounts to US$248 million (as of June 2017), which is about 60 percent of its target (1 percent of insured deposits).

36. Despite the differences between the nature of both funds under FGDB management, the investment policies are the same, but could be set apart. For instance, the resolution fund would not typically be required to inject cash in a given resolution arrangement, as would be the case of depositor repayment, or at least not as frequently. Therefore, while liquidity criteria could still be a priority in the former compared to the latter, return considerations could have a higher weight in investment decisions for the resolution fund in comparison to the deposit guarantee fund. Similarly, in terms of currencies, it would be efficient that the resolution fund keeps assets in FX at least in the same proportion as the average loan dollarization ratio in the system, as its contribution to a particular resolution case could be designed to minimize currency mismatches. This fine tuning should be implemented in tandem with the diversification recommended for the deposit insurance fund. Finally, while both funds are legally independent, establishing a mechanism to allow asset swaps between funds would also be efficient, specifically for resolution cases in which currency or term mismatch could be mitigated just by adjusting the asset composition of the contribution. Having accounts at the NBR would also facilitate the latter.

37. The FGDB is bound by a legal provision according to which its operational expenses can only be covered from the fund’s yield, which is not in line with international practices. This is an unnecessary limitation that should be lifted or complemented by alternative means (e.g., extraordinary contributions). There are many scenarios that could make it necessary that expenses be covered from the pool of regular contributions (which could be capped, if necessary), especially in a period when the institution is investing in IT systems and other enhancements. The risk of an FGDB budget overextension from a reform is fully mitigated because the annual budget is approved by the NBR Board and can be further limited by caps or time-limits.

C. Emergency Liquidity Assistance Policies

38. This is the least developed area of the crisis management framework, and the NBR must prioritize the implementation of ELA arrangements on the basis of the ECB agreement framework. Building an integral ELA scheme may take time, but some features could be developed first. Widening the range of eligible collateral for ELA and other liquidity windows should be a priority. Currently, regulation limits collateral to government and central bank paper or cash.28 For

28 The regulation also mentions securities issued by international organizations and mortgage bonds, though those securities do not have presence in the local market to make them viable alternatives.
ELA purposes, this set needs to be expanded to include other assets, including, for instance, other sovereign issuers, and other less liquid assets under pre-established criteria for their acceptance as collateral (e.g., haircut levels, minimum risk ratings, short term vs. long term, etc.). The specific features of a new ELA framework will also need to be tested against realistic asset structures in the local market and access for domestic banks. Consistency with state-aid rules must also be ensured.

39. **Given the euroization of the system’s balance sheets, the NBR must also elaborate a plan to face scenarios of bank illiquidity in FX.** Consistent with the importance to monitor liquidity in both currencies and establish separate minimum requirements, the central bank must have an action plan for scenarios of illiquidity in FX. A starting point for the NBR would be to establish internal objective parameters (e.g., adequacy of the Net International Reserves level) under which it would open a liquidity window in FX, with its own limits and conditions for costs, collateral, etc. To minimize moral hazard, a window could be offered only under specific circumstances. Also, during the recent crisis, Romanian authorities reached a nonformalized agreement with the ECB for funding in euros, which was never activated. Exploring conditions for a more formal facility would be beneficial in general but especially for ELA considerations.

D. **Involvement of NBR in Liquidation Regime**

40. **The NBR should aim at maintaining a greater role during liquidation processes.** Under conditions of low financial expertise in the judiciary, an only optional consultation of syndicated judges with the NBR, as stipulated in the current law, may lead to significant losses and unnecessarily protracted liquidation processes. Per international practices, the law should be amended to give the NBR a greater say, and make such consultations and their implementation a responsibility of the syndicated judge. This would be particularly important in scenarios in which the banks’ assets and liabilities could be assumed by other institutions after the liquidation phase started.

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29 Law 85/2014, Article 212(1).
Table 2. Romania: FGDB: Key Indicators

<table>
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<tr>
<th>Bank 1/</th>
<th>Guaranteed depositors</th>
<th>Covered deposits</th>
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<td>Number</td>
<td>Percent of total deposits</td>
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Source: FGDB

1/ Following a merger operation in the first half of 2017, the number of banks insured dropped by one to 28 institutions compared to end-2016.
Annex I. Key Regulatory and Organizational Measures Since 2010

Since the last FSAP was conducted in 2009/10, and partly as a response to the international financial crisis, the NBR implemented several rounds of measures to enhance its crisis management tools. Those were domestic or organizational in nature, but also included more intense supervision of cross-border banking. Among the most important are:

- At the organizational level, the NBR had formed a dedicated crisis management unit since early 2009 (the Financial Crises Management Unit). One of the tasks of the unit was to support the National Financial Stability Committee (NFSC). The unit was converted into a department in 2013, when it acquired further responsibility in the implementation of EU Regulation No. 236/2012 on short selling and credit default swaps (which were transferred later on to the Market Operations Department). The department was further reorganized in late 2014 into its current form with the establishment of the Bank Resolution Department, which consists of two divisions: the Resolution Strategies and Policies Coordination Division and the Resolution Decisions Preparation and Implementation Division.

- In 2012, the Romanian financial supervisory authorities at the time (NBR, National Securities Commission, Insurance Supervisory Commission, and the Private Pension System Supervisory Commission) signed an MoU for the mutual exchange of information to foster financial stability, financial crisis management, and to strengthen the domestic consolidated supervision. The MoU details the scope of information to be shared regarding financial groups, as well as the frequency and channels of the data exchange. Also in 2012, the MoU was amended to include the Bank Deposit Guarantee Fund, while the NBR and the FGDB entered into a cooperation agreement that gave way later to further cooperation in the bank resolution field.30

- Cross-border supervisory presence of the NBR improved through its participation in Supervisory Colleges of the banking groups with presence in Romania. Also, the NBR is a signatory party in an MoU among the financial supervisory authorities, central banks, and finance ministries of the European Union to improve cross-border coordination to promote financial stability.

- In the area of bank supervision, the NBR issued Regulation No. 17/2012 to set stricter requirements related to lending to individuals and nonfinancial entities, including on the assessment of reimbursement capacity, debt-to-income analysis, and foreign currency lending.

- Offsite supervision was strengthened through enhanced reporting, especially in relation to asset quality and liquidity, including more granular reports of restructured loans, insolvency, NPLs, outsourced loans, interbank funding, customer deposits, quick liquidity, and investment portfolio.

- The interaction between financial safety net participants and the local Competition Council has also been developed in recent years, partly due to changes in the domestic/European state aid rules and the adoption of the BRRD. The dialogue with the Competition Council, which led to a

30 This MoU was amended in 2016 with provisions relevant for the bank resolution activities/functions, and in 2017 was replaced by the consolidated version.
subsequent formal agreement, helped clarify its role in the context of bank resolution, and the interaction of the BRRD with state aid principles.
Annex II. The Simulation Exercise of 2013

Following the recommendation from the 2010 FSAP, the authorities conducted a simulation exercise in 2013 under the guidance of the World Bank and with funding by FinSAC, and prior to the latest round of BRR reforms.

The main objectives of the exercise were to: (i) permit participants to examine their response to sudden financial distress, including at systemic level; (ii) help identify the tasks and decisions needed in such scenarios; (iii) examine how the authorities would work together to solve the challenging issues of a crisis, especially in a home-host setting; and (iv) enhance preparedness.

The simulation counted with three main players: the NBR Board, the NBR Supervision Department, and the Ministry of Finance. Other institutions were role-played: the FGDB, the National Securities Commission, and the Private Pension System Supervisory Commission.31

The main findings related to:

- The limited exchange of analytical interpretation of data across institutions. Communications tended to be formal.
- A need for swifter and streamlined decision making on ELA.
- The possibility of putting an insolvent bank under administration, and the role of the NBR’s Supervision Department in that stage.
- Alternative strategies for foreign subsidiaries that are not supported by their parent banks.
- The supervision and regulatory consistency between the banking sector and capital market.
- Cyber security considerations both for banks and the players.
- A communication strategy.

31 The latter three institutions were predecessors to the current ASF.