

LECTURE No.2

CREDIT INSTITUTIONS - A MAIN PART OF THE ROMANIAN BANKING SYSTEM

The Romanian banking regulatory framework is harmonised with the provisions of the *acquis communautaire* in this field.

In this respect, the provisions of Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions, Directive No. 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions were transposed into the primary banking legislation and the regulatory framework, in place starting with January 1, 2007.

Government Emergency Ordinance No.99/2006 regarding credit institutions and capital adequacy, as it was approved by Law No.227/2007 transposed the provisions regarding minimum access requirements and the carrying out of activity by credit institutions, the operational requirements (at principle level), the supervision of credit institutions, and introduced specific provisions for various credit institutions (banks, credit co-operatives, savings institutions for housing, mortgage banks and electronic money institutions), whose specific requirements were provided in the past by special laws.

Government Emergency Ordinance No.99/2006 regulates the treatment of the credit institutions, Romanian legal entities, of credit institutions and financial institutions from other Member States operating in Romania and of credit institutions from third countries operating in Romania. The regime for credit institutions from other Member States is based on the principle of the “single passport” for carrying out the business activity through a branch or directly, as well as on the principle of the prudential supervision carried out by the competent authority in the home Member State. The branches of credit

institutions from third countries operating in Romania must observe the same prudential requirements as those for credit institutions, Romanian legal entities, except for the case when it is considered, under conditions of reciprocity, that regulatory and supervisory framework of the country of origin is equivalent to the one established by the Romanian legislation.

Under the provisions of this GEO No.99/2006, a *credit institution* –means:

- a) an undertaking whose business is to receive deposits or other repayable funds from the public and to granting credits for its own account;
- b) an undertaking, other than that under let. a), which issues means of payment in the form of electronic money, hereinafter referred to as *electronic money institution*;

This emergency ordinance lays down the principles concerning the taking up and pursuit of the business of credit institutions and financial investment companies within Romania's territory and their prudential supervision, as well as supervision of payment systems and financial instruments settlement systems.

This emergency ordinance is applicable to *credit institutions, Romanian legal persons*, including their branches operating abroad and to *credit institutions from other Member States, or from third countries*, as concerns their activity pursued in Romania.

Credit institutions, Romanian legal persons, may be set up and may operate, as:

- a) banks;
- b) credit co-operative organisations;
- c) building societies;
- d) mortgage loan banks;
- e) electronic money institutions.

The National Bank of Romania is the competent authority for the licensing, regulation and prudential supervision of credit institutions.

In order to carry on activity in Romania, every credit institution has to be authorised according to the provisions of this Emergency Ordinance.

The National Bank of Romania does not grant authorisation to a credit institution if the credit institution concerned does not possess separate own funds or in cases where initial capital is less than the equivalent in RON of EUR 5 million.

Credit institutions may perform, according to their authorisation the following activities:

- a) acceptance of deposits and other repayable funds;
- b) lending including, *inter alias*: consumer credit, mortgage credit, factoring with or without recourse, financing of commercial transactions, including forfeiting;
- c) financial leasing;
- d) money transmission services;
- e) issuing and administering means of payment, such as credit cards, travellers' cheques and other similar means of payments, including issuing of electronic money;
- f) guarantees and commitments;
- g) trading for own account and/or for account of clients, according to the law, in:
 - 1. money market instruments, such as: cheques, bills, promissory notes, certificates of deposit;
 - 2. foreign exchange;
 - 3. financial futures and options;
 - 4. exchange and interest-rate instruments;
 - 5. transferable securities and other financial instruments;
- h) participation in securities issues and other financial instruments by underwriting and selling them or by selling them and the provision of services related to such issues;
- i) advice on capital structure, business strategy and other related issues, advice and other services relating to mergers and purchase of undertakings as well as other advice services;
- j) portfolio management and advice;
- k) safekeeping and administration of securities and other financial instruments;
- l) intermediation on the interbank market;
- m) credit reference services related to provision of data and other credit references;

- n) safe custody services;
- o) operations in precious metals, gems and objects thereof;
- p) acquiring of participations in the capital of other entities;
- r) any other activities or services those are included in the financial field, abiding by the special laws regulating those activities, where appropriate.

*Credit institutions may also perform **other activities**, allowed under the authorisation granted by the National Bank of Romania, as follows:*

- a) non-financial mandate or commission operations, especially for the account of other entities within the group the credit institution is part of;
- b) managing a portfolio of movable and/or immovable assets, which are the property of the credit institution, but are not used for the performance of its activities;
- c) rendering of services to own clients, which, although are not ancillary to its activity, are related to banking operations.

Credit institutions are not engage in activities such as:

- a) pledging of own shares against the credit institution's debts;
- b) granting of credits secured by shares, other equity instruments or bonds issued by the credit institution or other undertaking included in the credit institution's group;
- c) acceptance of deposits or other repayable funds, securities or other valuables, from the public, when the credit institution is in insolvency.

Credit institutions are organised their entire business in accordance with the rules of prudent and sound banking practice, as well as with the provisions of the law and of the regulations issued in the application of the law.

Before it starts operating, each credit institution shall open a current account with the National Bank of Romania.

The management of a credit institution, the processes of risk identification, management, monitoring and reporting as well as its internal control mechanisms are established by its articles of association and internal regulations, according to the legislation in force

applicable to commercial companies and in compliance with the provisions of the Emergency Ordinance on credit institutions and the regulations issued for its application.

Own funds and minimum own funds against risks

In order to ensuring the stability and reliability of the activity carried out and/or the fulfilment of the assumed obligations, each credit institution has to maintain a proper level of its own funds.

The elements included in the calculation of own funds, the conditions and limits where they may be taken into account and the situations where these limits may be exceeded, the elements deducted in the calculation of own funds and any other requirements for their determination, shall be established through regulations, on an individual as well as on a consolidated basis.

Credit institutions are obliged to provide own funds that are at all times more than or equal to the sum of capital requirements established for the mitigation of credit risk, including the counterparty credit risk, dilution risk, position risk, settlement/delivery risk, currency risk, commodities risk and operational risk, as appropriate.

Under the provisions of the Regulation of the National Bank of Romania and National Securities Commission no.18/23/2006 regarding own funds of credit institutions and investment firms, “banks, Romanian legal persons, shall have, at the moment of authorisation, a minimum initial capital of RON 37 million, mortgage loan banks shall have, at the moment of authorisation, a minimum initial capital of RON 25 million, building societies shall have, at the moment of authorisation, a minimum initial capital of RON 25 million, electronic money institutions shall have, at the moment of authorisation, a minimum initial capital of RON 12 million.”

Under the provisions of the GEO No.99/2006, a credit institutions own funds may not fall below the amount of initial capital must require at the time of its authorisation.

The initial capital of a branch shall be made up of the endowment capital provided, in cash, by the credit institution of the third country. The amount of the endowment capital shall be established by regulations and may not be less than the equivalent in lei of EUR 5 million.

The same regulation stipulates that the minimum amount of the initial capital and, respectively, that of the own funds of a central body of credit cooperatives is set out at the EUR 5 million lei equivalent. The minimum limit of own funds of a credit cooperative is set out at lei 300 thousand. The minimum amount of the total capital and, respectively, of the own funds of a cooperative network is set out at EUR 10 million lei equivalent.

According to Regulation 13/18/2006, the institutions have to provide own funds which are at all times more than or equal to the sum of the following capital requirements:

- for credit risk and dilution risk in respect of all of their business activities with the exception of their trading book business, 8% of the total of their risk-weighted exposure amounts calculated, by case, in accordance with the Regulation NBR-NSC no. 14/19/2006 on credit risk treatment using the standardised approach, for credit institutions and investment firms, the Regulation NBR-NSC no.15/20/2006 on credit risk treatment using the internal models based approach, for credit institutions and investment firms and/or the Regulation NBR-NSC no.21/26/2006 on credit risk treatment regarding securitised exposures and securitisation positions;
- in respect of their trading-book business, for position risk, settlement and counter-party risk, the capital requirements determined in accordance with the Regulation NBR-NSC no.22/27/2006 on capital adequacy of credit institutions and investment firms;
- in respect of all of their business activities, for foreign-exchange risk and for commodities risk, the capital requirements determined according to the Regulation NBR-NSC no.22/27/2006 on capital adequacy of credit institutions and investment firms; and
- in respect of all of their business activities, for operational risk, the capital requirements determined in accordance with Regulation NBR-NSC no. 24/29/2006 regarding the calculation of the minimum capital requirements for operational risk of credit institutions and investment firms.

In accordance with NBR's regulations, banks that are Romanian legal persons are not permitted to hold foreign currency positions (either long or short) exceeding 10% of their own funds, calculated for positions in each individual foreign currency. The aggregate foreign currency position of a bank may not exceed 20% of the own funds of the bank.

Credit risk

Credit institutions are obliged to apply either the Standardised Approach, or, if permitted by the National Bank of Romania, the Internal Ratings Based Approach to calculate the capital requirements for covering credit risk, with a view to calculating the risk weighted exposure amounts.

The methodology for calculating the risk weighted exposure amounts for credit risk by using the Standardised Approach shall be set through regulations issued for the application of this Emergency Ordinance.

In the case of Standardised Approach, credit quality – including exposures arising from securitisation – may be determined by reference to the credit assessments of External Credit Assessment Institutions or of Export Credit Agencies, deemed eligible by the National Bank of Romania, based on specific criteria laid down in the regulations issued for the application of this emergency ordinance.

An External Credit Assessment Institution which has been deemed eligible for this purpose by the competent authority from another Member State or by the National Securities Commission may be deemed eligible by the National Bank of Romania without carrying out its own assessment.

Credit institutions may obtain permission for using the Internal Ratings Based Approach only if the National Bank of Romania is satisfied that the implemented systems for the management and rating of credit risk exposures comply with the standards and minimum requirements for the assessment of conformity, established through regulations issued.

Market risks

The methods for determining capital requirements for covering the position risk, settlement/delivery risk, currency risk and commodities risk are formulated through regulations issued for the application of the emergency ordinance.

The National Bank of Romania may allow credit institutions to calculate their capital requirements for position risk, currency risk and/or commodities risk using their own internal risk-management models instead of or in combination with the methods described in the regulations issued; it also sets the framework governing the use of such methods.

Each credit institution shall apply for and obtain the approval from the National Bank of Romania for using its own internal models, in accordance with the terms and conditions laid down in the regulations issued

Operational risk

Credit institutions shall at all times hold own funds to cover the operational risk they are exposed to.

In computing the capital requirements for covering operational risk, credit institutions may use the Basic Indicator Approach, or, with the prior approval of the National Bank of Romania, the Standardised Approach, the Alternative Standardised Approach or the Advanced Measurement Approach.

Large exposures

Credit institutions shall fulfil at all times the requirements concerning large exposures set forth through the regulations issued.

Each credit institution shall have sound administrative and accounting procedures and adequate internal control mechanisms for the purpose of identifying and recording all large exposures and subsequent changes to them, in accordance with the provisions of this Emergency Ordinance and with the applicable regulations, and of monitoring those exposures in the light of each credit institution's own exposure policies.

Credit institutions shall have in place sound, effective and complete internal strategies and processes to assess and maintain on an ongoing basis the amounts, types and

distribution of capital that they consider adequate to cover the nature and level of risks to which they are or might be exposed.

Other prudential requirements

The National Bank of Romania may set through regulations other prudential requirements as well as the level of their application to credit institutions.

These requirements may be aimed at, without being limited to, the following:

- a) liquidity risk;
- b) the operations of credit institutions with persons having special relations with the credit institution concerned;
- c) the outsourcing of the credit institution's activities;
- d) the quality of assets and provisions;
- e) changes related to the credit institution affecting the conditions considered when it was authorised.

It should be specified that the emergency ordinance includes provisions for banks, building societies (which are Romanian legal persons, as credit institutions specialised in long-term financing for housing, which have collective saving and lending for housing included in their scope), mortgage loan banks (specialised credit institutions, which have as core business the granting with professional title of mortgage loans for real estate investments and the raising of repayable funds from the public by issuing mortgage bonds), electronic money institutions (as credit institutions specialised in issuing electronic money), and credit co-operative organizations (meaning to credit co-operatives, Romanian legal persons, and to the central bodies, Romanian legal persons, of credit cooperative organisations to which these organisations are affiliated)

The transposition of the technical aspects of the mentioned directives was made within the prudential regulations issued by the National Bank of Romania together with the National Securities Commission as follows:

- ***the Regulation NBR-NSC No.13/18/2006 concerning the determination of minimum capital requirements for credit institutions and investment firms***, approved by the NBR-NSC Order No.10/107 dated 14/12/2006; it establishes the risks for which the regulated institutions have to have at their disposal minimum capital requirements (credit risk, dilution risk, position risk settlement, counter-party risk, foreign exchange risk, commodities risk and operational risk);

- ***the Regulation NBR- NSC No.14/19/2006 on credit risk treatment using the standardised approach, for credit institutions and investment firms***, approved by the NBR-NCS Order No. 11/108/2006; it establishes the determination of the risk weighted exposure amounts according to the standardised approach in view of calculating the capital minimum requirements for credit risk ;

- ***the Regulation NBR- NSC No.15/20/2006 on credit risk treatment using the internal models based approach, for credit institutions and investment firms***, approved by the NBR-NCS Order No. 12/109/2006; it establishes the calculation of the risk-weighted exposure amounts, using the internal models based approach, in order to calculate the minimum capital requirements for credit risk, under some risk parameters (probability of default, loss given default, conversion factors), through the Foundation IRB or Advanced IRB;

- ***the Regulation NBR- NSC No.16/21/14.12.2006 regarding large exposures of credit institutions and investment firms***, approved by the NBR-NCS Order No. 13/110/2006; it settles the legal framework for supervising, monitoring and reporting of large exposures, the large exposures limits, as well as the total/partial exemption of the exposures from the big exposures limits;

- ***the Regulation NBR- NSC No.17/22/14.12.2006 regarding the consolidated supervision of credit institutions and investment firms***, approved by the NBR-NCS Order No. 14/111/2006; it establishes the level of applicability of the prudential requirements in exercising the supervision on a consolidated basis, the scope of the prudential supervision and the consolidation methods used in prudential purposes.

- ***the Regulation NBR- NSC No.18/23/14.12.2006 regarding own funds of credit institutions and investment firms***, approved by the *NBR- NSC Order No. 15/112/2006* ; it establishes the component items of the own funds at an individual and consolidated

level that represent the basis of the determination of the prudential banking indicators stipulated by the prudential regulations, the principles and conditions for the inclusion of certain elements in the own funds calculation, requirements regarding minimum level of the initial capital, general aspects concerning own funds reporting both at an individual and consolidated level.

- ***the Regulation NBR- NSC No. 19/24/14.12.2006 on credit risk mitigation techniques used by credit institutions and investment firms***, approved by the NBR- NSC Order No. 16/113/2006; it establishes the effect of credit risk mitigation techniques over the calculation of the risk-weighted exposure amounts or, if the case, the expected loss amounts, in order to calculate the minimum capital requirements;

- ***the Regulation NBR – NSC No.20/25/2006 on the treatment of counterparty credit risk of derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions***, approved by the NBR-NSC No. 17/114/2006 ; it establishes the treatment of counterparty credit risk of derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions, which are subsequently subject to the risk-weighted value in accordance with the standardised approach or internal models based approach in view of calculating the capital minimum requirements for credit risk;

- ***the Regulation NBR – NSC No. 21/26/14.12.2006 on credit risk treatment regarding securitized exposures and securitisation positions***, approved by the NBR-NSC No. 18/115/2006 ; it establishes the calculation of risk-weighted exposure amounts in relation to a securitisation, as well as for the securitisation position in order to calculate the minimum capital requirements for credit risk and dilution risk.;

- ***the Regulation NBR – NSC No.22/27/2006 regarding the capital adequacy of credit institutions and investment firms***, approved by the NBR-NCS Order No. 19/116/2006; it establishes the calculation of the minimum capital requirements for the position risk, settlement risk, counter-party credit risk, foreign exchange risk and commodities risk;

- ***the Regulation NBR – NSC No. 23/28/2006 dated 14/12/2006 on technical criteria concerning the organisation and treatment of risks, as well as technical criteria on review and evaluation by the competent authorities***, approved by NBR-NCS Order

No. 20/117/2006; it establishes the technical criteria concerning the organisation and treatment of risks (credit risk and the risks associated to it, market risk, interest rate risk arising from non-trading activities, operational risk and liquidity risk), as well as the technical criteria used by the competent authorities in order to verify and evaluate them;

- ***the Regulation NBR – NSC No. 24/29/2006 regarding the calculation of the minimum capital requirements for operational risk of credit institutions and investment firms***, approved by the NBR-NCS Order No. 21/118/2006; it establishes the approaches applicable in order to determine the minimum capital requirements for operational risk in accordance with one of the fourth approaches: the basic indicator approach, the standardised approach, the alternative standardised approach and the advanced measurement approach;

- ***the Regulation NBR-NSC No.25/30/2006 regarding the disclosure requirements for credit institutions and investment firms***, approved by NBR-NCS Order No. 22/119/2006; it establishes the legal framework for technical quantitative and qualitative criteria on disclosure for credit institutions, emphasizing the main parameters of the business profile, risk exposures and risks management.

In the same transposition process of the *acquis communautaire* in the banking national legislation, the ***Emergency Ordinance No.98/2006 regarding the supplementary supervision of credit institutions, insurance and/or re-insurance undertakings, investment firms and asset management companies in a financial conglomerate*** was issued at the end of the year 2006, and transposed the provisions of the and the Directive 2002/87/EC of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council. The scope of this emergency ordinance is to regulate the supplementary supervision of the regulated entities that are part of groups with financial cross-sectoral activities (financial conglomerates), in order to ensure the financial stability and to protect the depositors, the insurance policy holders and the investors.

The secondary legislation concerning the financial conglomerates includes the **Order NBR-NSC-ISC No.23/120/113136/15.12.2006 on the supplementary capital adequacy requirements, intra-group transactions and risk concentration in a financial conglomerate** which completes the general framework of the supplementary supervision of the regulated entities, Romanian legal entities, provided for in the *Emergency ordinance No.98/2006*, relating to the calculation of the supplementary capital adequacy requirements, identification and enforcement of certain reporting requirements for the intra-group transactions and risk concentration.

Romania is also actively involved in the process of drafting the amendments of the *acquis communautaire* in the prudential field and the respective amendments are to be transposed into the national framework after their adoption at the European level.

The National Bank of Romania has adopted a new prudential reporting system, harmonised with COREP and FINREP requirements and is in process of drawing up and adopting new regulations which will transpose the guidelines issued by the Committee of the European Banking Supervisors – CEBS which are relevant for the credit institutions.

Non-bank financial institutions are those entities performing lending activities as their core business, the main difference from credit institutions being that they are not allowed to accept deposits or other repayable funds from the general public. While regulating this financial market segment, the authorities aimed at establishing a set of minimum access conditions to the lending activity, as well as designing the monitoring and supervisory regime, as appropriate, in order to ensure financial stability derived from a healthy and sustainable development of this credit market segment together with the removal of any discriminatory regime between entities performing similar business, credit institutions.

On January 26, 2006 the Government Ordinance no.28/2006 was issued and, under this regulatory framework, were included those specific institutions which professionally perform lending activities in the broad sense, that is: **i)** lending, including, without being limited to: consumer credits, mortgage credits, real-estate credits, micro-credits, financing of commercial transactions, factoring, discounting, forfeiting operations; **ii)**

financial leasing; **iii**) guarantees and commitments; **iv**) granting of credits in exchange of goods for safekeeping (pledging via pawnshops); **v**) granting of credits to members of non-profit associations, organised based on free will of employees/pensioners in order to grant their members financial support (mutual benefit societies); **vi**) other financing forms.

The provisions of the ordinance establish the requirements for the setting up and operation of non-bank financial institutions, the organisation of their activity, permitted activities, book-keeping, as well as the way the National Bank of Romania is empowered to ensure the registry, monitoring and supervising of these institutions according to their dimension and importance within the non-bank financial sector.

The main provisions of the ordinance relate to:

- generic denomination of these entities as “non-bank financial institutions – IFN”; setting-up as joint-stock commercial companies; the main business of an IFN is the lending activity;
- setting of minimum capital requirements, in domestic currency, equivalent to 200,000 EURO, except for entities recorded in Entry Register;
- notification procedure to the NBR and the information to be provided in order to be registered;
- conditions to be fulfilled by the shareholders and managers;
- recording, monitoring and supervision on three levels, according to the type, volume and peculiarity of the credit activity : mutual benefit societies, pawnshops and entities whose financing sources are limited to public funds (recorded in Entry Register) and the other non-bank financial institutions (recorded in General Register), from which the non-bank financial institutions that fulfil some criteria regarding the potential and effective volume of their lending activity are recorded in Special Register;
- obligation for the NBR to issue secondary legislation for the enforcement of the Ordinance provisions regarding the non-bank financial institutions (issues related to monitoring/supervision).

In this respect, the legislative framework regarding non-bank financial institutions was further detailed within the regulatory framework designed by the central bank, the main regulatory pieces of regulation being:

- *NBR Norm No. 2/2006 on the capital requirements for non-bank financial institutions*, as amended and supplemented subsequently, which regulates the minimum level of the share capital for non-bank financial institutions recorded in General Register. According to the provisions of this norm, non-bank financial institutions, Romanian legal persons, shall have, upon establishment, a share capital at least equal to the equivalent amount in domestic currency of EUR 200,000. The minimum level of the share capital of non-bank financial institutions, Romanian legal entities, granting mortgage loans, may not be lower than the level of the regulated share capital of mortgage loan companies (EUR 3,000,000).
- *NBR Norm No. 4/2006 on the notification procedure and the registration of non-bank financial institutions*, as amended and supplemented subsequently, which sets forth the notification procedure, as well as the requirements, terms and documentations necessary for the registration in the registers opened and kept by National Bank of Romania.
- *NBR Norm No. 6/2006 on the criteria for recording non-bank financial institutions in the Special Register*, as amended and supplemented subsequently, which establish the criteria regarding the entry in the Special Register of the Non-bank Financial Institutions.
- *NBR Norm No. 16/2006 on the own funds of non-bank financial institutions included in the Special Register*, which regulates the minimum level of own funds that non-bank financial institutions are required to maintain, as well as the method of calculating and reporting the own funds. According to the provisions of this norm, non-bank financial institutions have the obligation of calculating and verifying on a monthly basis the compliance with the minimum regulatory level of the own funds, based on the data contained by the trial balance drawn up at the end of each month. Also, non-bank financial institutions have the obligation to prepare, quarterly, written and electronic reports on the level of the own funds,

and submit it to NBR – Supervision Department, within 25 calendar days from the end of the quarter the report refers to.

- *NBR Norm No. 17/2006 regarding the supervision of exposures of non-bank financial institutions included in the Special Register*, which regulates the maximum exposure limits of these entities towards counterparts. According to the above-mentioned norm, the sum of net significant exposures of a non-bank financial institution recorded against a single debtor and against entities having special relationships with the institution shall not be higher than 600% of the total value of its own funds. The total aggregate exposure of a non-bank financial institution shall not be more than 1500% its own funds.
- *NBR Norm No. 18/2006 regarding the organization and internal control, management of significant risks as well as the internal audit activity of non-bank financial institutions included in the Special Register* provides the general framework that shall be observed for:
 - organization and internal control of the activity of non-bank financial institutions;
 - management of significant risks by non-bank financial institutions;
 - organization and operation of the internal audit activity of non-bank financial institutions.
- *NBR Regulation No. 8/2006 regarding the customer due diligence standards for non-bank financial institutions included in the Special Register* represents a general framework for drawing up of their own policies and procedures of customer due diligence, for the purposes of fighting against money laundering and financing terrorism.
- *NBR Regulation No. 3/2007 on limiting credit risk for loans granted to individuals* establishes minimum requirements to be observed by the NBFIs included in the Special Register in granting loans to individuals, aimed at implementing *responsible lending* standards.

The secondary legislation framework has also been supplemented with regulations regarding the classification of loans, determining, adjustment and use of the loan loss provisions by the non-bank financial institutions.

The process of recording the non-bank financial institutions within the NBR's registers started in the second half of 2006 and was completed by the end of 2007.

In all its official documents, the bank must identify itself clearly through a minimum of data: the company under whose name the bank is registered in the Trade Register, its share capital, the address of its headquarters premises, number and date of incorporation in the Trade Register, number and date of incorporation in the Bank Registry.

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Every credit institution must have its own operating regulations, approved by the statutory bodies through which they have to establish at least:

- The organizational structure of the bank;
- The tasks of every bank department and the relations among them;
- The tasks of the branches and other secondary offices of the bank;
- The tasks of the risk committee, of the credit committee;
- The competence and responsibility of the bank managers, executive managers, heads of branches other subsidiaries of the banks as well as other employees who are engaged in financial and banking operations on behalf and account of the bank;
- The internal audit of the bank.

The administrators of the bank may be only individuals, in a number of maximum 11. The term of their mandate cannot be more than 4 years, with the possibility of being re-elected.

Each credit institution is a legal entity, organized as a joint stock company.

The network structure of a bank may consist of the following:

- Headquarter;

- Branches;
- Subsidiaries;
- Agencies.

The branches, subsidiaries and agencies are operational units of the bank, and there are in a direct connection with the customers (individuals or legal entities).

The following bodies generally, manage the bank:

- The *General Meeting of the Shareholders* – it decides the general tasks concerning the banking activity;
- The *Board of Directors* – it includes: the president, the vice-presidents, and the members elected by the General Meeting of the Shareholders;
- A *committee* nominated by the Board of Directors; it realizes the Operational Management of the bank. This committee accomplishes all the decisions of the Board. The committee is made of the president, the vice-president and members.
- The *headquarter president; vice-presidents and the directors of the directions/departments of the bank realize the Current Management* of the bank.
- The *independent auditor's commission*.

The headquarters of a bank co-ordinates the activity of the branches, subsidiaries and agencies and supervises the compliance with the banking norms, rules and laws.

Some of the main departments of a bank may be the following:

- Synthesis (Co-ordination and strategy) department;
- Treasury department;
- Cash department;
- Methodological and control department;
- Foreign commercial transactions department;
- Foreign non-commercial department;

- Credit department;
- International department;
- Capital markets department;
- Own Investments department;
- Risk management;
- General Secretariat;
- Consulting department;
- IT department;
- Human Resources department;
- Legal department;
- Accounting department;

The activity of a headquarters is organized in departments, divisions, and offices.

The headquarters' departments have some similar attributions resulting from their co-ordination activity. Thus, the main attributions are:

- Elaborating the methodological norms for each department;
- Guiding and controlling the activity of the territorial units;
- Making analysis concerning the banking activity.

The Synthesis/Co-ordination department issues the credit plans and obtains the approval of the Board of directors of the bank; it distributes the resources to the branches, etc.

The Treasury department ensures the resources to the banks and obtains credits from the inter-bank market, it participates in the auctions organized by the National Bank of Romania in order to obtain refinancing credits, and it elaborates drafts of issue for securities and co-ordinates their placements.

The Cash department ensures and co-ordinates all the operations with cash and other values. It analyses with other departments the main trends in the cash circulation, co-

operates with the National Bank of Romania in order to establish the cash flow in the economy, etc.

The Foreign commercial and non-commercial transactions department ensures the processing of the documents concerning the export and the import of goods, and of rendered services to and from abroad by economic agents, institutions and other legal entities, as well as the settlement of the operations in the favour of the individual or legal entities (budgetary institutions, non-profit institutions, etc.).

The Credits department. Taking into consideration the destination, the term and the beneficiary of the loans, the loans department participates in:

- Establishing the size of the monetary survey and of the credit on short, medium and long term for the state and private field;
- Analysing the credits application that surpass the competencies of the units in the country;
- Establishing the loans documentation/file;
- Proposing the issue of the letter of guarantee;
- Analysing the evolution of the short, medium and long term loans;
- Analysing the banking indicators, etc.

The International department realizes, under the legal framework and the Board of Directors' decisions, the attributions in the external payments and credits field, such as:

- To negotiate the payments agreements drafts concluded with other countries;
- To contact the corresponding banks on the carrying out of the payments agreements;
- To administrate the foreign exchange portfolio of the bank;
- To negotiate the external banking credit lines;
- To analyse and, if the case, to modify the banking corresponding network.