

New European supervisory framework

Aspects of interest for National Bank of Romania

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NATIONAL BANK OF ROMANIA



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1. Supervisory model of National Bank of Romania – *Mission and objective*

Ø SUPERVISORY FUNCTION: to conduct the authorization, regulation and **prudential supervision** of credit institutions and to promote and oversee the smooth operation of the payment systems with a view to ensuring **financial stability**

1. Supervisory model of National Bank of Romania – *Position within financial context*

- **Component of Romanian sectoral supervision (banking, securities, insurance, pension funds)**
 - Memorandum of Understanding between the Ministry of Economy and Finance, the National Bank of Romania, the National Securities Commission, the Insurance Supervisory Commission and the Private Pension Scheme Supervisory Commission for cooperation in the field of financial stability and financial crisis management was signed on 31 July 2007
- **Member of international supervisory structures**
 - Memorandum of understanding on cooperation between the financial supervisory authorities, central banks and finance ministries of the European Union on cross-border financial stability - 1 June 2008
 - Bilateral MoUs signed with relevant European supervisors (11 MoUs)
 - Member of current European supervisory arrangements (CEBS & BSC)
 - College written agreements signed or in progress for each membership (15)
 - MoU on high-level principles of co-operation among the banking supervisors of South Eastern Europe - 6 July 2007



1. Supervisory model of National Bank of Romania – *Scope*

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

Institution subject to NBR supervision (end 2008)	Number	Market assets share
State owned banks	2	5.2%
Domestic private-owned banks	3	6.4%
Subsidiaries of banking groups	27	82.6%
Foreign branches*	10	5.6%
Central house of credit cooperatives	1	0.2%

*Liquidity and AMLCTF

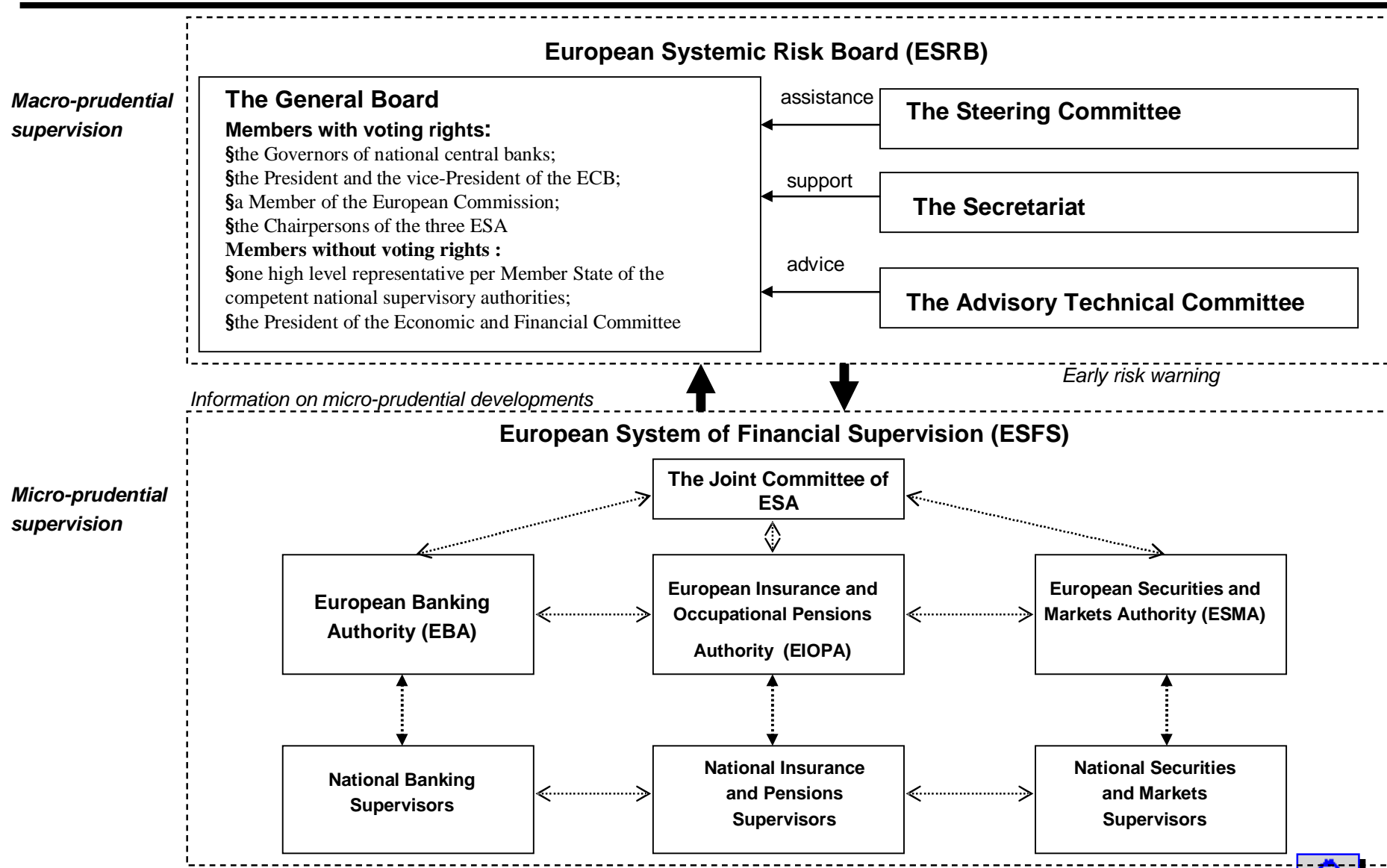
- Other institutions supervised by NBR:
 - Non-bank financial institutions (53 in the special register)



2. New European supervisory framework

- A report published on 25 February 2009 by a high-level group of experts chaired by J. de Larosière, requested by the European Commission, concluded that the supervisory framework needed to be strengthened to reduce the risk and severity of future financial crises
- The European Commission presented on 23.09.2009 the legislative proposals to strengthen financial supervision in Europe

2. New European supervisory framework



2. New European supervisory framework - *Objectives*

ESFS (European System of Financial Supervisors)	ESRB (European Systemic Risk Board)
Assume all of the tasks of the current EU Committees of Supervisors	Establish adequate procedures to obtain information about macroeconomic risks for financial stability
Ensure a set of common rules	Identify macro-prudential risks in Europe
Ensure a consistent application of EU rules	Issue warnings to the relevant actors and recommend the appropriate actions
Determine how to ensure a common supervisory culture, including ensuring colleges of supervisors develop successfully and consistently	Determine how to achieve effective follow-up to warnings/recommendation
Determine whether/how to grant full supervisory powers for certain institutions	Ensure the independence of the ESRB
Determine how to co-ordinate and effectively manage crisis situations	
Ensure access to necessary information	
Define safeguards to avoid impact on Member States' fiscal responsibilities	
Ensure the independence of the ESAs	



3. Proposal for establishing the European Banking Authority (EBA) and the potential impact over NBR's supervisory system

EBA should act with a view to:

- improving the functioning of the internal market, including in particular by ensuring a high, effective and consistent level of regulation and supervision taking account of the varying interests of all Member States
- protect depositors and investors
- ensure the integrity, efficiency and orderly functioning of financial markets
- safeguard the stability of the financial system
- strengthen international supervisory coordination

3. Proposal for establishing the European Banking Authority (EBA) and the potential impact over NBR's supervisory system

Regulation area

- EBA to develop EU single rule book
- NBR to ensure enforcement of the single rule book in Romania

- EBA to develop binding technical standards (new European power)
- NBR to transpose the technical standards

- EBA to develop non-binding guidelines and recommendations
- NBR to analyse the opportunity of implementing the non-binding regulations and to formally explain cases of non-compliance

- EBA to ensure the consistent application of Community rules
- NBR to ensure harmonized application of Community rules in Romania

3. Proposal for establishing the European Banking Authority and the potential impact over NBR's supervisory system

Implementation support

- **EBA to cooperate closely with ESRB**
- **NBR to maintain interaction between micro and macro prudential levels**

- **EBA to promote the effectiveness and efficient functioning of colleges**
- **NBR to commit its active participation in all relevant colleges**

- **EBA to collect data and to monitor and assess developments in the banking sector**
- **NBR to provide information on request and to use analysis results in day-to-day supervision**

- **EBA to take action in emergency situations**
- **NBR to cooperate closely**

3. Proposal for establishing the European Banking Authority and the potential impact over NBR's supervisory system

Convergence

- EBA to mediate between two or more national supervisory authorities, to perform peer reviews and to investigate regulatory divergence
- NBR to aim consensus, full application and convergence

- EBA to promote common supervisory culture
- NBR to participate in staff programmes of EBA

4. Areas for debate

Direct decisions of EBA over financial institutions

Possible obstacles:

- Exceeding the ECOFIN conclusions that clearly stated the essential role of local supervisory authorities in day-to-day supervision
- Effect of decision disclosure on reputation of national authorities

Voting and contribution to the EBA budget

Possible obstacles:

- Gap between contribution to the budget and significance/relevance of the national banking system on the European market
- Need to adapt to the provisions of the Lisbon Treaty

5. Strengthening convergence

Current status of NBR membership to European supervisory structures

- From 2006 up to date observer then member of CEBS (Commission L3) and its relevant subgroups
- From 2007 up to date member of BSC (ECB) and its relevant subgroups
- Participation to implementation seminars, training programs, etc.
- Focus on adopting supervisory European best practices

5. Strengthening convergence

Steps made in regulation:

- Transposition of CEBS guidelines:
 - **COREP & FINREP**
 - **Supervisory Disclosure**
 - **Remuneration principles**
 - **Outsourcing**
 - **Interest rate risk in the banking book**
 - **Supervisory review process**
 - **Recognition of ECAI**
 - **Validation and supervisory cooperation**

5. Strengthening convergence

Steps made in supervisory practices:

- Adoption of risk based supervision
- Participation to regular college meetings
- Participation to joint validation decisions
- Participation to joint inspections (ICAAP review)
- Participation in other operational networks (e.g. passporting)

Thank you!

