

International Deposit Insurance Survey

Section 1: Background Information

1.1 Organization (deposit insurer) responsible for administering the deposit insurance system:

1.1.1 Organization Name:

Deposit Guarantee Fund in the Banking System

1.1.2 Organization Address:

Aleea Negru Voda, no. 4-6, sector 3, Bucharest

1.1.3 Organization Telephone No:

+4021 3230891 or +4021 3230990

1.1.4 Organization Fax No:

+4021 3230659

1.1.5 Organization Internet Address:

office@fgdb.ro / www.fgdb.ro

1.2 Contact Person(s):

1.2.1 Contact Person(s) Name:

Corina Irimiea

1.2.2 Contact Person(s) Address:

Aleea Negru Voda, no 4-6, sector 3, Bucharest

1.2.3 Contact Person(s) Telephone:

+4021 3230891 or +4021 3230990

1.2.4 Contact Person(s) Fax:

+4021 3230659

1.2.5 Contact Person(s) E-mail address:

corina.irimiea@fgdb.ro

1.2.6 Are there other deposit insurance systems operating in your country ? (i.e. applying to other types of non-bank or non-depository institutions e.g.. insurance, securities) Please state their name(s) and contact information:

No

1.3 Please provide information on other participants in your financial system

safety-net:

1.3.1 Name of Central Bank:

National Bank of Romania

1.3.2 Central Bank Address:

Str. Lipscani, no 25, sector 3, Bucharest, code 030031

1.3.3 Central Bank Telephone:

+4021 3130410 or 3152750

1.3.4 Central Bank Fax:

+4021 3123831

1.3.5 Central Bank Internet Address:

www.bnro.ro

1.3.6 Central Bank Contact Person:

1.4 Financial Supervisor:

1.4.1 Financial Supervisor Name:

National Bank of Romania

1.4.2 Financial Supervisor Address:

Str. Lipscani, no 25, sector 3, Bucharest, code 030031

1.4.3 Financial Supervisor Telephone:

+4021 3130410 or +4021 315 27 50

1.4.4 Financial Supervisor Fax:

1.4.5 Financial Supervisor Internet Address and contact:

1.5 Other related entities:

1.5.1 Other Related Entities Name:

1.5.2 Other Related Entities Address:

1.5.3 Other Related Entities Telephone:

1.5.4 Other Related Entities Fax:

1.5.5 Other Related Entities Internet Address:

Section 2: Objectives, Mandates & Powers

2.1.1 When and why was the DIS established (please provide details)?

The Deposit Guarantee Fund in the Banking System was established in 1996 by virtue of the Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System. The establishment of the DGF was one of the measures of the first stage in the reform of the Romanian banking system. Moreover, the establishment of a deposit guarantee scheme was provided for in the Financial and Enterprise Sector Adjustment Loan (FESAL) Agreement, concluded between Romania and the International Bank for Reconstruction and Development in January 1996.

2.1.2 What are the stated public policy objectives or mandate for your country's DIS? When was the last time they were reviewed and changed?

The Fund's objectives are: -to guarantee the deposits with the credit institutions authorised by law and repay them as compensations to individuals, legal entities or entities without legal personality; - to carry out its activity in case the Fund is appointed as liquidator (legal provision in place starting with October 2001), special administrator (legal provision in place starting with November 2003), interim administrator (legal provision in place starting with June 2004) of the credit institutions; the appointment and the activity of the Fund in such capacities are those stipulated by the law.

2.1.3 What process was used to determine these objectives in your country?

2.1.4 What is the legal basis under which the DIS was established? Please provide a copy.

Legislation

Government Ordinance No. 39/1996 on the establishment and functioning of the Deposit Guarantee Fund in the Banking System

2.1.5 Is there a formal process for a periodic review of the policy objectives/mandates?

Yes

2.1.6 What sort of system do you have?

Government legislated & privately administered

2.1.7 Who makes decisions to pay depositor claims?

DIS

2.2 Which of the following powers has been provided to the DIS in order to carry out its mandate?

2.3 Authority to

2.3.1 Enter into contracts

Yes

2.3.2 Set regulations or by-laws for conduct of its business

Yes

The draft regulations are drawn up by the Fund and submitted for approval to the National Bank of Romania's Board

2.4 Authority over entry and exit of member deposit taking institutions

2.4.1 Establish terms and conditions of membership

No

2.4.2 Authority to terminate the insured status of a member institution

No

2.5 Depositor reimbursement

2.5.1 Affect reimbursement of depositors claims

Yes

2.5.2 Access to depositor information

Yes

2.5.3 Use various methods of reimbursing depositors claims

Yes

2.6 Funding

2.6.1 How funding is provided

No

2.6.2 Terms and conditions of premiums or levies

Yes

Fund's proposals are submitted for approval to the National Bank of Romania's Board

2.6.3 Borrowing authorities and limits

Yes

Fund's proposals are submitted for approval to the National Bank of Romania's Board

2.7 Information Requirements

2.7.1 Access to information directly from member deposit taking institutions or its auditors

Yes

Through quarterly reports on deposits and depositors, as well as on-site yearly verifications of the contribution calculation base

2.7.2 Access to information through supervisory authorities

Yes

Mainly information necessary to assess the annual increased contribution rate to be applied to member credit institutions engaged in risky and unsound policies, but also other information deemed necessary for the Fund in order to carry out its tasks

2.8 Enforcement and intervention

2.8.1 Authority to conduct examinations and/or reviews

Yes

Yearly examinations both of the contribution calculation base and of the observance of the regulations on informing the public about the DGS

2.8.2 Ability to set standards or guidelines for member institutions

Yes

See 2.3.2

2.8.3 Authority to take enforcement actions against members (i.e. such as the authority to require a change in institutional control and/or behaviour).

No

In case a credit institution does not meet the obligations arising from membership to the Fund, the latter shall notify the National Bank of Romania in order to take all the necessary measures, including limitation of its right to receive deposits from public and withdrawal of authorisation.

2.8.4 Authority to cancel deposit insurance of a member institution

No

See 2.4.2 and 2.8.3.

2.8.5 Authority to hold officers and directors of failed institutions legally liable for the failure of the institution

No

Only in its capacity of liquidator of bankrupt banks, the Fund may take legal actions against the officers and directors of failed institutions legally liable for the failure of the institution.

2.9 Failure resolution

2.9.1 Authority to decide on appropriate form of failure resolution

No

2.9.2 Authority to provide financial assistance (e.g. in the form of a loan -- with or without security -- by purchasing assets from the institution or through some other process).

No

2.9.3 Authority to guarantee deposits with member institutions or guarantee loans to an institution by other parties

No

2.10 Authority to:

2.10.1 Undertake formal liquidation

Yes

2.10.2 Purchase and assumption (sale and merger)

No

2.10.3 Open assistance (bridge bank)

No

2.10.4 Other forms of failure resolution

2.11 Optimizing recoveries

2.11.1 Ability to act as a receiver

No

2.11.2 Ability to act as a liquidator

Yes

Section 3: Governance Arrangements

3.1.1 Is the DIS a legally separate organization from other public or private bodies? (e.g. central bank, supervisor, industry association)

Yes

3.1.2 What is the form of governance used by the DIS organization?

Board or Committee

null|null|null|null|null

3.1.3 How is the governing body selected?

Members of the Fund's Board are representatives of the National Bank of Romania, Romanian Banking Association, Ministry of Economy and Finance, Ministry of Justice. The Board's composition is mentioned at 3.1.4. Members of the Fund's Board should be residents in Romania, having a degree in economics or law, with a good reputation and honorability, and a professional background of at least five years in the financial and banking sector, and they shall not have had withdrawn their authorisation as managers in the last five years, in case of those previously appointed as managers of financial institutions. The members of the Board: a) may not be spouses or relatives to the second degree; b) must not have been declared bankrupt; c) must not have a criminal record. The members of the Board may not participate in taking decisions concerning a credit institution where his/her spouse or relatives to the second degree are employed.

3.1.4 What is the composition of the governing body?

The Fund is administered by a Board consisting of 7 members: - 3 members appointed by the National Bank of Romania, of which one member shall be appointed as the chairman of the Fund's Board; - 2 members appointed by the Romanian Banking Association; - 1 member appointed by the Ministry of Economy and Finance; - 1 member appointed by the Ministry of Justice.

3.1.5 What are the duties and responsibilities of the governing body?

The Fund's Board duties are the following: a) analyses, endorses and submits to the National Bank of Romania's Board for approval: 1.the Fund's Statute and regulations drawn up in pursuance of the law; 2.the

operational structure and the salary policy; 3.the Fund's income and expenditure budget; 4.the increase of contributions; 5.the suspension and resumption of contributions; 6.the establishment of special contributions, their level and deadline for payment; 7.the Fund's loans, including those such as stand-by credit lines, as well as the issuance of securities by the Fund; 8.the Fund's annual report and annual financial statements; 9.the annual strategy regarding the Fund' exposure, that has as main objectives the minimization of risk and the liquidity of investments, and as additional objective the efficiency thereof; the investment selection criteria shall be quantified and hierarchically arranged according to the above three objectives; 10.the annual setting up of the Fund's exposure coverage ratio in view of determining the optimum requirements of its financial resources, as well as establishing the annual contribution rate of the credit institutions; b) analyses and approves: 1. the appointment and removal from office of the executive management members; 2. proposals regarding procedures, maximum levels, the placement terms and conditions set within the annual strategy regarding the Fund's exposure; 3. the appointment of the Fund as special administrator, interim administrator or liquidator of credit institutions; 4. the conclusion of contracts with Romanian or foreign individuals and legal entities providing winding-up services, assistance and consultancy, on a public auction basis; 5. the tender demands and the offers of the eligible credit institutions for carrying out transactions to purchase assets and to assume liabilities according to the legal provisions on the bankruptcy proceedings of credit institutions; 6. proposals made in the reports drawn up by the Fund, according to the legal provisions, in its capacity of liquidator, the reports drawn up by the Fund, as the case may be, in its capacity of special or interim administrator, documents that contain solutions and proposals that require the Board's approval and are related both to the capacities mentioned above, and to the capacity of creditor of credit institutions declared bankrupt, other documents related to the implementation of Fund's regulations and to its well-functioning; 7. the report on selecting the financial auditors on a public auction basis; 8. the internal control system, including the internal audit; 9. the implications on the Fund of the court decision on opening the bankruptcy proceedings and the measures to be taken based on the proposals of the director regarding the manner of winding-up the credit institutions declared bankrupt and regarding the payment of compensations to depositors; 10. the Fund's requests on receiving from the National Bank of Romania and from the participating credit institutions the necessary documents and information for the well-functioning of the Fund; 10(1). Fund's internal regulations, and the regulations issued for implementation of the liquidation procedures at credit institutions where the Fund is liquidator; 10(2) quota for establishing the annual profit sharing fund; 10(3) other requested information and reports regarding Fund's activity; 11. carries out any other tasks stipulated by law or assigned by the National Bank of Romania's Board.

3.1.6 Is there any direct or indirect representation in the management of the DIS by member insured institutions?

No

3.1.7 Is there any direct or indirect representation in the management of the DIS by the central bank?

No

3.1.8 Is there any direct or indirect representation in the management of the DIS by the regulator?

No

3.1.9 Is there any direct or indirect representation in the management of the DIS by the supervisor?

No

3.1.10 Is there any direct or indirect representation in the management of the DIS by other?

No

3.1.11 Please provide a breakdown of the management structure of the DIS

Director, 1 Deputy Director and 1 Financial Director.

3.1.12 Do you have an internal control and audit systems

Yes

3.1.13 Are directors and officers of the DIS and/or supervisors personally liable for their decisions in the normal course of their activities?

Yes

3.1.14 Is there an advisory committee to the DIS?

No

3.1.15 Has the DIS ever taken legal action against directors of failed member institutions? Or others? What position did the person(s) hold?

Yes

Only in its capacity of liquidator of bankrupt banks, the Fund has taken legal action against the former president of one bank in bankruptcy and against the administrators and main shareholders of another bank in bankruptcy

3.1.16 Please indicate which of the following tools are used as part of your accountability regime.

Annual Reports,Audited Financial Statements

null|null|null|null

Section 4: Human Resources & Infrastructure

4.1.1 What is the total number of employees at the DIS (e.g. full-time, part-time and contract) ?

28 full-time employees, including support staff

4.1.2 Are the majority of DIS employees dedicated staff or do they come from other organizations (i.e. government, central bank, private sector)?

Yes

4.1.3 Does the DIS train and develop its own staff? If so, briefly describe programs which have been put in place for training and development?

Yes

4.1.4 Is there shared training and development between the staff of the DIS and other authorities involved in financial sector supervision or regulation? (i.e. central bank, supervisor, regulator, other)

No

4.1.5 Are compensation and incentives offered sufficient to attract and retain skilled staff? Please elaborate.

4

4.1.6 Are confidentiality provisions for employees provided for?

Yes

4.1.7 Do employees of the DIS receive legal protection against lawsuits for their actions taken in good faith and acting in the best interests of the DIS?

No

4.1.8 What percentage of the budget is spent on training and development and information technology?

Section 5: Information Sharing & Interrelationship Among Safety-Net Players

5.1.1 Who performs examinations of DIS member institutions?

DIS

5.1.2 Please describe the examination process that is used to evaluate member institution performance?

The Fund verifies at credit institutions both the reality of the data from the declarations on the calculation and payment of the due contributions and observance of legal provisions regarding the information provided to depositors by credit institutions. In addition, the Fund may conclude contracts with financial auditors, legal entities, members of the Romanian Chamber of Financial Auditors, in order to examine the accounting records of a credit institution. The need for such an examination and the appointment of auditors shall be submitted to the National Bank of Romania for approval.

5.1.3 What information is collected from member institutions for the DIS and other parties?

Within the examination, the Fund or the person mandated by the Fund may require the Board's members and the personnel of the credit institution, as well as its auditors, any information necessary for the calculation of the guaranteed deposits.

5.1.4 What arrangements (i.e. formal or informal) are in place between organizations responsible for deposit insurance and other parties comprising the safety-net (e.g. central bank, supervisor, regulator) regarding the sharing of information concerning member institutions? Please provide details of these agreements.

There are no formal arrangements, but according to the legal provisions, upon the Fund's request, the National Bank of Romania provides the Fund with any available information it deems necessary for the Fund in order to carry out its tasks, including the information used by the Fund with a view to computing the increased annual contribution which may be applied to member credit institutions engaged in risky and unsound policies.

5.2 On a scale from 1 to 5, 1 being low and 5 being high, please rate both the accessibility (i.e. access to all necessary information for the DIS to fulfill its mandate) and timeliness (i.e. information is received when needed) of information that is shared amongst members of the safety net.

5.2.1 accessibility

4

5.2.2 timeliness

4

5.2.3 Is there a consistent definition/classification across authorities of problem institutions

Yes

5.2.4 When policy regarding the DIS and financial sector is developed or amended, are other bodies consulted and/or advised (e.g. central bank, supervisor, regulator, government, industry associations) ? If you do consult and/or advise what bodies do you do it with?

Consult, Advise

null|null|null|

5.2.5 Is discussion with other bodies encouraged prior to the implementation of new policy?

Yes

5.2.6 How often do you contact other DIS?

Regularly

5.2.7 Is the DIS consulted when the regulator, supervisor or central bank enters into an agreement with a financial institution that is experiencing problems?

No

Section 6: Membership

6.1.1 What types of institutions are covered in your DIS?

The membership to the Fund is mandatory for all credit institutions authorized by the Romanian competent authority to receive deposits from public. Following Romania's accession to the European Union, the branches of foreign credit institutions headquartered in other EU member states ceased to have the obligation to participate in the Romanian deposit guarantee scheme, but they may apply for membership on a top-up basis.

6.1.2 Is membership in the DIS mandatory for designated deposit taking institutions?

Yes

See 6.1.1

6.1.3 Do you have terms and conditions of membership? (i.e. laws, regulations or agreements which member institutions have to abide by) If so, please explain the application process used and any conditions of membership imposed on institutions by the DIS.

Yes (please explain)

6.1.4 Is the membership of foreign institutions (i.e. foreign bank branches and/or subsidiaries) covered in the same way as domestic institutions? If not, please describe the difference.

Yes

6.1.5 If more than one safety-net organization is responsible for the application process for membership, how is the application process coordinated between the parties responsible?

6.1.6 Are deposit-taking institutions required to re-apply for membership after a certain period of time?

No

6.1.7 How many member institutions do you have?

32

6.1.8 What is the total level of assets, deposits and insurable deposits of all DIS member institutions?

The level of total deposits of DIS member institutions as of June 30, 2008 was 64.18 billion equivalent EUR, out of which guaranteed deposits of 29.87 billion equivalent EUR (the exchange rate as of June 30, 2008 was 1 EUR = 3.6475 RON).

Section 7: Coverage

7.1.1 Is there a formal definition of a deposit and or insured deposit used by your DIS? If so what is it?

Yes (please explain)

Deposit is any credit balance, including related interest, in any type of bank account, including a joint account, or from transitory situations arising from bank operations and which a credit institution owes to an account holder in compliance with the applicable legal and contractual terms, as well as any debt evidenced by a certificate issued by a credit institution, except the bonds purchased by collective investment undertakings.

7.1.2 What types of deposits are eligible for coverage in your DIS?

Savings account, Chequing account, Certificates of deposit, Travelers cheques, Money orders, Certified drafts of cheques, Foreign currency deposits

null|null|null|null|null|null|null|null|null|null

7.1.3 Is coverage

per depositor per institution

7.1.4 What is the coverage limit per depositor?

20,000 euros

7.1.5 How was this figures arrived at?

Starting with the date of Romania's accession to the European Union, namely January 1, 2007, the guarantee ceiling per guaranteed depositor is the equivalent in lei of EUR 20,000, that is the minimum level provided for in the EU Directive 94/19/EEC on deposit-guarantee schemes.

7.1.6 For eligible financial instruments with maturity dates, what is the longest contract term covered by the DIS?

7.1.7 What types of depositors are not eligible for coverage in your DIS?

Officers and directors of member institutions, Corporations (domestic), Corporations (foreign), Other null|null|Deposits by regies autonomes, national companies, commercial companies other than small and medium-sized enterprises, the latter ones being guaranteed. |Please see above the answer for corporations (domestic). |Please see the List of non-guaranteed deposits, annex to the Fund's functioning law, which is attached to the message|

7.1.8 Is the coverage amount indexed?

No

7.1.9 What is it indexed to?

7.1.10 Does your DIS use coinsurance? If coinsurance is used please describe the approach used.

No

7.1.11 Is the public widely aware of the presence of coinsurance?

other

Our DIS does not use coinsurance

7.1.12 Are coverage levels affected by resolution methods? If so, please explain.

No

7.1.13 To what extent, is there a public expectation that the DIS coverage limit would be extended to 100% coverage in the event of a banking crisis or the failure of a very large institution? Please provide recent examples, if applicable.

Other

Not applicable as our DIS does not use coinsurance

7.1.14 How is a decision made on the insurance eligibility of new financial products?

7.1.15 When member institutions merge how are insured deposits treated?

7.2 Does your country offer the following?

7.2.1 Islamic banking

No

7.2.2 Islamic deposit insurance

No

Section 8: Funding & Fund Management

8.1.1 What type of funding is used by the DIS?

A combination of the above two approaches

8.1.2 Is the DIS funded by levying insurance premium assessments against member institutions or, by some other means such as general tax revenues?

Premium assessment

8.1.3 If insurance premiums are assessed, are they assessed as a flat rate or are they differential in some way, please explain? (e.g. risk based)

Flat rate. In addition, the Fund is authorized to increase the annual contribution to be paid by a credit institution up to double if, according to the regulations issued by the Fund and to the prudential regulations established by the National Bank of Romania, the respective credit institution has engaged in risky and unsound policies.

8.1.4 What is the current premium rate? If there have been changes to this rate, details would be appreciated.

0.1% (the same as in 2007).

8.1.5 How often is the premium assessed?

Yearly

8.1.6 Is the premium assessed on total deposits, insured deposits or something else?

Insured Deposits

8.1.7 Are premiums paid by member institutions tax deductible as a business expense?

Yes

8.1.8 For premiums that are differentiated please explain the risk assessment system that is used to ascertain a premium assessment.

8.1.9 Does the DIS have a target with respect to the optimal size of the DIS fund? (Yes is chosen go to question 8.10 otherwise Skip the next 2 questions)

Yes (Go to next question)

8.1.10 How is the optimum level (i.e. target) of the fund determined?

In 2006, the Fund adopted a new financing policy whose target is the exposure coverage ratio – ECR (the ratio between Fund's resources and guaranteed deposits), while the funding instruments are mixed (mainly annual contributions of the member credit institutions and stand-by lines of credit granted yearly by the member credit institutions; the latter could be drawn down only in case of necessity of funds for paying compensations in the event of the default of a member credit institution). The ECR, the annual contribution rate and the total amount of the stand-by lines of credit are set yearly, with the endorsement of the National Bank of Romania.

8.1.11 What investment policies (i.e. safeguards against abuse) exist concerning the use of the fund?

In keeping with the legal provisions, the Fund's investments are made according to a yearly exposure-related strategy established by the Fund's Board and submitted for approval to the National Bank of Romania. The main objectives pursued are to minimize the risks and to ensure the liquidity of the investments made, while their profitability only represents a complementary objective.

8.1.12 If a fund is not maintained, is an assessment levied on institutions after the

failure of a financial institution has occurred? If so, please explain how the levies are determined and losses distributed among institutions.

Other

In addition to our ex ante funding, in case the Fund's resources are insufficient to honour its payment obligations, the member credit institutions may be asked to pay a special contribution at most equal to the annual contribution paid for the respective financial year.

8.1.13 Which of the following sources of additional funding, for emergency or liquidity purposes, does the DIS have access to?

Access to private markets

null|null|null|

8.1.14 Are member institutions required by law to issue, on a regular basis, subordinated debt?

No

Section 9: Reimbursing Depositors

9.1.1 Please describe the procedure for reimbursing depositors used by your DIS?

Deposits are considered unavailable starting with the date on which the bankruptcy proceedings for a credit institution are opened. Within 30 days from being appointed by the Court, the liquidator has to provide the Fund with the list of guaranteed depositors and the related amounts, i.e. guaranteed deposits and obligations of depositors towards the credit institution. The payment of compensations in favour of guaranteed depositors shall be made within at most two months from the date of receiving the list from the liquidator, but no later than 3 months from the date when deposits became unavailable. Under special and exceptional circumstances, the Fund may ask the National Bank of Romania for an extension of the payment schedule for maximum 3 months. Upon the Fund's request, the National Bank of Romania may grant no more than two extensions. For the entitled depositors who do not claim compensations in the above mentioned time limit, the maximum period for claiming compensations from the Fund is 3 years from the beginning of payouts

9.1.2 Are depositors required to file a claim when a member institution fails? If so, what is the process?

Other

In case the payment is made through mandated credit institutions, the depositors are not requested to filled in a specific form, but only to present their identity documents, while for the payments made directly by the Fund, the depositors have to fill in an application form.

9.1.3 When is the DIS obligated to reimburse insured depositors?

See 9.1.1.

9.1.4 Is there an established legal basis upon which to base the reimbursement process? Please explain.

Yes

Fund's functioning law and Regulation no. 3/2004 on the payment of compensations by the Fund

9.1.5 Is the DIS subject to explicit standards for prompt reimbursement? If so what are they?

Yes

See 9.1.1.

9.1.6 What methods of payment can be used and under what circumstances are they

used?

The Fund may mandate one or more credit institutions to make the payment of the guaranteed deposits under the terms to be established by the Fund. The payment of the guaranteed deposits shall be made in Romanian currency. In addition, as mentioned at 9.1.1, the Fund could also pay compensations after the expiry of the payment schedule through the mandated credit institutions, but no later than three years from the beginning of the payment of compensations. The compensations may be paid mainly through money transfer, postal transfer, cash at Fund's premises.

9.1.7 Are the rules regarding clearing, set-off, trust accounts, and related issues well defined (through the legal system or formal agreement)? Please explain.

Yes

Through the legal system

9.1.8 What are financial institutions obligated to hold with respect to deposit records?

An accurate classification of deposits (as guaranteed and non-guaranteed) based on a statement filled in, according to the law, both by the depositors legal persons and by depositors natural persons in special relations with the credit institutions. For the other depositors, the credit institutions are responsible for the classification of deposits. In addition, the credit institutions have the obligation to verify whether the data in the depositors statements are correctly filled in.

9.1.9 When is the DIS given access to an institutions financial and depositor records?

The Fund verifies usually yearly at credit institutions both the reality of the data from the declarations on the calculation and payment of the due contributions and observance of legal provisions regarding the information provided to depositors by credit institutions. In addition, the Fund receives quarterly summaries of deposits from the member credit institutions. As already mentioned at 9.1.1, in case of bankruptcy, the Fund receives the list of guaranteed depositors and the related information from the liquidator of the bankrupt credit institution.

9.1.10 Does the DIS have the option of making advance payments to depositors in situations of dire need (i.e. in an emergency)?

No

9.1.11 Does the DIS make interest payments to depositors during the time taken for reimbursement? Please explain.

No

9.1.12 What information is communicated to depositors regarding the reimbursement process?

The Fund publishes at all the territorial units of the credit institutions subject to the bankruptcy proceedings, on the website of the Fund, and in at least two nationwide daily newspapers both information concerning the unavailability of deposits and information on the payment of compensations, the period during which the compensations shall be paid, the credit institutions, including their territorial units, which shall be mandated to make the payment. The documents and formalities to be met, as well as the formalities to be completed in order to receive the compensation shall also be disclosed and, upon request, communicated to depositors on an individual basis.

9.1.13 What process does the DIS use to ensure that depositor secrecy and confidentiality is maintained during the reimbursement process?

According to the legal provisions, the members of the Fund's Board, the employees of the Fund, as well as other persons hired by the Fund are bound to professional secrecy concerning information obtained during their activity.

9.1.14 What steps are taken to verify, reconcile and settle insured deposit accounts?

Based on the information in the database received from the liquidator, containing for each guaranteed

depositor both the total amount of deposits and the total obligation towards the respective bankrupt credit institution, the Fund establishes the compensation for each depositor by subtracting the obligation of depositor towards the credit institution from the total amount of deposits. When the result is negative, the respective depositor is not entitled to compensation and is not included in the compensation list; when the result is positive, the depositor is included in the compensation list with the respective amount which cannot exceed the legal guarantee ceiling.

9.1.15 What steps are taken to ensure that an institutions depositor records are accurate, up to date and accessible?

See 9.1.9.

9.1.16 Does the DIS document its experiences with respect to each reimbursement action (i.e. lessons learned) in order to allow for continuous improvement?

Yes

9.1.17 What technologies does the DIS use to facilitate the reimbursement process?

Special software

Section 10: Public Information & Awareness

10.1.1 What obligations are there to inform the public?

The credit institutions are obliged to communicate to the depositors all information they need as regards the deposit guarantee scheme, especially information concerning the types of guaranteed deposits and the types of deposits excluded from the payment of compensations - non-guaranteed deposits respectively, the guarantee ceiling, the way the compensation is calculated, the documents, the conditions and formalities to be met in order to obtain the compensations paid by the Fund, the period of time within which the compensations shall be paid for the guaranteed deposits. The information should be made available at all the units of the credit institutions, in a place easily accessible to depositors and should be presented in an easily comprehensible manner. In addition, the Fund informs the public on the list of member credit institutions, as well as on various aspects related to the deposit guarantee scheme, including the payment of compensations.

10.1.2 Who is responsible for communicating information about the DIS to the general public?

DIS,Other

null|null|null|null|As mentioned at 10.1.1, member credit institutions.|

10.1.3 Are these explicitly stated in policy or law?

Yes

10.1.4 Are the terms and conditions of DIS explained in a manner that the general public can understand fully?

Yes

10.1.5 If so, what methods are utilized?

Brochures,Website,Other

null|null|null|null|Fund's publications, press conferences, interviews and articles in mass media, symposiums, answers to specific inquiries|

10.1.6 At what point is information disclosed to the public about an institution that is having problems and how is information disclosed?

See 9.1.12.

10.1.7 Has a survey of public awareness about the DIS been conducted? If so/ what were the results? If not why not? Please include supporting documentation.

Yes

The results of a survey conducted in 2006 indicated that 18% of the questioned subjects were aware of the existence of the Fund.

10.1.8 Has the DIS ever embarked on a public awareness campaign to increase awareness and knowledge? If yes, how many times has this been done and when was the last time?

Other

See 10.1.5.

10.1.9 Please describe the approach used; objectives, target audience, communication strategy, and timing results.

Section 11: Risk Assessment & Intervention

11.1.1 Does the DIS have a risk monitoring function to analyze and assess the risk of member financial institutions?

Yes

The Fund analyzes yearly the risk of member credit institutions in order to assess whether a member credit institution is engaged in risky and unsound policies and should be subject to increased annual contributions.

11.1.2 Does the DIS perform examinations of its member institutions? If not, who does?

Other

As mentioned at 5.1.2, the Fund verifies only data on deposits and observance of legal provisions regarding the information provided to depositors by credit institutions. The other examinations are performed by the Central Bank.

11.1.3 Does the DIS receive information/data/statistics directly from its member institutions or from a third party, such as a regulator or supervisor? If so what information is received and how often?

Other

From the Central Bank, yearly data on the indicators mentioned below, at 11.1.4, in order to assess the risk of member institutions, while from member credit institutions quarterly data on deposits and depositors.

11.1.4 What is the risk assessment approach used by the DIS to monitor financial institutions? Please describe. Please be sure to include the criteria used to determine member institution risk.

The Fund uses a set of five indicators to monitor the risk/conduct of their members and determine whether a credit institution has been engaged in risky and unsound policies. The five indicators are defined as follows: 1) Solvency Ratio (SR) defined as: $SR = \frac{[Own\ Funds]}{[Risk\ weighted\ assets\ (including\ off\ -balance\ sheet\ elements)]}$ 2) Credit Risk and Inter-Bank Investments Ratio (CRR) defined as: $CRR = \frac{[Unadjusted\ exposure\ related\ to\ loans\ and\ interbank\ investments\ (classified\ doubtful\ and\ loss)]}{[Total\ loans\ +\ interbank\ investments]}$ The unadjusted exposure refers to banking and non-banking loans, interbank investments and includes the related interest as well. The denominator (total loans+interbank investments) includes the interest as well. In addition, both numerator and denominator include also off-balance sheet elements. 3) General Risk Ratio (GRR) defined as: $GRR = \frac{[Risk\ weighted\ assets]}{[Total\ assets\ at\ book\ -keeping\ value]}$ Both the risk weighted assets and the total assets at book-keeping value include

off-balance sheet elements as well. 4)Rate of Return on Basic Activities (RBA) defined as: $RBA = \frac{[\text{Operations income} - \text{income from provisions}]}{[\text{Expense from operations} - \text{provisions expense}]}$ 5)Liquidity Indicator (LI) defined as: $LI = \frac{[\text{Effective liquidity}]}{[\text{Required liquidity}]}$ Note: We are in process of drafting specific regulations for establishing the Fund's exposure coverage rate, the annual contribution of member credit institutions and the amount of stand-by credit lines to be extended to the Fund by member institutions, so the system used until December 31, 2007 (based on the above-mentioned indicators), only for establishing the increased annual contributions, will no longer be in force.

11.1.5 Please list and describe the actions taken by the DIS in situations where member institutions are causing concern. Please indicate when coordination occurs with other supervisory/regulatory authorities and the mechanisms used.

The Fund is authorized to increase the annual contribution to be paid by a credit institution up to the double if the respective credit institution has been engaged in risky and unsound policies.

Section 12: Failure Resolution

12.1.1 Is your DIS involved in the failure resolution of member institutions?

Yes

According to the law, the Fund may be appointed as liquidator of bankrupt credit institutions and/or sole liquidator both when the liquidation is decided by shareholders and when the National Bank of Romania orders the dissolution of a bank followed by liquidation. In addition, the Fund may be appointed special administrator and/or interim administrator (for the period between the date of filing an application for opening the bankruptcy proceedings and the date of appointing the liquidator).

12.1.2 Who determines whether a member institution has failed or is insolvent?

The Court makes the ruling of opening the bankruptcy proceedings of a credit institution.

12.1.3 Under what conditions can the DIS cancel/terminate the deposit insurance of a member institution?

In case the authorisation of the member credit institution is withdrawn by the National Bank of Romania and/or it is declared bankrupt.

12.1.4 How is the failure/non viability of a member institution determined?

According to the legislation on the winding-up of credit institutions, the insolvency is the state of the credit institution undergoing one of the following predicaments: 1. the obvious inability to pay its due debt by resorting to its liquid assets; 2. the solvency ratio of the credit institution falls below 2 percent; 3. the withdrawal of the credit institution's authorisation in compliance with legal provisions, following the failure to restore to viability the credit institution. The National Bank of Romania may withdraw the authorisation of a credit institution if the respective credit institution no longer possesses sufficient own funds or there are elements that lead to the conclusion that within a short interval the credit institution will no longer fulfil its obligations towards depositors or other creditors and, in particular, can no longer provide security for the funds/financial instruments entrusted to it.

12.1.5 How many member institutions have failed in your country in the last 20 years?

Since 1996, when the Fund was established, there were 7 member institutions that went bankrupt.

12.1.6 Do banks go through the regular corporate bankruptcy process? If no, what is the process used?

Other

There is a special law on the winding-up of credit institutions, but the provisions of the general legislation on the insolvency procedure are observed as well.

12.1.7 Is the receiver of failed institutions also the one that disposes of the

institutions? If not, who does?

Yes

12.2 Which methods of failure resolution are used in your country to deal with failures. Also, please indicate the frequency of use of the various methods in the last 20 years.

12.2.1 Formal liquidation

Yes

12.2.2 Purchase and assumption (sale and merger)

Other

The Romanian legislation on the winding-up of credit institutions lays down the possibility for a financially sound credit institution to purchase some or all of the assets of the debtor credit institution and to assume some or all of its liabilities, including all guaranteed deposits. Please note that this option has never been applied so far.

12.2.3 Open bank assistance (e.g. recapitalization)

No

12.2.4 Bridge banks and other interim solutions

No

12.2.5 What criteria are used to determine the method of failure resolution?

According to the legislation on the winding-up of credit institutions, the liquidator should observe the principle of presumed minimum cost.

12.2.6 Is the deposit insurer required to resolve failed or failing insured depository institutions in a manner that is least costly to the DIS?

Yes

See 12.2.5.

12.2.7 Please indicate what kind of private companies, if any, are included in the failure resolution process?

In the case of bankrupt credit institutions, the Court may appoint as liquidators either the Fund or private companies members of the Association of Reorganization and Insolvency Practitioners from Romania.

Section 13: Claims, Recoveries & Estate Management

13.1.1 Does the DIS play a role in the claims and recoveries process? If yes please describe this role

Yes

Creditor of the bankrupt credit institutions following its subrogation to the rights of depositors for an amount equal to the guaranteed amount.

13.1.2 What is the primary objective of the DIS when dealing with claims and recoveries (i.e.. maximization of nominal and present value recoveries, financial system stability, system discipline)?

Financial system stability and maximization of nominal and present value recoveries.

13.1.3 What role does the private sector play in the claims, recovery process?

See 12.2.7.

13.1.4 What approaches and strategies are adopted by the deposit insurer to accomplish the objectives of claims and recovery activities?

In the cases where the Fund is not liquidator of bankrupt credit institutions, but only a creditor, it monitors and supports the liquidators of the bankrupt institutions in implementing the bankruptcy procedures, including a series of measures leading to the improvement of the effectiveness of the liquidation activity in order to reach the highest possible recovery ratio.

13.1.5 By what standard is the DIS judged with respect to performing its function in claims and recoveries (e.g.x. Comparative private sector or DIS benchmarks, internal assessments, past experience)?

DIS benchmarks Internal assessments Past experience

13.1.6 What assets have you found to be the hardest to recover? Why? What types of strategies have been used to recover different assets?

The receivables

13.1.7 Does the DIS have rights of subrogation (i.e. the subrogation of insurance entity to the rights of insured depositors) or an equivalent arrangement?

Yes

13.1.8 Is there depositor priority when banks fail? (i.e. Do depositor claims rank in priority above other unsecured creditors in the liquidation of a bank?)

No

13.1.9 Are rights of set-off available or imposed in your countrys legal system? Please describe the various forms set-off can take.

Yes

Section 14: Other Issues

14.1.1 What is your view on recent trends and emerging issues in the financial sector in your country and the potential impact they might have on the DIS?

14.1.2 Are there any issues related to deposit insurance which you would like to see more research in?

Risk-based contributions and risk assessment systems, speeding-up the payout process, public awareness, governance and mandates of DIS, topping-up, cross-border crisis management, resolution of bank failures.