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FGDB

FONDUL DE GARANTARE A DEPOZITELOR BANCARE  
BANK DEPOSIT GUARANTEE FUND

21 YEARS

*It takes years to build up trust*

2021 ANNUAL REPORT

## NOTE

*The Annual Report for 2021* received the endorsement of the Supervisory Board of the Bank Deposit Guarantee Fund in its meeting of 29 April 2022 and was subsequently approved by the Board of Directors of the National Bank of Romania on 12 May 2022 pursuant to Law no. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, with subsequent amendments and completions.

The statistical data used in this report are data which were available on 31 December 2021. As a result of rounding, totals may not fully correspond with the sum of the separate figures and, also, small differences as to percentage variations in the graphs and tables may occur.

Sources were specified only when the respective statistical data had been provided by other institutions.

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THE BANK DEPOSIT GUARANTEE FUND

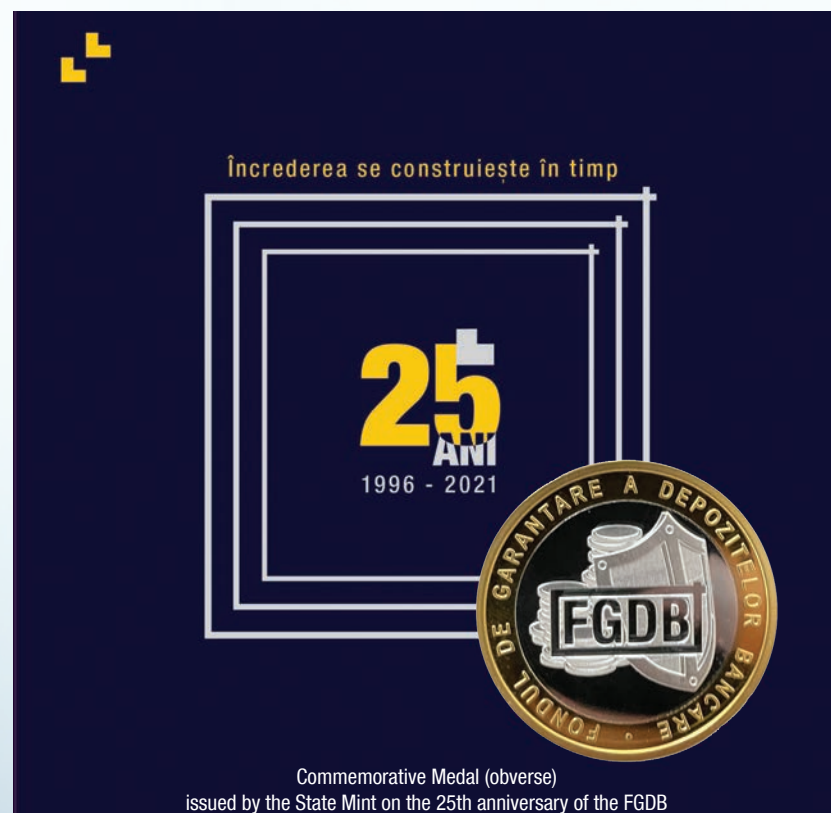
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# 25 REPORT for the year 2021 of the BANK DEPOSIT GUARANTEE FUND YEARS 1996 - 2021





## MISSION

*The mission of the FGDB in its capacity as Romania's officially recognised statutory guarantee scheme, is to safeguard deposits. In the event of unavailability of deposits held with a member credit institution, the FGDB pays guaranteed depositors their due compensation, in compliance with legal provisions.*

*The FGDB is the administrator of the bank resolution fund and may also fulfil a number of duties related to the measures the National Bank of Romania takes towards the recovery and resolution of credit institutions: temporary administrator of credit institutions undergoing recovery procedures (early intervention), special administrator of credit institutions under resolution, shareholder of a bridge bank or of an asset management vehicle, in keeping with legislation on the recovery and resolution of credit institutions.*

*The FGDB also acts as sole liquidator of credit institutions where liquidation is either initiated by shareholders or follows a decision by the National Bank of Romania.*



FGDB Commemorative Medal (reverse)

## VALUES shared and promoted by the FGDB

*The FGDB, by offering assurance of the safety of natural and legal persons' deposits, contributes both to maintaining depositor confidence in the financial and banking system, which is essential to financial stability, and to encouraging savings.*

*The FGDB treats all depositors and all affiliated credit institutions with due respect, thoughtfulness, and professionalism.*

*The FGDB is an apolitical, financially autonomous institution whose running costs are paid exclusively with revenues resulting from investments of the available financial resources of the deposit guarantee fund and of the bank resolution fund, which are both composed of contributions from participating credit institutions.*

*The FGDB's staff are responsible individuals of great integrity who direct all their knowledge and skills towards fulfilling the FGDB's mission and managing its resources in keeping with legal provisions and the principles of professional ethics.*

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Chairperson  
**Lucian Croitoru**  
Advisor to the Governor  
The National Bank of Romania

## SUPERVISORY BOARD



Chairperson of the Audit Committee

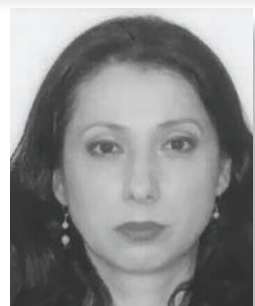
**Dan Costin Nițescu**  
Advisor to the Governor  
The National Bank of Romania



**Dumitru Laurențiu Andrei**  
Deputy General Director  
The Ministry of Finance



**Demetrian Octav Magheru**  
Strategy Consultant  
The National Bank of Romania



**Anca Florina Iordache\***  
General Director  
The Ministry of Finance



**Cătălin Bogdan**  
Expert  
The National Bank of Romania



**Lucia Sanda Stoenescu**  
Senior Expert  
The National Bank of Romania

\* Anca Florina Iordache's mandate ended on 17 January 2022

## AUDIT COMMITTEE

## EXECUTIVE BOARD

General Director



**Petre Tulin**

Deputy General Director



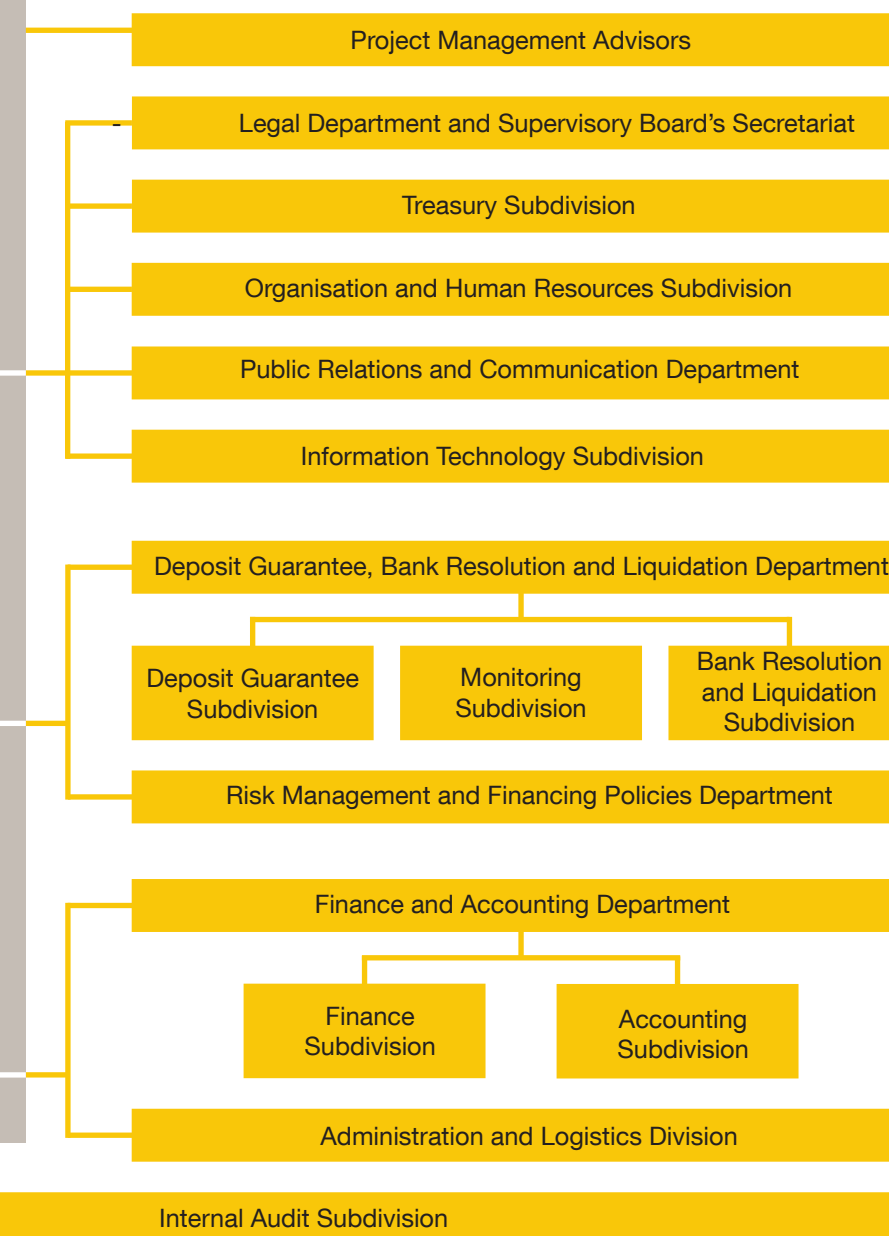
**Adriana Sîvu**

Financial Director



**Vasile Bleotu**

## ORGANISATIONAL CHART



## Mugur Isărescu Governor

*These days, the Bank Deposit Guarantee Fund, a unique institution in the Romanian banking landscape, marks the anniversary of a quarter century of existence. By definition, the combination of predominantly short-term assets and longer-term liabilities makes an otherwise solvent (that is, financially healthy) bank incapable of paying off all customer deposits if, in a moment of panic in the market, for instance, all depositors decide to withdraw their deposits at the same time. It was this vulnerability, which Mervyn King, former governor of the Bank of England, called “alchemy”, that prompted the creation of institutions able to protect solvent banks facing temporary liquidity shortages via loans from the central bank as a lender of last resort. In the event of banking institutions becoming insolvent, deposit guarantee systems step in to protect the small but numerous depositors and prevent banking panic.*

*As early as the 1990s, the National Bank of Romania and the Government took action, in compliance with European and international standards and practices, to enable regulated and supervised banks to join a deposit guarantee scheme. The Bank Deposit Guarantee Fund was created in 1996 when the country was in turmoil and the economy and the banking system were coping with issues triggered by the transition from a centrally planned economic system to a market economy.*

*For a quarter century, this young but vital member of the Romanian financial and banking system has grown and has constantly accumulated experience, sometimes “the hard way”. As was the case when, shortly after its creation, it had to deal with the first compensation disbursements to depositors of Banca Comercială Albina SA in 1999, and, very soon after, in the year 2000, with another two bank failures – Bankcoop SA and Banca Internațională a Religiiilor SA, which accounted a combined 90 percent of the total payouts made over time.*

*With this in mind, I would like to point out that the Fund has fully demonstrated its importance and remarkable role in restoring and maintaining public confidence in the Romanian banking system by ensuring timely and orderly payouts to depositors without resorting to public money. The Fund has earned depositors’ trust in the course of time. With the public perceiving the Bank Deposit Guarantee Fund as an anchor of stability, alongside monetary policy, coherent regulations and quality supervision of the banking system. Trust has been built over time and has resulted in a durable increase in household savings.*

*I would particularly like to note the Bank Deposit Guarantee Fund’s qualities as a good administrator which show in its relations with both depositors and the banks that contribute to the two funds it manages: the deposit guarantee fund and the bank resolution fund.*

*As far as depositors are concerned, the Fund has consolidated its position as a safety net for bank deposit holders by constantly and carefully increasing financial resources – currently boasting one of the highest levels of funds in Europe – and by creating an appropriate infrastructure allowing payouts to start in no more than seven business days.*

*The 25 years of activity, based on such values as professionalism, respect and impartiality, are a testimony to the fact that the Bank Deposit Guarantee Fund has successfully accomplished its mission of building up confidence in the Romanian financial and banking system, as well as a guarantee that this institution will continue to offer depositor protection in the future, thus positively impacting the economy as a whole.*

*I wish the FGDB a happy anniversary and every success in its work!*





*Twenty-five years ago, in the month of August of 1996, subsequent to work in cooperation with Mr. Mugur Isărescu, Governor of the National Bank of Romania, in my capacity as Finance Minister, I promoted and supported Government Emergency Ordinance No. 39, a legal act providing for the creation of the the Bank Deposit Guarantee Fund in the Banking System (the forerunner of today's Bank Deposit Guarantee Fund), whose initial target was to compensate guaranteed depositors.*

*The creation of that institution was a necessity both in theoretical terms and in consideration of international practice. Moreover, it offered an anchor for depositor confidence given the difficulties besetting the Romanian banking system.*

*While in the United States on a Fulbright scientific research grant for the 1991-1992 academic year at the University of Missouri-Kansas City as a Alexander Hamilton student fellow, I learned about the creation, as early as June 1933, in the wake of the Great Depression, of the Federal Deposit Insurance Corporation (FDIC), an institution of paramount importance for depositor insurance in the U.S. banking system. That reality, as well as subsequent meetings with managers of various financial and banking institutions at home and abroad made me an ardent supporter of the creation in Romania of a special fund to guarantee the deposits of individuals who choose to keep their savings with domestic commercial banks. The Fund's succeeding activities and their results on a national plane have confirmed the correctness and appropriateness of the decision the Văcăroiu's cabinet and the National Bank of Romania made a quarter century ago.*

*Along the years, there have been shifts in the Bank Deposit Guarantee Fund in the Banking System's activity as its scope has extended. For instance, on 4 December 2015, Law No. 311 and Law No. 312 contributed to the modernisation of the Romanian banking system by: establishing a link with European standards – as the Bank Deposit Guarantee Fund (FGDB) became Romania's officially recognised*

*statutory deposit guarantee scheme, with the guarantee ceiling matching the European level of 100,000 euros; extending duties related to the recovery and resolution of credit institutions and investment firms – with the FGDB acting as administrator of the bank resolution fund, temporary administrator, special administrator of a credit institution undergoing resolution procedures or, where applicable, shareholder of a bridge institution or of an asset management vehicle. Consequently, the FGDB has become one of the key pillars of the stability of the financial system in Romania, an anchor of confidence for the public and for the banking community.*

*On its anniversary, I wish the Fund all the best for the future, a future that will consolidate the achievements it has had over the last 25 years. May the Fund continue to be a pillar of stability for the financial and banking system of Romania.*

*Florin Georgescu*  
*First Deputy Governor of the National Bank of Romania*



## Message of the Chairperson of the Supervisory Board of the Bank Deposit Guarantee Fund

*The Bank Deposit Guarantee Fund (FGDB), fulfilling its duties as provided by law, is an institution designed to contribute to maintaining financial stability in Romania. Specifically, the FGDB must be able to continually work diligently and responsibly both to protect depositors and secure the money in their accounts at credit institutions and to manage the bank resolution fund and the early intervention and resolution measures which the National Bank of Romania may apply to credit institutions.*

*Over the last 25 years of operation, the FGDB has remained steadfast in its focus on its primary target, namely the ensurance of an institutional and operational framework in line with the highest standards and best practices in the sector.*

*A permanent adaptation to the exigencies of deposit protection, as well as the experience acquired in this area made the FGDB one of the European guarantee schemes that, early on, had efficient, modern, and reliable mechanisms in place in multiple areas, such as the operational, financial, and risk-management sectors.*

*The FGDB's policy provided for a swift alignment with several provisions in the EU directive on deposit guarantee schemes which implied a gradual transposition. A conclusive example in this respect is the application, as early as 2015, of a repayment deadline of maximum seven business days of the date deposits have become unavailable, a time limit which could have been attained by 2024.*

*In order to be able to give an effective response to changes taking place in the economic and financial environment, the FGDB has given particular attention to the risk management function, appropriately complementing and consolidating its procedural framework for identifying, assessing, monitoring, and reporting risks. With a view to incentivising affiliated credit institutions to take a cautious attitude towards risk management, we implemented a system which calibrates their contributions to the deposit guarantee fund based on their individual risk profile. By doing this, we managed to curb the moral hazard likely to be triggered by the application of a uniform rate in disregard of the risks banks in the membership of the guarantee scheme may assume.*

*We have constantly pursued policies for a prudent management of the financial resources of the deposit guarantee fund and of the bank resolution fund. We have anchored these policies to the European Union's harmonised standards to mitigate risks and maintain appropriate levels of liquidity. Specifically, the FGDB has diversified its investment portfolios both by including financial instruments falling into the "available for trading" category, which has diminished the risk of significant value adjustments, and by identifying new counterparties/issuers and eligible instruments.*

*In 2021, the FGDB successfully completed several fundamental projects for the consolidation of the operational and financial resilience of Romania's deposit guarantee scheme. In more concrete terms, the progress refer to the opening of a secondary operation location and of a data recovery centre; the implementation of an integrated IT system to contribute to the digitalisation of processes, the reduction*

**25**  
YEARS  
1996 - 2021

*of operational risk and the improvement of the effectiveness of FGDB activities; negotiations on the conclusion of bilateral accords on cross-border payouts.*

*One of our key projects was aimed at providing expertise to relevant authorities for the adoption of Law No. 42/2022 amending and complementing Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund. The law came into force on 11 March 2022 and contributes both to enhancing depositor protection and to consolidating the FGDB's operational and financing capability, all while having a positive impact on the FGDB's role in safeguarding financial stability.*

*The most significant amendments refer to an extended scope of protection to include guaranteed (eligible) deposits benefitting from a higher coverage level, of 100,000 euros (in the leu equivalent), as distinct from the standard compensation, for a period of 12 months after the amount has been credited; the FGDB's possible access both to alternative financing, including government-backed precautionary loans from international financial institutions/credit institutions, and to short-term repo facilities from the National Bank of Romania; the possibility to resort to alternative repayment methods which include, besides credit institutions mandated as agent banks, any other adequate payment channels (for instance, disbursing payouts via a web platform).*

*The FGDB's readiness and capability to make reimbursements within seven working days at the most of the date deposits were determined unavailable were tested also in 2021 as part of a stress simulation exercise which ran according to the specific Guidelines of the European Banking Authority. The test was based on several adverse scenarios, including the least probable one which assumed a cascade of bank failures. The results pointed to the FGDB's adequate capability, effectiveness and performance in the compensation payment process.*

*The FGDB has the capability to engage, at any time, in the implementation of the early intervention and resolution measures which the National Bank of Romania may apply to credit institutions by acting in its capacity as temporary administrator of credit institutions undergoing recovery procedures, special administrator of credit institutions under resolution, shareholder of a bridge institution or shareholder of an asset management vehicle. Furthermore, the FGDB has the role of sole liquidator of a credit institution where the National Bank of Romania orders dissolution followed by liquidation or where liquidation is initiated by shareholders.*

*The economic and financial environment will continue to change rapidly and grow increasingly complex. The FGDB's management will continue to place primary focus on the institution's adjustment to these shifts so that it is always ready to contribute to economic and financial stability, in line with its mandate.*

Lucian Croitoru  
Chairperson of the FGDB's Supervisory Board





## 1996

- **August 1996** - Romania's deposit guarantee scheme was set up under Government Ordinance No. 39/1996 on the creation and operation of the Deposit Guarantee Fund in the Banking System. The establishment of the FGDB was one of the conditionalities in the Financial Enterprise Structural Adjustment Loan (FESAL) agreement between Romania and the International Bank for Reconstruction and Development
- **September 1996** - the FGDB's Executive Board held its first meeting
- **November 1996** - benefitting both from the support of the National Bank of Romania and from specialised assistance under the PHARE programme, the FGDB became an operational institution with the following key features:
  - » **aim** - to guarantee the repayment of natural persons' deposits held in banks authorised by the National Bank of Romania - both domestic banks and the branches of foreign banks in Romania - under the conditions and within the limits laid down in Government Ordinance No. 39/1996
  - » **coverage limit per guaranteed depositor** - initially set at the equivalent of 1,000 RON (10,000,000 ROL), a level that could be adjusted for inflation each year
  - » **payout start date** - most 3 months of the date deposits were determined unavailable (by an administrative or judicial authority); in exceptional circumstances and on a case-by-case basis that deadline could be extended three times, for maximum 3 months each time
  - » **payout period** - 3 years following the payout start date
  - » **ex ante funding**, mainly from participating banks' contributions:
    - initial contributions - accounting for 1 percent of the subscribed share capital, or, respectively, 1 percent of the minimum share capital a bank was required to hold in the case of branches of foreign banks
    - annual contributions - accounting for 0.3 percent of the sum of natural persons' deposits as at 31 December of the previous year
    - special contributions - levied when financial resources were insufficient to cover repayments of guaranteed deposits; their level could not exceed twice the annual contribution paid in the respective fiscal year
  - » **possibility to apply a higher annual contribution level** (0.6 percent), with the prior consent of the National Bank of Romania, in the case of banks engaging in risky, unhealthy policies (specified as such in FGDB regulations), their right to express their opinion being granted
  - » **possibility to suspend payment of annual contributions** when accumulated financial resources exceeded 10 percent of the total deposits natural persons held in the banking system on reference date

» **possibility to examine**, with the prior consent of the National Bank of Romania, **the banks' accounting records** to get information on the sum of guaranteed deposits

## 1997

- **May 1997** - Law No. 88/1997 approving, with amendments and completions, Government Ordinance No. 39/1996 was published:
  - » adjustment of the guarantee ceiling every six months based on the Consumer Price Index (CPI) reported by the National Statistics Commission
- the FGDB issued its first Statute
- as many as 40 banks had joined the FGDB's guarantee scheme by the end of the first year of activity: 30 banks, Romanian legal persons, and 10 branches of foreign banks
- financial resources amounted to 6.6 million RON on 31 December 1997, when the funding level (ratio of total financial means to total covered deposits) stood at 0.33 percent
- for the first time in its "information technology history" the FGDB was equipped with computers under a PHARE technical assistance programme

## 1998

- **May 1998** - Law No. 83/1998 on bankruptcy proceedings for banks took effect:
  - » the FGDB shall be promptly notified of any court judgement opening bankruptcy proceedings against a bank in order to be able to apply regulations related to repayments of guaranteed deposits
- as many as 44 banks were affiliated to the FGDB's guarantee scheme: 33 banks, Romanian legal persons, and 11 branches of foreign banks
- financial resources stood at 22.5 million RON on 31 December 1998, when the funding level amounted to 0.66 percent

## 1999

- **May 1999** - the Bucharest Court opened bankruptcy proceedings against Banca Comercială "Albina" SA
- **June 1999** - Emergency Ordinance No. 110/1999 amending and complementing Government Ordinance No. 39/1996 was published:



- » the annual contribution and the higher annual contribution were set at 0.8 percent and, respectively, 1.6 percent of natural persons' total deposits as at 31 December of the precedent year
- » the special contribution was put at twice the annual contribution for the respective fiscal year
- » possibility to suspend payment of annual contributions if accumulated financial resources exceeded 30 percent of the aggregate amount of natural persons' deposits in the banking system on reference date
- » payout start date - within 3 months of the date deposits were determined unavailable by a judicial authority (the date set in the court decision for the opening of bankruptcy proceedings against the respective bank)
- **July 1999** - for the first time since its creation, the FGDB intervened by starting compensation payments worth 36.11 million RON to 33,528 guaranteed depositors of Banca Comercială "Albina" SA, according to the payout list, within a guarantee ceiling of 3,536 RON
- as many as 40 banks were members of the FGDB's guarantee scheme: 33 banks, Romanian legal persons, and 7 branches of foreign banks
- financial means amounted to 21 million RON on 31 December 1999, when the level for funds stood at 0.43 percent

## 2000

- **February 2000** - the Bucharest Court opened the bankruptcy procedure against Bankcoop SA
- **March 2000** - Emergency Ordinance No. 20/2000 amending and complementing Government Ordinance No. 39/1996 was issued:
  - » the special contribution was set at twice the annual contribution for the respective fiscal year
  - » the National Bank of Romania was authorised to offer the FGDB, at its request, a line of credit of up to 200 million RON to top up the financial resources designed to cover payouts.
- **April 2000** - start of compensation disbursements worth 275.49 million RON to 467,993 guaranteed depositors of Bankcoop SA, according to the payout list, within a coverage level of 5,473 RON
- **July 2000** - Emergency Ordinance No. 118/2000 was issued authorising the National Bank of Romania to offer the FGDB a credit line of 150 million RON to cover payouts over 2000-2001
- **July 2000** - the Bucharest Court initiated bankruptcy proceedings against Banca Internațională a Religiilor SA
- special contributions totalling 61.8 million RON were collected from affiliated banks to replenish the financial means needed to compensate depositors of Bankcoop SA and of Banca Internațională a Religiilor SA

- credit line arrangements with the National Bank of Romania to top up the resources intended to cover payouts
- **October 2000** - compensation amounting to 187.74 million RON started being paid to the 284,121 guaranteed depositors of Banca Internațională a Religiilor SA on the payout list, within a coverage limit of 6,517 RON
- as many as 40 banks were affiliated to the FGDB's guarantee scheme: 32 banks, Romanian legal persons, and 8 branches of foreign banks
- financial resources totalled 38.8 million RON on 31 December 2000, when the funding level was 0.43 percent

## 2001

- **June 2001** - Law No. 301/2001 approving, with amendments, Emergency Ordinance No. 110/1999 was published:
  - » the special contribution was set at twice the annual contribution for the respective fiscal year
  - » payout start date - within at most 2 months of the date of receipt from the liquidator of a list including the names of the natural persons holding guaranteed and non-guaranteed deposits, the total amount in each deposit account, as well as each depositor's dues to the bank (deadline for the liquidator's list - within 30 days after the liquidator's appointment in court)
- **June 2001** - Law No. 303/2001 approving Emergency Ordinance No. 20/2000 was published
- **November 2001** - Emergency Ordinance No. 138/2001 amending and complementing Law No. 83/1998 was issued:
  - » court appointment of the FGDB as liquidator, as a rule - a conditionality for the disbursement of the second tranche of the Private sector Adjustment Loan (PSAL II) agreement with the World Bank
  - » insertion into legislation on failed credit institutions of a specific order of payment of creditors' claims; as a result, the FGDB's claims arising from payouts qualified as fourth-rank claims (different from the claims resulting from repayments in the wake of the bank failures of 1999 and 2000, which qualified as unsecured claims according to the order of payment of claims contained in the overall insolvency framework - Law No. 64/1995)
- as many as 40 banks were part of the FGDB's guarantee scheme: 32 banks, Romanian legal persons, and 8 branches of foreign banks
- financial means were worth 127.3 million RON on 31 December 2001, when the level for funds stood at 1.24 percent



## 2002

- **February 2002** - Government Ordinance No. 39/1996 was republished for the first time
- the first credit cooperative organisation (the Creditcoop SA central body and affiliated cooperatives) joined the deposit guarantee scheme, with the FGDB being able to intervene to make repayments only if the central body failed
- **April 2002** - the Brasov Court opened bankruptcy proceedings against Banca Română de Scont SA (BRS) and appointed FGDB as liquidator, which was a first-time appointment of this kind
- **June 2002** - start of repayments amounting to 0.92 million RON to 1,871 guaranteed depositors of Banca Română de Scont SA, as specified in the payout list, within a guarantee ceiling of 10,045 RON
- **July 2002** - the Bucharest Court opened bankruptcy proceedings against Banca Turco Română SA (BTR) and appointed the FGDB as liquidator
- **July 2002** - disbursements to the guaranteed depositors of Banca Comercială "Albina" SA were completed (payouts stood at 36.05 million RON and went to the 24,461 guaranteed depositors who had claimed compensation)
- **October 2002** - start of compensation payments worth 18.15 million RON to 10,026 guaranteed depositors of Banca Turco Română SA, in line with the payout list, within a guarantee ceiling of 10,980 RON
- as many as 38 banks were affiliated to the FGDB's guarantee scheme: 29 banks, Romanian legal persons, Creditcoop SA, and 8 branches of foreign banks
- financial resources stood at 216.1 million RON on 31 December 2002, with the funding level amounting to 1.53 percent

## 2003

- **March 2003** - the Bucharest Court opened the bankruptcy procedure against Banca "Columna" SA
- **April 2003** - completion of payouts to the guaranteed depositors of Bankcoop SA (repayments going to the 197,252 guaranteed depositors who had claimed compensation amounted to 273.24 million RON)
- **May 2003** - compensation totalling 0.15 million RON started being disbursed to the 171 guaranteed depositors of Banca "Columna" SA on the payout list, within a coverage level of 11,847 RON

- **October 2003** - the repayment period was completed in the case of Banca Internațională a Religiilor SA (an aggregate 186.15 million RON worth of payouts went to the 102,787 guaranteed depositors who had applied for compensation)
- The FGDB became a member of the European Forum of Deposit Insurers (EFDI)
- **December 2003** - Law No. 485/2003 amending and complementing Banking Law No. 58/1998 was published:
  - » possibility of appointing the FGDB as special administrator of credit institutions
  - » appointment of the FGDB as sole liquidator of credit institutions where liquidation is initiated by shareholders or where the National Bank of Romania orders dissolution followed by liquidation
- as many as 38 banks participated in the FGDB's guarantee scheme: 29 banks, Romanian legal persons, Creditcoop SA, and 8 branches of foreign banks
- financial means totalled 282.3 million RON on 31 December 2003, when the level for funds stood at 1.55 percent

## 2004

- **June 2004** - Law No. 278/2004 approving Government Ordinance No. 10/2004 on the judicial reorganisation and bankruptcy of credit institutions was published:
  - » possibility of appointing the FGDB as interim administrator of credit institutions (to act in the period between the conclusion of the special administration process and the opening of bankruptcy proceedings)
  - » the possibility for the FGDB to act as court-appointed liquidator was maintained
- **July 2004** - Law No. 178/2004 amending and complementing Government Ordinance No. 39/1996 took effect:
  - » transposition into national law of the provisions of Directive 94/19/EC of the European Parliament and of the Council on deposit-guarantee schemes
  - » extension of the scope of guarantee to include deposits held by legal persons and entities without juridical personality
  - » extension of the scope of the FGDB following the incorporation of the specific roles it was assigned by legislation related to failed credit institutions and by the banking law
  - » increase in the coverage level per guaranteed depositor - natural or legal person - to 6,000 euros starting the second quarter of 2004 and a waiver of adjustments every six months based on the CPI

- » the obligation of account holders to sign a declaration on the classification of their deposits in terms of coverage, taking full responsibility for the correctness of the information furnished,
- » change in the basis of calculation of contributions in relation to the sum, in the national currency, of the covered deposits held at all member credit institutions as of 31 December of each year
- » all credit institutions authorised by the Romanian competent authority to accept client deposits, including their branches headquartered abroad, are obliged to participate in the FGDB's depositor protection scheme, except credit institutions where client deposits are guaranteed by the state (CEC Bank SA)
- » following Romania's accession to the European Union, branches in Romania of credit institutions based in other European Union states ceased to participate in the FGDB
- » the annual contribution and the higher annual contribution, as percentages of the total guaranteed deposits as at 31 December of the previous year, amounted to 0.5 percent in 2005, 0.4 percent in 2006 and 0.3 percent starting 2007, and, respectively, 1.0 percent in 2005, 0.8 percent in 2006 and 0.6 percent starting 2007
- » the special contribution was put at up to the level of the annual contribution levied in the respective fiscal year
- » the possibility to suspend payment of annual contributions when accumulated financial resources exceeded 10 percent of the total guaranteed deposits in the banking system on reference date
- » payout start date - no later than 3 months after deposit were determined unavailable; in exceptional circumstances and on a case-by-case basis, that deadline could be extended twice, for maximum 3 months each time
- » investments of the FGDB's available financial resources based on a diversified portfolio which included - besides government securities - deposits, certificates of deposit and other financial instruments issued by credit institutions
- » the requirement to introduce an internal control and an internal audit system within the FGDB
- **September 2004** - the FGDB's Statute was updated and Legal Regulations No. 1/2004 on determining the higher annual contribution to be paid by credit institutions were issued, along with Regulations No. 1-4 on determining, declaring and paying (initial, annual, higher annual and special) contributions, on payouts and on the information to be provided to depositors of credit institutions
- **November 2004** - the FGDB was no longer among the creditors of Banca Română de Scont SA as it had recovered its claim resulting from payouts in full
- as many as 39 banks were in the membership of the FGDB's guarantee scheme: 30 banks, Romanian legal persons, Creditcoop SA, 1 savings and loan institution and 7 branches of foreign banks
- financial resources amounted to 381.3 million RON on 31 December 2004, with a funding level standing at 1.22 percent

## 2005

- the guarantee ceiling per covered depositor, natural or legal person, moved up to 10,000 euros
- legal entities' deposits held with Casa de Economii și Consemnațiuni C.E.C. - S.A. were included in the FGDB's guarantee scope
- the FGDB became member of the International Association of Deposit Insurers (IADI) and, implicitly, of the IADI Europe Regional Committee (ERC)
- the FGDB paid off the loans taken from the National Bank of Romania in the year 2000 to cover compensation payments to depositors of Bankcoop SA and Banca Internațională a Religiiilor SA
- the FGDB created a web page in a bid to make information sharing and public communication easier
- **June 2005** - repayments to the guaranteed depositors of Banca Română de Scont SA concluded (payouts worth 0.87 million RON went to the 229 guaranteed depositors who had claimed compensation)
- **July 2005** - Law No. 238/2005 amending and complementing Government Ordinance No. 39/1996 was published:
  - » more simplified deposit classification procedures
  - » a more flexible investment policy as far as the FGDB's financial resources were concerned
- **October 2005** - payouts to the guaranteed depositors of Banca Turco Română SA concluded (compensation for the 2,724 claimants, all guaranteed depositors, amounted to 15.88 million RON)
- as many as 40 banks were affiliated to the FGDB's guarantee scheme: 31 banks, Romanian legal persons, Creditcoop SA, 2 savings and loan institutions and 6 branches of foreign banks
- financial means stood at 528.7 million RON on 31 December 2005, when the funding level was 1.22 percent

## 2006

- the coverage level per guaranteed depositor, natural or legal person, was increased to 15,000 euros
- **March 2006** - Emergency Ordinance No. 23/2006 amending and complementing Government Ordinance No. 39/1996 was issued:
  - » a new funding mechanism was introduced targeting an optimal level of the contributions of credit institutions to the FGDB with a view to maintaining the stability of the banking system by:
    - implementing a mixed funding formula implying a decrease in annual contributions (0.2 percent in 2006, 0.1 percent in 2007 and amounts to be calculated on a yearly basis, in line with the target level, starting 2008, which could not exceed a maximum 0.5 percent), all while



supplementing financial resources via annual standby lines of credit from participating credit institutions (which could be resorted to only if the FGDB's own resources were insufficient to cover payouts) and

- determining the target level for funds annually (2.3 percent for 2006), as a base for calculating the contribution of credit institutions and the total amount of *the standby lines of credit*
- » the possibility to suspend payment of annual contributions when the amount of accumulated financial resources expressed as a percentage of total guaranteed deposits held at member credit institutions reached an appropriate level
- » the FGDB verified the accuracy of the data its member credit institutions reported in connection with the calculation and payment of due contributions, as well as the extent to which legal provisions related to information of depositors were respected
- **March 2006** - on the anniversary of 10 years of activity, the FGDB organised the symposium "The Bank Deposit Guarantee Fund's Activity and Its Updated Funding Policy"
- **May 2006** - the FGDB outsourced its internal audit
- **May 2006** - compensation disbursements to the guaranteed depositors of Banca "Columna" SA were completed (payouts to 2 guaranteed depositors who had applied for repayment amounted to 0.02 million RON)
- **September 2006** - the FGDB was appointed sole liquidator of Nova Bank SA, but its mandate was short-lived (4 September–9 November 2006)
- **October 2006** - natural persons' deposits with Casa de Economii și Consemnațiuni C.E.C. - S.A. were included into the FGDB's scope of guarantee
- **October 2006** - the FGDB launched its half-yearly Bulletin in a bid to offer a comprehensive image of deposits with its affiliated credit institutions, the savings process and specific FGDB deposit guarantee-related activities
- **November 2006** - the Bucharest Court opened bankruptcy proceedings against Nova Bank SA
- as many as 38 banks took part in the FGDB's guarantee scheme: 31 banks, Romanian legal persons (including 2 savings and loan institutions), Creditcoop SA, and 6 branches of foreign banks
- financial resources amounted to 670.9 million RON on 31 December 2006, with a level for funds of 0.96 percent (that is, 0.57 percentage points below the target of 2.3 percent set for 2006 by law, as the rise in guaranteed deposits had outrun the increase in the FGDB's financial resources)

## 2007

- **January 2007** -:
  - » the affiliation to the FGDB of branches in Romania of credit institutions of other EU member states was no longer mandatory
  - » the level of coverage per guaranteed depositor, natural or legal person, was raised to 20,000 euros
- **January 2007** - compensation worth 0.20 million RON started being paid to 108 guaranteed depositors of Nova Bank SA, in keeping with the payout list, within a guarantee ceiling of 15,000 euros in the leu equivalent
- the FGDB became, for the first time, an insurer of the deposits held at the first branch opened in another European Union member state (Cyprus) by a credit institution based in Romania
- the diversification of the FGDB's investments of its available financial resources as other instruments were added, such as "government securities issued by European Union member states, securities issued by the central banks of those states, and securities issued by the U.S. Department of the Treasury"
- **April 2007** - the FGDB ceased to be a creditor of Nova Bank SA following an assignment of claim agreement with another creditor of the bank
- the FGDB became a member of the EFDI's EU Committee (EUC)
- as EUC member, the FGDB was represented to the working group looking into risk-related elements to be considered when determining the contributions to be levied on credit institutions
- the FGDB's guarantee scheme included 32 banks in its membership: 31 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means totalled 791.9 million RON on 31 December 2007 when the level for funds amounted to 1.45 percent

## 2008

- **October 2008** - Emergency Ordinance No. 129/2008 complementing Article 5 of Government Ordinance No. 39/1996 (as a prompt response to the crisis in international markets):
  - » The guarantee ceiling for natural persons was increased to 50,000 euros
- there were 33 banks in the membership of the FGDB's guarantee scheme: 32 banks, Romanian legal persons (including 3 savings and loan institutions), and Creditcoop SA
- financial means stood at 971.2 million RON on 31 December 2008, when the funding level amounted to 1.39 percent

## 2009

- **May 2009** - the FGDB launched its first quarterly Bulletin, after putting out six issues of the former half-yearly Bulletin
- **June 2009** - Emergency Ordinance No. 80/2009 amending and complementing Government Ordinance No. 39/1996 was issued (transposing into national law Directive 2009/14/EC amending Directive 94/19/EC on deposit guarantee schemes):
  - » the guarantee ceiling per covered depositor, legal person, was also raised to 50,000 euros
  - » (re)introduction of the FGDB's function of making repayments after the National Bank of Romania had declared the unavailability of deposits held with a member credit institution
  - » reduction of the payout deadline to 20 working days of the date of deposit unavailability (applicable starting 1 January 2011; under a transitional provision in force until 31 December 2010, the repayment delay could not exceed three months of the date deposits had become unavailable)
  - » the elimination from legislation of the possibility of levying higher annual contributions on banks pursuing risky, unsound policies
  - » the possibility of taking Government loans should the FGDB's financial resources prove insufficient to cover payouts
  - » the obligation of credit institutions to have appropriate IT systems in place so as to be able to permanently keep an accurate record of guaranteed depositors and also to dispatch payout lists to the FGDB on a quarterly basis and in keeping with the structure specified in FGDB regulations
  - » the consolidation of the FGDB's capability to protect depositors and improve depositor information
  - » the FGDB's obligation to regularly test its operational capability to collect the information needed for the preparation of the payout list and to make compensation payments in compliance with legal provisions
  - » the selection by end-February of each year, following the FGDB Executive Board's endorsement and the approval of the National Bank of Romania, of the credit institutions to be mandated to disburse payouts
- the FGDB's guarantee scheme included 33 banks: 32 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial resources were worth 1,325.5 million RON on 31 December 2009, while the level for funds stood at 1.05 percent

## 2010

- **January 2010** - disbursements to guaranteed depositors of Nova Bank SA ended (0.03 million RON in payouts went to 10 guaranteed depositors who had claimed them)
- **March 2010** - Law No. 44/2010 approving Emergency Ordinance No. 80/2009 amending and complementing Government Ordinance No. 39/1996 was published:
  - » obligation of credit institutions to deliver the payout list to the FGDB twice a year (or whenever requested to do so) in the structure envisaged in FGDB regulations
- **August 2010** - Government Ordinance No. 39/1996 was republished for the second time
- **September 2010** - the FGDB signed the EFDI Multilateral Memorandum of Understanding on cooperation between deposit guarantee schemes across the European Union
- the creation of an organisational risk-management structure, a major step forward in adopting good practices in the risk management process, as well as of a permanent structure (the Fund's Financial Resource Management Committee), the preparation of methods of analysis of credit institutions, a key instrument in establishing the exposure strategy
- the setting up of an audit department in order to consolidate the internal audit capability in light of the new standards in the organisation and operation of the internal control system
- the recreation of the FGDB's institutional identity - from redefining its logo to designing a new web page
- **December 2010** - Emergency Ordinance No. 131/2010 amending and complementing Government Ordinance No. 39/1996 was issued:
  - » the coverage limit per guaranteed depositor, natural or legal person, rose to 100,000 euros
  - » the possibility of funding via standby credit arrangements concluded with FGDB member credit institutions was eliminated
  - » the FGDB was appointed administrator of a fund the aim of which was to safeguard financial stability (the special compensation fund, set up to compensate entities adversely affected by measures proposed and implemented during the process of special administration of credit institutions)
  - » focus on institutional development and the implementation of good governance principles
- the FGDB's guarantee scheme had 33 member banks: 32 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means were worth 1,712.2 million RON on 31 December 2010 and the funding level amounted to 1.29 percent



## 2011

- **January 2011** - provisions came into force of Emergency Ordinance No. 80/2009 reducing maximum payout deadline to 20 working days of the date of unavailability of deposits
- **March 2011** - a seminar on "Boosting Confidence Through Public Awareness" was organised in Bucharest in cooperation with the IADI Europe Regional Committee
- **June 2011** - the FGDB launched INFO, its first online information and news bulletin, available on its web page
- **August 2011** - Ordinance No. 13/2011 amending and complementing Government Ordinance No. 39/1996 (Chapter IV) was issued:
  - » the possibility to use the FGDB's financial resources (by issuing guarantees included) to implement restructuring measures authorised by the National Bank of Romania entailing transfer of guaranteed deposits, via purchase and assumption (P&A) transactions included
- the FGDB, in its capacity as member, took part in the EFDI working group dealing with the resolution of non-viable banks
- **October 2011** - the "Costin Murgescu contest of essays on economic research" was launched
- **November 2011** - the FGDB was co-opted as member institution of the National Committee for Financial Stability (CNSF), an act intended to consolidate the institutional framework for safeguarding financial stability in Romania
- **December 2011** - the FGDB was struck off the list of creditors of Banca Turco Română SA after recovering in full its claim arising from payouts
- as many as 33 banks were affiliated to the FGDB's guarantee scheme: 32 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means amounted to 2,327.2 million RON la 31 December 2011, with a level for funds standing at 1.6 percent

## 2012

- **January 2012** - Ordinance No. 1/2012 amending banking legislation and Government Ordinance No. 39/1996 was issued:
  - » banking stabilisation measures were introduced to resolve situations which could jeopardise financial stability
  - » the possibility to appoint the FGDB as managing director and, if appropriate, shareholder of a credit institution undergoing the stabilisation measures decided by the National Bank of Romania
  - » the possibility for the FGDB to be the single shareholder of bridge banks and perform the tasks

of their supervisory boards in cases where the National Bank of Romania ordered the application of stabilisation measures

- » the possibility for the FGDB to finance the stabilisation measures decided by the National Bank of Romania using the financial resources of the bank restructuring fund (which was set up by taking over the resources of the special compensation fund established in 2010)
- a remodelling of organisational structure by creating a specialised framework for FGDB activities in the area of bank restructuring and stabilisation, distinct from liquidation-related activities
- **December 2012** - bankruptcy proceedings against Banca Comercială "Albina" SA closed, with the FGDB no longer among creditors (claim recovery ratio was 34.91 percent)
- as many as 32 banks were members of the FGDB's guarantee scheme: 31 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial resources were worth 2,976.2 million RON on 31 December 2012 and the level for funds amounted to 1.9 percent

## 2013

- **January 2013** - the FGDB's CEO was elected Chairperson of the IADI Europe Regional Committee (ERC) for a period of two years
- **September 2013** - the FGDB signed a Memorandum of Understanding with Poland's Bank Guarantee Fund for a five-year term with an option of extension.
- **September 2013** - an international seminar on "Contingency Planning" was organised in Bucharest under the ERC's aegis
- the FGDB started using online professional/social networks with a view to improving its communication with the public
- As an EFDI member, the FGDB contributed to the preparation of stress test guidelines for deposit guarantee schemes
- **December 2013** - Emergency Ordinance No. 113/2013 amending banking legislation was issued:
  - » with the purpose of increasing the volume of information provided to guaranteed depositors, an obligation was introduced for all credit institutions operating in Romania to state the name of the deposit guarantee schemes to which they were affiliated in all forms of advertising, reports and/or pre-contract documents, contracts and deposit-related correspondence
- the FGDB had 31 banks affiliated to its guarantee scheme: 30 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- on 31 December 2013, financial resources amounted to 3,722 million RON and the funding level was 2.2 percent

## 2014

- **April 2014** - Directive 2014/49/EU on deposit guarantee schemes was published requiring all European Union member states to provide a uniform level of depositor protection
- **May 2014** - Directive 2014/59/EU on the recovery and resolution of credit institutions and investment firms was published. Its aim: to strengthen financial stability and confidence in banks, and to protect taxpayers' money if banks got into difficulty
- **June 2014** - Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings (the Insolvency Code) was published providing for a new hierarchy of creditor claims applicable to a failed credit institution; accordingly, the FGDB's claims arising from payouts or funding of bank resolution measures were ranked second
- the consolidation of the FGDB's response capability in situations that might call for its intervention, the revision and updating of compensation payment procedures, and the adoption of a communication procedure in the event of deposit unavailability or of payouts
- under EFDI aegis, the FGDB contributed to defining the general framework for cross-border payouts, which highlighted aspects related to funding and associated risk management
- **September 2014** - the FGDB, with support from the National Bank of Romania, organised in Bucharest the EFDI Annual General Meeting and the EFDI Annual International Conference on "Deposit Guarantee Schemes in the New Regulatory Framework"
- the FGDB started participating as observer in the resolution colleges for international banking groups operating also in Romania
- as many as 31 banks participated in the FGDB's guarantee scheme: 30 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means totalled 4,529.8 million RON on 31 December 2014, when the funding level stood at 2.4 percent

## 2015

- **December 2015** - Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, transposing Directive 2014/49/EU into national legislation was published:
  - » Government Ordinance No. 39/1996 was repealed with the exception of Article 1 paragraph (1) on the setting up of the FGDB
  - » the name of the institution was changed from the Bank Deposit Guarantee Fund in the Banking System in Bank Deposit Guarantee Fund
  - » the FGDB's capacity as statutory deposit guarantee scheme, officially recognised in Romania, was specified

- » the FGDB's management to be based on a two-tier system consisting of an Executive Board and a Supervisory Board
- » the National Bank of Romania was empowered to act as authority designated to supervise the FGDB and as administrative authority competent to determine the unavailability of deposits if a credit institution went into administrative liquidation
- » the extension of the scope of guarantee to include deposits held by large companies
- » the time limit for payouts was shortened to at most 7 business days of the date deposits were declared unavailable
- » the introduction of a guarantee ceiling higher than the coverage limit for certain categories of natural persons' deposits resulting from events in a depositor's life (retail sales, retirement, receipt of insurance benefits etc)
- » the method for calculating contributions was modified to be based on the total amount, in the leu currency, of the covered deposits held at member credit institutions on 31 December of each year
- » the FGDB was empowered to disburse payouts also in the case of the branches in Romania of credit institutions based in other European Union member states acting as paying agent of the deposit guarantee schemes in the home member states
- » the obligation was introduced for credit institutions to confirm that deposits were eligible deposits on each statement of account
- » the introduction of a standardised template providing information to depositors
- » the FGDB continued to be a sole liquidator of credit institutions going into administrative liquidation
- » the possibility for the FGDB to act as court-appointed liquidator of bankrupt credit institutions was eliminated
- **December 2015** - Law No. 312/2015 on the recovery and resolution of credit institution, which transposed into national legislation Directive 2014/59/EU, was published:
  - » the creation of a legal, three-staged framework for managing bank crises, namely preparation (recovery plans devised and reviewed by credit institutions), early intervention (steps towards the recovery of credit institutions) and resolution (measures deemed necessary from a public interest perspective in the case of failing or likely to fail credit institutions where alternative measures proved unable to prevent that failure)
  - » the National Bank of Romania was designated as the competent authority for the supervision of credit institutions and the application of recovery measures
  - » the National Bank of Romania was designated as the resolution authority





- » a set of resolution tools at the disposal of the National Bank of Romania (the sale of business tool, the bridge institution tool, the asset separation tool, and the bail-in tool) was laid down
- » the Ministry of Finance was designated as the ministry competent to apply government stabilisation tools (the public equity support tool and the temporary public ownership tool)
- by virtue of Law No. 312/2015, the FGDB was assigned new powers and responsibilities related to the application of recovery and resolution measures to credit institutions:
  - » the FGDB became the administrator of the bank resolution fund (which was set up by taking over the resources of the bank restructuring fund)
  - » in relation to the recovery and resolution of credit institutions, the FGDB was given the possibility to operate as:
    - temporary administrator of a credit institution going through recovery (early intervention)
    - special administrator of a credit institution undergoing resolution
    - shareholder of a bridge institution or of an asset management vehicle
  - » the possibility for the FGDB to fund resolution measures in order to secure depositors' access to their own deposits.
- the FGDB's guarantee scheme comprised 29 banks: 28 banks, Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- there was a total 5,333.4 million RON in financial resources on 31 December 2015 and the level for funds had reached 3.3 percent

## 2016

- new regulations were issued and existing ones updated in compliance with Law No. 311/2015 provisions
- the public administration of the FGDB, with its Supervisory Board comprised of representatives of the National Bank of Romania and of the Ministry of Finance
- an Audit Committee, an independent consultative body consisting of three members of the FGDB's Supervisory Board, was set up
- a risk-based contribution system was introduced intended to ensure a differentiation between FGDB-member credit institutions based on their risk profile
- a new FGDB web page was launched following improvement and upgrading processes that ran all through the year 2015
- **November 2016** - the FGDB signed the EFDI multilateral cooperation agreement on cross-border payouts between the deposit guarantee schemes of the European Union member states
- **December 2016** - the Finmedia company and the Piața Financiară magazine awarded the FGDB the 2016 Prize for Excellence for the achievement of a framework of stability and safety for clients

during the Piața Financiară Awards Gala

- as many as 29 banks were affiliated to the FGDB's guarantee scheme: 28 banks Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means totalled 5,923.5 million RON on 31 December 2016, when the level for funds stood at 3.4 percent

## 2017

- **March 2017** - in its capacity as court-appointed liquidator of Banca Turco Română SA, the FGDB managed to recover part of the bank's main claim in Switzerland, that is 2 million USD
- **April 2017** - the FGDB attended, as a member with observer status, the meetings of the National Committee for Macroprudential Supervision (CNSM), the successor of the National Committee for Financial Stability (CNSF)
- **May 2017** - the FGDB's General Director was elected member of the EU Management Executive (EUME), a new management structure of the EFDI EU Committee, for a three-year period.
- **June 2017** - on the occasion of the EFDI EU Committee meeting, organised in Bucharest with assistance from the National Bank of Romania, the FGDB's General Director was appointed coordinator of the Cross-Border Cooperation Working Group involving the European Union's deposit guarantee schemes
- on an operational level, the FGDB ran a series of simulation exercises to test its capability to fulfil its statutory obligations in crisis situations, particularly its duty to disburse payouts in line with the European Banking Authority's Guidelines
- the organisational and the procedural frameworks were reconfigured and consolidated, and strategic targets for the following three years, along with a corresponding course of action were set
- the FGDB's constant interest in the management of significant risks materialised in a strategy worked out to that end which focused on the development of a caution-oriented risk culture and the maintenance of a low-risk profile
- the Financial Resources Management Committee was disbanded and its decision-making responsibilities in investing financial resources were taken over by the Supervisory Board and the Executive Board, in compliance with Law No. 311/2015
- the FGDB prepared the Internal Audit Charter and the Internal Audit Manual
- the process started to acquire an integrated IT system to assist FGDB activities
- a presentation of the FGDB's activity was included in financial education textbooks for the first time
- the FGDB's guarantee scheme was comprised of 28 banks: 27 banks Romanian legal persons (including

- 2 savings and loan institutions), and Creditcoop SA
- financial resources stood at 6,469.8 million RON on 31 December 2017 and the level for funds amounted to 3.17 percent

## 2018

- February 2018** - a meeting of the Cross-Border Cooperation Working Group involving the deposit guarantee schemes across the European Union was organised in Bucharest with support from the National Bank of Romania
- the FGDB joined EDDIES (*European DGS to DGS Information Exchange System*), a central secure system facilitating information exchanges between deposit guarantee schemes operating in the European Union
- the FGDB was represented by its General Director to the Task Force on Deposit Guarantee Schemes of the Standing Committee on Resolution of the European Banking Authority
- the FGDB adopted multiannual action plans (covering the 2018-2020 period in an initial stage)
- the FGDB adopted standards and policies to secure personal data protection
- the FGDB formalised alternative funding mechanisms by describing the principles and the sequence of potential additional financing sources providing the funds needed to make repayments or to implement bank resolution measures
- October 2018** - the FGDB took part in its first bank resolution simulation exercise which was conducted at the headquarters of the National Bank of Romania and was coordinated by the World Bank in cooperation with the European Commission
- as many as 27 banks participated in the FGDB's guarantee scheme: 26 banks Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means were worth 6,874.3 million RON on 31 December 2018, when the funding level was 3 percent

## 2019

- the FGDB initiated an extensive project to identify and implement alternative compensation payment methods, fit for the digital age we live in and complementary to the method in use via credit institutions mandated to act as agent banks
- for the first time, the FGDB opened training sessions for the call-centre operators of the credit institutions mandated to act as agent banks
- the FGDB conducted its first simulation exercise testing its capability to raise the necessary funds

- to cover payouts within seven working days of the date of deposit unavailability given that its available financial resources were scarce
- the FGDB entered a new stage in point of:
  - » business continuity management, including by implementing a programme for the periodical testing of the Business Continuity Plan
  - » operationalisation of alternative funding mechanisms by issuing specific procedures which were tested during the stress simulation exercise
- the FGDB cooperated with the National Bank of Romania in preparing internal regulations applicable in situations where the FGDB might be engaged in actions decided by Romania's resolution authority
- exercises were conducted to test the FGDB's SCV file import capability in the event of cross-border payouts
- bankruptcy proceedings against Bankcoop SA closed, with the FGDB no longer on the creditor list (claim recovery ratio: 25.76 percent)
- 27 banks were affiliated to the FGDB's guarantee scheme: 26 banks Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial resources added up to 7,625.8 million RON on 31 December 2019 and the level for funds stood at 3 percent

## 2020

- despite the adverse circumstances brought about by the COVID-19 pandemic the FGDB maintained unaltered the safety and performance standards of its operational capability developed along the years
- the legislative process began to amend Law No. 311/2015 in order to enhance the operational framework enabling the FGDB to fulfil its mandate, essentially by:
  - » updating provisions referring to the FGDB's access to loans and/or guarantees granted by the Ministry of Finance
  - » entering repo transactions with the National Bank of Romania
  - » broadening the pool of financial resources by including Government-backed precautionary loans from international financial institutions/credit institutions
  - » setting up a statutory reserve fund to cover the FGDB's operating expenses
  - » extending the deadline for informing credit institutions of associated risk and of due annual contributions, and moving up the time limit for the payment of contributions
  - » modifying the legal payout framework to include different repayment methods as an alternative to the paying agents mandated from among credit institutions





- the FGDB initiated negotiations with the World Bank on its access to the contingency financing facility intended for deposit guarantee schemes as part of a pilot programme scheduled to run after amendments to Law No. 311/2015 had taken effect
- the functional specifications of the integrated IT system were prepared and its modules started being developed
- the adoption of the corporate governance system based on the updated "Three Lines (3L)" model
- the FGDB adopted a novel approach to public communication, in line with a universal trend, turning to social media in order to inform depositors
- the FGDB organised and coordinated the process of updating the database covering cross-border cooperation between the guarantee schemes in the European Union, a key tool when disbursing payouts
- 26 banks participated in the FGDB's guarantee scheme: 25 banks Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means amounted to 8,253.5 million RON on 31 December 2020 and the funding level stood at 2.7 percent

## 2021

- **January 2021** - a new set of legal regulations on the FGDB's internal control system intended to guarantee a high degree of compliance with Law No. 311/2015 provisions, came into force
- **January 2021** - the FGDB signed a bilateral accord with Hungary's deposit guarantee scheme and steps were taken internally to prepare a draft cooperation agreement on cross-border payouts with Italy's deposit guarantee scheme
- against the backdrop of the COVID-19 pandemic, the FGDB temporarily renounced multiannual plans, opting instead for short-term actions
- **April 2021** - the Legal Regulations on the information of depositors by credit institutions, which the FGDB issued in line with legal provisions, came into effect providing for good practices to be uniformly applied by all member credit institutions
- **October 2021** - the Senate adopted the bill to amend and complement Law No. 311/2015
- the operationalisation of a secondary operation location allowing for business continuity within the FGDB, as well as of a data recovery centre
- with the development of the modules of the integrated IT system finalised, their testing started
- **December 2021** - Law No. 320/2021 amending and complementing Law No. 312/2015 was published providing, among other things, for:

- » additional tasks for the temporary administrator of a credit institution going through recovery proceedings
- » amendments to a set of provisions related to bridge institutions/bridge credit institutions
- the FGDB's guarantee scheme included 26 member banks: 25 banks Romanian legal persons (including 2 savings and loan institutions), and Creditcoop SA
- financial means totalled 8,934.8 million RON on 31 December 2021 when the level for funds was 2.6 percent

## 2022

- **February 2022** - the Chamber of Deputies adopted the bill amending and complementing Law No. 311/2015
- **March 2022** - Law No. 42/2022 amending and complementing Law No. 311/2015 took effect

**The FGDB expresses its gratitude  
to everyone who has contributed  
to its creation and development!**

25  
YEARS

1

THE BANK DEPOSIT  
GUARANTEE  
FUND AND ITS  
ADMINISTRATIVE  
FRAMEWORK



OVERVIEW

The FGDB’s primary target is to guarantee the deposits individuals and legal persons hold with credit institutions authorised by the National Bank of Romania. The FGDB is Romania’s only statutory deposit guarantee scheme<sup>1</sup>. Along the 25 years of operation, the range of the FGDB’s duties has expanded and its functions within the national system that safeguards financial stability have progressively extended and consolidated. Following the implementation into national law of the European framework for the recovery and resolution of credit institutions<sup>2</sup>, the FGDB is also responsible for the management of the bank resolution fund and for actions taken as part of the process of applying early intervention and bank resolution measures, as decided by the National Bank of Romania.

The wide range of functions and responsibilities places the FGDB among deposit guarantee schemes whose mandates are not limited to reimbursing depositors<sup>3</sup>. Besides deposit guarantee and management of the bank resolution fund, the FGDB may contribute to the application of the early intervention and bank resolution measures taken by the National Bank of Romania, in which case it may act as:

- temporary administrator of a credit institution where early intervention measures are applied;
- special administrator of a credit institution going through resolution procedures;
- shareholder of a bridge institution;
- shareholder of an asset management vehicle.

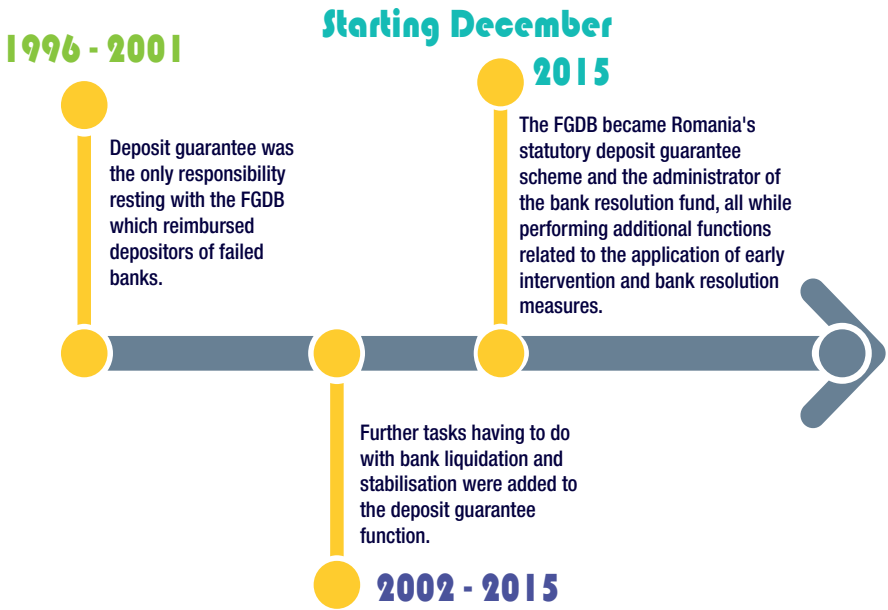
Given the responsibilities assigned under current legislation, as well as its contribution to maintaining financial stability, the FGDB holds observer status in the National Committee for Macroprudential Supervision (CNSM), which is comprised of representatives of the National Bank of Romania, the Financial Supervisory Authority, and the Government<sup>4</sup>.

The FGDB may also act as sole liquidator of a credit institution where the National Bank of Romania ordered dissolution followed by liquidation or where shareholders initiated the liquidation process. In 2002, under a court decision in line with legislation in force at that time, the FGDB was appointed liquidator of two failed banks – *Banca Română de Scont S.A. (BRS)* and *Banca Turco Română S.A. (BTR)* – and will continued to act in that capacity until bankruptcy proceedings for the two banks have been completed<sup>5</sup>.

In 2016, the FGDB signed the *Multilateral Cooperation Agreement* between deposit guarantee schemes within the European Union, which was prepared by the European Forum of Deposit Insurers (EFDI) and validated by the European Banking Authority. The agreement includes a common set of standards, instruments and models referring to the operational aspects of cross-border cooperation between deposit guarantee schemes.

Accordingly, the FGDB, as paying agent, will handle payouts on behalf of the deposit guarantee schemes in

The Aim and Functions of the FGDB



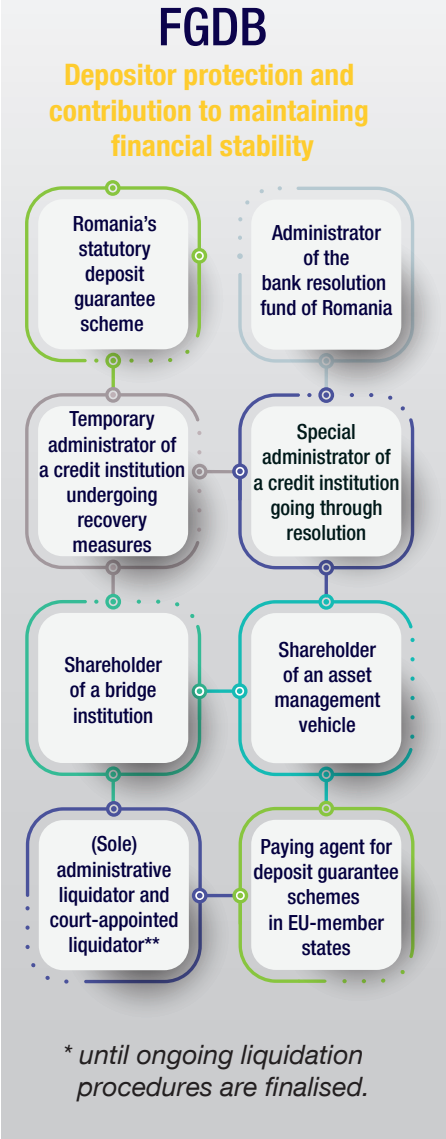
the home member countries of the credit institutions with branches operating in Romania.

In order to provide the infrastructure needed for both cross-border repayments and a secure exchange of information between deposit guarantee schemes in the European Union during the payout process, the *EDDIES*<sup>6</sup> central secure system for the exchange of files was developed and implemented to which the FGDB has been a party since 2018. So far, the FGDB has repeatedly and

successfully tested the system’s capability in point of cross-border SCV file transfer (the payout lists).

Notwithstanding the uncertainties induced by the COVID-19 pandemic that persisted in 2021, Romania’s financial and banking system saw positive prudential indicators.

With a solid financial and banking system in the background throughout 2021, the FGDB focused on achieving new standards as it worked along three main lines of



action: a) protection of deposits held at member credit institutions; b) management of the bank resolution fund; c) the court-supervised liquidation of the two failed banks where it acts as liquidator.

<sup>1</sup> Pursuant to Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, which took effect on 14 December 2015 transposing into national law Directive 2014/49/EU on deposit guarantee schemes. Law No. 311/2015 was amended and complemented by Law No. 42/2022, which came into force on 11 March 2022.

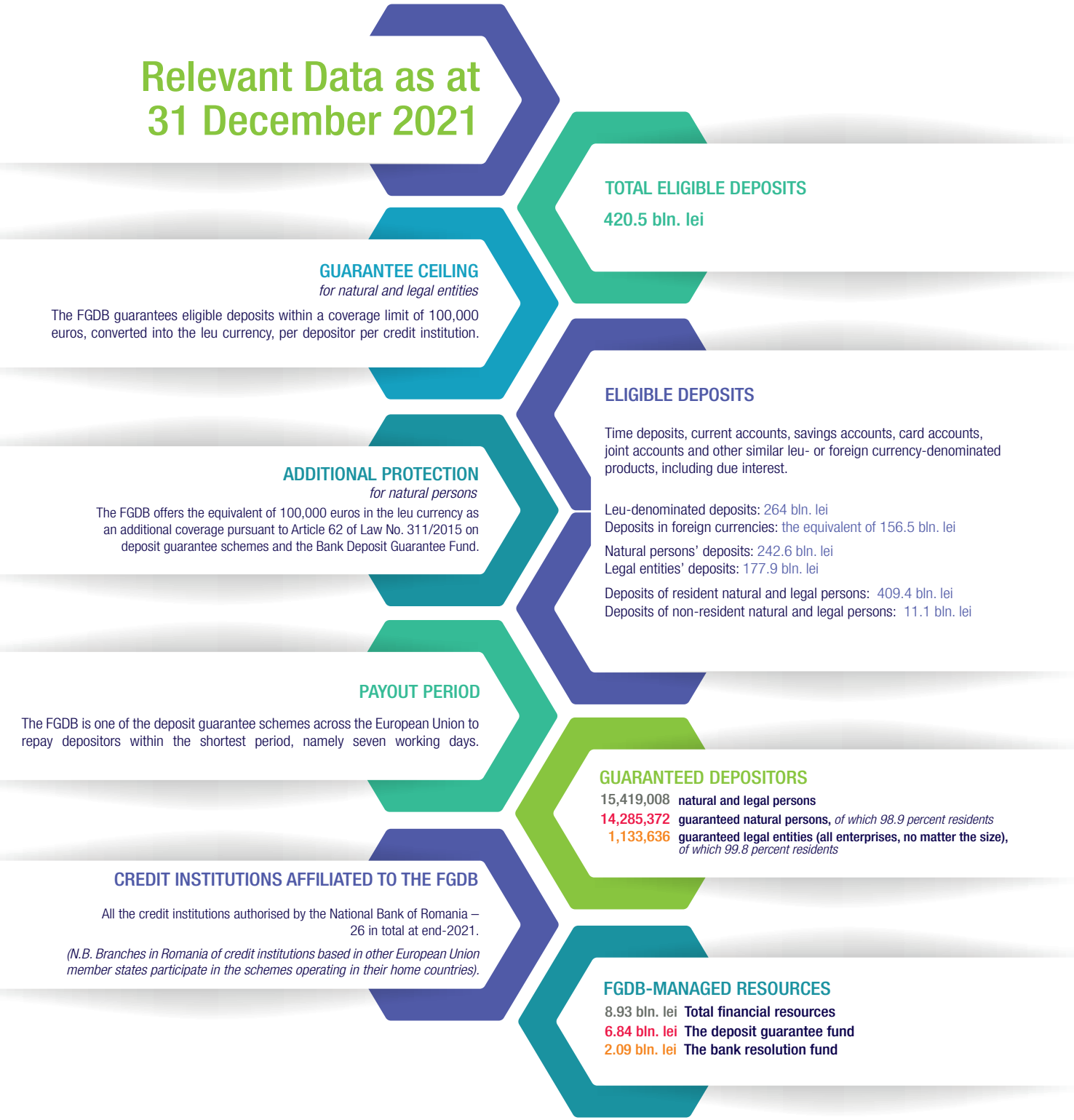
<sup>2</sup> Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector, which transposed into national legislation Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU of the European Parliament and of the Council, as well as Regulations (EU) No. 1093/2010 and (EU) No. 648/2012 of the European Parliament and of the Council (BRRD1). Law No. 312/2015 was amended and complemented by Law No. 320/2021, which entered into force on 3 January 2022.

<sup>3</sup> Depending on their mandates, deposit guarantee schemes may be of the *paybox* type, fulfilling only their basic function, namely disbursements of payouts, or of the *paybox plus* type, performing, besides the basic function, additional tasks related to bank resolution.

<sup>4</sup> For further details, see Chapter 2, the section on *Cooperative Relations at the National Level*.

<sup>5</sup> In line with current legislation, which has governed its activity starting 14 December 2015, the FGDB may no longer act as court-appointed liquidator of credit institutions.

<sup>6</sup> EDDIES - European DGS to DGS Information Exchange System. For further details, see Chapter 2 – *The 2021 Background and Regulatory Framework*.



## a) Protection of deposits held at affiliated credit institutions

### (i) Coverage level offered by the FGDB

By guaranteeing deposits, the FGDB protects money placed for safekeeping into credit institutions authorised by the National Bank of Romania. When deposits held with a credit institution become unavailable<sup>7</sup>, the FGDB disburses due compensation to guaranteed depositors within a coverage limit of 100,000 euros, converted in the lei currency<sup>8</sup>, within at most seven working days of the date of deposit unavailability<sup>9</sup>, which is the shortest payout period agreed inside the European Union. Over the 25 years since the FGDB has been operating in the deposit insurance sector, the maximum repayment deadline has been shortened 10 times or so; the year the guarantee scheme was set up in Romania it stood at three months and could be extended three times in succession, for three months each time<sup>10</sup>.

Over the last 25 years, the FGDB's scope of guarantee (confined to natural persons' deposits in the early years) has undergone several significant changes, most notably

in point of coverage, which was extended to legal entities' deposits, and coverage limit, which has seen successive substantial rises.

Natural persons holding certain categories of deposits benefit from temporary high balance coverage<sup>11</sup>, which is distinct from the standard guaranteed compensation and amounts to 100,000 euros in the lei equivalent, as determined by the National Bank of Romania in line with the evolution of relevant statistical indicators<sup>12</sup>. So far, the central bank has not revised that level, which was set in 2017.

On 31 December 2021, as many as 14,285,372 natural persons and 1,133,636 legal entities<sup>13</sup> enjoyed FGDB protection. Over the 25 years of FGDB presence, the number of individual guaranteed depositors has increased 4.3 times<sup>14</sup>, while the number of legal entities holding protected deposits rose by 1.9 times<sup>15</sup>.

<sup>7</sup> Pursuant to Law No. 311/2015, deposits are declared unavailable either administratively (when the National Bank of Romania has determined that a credit institution is no longer able to repay depositors) or in a court of law (under an order opening bankruptcy proceedings against the respective credit institution).

<sup>8</sup> The guarantee ceiling of 100,000 euros per guaranteed depositor per credit institution applies in all European Union states and was implemented in Romania at the beginning of 2011. The equivalent of the coverage threshold in the lei currency is determined based on the exchange rate the National Bank of Romania announces on the date of deposit unavailability.

<sup>9</sup> In compliance with Directive 2014/49/EU on deposit guarantee schemes, member states must implement the payout deadline of seven business days by 2024. That repayment period was in place in Romania as early as end-2015 following the transposition into national law of the relevant European Directive.

<sup>10</sup> In the case of six out of the seven bank failures recorded in Romania over 1999–2006 triggering FGDB intervention to repay guaranteed depositors, the payout start date did not exceed three months from the date bankruptcy proceedings had opened. The only exception was Banca Turco Română S.A. where, with the consent of the National Bank of Romania, disbursements started 25 days after the original deadline of three months from bankruptcy date (3 July 2002). The delay was attributed to particularities of the IT system (both in the Romanian and Turkish languages).

<sup>11</sup> The temporary high balance coverage applies to deposits resulting from:

- real estate transactions relating to residential property;
- certain events in a depositor's life including *retirement, redundancy, disability or death (added to this category were "marriage" and "divorce" under Law No. 42/2022 amending and complementing Law No. 311/2015, which came into effect on 11 March 2022)*;
- sums paid to a depositor under an insurance policy or as compensation for criminal injuries or wrongful conviction

<sup>12</sup> Circular No. 24 of 29 December 2016 on the guarantee level stipulated in Article 62 (1) of Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, which came into force on 10 January 2017.

<sup>13</sup> The FGDB adds up data relating to the number of depositors reported by each member credit institution without the possibility of making adjustments in the case of depositors who spread their deposits among multiple credit institutions.

<sup>14</sup> At the end of 1997, the FGDB's first year of operation, the number of guaranteed depositors, natural persons, totalled 3,288,147.

<sup>15</sup> At the end of 2004, the year when legal entities were included in the scope of FGDB coverage, their number stood at 604,777.



Most of the depositors (99.6 percent in the case of natural persons and 96.3 percent in the case of legal entities) qualified for full FGDB coverage as they held deposits of less than or up to the leu equivalent of the guarantee ceiling. In the case of deposits higher than 100,000 euros the FGDB pays the standard compensation level.

Deposits held by guaranteed depositors with credit institutions affiliated to the FGDB at the end of 2021 added up to 420.5 billion lei – with 62.7 percent of that amount, or 263.5 billion lei, being accounted for

## (ii) The deposit guarantee fund

The financial resources of the deposit guarantee fund maintained their sustained upward spiral all through 2021. The financial means of the deposit guarantee fund, which are mainly sourced from contributions paid by FGDB-member credit institutions, go to payouts and resolution measures. The FGDB, with the approval of the Board of Directors of the National Bank of Romania, determines the level of contribution to be levied on each credit institution depending on its risk profile<sup>17</sup>.

At the end of 2021, the financial resources of the deposit guarantee fund amounted to 6,838.6 million lei<sup>18</sup>, showing a 4.3 percent rise from the previous year's level. Available financial resources are invested according to an annual strategy endorsed by the FGDB's Supervisory Board and approved by the Board of Directors of the National Bank of Romania. Mitigating risks and securing adequate portfolio liquidity are the major goals of that strategy, which also focuses on yields as an associated goal.

## (iii) Recovery of the FGDB's claims arising from payouts

In the course of pursuing its activities, the FGDB disbursed 512.2 million lei worth of compensation to the guaranteed depositors of the seven banks that failed over

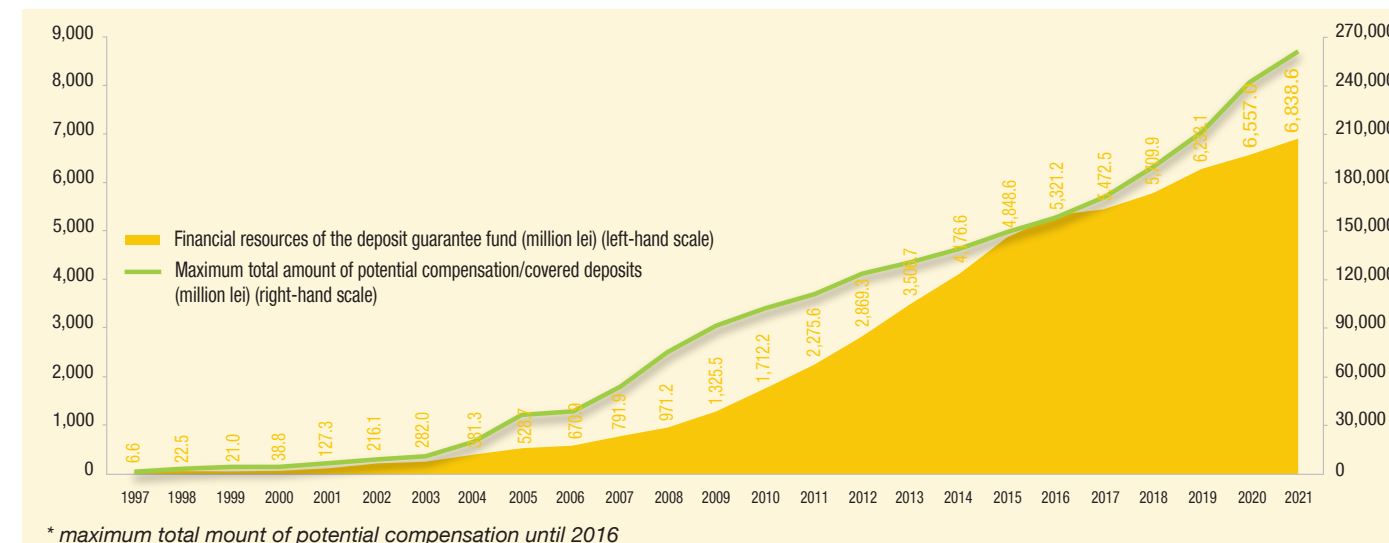
by covered deposits<sup>16</sup>, which means a 48.7 billion lei increase as to end-2020. Deposits within the FGDB's guarantee scope followed an upward trend throughout 2021, recording an annual variation of +13.1 percent on the back of upswings in all components – deposits held by natural and legal persons, deposits in the lei and in foreign currencies, deposits below and above the coverage limit. Over 1997-2021, the total worth of eligible (FGDB-guaranteed) deposits went up by more than 200 times in nominal terms.

The level of this fund's accumulated financial resources is a mirror image of the dynamic evolution of covered deposits<sup>19</sup> and is closely related to the successive increases in the coverage limit to the leu equivalent of 100,000 euros and the gradual extension of the FGDB's scope of guarantee.

The absence for more than 14 years (since 2007) of events implying outflows of financial resources to disburse payouts or provide funding for bank resolution measures, as well as the yearly allocation of at least 99 percent of the FGDB's profit from investments to replenish resources were the contributing factors behind the consolidation of resource accumulation even though the basis of calculation of the contributions paid by credit institutions had been narrowed down (from total deposits held by natural persons through natural and legal persons' guaranteed deposits and to covered deposits held by natural and legal entities).

1999–2006. As it asserted its right of subrogation to the rights of the repaid depositors, the FGDB registered as a creditor in the bankruptcy proceedings.

Evolution of the Deposit Guarantee Fund and of Covered Deposits\* from the FGDB Creation to 31 December 2021



By end-2021, the FGDB had recovered 185.13 million lei (36.14 percent) of its payouts to the guaranteed depositors of all bankrupt banks<sup>20</sup>, the recovery ratio<sup>21</sup> reflecting the FGDB's position in the creditor hierarchy which changed

## b) Management of the bank resolution fund

Following the implementation at the national level of the European framework for the recovery and resolution of credit institutions, in 2015, the FGDB was designated as administrator of the bank resolution fund of Romania, which is intended to finance resolution measures decided by the National Bank of Romania as the resolution authority entitled to apply resolution tools and exercise resolution powers. The bank resolution fund was set up on the basis of Law No. 12/2015 by taking over the financial resources of the bank restructuring fund which,

along the years depending on the legislation applicable at the time bankruptcy procedures for each of the seven banks opened<sup>22</sup>.

in turn, was created in 2012 by taking over the resources of the special compensation fund established in 2010 to compensate persons adversely affected by measures implemented during the special administration of credit institutions.

The financial resources of the bank resolution fund have risen constantly mainly on the back of the annual contributions paid by credit institution and in the absence of events requiring their use. On 31 December 2021,

<sup>16</sup> "Eligible deposit" and "covered deposit" are defined in Annex 2 – Definitions.

<sup>17</sup> The method for determining risk-based contributions complies with the *European Banking Authority's Guidelines on methods for calculating contributions to deposit guarantee schemes and is included in Regulation No. 2/2016 on the calculation and payment of risk-based contributions to the Bank Deposit Guarantee Fund*, with subsequent amendments and completions.

<sup>18</sup> This amount includes the portion of the 2021 profit to be capitalised once the financial statements have been approved.

<sup>19</sup> Prior to the publication of Law No. 311/2015, another name for covered deposits was "maximum total amount of potential compensation".

<sup>20</sup> See Chapter 5 – Liquidation of Failed Banks.

<sup>21</sup> That ratio was 25.9 percent to 45.8 percent in the case of banks that failed before the year 2001 and of 100 percent in the case of banks going bankrupt in 2002.

<sup>22</sup> The FGDB's claims arising from repayments were initially categorised as unsecured claims according to the order of payment of claims stipulated by the general insolvency framework (*Law No. 64/1995*). In October 2001, the bank failure framework (*Law No. 83/1998*) was amended by introducing an order of payment of claims specific to banks, which allowed the FGDB's claims to move on to the fourth step of the creditor priority ladder, ranking equal to budgetary claims. According to provisions of the Insolvency Code – *Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings, with subsequent amendments and completions* – the FGDB's claims resulting from payouts (as well as from funds going to resolution measures) are currently assigned second priority, ranking ahead of budgetary claims which stay on the fifth position on the priority list.

bank resolution fund resources totalled 2,096.2 million lei<sup>23</sup>, having gained 23.6 percent from the same date the precedent year.

The National Bank of Romania, as the national resolution authority, determines the amounts the participating credit institutions are to contribute to the bank resolution fund based on their individual risk profile and decides on the use of accumulated resources in the application of various resolution tools.

Every year, the financial resources of the bank resolution fund have been invested according to a strategy approved by the Board of Directors of the National Bank of Romania which pursues the same goals as in the case of the deposit guarantee fund, namely to minimise risks and keep liquidity at adequate levels, all while focusing on yields as a secondary target.

Just as in the case of the deposit guarantee fund, at least 99 percent of the profit made via bank resolution fund management is meant to top up financial resources.

management, recovery of claims and capitalisation of BRS’s assets. Throughout the period of liquidation of the two banks until 31 December 2021, funds were distributed

to 47 percent of the body of creditors of BRS (the highest percentage of satisfaction of creditors of failed banks), and, respectively, to 41 percent of the body of creditors of *BTR*<sup>24</sup>.

THE FGDB’S ADMINISTRATION AND MANAGEMENT

In compliance with Law No. 311/2015 which governs the activity of the FGDB, its administration and management rely on a two-tier board system consisting of the Supervisory Board and the Executive Board. The two FGDB management structures exercise their administration and management powers and fulfil their

tasks based on the principles, mechanisms and standards of good governance, responsibility and transparency in order to impart solidity, effectiveness and credibility to the institution, and to accomplish the strategic objectives laid down in the mandate entrusted to the FGDB.

The Supervisory Board and the Audit Committee

**The Supervisory Board** is comprised of seven members, of which five representatives of the National Bank of Romania (with the Board Chairperson designated from among them) and two members representing the Ministry of Finance. The Supervisory Board’s tasks and responsibilities relative to the permanent control of the FGDB’s operative management are set out in Law No. 311/2015 and the FGDB’s Statute providing a solid and transparent administration and management framework.

The Audit Committee assists the Supervisory Board in accomplishing its tasks referring to overseeing and supervising the process of preparing and updating the FGDB’s general development strategy. At the same time, by monitoring internal audit activities, the Committee plays a key role in guaranteeing the independence of the internal audit function within the FGDB.

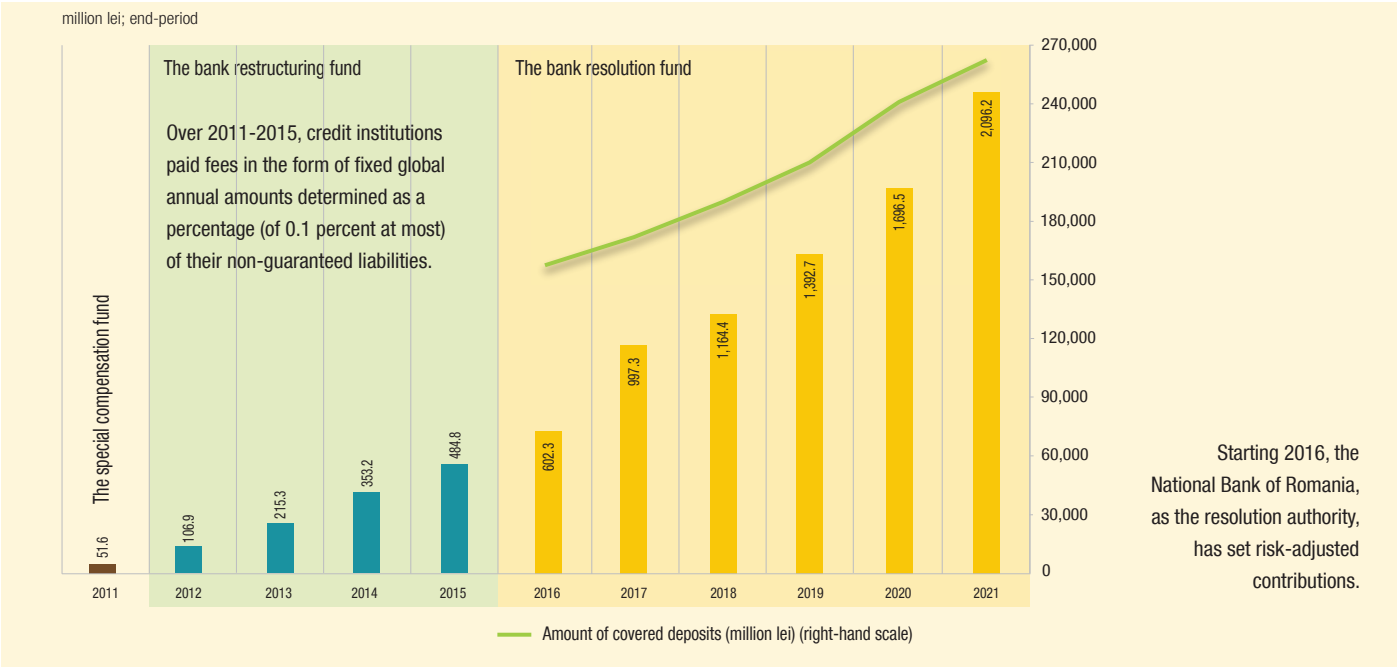
The Audit Committee meets on a quarterly basis or as often as necessary and its meetings are convened either by its chairperson or by the chairperson of the Supervisory Board. The Audit Committee’s meetings are regularly attended by internal auditors representing the Internal Audit Department. Depending on the issues on the agenda, members of the Executive Board, external auditors or representatives of the FGDB’s organisational structures may also take part in these meetings, as guest participants, in order to furnish necessary information.

In 2021, the Audit Committee held five online meetings which analysed and endorsed documents regulating and planning internal audit activities, the results of the internal audit missions and their performance, as well as regular activity reports.

In the circumstances brought about by the COVID-19 pandemic, the Audit Committee showed increasing interest in the impact the measures taken within the FGDB had on internal audit activities and on the internal control and risk management systems.

**The Audit Committee**, which operates within the FGDB to consolidate corporate governance, is an independent consultative body consisting of three Supervisory Board members. The main functions of the Audit Committee include monitoring the effectiveness of the internal control, internal audit and risk management systems within the FGDB and assessing and monitoring the extent to which the independence of the statutory auditor is safeguarded.

Evolution of the Bank Resolution Fund and of Covered Deposits\* up to 31 December 2021



c) Court-supervised liquidation proceedings for the two failed banks where the FGDB acts as liquidator

As was shown earlier in this Chapter, under a court order in 2002, the FGDB was appointed liquidator of *BRS* and *BTR*. Although under Law No. 311/2015 court-supervised liquidation is no longer among the activities of the FGDB, the Fund will continue to fulfil the mandate it received

before 2015 until the bankruptcy procedures for the two banks close.

As part of liquidation procedures for the two banks, further action was taken in 2021 in point of legal cases

<sup>23</sup> Just as in the case of the deposit guarantee fund, this amount includes the portion of the 2021 profit to be capitalised once the financial statements have been approved.

<sup>24</sup> For further details on the court-assisted liquidation proceedings for *BRS* and *BTR* see Chapter 5 – *Liquidation of Failed Banks*.

## The Executive Board

The management of the FGDB's daily activities is the responsibility of the Executive Board, which consists of three members who are designated by the Supervisory Board and approved by the Board of Directors of the National Bank of Romania. The targets, tasks and duties of the Executive Board members are laid down in the mandates entrusted to them<sup>25</sup>.

All through 2021, the Executive Committee focused on a major target, namely the consolidation of the FGDB's operational capability in point of both the IT and communication infrastructure and the staff's professional training, and, given the persistent pandemic, their health and their safety. The Executive Board made a steady contribution to the implementation of the strategies and policies approved by the National Bank of Romania, the revenue and expenditure budget included, and of the Supervisory Board's decisions.

## THE COVID-19 PANDEMIC AND THE FGDB'S RESPONSE MEASURES

As Romania was under a state of alert throughout 2021<sup>26</sup>, the FGDB showed constant concern for the protection of its employees applying adequate health measures to prevent the spread of the SARS-CoV-2 virus and effectively manage associated adverse effects.

Under such circumstances, in 2021, the FGDB management continued to apply staff-protection measures by promoting an arrangement whereby office-based activity alternated with home-based telework, organising teleconferences and video conferences, offering the staff the possibility to get tested in certain situations, conducting regular disinfection of all office spaces. At the same time, professional training courses for employees were held only online, according to the FGDB's Annual Professional Training Plan and in compliance with the staff protection policy.

Following the application of the aforesaid measures, the year 2021 as a whole saw no disruption in the FGDB's

The Executive Board members worked permanently to put adequate conditions in place for an efficient and effective run of FGDB activities.

Thanks to the operative measures decided during its 84 meetings held in 2021, the monitoring of work processes and workflows and the direct contribution to their improvement, the Executive Board played a significant role in positioning the FGDB among the efficient deposit guarantee schemes in the European Union.

In order to secure an effective management, within the FGDB, of the adverse effects triggered by the long-lasting COVID-19 pandemic, the major lines of action pursued in 2021 covered the procedural, organisational and operational frameworks meant to protect the staff and prevent the spread of infection among them.

activities and, with safety and performance standards fully met, all tasks were fulfilled just as in normal circumstances. Furthermore, the specific provisions of the Business Continuity Plan, which were introduced in 2020, proved favourable for the process of managing the effects of a pandemic and a fine basis for the measures the FGDB adopted to provide for business continuity allowing its operational capability to stay unperturbed.

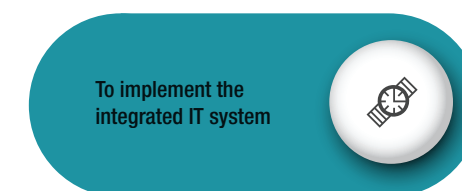
In order that activities – carried on mostly by teleworking, as called for by the need to observe physical distancing rules – would run smoothly, the FGDB continued to purchase equipment (laptops), licences for certain operations to be performed by remote access to the FGDB server, as well as qualified electronic signature services so that its employees could work to adequate safety and performance standards. Concomitantly, activities continued within the FGDB to upgrade workstations and equipment in the secondary operation location (data backup) and the disaster recovery centre.

## THE FGDB'S KEY PROJECTS IN 2021

In 2021, the FGDB pursued the lines of action set for the short term, a temporary approach – quite different from the previous years when multiannual plans had been in

focus – triggered by the uncertainties a prolonged COVID-19 pandemic had generated. The return to multiannual activity plans will be possible when greater predictability

is in place as life gradually goes back to normal. Here below are the FGDB's key strategic goals for the year 2021:



Finalising the implementation of the integrated IT system was the leading target. After completing all the specific stages of the purchasing process according to the provisions of Law No. 98/2016 on public procurement, a contract was signed in 2020 with a selected provider. Due

to the complexity of the process of integrating all FGDB activities, as well as to the novelty its specificity brings about, the documents was completed and agreed upon at the end of the first quarter of 2021. The integrated IT system became operational in 2022.



Starting from the need to impart flexibility to the payout process and considering the new tendencies across Europe and the developments in IT and communication technologies, the FGDB runs an extensive project to identify and implement modern repayment methods, as alternatives to the instrument at its disposal so far (that is, the mandated bank), in consideration of current trends towards an effective digitalised payout process, the practice of other guarantee schemes in the European Union and the need to adapt to the requirements and level of financial education of various categories of depositors.

The research and the analyses conducted as part of the project showed that the optimal solution for the FGDB would be reimbursements via a web platform, preferably in the *customer front-end* variant. In due course, meetings were arranged with representatives of guarantee schemes that had already developed such alternative payment systems – the schemes in Germany and Norway. The key goal in this matter is being able to meet every requirement for a safe and secure identification of depositors, which actually represents the main challenge in developing the system, and to ensure platform availability for a large number of visitors.

<sup>25</sup> This is the second four-year mandate for the FGDB's Executive Board since the publication of Law No. 311/2015.

<sup>26</sup> The state of alert imposed by the COVID-19 pandemic in Romania was lifted on 9 March 2022.



To enhance the procedural framework for identifying, assessing, monitoring and reporting risks



To improve decision support as far as risk management was concerned, *Rules on the FGDB's Internal Control System* came into effect on 1 January 2021. The new regulatory framework is intended to achieve a high level of compliance with Law No. 311/2015 provisions on internal control by offering the executive management an effective tool to substantiate their decisions. It is also meant to consolidate the governance system within the FGDB by implementing and managing an integrated set of reports on the management of significant risks.

With the said *Rules* as a basis, *The FGDB's Risk Register* was worked out providing an overview

of targets, activities, risks and control measures and representing an effective instrument in the process of identifying and managing risks likely to occur at the level of all organisational structures. The FGDB's risk culture will take a great qualitative leap once the implementation of the integrated IT system has been completed providing, among other things, for the automation of risk reporting and eliminating a significant component of operational risks. To this end, intense action was undertaken throughout 2021 to develop operational requirements and to complete the functional testing of the risk management module of the integrated IT system.

To operationalise a secondary operation location allowing for business continuity and a new data recovery centre



To set up and operationalise a secondary location in line with the requirements laid down in the Business Continuity Plan was another important goal for the FGDB. Consequently, a secondary facility was fitted out in the first half of 2021 and in September the disaster

recovery centre was operationalised to a high standard. With secure, fibre-optic communication established between the FGDB's Bucharest headquarters, the data recovery centre and the secondary location, the project was completed.

To start negotiations on the conclusion of bilateral accords on cross-border payouts with deposit guarantee schemes in the EU to complement the Multilateral Cooperation Agreement



Based on the cross-border payout standards laid down in the EFDI *Multilateral Cooperation Agreement*, Hungary's deposit guarantee scheme and the FGDB signed a bilateral accord early in 2021 following the opening in Bucharest of a branch of Bank of China (Central

and Eastern Europe) Limited, which is headquartered in Budapest. At the same time, the FGDB started preparing a draft cooperation agreement on cross-border repayments with Italy's deposit guarantee fund which got a copy of the draft in the first half of 2022.

## THE FGDB'S RISK MANAGEMENT FRAMEWORK

Risk management in order to maintain the organisation's risk profile at an adequate level is one of the FGDB's strategically important activities which complies with the guidelines set under the risk management strategy and policies approved by the Supervisory Board.

In 2021, the strategy for the management of the FGDB's significant risks had as major targets the consolidation of a caution-oriented risk culture and the maintenance of a low-risk profile providing for the protection of depositors' interests and of the FGDB-managed financial resources, as well as for compliance with applicable legislation and regulations.

The FGDB's growth as an organisation and the inevitable changes in internal and external factors which impact its activities imply constant monitoring of the evolution of the risk profile and for an adequate adjustment of risk management policies and strategy. Seen from this perspective, due to the continuing crisis caused by the pandemic, the year 2021 posed additional challenges which tested de facto the FGDB's resilience. The application of the Business Continuity Plan to situations triggered by a pandemic proved its viability and also showed that the FGDB's risk management system was dynamic, effective and integrated into both processes and activities. The steady improvement of this system will

continue to be one of the FGDB's fundamental targets, which it assumes as essential for the consolidation of its capability to fulfil its statutory duties.

The risk management system implemented by the FGDB covers the whole range of risks to which the organisation is exposed and contains the specific processes, applications and procedures in use, as well as the duties and responsibilities assigned to each organisational structure and to the risk management function as far as risk management is concerned. The system will be remodelled once the integrated IT system is put into service ensuring, inter alia, the automation and consolidation of risk reporting.

As previously pointed out, starting 2021, the FGDB has been implementing a new regulatory framework for internal control which is apt to optimise and streamline the identification, assessment and treatment of significant risks associated with various activities and to offer genuine support to the executive management in their decision making, thus making a substantial contribution to the consolidation of the governance system within the FGDB.

Here below are the main risk categories which the FGDB addresses using specific instruments and measures:

### credit risk

In its capacity as statutory deposit guarantee scheme and administrator of the bank resolution fund, the FGDB assumes credit risk for its exposures to the counterparties/issuers that meet the eligibility criteria set under its annual strategy for the investment of financial resources. Depending on the nature of the counterparty/issuer, this type of risk is managed with the aid of a system of setting risk limits for credit institutions, categories of credit institutions and other categories of issuers (including international financial institutions). Compliance with those boundaries is monitored and reported to the FGDB's management on a regular basis and the limits may be revised during the course of a year if market/counterparty developments so require.

### market risk

The FGDB is exposed to this type of risk whenever unfavourable changes occur in the price of financial instruments available for trading and in interest and currency exchange rates. This risk is currently monitored by marking to market such tradable instruments as trading securities ("available for sale"), by looking at potential losses (Value at Risk) and by setting alert and intervention thresholds. The FGDB will replenish its market risk management toolbox as its investment portfolio gains in complexity and diversity.

liquidity risk

Liquidity risk management is primarily intended to maintain a minimum monthly level of liquidity from available financial resources, which may be recalibrated depending on market developments, an adequate volume of trading securities and a balanced investment structure, as well as to implement/update alternative funding mechanisms to serve in unexpected circumstances.

Following the conclusion of a number of repo conventions with several primary dealers, the FGDB consolidated its capability to monetise its government securities portfolio should the need arise. Furthermore, the amendments to the FGDB-applicable legislative framework which came into force on 11 March 2022, in line with European relevant regulations, allow the organisation to finalise the implementation of the infrastructure needed to ease its access to repo transactions with the National Bank of Romania to obtain short-term liquidity, as provided for under the law. In 2022, the FGDB will also concentrate on finalising and concluding a precautionary loan agreement with the World Bank.

operational risk

Any of the FGDB’s activities runs the implicit risk of incurring losses or of failing to make the estimated profit as an outcome of either the use of inadequate or inappropriate processes, systems and human resources or external events and actions. In identifying operational risks and implementing measures to eliminate/mitigate them, the FGDB relies on risk self assessments and on controls implemented at the level of its organizational structures. Once the integrated IT system, which was developed and tested all through 2021, starts running, providing for the automation of processes/operations, a number of operational risks generated by manual data processing and document management will be eliminated.

As early as 2020, the FGDB started monitoring two new, increasingly serious risk subcategories, subordinated to the operational risk category – cyber risk and personal data processing and security risk. Both subcategories are managed and assessed using distinct measures and specific indicators.

The strengthening and optimisation of the internal regulatory framework providing for an appropriate management of operational risk, in keeping with the good practices developed by other deposit guarantee schemes, will continue to be in the FGDB’s focus as strategically important targets. Once the integrated IT system has been implemented, all this will materialise in an adequate set of operational risk indicators and a functional system for data collection and loss events reporting.

The use of the previously mentioned tools, as well as their intricacy will correlate with the volume and complexity of the activities actually performed and with the level of exposure to operational risk by applying the proportionality principle.

reputational risk

The purpose of reputational risk management is to avoid any action that is likely to generate a negative perception of the FGDB on the part of depositors, the public at large and the other institutions within the financial stability network and, equally, to improve the operational framework, periodically update and test the Business Continuity Plan and run stress simulation exercises. Moreover, the FGDB will promote systematic and open communication with the public, with affiliated credit institutions (through the Romanian Banking Association included) and the other institutions within the financial stability network.

strategic risk

Strategic risk assessment is a component of the strategic planning process. The main potential sources of strategic risk are embedded in the FGDB’s strategic plans referring to the coverage target level, organisational development and the strategy for the management of available financial resources. In order to maintain strategic risk levels within pledged limits, the FGDB periodically reassesses its strategic goals in relation to achievements, all while allotting sufficient resources to active prevention. The functional and effective governance system provided by the management structure consisting of the Executive Board and the Supervisory Board, with the latter also including the Audit Committee, plays a significant part in this respect.

The FGDB’s management annually sets a target risk profile – the level of which is based on the institution’s statutory duties and risk appetite – which synthetically expresses the sum total of the risks to which the FGDB is or will be exposed. This risk profile is appraised periodically based on the evolution of the scores for identified significant risks in order to maintain it in line with the agreed target. In turn, that target is also assessed at regular intervals to determine the extent to which it stays in tune with internal developments and the evolution of external factors.

Stress Simulation Exercises

In 2021, the FGDB ran the second stress simulation test under the 2020-2022 multiannual programme which was prepared according to the *Guidelines on stress tests of deposit guarantee schemes* of the European Banking Authority.

The simulation exercise was intended to test the FGDB’s funding capability under a scenario that built on the adverse situation where payouts exceeded the institution’s available financial means. The exercise was prepared and conducted over July-September 2021. It involved institutional participants including the FGDB, the National Bank of Romania, Banca Transilvania SA (as the credit institution mandated to disburse payouts), other commercial banks (as liquidity suppliers), and the

Ministry of Finance. Representatives of the Romanian Banking Authority and of the National Bank of Romania also participated as observers.

The overall target of the exercise was to test the FGDB’s capability to raise the necessary funds to be able to start compensation disbursements within at most seven business days of the date deposits held with a participating credit institution were declared unavailable in conditions when the available financial of the guarantee scheme were insufficient.

Compliance with the legal framework applicable to each area of activity was ensured throughout every stage of the test exercise.

The results of the simulation showed that the FGDB was capable to provide the necessary funds to cover payouts to guaranteed depositors within seven working days at the most of the date the National Bank of Romania had determined the unavailability of deposits at a member credit institution. Making an essential contribution to those results was the hypothetical scenario that repayments were made within an amended legislative framework, the law amending and complementing Law No. 311/2015 having already taken effect. With that framework as a basis, alternative funding mechanisms could be activated and the FGDB got in due time the additional financial resources it needed to compensate depositors.

The analysis of the test results led to a plan of measures to enhance the FGDB's financing capability allowing it to fulfil its statutory goal of reimbursing guaranteed depositors.

The key measures the plan provides for are intended to:

- develop a regulatory framework to set the operational flows whereby the FGDB may get access to funding by requiring extraordinary contributions;
- operationalise alternative funding mechanisms giving the FGDB access to financial resources, as well as

## INTERNAL AUDIT WITHIN THE FGDB

The Internal Audit Department performs the internal audit function within the FGDB. Functionally, this structure is subordinated to the Supervisory Board, while its activities are overseen by the Audit Committee as a guarantee of its independence and objectivity, as laid down in the Statute regulating the internal audit function within the organisation.

The key aim of the internal audit structure is to contribute to the consolidation of management within the FGDB by independently and objectively examining risk management, internal control and governance processes.

For the duration of their missions, the internal audit team assessed identified risks, discerned causes, determined possible consequences, and made appropriate recommendations for their correction. Their recommendations were economically feasible and, on

the possibility to optimise funding costs in times of crisis;

- issue technical regulations relating to the operationalisation of the FGDB's access to funds when the financial resources of the deposit guarantee scheme are scarce, either to private loans backed by the Ministry of Finance or to loans and/or sub-loans from the Ministry of Finance;
- implement a functional mechanism to convert into the leu currency the foreign currency-denominated loans taken by FGDB to avoid financial instability, as well as disruptions in the foreign exchange market;
- conclude an interinstitutional cooperation agreement between the Ministry of Finance, the National Bank of Romania and the FGDB to lay the groundwork for a more effective coordination and communication in crisis or pre-crisis situations and facilitate the efficient and effective fulfilment of specific objectives to preserve public trust in the banking system.

The report on the results of the stress test exercise was approved by the FGDB's Supervisory Board and was submitted to the National Bank of Romania for their information.

that account, may be implemented and applied with financial/human/logistic costs commensurate with their contribution to streamlining FGDB activities.

The Internal Audit Department adapted to the new state of affairs generated by the COVID-19 pandemic, made certain that specific processes continued uninterrupted and stayed in permanent dialogue with Audit Committee members. Internal audit methodologies in use were adjusted so that the quality of the results would remain unimpaired.

Throughout 2021, the internal audit team's missions concentrated on the assessment of processes intended to provide the FGDB's management and structures with legal assistance and advice, on the management of FGDB processes and the appraisal of information inflows, as well as the on management of the FGDB's financial resources

During these missions, the internal audit team stayed focused on formulating opinions and recommendations likely to enhance the efficiency and effectiveness of processes in order to make better use of material and human resources, thus making a significant contribution to improving processes and strengthening corporate governance within the FGDB.

The Internal Audit Department constantly monitored the stages of implementing the recommendations formulated during the internal audit missions and the activities of the internal audit team contributed to the consolidation of the internal control system within the FGDB.

## Corporate Governance

The FGDB's approach to corporate governance is based on the "Three Lines" ("3L") model promoted by the Institute of Internal Auditors<sup>27</sup>, which implies a delineation of the roles and responsibilities of the governing body, executive management, independent functions (risk management, compliance, internal audit) and primary processes along with their support functions.

The FGDB conducted a comprehensive analysis of its corporate governance system, also taking into consideration the structure of the "3L" model, by reference to a "maturity model" – also developed within the Institute of Internal Auditors – as good practice in this area.

The maturity model encompasses five levels: Initial Level, Repeatable Level, Defined Level, Managed Level and Optimising Level. These maturity levels apply to all areas of corporate governance, as well as to the FGDB's primary functions and support processes.

Relying on specific tools, the internal audit function contributed to increasing the efficiency and effectiveness of the assessed processes. Progress was made in optimising the risk management, internal control and governance systems which were created to allow the FGDB to accomplish its targets related to depositor protection and secured financial stability.

The Internal Audit Department remained focused on the regulatory framework and the evolution of good practices in internal audit, as well as on the related legislative and standardisation structures. In this respect, the necessary steps were taken providing for affiliation to the best practices in internal audit.

The elements behind the establishment of the evaluation criteria are:

- Role of the Supervisory Board;
- Organisation and regulation (including the nationwide framework, the Statute, policies etc.);
- Processes and process management;
- Targets, objectives, strategies, plans, risks;
- Staff, capabilities, responsibilities and behaviour;
- Indicators, measuring and monitoring (supervising);
- Communication, information, transparency;
- Results, interested parties, expectations, compliance, fulfilling objectives;
- Automation (where appropriate).

<sup>27</sup> „The Institute of Internal Auditors” or „The IIA” is an international professional association which develops standards and guidance for the practice of internal audit.



25  
YEARS



# 2

THE 2021  
BACKGROUND  
AND REGULATORY  
FRAMEWORK



## INTERNATIONAL FRAMEWORK

The deposit guarantee schemes operating across the European Union<sup>28</sup> are unlike one another due to differentiated goals and mandates depending on the public policy targets they are designed to attain. The range of their functions and attributes gradually moves away from the *paybox* system, narrowed down to the basic function of disbursing payouts when deposits become unavailable, and towards the *paybox plus* system, which implies direct engagement in financing and managing the application of bank recovery and/or resolution measures as decided by the competent authority and the resolution authority respectively, a function that combines with the management of several categories of funds (deposit guarantee fund, bank resolution fund, investor compensation fund).

The FGDB falls into the category of guarantee schemes with a more comprehensive mandate as, besides the

basic function of deposit protection, it also fulfils bank resolution tasks.

The activities of deposit guarantee schemes are governed by *Directive 2014/49/EU on deposit guarantee schemes*, an essential regulation that provides for an increased unitary protection of depositors in European Union member states, greater financial stability and enhanced confidence in the banking system, all while safeguarding taxpayers' money in the event of bank distress.

Given the major importance of collaboration and information sharing between deposit guarantee schemes, the FGDB joined as member the European Forum of Deposit Insurers that operates within the European Union, and the International Association of Deposit Insurers, which is a global player in this sector.

## FRAMEWORK REGULATING THE ACTIVITY OF DEPOSIT GUARANTEE SCHEMES

Guidance activities at the European Union level, including guidelines, guidance papers, studies and research papers on deposit guarantee and bank resolution, represent a constantly expanding area where permanent emphasis has been placed on experience sharing between deposit guarantee schemes.

### The European Banking Authority's Guidance Papers, Reports and Opinions

In its capacity as an independent authority of the European Union, the European Banking Authority aims at providing an effective and coherent prudential regulatory and supervisory framework for the European banking sector. Throughout 2021, the European Banking Authority, in keeping with its mandate, lent its support to the measures implemented by national governments and European Union bodies to mitigate the impact of the prolonged COVID-19 pandemic on the Union's banking sector. Furthermore, the European Banking Authority issued a number of papers of interest to deposit guarantee schemes within the European Union, such as:

- *Updated Data on Deposit Guarantee Schemes*<sup>29</sup>

The updated data for 2020 refer to two key indicators in the activity of deposit guarantee schemes, namely available financial means and covered deposits. According to data as at 31 December 2020, 34 of the 36 deposit guarantee schemes in European Union member states and in Iceland, Lichtenstein and Norway reported rises in their financial resources of more than 12 percent on average since the previous year (drops in available financial means were related to bank failures which made the use of resources necessary). Covered deposits increased significantly in 2020, reaching a year-on-year average growth rate of 8.6

percent, twice the rate of the 2015–2019 period, as the restrictions authorities imposed to manage the COVID-19 pandemic had led to larger (deliberate or unintentional) savings.

As for the target level<sup>30</sup> of 0.8 percent of the sum of covered deposits to be reached by all deposit guarantee schemes within the European Union by 31 July 2024, as stipulated under Directive 2014/49/EU, 18 guarantee schemes had already met it before 31 December 2020.

- *Final Report on the Revised Guidelines on stress tests of deposit guarantee schemes under Directive 2014/49/EU*<sup>31</sup>

The Revised Guidelines expand the stress-testing framework by including the obligation of deposit guarantee schemes to stress test both their ability to conduct all the interventions they are legally mandated to perform and their capability to access all funding sources. Another requirement – intended to strengthen interinstitutional cooperation – refers to testing crisis situations where the involvement of other authorities is necessary. The new guidelines also encourage deposit guarantee schemes to choose stress-testing scenarios with additional business continuity challenges, such as a pandemic, IT&C system failures, or other similar events.

By revising the stress-testing framework, the European Banking Authority aims to achieve greater harmonisation and comparability of stress test results, which will allow it to conduct a solid peer review in 2025 based on the stress tests run by national deposit guarantee schemes.

- *Opinion on the treatment of client funds under Deposit Guarantee Schemes Directive*<sup>32</sup>

The European Banking Authority, based on its analyses and assessments, has noted discrepancies as to client funds coverage by guarantee schemes in the European Union depending on the types of entities that place the deposits with a credit institution on behalf of their clients (other credit institutions, payment institutions, e-money institutions, investment firms, financial technology companies etc). Consequently, the European Banking Authority recommended the European Commission to clarify provisions under the Directive on deposit guarantee scheme, which is currently being reviewed, in order to provide a uniform protection of client funds across the European Union in order to impart clarity and lead to the harmonised treatment and enhanced protection of clients in cases where such funds were not covered.

Other recommendations refer to ways to avoid the risk of contagion between a failed bank and the entities that placed client funds with that bank, as well as to the need for credit institutions to pay contributions to deposit guarantee schemes commensurate with the sum of covered client funds they hold.

- *Final report on the Guidelines on the delineation and reporting of available financial means of deposit guarantee schemes*<sup>33</sup>

Following the recommendations contained in its Opinion of 23 January 2020 on deposit guarantee scheme funding and uses of the funds, the European Banking Authority published these Guidelines in order to establish a harmonised approach to deposit guarantee scheme funding and to increase transparency and comparability of the financial positions of the schemes, ultimately boosting confidence in financial stability across the European Union.

<sup>28</sup> There are 33 deposit guarantee schemes across the European Union, and some countries (for example, Germany, Austria, Italy or Luxembourg) are home to several such schemes.

<sup>29</sup> Source: the European Banking Authority's web page, the 'News & press' section, Aggregated Deposit Guarantee Schemes data 2015 - 2020, 10 May 2021.

<sup>30</sup> Target level means the amount of available financial resources of a deposit guarantee scheme expressed as a percentage of the sum of covered deposits.

<sup>31</sup> Final Report on the Revised Guidelines EBA/GL/2021/10 on stress tests of deposit guarantee schemes under Directive 2014/49/EU repealing and replacing Guidelines EBA/GL/2016/04 ('Revised Guidelines on DGS stress tests'), 15 September 2021.

<sup>32</sup> Opinion of the European Banking Authority on the treatment of client funds under Deposit Guarantee Schemes Directive (EBA/Op/2021/11), 27 October 2021.

<sup>33</sup> Final Report on Guidelines on the delineation and reporting of available financial means (AFM) of Deposit Guarantee Schemes (DGS) – EBA/GL/2021/17, 17 December 2021.

The Guidelines, which are applicable starting 30 March 2022, stipulate that the available financial resources of guarantee schemes contain two components:

- qualified available financial means – funds arising directly or indirectly (recoveries from interventions by the guarantee scheme) from the contributions paid by affiliated institutions which qualify towards reaching the target level of 0.8 percent of covered deposits set out in Directive 2014/49/EU, a target to be met by 31 July 2024 and
- other available financial means – funds which are not part of the first component and which stem, directly or indirectly, from borrowed resources and, therefore, do not count towards reaching the target level.

## Guidance and Research Papers of the European Forum of Deposit Insurers (EFDI)

The EFDI, thanks to the sustained activity of its working groups which gather numerous representatives of member guarantee schemes, of the FGDB included, works out guidance papers, studies and analyses which cover significant and highly topical areas in the activity of deposit guarantee schemes in the European Union. Noteworthy among the materials the EFDI put out in 2021 are:

- *Research paper on the compensation of joint accounts*<sup>34</sup>

In view of the complex operations facing a deposit guarantee scheme during a payout process, the present study analyses issues related to joint accounts in point of the challenges they may pose – operational, as well as judicial risks if one of the co-holders contests the split the guarantee scheme used during the payout – as well as the variability of compensations granted to co-owners in relation to money transfers (from joint accounts to personal accounts and/or vice versa) in case of diverging individual compensations.

The study suggests a different approach to joint accounts, taking into consideration the individual coverage limit of 100,000 euros, as a solution to these issues – namely, the option of complementary collective compensation of co-holders of joint accounts (200,000 euros for two

In cases where a deposit guarantee scheme decides to add its income from investments to its financial resources, such income is considered qualified available financial means, irrespective of the component that financed the underlying investment. Losses from investments should be allocated to qualified available financial means.

The Guidelines require deposit guarantee schemes to report to the European Banking Authority information on the two components of their available financial resources, along with any additional information on alternative financing arrangements in place and on the outstanding liabilities incurred for the purpose of interventions.

depositors, 300,000 euros for three depositors, and so on), with the possibility of using the coverage limit not used for compensating one of the co-holders to increase the compensation of the other co-holder accordingly, provided that the two compensations combined stay under the collective coverage level and that the clauses agreed upon when the respective accounts had opened were taken into consideration.

- *Research paper on the transfer of contributions in case of change of a deposit guarantee scheme's affiliation*<sup>35</sup>

With the process of reviewing the deposit guarantee schemes Directive well underway, an EFDI working group undertook a comprehensive analysis of the multiple aspects related to the transfer of contributions between deposit guarantee schemes when a bank relocates to another jurisdiction.

Essentially, the EFDI proposes the use of an analytical framework where the impact a bank's relocation has on the financial situation of the two guarantee schemes involved – the transferring scheme and the receiving scheme – is appraised separately to offset the financial imbalance which that transfer triggers through a system of sign-off and sign-in fees.

- *Research paper on additional methods of financing deposit guarantee schemes*<sup>36</sup>

This research paper approaches the possibility of deposit guarantee schemes to resort to an additional financing

## Research and Guidance Papers of the International Association of Deposit Insurers (IADI)

Every year, as an IADI member, the FGDB benefits from the experience and expertise of guarantee schemes operating outside the European area thanks to the research and guidance papers and, more recently, a quarterly newsletter brought out by the Association. Here are some noteworthy publications of 2021:

- *Note on effective reimbursement systems and processes*<sup>37</sup>

This note offers IADI members key information on policies and topics of relevance to deposit insurers, such as identification of the gaps between current depositor reimbursement practices and the *Core Principles for Effective Deposit Insurance Systems, with a focus on Principle 15: Reimbursing Depositors*<sup>38</sup>. Furthermore, it identifies current and future challenges in the reimbursement process as a basis for the need to develop supplemental IADI guidance in this area.

The Note summarises responses to a survey from IADI members across 47 countries pointing to the need to improve the IADI's guidance activities and making several observations:

- deposit guarantee schemes have made substantial progress in streamlining payout processes;
- significant gaps remain among numerous countries as concerns the time required to complete reimbursements as against the seven working days deadline set out in guidance, the prior access to depositor records, and the information about

instrument, either of the *ex-ante* or of the *ex-post* type, in the form of stand-by credit lines from all member banks.

deposits or stress simulation exercises;

- some segments stood out as being in need of extra attention in the future, such as digital currencies and electronic money, the availability of timely relevant deposit data, and the use of new digital platforms.

- *Survey on the impact of the COVID-19 pandemic on deposit guarantee*<sup>39</sup>

The results of the IADI survey, which was a follow-up to a similar survey conducted in March 2020, highlight developments in the lines of action the guarantee schemes pursued in order to rise to the challenge of the COVID-19 pandemic. Deposit coverage limits and the scope of guarantee registered no major changes and there was no widespread increase in the number of bank failures. Most deposit guarantee schemes enhanced the digital nature of their activities and reviewed crisis management processes, which points to the high degree of flexibility they showed in response to the situation generated by the health crisis.

- *Brief on five emerging issues in deposit guarantee*<sup>40</sup>

This brief offers an overview of five emerging issues which are expected to have a significant impact on the activity of deposit guarantee schemes in the near future – climate change, use of financial technology (“fintech”), the implications of the COVID-19 policy responses, deposit insurers' role in resolution and cross-border operations.

<sup>36</sup> EFDI Research Paper: Proposal for an additional instrument in DGSs' financing toolkit and for a last resort borrowing facility, April 2021; updated in July 2021.

<sup>37</sup> IADI Policy Note: Effective reimbursement systems and processes, April 2021.

<sup>38</sup> Principle 15 – Reimbursing Depositors: “The deposit insurance system should reimburse depositors' insured funds promptly, in order to contribute to financial stability. There should be a clear and unequivocal trigger for insured depositor reimbursement.”

<sup>39</sup> IADI Survey Brief No.1: Impact of the COVID-19 pandemic on the deposit insurance, May 2021.

<sup>40</sup> IADI Policy Brief No 4: Five emerging issues in deposit insurance, September 2021.



These issues were included in this analysis based on their relevance to the operations of deposit guarantee schemes and their connection to the *IADI Core Principles for Effective Deposit Insurance Systems*.

- *Research paper on the scope of coverage of the deposit guarantee system*<sup>41</sup>

The present research paper analyses the results of surveys of this topic conducted in 2020 and 2021 and is based on the practices of deposit guarantee

schemes in determining an appropriate level and scope of coverage. The paper looks into coverage levels and scope worldwide, the way in which different jurisdictions define these features, and their expectations regarding them going forward. Also analysed were the interaction of coverage level and scope with other relevant issues, such as financial crises, contribution collection system etc. The paper also highlights the guarantee schemes' interest in new banking products, such as electronic money and related products.

strategies proportionately, providing, therefore, a level playing field.

In 2021, the SRB responded to a targeted consultation of the European Commission on the review of the bank crisis management and deposit insurance (CMDI) framework, which is part of a more extensive debate on the completion of the Banking Union and, in particular, on the establishment of its third pillar – the *European Deposit Insurance System (EDIS)*. In its blueprint, the SRB considers that it should act as the central authority with powers to manage all bank failures in the European Union, handling both EDIS and the Single Resolution Fund (which could eventually be merged to exploit economies of scale).

In a report issued on 7 July 2021<sup>43</sup>, the European Commission set forth the conclusions of the public and targeted consultations on the review of the CMDI held over 26 January–20 May 2021, which received 188 responses, mostly from the European Union, but also from the United States and the United Kingdom. Respondents included European citizens (26 percent), business organisations (24 percent), business associations (16 percent), public

authorities (19 percent), academia (three percent) and consumer organisations (2 percent).

The document provides a summary of opinions shared by the majority of participants:

- **general objectives and review focus** – the current CMDI framework is an improvement compared to the situation before 2014 and its objectives, as far as depositor protection and financial stability are concerned, have been attained to a large extent. Nevertheless, there is still room for improvement, particularly since the framework seems to have failed in breaking the bank/sovereign loop, and further action is needed to minimise the recourse to taxpayer money and to provide a level playing field among banks from different member states;
  - *available measures in the current CMDI framework* – most of the respondents (88 percent) considered that some of the measures of the CMDI framework, particularly the precautionary measures, had managed to fulfil the envisaged objectives related to the management of banks' crises. However, they saw early intervention measures as overlapping supervisory powers, stating their preference for a merger of the two as a means to increase efficiency. Resolution tools were generally described as satisfying, with some of the participants calling for a mechanism more appropriately tailored to the situation of small and medium-sized banks and an instrument for liquidity in resolution. Opinions on the preventive measures deposit guarantee schemes applied were split, with several respondents being in favour while others demanded further harmonisation and additional clarifications on the relationship between European state aid and deposit guarantee schemes;
  - *exclusivity of resolution tools* – the majority of participants supported the extension of the application of resolution tools to small and medium-sized banks, particularly through a wider use of the public interest assessment. As for different funding sources in resolution and insolvency, 55 percent of respondents were against an alignment of access conditions, fearing an increase in complexity and the infringement of the principle of proportionality;

- *available measures before a bank failure* – broad consensus was noted on the need for clarifications in relation to the application of preventive measures by deposit guarantee schemes, with most participants favouring a more harmonised approach to the application of the least cost test. In terms of the EDIS, representatives of the banking industry considered it important that the losses absorbed by a national guarantee scheme should be limited to the respective member state to avoid a situation where these losses are borne out by other banking sectors. Views were split about the need to change the creditor hierarchy in insolvency cases (and to extend coverage to all deposits);
- **resolution, liquidation and other available measures to manage banking crises** – most respondents considered no additional resolution tools were needed provided that the consistent application of the available ones would be improved, especially by recalibrating the public interest test. Furthermore, the opinion was expressed that deposit guarantee funds (national guarantee schemes/EDIS) should remain separated from the resolution funds (national resolution funds/the Single Resolution Fund);
- **harmonisation of creditor hierarchy in insolvency cases across the European Union** – the majority of participants pointed out that the differences between creditor hierarchies across members states could complicate the application of resolution measures as they viewed the respective divergences as a source of increased fragmentation in the European Union and of differentiated treatment among creditors. As far as the ranking of deposits was concerned, most respondents were against the elimination of the “super-priority” of covered deposits and guarantee schemes' claims, and of the current three-tiered ranking of deposits;
- **deposit guarantee** – changes in the legal framework related to depositor information were considered unnecessary, though some of the respondents demanded further clarity. Digital communication was considered as the most cost-efficient and several respondents representing the banking industry pointed out that depositor information should be solely digital and should take place only at the beginning of the business relationship and in the event of relevant changes. Consumer organisations demanded further clarification and an update of Article 16 of Directive

<sup>41</sup> IADI Research Paper: Deposit insurance coverage level and scope, December 2021.

<sup>42</sup> Under BRRD II (Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC) MREL is expressed as a percentage of the total risk exposure amount of a credit institution, but also as a percentage of the total exposure measure of that institution.

<sup>43</sup> Source: the web page of the European Commission, the 'Consultations' section, the 'Targeted consultation on the review of the crisis management and deposit insurance framework', Summary Report of the Public and Targeted consultations on the review of the Crisis Management and Deposit Insurance (CMDI) framework Q1 2021 sub-section, 7 July 2021.

2014/49/EU on depositor information, as well as of the template in Annex I of the Directive, along with an adaptation of its format in order to make it more depositor-friendly. The majority of participants supported the idea of including deposits of public and local authorities in the scope of deposit coverage. In terms of financing, the 0.8 percent target level set under the Directive was considered reasonable and in need of no change. However, the need was underlined to clarify the rules relating to the transfer of contributions between deposit guarantee schemes when banks change their affiliation. Opinions on

the sequence of use of the financial resources of guarantee schemes were split, with some respondents favouring a strict order and others opting for either a certain degree or a high degree of flexibility and yet others declaring in favour of full flexibility.

According to the Management Plan 2022 of the Directorate-General for Financial Stability, Financial Services and Capital Markets Union (DG FISMA), the European Commission is expected to bring forward a proposal for the review of the CMDI framework by the end of 2022 or early in 2023.

## The Stage of the European Deposit Insurance Scheme (EDIS) Project

Once in place, the two pillars of the Banking Union – the Single Supervisory Mechanism and the Single Resolution Mechanism – consolidated the banking sector in Europe and enhanced overall confidence in the financial system, all while contributing to mitigating the impact the crisis generated by the COVID-19 pandemic had on the economies of the Euro area. The completion of the Banking Union, however, depends on the operationalisation of its third pillar – the EDIS – which is planned to secure bank deposits, and, equally, on its incorporation, alongside banking supervision and resolution, in the structure intended to safeguard financial stability in the European Union and to minimise the extent to which the cost of bank failures is borne out by European citizens.

## INTERNAL REGULATORY FRAMEWORK

Just as in previous years, all through 2021 the FGDB stayed focused on the improvement of the regulatory framework by issuing new specific regulations, strategies and policies or by updating existing ones knowing that an adequate, well correlated regulatory framework is a prerequisite for a transparent and effective run of its activities.

As previously pointed out, *Legal Regulations on the FGDB's internal control system*, which were issued in the autumn of 2020 in order to strengthen the risk management segment, took effect on 1 January 2021. In 2021, the FGDB also updated *Risk profile, risk management strategy and policies within the FGDB, Methods of analysis of the credit institutions authorised by the National Bank of Romania*,

Throughout 2021, the debates of the Ad Hoc Working Party on the Strengthening of the Banking Union, created by the Council of the European Union in 2016, focused on the design of the EDIS based on a reference hybrid model – which was first presented as early as 2018 – all while addressing the scope of EDIS and analysing the articulation between the EDIS and the CMDI.

During the Euro summit held towards the end of 2021, European Union leaders reiterated their political commitment to the banking union and invited the Eurogroup to finalise a stepwise and time-bound work plan charting the way to a fully operational banking union.

*and Risk management procedures while investing the FGDB's financial resources.*

*Procedure for the verification by the FGDB of data reported by member credit institutions and of the institutions' compliance with legal provisions on the information of depositors, the Internal Audit Manual and the Internal Regulations* were also reviewed.

The novelty of 2021 was the *Code of ethics and professional conduct*, which was issued towards the end of the year to come into force on 1 January 2022. It outlines the moral principles and values, as well as relevant rules that govern behaviour within the FGDB.

In the spring of 2021, *Legal Regulations No. 1/2020 on the information of depositors by credit institutions* came into effect. These regulations are intended to assist credit institutions affiliated to the FGDB in harmonising the methods of providing their clients with information on deposit guarantee schemes.

Also in 2021, with the contribution of the National Bank of Romania and the Ministry of Finance, the FGDB finalised the bill amending and complementing Law No. 311/2015, in a bid to improve the FGDB's operational and functional framework and increase its flexibility.

The key amendments to Law No. 311/2015 refer to:

- updating provisions on loans/guarantees granted by the Ministry of Finance
- entering repo transactions with the National Bank of Romania
- broadening the pool of financial resources by

including government-backed precautionary loans from international financial institutions/credit institutions

- setting up a reserve fund to cover the FGDB's operating expenses
- extending the deadline for informing credit institutions of associated risk and of due annual contributions, and moving up the time limit for the payment of contributions
- increasing the flexibility of the legal payout framework by resorting to different methods as an alternative to the only variant in use, namely the paying agents mandated from among credit institutions.

The bill was adopted by Romania's Parliament on 9 February 2022 and, after promulgation by the President of Romania, became Law No. 42/2022 amending and complementing Law No. 311/2015 and was due to come into force on 11 March 2022.

## ADAPTING THE FGDB'S OPERATIONAL FRAMEWORK TO THE CHALLENGES ARISING FROM THE COVID-19 PANDEMIC

The present Report's Chapter 1, section *The COVID-19 Pandemic and the FGDB's Response Measures* covered aspects related to the organisation of work so as to protect the staff<sup>44</sup>, prevent the spread of the SARS-CoV 2 virus, and effectively manage associated adverse effects by applying measures adapted to the new medical reality.

Simultaneously, against the backdrop of a successively extended state of alert and the need to adapt to the

existing specific circumstances, the FGDB management kept a close watch on the appropriate use of the financial resources under its administration and focused on mitigating risks of having to monetise instruments in its portfolio by doubling the minimum monthly liquidity reserve to 20 percent and increasing the proportion of investments with residual maturity of up to one year to 40 percent, as against the 35 percent stipulated in the current strategy.

<sup>44</sup> The FGDB's executive management issued and periodically reviewed guidance on the application of measures to protect employees' health in order to reduce the risk of staffing shortages in the circumstances brought about by the COVID-19 pandemic.

## DEVELOPMENTS IN THE BANKING SECTOR IN THE EUROPEAN UNION AND IN ROMANIA

The COVID-19 pandemic was a genuine challenge to all the segments underlying economic activities and put significant pressure on the global financial system, unveiling a multitude of vulnerabilities in the process. After more than a year since the start of the health crisis, the financial sector proved its resilience to the severe economic impact, with fiscal, monetary and prudential measures, as well as available capital reserves playing a key role in dwarfing the effects of the crisis. Despite a positive outlook, expectations for economic recovery were still uncertain and differed from one member state to another, while the possible side effects of measures taken to stave off the crisis maintained a degree of uncertainty in the financial sector.

On 16 February 2021, the European Systemic Risk Board (ESRB) released a report on the financial stability implications of support measures to protect the real economy from the COVID-19 pandemic<sup>45</sup> which showed that the fiscal response intended to prop up the real economy had stabilised lending and that the financial system had continued to work. Nevertheless, against the background of persisting risks, the report identifies a number of priorities referring to: targeted fiscal measures and their duration, enhanced transparency and upgraded reporting, and preparations for subsequent adverse scenarios. The report offers the first assessment of the implications on financial stability of the fiscal measures (*our note – The report uses the term “fiscal measures” in a broad sense; it includes but is not limited to the fiscal area*) taken by 31 ESRB member countries. The fiscal support packages related to the COVID-19 pandemic, which macroprudential authorities reported, amount to some 14 percent of the combined GDPs of the member countries in 2019 (more than 2,400 billion euros) and include public guarantees on loans, public loans, direct grants and tax measures, with an uptake by September 2020 of four percent of the combined GDPs of the member states (around 686 billion euro). In addition, around five percent of banks’ total loans were subject to moratoria.

A liquidity crisis was avoided in the early stage of the pandemic and the financial system continued to run, but the longer the crisis and the weaker the economic recovery, the greater the risk of losses in the non-financial sector spilling over into the financial sector, in which case authorities must carefully manage compromises related to the duration of those measures.

Since major cyber incidents have the potential to corrupt information and shatter confidence in the financial system and may, therefore, pose a systemic risk, on 2 December 2021, the ESRB published *Recommendation on a pan-European systemic cyber incident coordination framework (ESRB 2021/17)*. The financial sector relies on resilient information and communications technology systems and is highly dependent on the confidentiality, integrity and availability of the data and systems it uses. Consequently, a high level of preparedness and coordination among financial authorities are needed in order to respond effectively to major cyber incidents. The pan-European systemic framework would consolidate the coordination among financial authorities in the European Union by addressing the risks to financial stability arising from cyber incidents.

The assessment of vulnerabilities likely to affect the global financial system is also one of the core mandates of the Financial Stability Board (FSB). Identifying these vulnerabilities facilitates their monitoring by public authorities and the preparation of the necessary actions to reduce the risks that could have an impact on financial stability. To this end, in the second half of 2021, the FSB published a report on the financial stability surveillance framework<sup>46</sup> which aims to identify vulnerabilities in a proactive and forward-looking manner. The new framework includes a common terminology and has four key principles: i) focus on the vulnerabilities that may have implications for global financial stability, ii) scan vulnerabilities systematically, while preserving sufficient flexibility, iii) recognise differences among states and iv)

leverage the comparative advantages of the FSB while avoiding duplication of work.

Assessing the economic shocks triggered by the COVID-19 pandemic was another area of interest in 2021. In this respect, the FSB worked out a report<sup>47</sup> on the conclusions drawn in the wake of the pandemic as far as financial stability was concerned. The report shows that the international standards adopted through the G20 reforms provided sufficient flexibility to support effective actions during the health crisis. The pandemic highlighted the importance of effective operational risk management arrangements being in place before

the outbreak of a crisis, as well as the importance of cross-border cooperation, coordination and information sharing. The report also points to broader policy issues that warrant extra attention and to the fact that a more comprehensive analysis is needed of the capital and liquidity buffer segment.

The bail-in tool lies at the core of the resolution strategies of systemically important financial institutions. In this connection, the FSB prepared a paper<sup>48</sup> which includes examples from various jurisdictions to offer a generic description of operational processes, arrangements and practices.

### Developments in the Banking Sector in the European Union<sup>49</sup>

In order to consolidate the resilience of the European Union’s banking sector and enhance its capability to cope with future shocks, and also to provide for post-pandemic recovery and the transition to climate neutrality, on 27 October 2021 the European Commission adopted a review of the banking rules of the European Union (the Banking Package 2021), thus finalising the implementation of the Basel III agreement<sup>50</sup>. The review includes legislative proposals to amend Directive 2013/36/EU on capital requirements and Regulation (EU) No. 575/2013 on capital requirements (as well as a separate legislative proposal in the area of resolution).

The year 2021 registered no crisis situation to require the Single Resolution Board (SRB) to apply bank resolution measures. Early in 2021, the European Banking Authority received a notification from Poland’s deposit guarantee scheme on the initiation of resolution measures (write-down or conversion of capital instruments, the application of the sale of business resolution tool, and the appointment of an administrator) for Idea Bank S.A.

Following Russia’s invasion of Ukraine towards the end of February 2022 and the international sanctions imposed on Russia, including blocking Russian banks’ access to the SWIFT system, the SRB adopted resolution decisions for banking group Sberbank Europe AG. Following the SRB decision, on 1 March 2022, the national resolution authorities of Slovenia and Croatia notified the European Banking Authority of the resolution of the Sberbank group’s subsidiaries by the application of the sale of business resolution tool in Slovenia and by the appointment of an administrator in Croatia.

In 2021, the European Banking Authority received<sup>51</sup> several notifications on cases where deposit guarantee schemes intervened:

- with payouts – Germany (BaFin, in the case of Greensill Bank AG), the Czech Republic (in the case of Credit Union of Czechoslovakia), Norway (in the case of Optin Bank ASA);
- with preventive measures – Italy (funds from the deposit guarantee scheme were used to facilitate the transfer of assets and liabilities, including deposits from Aigis Banca S.p.A. to Banca Ifis S.p.A.)

<sup>45</sup> European Systemic Risk Board (ESRB), Financial stability implications of support measures to protect the real economy from the COVID-19 pandemic, 16 February 2021.

<sup>46</sup> FSB Financial Stability Surveillance Framework, 30 September 2021

<sup>47</sup> FSB Lessons Learnt from the COVID-19 Pandemic from a Financial Stability Perspective, Final Report, 28 October 2021

<sup>48</sup> FSB Bail-in Execution Practices Paper, 13 December 2021.

<sup>49</sup> Several indicators in this section may have different values due to the methods used to determine them.

<sup>50</sup> Basel III is a set of measures developed by the Basel Committee on Banking Supervision in response to the financial crisis of 2007-09. This internationally agreed set of measures aim to consolidate the regulation and supervision of banks, as well as their risk management (incorporating ESG factors – environmental, social and governance risks). It is due to take effect starting 1 January 2023.

<sup>51</sup> Source: the web page of the European Banking Association, the ‘Regulation and Policy’ section, the ‘Notifications on resolution cases and use of DGS funds’ sub-section.



At the end of 2021, the Gross Domestic Product (GDP) increased by 4.8 percent in the European Union and by 4.6 percent in the euro zone<sup>52</sup> compared to the end of the previous year. After a robust economic recovery in the first half of 2021, when the highest annual growth rates of GDP were registered in Ireland (20.8 percent) or France (19 percent), the growth momentum slowed significantly in the last quarter of the year. Romania, which registered a 3.9 percent growth rate in the last quarter of 2021 as against the same three-month period of the precedent year<sup>53</sup>, ended 2021 among states with GDP growth rates below the European Union's average. The lowest rates were recorded in Germany (1.8 percent) and Slovakia (1.2 percent), while placed at the top end of the ladder were countries with the highest annual economic growth rates: Slovenia (10.5 percent), Ireland and Malta (10 percent each).

In the fourth quarter of 2021, compared with the same period of the previous year, employment rose by 2.1 percent in the European Union and by 2.2 percent in the euro area; Romania registered the European union's lowest level of this indicator at -9.1 percent.

The economic recovery of 2021 entailed improved working conditions on the European Union's labour market where, at the end of the year, the rate of unemployment stood at 6.3 percent<sup>54</sup> (down by one percentage point from the similar period of the previous year). Unemployment rate in Romania moved down a notch (shedding almost one percentage point, or -0.7 pp, from 2020) to end 2021 at 5.7 percent. The highest rates of unemployment continued to be registered in Spain and Greece (13 percent), while Poland (with a rate of 2.9 percent) and the Czech Republic (2.1 percent) boasted most favourable labour market conditions and posted the Union's lowest unemployment rates.

In 2021, inflation hit one of its highest rates both in Romania and in the European Union. An increase in food and energy prices triggered the hike. At end-2021, inflation rate amounted to 5.3 percent in the European Union and five percent in the euro zone<sup>55</sup>. Inflation in Romania accelerated to reach a 12-month rate of 6.7 percent on 31 December 2021<sup>56</sup>. In the European Union, the lowest annual inflation rates were registered in Malta (2.6 percent) and Portugal (2.8 percent), while the highest annual rates were recorded in Estonia (12.0 percent) and Lithuania (10.7 percent).

<sup>52</sup> Eurostat, News Release 29/2022, 8 March 2022.

<sup>53</sup> Eurostat determines GDB growth based on seasonally adjusted data. According to data furnished at the national level by the National Institute of Statistics, Romania's GDP shot up 5.6 percent in 2021 from 2020 (calculated based on unadjusted series) and 2.7 percent in the fourth quarter of 2021 from the equivalent period of 2020 (calculated based on seasonally adjusted series, provisional data).

<sup>54</sup> Eurostat, News Release 27/2022, 3 March 2022, (revised data, seasonal adjustment).

<sup>55</sup> Eurostat, News Release 11/2022, 20 January 2022.

<sup>56</sup> Calculated based on the Harmonised Index of Consumer Prices (HICP), a measure of inflation in European Union states. Twelve-month inflation based on the Consumer Price Index (CPI), an indicator used nationally, was 8.2 percent in December 2021 as compared with December 2020.

As the European Banking Authority's *Risk Dashboard Data as of Q4 2021* show<sup>57</sup>, the solvency of the credit institutions operating across the European Union remained unchanged in 2021 at a weighted average of 19.6 percent. Romania, with solvency in the banking system dropping 2.5 percentage points from the precedent year to stand at 21.3 percent, still placed among the first ten states with solvency levels above the European average.

At the end of the same period, the non-performing loan ratio improved reaching an average level of two percent (0.6 percentage points down from 31 December 2020). Over the past two years, this indicator fared better also in Romania, dropping to 3.2 percent at end-2021. With the downward trend of 2021 in the background, the highest non-performing loan ratios were reported in Greece – seven percent, Bulgaria – 5.6 percent, Poland – 4.5 percent and Cyprus – 4.1 percent.

Profitability in the banking system as a whole stabilised at levels higher than in the pre-pandemic period. At the end of 2021, Return on Equity (RoE<sup>58</sup>) was reported at an average 7.3 percent (an annual variation of +4.5 percentage points) and Return on Assets (RoA<sup>59</sup>) at 0.5 percent (an annual variation of +0.4 percentage points). Romania held a top standing with RoE at 15.9 percent, 4.5 percentage points higher than at the end of the previous year.

Banks continued to report abundant liquidity, with an average liquidity coverage ratio (LCR) standing at 174.7 percent on 31 December 2021, close to its all-time high. On the same date, the banking sector in Romania registered a level twice as high as the European average and ratios of individual indicators well above the minimum even in the case of banks at the lowest end of the distribution.

A special feature deals with the impact of Russia's ongoing military invasion of Ukraine on the banking sector of the European Union seen from the angle of the unparalleled economic, commercial and financial sanctions imposed by the European Union, the United States and other countries on Russia and Belarus. The European Banking Authority estimates that the war in Ukraine and its consequences will have direct and indirect effects on the European banking sector.

Based on an initial assessment, direct (first-round) risks are not a fundamental threat to the financial stability of the banking system in the European Union, as direct exposures (loans, advances, deposits, debt securities) in the last three months of 2021 to Russia (76 billion euros) and Ukraine (11 billion euros) were concentrated in a few countries (Austria, France, Italy, Hungary) and a limited number of banks<sup>60</sup>. However, indirect (second-round) impacts are more worrying because of the current high level of uncertainty about the duration and outcome of the war and about its potentially strong impact on European and global economy

<sup>57</sup> EBA Risk Dashboard Data as of Q4 2021, 1 April 2022.

<sup>58</sup> RoE is determined as ratio of annualised net income to average own capital.

<sup>59</sup> RoA is calculated by dividing annualised net earnings by average total assets.

<sup>60</sup> The analysis focuses on exposures to Russia and Ukraine since exposures towards Belarus are significantly lower (two billion euros in the fourth quarter of 2021).

(direct economic fallout, fiscal impact, impact of sanctions, cyber risks and longer-term effects on supply chains worldwide).

According to the statistical annexes to the *Risk Dashboard Data as of Q4 2021* of the European Banking Authority, Romania reported direct exposure only to Russian counterparties amounting to one million euros, which represents the lowest level of exposure. As for deposits, the exposure of credit institutions in Romania is also low – two million euros towards counterparties in Russia and four million euros to Ukrainian counterparties.

Developments in the Banking Sector in Romania

"Financial soundness indicators of the banking sector remained at adequate levels during the COVID-19 pandemic, similarly to or above the EU-wide averages (Table 2), vouchsafing an increased capacity to absorb potential shocks".

Financial Stability Report of the National Bank of Romania, December 2021

Although some of the COVID-19 restrictions that were maintained in 2021 further impacted the economic sector, credit institutions in the membership of the FGDB did not run into any difficulties demanding bank recovery or resolution measures from the National Bank of Romania in its capacity as competent authority and/or resolution authority. Against that background, the banking sector showed increases in prudential indicators and contributed to economic recovery by relaunching lending.

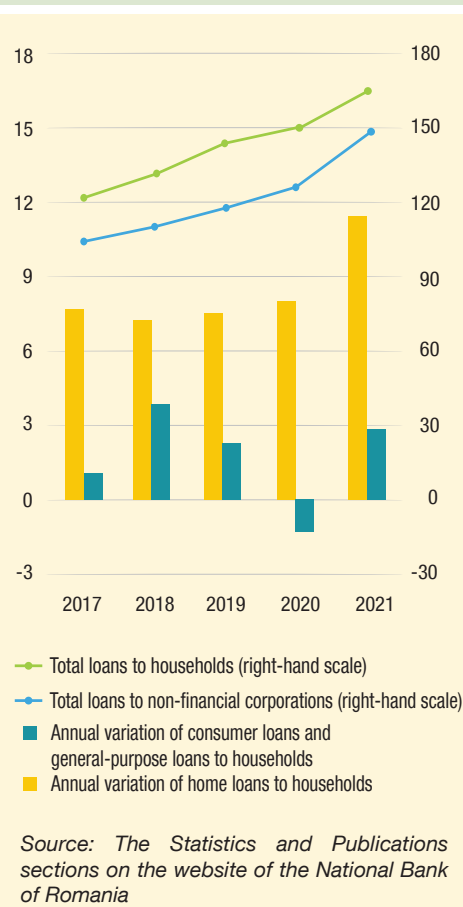
The prerequisites for a more marked consolidation of the banking sector were present all through 2021.

On 29 October 2021, Banca Transilvania S.A.<sup>61</sup> completed the acquisition of Polish group Getin Holding’s stake in Idea Bank S.A. The latter will continue its activity in Romania operating as an independent entity, a digital banking hub within the Banca Transilvania Financial Group.

Directive BRRD II was transposed into national legislation towards the end of 2021 under Law No. 320/2021 amending and complementing Law No. 312/2015. It was due to take effect on 3 January 2022.

Aggregate Indicators Published by the National Bank of Romania

Evolution of loans to households and non-financial corporations (billion lei; end-period)



At the end of 2021, credit institutions operating across Romania<sup>62</sup> held net assets amounting to 639.7 billion lei, having added around 80 billion lei to the previous year’s level (in nominal terms, this was a 14.2 percent increase as to end-2020). On 31 December 2021, privately-owned credit institutions held 88.6 percent of total assets, having inched down by 0.8 percentage points from the end of the precedent year. On the same date, foreign-owned institutions accounted for 68.2 percent of assets in Romania’s banking sector in a continuation of the downtrend of the previous few years.

The profitability of the banking system in Romania, which was somewhat on the slide in 2020 under the adverse impacts coming from the health and economic areas, moved into positive territory in 2021, with RoE on 31 December 2021 climbing to 13.45 percent (an annual variation of +4.79 percentage points), and RoA at 1.38 percent (an annual variation of +0.43 percentage points). The non-performing loan ratio improved in 2021, gliding down to 3.35 percent by year’s end, which was the lowest level recorded in recent years.

The liquidity indicator stayed at more than twice the regulatory minimum requirement, ending the year at 2.23, slightly down from the end-2020 level.

Credit institutions participating in the FGDB maintained a strong capitalisation in 2021, though below the previous year’s level, with the total capital ratio standing at 22.26 percent and Tier 1 capital ratio amounting to 19.79 percent.

The leverage ratio<sup>63</sup> remained in excess of the regulatory minimum requirement despite shedding 2.11 percentage points year on year to hit a five-year low on 31 December 2021 at 8.19 percent.

On 31 December 2021, loans to households and non-financial corporations added up to 312.9 billion lei, up from the same date the previous year by 14.3 percent. Loans to households registered a rise of around 10 percent to 164.3 billion lei at the end of 2021, with roughly 80 percent of the annual increase being accounted for by the real estate sector, a trend that remained unchanged since the outbreak of the COVID-19 pandemic. In 2021, the Government’s programme *Noua Casă (The New Home)*<sup>64</sup>,

<sup>61</sup> Idea Bank S.A., Idea Leasing IFN S.A. and Idea Broker de Asigurare S.R.L. became part of the Banca Transilvania Financial Group. Idea Bank S.A. is the third bank Banca Transilvania S.A. bought, after Bancpost (2018) and Volksbank România (2015).

<sup>62</sup> At the end of 2021, there were 34 credit institutions operating in Romania, of which 26 were Romanian legal persons affiliated to the FGDB and eight were branches of credit institutions of other European Union member states which participate in the deposit guarantee schemes of their home countries. The aggregate indicators for credit institutions, as well as data on loans and deposits were taken from the website of the National Bank of Romania and from publications of the central bank. sfâ

<sup>63</sup> The leverage ratio measures the extent to which credit institutions finance their operations from their own sources and gauges Tier 1 capital to average total assets

<sup>64</sup> The *Noua Casă/The New Home* programme, which replaced the *Prima Casă (The First Home)* programme, offered natural persons government-backed loans to help them buy their own homes.

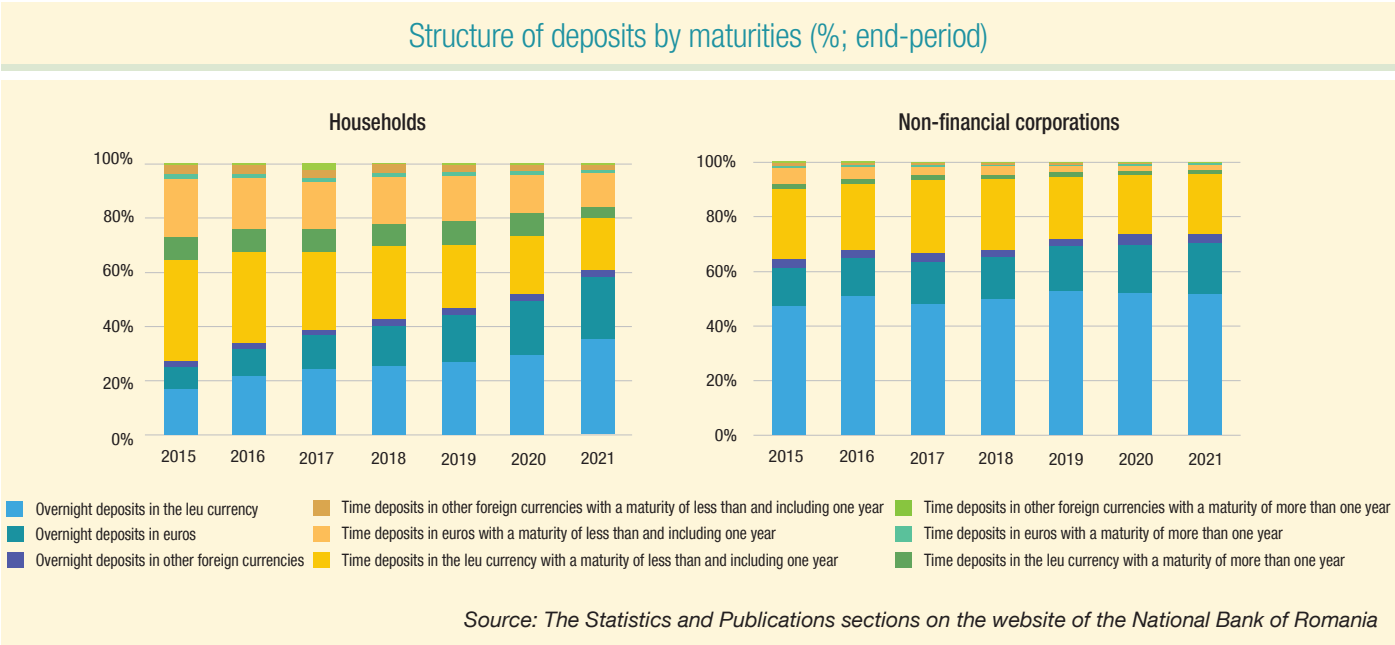
designed as a countercyclical instrument with sectoral application, still had major advantages over any other type of mortgage loans despite a 25 percent cut in its ceiling. Loans to financial corporations advanced at a faster pace to amount to 148.5 billion lei after an annual increase of about 20 percent against 2020.

By currencies, leu-denominated loans prevailed over credits in foreign currencies also in 2021. The increase in lending in 2021 was mostly accounted for by loans in the national currency whose share of total loans soared by 73.5 percent amounting to 230 billion lei on 31 December 2021 (an annual variation of +19.4 percent). Loans denominated in foreign currencies notched up by two percent to the equivalent of 82.8 billion lei on the same date.

In 2021, the monetary policy rate resumed the upward trend after the successive reductions of the previous year and of early 2021 in a bid to mitigate the adverse effects of the health crisis in Romania. After a last cut to 1.25 percent in January 2021, the monetary policy rate was gradually raised from 1.50 percent in October 2021 to 1.75 percent starting November 2021, a level that remained unchanged until the end of the year. In the first half of January 2022, the monetary policy rate was successively pushed up to the current level of three percent.

The average interest rate on new loans to both households and non-financial corporations dropped all through 2021. On 31 December 2021, the average interest on new credits in the leu currency was 6.2 percent in the case of households, 0.65 percentage points down from the same date the precedent year, and 3.18 percent on new euro-denominated loans (an annual decrease by 0.89 percentage points). In the case of lending to non-financial corporations, average interest inched down to 4.58 percent on loans in the national currency and to 2.69 percent (down 0.34 percentage points) on euro-denominated credits.

According to data from the National Bank of Romania, savings kept up the upward trend in 2021 when deposits taken from households and non-financial corporations<sup>65</sup> headed higher by 13.7 percent to 459.2 billion lei on 31 December 2021. The upturn in overnight deposits was the main reason behind the rise in deposits in 2021. These data highlight



<sup>65</sup> Data also include deposits held at branches of foreign credit institutions which are affiliated to deposit guarantee schemes in their home countries.

depositors' confidence in the banking system, but then they also show that investments, as well as consumption spending were being deferred or temporised due to the strong impact the COVID-19 pandemic had on the national economy and to the macroeconomic uncertainty which still persists.

Average interest rates on new deposits in the banking system retreated slightly in 2021. At the end of the year, average interest rate on new leu-denominated time deposits held by households stood at 1.41 percent, down 0.13 percentage points, while the average interest on new time deposits in euros stood at 0.05 percent after a marginal diminution. As for the new deposits held by non-financial corporations, the end-2021 average interest rate had increased by 0.5 percentage points to 2.01 percent for the leu denomination and inched down 0.13 percentage points to 0.07 percent for the foreign-currency denomination. By maturities, there were no significant shifts in average interest rates, as all variations, be they positive or negative, were below one percentage point.

After declining for five years in a row, the loan-to-deposit ratio ended 2021 at 68.79 percent, adding 2.9 percentage points year on year, as the volume of customer deposits exceeded customer loans. Domestic savings continued to be a substitute for external funding of credit institutions.

Eligible (FGDB-guaranteed) deposits of households and businesses added up to 420.5 billion lei on 31 December 2021, that is 48.7 billion up from end-2020<sup>66</sup>.

## COOPERATIVE RELATIONS AT THE NATIONAL LEVEL

In consideration of its responsibilities assigned by law and on account of its contribution to maintaining financial stability, the FGDB was granted observer status to the National Committee for Macroprudential Supervision (CNSM), and the FGDB's General Director attends the meetings of the CNSM's General Board without the right to vote.

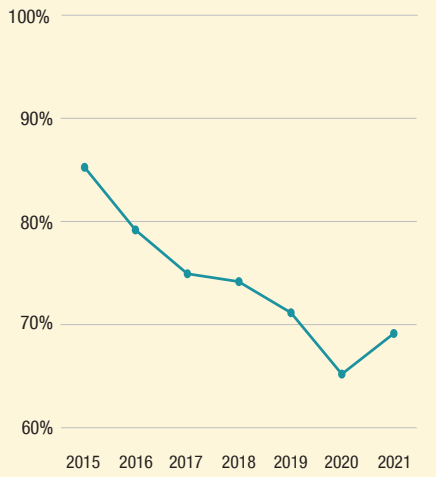
The CNSM was set up under *Law No. 12/2017 on macroprudential supervision of the national financial system*<sup>67</sup> and in line with the *ESRB's Recommendation on the macroprudential mandate of national authorities (ESRB/2011/3)*. This interinstitutional cooperation structure includes representatives of the National Bank of Romania, of the Financial Supervisory Authority, and of the Government.

<sup>66</sup> FGDB data, which were determined based on reports from participating credit institutions.

<sup>67</sup> The CNSM took over the duties of the former National Committee for Financial Stability, which was operational for ten years.

<sup>68</sup> Source: the CNSM's web page, 'Media' section, 'Press Releases' sub-section.

Evolution of the loan-to deposit ratio (%; end-period)



Source: The Statistics and Publications sections on the website of the National Bank of Romania

The CNSM's primary goal is to contribute to safeguarding financial stability by consolidating the resilience to shocks of the financial system and by minimising the build-up of systemic risks, all this allowing the financial system to make a durable contribution to economic growth. Moreover, the Committee's mission is to coordinate the macroprudential supervision of the national financial system by establishing a macroprudential policy and developing the adequate tools to implement it.

In 2021, the CNSM conducted its four meetings by written procedure. The main topics approached during those meetings<sup>68</sup> referred to aspects related to macroprudential policy and systemic risk, such as the regular analysis of the recalibration of the countercyclical capital buffer, of the capital buffer for systemic risk and of structural



capital buffers or the implementation of the capital buffer for other systemically important institutions.

At the same time, the CNSM was informed about the systemic risks identified within the national financial system, the impact of credit institutions' funding plans on loans to the real economy, the assessment of macroprudential instruments since the start of their implementation in national legislation, the impact of interest rate risk on the banking sector's government securities portfolio and on interest-sensitive assets and liabilities.

In 2021, the CNSM approved several recommendations including on the countercyclical capital buffer, the capital buffer for other systemically important institutions in Romania<sup>69</sup>, the implementation of the ESRB's *Recommendation amending Recommendation ESRB/2020/7 on restriction of distributions during the COVID-19 pandemic (ESRB/2020/15)* or on supporting green financing (in order to broaden access to funding for projects related to the climate-change agenda).

In its meeting of 3 June 2021, the CNSM approved Recommendation No. R/5/2021 on implementing the ESRB's *Recommendation on identifying legal entities (ESRB/2020/12)*, which recommended the competent authorities, namely the National Bank of Romania and the Financial Supervisory Authority, to require, to the extent permitted by law, all legal entities engaged in financial transactions under their supervisory remit to have a Legal Entity Identifier (the LEI – *Legal Entity Identifier* – code<sup>70</sup>). Furthermore, competent authorities were recommended to include or continue to include the LEIs in financial reporting obligations and public disclosure.

In order to prevent and mitigate the impact of systemic risks on financial stability in the European Union, on 24 September 2020, the ESRB adopted *Recommendation on identifying legal entities (ESRB/2020/12)*, in consideration of the increasingly wide extent of global economic and financial interconnections triggered by innovative technologies. With a view to safeguarding financial stability in a global economy based on a complex network of financial deals, the ESRB encourages entities engaged in financial transactions to use LEIs systematically as, unlike other national identifiers, they offer the possibility to obtain information about the last “parent” of an entity. The LEIs enable the correct identification of financial and non-financial entities and play a major role in monitoring systemic risks and contagion phenomena and can be of significant importance also in the process of supervision and in procedures to prevent and fight money laundering.

As for interinstitutional relationships, in 2021, the FGDB continued its cooperation with the National Bank of Romania and the Ministry of Finance to complete the bill amending Law No. 311/2015 (the bill became Law No. 42/2022 and came into effect on 11 March 2022), and to finalise the text of the interinstitutional tripartite cooperation agreement intended to establish a formalised framework to facilitate communication and the run of activities towards fulfilling the powers the three institutions were assigned under Law No. 311/2015 and Law No. 312/2015. As a matter of fact, the need to create a harmonised functional framework, assumed by all institutions concerned, to govern existing or future bilateral agreements/conventions was a topic approached within the CNSM as early as 2019.

## INTERNATIONAL ACTIVITIES

At the beginning of 2021, the FGDB signed a bilateral accord with Hungary's deposit guarantee scheme<sup>71</sup> following the opening in Bucharest of a branch of Bank of China (Central and Eastern Europe) Limited, which has its headquarters in Budapest.

In March 2021, the FGDB participated in operations to test the Eddies system, developed within the European Union, relative to cross-border data exchanges among member deposit guarantee schemes and between these schemes and the team that manages the system.

Throughout 2021, the FGDB took part, via teleconferences, in actions undertaken within the professional associations of which it is a member, namely the EFDI<sup>72</sup> and the IADI<sup>73</sup>, also attending their annual general meetings and the meetings of their committees and working groups. Most active among the latter in 2021 was the Banking Union Working Group which analysed developments related to the bill on the EDIS project, and the Public Relations and Communications Committee, which promotes information and professional experience sharing among its members.

Since 2018, the FGDB has also been represented, by its General Director, on the *Task Force on Deposit Guarantee Schemes* (TFDGS) which operates within the Standing Committee on Resolution of the European Banking Association. The task force prepared the three *Opinions*<sup>74</sup> of the European Banking Association on the implementation by member states of the deposit guarantee schemes Directive and worked out recommendations for the review of that Directive.

Another two *Opinions* formulated by the TFDGS – on the interplay between the EU Anti-Money Laundering

Directive and the Directive on deposit guarantee schemes, and, respectively, on the treatment of client funds under the deposit guarantee schemes Directive – were approved in 2021.

At the start of 2022, the TFDGS mandate was extended to July 2025 in order to prepare opinions on:

- i) implementation of proposals set forth in Opinions on the review of the Directive on deposit guarantee schemes by preparing draft guidelines, recommendations and guidance;
- ii) support granted to the European Commission for any proposal to review and amend the said Directive;
- iii) review of and, where appropriate, proposals for amending the stress testing guidelines of the European Banking Authority based on the results of stress simulation exercises and the periodical peer reviews of the resilience of deposit guarantee schemes;
- iv) review of and, where appropriate, proposals for amending the European Banking Authority's guidelines on methods for calculating contributions to deposit guarantee schemes.

In 2021, the FGDB answered numerous questionnaires from other guarantee schemes referring to professional practices, provisions laid down in the relevant national legislation, or the experience acquired in deposit guarantee and bank liquidation.

Furthermore, the FGDB, together with representatives of the National Bank of Romania and of the Ministry of Finance, attended the virtual meetings of resolution colleges and participated in the conclusion or amendment of cooperation agreements between college member authorities

<sup>69</sup> The requirement for the capital buffer for other systemically important institutions, which has applied since 1 January 2016, is reassessed annually. Based on the CNSM recommendation, the National Bank of Romania issued Order No. 7/2021 on the buffer for credit institutions authorised in Romania and designated as other systemically important institutions (O-SIIs), which was published in the Official Gazette of Romania, Part I No. 1174 of 13 December 2021. In 2021, the number of credit institutions identified as falling into the “other systemically important institutions” category increased to nine, all Romanian legal persons and affiliated to the FGDB. On 31 December 2021, the covered deposits in the records of these nine banks accounted for 90 percent of the total FGDB-covered deposits at member credit institutions.

<sup>70</sup> The LEI is a legal entity identifier, a 20-character reference code to uniquely identify legally distinct entities that engage in financial transactions. It is based on the ISO standard 17442 developed by the International Organization for Standardization.

<sup>71</sup> Országos Betétbiztosítási Alap - (OBA).

<sup>72</sup> The EFDI currently has 54 member institutions from 48 European countries, including deposit guarantee schemes, investor compensation schemes and other entities.

<sup>73</sup> The IADI currently has 91 member organisations, 9 associates and 17 partners.

<sup>74</sup> Opinion on the eligibility of deposits, coverage level and cooperation between deposit guarantee schemes (8 August 2019), Opinion on deposit guarantee scheme payouts (30 October 2019) and Opinion on deposit guarantee scheme funding and uses of deposit guarantee scheme funds (23 January 2020).



25  
YEARS

3

DEPOSIT  
GUARANTEE



EVOLUTION OF DEPOSITS IN 2021

On 31 December 2021, deposits with credit institutions in the membership of the FGDB<sup>75</sup> amounted to 485.3 billion lei, having added 15.9 percent to the end-2020 level to hit the highest annual increase of the past 12 years. Leu-denominated deposits, each worth more than the equivalent of 100,000 euros, held by resident legal persons accounted for almost half the aforesaid increase.

In compliance with legislation in force, at the end of 2021 the FGDB’s guarantee covered all the deposit accounts owned by natural persons, as well as the deposits held by 97.2 percent of legal persons (small and medium-sized enterprises, companies and other assimilated entities).

Eligible (FGDB-guaranteed) deposits added up to 420.5 billion lei (accounting for 86.6 percent of total deposits), showing an increase worth 48.7 billion lei as against the end of 2020. Deposits within the FGDB’s guarantee scope followed an upward path all through 2021, registering an annual variation of +13.1 percent thanks to rises in all components – deposits of natural and legal persons,

deposits denominated in the leu currency or in foreign currencies, deposits below or above the guarantee ceiling.

Legal persons’ deposits in the national currency, most of them worth more than the leu equivalent of 100,000 euros, accounted for 45 percent of the annual advance of eligible deposits. Half the annual growth of FGDB-covered deposits was registered in the last three months of 2021 – a similarity with the evolution of previous years.

The constant upward move of deposits held with credit institutions affiliated to the FGDB reflects, first and foremost, a permanently cautious attitude as the main reason for savings in an environment still affected by the uncertainty the pandemic crisis, which extended into 2021, had generated. Against the background of consumers’ still distorted perception of economic prospects, households remained less inclined to consume in 2021, which explains the significant increase in savings. At the same time, businesses continued to show a tendency to delay investment projects.

Both natural and legal persons further indicated a preference for savings in the national currency rather than in foreign currencies, which pushed eligible leu-denominated deposits up by 13.4 percent year on year to 264 billion lei at end- 2021. Deposits in foreign currencies stood at the equivalent of 156.5 billion lei (an annual variation of +12.6 percent). Deposits in the leu currency continued to account for the bulk of total eligible deposits, that is 62.8 percent on 31 December 2021.

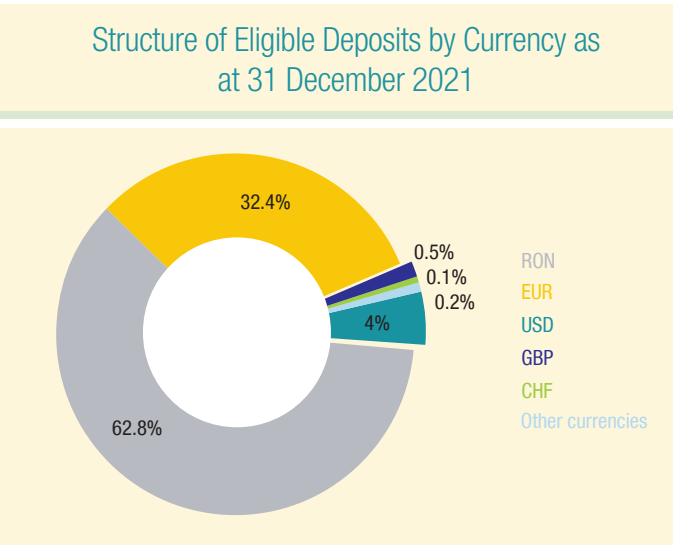
The euro denomination contributed more than 90 percent to the 2021 increase in eligible deposits in foreign currencies.

As pointed out in the previous chapter, overnight deposits<sup>76</sup> were a strong trigger for the increase in natural persons’ bank deposits in 2021, when they ended the year accounting for 61 percent of total household

deposits (going up by 8.9 percentage points from the previous year).

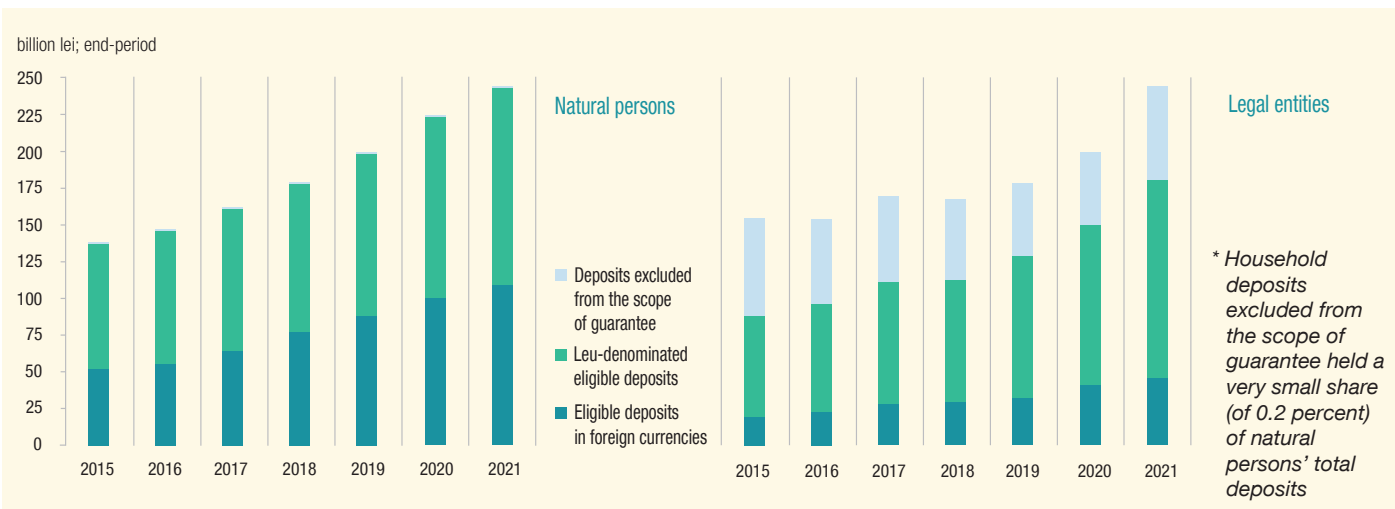
On 31 December 2021, holders of deposits under the FGDB’s guarantee remit added up to 15,419,008 natural and legal persons, of which 99 percent were residents with bank deposits worth 409.4 billion lei (representing 97.3 percent of total eligible deposits).

FGDB-covered deposits (that is, the share of eligible deposits that do not exceed the coverage limit of 100,000 euros in its leu equivalent) amounted to 263.5 billion lei at the end of 2021, a 9.1 percent jump from the end of the previous year, continuing to account for roughly two thirds of total eligible deposits. Approximately half of the increase in covered deposits worth 21.9 billion lei registered throughout 2021 was accounted for by

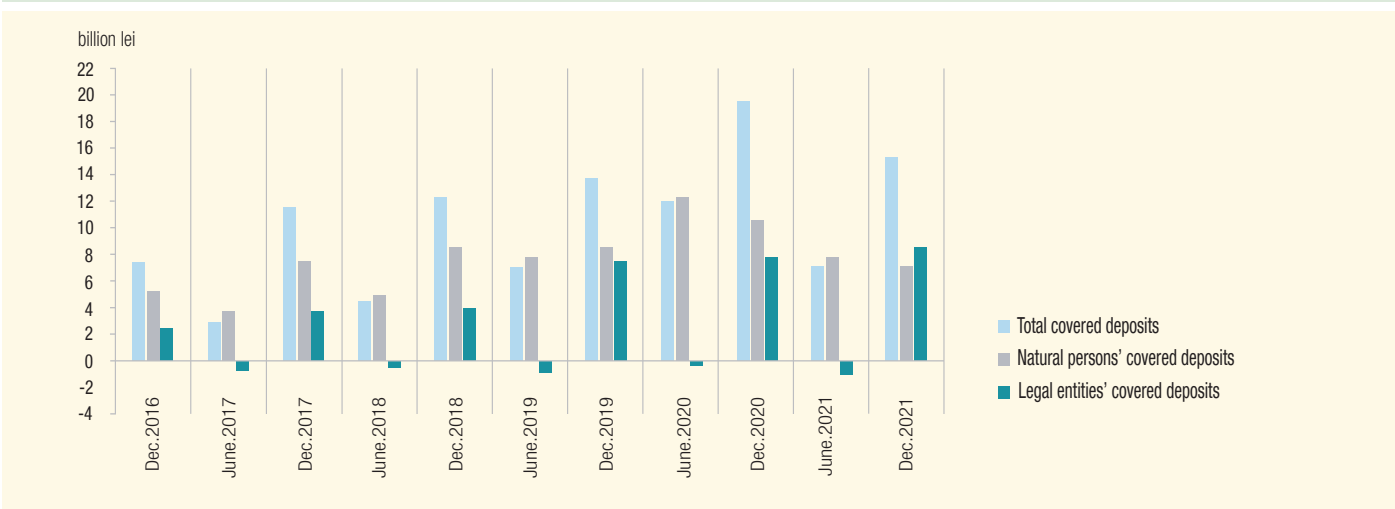


<sup>75</sup> A statement of deposits with member credit institutions as at 31 December 2021 is provided in Annex 3.  
<sup>76</sup> Monthly bulletin of the National Bank of Romania, December 2021. According to data provided by the National Bank of Romania, 2021 registered a hefty rise as to the precedent year in the share of overnight deposits in total household deposits. Overnight deposits were the exclusive factor behind the increase in household deposits as they offset leu and foreign currency withdrawals on the time deposit segment.

Deposits at Affiliated Credit Institutions\*



Variations of Total Covered Deposits by Categories of Depositors





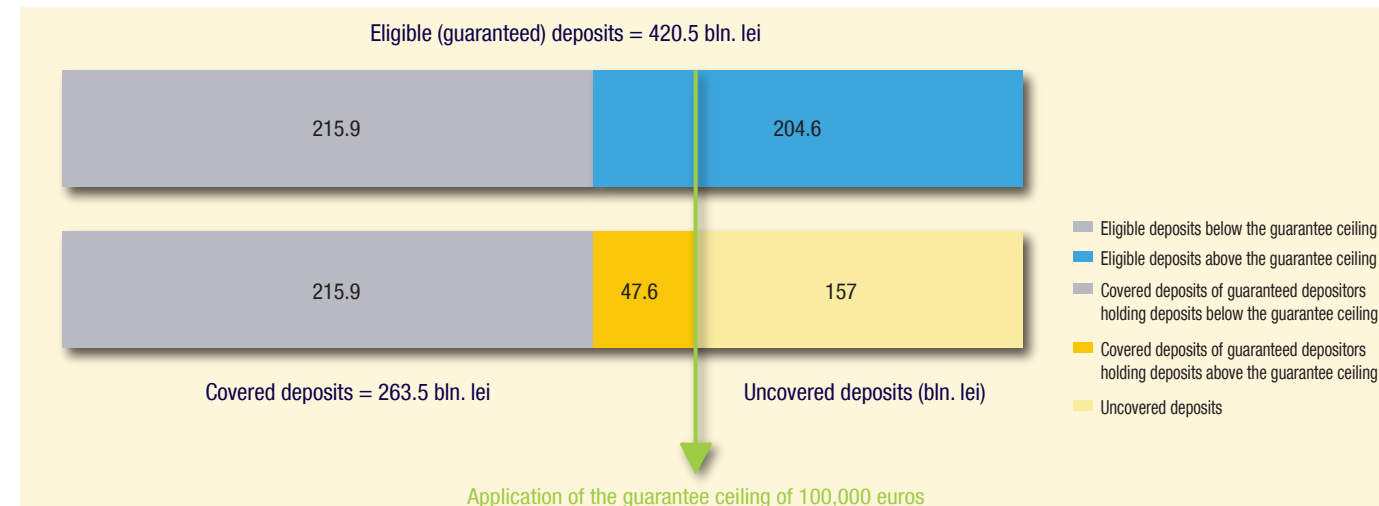
household deposits below the guarantee ceiling and denominated both in the leu and in foreign currencies. Deposits below or equal to the leu equivalent of 100,000 euros took 82 percent of total deposits benefitting from FGDB coverage and contributed the most to the increase in those deposits. Holders of deposits enjoying full FGDB guarantee accounted for 99.4 percent of total guaranteed depositors.

In relation to the leu equivalent of the coverage limit<sup>77</sup>, deposits below or equal to that threshold stood at 215.9 billion lei on 31 December 2021, when they accounted for 51.4 percent of total eligible deposits (an annual variation of +7.3 percent). Deposits above the guarantee ceiling hit a five-year high at 204.6 billion lei at end- 2021, an almost 20 percent jump year on year.

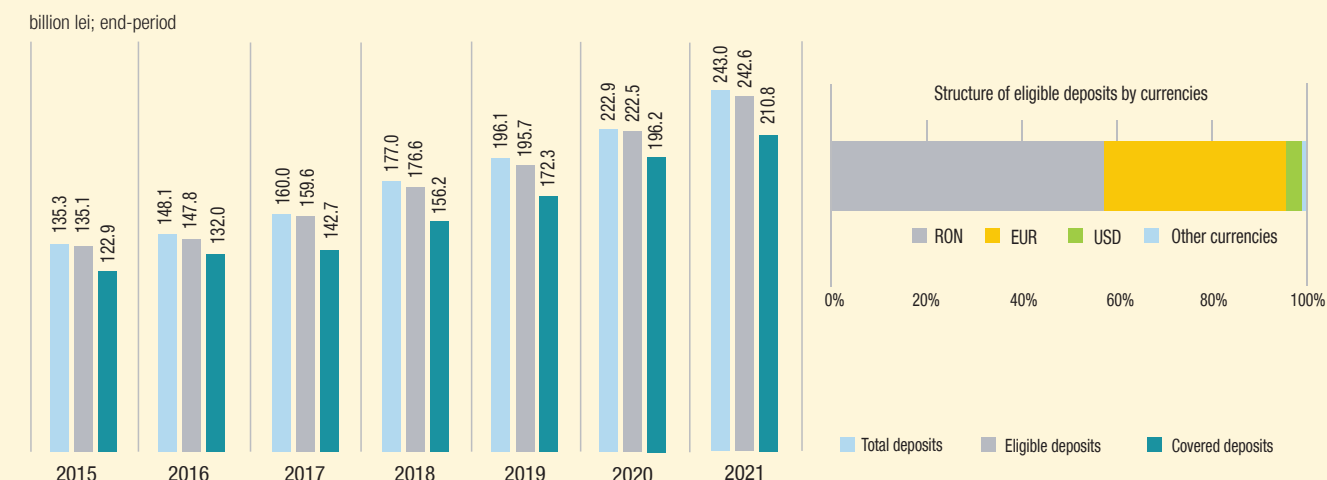
crisis, combined with the authorities' support measures, which prevented a sharp drop in household income, triggered the upward trend in people's savings which stayed unchanged all through 2021. Despite negative real interest rates, consumer confidence indicators and, in particular, consumer perception about current and future savings improved both in Romania and across Europe.

Romania's labour market recovered slightly during 2021, as numerous sectors of the economy gradually resumed their activity following the relaxation of the measures intended to prevent the spread of the COVID-19 pandemic. Consequently, the unemployment rate fell by one percentage point or so from 31 December 2020 to 5.7 percent at the end of 2021<sup>78</sup>.

## Positioning of Eligible Deposits in Relation to the 100,000-Euro Guarantee Ceiling on 31 December 2021



## Individuals' Deposits at Affiliated Credit Institutions



## NATURAL PERSONS' ELIGIBLE DEPOSITS

At the end of 2021, eligible deposits amounting to 242.6 billion lei, up nine percent from end-December the precedent year, were held by as many as 14,285,372 natural persons. All natural persons' deposits headed higher throughout 2021, denomination notwithstanding as deposits in the leu currency and deposit accounts in foreign currencies had a roughly equal contribution to the rise.

On 31 December 2021, individuals' eligible deposits in the national currency represented 54.8 percent of total eligible deposits held by natural persons and totalled 133.1 billion lei (an annual variation of +7.4 percent).

Foreign currency-denominated eligible deposits fared even better, moving up by 11 percent to the leu equivalent of 109.5 billion at the end of 2021, with around 40 percent of the total volume of eligible deposits being accounted for by deposits in euros.

Residents held 97.1 percent of total eligible deposits owned by natural persons on 31 December 2021 and their deposits saw a 9.2 percent advance throughout 2021, ending the year at 235.5 billion lei.

A still relatively low private consumption, given the fewer opportunities to spend money in the wake of the pandemic

The average net nominal wage<sup>79</sup> advanced to 3,879 lei at end-2021 (a year-on-year nominal increase of +7.2 percent).

In 2021, average monthly pension (for all categories of pensioners)<sup>80</sup> climbed 11.1 percent in nominal terms from the previous year to 1,666 lei, while the average state

pension (for people on early retirement pension or on old age pension) moved up by 10.5 percent to 1,602 lei (in real terms, the increase was a mere five percent). The average number of pensioners dropped by 49,000 from the precedent year to stand at 5,079 thousand, of which 4,654 thousand on state pensions (down by 21 thousand from 2020). The ratio of average number of non-workers

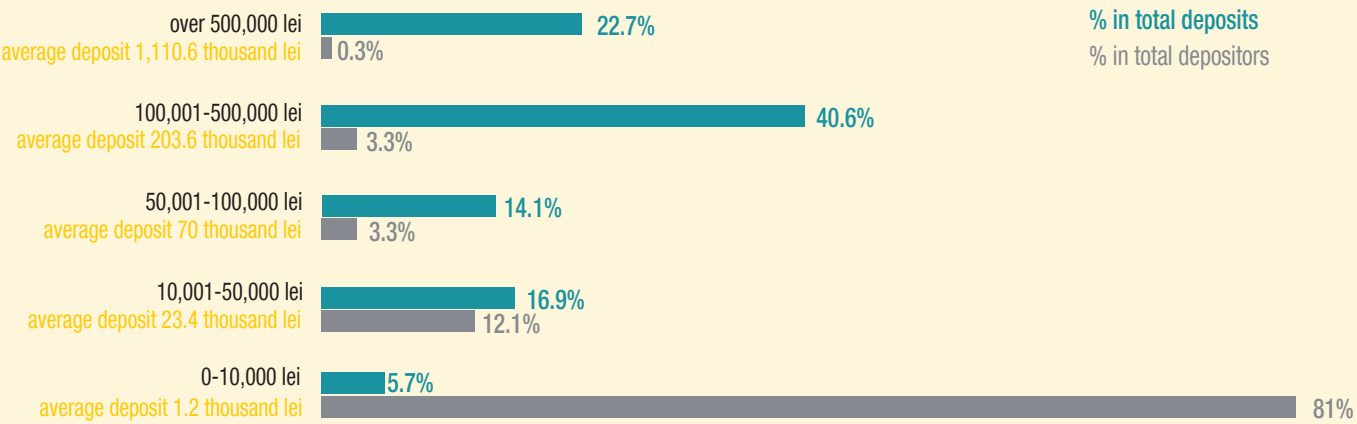
<sup>77</sup> On 31 December 2021, the 100,000-euro coverage threshold was the equivalent of 494,810 lei.

<sup>78</sup> Press Release No. 51/3 March 2022 of the National Institute of Statistics (revised, seasonally adjusted data). According to the Institute's methodological explanations, the unemployment data primary source is the Household Labour Force Survey (HLFS), according to the standards of International Labour Office. Starting 2021, the HLFS methodology was revised to meet the requirements of the new European regulations which came into force on 1 January 2021.

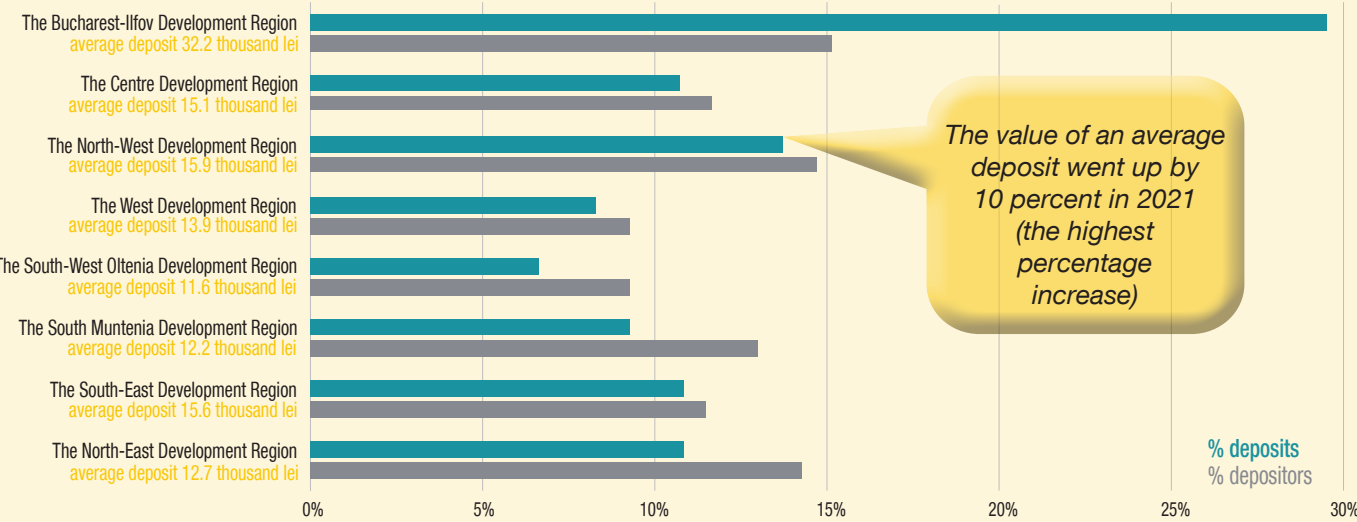
<sup>79</sup> Press Release no. 33/11 February 2022 of the National Institute of Statistics. The average net nominal wage in the majority of economic sectors increased in December 2021 as against the previous month as a result of occasional rewards (such as, quarterly, annual, winter holidays and performance bonuses or the 13th-month pay), payments in kind and allowances, cash from net profit sharing or sharing of other funds (including vouchers). The increase was also due to rewards for superior work achievements, for bringing in higher revenues (depending on contracts/projects), as well as to cuts in jobs paid below the average in certain economic sectors.

<sup>80</sup> Press Release no. 77/30 March 2022 of the National Institute of Statistics.

Distribution of Deposits by Ranges of Values



Distribution of deposits and depositors by regions



receiving the state pension to the average number of workers was of nine to 10; across Romania, that ratio showed significant variations – from four to 10 in Ilfov county, through 16 to 10 in Teleorman county and 14 to 10 in Giurgiu and Vaslui counties, to 13 to 10 in Botoşani county.

Examining end-2021 data reported by credit institutions participating in the FGDB, several aspects stand out highlighting an inversely proportional relationship between the distribution of depositors, natural persons, and the spread of their deposits, a specific feature common to the previous years as well.

The specific aspect of the distribution of people’s deposits is that most of the depositors (81 percent of those included in the analysis) hold amounts smaller or equal to 10 thousand lei, their deposits, worth an average 1.2 thousand lei, accounting for a scant 5.7 percent of total deposits in this category.

The next two segments, in the order of sizes, include amounts ranging from 10 thousand lei to 100 thousand lei and group 15.4 percent of depositors with a share of 31 percent of total deposits. Depositors with more than 100 thousand lei to 500 thousand lei in their accounts represent 3.3 percent of total depositors and take 40.6 percent of total deposits. The average deposit in this group is worth 203.6 thousand lei. The smallest segment includes individuals holding more than 500 thousand lei, taking 0.3 percent of the total number of depositors and 22.7 percent of total deposits, the average deposit in this segment standing at 1,110.6 thousand lei.

Year after year, the Bucharest-Ilfov Development Region, which is the most developed region in Romania, has been concentrating almost one third of the deposits held by the natural persons included in this analysis and, on 31 December 2021, it registered the highest average deposit (32.2 thousand lei). In nominal terms, total deposits in the Bucharest-Ilfov Development Region increased by six billion lei, accounting for about 30 percent of the aggregate rise in deposits for the whole year, as reported to the FGDB by member credit institutions.

Conversely, the South-West Oltenia Development Region stays at the bottom end of the ladder, a position it has held for several years now, with the lowest average deposit (11.6 thousand lei) despite a 7.41 percent gain as against end-2020. The North-West Development Region clings to the top standing in terms of percentage increase in average deposit – that is, up almost 10 percent against the precedent year.

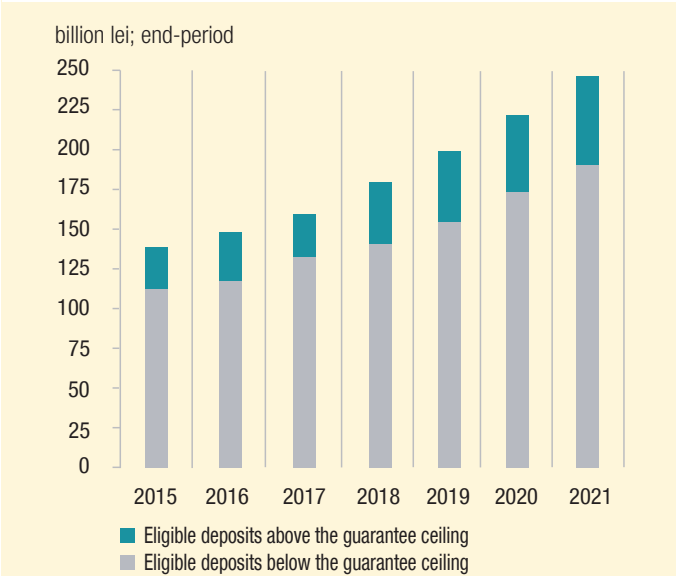
Total covered deposits held by natural persons amounted to 210.8 billion lei, having added 7.4 percent to the end-2020 level, and represented 86.9 percent of individuals’ overall eligible deposits and 80 percent of the total FGDB-covered deposits.

In 2021, natural persons’ deposits accounted for about two thirds of the increase in the overall volume of covered deposits. On 31 December 2021, deposits below the guarantee threshold held by 99.6 percent of the total number of depositors, natural persons, benefitted from full FGDB coverage.

As was previously pointed out, most people (14,230,801 depositors, natural persons) enjoyed full guarantee of their deposits which are below or equal to the coverage limit. Deposits getting full FGDB coverage increased by 6.1 percent to 183.8 billion lei at the end of 2021, accounting for 75.8 percent of total eligible deposits held by individuals. The segment of fully covered deposits was the driver behind approximately half the annual rise in FGDB-covered deposits.

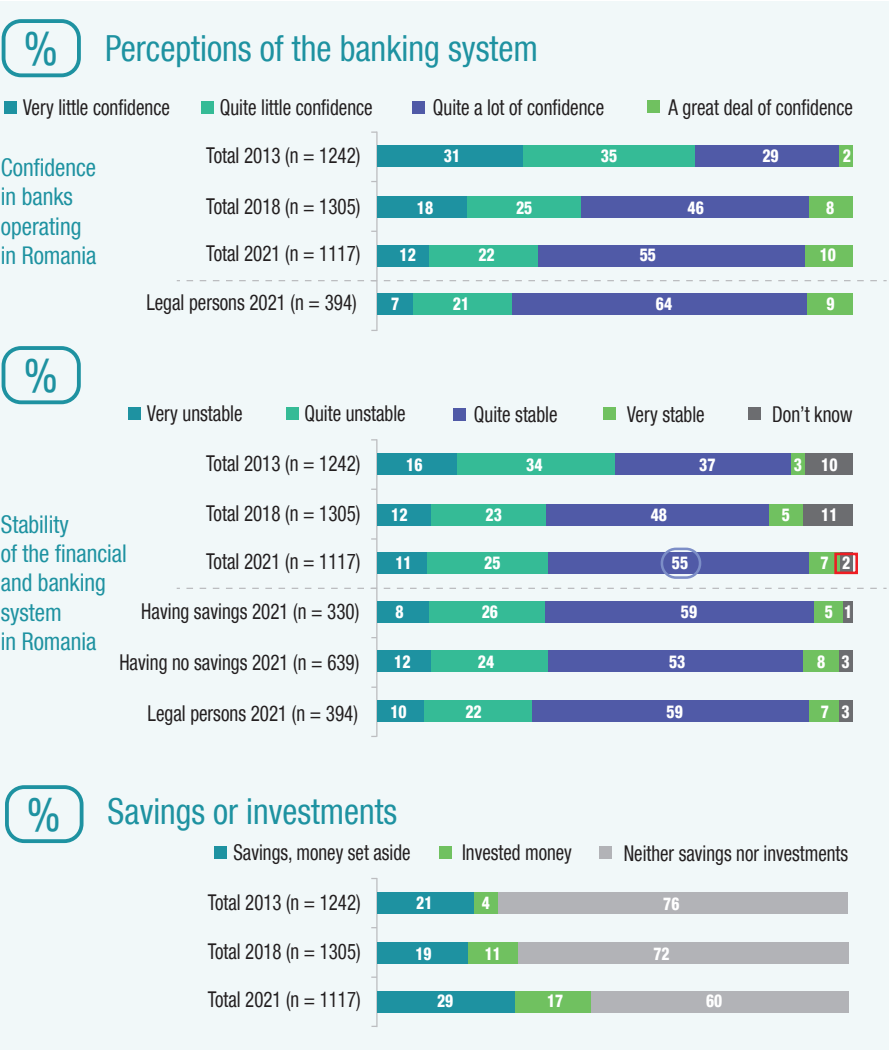
At the end of 2021, a natural person’s covered deposit averaged 14.8 thousand lei (an annual variation of +6.5 percent).

Positioning of Natural Persons’ Eligible Deposits in Relation to the Guarantee Ceiling



For a better understanding of the savings process, the FGDB regularly runs opinion surveys as a basis for studies of people’s savings behaviour, their confidence in the banking system and the extent to which they get information about deposit guarantee. The FGDB, together with Mercury Research, undertook such studies in 2013, 2018 and 2021 in both urban and rural communities where banked natural persons and legal entities were sampled.

The survey conducted in 2021 measured the FGDB’s reputation, perceptions of the financial and banking system in Romania, and the savings behaviour over the past two years. Data of the FGDB’s latest survey<sup>81</sup> showed that, compared to previous years, people’s savings were on the rise and confidence in the banking system in Romania was stronger<sup>82</sup>. Almost two thirds of the people who hold or use banking products or services said they had quite a lot or a great deal of confidence in banks, while 72 percent of the respondents said their opinion about the banking system in Romania had not changed at all during the COVID-19 pandemic. The FGDB’s reputation<sup>83</sup> was significantly better known in 2021 than in 2018 and 2013, almost a quarter of the respondents (24 percent) being aware the FGDB was the institution that guarantees payouts (as against 16 percent in 2018 and 14 percent in 2013). The FGDB’s reputation was acknowledged by 37



percent of the natural persons holding savings accounts and by 40 percent of the legal entities.

Confidence in the banking system remains on the upward course with 55 percent of the respondents saying

they have quite a lot of confidence (as to 46 percent in 2018 and 29 percent in 2013) and 10 percent stating they have a great deal of confidence (as to eight percent in 2018 and two percent in 2013). At the same time, perceptions about the stability of

the financial and banking system in Romania<sup>84</sup> have improved as 62 percent of the respondents consider the system is quite stable or very stable, against 53 percent in 2018 and 40 percent in 2013. Furthermore,

despite rather low consumer confidence in the economic situation in Romania (particularly during the period impacted by the health crisis), respondents’ expectations in terms of the present and future evolution of

savings are higher. All this shows that people both in Romania and in the European Union as a whole remain cautious, an attitude that continues to influence their propensity to save<sup>85</sup>.

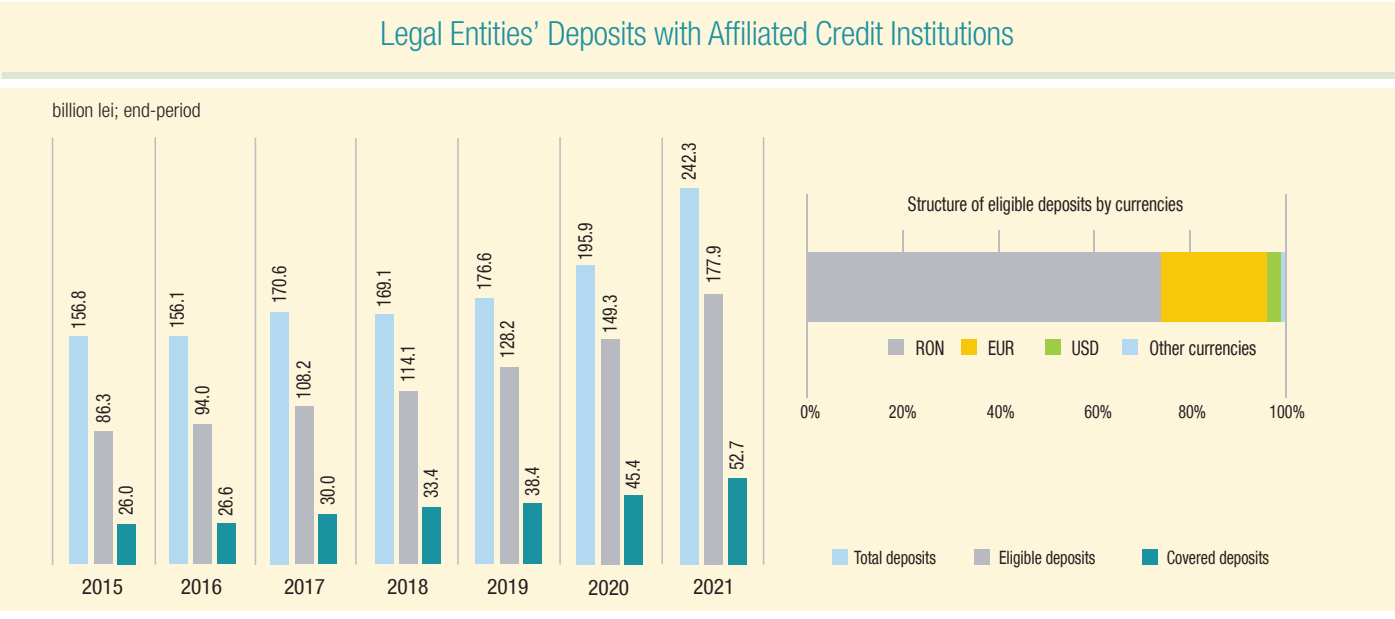
LEGAL ENTITIES’ ELIGIBLE DEPOSITS

Deposits held with credit institutions by guaranteed legal persons (all enterprises, irrespective of size) advanced at a faster pace than natural persons’ deposits, totalling 177.9 billion lei on 31 December 2021 (an annual variation of +19.1 percent). Unlike previous years, it was legal persons’ deposits that largely fostered the upturn of the overall value of eligible deposits, contributing around 29 billion lei, of which 85.5 percent coming from the rise in deposits above the guarantee threshold.

Despite the state of alert over the COVID-19 pandemic that continued all through 2021 and the restrictions imposed to prevent the SARS-CoV-2 coronavirus from spreading,

macroeconomic foundations were laid for economic recovery after the downturn of 2020. In this respect, palpable measures taken in Romania to help companies go through a difficult time mitigated the adverse impact on the economic environment. Some of the measures promoted in 2020 to fight the effects of the pandemic, such as social protection measures and assistance and support for businesses, were further applied in 2021 when new support measures were introduced in the economic sectors badly affected by the pandemic.

Although the financial situation of companies improved, with some of them having accumulated resources by



<sup>81</sup> The survey target audience were adults in urban and rural communities, aged 18 and older, who hold or use products and services provided by financial institutions (cards, loans, savings products, remote banking etc), and legal entities as secondary target audience. The sample of 1,117 were interviewed by telephone using the CATI (Computer Assisted Telephone Interviews) method with a margin of total sampling error of ±2.7 at a 95 percent confidence level.

<sup>82</sup> **Question:** In general, how much confidence do you have in banks operating in Romania? Assisted, single answer. Base: Total sample

<sup>83</sup> **Question:** Which of the following institutions would reimburse these savings fully or partially? Assisted, single answer. Base: Total sample

<sup>84</sup> **Question:** How stable do you think the financial and banking system in Romania is? Assisted, single answer. Base: Total sample

<sup>85</sup> **Question:** Did you set any money aside during the pandemic? It doesn’t matter whether in a bank account, on your bank card or in cash. Single answer. Base: Total sample



year's end, uncertainty persisted giving rise to a highly cautious investment behaviour. In 2021, the number of newly registered businesses<sup>86</sup> soared by approximately 35 percent as against the end of the year 2020 scoring the sharpest increase of the past ten years. However, there was a concomitant rise – albeit slower – in the number of companies that were deregistered or dissolved.

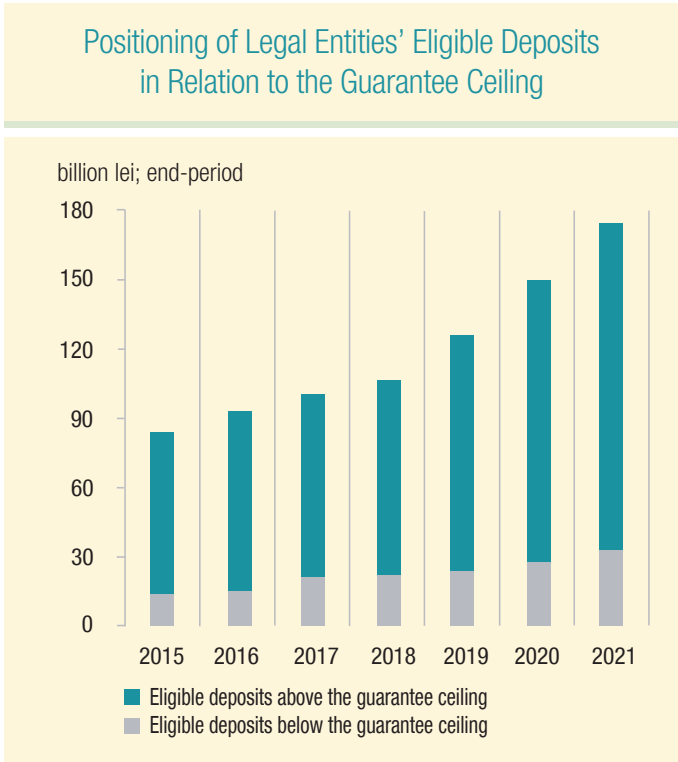
On 31 December 2021, legal entities held mostly eligible deposits denominated in the national currency adding up to 131 billion lei (an annual variation of +20.1 percent), while deposits in foreign currencies amounted to 46.9 billion in the lei equivalent (an annual variation of +16.6 percent). Just as in the case of natural persons, deposits in euros were the main component of deposits denominated in foreign currencies and their advance by the lei equivalent of 6.3 billion in 2021 was the driver of the upswing in legal entities' eligible foreign-currency deposits. Deposits in both the national currency and in foreign currencies, no matter the denomination, especially those above the lei equivalent of 100,000 euros, moved in positive territory.

At the end of 2021, lei-denominated deposits continued to hold the bulk (73.6 percent) of legal persons' total eligible deposits, being followed by deposits in euros (22.5 percent) and in US dollars (3.2 percent).

Resident legal persons held eligible deposits at FGDB-member credit institutions amounting to 173.9 billion lei on 31 December 2021, up 19.7 percent from the end of the precedent year, and accounting for 97.7 percent of total eligible deposits owned by this category of depositors. Residents represented 99.8 percent of the total 1,133,636 legal entities holding eligible deposits on 31 December 2021. Holders of deposits within the guarantee ceiling accounted for 96.3 percent of that number.

Unlike natural persons, who have less than the lei equivalent of 100,000 euros in their deposit accounts, legal entities' deposits above the coverage limit have the largest share of total eligible deposits in this category (81.9 percent), while covered deposits, worth 52.7 billion lei (an annual variation of +16.2 percent), have a 29.6 percent share.

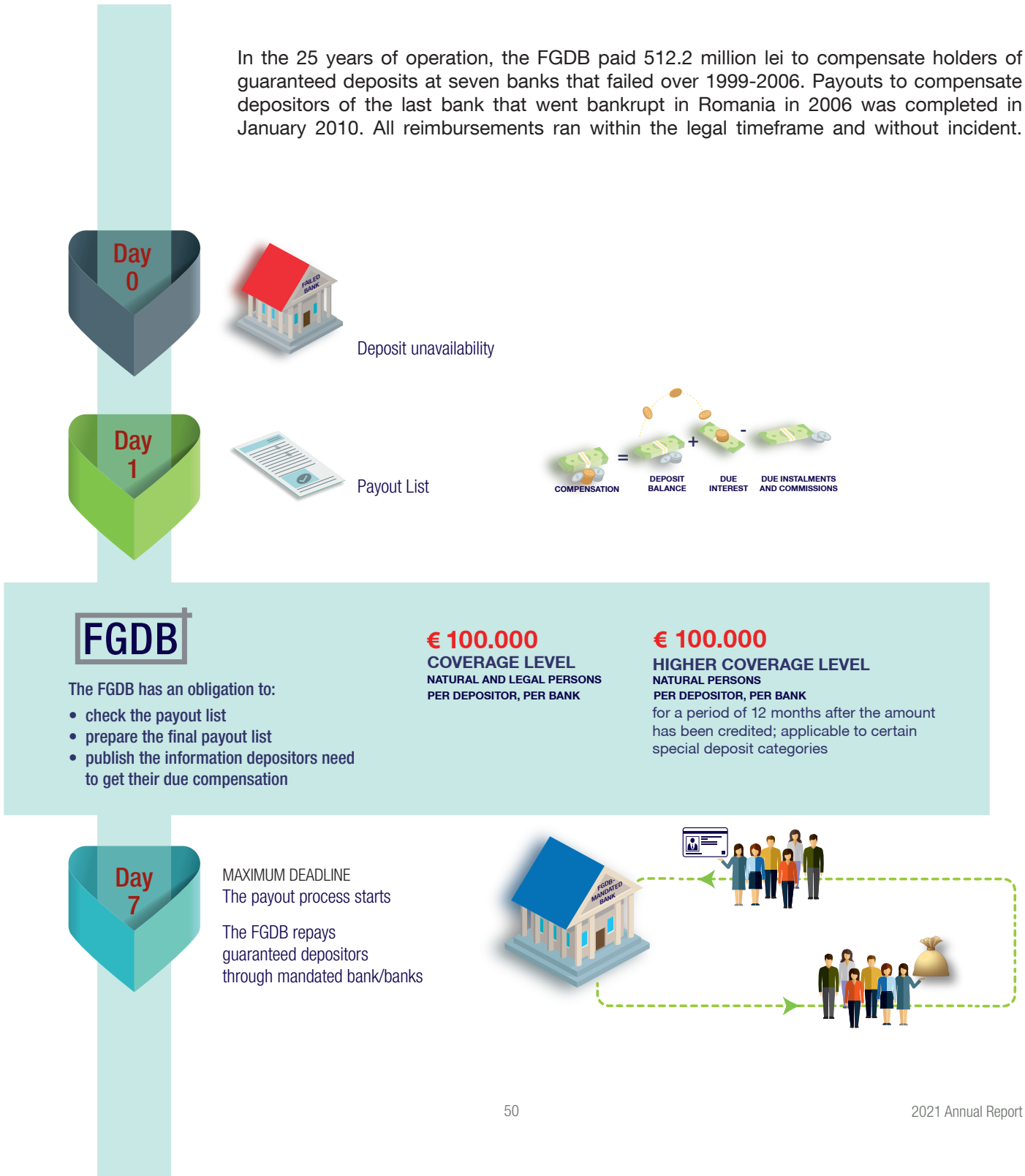
<sup>86</sup> Source: National Trade Register Office, the Statistics section.



On 31 December 2021, deposits above the lei equivalent of the 100,000-euro threshold added up to 145.7 billion lei and accounted for 81.9 percent of legal entities' eligible deposits.

At the end of 2021, an average eligible deposit within the coverage limit was worth 29.4 thousand lei, while a deposit above the guarantee ceiling averaged 3,512.4 thousand lei. A covered deposit held by a guaranteed legal person amounted to an average 46.5 thousand lei (15.7 percent up year on year).

## THE PAYOUT PROCESS



In line with the legislation governing its activity, the FGDB has an obligation to disburse due compensation to guaranteed depositors within at most seven working days of the date of deposit unavailability, which is the shortest payout deadline set out in the *European Union's Directive 2014/49/EU on deposit guarantee schemes*<sup>87</sup>. In order to fulfil that mandate, the FGDB has shown continuing interest in providing the necessary conditions for a rapid, effective payout process, which is a significant factor of consolidating depositor confidence.

To this end, in 2021, the FGDB, with support from the National Bank of Romania and the Ministry of Finance, took the final steps in the process of promoting a bill to amend Law no. 311/2015 referring, among other aspects, to the need to impart flexibility to compensation payment methods. As was pointed out earlier in this Report, the bill was approved by Romania's Parliament at the beginning of 2022, the existing legal framework being amended and complemented by Law no. 42/2022

which came into force on 11 March 2022. In contrast with the previous state of affairs when only credit institutions mandated as agent banks could make repayments, the current legal framework allows the FGDB to establish the compensation payment methods to be used<sup>88</sup>.

At the same time, the FGDB initiated an extensive project to implement modern repayment methods, in line with current trends towards digitalisation and with the practice of other guarantee schemes in the European Union, all while taking account of the requirements and level of financial education of various categories of depositors.

The research and the analyses conducted as part of that project led to the conclusion that reimbursements via a web platform would best fit market conditions in Romania, to which end the preparation of the necessary documentation (feasibility study, specifications etc.) on platform architecture was scheduled to start in the immediate future.

## INSPECTION VISITS AT FGDB-AFFILIATED CREDIT INSTITUTIONS

All credit institutions accepting deposits from the general public in European Union member states have the obligation to join a deposit guarantee scheme officially recognised either in legislation or by the designated authority. Credit institutions which are Romanian legal entities authorised by the National Bank of Romania are members of the FGDB, the statutory deposit guarantee scheme officially recognised in Romania, including for deposits taken by these institutions' branches abroad. The branches in Romania of credit institutions headquartered in other member states are affiliated to the guarantee schemes in their home countries.

On 31 December 2021, the FGDB membership included 26 institutions<sup>89</sup>, of which 23 credit institutions, two savings and loan banks and a credit cooperative (central body and affiliated cooperatives)<sup>90</sup>.

In compliance with legislation in force, the FGDB conducts annual on-site inspections at all member credit institutions to verify their deposit-related reports, as well as the procedures they follow to inform depositors of the deposit guarantee process. The main goal of these inspection visits is to confirm that both the credit institutions and the FGDB provide all the necessary

conditions for an effective run of the payout process, the appropriate classification of deposits in terms of coverage, and the supply to depositors of reliable information about the protection the FGDB offers.

Since during 2021 there was some respite from the restrictions imposed in the wake of a prolonged pandemic situation generated by the SARS-CoV-2 virus, control activities were performed according to a hybrid arrangement: remote inspection, in the case of reports, and partial controls, in the case of information supplied to depositors – based on correspondence exchanged with the 26 participating credit institutions and on the information they provided via secure/encrypted files over the interbank communication network and by electronic mail, and, respectively, by examining the information credit institutions offered to depositors on their official websites – and at the headquarters of the Bucharest units of credit institutions to verify the modalities whereby depositors are offered deposit guarantee-related information.

The 2021 controls focused on:

- i. the accuracy of the data member credit institutions reported ahead of the determination of annual contributions to the deposit guarantee fund in 2021;
- ii. the accuracy of the data submitted by participating credit institutions in the *Payout List* on 31 December 2020 (by four institutions<sup>91</sup>) and on 30 June 2021 (by 22 institutions);
- iii. compliance with legal provisions related to the information credit institutions provide to depositors.

Inspections were finalised on 15 December 2021 and the data they provided were used to adjust credit institutions' contributions to the deposit guarantee fund in 2021. The results of the controls conducted in 2021 at the 26 affiliated credit institutions showed a significant improvement in the quality of reported data and, just as in previous years, fewer inaccuracies were identified in terms of entries into the *Payout List*.

In 2021, for the first time, compliance with legal provisions related to the information of depositors was verified based on the FGDB's *Legal Regulations No. 1/2020* (which took effect in the first half of April 2021). Credit institutions where errors were identified had corrected them all by the time the controls came to an end so as to ensure compliance with applicable legal provisions.

The FGDB has shown abiding interest in improving its operational capability to make repayments. To this end, the focus has stayed on increasing the accuracy of *Payout List* data which are necessary when determining the amount of compensation owed to each guaranteed depositor. To achieve this goal, the FGDB has tested the capacity of all member credit institutions to prepare and deliver the payout lists on a date other than the last day of a month. The 2021 test exercise focused on the accuracy/completeness of the data contained in the *Payout List* and involved a larger number of credit institutions (nine credit institutions in 2021 as against seven in 2020). During the test exercise, only one error was identified at one credit institution. The error was eventually corrected by adapting an IT application.

<sup>87</sup> Within the European Union, the payout deadline will be gradually reduced from 20 business days to seven business days by 2024.

<sup>88</sup> The FGDB's Supervisory Board with the approval of the Board of Directors of the National Bank of Romania, annually selects the credit institutions to be given a mandate for the following 12 months to make compensation payments in the event that deposits become unavailable and the FGDB decides to make reimbursements through agent banks.

<sup>89</sup> The number of credit institutions affiliated to the FGDB remained unchanged from end-2020.

<sup>90</sup> A List of FGDB-Member Credit Institutions as at 31 December 2021 is available in Annex 4.

<sup>91</sup> In the case of the four credit institutions, the latest data reported to the FGDB in the period to the deadline of inspections referred to the end of the second half of 2020.



25  
YEARS

4

FGDB-MANAGED  
FINANCIAL  
RESOURCES



The financial resources of the two FGDB-managed funds – the deposit guarantee fund<sup>92</sup> and the bank resolution fund<sup>93</sup> – stayed on an upward path in 2021, in line with the evolution of covered deposits, thus making a positive impact on financial stability.

On 31 December 2021, the financial means of the deposit guarantee fund and of the bank resolution fund totalled 8,934.8 million lei, up 681.3 million lei from the end-2020 level. In 2021 as a whole, the FGDB-administered financial resources increased by 8.3 percent from the previous year, especially on the back of inflows into the bank resolution fund whose annual advance accounted for some 60 percent of the overall increase in the FGDB’s resources in 2021. The financial resources of the two

funds include the FGDB’s profit in 2020 which will go almost entirely (at least 99 percent, according to the law) to the deposit guarantee fund and the bank resolution fund to top up their available financial resources.

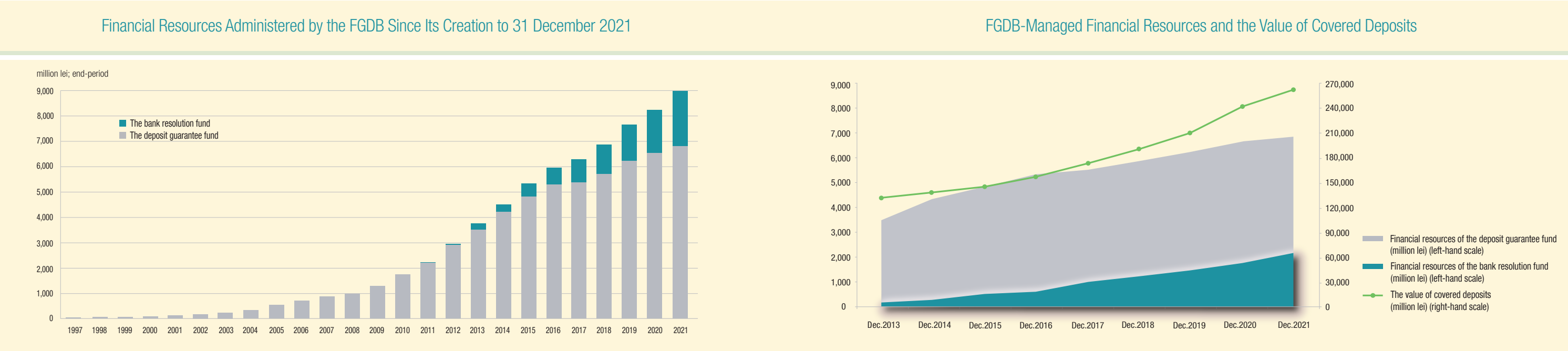
According to requirements under European directives in terms of deposit guarantee and bank recovery and resolution, both FGDB-managed funds have an *ex-ante* funding mechanism based on contributions tailored to the risk profiles of member credit institutions which has allowed a gradual accumulation of financial resources, all the more so in the absence of events in Romania requiring the use of the two funds’ resources for their original purpose<sup>94</sup>. Consequently, as far as the deposit guarantee fund is concerned, the FGDB places among guarantee

schemes boasting a high funding level. Furthermore, the bank resolution fund which, upon creation at the end of 2015, took over the financial means of the bank restructuring fund, set up in 2012 as a replacement for the special compensation fund established in 2010, gave it a positive balance from the start. Subsequently, it has posted annual increases and on 31 December 2021 it reached a level of 0.8 percent of the sum of covered deposits (the target level set for all member states is of at least one percent by 2024).

The pandemic crisis which broke out in the first half of the year 2020 and continued throughout 2021, had a major impact on economic activities, significantly changing the behaviour of both people and businesses. Although

part of the economy reopened in 2021, the propensity to save remained unchanged. One of the consequences of involuntary savings, with direct influence on the FGDB’s level for funds, was the marked increase of covered deposits within the scope of guarantee. These deposits moved up by 9.1 percent in 2021, above the levels usually recorded in the pre-pandemic period, but substantially below the 14.7 percent level registered in 2020.

Under these circumstances, the FGDB’s funding level followed a steadily downward course reaching 2.6 percent of the sum of covered deposits on 31 December 2021, as against 2.7 percent in 2020 and 2.96 percent in 2019.



<sup>92</sup> The financial resources of the deposit guarantee fund are used to reimburse guaranteed depositors and to finance resolution measures which, once applied, grant depositors’ continuous access to their deposit accounts with the credit institutions under resolution.

<sup>93</sup> As pointed out in Chapter 1, the bank resolution fund was set up on 14 December 2015 by taking over the financial resources of the bank restructuring fund (designed to compensate persons adversely affected by measures proposed and applied during special administration procedures and to finance the stabilisation measures decided by the National Bank of Romania). The bank restructuring fund was administered by the FGDB over 2012-2015, its resources being taken over from the special compensation fund (2010-2011), which was created to provide the financial resources needed to compensate persons negatively affected by measures proposed and implemented during special administration procedures.

<sup>94</sup> Deposit guarantee fund resources were last used for payouts in 2007, when Romania registered the last bank failure. The bank resolution fund, created at end-2015, has not been used to date to finance resolution measures.

Nevertheless, the FGDB continues to hold a top standing among guarantee schemes in the European Union as far as the level for funds is concerned, as the end-2021 level was more than three times higher than the 0.8 percent minimum target level which the guarantee schemes in member states must reach by 2024. Operations related to building up, investing and using financial means in order to guarantee deposits and finance bank resolution measures are registered as distinct entries

in the FGDB’s accounting records. Both the financing sources of the two funds and the use of their financial resources are firmly established by law. In its capacity as both deposit guarantee scheme and administrator of the bank resolution fund, the FGDB covers all its operating expenses exclusively from revenues arising from investments of the available financial resources of the two funds, which makes the institution financially independent.

## The Financial Resources\* and the Use of FGDB-Managed Funds

- annual contributions from credit institutions
- revenues from investments of financial resources
- extraordinary contributions from credit institutions
- recovered claims

- loans from credit institutions, financial companies/ institutions and other institutions
  - loans from other deposit guarantee schemes\*\*
  - government loans
- In exceptional cases, where the FGDB's financial resources might prove insufficient, the Government, through the Ministry of Public Finance, covers the shortage offering a loan within five working days at the most of the date of the FGDB's request.

### The Deposit Guarantee Fund

- payouts to guaranteed depositors
- funding of the resolution measures\*\*\* applied to FGDB-member credit institutions, in line with decisions reached by the National Bank of Romania in its capacity as the resolution authority
- loans to other deposit guarantee schemes

- annual contributions from credit institutions
- revenues from investments of accumulated financial resources
- extraordinary contributions from credit institutions

- loans and other forms of assistance from credit institutions, financial institutions or other third parties
- loans from resolution funding mechanisms within the European Union
- government loans

### The Bank Resolution Fund

- funding of resolution measures to be applied to credit institutions, in compliance with legislation and according to the decisions of the National Bank of Romania in its capacity as the resolution authority
- loans to other resolution funding mechanisms within the European Union

\* in compliance with the legal framework as at 31 December 2021

\*\* although the source is specified in Law No. 311/2015, this is unfeasible because of a lack of interest in granting such loans on the part of guarantee schemes, as a survey which the FGDB conducted within EFDI in 2020 shows.

\*\*\* in compliance with provisions in Article 116 of Law No. 311/2015 and in Article 565 of Law No. 312/2015

In order to fulfil its responsibilities in line with legislation<sup>95</sup>, the FGDB may use its internal resources, but then it may also resort to external/alternative funding sources, such as loans from credit institutions, financial institutions, other deposit guarantee schemes or from the Government<sup>96</sup>, or, in the case of resolution measures, from other resolution funding mechanisms within the European Union.

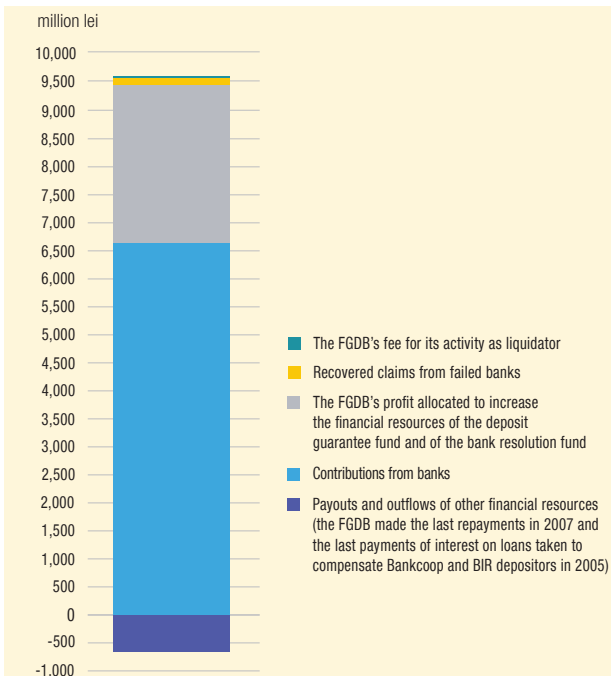
In 2021, FGDB-member credit institutions contributed a total 450.2 million lei to the two funds which received one more significant inflow of resources worth 228.5 million lei from profit distributed according to the law.

The 2021 strategy for investing financial resources concentrated on the minimisation of risk, the diversification and liquidity of investments, as well as on yields, seen as an associated goal. Accordingly, the cautious approach to the management of available resources continued, and the two basic features of the investment portfolios of the deposit guarantee scheme and the bank resolution fund – that is, adequate diversity and low risk – remained in focus. Furthermore, available financial resources were administered in keeping with the need to comply with the European Banking Association's guidelines and with the good practices EFDI-member deposit guarantee schemes have developed and applied in resource investment.

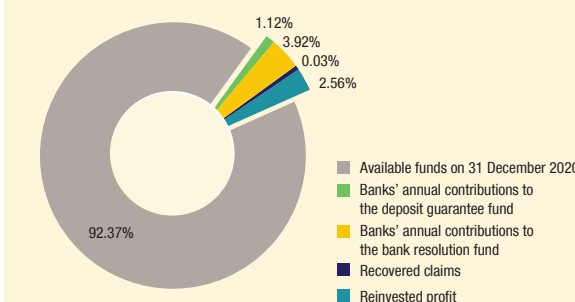
Liquidity remained a priority in 2021 given the high degree of unpredictability at the macroeconomic level. As a precautionary measure, the FGDB maintained both portfolios in its administration adequately liquid, particularly in the first half of 2021. Noteworthy among the FGDB's tactical moves was to increase the monthly liquidity reserve to a minimum 20 percent and to raise the percentage of investments with remaining maturity of one year or less to a minimum 40 percent.

Liquidity management also focused on maintaining an optimal number of financial instruments classified as

## The FGDB's Total Funds and Liabilities Since Its Creation to 31 December 2021



## The FGDB's Financial Resources in 2021 (percentages by categories)



<sup>95</sup> Starting with the early years of activity, the FGDB had to reimburse the guaranteed depositors of Bankcoop and Banca Internațională a Religioilor, two banks that failed in the first half of 2000. In order to cover the shortage of resources needed for payouts, the National Bank of Romania was empowered by law to grant the FGDB two lines of credit totalling 350 million lei. By 2005, the FGDB had paid back those loans.

<sup>96</sup> In line with the new legal framework set up under Law No. 42/2022, the FGDB may take Government-backed precautionary loans in order to strengthen its capability to secure an appropriate level of financial resources. In exceptional circumstances when the financial resources of the FGDB are insufficient and prevent it from fulfilling its legal mandate, the Government lends the FGDB the amount it needs within at most five working days of the date of its request. The Ministry of Finance will submit for Government approval a set of methodological regulations on government guarantees/loans in order to make them operational.

available-for-sale securities in order to keep liquidity of the two portfolios high, all while considering aspects related to the impact of the marking to market of those instruments. Given the adverse moves in the prices of financial instruments on both domestic and international markets triggered by hiking interest rates, the FGDB opted for an active administration of its financial instruments portfolio, which provided for the optimisation of treasury operations and also kept risks low.

Following measures to offset the negative impact of the COVID-19 pandemic taken in the past two years by the National Bank of Romania, which backed up interbank market liquidity by purchasing government securities from the secondary market and injecting liquidity through repo transactions with credit institutions, the FGDB was able to keep a rich portfolio of government securities. Moreover, the repurchase agreements concluded with several credit institutions holding a significant share of the market for government securities were maintained and firmer steps were taken towards the establishment of a legislative framework (which is applicable at present) to allow the FGDB to enter into repo operations with the central bank.

Decision-making in the management of available resources in 2021 continued to focus on diversification as a major target, even though the pandemic-generated uncertain domestic and international circumstances, as well as the substantially higher energy prices impeded the attainment of that goal. The FGDB's aim was to achieve highly granular investment portfolios by identifying new eligible counterparties/issuers and instruments. As the FGDB lowered its exposure to member credit institutions, it put less money into deposits with these institutions, so that by the end of 2021 the portfolio of the deposit guarantee scheme no longer included such deposits and the bank resolution fund had a very low exposure to participating credit institutions. Romanian government securities and investments in foreign credit institutions lost some ground in the second half of 2021 and were gradually replaced by tradable bonds issued by international financial institutions and other foreign financial institutions.

Moreover, the FGDB repeatedly adjusted the structure of its exposure – by counterparties, types of investments,

foreign currencies and maturities – adopting tactical measures to prevent the potential negative effects of the pandemic crisis and unfavourable developments on financial markets, all while capitalising on market opportunities and complying with the guidelines set under its annual strategy for the investment of financial resources.

In monitoring counterparty risk in the case of credit institutions authorised by the National Bank of Romania, the FGDB utilised an assessment methodology which is regularly updated to reflect the adjustments made as part of the Supervisory Review and Evaluation Process (SREP). This methodology assumes many of the indicators that are being used when determining annual contributions to a deposit guarantee scheme. A risk assessment was prepared every three months based on data that credit institutions had reported to the National Bank of Romania. The FGDB has access to those data under its cooperation agreement with the central bank.

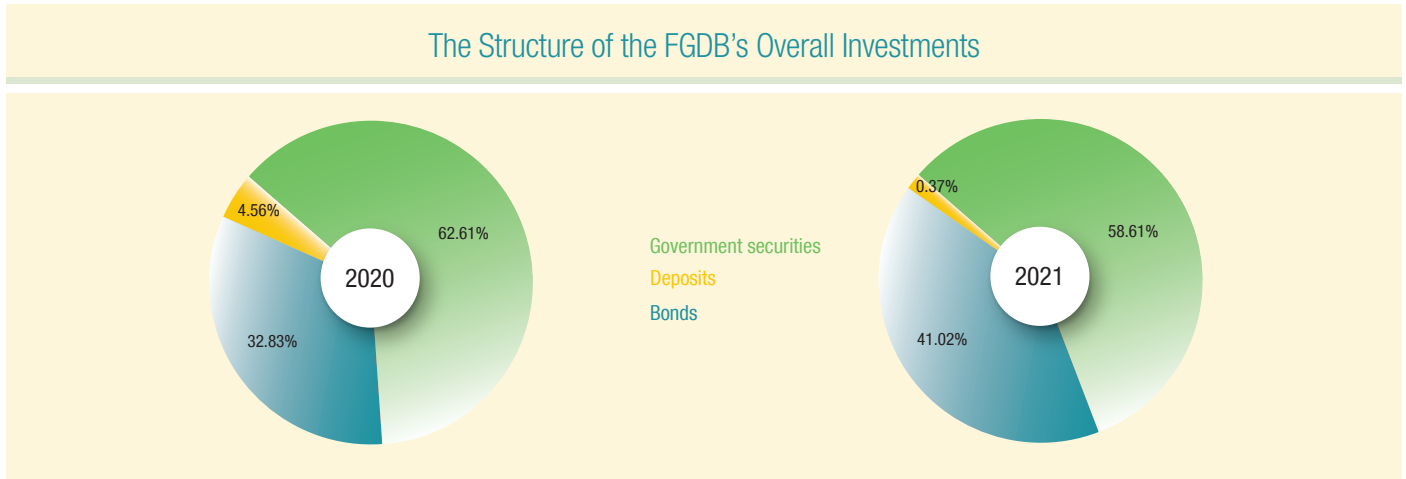
In circumstances when the banking system was going through a highly uncertain and challenging period – which had started once the pandemic crisis broke out – threatening to adversely impact the financial performance of credit institutions, the FGDB adopted a proactive attitude and started using more restrictive eligibility criteria in its strategy for the investment of financial resources. Moreover, the FGDB systematically monitored the credit ratings assigned by international credit rating agencies (S&P, Moody's, Fitch) to the foreign credit institutions, international financial institutions, and other financial institutions to which it was exposed in order to ensure compliance with the provisions of its investment strategy.

Depending on the risk ratings the FGDB had determined for credit institutions in Romania and on the ratings assigned by international rating agencies to the other categories of counterparties/issuers, adjustments were made to the structure of investments in order to keep it strictly in line with the guidelines of the investment strategy. The exposure limits set by types of issuers/ counterparties, financial instruments, maturities, and foreign currencies, which were approved for each of the two portfolios under the 2021 strategy for the investment of financial resources, were constantly observed and monitored.

From a tactical point of view, the FGDB's decisions in applying the provisions of its strategy for the investment of financial resources were intended to maintain an optimal liquidity level and a balanced structure of the investment portfolio, both being permanently adjusted to developments in the financial and banking market and to the additional uncertainty generated by the pandemic crisis.

In 2021, the average invested capital increased by 9.2 percent from the end of 2020 to reach 8,667.7 million lei.

The FGDB's continuous interest in consolidating the operational and financial resilience of Romania's deposit guarantee scheme shows in a number of projects in several key areas that are carried out within the institution.



### Alternative Funding Mechanisms

In 2021, the FGDB followed two key lines of action for the further preparation and operationalisation of alternative funding mechanisms: (i) intensified work to amend the legislative framework in order to solve the issue of government guarantees for the precautionary loans that the FGDB may take out and (ii) further negotiations with the World Bank on the terms and conditions of a precautionary loan to be able to finalise such an arrangement. As shown elsewhere in this Report, Romania's Parliament approved the bill amending and complementing Law No. 311/2015 early in February 2022. It came into effect on 11 March 2022 as Law No. 42/2022. At the same time, the FGDB continued negotiations on the precautionary loan from the World Bank in order to complete the documentation

needed for a full loan guarantee from the Ministry of Finance.

With a view to mitigating the risk arising from Romania's less liquid secondary market for government securities and other fixed-income, low-risk instruments, steps were taken to create a regulatory framework allowing the FGDB's access to short-term liquidity by entering *repo* transactions with the National Bank of Romania based on central bank regulations on this type of operations and in compliance with the provisions of Article 123 and of Article 130 of the Treaty on the Functioning of the European Union.

### Payment Commitments Project

In line with Law No. 311/2015 and Law No. 312/2015, which envisage the possibility for part of credit institutions' contributions to the deposit guarantee scheme and to the bank resolution fund to be in the form of payment commitments, the FGDB continued to look into lines of

action to develop and implement a system intended to operationalise payment commitments.

A project team was set up within the FGDB to prepare and advance a feasible implementation solution which



should be optimal in terms of the benefit-cost ratio. This operationalisation process started in correlation with the implementation of the functionality of segregation of accounts in the SaFIR system for credit institutions' clients which was introduced in the year 2020.

Concomitantly, the FGDB identified the operational requirements of a collateral management system, which is essential in the implementation of payment commitments. Such a system has certain particularities generated by the specific activities of the FGDB and the purpose

## THE DEPOSIT GUARANTEE FUND

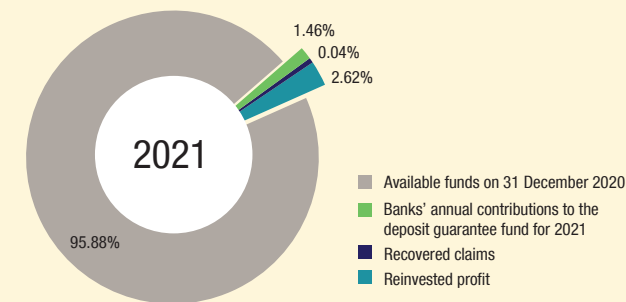
The financial resources of the deposit guarantee fund (which include the reinvested 2021 profit) totalled 6,838.6 million lei on 31 December 2021, having gained 281.6 million from the level recorded at the end of the previous year.

The FGDB's funding policy for 2021 remained cautious and focused on reaching a target level for funds in the [2.55 percent – 2.9 percent) range and on striking a balance between the aim to maintain an adequate amount of financial resources and the intention to keep the total volume of collected contributions within sustainable limits for the affiliated credit institutions in consideration of the uncertain economic circumstances.

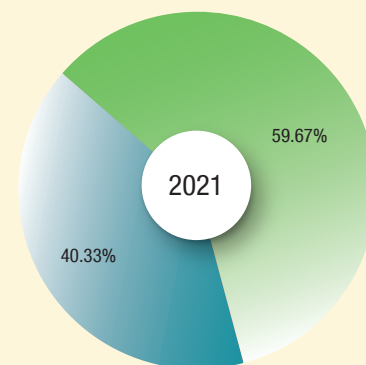
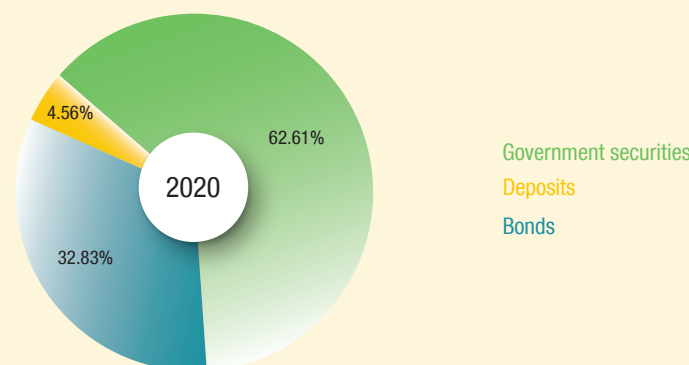
behind the set-up of this type of guarantees. All these requirements are laid down in the documentation the FGDB prepared and made available to credit institutions interested in engaging in this project.

In the period ahead, the FGDB intends to clarify the key aspects it will have to approach to be able to operationalise payment commitments and also look into the offer of collateral custody/management services providers to identify optimal solutions in terms of the benefit-cost ratio.

Financial Resources of the Deposit Guarantee Fund  
(percentages by categories)



Structure of the FGDB's Investments of Deposit Guarantee Fund Resources



Applying a countercyclical approach, in 2021 the FGDB collected annual contributions to the deposit guarantee scheme totalling 100 million lei, almost as much as it registered in 2020.

## THE BANK RESOLUTION FUND

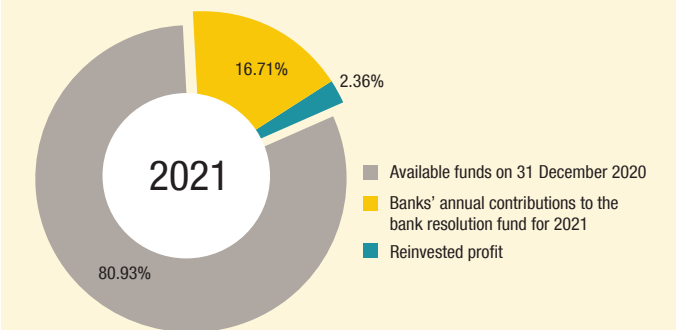
At the end of 2021, the available financial resources of the bank resolution fund, including the reinvested 2021 profit, added up to 2,096.2 million lei, spiralling up 23.6 percent from 31 December the year before. That level put the ratio of available financial resources to FGDB-covered deposits at 0.8 percent<sup>98</sup>, up 0.1 percentage points from the precedent year.

The National Bank of Romania, as the resolution authority, sets the level of annual contributions to the bank resolution fund for each credit institution according to its risk profile. In 2021, contributions amounting to 350.2 million lei went into the bank resolution fund.

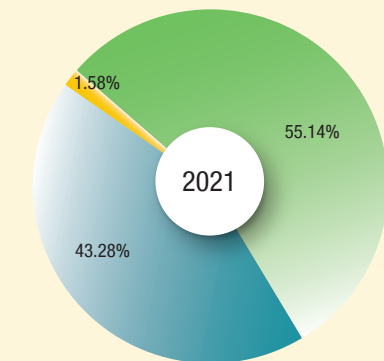
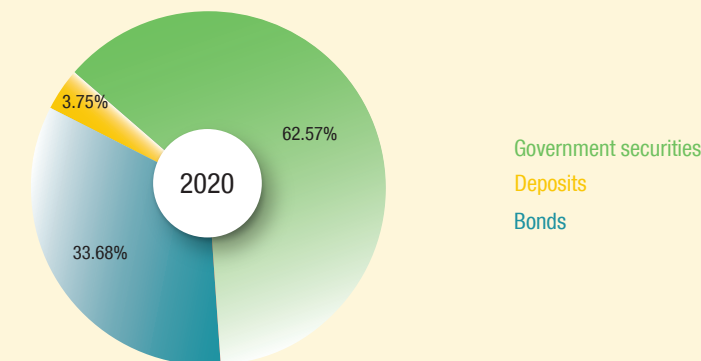
The percentage of bank resolution fund resources placed into deposit accounts at member credit institutions diminished from 3.75 percent at the end of 2020 to 1.58 percent on 31 December 2021.

On 31 December 2021, the financial resources of the deposit guarantee scheme were sufficient to allow the FGDB to make repayments to depositors of any of the participating credit institutions provided it had not been designated by the National Bank of Romania as belonging to the category of "other systemically important institutions (O-SII)"<sup>97</sup>.

Financial Resources of the Bank Resolution Fund  
(percentages by categories)



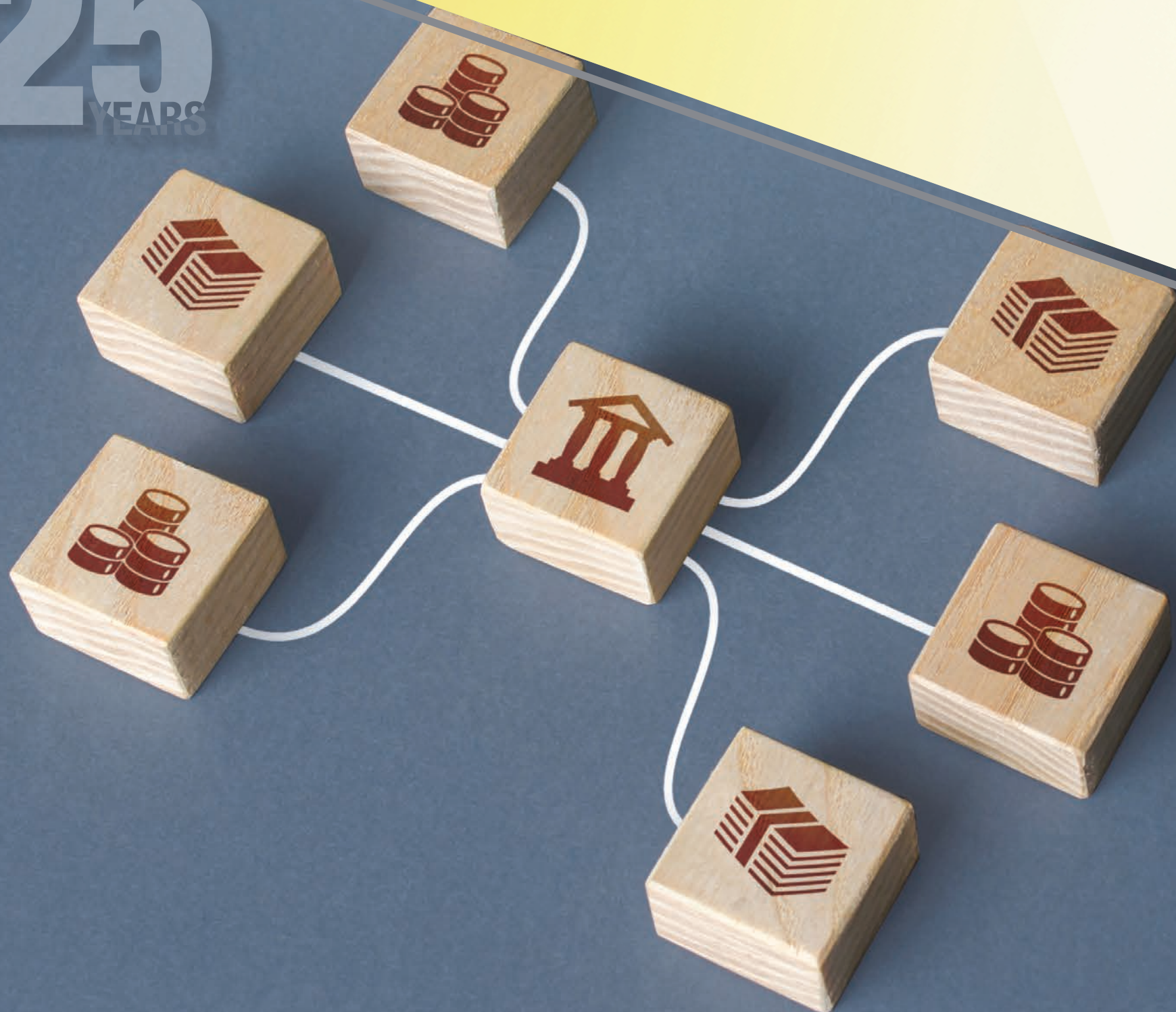
Structure of the FGDB's Investments of Bank Resolution Fund Resources



<sup>97</sup> Order No. 7/2021 on the buffer for credit institutions authorised in Romania issued by the National Bank of Romania.

<sup>98</sup> According to European regulations, a target level of the bank resolution fund of at least one percent of covered deposits must be attained in all member states by 2024.

25  
YEARS



5

LIQUIDATION  
OF FAILED BANKS



RESULTS OF THE LIQUIDATION PROCESS AT BANKS  
WHERE THE FGDB IS CREDITOR OR LIQUIDATOR

While in operation, the FGDB had active interventions to protect depositors of banks that failed in Romania over 1999-2006, namely Banca Comercială "Albina", Bankcoop, Banca Internațională a Religiiilor (BIR), *Banca Română de Scont (BRS)*, *Banca Turco Română (BTR)*, Banca "Columna" and Nova Bank<sup>99</sup>. With the payout process completed, the FGDB was subrogated to the rights of repaid depositors and joined the body of creditors of the failed banks.

In keeping with its mandate that had been extended under legislation in effect in 2002, the FGDB was appointed

liquidator of *BRS* and *BTR*. However, following the amendment of the respective legislation on 14 December 2015, the FGDB may no longer act as court-appointed liquidator, though it will continue its activity in that capacity in the case of BRS and BTR until bankruptcy proceedings against them close.

By end-2021, the FGDB was still monitoring four failed banks, acting as creditor of two of them<sup>100</sup>, and as liquidator of the other two<sup>101</sup>.

Cumulative Data on Claims Against the Banks That Went Bankrupt over 1999-2006

Total claims (body of creditors) 1,001 million lei	Total recovered claims 344 million lei
FGDB claims = 513 million lei	Claims recovered by the FGDB = 186 million lei (a claim recovery ratio of 36.26 percent of total claims)
Other creditors’ claims = 488 million lei	Claims recovered by other creditors = 158 million lei (a claim recovery ratio of 32.38 percent of total claims)

<sup>99</sup> On 22 August 2006, the National Bank of Romania decided the dissolution of Nova Bank followed by its liquidation and on 4 September 2006 appointed the FGDB as sole liquidator. The FGDB’s sole liquidator mandate was short-lived as the bank was forced into bankruptcy on 9 November 2006. Bankruptcy proceedings were closed under Decision No. 836 of 28 May 2020 of the Bucharest Court – Civil Section VII. The decision was final as no appeal had been lodged.

<sup>100</sup> Bankruptcy procedures were closed against Banca Comercială "Albina" in 2012 and against Bankcoop on 5 November 2019.

<sup>101</sup> The FGDB ceased to be a creditor of Nova Bank in 2007 following an assignment of claims agreement with another creditor. The FGDB was no longer a creditor of the banks where it had acted as liquidator following the recovery of its claims in full (in 2004 from *BRS* and in 2011 from *BTR*).

The FGDB acting as creditor

- **Banca Internațională a Religiiilor** - since 10 July 2000 in bankruptcy proceedings  
These proceedings are expected to come to a close within two years or so.
- **Banca “Columna”** - failed on 18 March 2003  
The FGDB has an unsecured claim of low value holding no assurance of payment given the existence of a high-value budgetary claim, which has priority. The bankruptcy process is expected to end in 2022.

The FGDB acting as liquidator

- **Banca Română de Scont (BRS)** - went bankrupt on 16 April 2002  
Further measures were taken to satisfy the claim set out in the enforceable title obtained at the start of 2018 following the resolution of the criminal case concerning the embezzlement of *BRS*<sup>102</sup>, and the processing of the civil cases pending before the courts for claims over the final recipients of the embezzled *BRS* funds.
- **Banca Turco Română (BTR)** - filed for bankruptcy on 3 July 2002  
Just as in the case of *BRS*, after 10 years of litigations, a final judgement was rendered on 25 May 2012 ordering the five former administrators to pay civil damages for the bank failure. At the end of 2021, actions to recover that claim were underway abroad.

In 2021, the bulk of the total receipts of the failed banks where the FGDB is either creditor or liquidator arose from recovered claims (88 percent), while most of the expenses went to “personnel-related spending” category (47 percent).

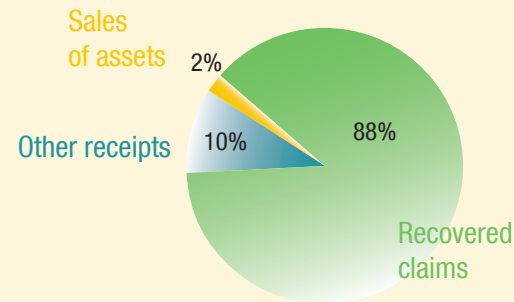
Total 2021 Receipts and Expenses of Failed Banks

Failed bank	Total receipts (thousand lei)	Total expenses (thousand lei)
1. BIR	124	444
2. <i>BRS</i>	61	673
3. <i>BTR</i>	879	488
4. Banca "Columna"	94	168
TOTAL	1,158	1,773

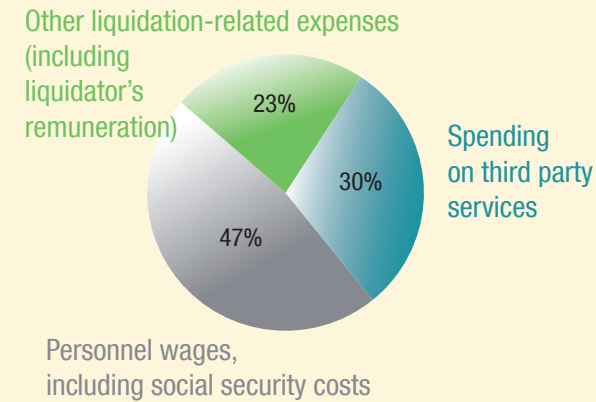
<sup>102</sup> The Bucharest Court of Appeal resolved the case on 22 March 2018 when it rendered Judgement No. 424/A, after partially reversing the Bucharest Court’s Judgement No. 764 of 11 May 2015 and remanding the case for reconsideration on the merits. Under the final judgement, *BRS* obtained the requested civil damages for the bank’s failure, that is 93,526 thousand lei (three times more than the amount awarded under the decision of the court of first instance).



### Structure of Failed Banks' Receipts



### Structure of Failed Banks' Expenses



In 2021, under Distribution Plan no. XIV prepared by the liquidator, BIR's unsecured creditors were the only ones to have their claims satisfied receiving 3,158 thousand lei, of which the FGDB got 2,500 thousand lei.

Although in 2021, the failed banks where the FGDB acts as creditor or liquidator took further steps to recover claims, the number of debtors in their records remained unchanged at 93 all through the year.

Distributions under bankruptcy proceedings in which the FGDB still participates as either creditor or liquidator totalled 223 million lei on 31 December 2021.

### Evolution of the Number of Failed Banks' Debtors

Failed bank	Total number of debtors on the date of bankruptcy	Total number of debtors removed from accounting records	Total number of debtors* on 31 December 2021
1	2	3	4 = 2-3
1. BIR	22,416	22,339	77
2. BRS	232	220	12
3. BTR	1,286	1,282	4
<b>TOTAL</b>	<b>23,934</b>	<b>23,841</b>	<b>93</b>

\* In the case of Banca "Columna" there are no available data on the total number of debtors on the date of bankruptcy and at the end of 2021 there was no debtor recorded in its portfolio of claims.

### Total receipts, expenses and funds for distribution to creditors as at 31 December 2021

Failed Bank <sup>1)</sup>	Total claims to recover on the date of bankruptcy (thousand lei)	Total liquidation-related receipts <sup>2)</sup> (thousand lei)		of which:						Total liquidation-related expenses (thousand lei)		Total funds allotted for distribution (thousand lei)	
				recovered claims			assets sales		other receipts				
		on 31 December 2021	of which, in 2021	value (thousand lei)	% of total claims to recover	% of total receipts	value (thousand lei)	% of total receipts	value (thousand lei)	% of total receipts	on 31 December 2021		of which, in 2021
1. BIR	213,982	189,794	124	152,719	71.37	80.47	23,559	12.41	13,516	7.12	83,735	444	108,452
2. BRS	37,750	39,110	61	18,370	48.66	46.97	16,423	42.00	4,317	11.03	20,423	673	18,130
3. BTR	227,480	67,095	879	14,871	6.54	22.16	31,899	47.54	20,325	30.30	19,114	488	45,506
4. Banca "Columna"	...	...	94	...	...	...	...	...	...	...	...	168	50,903
TOTAL <sup>3)</sup>	479,212	295,999	1,158	185,960	38.81	62.82	71,881	24.28	38,158	12.90	123,272	1,773	222,991

1) Cumulative data on the receipts and expenses of Banca "Columna" are not available.

2) Net value (free of VAT or other deductions, as the case may be).

3) Overall liquidation-related receipts, which include Banca "Albina", Bankcoop and Nova Bank, amount to 486,775 thousand lei (recovered claims worth 294,814 thousand lei, asset sales adding up to 142,482 thousand lei and other receipts totalling to 49,479 thousand lei), total expenses are worth 196,908 thousand lei, and the funds allotted for distribution stand at 344,446 thousand lei.

Banca Română de Scont (BRS)

From the date of bankruptcy (16 April 2002) to the end of 2021, claims worth 18,370 thousand lei were recovered, which means a recovery ratio of 49 percent of total claims in the accounting records on 16 April 2002.

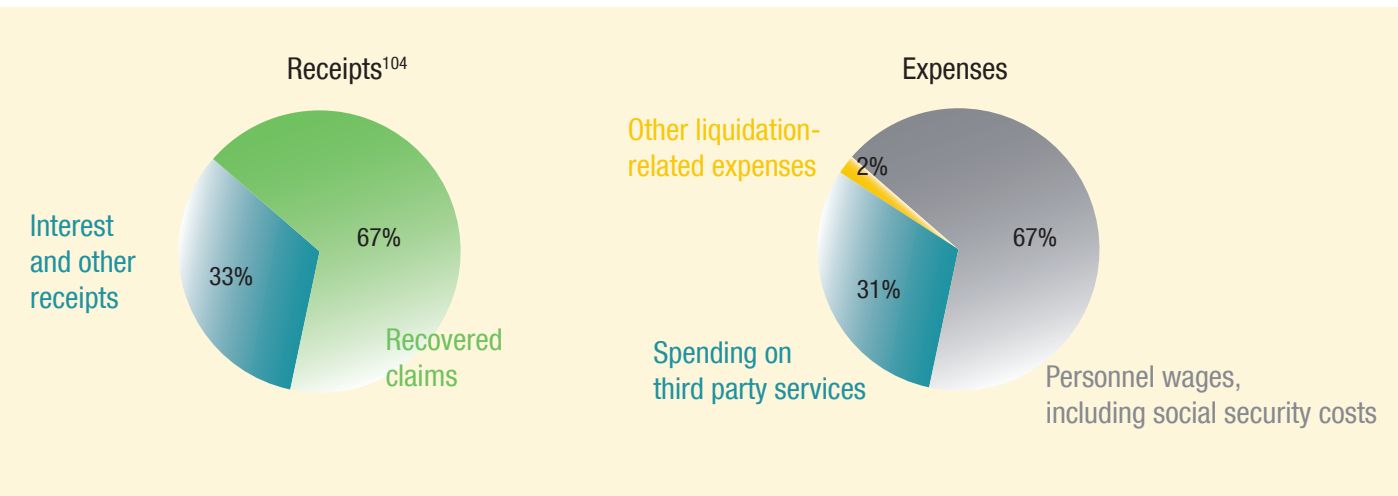
Just as in previous years, the *BRS* could not distribute any funds to its creditors in 2021, despite the 1,628 thousand lei in hand and at bank on 31 December 2021, because its assets were still under precautionary seizure<sup>103</sup>.

The funds distributed to *BRS*'s creditors before the application of the precautionary seizure in 2011 totalled

18,130 thousand lei, satisfying 47 percent of the body of creditors – the highest level of creditor satisfaction among failed banks.

During 2021, further measures were taken to satisfy the claim set out in the enforceable title obtained in March 2018 following the final resolution of the criminal case concerning the embezzlement of *BRS*. The implementation of those measures is expected to have a favourable impact on claim recovery actions.

Structure of *BRS*'s Receipts and Expenses in 2021



<sup>103</sup> The seizure of assets worth around eight million lei was imposed in 2011 as part of a criminal case concerning damage caused to RAFO SA and will be maintained pending a court ruling on RAFO's action for damages against *BRS*. On 4 November 2014, the Bucharest Court adjourned the matter until the bankruptcy proceedings against the BRS closed. In January 2020, the BRS petitioned the Bucharest Court for an injunction lifting the precautionary seizure and allowing sales of seized assets, with the proceeds from the sales deposited into the *BRS*'s account and available to the Court (except for amounts covering expenses related to bankruptcy proceedings). During a hearing on 14 May 2020, the Bucharest Court rejected the petition for an injunction as unfounded; the *BRS* lodged an appeal against the Bucharest Court's decision which was definitively rejected as unfounded by the Bucharest Court of Appeal in its session on 10 July 2020.

<sup>104</sup> In 2021, *BRS*'s receipts amounted to 61 thousand lei, of which 41 thousand lei resulting from recovered claims and 20 thousand lei arising from interest on investments and other receipts.

Banca Turco Română (BTR)

From the date of bankruptcy (3 July 2002) to 31 December 2021, claims were recovered amounting to 14,871 thousand lei and accounting for 6.5 percent of total claims, and, respectively, for 34 percent of claims in its records on bankruptcy date, leaving aside the claims over its main debtor<sup>105</sup> where from a partial amount – that is, 8,724 thousand lei – was recovered in 2017.

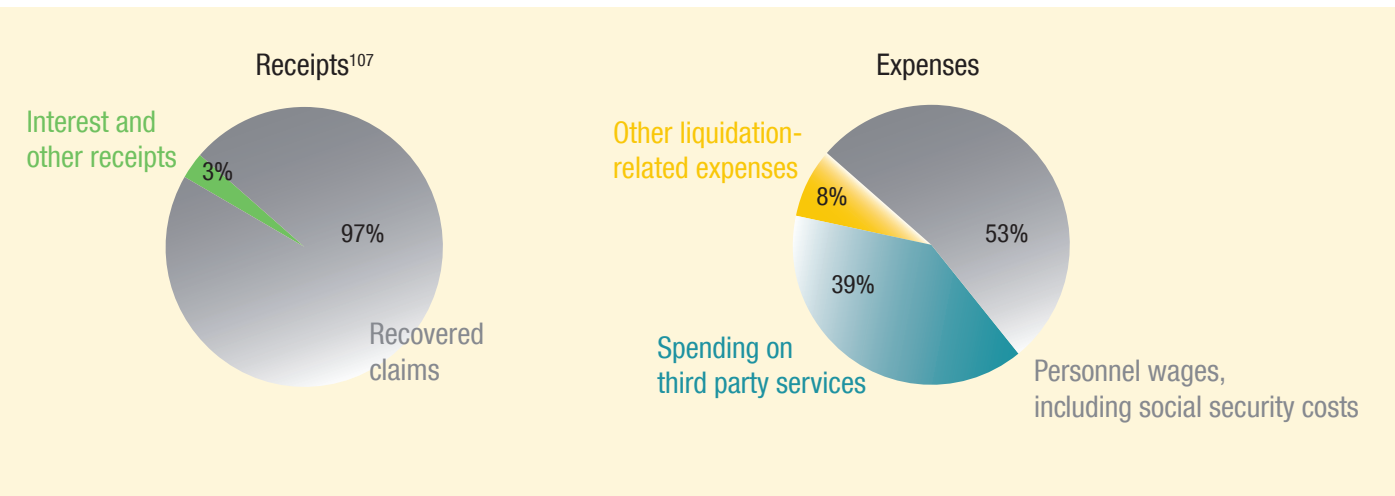
Cumulatively, financial revenue – a specific element of the bankruptcy proceedings against Banca Turco Română due to its size – covered liquidation-related expenses<sup>106</sup>.

*BTR*'s largest claim, namely civil damages for the bank failure awarded under Judgement No. 1083/R of 25 May

2012 of the Bucharest Court of Appeal amounted to 59.4 million USD and 11.3 million EUR, plus legal interest. On 31 December 2021, this debt, including accrued interest and recoveries, stood at 113.5 million USD and 22.1 million EUR and accounted for more than 99 percent of the portfolio of outstanding claims.

Starting September 2012, the FGDB initiated actions to recover the *BTR*'s main claim both at home and abroad given the cross-border nature of the matter (the Turkish citizenship of four of the five co-debtors, former bank administrators).

Structure of *BTR*'s Receipts and Expenses in 2021



<sup>105</sup> According to *BTR*'s accounting records, taken over from the liquidator when bankruptcy proceedings opened, its main debtor was Bayindir Insaat Turizm Ticaret ve Sanayi AS of Turkey, a company whose accrued debt on 3 July 2002 stood at 52.9 million USD and 10.2 million EUR, accounting for 92.08 percent of total claims on the date of bankruptcy. As part of the criminal case against the five former administrators of the bank for the fraudulent transfer of *BTR*'s funds to banks abroad to serve as guarantee/collateral for the benefit of the aforesaid company, in 2012 the court served an enforceable title for the recovery of the damage to *BTR*. The title showed in the *BTR*'s accounting records where the five former administrators were registered as collective debtor and by substitution with Bayindir Insaat Turizm Ticaret ve Sanayi AS became the bank's main debtor.

<sup>106</sup> From the opening of bankruptcy proceedings (3 July 2002) to 31 December 2021, financial revenue stood at 19,133 thousand lei, and liquidation-related expenses added up to 19,114 thousand lei.

<sup>107</sup> In 2021, *BTR*'s receipts stood at 879 thousand lei, of which 853 thousand lei from recovered claims and 26 thousand lei from interest on investments.



The highlight of *BTR*'s relentless work in Switzerland over October 2013-November 2016 was the recovery of 2.06 million CHF<sup>108</sup> in the first quarter of 2017, which provided for a first partial distribution to seventh-rank creditors, legal persons. Based on a litigation funding arrangement valid since October 2016, *BTR* benefited from a strategy relying on multijurisdictional investigations that allowed it to identify assets held by aforesaid co-debtors (in

RECOVERY OF THE FGDB’S CLAIMS

The FGDB is the major creditor of BIR (78.90 percent of the body of creditors) and one of the unsecured creditors of Banca "Columna", where it holds an insignificant share of the body of creditors (0.04 percent)<sup>109</sup>. The FGDB ceased to be a creditor of five bankrupt banks following either the recovery of its claims in full through distributions or the assignment of its claim (from *BRS* and *BTR* in 2004 and 2011, and, respectively, from Nova Bank in 2007) or the closing of the bankruptcy proceeding (in the case of Banca Comercială "Albina" in 2012, and Bankcoop in 2019).

During 2021, the FGDB recovered its claims from only one failed bank – 2,500 thousand lei from BIR. This amount is three times smaller than its last claim recovery from a distressed bank, which happened in 2020 when the FGDB recouped 7,649 thousand lei in outstanding claims, also from BIR.

The FGDB’s accounting records as at 31 December 2021 showed outstanding claims over BIR and Banca "Columna" totalling 101,031 thousand lei. The claim recovery ratio, considering total stated claims worth 186,242 thousand lei, was 45.75 percent.

As for the 327,130 thousand lei worth of the FGDB’s historic claims over the rest of the banks that went bankrupt in Romania over 1999-2006 (Banca Comercială

Switzerland, Bermuda, the British Virgin Islands, Great Britain, Turkey). At the end of 2021, the matter was also referred to a court in the United States of America.

By 31 December 2021, 45,506 thousand lei had been distributed to *BTR*’s creditors, an amount that represents a level of creditor satisfaction of 41 percent.

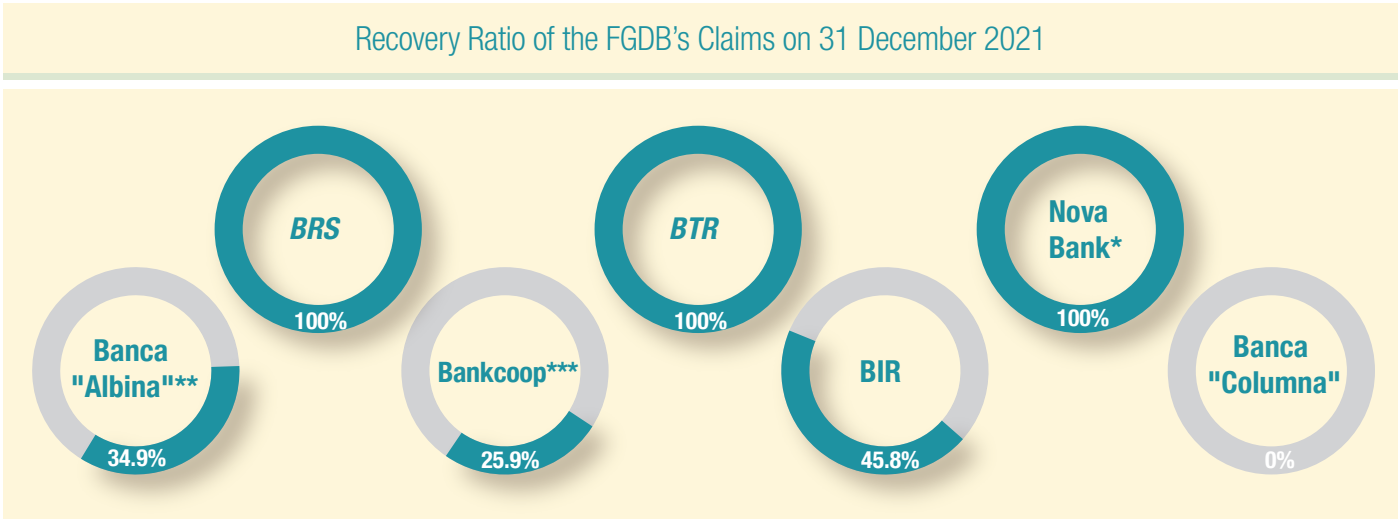
"Albina" and Bankcoop, where bankruptcy procedures were closed in December 2012 and, respectively, in November 2019, with the FGDB still having claims to recoup; *BRS*, *BTR* and Nova Bank, where the FGDB recovered its claims in full), the FGDB recovered only 100,968 thousand lei, or a recovery ratio of 30.86 percent. Hence, the resulting average recovery ratio for all failed banks which is 38.31 percent.

The dissimilarity of claim recovery ratios between the failed banks is an outcome of the FGDB’s different positions in the creditor hierarchy, in compliance with legislation applicable in each bankruptcy case. The most demonstrative example in this respect is the case of Banca "Columna", which went bankrupt in 2003 through a process unlike any of the procedures followed in the other bank failures of the 1999-2002 period<sup>110</sup>. The respective bankruptcy proceedings were not in line with bank-related legislation (Law No. 83/1998 on bankruptcy of credit institutions), but rather with the general insolvency legislation (Law No. 64/1995 on judicial reorganization and bankruptcy). So far, the FGDB has recovered none of its claims over Banca "Columna" and holds no assurance of future payments as its claim, arising from payouts (as well as from the bank’s contribution owed and unpaid before filing for bankruptcy) has low priority according to the order of payment of claims laid down in Law No. 64/1995.

<sup>108</sup> The equivalent of 2.03 million USD, or 8.7 million lei, accounting for some four percent of *BTR*’s claim over the main debtor on the date of bankruptcy.

<sup>109</sup> As an unsecured creditor with a claim of 92 thousand lei, the FGDB will not recover any amount from distributions until budgetary claims, which, in this case, have priority, are covered in full. Therefore, the FGDB’s chance to recoup its claim is virtually nil.

<sup>110</sup> The bankruptcy procedure for Nova Bank opened in 2006 based also on the general insolvency framework provided by Law No. 85/2006 on insolvency proceedings (which repealed Law No. 64/1995). However, the case of this bank is irrelevant as the FGDB recovered its claims worth 278 thousand lei in full following an assignment of claim agreement with another creditor. In the absence of such an agreement, the case of Nova Bank may be presumed to have been similar to that of Banca "Columna".



\* The FGDB ceased to be a creditor of Nova Bank in 2007 following an assignment of claim agreement with another creditor. Bankrupt proceedings against Nova Bank closed on 28 May 2020.

\*\* Banca Comercială "Albina" S.A. bankruptcy process ended on 14 December 2012.

\*\*\* Bankcoop S.A. bankruptcy procedure came to an end on 5 November 2019.

Besides its position as an unsecured creditor with a low-priority claim against Banca "Columna", there is one more element that will make it practically impossible for the FGDB to recover any amount: the body of creditors includes the Authority for State Assets Management with a high-value budgetary claim, which is a higher-ranking priority claim. According to legal provisions, distributions to satisfy lower-ranked creditors, a group that includes the FGDB with its claim worth 92 thousand lei, may start only after higher-ranking priority claims have been paid in full. This is something unlikely to happen in the case of this bank considering that the final distribution plan which the liquidator prepared in May 2021 in order to close the procedures in 2022 lists the Authority for State Assets Management as the only creditor to be satisfied.

After the operationalisation of the deposit guarantee scheme in Romania in 1996, the same low-priority status was assigned to the FGDB’s claims over the first three banks to go bankrupt – Banca Comercială "Albina" (with proceedings opening in May 1999), Bankcoop (in February 2000) and BIR (in July 2000). When started, bankruptcy procedures in these cases complied with Law No. 83/1998 which was in force at the respective time and which did not provide for any particular creditor hierarchy, but rather referred to the order of payment of claims set out in Law No. 64/1995.

It was only in 2001 that an order of priority of creditors of failed banks was introduced in Law No. 83/1998 which gave priority to the FGDB’s claims (ranking it fourth as far as the order of payment of claims was concerned). The palpable result of that move was that the FGDB recovered its claims against *BRS* and *BTR* in full from the amounts distributed as part of the liquidation proceedings (these proceedings opened in 2002, after legislation had been amended, being therefore the first procedures where the specific creditor hierarchy laid down in Law No. 83/1998 applied). With the Insolvency Code taking effect in 2014 (Law No. 85/2014 on insolvency prevention procedures and insolvency proceedings), the FGDB’s claims arising from payouts and funding of resolution measures moved up to the second ranking on the order of payment list in case of failure of a credit institution.

By the end of 2021, the FGDB had recovered claims worth 186,108 thousand lei, of which 185,127 thousand lei for reimbursements to guaranteed depositors and 981 thousand lei for contributions owed to the FGDB and unpaid by Bankcoop, *BTR* and Nova Bank before going into bankruptcy.

25  
YEARS



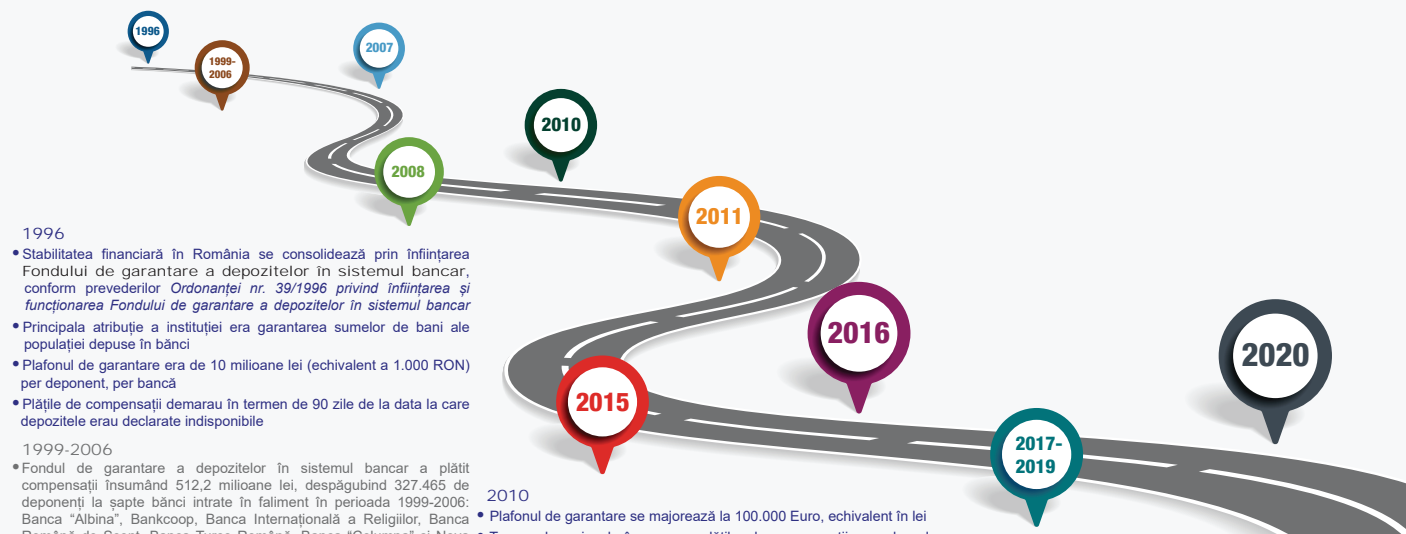
6  
PUBLIC  
INFORMATION



## Încrederea se construiește în timp

### Fondul de Garantare a Depozitelor Bancare - 25 de ani de activitate

- Fondul de Garantare a Depozitelor Bancare - FGDB contribuie la stabilitatea financiară prin menținerea încrederii în sistemul bancar
- FGDB garantează depozitele bancare în condiții similare tuturor statelor membre UE
  - Sunt garantate persoanele fizice și juridice, rezidente și nerezidente
  - Sunt garantate toate sumele depuse la bănci: depozitele la termen, conturile curente, conturile de economii, conturile de card etc
  - Plafonul de garantare este de 100.000 Euro, echivalent în lei, per deponent, per bancă
- Aria de activitate a FGDB s-a extins în timp de la a asigura numai plata compensațiilor până la implicarea și în măsuri de redresare și rezoluție



- 1996
  - Stabilitatea financiară în România se consolidează prin înființarea Fondului de garantare a depozitelor în sistemul bancar, conform prevederilor *Ordonanței nr. 39/1996 privind înființarea și funcționarea Fondului de garantare a depozitelor în sistemul bancar*
  - Principala atribuție a instituției era garantarea sumelor de bani ale populației depuse în bănci
  - Plafonul de garantare era de 10 milioane lei (echivalent a 1.000 RON) per deponent, per bancă
  - Plățile de compensații demarau în termen de 90 zile de la data la care depozitele erau declarate indisponibile
- 1999-2006
  - Fondul de garantare a depozitelor în sistemul bancar a plătit compensații însumând 512,2 milioane lei, despăgubind 327.465 de deponenți la șapte bănci intrate în faliment în perioada 1999-2006: Banca "Albina", Bankcoop, Banca Internațională a Religiiilor, Banca Română de Scont, Banca Turco Română, Banca "Columna" și Nova Bank
  - Prin modificarea și completarea cadrului legal aplicabil, activitatea Fondului dobândește noi valențe:
    - lichidator - *Ordonanța de urgență a Guvernului nr. 138/2001*
    - administrator special și unic lichidator, în alte situații decât cea a intrării în faliment a unei bănci - *Legea nr. 485/2003*
    - administrator interimar - *Ordonanța Guvernului nr. 10/2004*
  - Se lărgeste sfera de garantare a depozitelor prin:
    - includerea în sfera de garantare a depozitelor la organizațiile cooperatiste de credit - *Legea nr. 200/2002*
    - includerea depozitelor persoanelor juridice de tipul întreprinderilor mici și mijlocii, organizațiilor neguvernamentale, persoanelor fizice autorizate etc, prin modificarea și completarea *Ordonanței Guvernului 39/1996* din anul 2004
  - În cadrul relațiilor de colaborare internațională, Fondul de garantare a depozitelor în sistemul bancar este membru în cadrul a două asociații profesionale: Forumul European al Asigurătorilor de Depozite (European Forum of Deposit Insurers - EFDI) din anul 2003 și Asociația Internațională a Asigurătorilor de Depozite (International Association of Deposit Insurers - IADI) din 2005
  - 2007
    - Plafonul de garantare se majorează la 20.000 Euro, echivalent în lei, nivel aplicabil în UE
  - 2008
    - Plafonul de garantare se majorează la 50.000 Euro, echivalent în lei

- 2010
  - Plafonul de garantare se majorează la 100.000 Euro, echivalent în lei
  - Termenul maxim de începere a plăților de compensații se reduce la 20 de zile lucrătoare de la data la care depozitele sunt declarate indisponibile
- 2011
  - Fondul de garantare a depozitelor în sistemul bancar devine membru în Comitetul Național pentru Stabilitate Financiară
- 2015
  - Apare noua lege care reglementează activitatea instituției, *Legea nr. 311/2015 privind schemele de garantare a depozitelor și Fondul de garantare a depozitelor bancare*
  - Se schimbă denumirea instituției: Fondul de garantare a depozitelor în sistemul bancar devine Fondul de garantare a depozitelor bancare - FGDB
  - Se lărgeste sfera de garantare a depozitelor cu depozitele marilor companii
  - Termenul maxim de începere a plăților de compensații se reduce la 7 zile de la data la care depozitele sunt declarate indisponibile
  - Se introduce plafonul suplimentar de garantare
  - Apare *Legea nr. 312/2015 privind redresarea și rezoluția instituțiilor de credit*, conform căreia FGDB dobândește noi prerogative:
    - Administrator temporar și/sau administrator special al băncii supuse redresării sau rezoluției
    - Administrator al fondului de rezoluție bancară
    - Aționar al unei bănci - punte
    - Aționar al unui vehicul de administrare a activelor
- 2016
  - FGDB aderă la Acordul multilateral EFDI de cooperare între schemele de garantare a depozitelor, care reglementează cooperarea dintre schemele de garantare a depozitelor din statele membre UE
  - Sumele depuse la sucursalele din România ale băncilor din alte state membre ale Uniunii Europene sunt garantate de schemele de garantare din statele de origine. Plata compensațiilor se face în baza instrucțiunilor primite din partea schemei de garantare a depozitelor din statul de origine, în moneda în care acestea asigură finanțarea
- 2017-2019
  - FGDB devine observator în Comitetul Național pentru Supraveghere Macroprudențială (2017)
  - Se derulează primul program multianual (2017-2019) de exerciții de simulare de criză în concordanță cu prevederile ghidului Autorității Bancare Europene
  - FGDB aderă în anul 2018 la EDDIES (European DGS to DGS Information Exchange System), un sistem securizat centralizat, în vederea schimbului de informații între schemele de garantare a depozitelor din UE
- 2020
  - Capacitatea operațională dobândită pe parcursul derulării activității instituției este menținută la aceleași standarde de securitate și performanță și în contextul pandemiei de COVID-19

*It takes years to build up trust* and *25 important facts you need to know about the FGDB* were the overarching ideas of the FGDB's communication activities in 2021.

These two emblematic messages marked the anniversary of 25 years since the FGDB has been part of the system of safeguarding the stability of the financial and banking system in Romania and, implicitly, of the safety net that provides security to depositors of credit institutions.

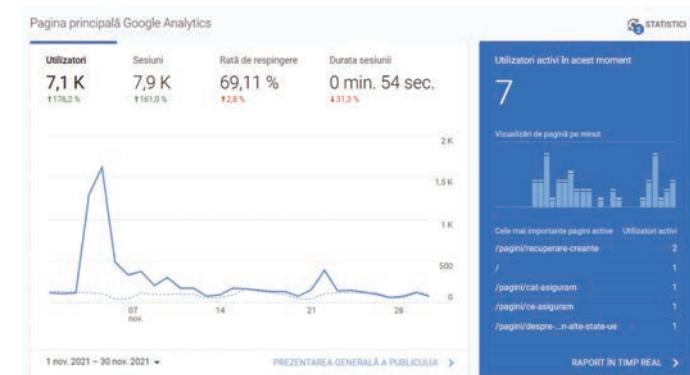
*The 25 years concept* was developed along two lines: *It takes years to build up trust*, a picture album depicting the evolution of the FGDB, and *25 important facts you need to know about the FGDB* which directly addressed the public at large outlining the FGDB's duties and tasks by providing 25 essential facts based on a selection of questions most frequently asked by depositors either by phone or in writing.

The two items were posted on the FGDB's website, while *25 important facts you need to know about the FGDB* was also uploaded to YouTube. They were also the subject of an online campaign on news websites reaching large audiences: Hotnews, Adevărul.ro, RFI.ro. News.ro and profit.ro. For the first time, the campaign also ran on the websites of local media: iasi4u.ro, monitoruldecluj.ro, cugetliber.ro (in Constanța), cronicaoalteniei.ro (in Craiova), viațaliberă.ro (in Galați), jurnaluldeargeș.ro.

The outcome of this campaign was an increase in FGDB website traffic up to a monthly average of 4,000 visitors (as against 3,000 in 2020) and a peak monthly traffic of 5,000-to-7,000 visitors during the online campaign.

### Fondul de Garantare a Depozitelor Bancare

- garantează banii deponenților depuși în bănci
- restituie sumele de bani depuse la bancă în cazul falimentului acesteia
- garantează atât persoanele fizice, cât și persoanele juridice
- garantează depozitele la termen, conturile curente, conturile de economii, conturile de card, conturile comune
- nu are criptoactivele în sfera sa de garantare







**Banii tăi sunt în siguranță!**

De 25 de ani FGDB garantează  
sumele de bani depuse la banci.

Află mai multe! [www.fgdb.ro](http://www.fgdb.ro)



Vacanța ta începe cu noi



Over April-October 2021, the FGDB carried out an information and education campaign for the public at large via the *FinZoom.ro* online platform. Thanks to that cooperation, clients looking for a savings product to meet their needs were offered a product with the additional benefit of the FGDB's guarantee. Information about the FGDB's activity was provided either directly on the *FinZoom.ro* platform or by referring the visitor to the institution's website. Furthermore, in order to furnish information related to FGDB activities contextual advertising was resorted to using contextual keywords and banners ads, or scholarly articles written by experts of the platform.

Following research work conducted by the FGDB and in consideration of the latest data<sup>111</sup> on the increase of people's appetite for social media in Romania, social platforms have found their place among the channels the FGDB uses to communicate with depositors.

In this respect, over 15 July-15 August 2021, the FGDB, with assistance from an operator specialising in online campaigns and surveys, ran a Facebook anonymous survey which involved 881 respondents who answered 28 questions about savings behaviour, confidence in financial institutions and perception of the safety of savings.

Besides collecting information from respondents (about savings behaviour, guarantee of savings etc.), the survey was also an opportunity to offer participants FGDB-related information (its existence, its role and duties etc).



Data obtained based on the processed results of the survey were behind three educational pieces on issues raised in the respondents' answers:

- Romanians trust the FGDB
- Two in three Romanians say the main reasons why they set aside money were to have a safety net and to be able to pay for healthcare
- And a surprising result: Young people, as well as senior citizens are champion savers.

In 2021, too, communication focused on the concerns of the banked public, the sections intended for depositors on the FGDB's website containing answers to their frequently asked questions referring, for instance, to the guarantee process and repayments in the case of branches in Romania of foreign credit institutions, negotiated deposit rates and the requirements a depositor must meet to qualify for deposit coverage.



Știai că românii au economisit mai mult în pandemie?

Citește articolul nostru aici

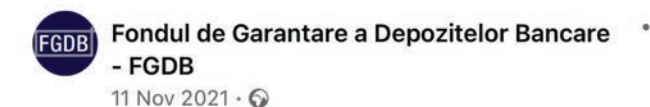
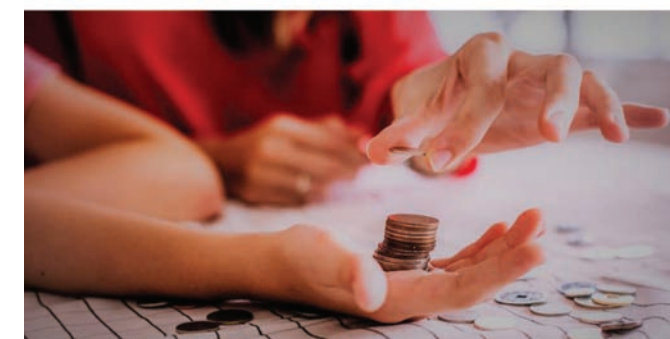
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Ce știi românii despre Fondul de Garantare a Depozitelor Bancare?

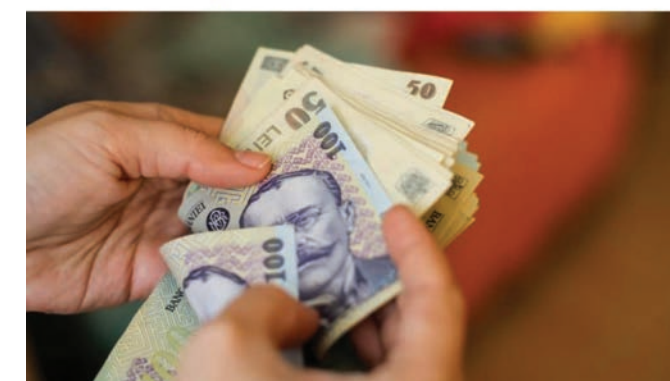
Află aici

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Tinerii, alături de pensionari, campioni la economisire!

<https://www.finzoom.ro/articole/sfaturi/rezultat-surprinz%c4%83to~bc6f3916-629e-4078-82d9-bcb2d5b9fd3b/>



<sup>111</sup> <https://datareportal.com/reports/digital-2021-romania>



# Vă aflați într-o bancă membră a Fondului de Garantare a Depozitelor Bancare FGDB garantează banii din bancă

**100.000 €**

echivalent în lei

este suma maximă rambursată de FGDB  
per deponent, per bancă

**ÎN MAXIMUM  
7 ZILE**  
lucrătoare

de la indisponibilizarea banilor din bancă,  
FGDB pune la dispoziția deponenților  
compensațiile cuvenite.



$$\text{COMPENSAȚIA} = \text{BANII DIN BANCĂ} + \text{DOBÂNDA CUVENITĂ} - \text{RATE RESTANTE}$$

**FGDB**

FONDUL DE GARANTARE A DEPOZITELOR BANCARE  
BANK DEPOSIT GUARANTEE FUND

comunicare@fgdb.ro  
www.fgdb.ro  
031 423 28 83  
031 423 28 17  
031 423 28 80

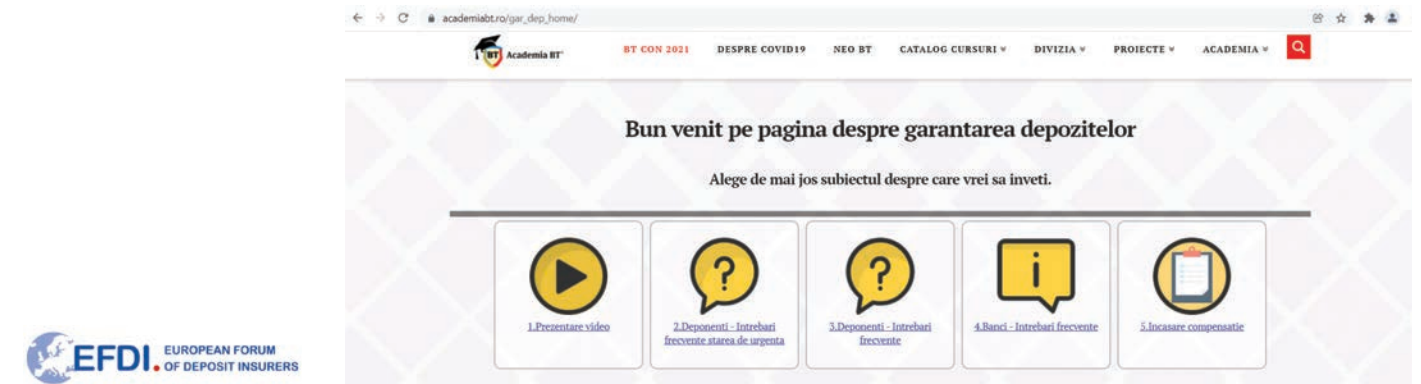


The graphic design of the FGDB poster was changed to comply with legal regulations on depositor information by credit institutions and to make it more visible.

Since depositors are at the core of communication activities, the FGDB continued its training sessions for the call-centre operators of the credit institutions with a FGDB mandate to disburse payouts. The FGDB's direct public communication makes use of public relations actions and the institution's communication instruments and channels. Moreover, the FGDB's mission in the area

of communication, which is not only assumed but also imposed by the current legislative framework, is to guide credit institutions in their communication with the public opinion and with depositors in particular.

In order to harmonise the channels and instruments that credit institutions use and the messages they convey to existing and potential depositors, the FGDB worked out *Legal Regulations No. 1/2020 on depositors' information by credit institutions*, which took effect in April 2021.



## EFDI PRC Committee Meeting 2021 # 3 11<sup>th</sup> of May 2021 10:00 – 12:00 AM CEST EFDI ZOOM

10.00 – 10.20	<b>WELCOME AND INTRODUCTION</b>
	1. Welcome Remarks
	2. Program of the Meeting
10.20 – 10.40	<b>COMMUNICATION PREPAREDNESS</b>
	3. Results of the 2020 Lithuania Public Awareness Survey,
10.40 – 11.00	<b>COMPENSATION CASE STUDY</b>
	4. <i>Meinl Bank and Commerzialbank Mattersburg</i> Compensation Cases in 2020: PR and Reputation Challenges
11.00 – 11.30	<b>2020 EFDI SOCIAL MEDIA SURVEY</b>
	5. 2020 EFDI PRC Social Media Survey and DGs/ICs Community Management Top Tips
11.30 – 11.45	<b>EFDI CROSS-BORDER WG UPDATE</b>
	6. CBWG Communication Update and Next Steps,
11.45- 12.00	<b>OTHER BUSINESS</b>
	7. Next meetings : - EFDI AGM – Wednesday 26 <sup>th</sup> of May - PRC Call n°4: Tuesday 15 <sup>th</sup> of June (10.00 – 12.00 Paris Time)
	<b>END OF THE MEETING</b>

Although 2021 was a year when business travel all but ceased, the FGDB continued to be a participant in the experience exchange meetings of the EFDI Public Relations and Communications Committee. The interaction during four online meetings with experts representing more than 30 guarantee schemes in European countries proved extremely beneficial thanks to the topics discussed and the good practices shared.



## EFDI PRC COMMITTEE MEETING

WEDNESDAY 10 OF FEBRUARY 2021  
Zoom Video Conference





PROMOTION THROUGH EDUCATION

In 2021, the by now traditional, FGDB-initiated "Costin Murgescu Contest for Economic Research" reached its tenth edition. The contest is open to Romanian students, master's students and doctoral students, offering them an opportunity to prove themselves. At the same time, it contributes to promoting the FGDB among professionals.

Students and professors alike took genuine interest in the contest and the jury considered the young students' works as highly valuable. The award of the tenth edition went to Sebastian Mariş for his essay on *Central Banks and Inequality. An Analysis of Developed and Developing Countries*.

In consideration of the quality of the works they read, the jury also awarded three mentions to:

- Cecilia Şelaru, for her essay on *Sovereign Risk Connectedness in the European Union: Examining the Impact of ECB's Policy Announcements*
- Ioana Fărcaş, for her essay on *The Impact of Culture on Government Interventions in the Banking Sector*
- Maura Bobiceanu, for her essay on *The Impact of the Coronavirus Pandemic on the Performance of the Banking Sector in the European Union*.



The prize awarding ceremony took place via online platforms and was marked by the FGDB's 25th Anniversary. It was also an occasion for talks and analyses with renowned people in the academic community who have been familiar with the FGDB's work along the years.



RELATIONSHIP WITH THE MEDIA

No anniversary is ever complete without a retrospective. **25 Years After** – to paraphrase Alexandre Dumas' famous novel – the creation of the FGDB, the Piaţa Financiară monthly magazine published in its September 2021 issue an extensive anniversary piece on the FGDB and its activity.

Furthermore, for the sake of a better information of the public, an article was published called **The Bank Deposit Guarantee Scheme's Operation and Its Role in Protecting Your Money**<sup>112</sup>, which explained the difference between the FGDB and other guarantee funds in Romania in terms of duties and tasks

Article in the Piaţa Financiară magazine



The Bank Deposit Guarantee Fund is not to be confused with the National Credit Guarantee Fund for Small and Medium-Sized Enterprises

Article posted in the Business24 online newspaper

<sup>112</sup> Source: Business24.ro Business/Financing/Financial news, 21 September 2021



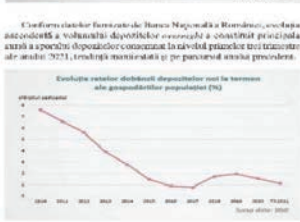
## PIAȚA BANCARĂ

FGDB – DE 25 DE ANI ALĂTURI DE DEPONENTI

## Cercetare de piață privind economisirea și încrederea în sistemul bancar

Pe lângă de la misiunea și rolul său în cadrul sistemului bancar din România, Fondul de garantare a depozitelor bancare (FGDB) este unul dintre pilonii de asigurare a stabilității financiare în țara noastră. Prin specializată activități ale FGDB asigură o creștere încrederea și siguranța și contribuie la creșterea de încredere în sistemul bancar și încrederea în sistemul bancar.

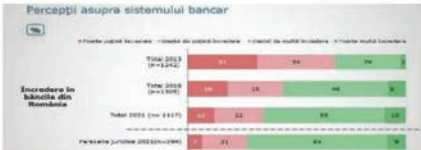
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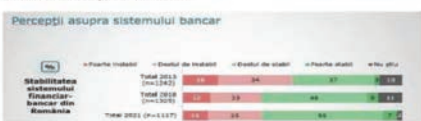
financiară a sistemului economic mondial. În România, climatul macro-financiar s-a menținut în limite adecvate în urma măsurilor rapid adoptate de către autoritățile naționale, sectorul bancar demonstrând soliditate și reziliență, în pofida efectelor economico-sociale și financiare negative induse de pandemia de Covid-19. Măsurile adoptate de Banca Națională a României au fost atent calibrate astfel încât să nu

In November 2021, Piața Financiară published a second article on the FGDB dealing with **Market Survey on Savings and Confidence in the Banking System**.

Moreover, the FGDB General Director received the Award for Excellence in Banking at the Piața Financiară Awards Gala held towards the end of 2021.



Gradul relativ scăzut de îngrijorare referitor la stabilitatea sistemului financiar-bancar constituie un alt factor de influență pozitivă asupra economisirii în România. Comparativ cu rezultatele obținute în urma sondajelor de opinie precedente, în prezent sistemul bancar este perceput ca fiind stabil sau foarte stabil<sup>IV</sup>, de către un procent mai mare dintre persoanele bancarizate participante la studiu, 62% dintre respondenți consideră că acesta este destul de stabil sau foarte stabil, în comparație cu 53% în 2018 și 40% în 2013.



*The Romanian Banking Forum,  
Bucharest, 25 November 2021*

PETRE TULIN, FGDB:

## Ne dorim să nu mai facem plăți de compensație



„FGDB se numără printre schemele de garantare a depozitelor din Uniunea Europeană cu cel mai redus termen de plată a compensațiilor, respectiv 7 zile lucrătoare.

FGDB acoperă depozitele eligibile în limita echivalentului în lei a sumei de 100000 de euro per deponent per instituție de credit. Există și un nivel suplimentar de garantare pentru persoane fizice în valoare tot echivalentă a 100000 de euro. Ne dorim cu toții însă să nu fie nevoie să facem plăți de compensație”, a spus Petre Tulin, directorul general al FGDB în cadrul Forumului Bancar Român.

„Începând cu 20216 avem un mandat extind: nu ne mai ocupăm exclusiv de a face plăți compensatorii și garantarea depozitelor. Includem toate categoriile de depozite: garantăm banii populației și companiilor din bănci! Noi putem fi administratori speciali, administratori temporari în instituții bancare atunci când BNR dispune o măsură de rezoluție bancară, suntem de asemenea administratorul fondului de rezoluție bancară, unde autoritatea

de rezoluție este chiar banca centrală. Noi putem fi numiți acționari la instituția punte în cazul în care BNR dispune o asemenea măsură.

Revenind la partea de garantare, în mod concret, la 30 septembrie 2021 structura arăta astfel. Din punctul de vedere al valutei în care erau constituite, aveam depozite eligibile de 245,6 miliarde în lei și depozite eligibile de 150,8 miliarde echivalent lei, în valută. După tipul deponentului, 234,9 miliarde lei aparțineau persoanelor fizice și 161,5 miliarde lei aparțineau persoanelor juridice. Aveam garanții pentru 13999362 persoane fizice și 1106269 persoane juridice.

FGDB garantează depozitele plasate la toate instituțiile de credit autorizate de BNR, inclusiv depozitele atrase de către sucursalele acestora din străinătate. În prezent sunt 26 de instituții de credit participante la FGDB”.



**Fondul de Garantare a Depozitelor Bancare - FGDB**

26 Nov 2021 ·

Forumul Bancar Român, banking și digitalizare

#FGDB



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**Forumul Bancar Român a dezbătut problemele legate de viitorul bankingului și digitalizare - Piața Financiară**

## GALA PREMIILOR REVISTEI PIAȚA FINANCIARĂ



*Piața Financiară Awards Gala,  
Bucharest, 7 December 2021*

noiembrie 2021 PIAȚA FINANCIARĂ | 23

<sup>113</sup> The event was held in Bucharest on 25 November 2021.



25  
YEARS

7

THE FGDB'S  
FINANCIAL  
STATEMENTS



At the end of 2021, the FGDB's total assets amounted to 8.9 billion lei, up 8.25 percent from the level recorded on 31 December 2020. Government securities took the bulk of the FGDB's assets, the way they did the previous year.

## THE FGDB'S RECEIPTS AND PAYMENTS<sup>114</sup>

a) In 2021, the FGDB's receipts (cash inflows) totalled 5,058,904 thousand lei, of which:

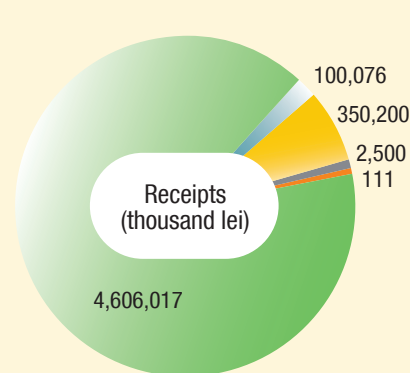
- 100,076 thousand lei - annual contributions to the deposit guarantee fund, including differences determined during the FGDB's inspections;
- 350,200 thousand lei - annual contributions to the bank resolution fund;
- 4,606,017 thousand lei - receipts from investments of the FGDB's financial resources plus interest;
- 62 thousand lei - interest on funds in the FGDB's current accounts at credit institutions;

2,500 thousand lei - recovered claim over BIR;  
49 thousand lei - other receipts.

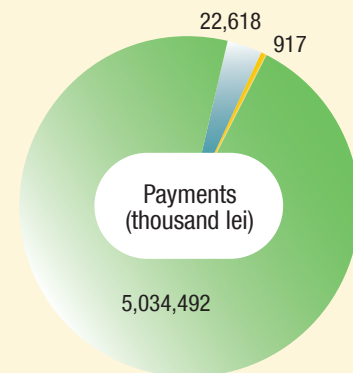
b) The FGDB's payments (cash outflows) in 2021 stood at 5,058,027 thousand lei, of which:

- 22,618 thousand lei - current operating expenses;
- 917 thousand lei - acquisitions of fixed assets and of intangible assets;
- 5,034,492 thousand lei - investments of the FGDB's financial resources.

Structure of the FGDB's Receipts and Payments



Receipts from investments of the FGDB's financial resources plus interest  
Annual contributions to the deposit guarantee fund  
Annual contributions to the bank resolution fund  
Recovered claims  
Other receipts



Investments of the FGDB's financial resources  
Current operating expenses  
Acquisitions of fixed assets and of intangible assets

<sup>114</sup> In correlation with the cash flow statement for fiscal year ended 31 December 2021.

## THE FGDB'S BALANCE SHEET

- RON -

Assets			Liabilities		
	31.12.2020	31.12.2021		31.12.2020	31.12.2021
<b>1. Total fixed assets, of which:</b>	<b>4,222,259,623</b>	<b>5,658,941,466</b>	<b>1. Total own funds, of which:</b>	<b>8,256,015,662</b>	<b>8,937,137,555</b>
• intangible assets	159,029	667,113	• reserves	8,005,581,343	8,706,298,762
• tangible assets	686,062	763,590	• profit for the fiscal year	250,434,319	230,838,793
• financial assets	4,221,414,532	5,657,510,763			
<b>2. Total current assets, of which:</b>	<b>4,027,856,521</b>	<b>3,279,129,348</b>	<b>2. Total debts, of which:</b>	<b>875,600</b>	<b>1,503,777</b>
• short-term financial investments	4,026,089,613	3,276,309,636	• debts payable within one year	875,600	1,362,677
• cash at bank and in hand	1,234,352	2,139,581			141,100
• other claims (settlements with credit institutions)	532,556	680,131			
<b>3. Pre-paid expenses</b>	<b>6,775,118</b>	<b>570,518</b>			
<b>TOTAL ASSETS</b>	<b>8,256,891,262</b>	<b>8,938,641,332</b>	<b>TOTAL LIABILITIES</b>	<b>8,256,891,262</b>	<b>8,938,641,332</b>

## THE PROFIT AND LOSS ACCOUNT

The FGDB's fiscal-year result arises from the difference between its revenues from investments of financial resources and its current expenses. Over the last few years, the FGDB has constantly improved its financial performance thanks to an adequate management of financial resources and to the measures taken by its Executive Board and the Supervisory Board towards maintaining current costs below budgeted levels.

În anul 2021, FGDB a realizat venituri totale în sumă de 265.409 mii lei, provenind din:

- 260.350 thousand lei - due interest and coupons on investments of its financial resources throughout 2021 (accounting for 98.1 percent of total revenues);
- 62 thousand lei - interest on funds in its current accounts at credit institutions;
- 4,997 thousand lei - other revenues (revenues arising from adjustments for depreciation, revenues resulting from currency rate differences).

The FGDB's expenses in 2021 totalled 34,570 thousand lei, of which:

- *Operating expenses:*

14,604 thousand lei - personnel-related spending;  
6,253 thousand lei - operating expenses (services, rents, amortisations)

The financial resources of the two FGDB-managed funds may be used exclusively for purposes laid down in legislation, that is, to make repayments and to fund bank resolution measures. Therefore, the FGDB covers its operating expenses solely from revenues flowing in from investments of its available financial resources. In 2021, the ratio between the FGDB's running costs and its revenues arising from investments of financial resources stayed very low, at 1:8.

- *Financial expenses:*

13,713 thousand lei - other spending (adjustments for depreciation, currency rate differences).

Value adjustments for trading securities in the investment portfolio have been recorded since December 2018 when the FDGDB started applying the method of measuring financial instruments classified as trading securities, and are generated by marked-to-market value changes. In order to have on hand instruments that can be easily

converted into cash, the FGDB opted for the introduction in its investment portfolio of instruments falling into the "available for sale" category. According to applicable accounting rules, these instruments are remeasured monthly by marking to market, and the disparity between purchase cost and market value is recorded in accounting by recognising changes in value. For the duration of their useful lives, this type of trading securities are recorded as revenue or expenditure depending on the value resulting from remeasurement, in correlation with adjustments for the depreciation of trading securities. When securities reach maturity, value adjustments are ignored (they are reported as revenues) provided that the risk did not occur.

Exchange rate differences arise from the euro position in the FGDB's accounting records following investments in government securities denominated in foreign currencies, and are recorded as revenue or expenses for the accounting period depending on exchange rate fluctuations.

The FGDB ended fiscal year 2021 with a *pre-tax profit worth 230,839 thousand lei, 3.70 percent higher than the budgeted level but 7.82 percent below the precedent year's result* particularly due to the impact generated by expenses related to depreciation adjustments for trading securities.

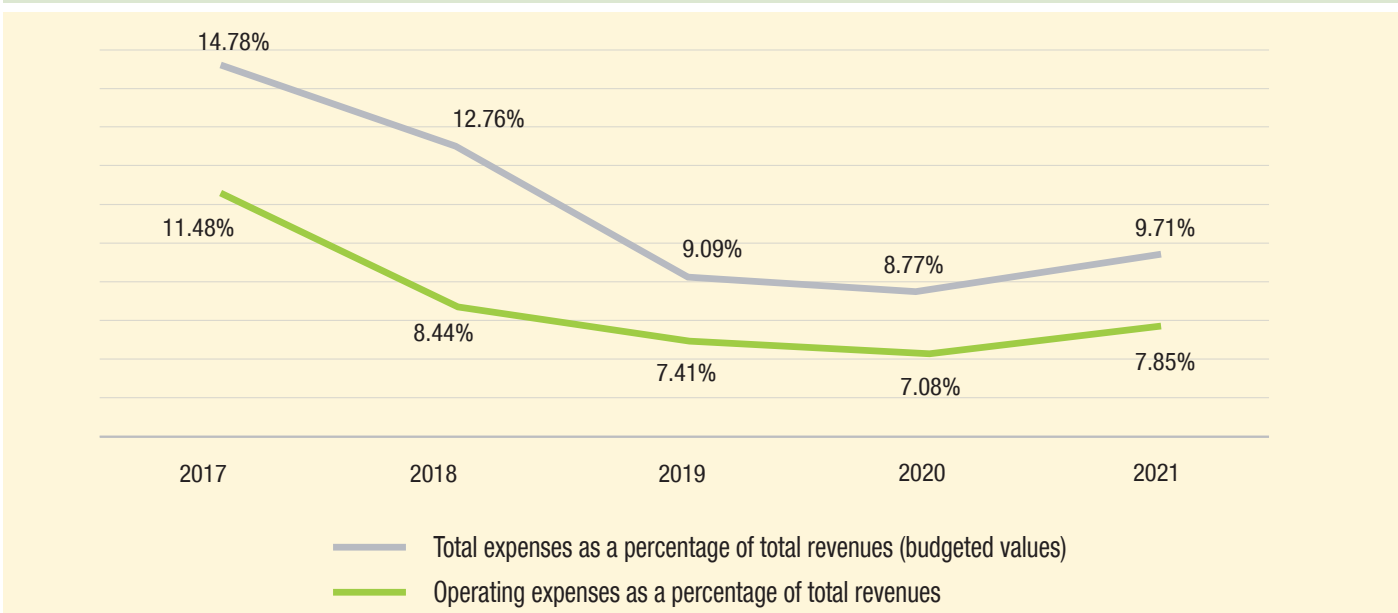
- RON -

Profit and Loss Account				
		31.12.2020	31.12.2021	Difference
1	Total revenues	275,079,830	265,408,980	-9,670,850
2	Total expenses	24,645,511	34,570,187	9,924,676
3	Result for fiscal year	250,434,319	230,838,793	-19,595,526

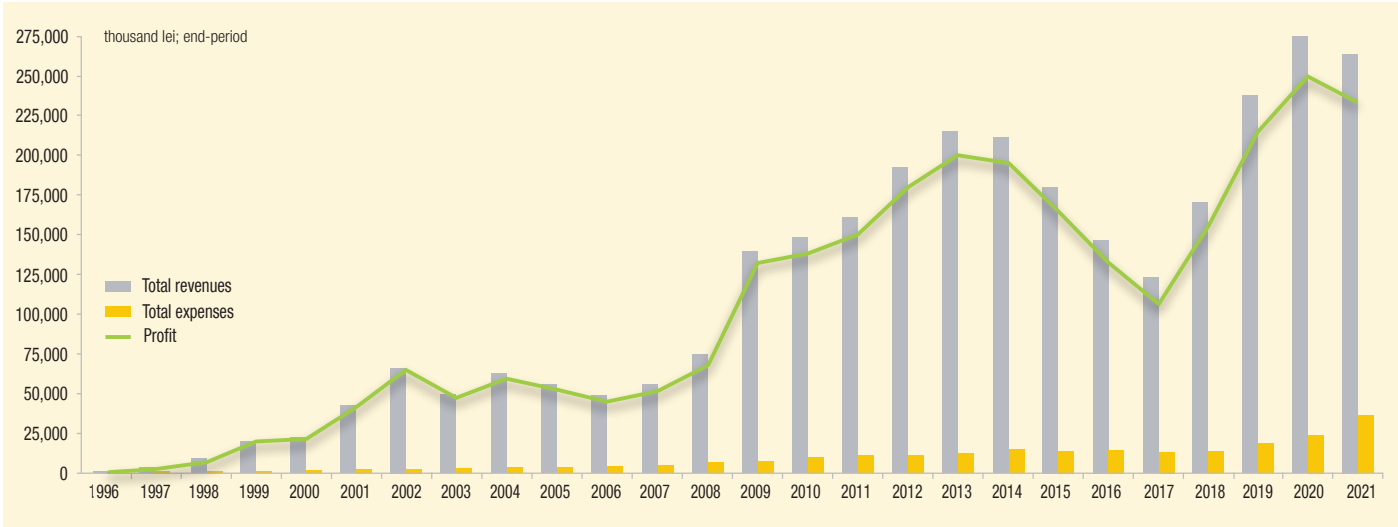
The FGDB's net accounting profit for the fiscal year ended 31 December 2021 – an outcome of a cautious policy of investing financial resources – amounted to 230,839 thousand lei. In compliance with legal provisions, almost

all the FGDB's profit (at least 99 percent) is distributed towards the two funds it manages to top up their available financial resources.

The FGDB's Expenses as Percentage of Total Revenues



Evolution of the FGDB's Revenues, Expenses and Profit



The FGDB's financial statements as at 31 December 2021 were audited by independent auditor Mazars România S.R.L. In the auditor's opinion, as expressed in the Auditor's Report, the financial statements "give, in all material respects, a faithful view of the Fund's financial position as at 31 December 2021 and of its financial

performance and cash flows for the fiscal year then ended, in compliance with the National Bank of Romania's Order No. 6/2015 (with subsequent amendments) and with the accounting rules described in the Notes to the financial statements".





Independent Auditor’s Report

To the Supervisory Board of the Bank Deposit Guarantee Fund

Report on the financial statements

Opinion

- 1. We audited the financial statements of the Bank Deposit Guarantee Fund ("the Fund"), headquartered in Bucharest, Str. Negru Voda nr. 3, corp A3, et. 2, sector 3, Bucharest, Romania, unique tax identification number RO8942496, which include the balance sheet as at 31 December 2021, the profit and loss account and the cash flows for the fiscal year then ended, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies, prepared in compliance with National Bank of Romania Governor’s Order No. 6/2015, with subsequent amendments (“NRB Order 6/2015”). The aforesaid financial statements refer to:
  - Total deposit guarantee and bank resolution funds: 8,706,298,762 lei
  - Net profit for the fiscal year: 230,838,793 lei
- 2. In our opinion, the accompanying financial statements give, in all material respects, a faithful view of the Fund’s financial position as at 31 December 2021 and of its financial performance and cash flows for the fiscal year then ended, in compliance with NRB Order 6/2015 (with subsequent amendments) and with the accounting rules described in the Notes to the financial statements.

Basis for opinion

- 3. We conducted our audit in compliance with International Standards on Auditing (ISA), Regulation (EU) No. 537/2014 of the European Parliament and of the Council ("Regulation No. 537/2014"), and Law No. 162/2017 ("Law"). Our responsibilities according to these standards are detailed in the "Auditor’s Responsibilities for the Audit of the Financial Statements" section of our report. We are independent from the Fund according to the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (the IESBA Code) and to the other ethical requirements that are relevant to the audit of financial statements in Romania, and we fulfilled the other ethical requirements laid down in the IESBA Code. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

- 4. Key audit matters are those matters that, in our professional judgement, were of the most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	Audit procedures performed to address the key audit matter
Existence, valuation and presentation of financial investments	
According to Note 2 j) and Note 5 to the accompanying financial statements, on 31.12.2021 the Fund’s records show financial investments consisting of public instruments, bonds and other fixed income securities totalling 8,900,794 thousand RON (31.12.2020: 7,886,335 thousand RON), accounting for 99.6 percent of the Fund’s total assets as at that date.  Financial investments are intended to cover the deposit guarantee fund and the bank resolution fund and the main source of available cash to be invested derives from the annual contributions which the Fund collects from affiliated credit institutions.  Moreover, financial investments generate substantial interest revenue, representing the Fund’s main source of profit.  Valuation of these financial investments complies with NRB Order 6/2015 based on their classification as trading securities or as investment securities.  Due to the significant value and complexity of these financial investments, we consider that their existence, valuation and presentation represent a key audit matter.	In order to obtain reasonable assurance of the existence, valuation and presentation of financial investments, we have performed the following procedures: <ul style="list-style-type: none"><li>• thoroughly understand the process of collecting contributions from member credit institutions, as well as the process of investing the collected contributions and of managing the Fund’s investment portfolio;</li><li>• test the effectiveness of the design and operation of relevant manual controls and application controls (where required);</li><li>• perform random review of relevant documentation supporting a selection of purchases and sales and, respectively, maturities of financial investments during the year;</li><li>• perform analytical and detail procedures (reconciliation, recalculation, reasonableness testing) regarding revenues and expenses related to financial investments;</li><li>• obtain confirmation replies as at 31.12.2021 from depositary banks regarding the Fund’s financial investments;</li><li>• analyse the valuation methods the Funds used as at 31.12.2021 and their compliance with NRB Order 6/2015 and, respectively, the recalculation of the value of financial instruments as at 31.12.2021 using independent sources;</li><li>• analyse the transactions and estimations the Fund recorded at the end of the audited fiscal year to reflect revenues for the reporting period.</li></ul>

### Other matters

5. The Fund's financial statements for the fiscal year ended 31.12.2020 were audited by another auditor expressing on 30.03.2021 an unmodified opinion on those financial statements.

### Responsibilities of the management and of those charged with governance for the financial statements

6. The management is responsible for the preparation and fair presentation of these financial statements in compliance with NBR Order 6/2015 and for such internal control it deems necessary in the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the financial statements, the management is also responsible for assessing the Fund's ability to continue as a going concern, disclosing, if applicable, in the explanatory notes to the financial statements, matters related to going concern, as well as for using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.
8. Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence users' economic decisions taken based on these financial statements.
10. As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to the respective risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
  - Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
  - Conclude on the appropriateness of the management's use of the going concern basis of accounting and also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
  - Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
11. As part of the audit process, we communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  12. We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence and have communicated to them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, related safeguards.
  13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report, except for the case in which laws or regulations prohibit public disclosure about the matter, or for the case when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of such communication would be reasonably expected to outweigh its public interest benefits.



## Report on conformity of the Management's Report with the financial statements

The Fund's administrators are responsible for the preparation and presentation, in compliance with the requirements of Articles 225-228 in the Accounting Rules approved under NBR Order 6/2015, of a Management's Report which is free from significant misstatements, and for such internal control as deemed necessary in the preparation of the Management's Report which shall be free from material inconsistencies, whether due to fraud or error.

The Management's Report is presented on pages 1 to 34 and is not a part of the Fund's financial statements.

Our opinion on the accompanying financial statements does not cover the Management's Report.

In connection with our audit of the Fund's financial statements as at 31.12.2021, we read the Management's Report attached to the financial statements and we report the following:

- a) in the Management's Report, we did not identify, in all significant matters, any information that is inconsistent with the information presented in the accompanying financial statements;
- b) the Management's Report, identified above, includes, in all significant matters, the information required in Articles 225-228 in the Accounting Rules approved under NBR Order 6/2015;
- c) based on our knowledge and understanding obtained during the audit of the financial statements for the fiscal year ended 31.12.2021 regarding the Fund and its environment, we did not identify materially misstated information in the Management's Report.

## Report on other legal and regulatory requirements

In compliance with Article 10(2) of Regulation (EU) No. 537/2014, we provide the following information in our independent auditor's report, which is required in addition to the requirements of the International Standards on Auditing:

### Appointment of the Auditor and the Duration of the Engagement

We were appointed in compliance with Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, Article 37, paragraphs (2) and (3), by the Board of Directors of the National Bank of Romania in their meeting of 10.11.2021 to audit the financial statements of the Bank Deposit Guarantee Fund for the fiscal year ended 31.12.2021. The total duration of our engagement is of 3 years, covering the fiscal years ended 31.12.2021 to 31.12.2023.

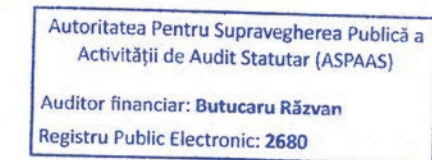
### Consistency with the additional report to the Audit Committee

We confirm that our audit opinion on the financial statements expressed herein is consistent with the additional report to the Fund's Audit Committee, which we issued on 29.03.2022 in line with Article 11 of Regulation (EU) No. 537/2014.

### Provision of Non-audit Services

We declare that have not provided the prohibited non-audit services referred to in Article 5 paragraph (1) of Regulation (EU) No. 537/2014. In addition, there are no other non-audit services that were provided by us to the Fund.

Bucharest, 29.03.2022

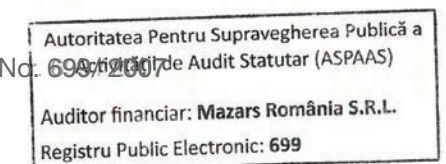
Răzvan Butucaru

Auditor registered in the Electronic Public Registry under No. 2680/2008

On behalf of

Mazars Romania S.R.L. Audit

Auditing firm registered in the Electronic Public Registry under No. 699/2007



Str. George Constantinescu nr. 4B, etaj 5  
Globalworth Campus, Cladirea B  
Bucharest, Romania  
Telephone: +031 229 2600  
www.mazars.ro

## BALANCE SHEET AS AT 31 DECEMBER 2021

- RON -

Indicator	Item code	31 December 2020	31 December 2021
A	B	1	2
Cash	010	10,106	7,370
Claims against credit institutions	020	362,393,791	35,158,851
• on demand	023	1,224,246	2,132,211
• other claims	026	361,169,545	33,026,640
Public instruments, bonds and other fixed income securities	040	7,886,334,600	8,900,793,759
• issued by public bodies	043	5,124,294,042	5,179,719,033
• issued by other issuers, of which:	046	2,762,040,558	3,721,074,726
> Issuers' own bonds	048	-	-
Intangible assets	050	159,029	667,113
Tangible assets	060	686,062	763,590
Other assets	070	532,556	680,131
Pre-paid expenses and committed income	080	6,775,118	570,518
<b>Total assets</b>	<b>090</b>	<b>8,256,891,262</b>	<b>8,938,641,332</b>
Other liabilities	330	820,300	1,362,677
Pre-paid revenues and deterred expenses	340	55,300	141,100
The bank deposit guarantee fund and the bank resolution fund	360	8,005,581,343	8,706,298,762
• The bank deposit guarantee fund	361	6,357,415,818	6,659,559,329
> The deposit guarantee fund consisting of credit institutions' contributions	362	4,146,950,796	4,247,037,446
> The deposit guarantee fund consisting of receipts from recovered claims	363	73,851,637	76,351,876
> The deposit guarantee fund consisting of earnings from investments of available financial resources	365	2,133,619,623	2,333,176,245
> The deposit guarantee fund consisting of other revenues as set within the law	366	2,993,762	2,993,762
• The bank resolution fund	367	1,648,165,525	2,046,739,433
Reserves	370	-	-
<b>Result for the fiscal year - Profit</b>	<b>403</b>	<b>250,434,319</b>	<b>230,838,793</b>
<b>Total liabilities and own funds</b>	<b>420</b>	<b>8,256,891,262</b>	<b>8,938,641,332</b>

## THE PROFIT AND LOSS ACCOUNT FOR THE FISCAL YEAR ENDED 31 DECEMBER 2021

- RON -

Indicator	Item code	31 December 2020	31 December 2021
A	B	1	2
Interest receivable and similar income, of which:	010	267,752,541	260,412,985
• on public instruments, bonds and other fixed income securities	015	251,595,925	255,601,036
Interest payable and similar expenses	020	171	71
Commissions	040	32,499	30,961
Net profit or loss from financial operations	050	2,166,391	-8,717,062
Other operating income	060	28,800	410
General administrative expenses	070	17,547,932	18,856,404
• Personnel-related expenses, of which:	073	13,799,610	14,604,142
> Wages	074	13,337,476	14,158,000
> Social security costs, of which:	075	462,134	446,142
- pension-related expenses	076	-	-
• Other administrative expenses	077	3,748,322	4,252,262
Adjustments to the book value of tangible and intangible assets	080	363,187	368,264
Other operating expenses	090	1,569,624	1,601,840
<b>Result of current activity - Profit</b>	<b>143</b>	<b>250,434,319</b>	<b>230,838,793</b>
Total revenue	180	275,079,830	265,408,980
Total expenses	190	24,645,511	34,570,187
Pre-tax result – Profit	203	250,434,319	230,838,793
<b>Net result for the fiscal year - Profit</b>	<b>223</b>	<b>2,500,434,319</b>	<b>230,838,793</b>



## EXPLANATORY NOTES TO THE FGDB'S FINANCIAL STATEMENTS – EXCERPTS<sup>115</sup>

### 1. Significant Accounting Methods and Policies

Some of the main accounting policies adopted when preparing these financial statements are described below.

#### a) Preparation and Presentation of the Financial Statements

The present financial statements were prepared in compliance with:

- i. Order No. 6/2015 of the Governor of the National Bank of Romania on the approval of Accounting Rules in compliance with European Union Directives, applicable to non-banking financial institutions, payment institutions granting credits related to payment services, electronic money institutions and the Bank Deposit Guarantee Fund, with subsequent amendments and completions ("NRB Order No. 6/2015");
- ii. The Accounting Law No. 82/1991, republished, with subsequent amendments and completions.

These financial statements include the Fund's own individual financial statements. The present financial statements were prepared on the historical cost convention basis, with the exceptions detailed in the accounting policies below.

The financial statements herein were not prepared to reflect the Fund's financial position and the results of its operations according to accounting rules and policies accepted in countries and jurisdictions other than Romania. Consequently, the accompanying financial statements are not intended for use by entities who are unfamiliar with accounting and legal regulations in Romania, including NRB Order No. 6/2015.

The Fund prepared these financial statements on a going concern basis.

The present financial statements were endorsed by the Fund's Supervisory Board on 29 March 2022 and approved by the Board of Directors of the National Bank of Romania on 6 April 2022.

#### i) Public instruments, bonds and other fixed income securities

Investment securities are financial assets with fixed or determinable payments and fixed maturities which the Fund has the firm intent and the ability to hold to maturity.

Securities may qualify as investment securities depending on:

- terms and characteristics of the financial asset, and
- the Fund's ability and actual intent to hold these instruments to maturity.

The decision to classify securities as investment securities shall disregard both future opportunities to make profit from the respective portfolio and bid prices offered by other investors before maturity date because the intent is to hold – rather than sell – this investment to maturity, irrespective of market value fluctuations.

A precondition for the designation as investment securities is the assessment of the Fund's intent and ability to hold these instruments until they reach maturity; this assessment must be conducted not only at the time of the initial purchase but also at the end of each fiscal year. If, following a change in the Fund's intent or ability to hold investment securities until they mature, the classification of these instruments as investment securities is no longer adequate they shall be reclassified as trading securities and assessed in terms of the respective category.

If the institution sold or reclassified a significant amount of investment securities during a current fiscal year or during the two preceding financial years, it shall not be able to designate any further financial assets as investment securities ("the tainting rule").

This prohibition does not apply if the respective sale or reclassification:

- is so close to the maturity date of the financial asset (for instance, less than three months to maturity) that shifts in market interest rates could not have had any significant impact on its fair value;
- occurs after a substantial part of the principal of the financial asset was redeemed through periodic payments or early repayments, or
- is attributable to an isolated, non-recurring and reasonably hard-to-predict event.

#### q) The Bank Deposit Guarantee Fund's specific financial resources

The Fund's financial resources are comprised of: initial contributions from credit institutions, annual contributions from credit institutions, special contributions, recovered claims, the Fund's remuneration as court-appointed liquidator, as well as other resources consisting of the previous years' profits. If financial resources prove scarce, the Fund may borrow from the Finance Ministry, under lending contracts, in order to cover the shortage.

The functionality of these accounts and the way they are reflected in accounting records are laid down in Government Ordinance No. 39/1996 on the setting up and operation of the Bank Deposit Guarantee Fund, Law No. 311/2015 on deposit guarantee schemes and the Bank Deposit Guarantee Fund, and NRB Order No. 6/2015 with subsequent amendments and completion, as follows:

##### (i) Annual contribution

Each participating credit institution pays into the Fund an annual contribution calculated as a percentage of the leu equivalent of the amount of covered deposits in the respective credit institution's records as at 31 December of the year immediately preceding the year in which payment is due. The respective percentage is set by the Fund and approved by the National Bank of Romania. The annual contribution is determined and paid by credit institutions on a yearly basis and recorded under the accrual basis of accounting.

##### (ii) Extraordinary contributions

These are other contributions collected from credit institutions, in compliance with legislation, when the Fund's financial resources are insufficient to disburse payouts. Government Ordinance No. 39/1996 called these contributions "special contributions".

##### (iii) Recovered claims

They represent inflows of funds as the Fund recovers its claims over failed banks for its compensation payments. The contributions already paid by credit institutions are non-refundable, including in cases where a credit institution is either liquidated under court supervision or dissolved.

##### (iv) Funds consisting of other revenues

In line with NRB Order No. 6/2015 and Law No. 311/2015, these other funds include donations, sponsorships, revenues from the Fund's financial assistance and activities as liquidator of banks under bankruptcy procedures, as well as other revenues set according to the law.

##### (v) Fund consisting of revenues from investments of available financial resources

These are financial means sourced from the Fund's net profit. In compliance with Law No. 311/2015, Article 98 paragraph (2) letter s) and Article 112, the Fund's profit, which is the difference between its revenues and its expenses, is tax free. With the approval of the Board of Directors of the National Bank of Romania, up to one percent of the profit is channelled to an annual profit-sharing fund, while the remainder tops up the financial resources for each of the activities stipulated in Article 92, paragraphs (1) and (2).

The account for financial resources is diminished as a result of:

- the Fund's repayments to the legally guaranteed depositors of the banks where deposits have become unavailable;
- instalment and interest payments on loans taken to fund payouts;
- funds transferred to the resolution authority;
- loans to other guarantee schemes, granted within the law.

<sup>115</sup> The explanatory notes bear the same numbers as in the original material from which they are quoted, as was the different name of the institution, that is "The Fund" instead of "the FGDB" as has been used in this Report.

Consequently, the Fund does not record provisions either for guaranteed depositors' outstanding compensation claims or for potential compensation claims that the Fund has not been notified of.

#### r) Income tax

According to provisions in Article 13, paragraph (2), point e) of Law No. 227/2015 on the Fiscal Code, with subsequent amendments and completions, the Fund's profit is tax exempt.

#### u) Revenues arising from interest

Under the accrual basis of accounting, revenues arising from all interest-bearing financial instruments are recognised in the profit and loss account when they are earned. Interest income also includes revenues generated by the amortization of the discount according to the effective-interest method for assets purchased at prices lower than their maturity value, as well as for the premiums generated by debts made at costs higher than the value repayable at maturity date.

#### v) Revenue recognition

Revenues are earned from interest on financial assets. The present financial statements show revenues and expenses as gross totals.

### 3. Cash

On 31 December 2021, the Fund's cash in hand stood at the RON equivalent of 7,370 (on 31 December 2020, cash in hand amounted to the RON equivalent of 10,106).

### 4. Claims over credit institutions

(RON)	31 December 2020	31 December 2021
Current accounts	1,224,246	2,132,211
Time deposits	361,169,545	33,026,640
<b>Total</b>	<b>362,393,791</b>	<b>35,158,851</b>

### 5. Public instruments, bonds and other fixed income securities

(RON)	31 December 2020	31 December 2021
<b>Long-term securities, of which:</b>	<b>4,221,414,532</b>	<b>5,657,510,763</b>
• Government bonds	2,763,764,842	3,299,238,595
• Corporate bonds	1,457,649,690	2,358,272,168
<b>Short-term securities, of which:</b>	<b>3,664,920,068</b>	<b>3,243,282,996</b>
• Government bonds and treasury bills	2,360,529,200	1,880,480,438
• Corporate bonds	1,304,390,868	1,362,802,558
<b>Total</b>	<b>7,886,334,600</b>	<b>8,900,793,759</b>

### 10. Fund consisting of credit institutions' contributions (cumulative amounts)

(RON)	31 December 2020	31 December 2021
Initial contribution - 1%	6,472,230	6,472,230
Annual contribution, including increased contribution	4,605,769,994	4,705,856,644
Extraordinary contribution	61,777,997	61,777,997
Credit line fee	(14,825,698)	(14,825,698)
Deposits compensation	(512,243,727)	(512,243,727)
<b>Total</b>	<b>4,146,950,796</b>	<b>4,247,037,446</b>

The annual contribution of each credit institution is calculated based on the statements it sends to the Fund. In 2021, the Fund raised 100,076,443 lei in annual contributions the level of which was determined based on the degree of risk incurred by each affiliated credit institution and the amount of covered deposits it held

on 31.12.2020 (2020: 116,992,200 RON). Total 2021 contributions were set in compliance with the guidelines of the Fund's financing policy and according to the method of calculating risk-adjusted contributions, both approved by the Board of Directors of the National Bank of Romania.

If, following a Fund's request, the Board of Directors of the National Bank of Romania considers that the Fund's financial resources are insufficient to allow it to fulfil its repayment commitments, it may decide that each credit institution should pay an extraordinary contribution equal to up to the level of the annual contribution for the respective fiscal year. No extraordinary contributions were paid either in 2021 or in 2020.

Compensation is the sum of money, within the guarantee ceiling, which the Fund pays out to each guaranteed depositor when deposits, no matter the number of depositor accounts, have become unavailable. Just like 2020, the year 2021 recorded no payouts.

### 11. The bank resolution fund

(RON)	31 December 2020	31 December 2021
Annual contribution, including increased contribution	1,540,985,403	1,891,185,956
Capitalised profit	107,180,122	155,553,477
<b>Total</b>	<b>1,648,165,525</b>	<b>2,046,739,433*</b>

\* Total does not include the 2021 profit worth 50,010,277 lei

The bank resolution fund is set up to provide the financial resources needed to fund bank resolution measures.

The bank resolution fund is administered by the Bank Deposit Guarantee Fund. In keeping with Article 539 of Law No. 312/2015 on the recovery and resolution of credit institutions and investment firms and amending and complementing legal acts in the financial sector, the National Bank of Romania, as the resolution authority, sets the level of credit institution's annual contributions to the bank resolution fund spreading payments out as uniformly as possible over time and also taking into consideration the phase of the business cycle and the

impact procyclical contributions may have on the financial position of contributing credit institutions.

In 2021, the Fund collected a total 350,200,553 lei in contributions, the level of which was set under a decision of the National Bank of Romania. In 2020, the Fund raised 255,506,345 lei worth of annual contributions, as determined under a decision of the National Bank of Romania.

The 2020 profit standing at 48,373,355 lei arising from investments of the financial resources of the bank resolution fund was capitalised after the financial statements as at 31 December 2020 were approved, as decided by the Fund's Supervisory Board.

### 12. Fund consisting of revenues from recovered claims (cumulative amounts)

(RON)	31 December 2020	31 December 2021
Recovered claims	182,626,592	185,126,831
Interest on loans – NRB	(108,774,955)	(108,774,955)
<b>Total</b>	<b>73,851,637</b>	<b>76,351,876</b>

Recovered claims consist of credit institutions' annual contributions still outstanding on bankruptcy date and payouts to depositors. In 2021, the Fund recovered claims adding up to 2,500,239 lei from banks going through bankruptcy proceedings.

### 13. Fund consisting of revenues from investments of available financial resources

(RON)	31 December 2020	31 December 2021
Fund consisting of revenues from investments of available financial resources – share of profit	2,133,619,623	2,333,176,245

These amounts represent the Fund's cumulative profit resulting from the distribution of previous years' profits.



## 14. Fund consisting of other revenues, within the law

(RON)	31 December 2020	31 December 2021
The Fund's remuneration from its activities as liquidator	2,993,762	2,993,762

## 15. Distribution of profit

(RON)	31 December 2020	31 December 2021
Result of current activity – profit, of which:	250,434,319	230,838,793
Profit from the financial resources of the deposit guarantee fund	201,572,344	180,828,516
Profit from the financial resources of the bank resolution fund	48,861,975	50,010,277
<b>Undistributed profit</b>	<b>250,434,319</b>	<b>230,838,793</b>

The Board of Directors of the National Bank of Romania will approve the distribution of the profit for the fiscal year ended 31 December 2021 after the financial statements have been approved.

## 18. Risk management

The main risks associated with the Fund's activity are the financial and operational risks. The Fund is exposed to the following risks:

- Interest rate risk
- Market risk
- Liquidity risk
- Foreign exchange risk
- Credit risk

### a) Interest rate risk

The Fund is exposed to swings in market interest rates, which may impact its financial position and cash flows. As a result of such fluctuations, interest may either increase or fall, or it may trigger losses if unexpected changes occur. The Fund's management periodically monitors exposure to moves in interest rates.

Here below are the interest rates the Fund obtained on RON-denominated invested assets and on the balance of its accounts as at 31 December 2021:

(RON)	2020		2021	
	min	max	min	max
Claims over credit institutions	2.30%	3.41%	1.95%	1.95%
Public instruments, bonds and other fixed income securities	1.94%	4.82%	1.88%	4.82%

The Fund obtained the following interest rates on EUR-denominated invested assets and on the balance of its accounts as at 31 December 2021:

(EUR)	2020		2021	
	min	max	min	max
Creanțe asupra instituțiilor de credit	-	-	-	-
Efecte publice, obligațiuni și alte titluri cu venit fix	0.45%	2.48%	0.45%	2.48%

### b) Market risk

Romania is still a developing economy and there is considerable uncertainty about the route domestic economic policies are likely to follow. The Fund's management cannot foresee either the changes to occur in Romania or the effect they may exert on the Fund's financial position and on the results of its transactions.

### c) Foreign exchange risk

The Fund operates against an economic background of fluctuating exchange rates of widely traded currencies (EUR, USD, CHF, GBP). Under such circumstances, the risk of a decrease in the value of its RON-denominated net monetary assets is low.

On 31 December 2021, the Fund held cash in hand in EUR totalling the equivalent of 1,142 RON (31 December 2020: the equivalent of 1,124 RON) and in USD adding up to the equivalent of 2,841 RON (31 December 2020: the equivalent of 2,578 RON). The remaining monetary assets and liabilities are denominated in RON.

On 31 December 2021, the Fund held current accounts at banks in EUR showing a balance of 201,675 in the RON equivalent (31 December 2020: the equivalent of 334,217 RON), USD amounting to the equivalent of 561 RON (31 December 2020: the equivalent of 608 RON),

GBP standing at 154 in the RON equivalent (31 December 2020: the equivalent of 142 RON), CHF worth the equivalent of 199 RON (31 December 2020: the equivalent of 457 RON).

On 31 December 2021, the Fund held investment securities – public instruments and similar paper – denominated in EUR totalling the RON equivalent of 151,800,039 (31 December 2020: the equivalent of 147,394,603 RON).

### d) Liquidity risk

The major source of liquidity risk is the mismatch between the maturities of the Fund's assets and liabilities. To the extent possible, the Fund's strategy seeks to keep liquidity sufficiently high so that it may meet liabilities as they come due, without incurring losses.

(RON)

As at 31 December 2020	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Maturity undefined	Total
Cash	10,106	-	-	-	-	10,106
Current accounts at credit institutions	1,224,246	-	-	-	-	1,224,246
Claims over credit institutions	31,922,945	329,246,600	-	-	-	361,169,545
Public instruments, bonds and other fixed income securities	701,565,708	2,963,354,360	3,776,880,956	444,533,576	-	7,886,334,600
Other assets	532,556	-	-	-	-	532,556
Pre-paid expenses and committed revenue	905,174	5,866,752	3,192	-	-	6,775,118
Liquidity risk-free assets	-	-	-	-	845,091	845,091
<b>Total assets</b>	<b>736,160,735</b>	<b>3,298,467,712</b>	<b>3,776,884,148</b>	<b>444,533,576</b>	<b>845,091</b>	<b>8,256,891,262</b>
Other liabilities	875,600	-	-	-	-	875,600
The deposit guarantee fund	6,357,415,818	-	-	-	-	6,357,415,818
The bank resolution fund	1,648,165,525	-	-	-	-	1,648,165,525
<b>Total liabilities</b>	<b>8,006,456,943</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,006,456,943</b>
<b>Liquidity surplus/ needs</b>	<b>(7,270,296,208)</b>	<b>3,298,467,712</b>	<b>3,776,884,147</b>	<b>444,533,576</b>	<b>845,091</b>	<b>250,434,319</b>

(RON)						
As at 31 December 2021	Up to 3 months	Between 3 months and 1 year	Over 1 year and up to 5 years	Over 5 years	Maturity undefined	Total
Cash	7,370	-	-	-	-	7,370
Current accounts at credit institutions	2,132,211	-	-	-	-	2,132,211
Claims over credit institutions	33,026,640	-	-	-	-	33,026,640
Public instruments, bonds and other fixed income securities	771,420,811	2,471,862,185	5,568,983,014	88,527,749	-	8,900,793,759
Other assets	10,547	-	-	-	669,584	680,131
Pre-paid expenses and committed revenue	511,688	58,830	-	-	-	570,518
Liquidity risk-free assets	-	-	-	-	1,430,703	1,430,703
<b>Total assets</b>	<b>807,109,266</b>	<b>2,471,921,015</b>	<b>5,568,983,014</b>	<b>88,527,749</b>	<b>2,100,287</b>	<b>8,938,641,332</b>
Other liabilities	1,503,777	-	-	-	-	1,503,777
The deposit guarantee fund	6,659,559,329	-	-	-	-	6,659,559,329
The bank resolution fund	2,046,739,433	-	-	-	-	2,046,739,433
<b>Total liabilities</b>	<b>8,707,802,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,707,802,539</b>
<b>Liquidity surplus/ needs</b>	<b>(7,900,693,273)</b>	<b>2,471,921,015</b>	<b>5,568,983,014</b>	<b>88,527,749</b>	<b>2,100,287</b>	<b>230,838,793</b>

#### e) Credit risk

All through 2021, the Fund paid considerable attention to the effective investment of its available financial resources, in conditions of higher liquidity and lower risk and in compliance with its 2021 exposure strategy approved by the Board of Directors of the National Bank of Romania.

#### Long- and short-term securities

As at 31 December 2020		Total	(RON)
<b>Long-term securities, of which:</b>		<b>4,221,414,532</b>	
Government bonds		2,763,764,842	
Corporate bonds		1,457,649,690	
<b>Short-term securities, of which:</b>		<b>3,664,920,068</b>	
Government bonds and treasury bills		2,360,529,200	
Corporate bonds		1,304,390,868	
<b>Total – gross amount</b>		<b>7,886,334,600</b>	
<b>Adjustments for depreciation of public instruments</b>		<b>-</b>	
<b>Total – net amount</b>		<b>7,886,334,600</b>	
As at 31 December 2021		Total	
<b>Long-term securities, of which:</b>		<b>5,657,510,763</b>	
Government bonds		3,299,238,595	
Corporate bonds		2,358,272,168	
<b>Short-term securities, of which:</b>		<b>3,251,752,810</b>	
Government bonds and treasury bills		1,888,950,251	
Corporate bonds		1,362,802,559	
<b>Total – gross amount</b>		<b>8,909,263,573</b>	
<b>Adjustments for depreciation of public instruments</b>		<b>8,469,814</b>	
<b>Total – net amount</b>		<b>8,900,793,759</b>	
As at 31 December 2020		Total	(RON)
Total bank deposits		361,169,545	
Current accounts		1,224,246	
<b>Total bank deposits and current accounts</b>		<b>362,393,791</b>	
As at 31 December 2021		Total	
Total bank deposits		33,026,640	
Current accounts		2,132,211	
<b>Total bank deposits and current accounts</b>		<b>35,158,851</b>	

#### Bank deposits



25  
YEARS

# ANNEXES



# ABREVIERI

ABE	European Banking Authority
BRRD1	Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms
BRRD2	Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC
CERS	European Systemic Risk Board
CMDI	Crisis management and deposit insurance framework
CNSM	The National Committee for Macroprudential Supervision
DGS	Deposit Guarantee Scheme
DGSD	Directive 2014/49/UE on deposit guarantee schemes
ERC	Europe Regional Committee
EDIS	European Deposit Insurance Scheme
EDDIES	European DGS to DGS Information Exchange System
EFDI	European Forum of Deposit Insurers
ESM	European Stability Mechanism
EUME	European Union Management Executive
FGDB	Bank deposit guarantee fund
FSB	Financial Stability Board
IADI	International Association of Deposit Insurers
IIA	The Internal Auditors' Institute
MF	Ministry of Finance
MREL	Minimum requirement for own funds and eligible liabilities
NBR	National Bank of Romania
RoA	Return on Assets
RoE	Return on Equity
SCV	Single Customer View
SRB	Single Resolution Board
SRF	Single Resolution Fund
SREP	Supervisory Review and Evaluation Process
SRM	Single Resolution Mechanism
SSM	Single Supervision Mechanism
TFDGS	Task Force on Deposit Guarantee Schemes
THB	Temporary High Balances
EU	European Union

## Annex 1

# DEFINITIONS

## Annex 2

### deposit

any amount of money a person holds in an account at a credit institution – be it a current account, a card account, a time deposit, a savings account or another similar product. As defined by Law no. 311/2015, a deposit refers to “any credit balance, including the due interest, which results from funds left in an account or from temporary situations deriving from normal banking transactions and which a credit institution must repay in the legal and contractual conditions applicable, including time deposits and savings accounts” which is in none of the situations below:

- its existence can only be proved by a financial instrument, as defined in Article 2 paragraph (1) point 11 of Law no. 297/2004 on the capital market, with subsequent amendments and completions, other than where it is a savings product which is evidenced by a certificate of deposit made out to a named person and which existed on 2 July 2014;
- its principal is not repayable at par;
- its principal is only repayable at par under a particular guarantee or agreement provided by the credit institution or by a third party.

### eligible deposit

a deposit that is not excluded from the scope of guarantee, namely a deposit that complies with legal provisions on payouts within the coverage limits.

### covered deposit

the part of an eligible deposit that does not exceed the guarantee ceiling. A guaranteed depositor may hold deposits within the legally stipulated guarantee level, in which case the depositor is fully covered, or deposits that go beyond the guarantee ceiling, in which case the compensation is limited to the coverage level.

### guarantee ceiling

the maximum repayment per guaranteed depositor per credit institution

### unavailable deposit

a deposit that is due and payable but has not been paid by a credit institution, under the legal and contractual conditions applicable thereto, where either:

- the National Bank of Romania, as the administrative authority competent to classify deposits as unavailable, has determined that the respective credit institution, for reasons directly linked to its financial situation, is unable to repay the deposit and has no immediate prospects of being able to do so, or
- a court had rendered a decision opening bankruptcy proceedings at the credit institution before the National Bank of Romania could assess the situation described above.

### guaranteed depositor

the holder of an eligible deposit or, in the case of a joint account, the holders of an eligible deposit or, where appropriate, the person entitled to the funds in an eligible deposit. A natural or legal person may keep money in several credit institutions. Each credit institution reports the number of depositors in its records to the FGDB, which adds up the data reported by all member institutions, without the possibility of making adjustments for depositors who spread their deposits across several credit institutions.

### compensation

an amount of money determined according to legal provisions, within the coverage level, which a deposit guarantee scheme pays out to each guaranteed depositor when deposits, no matter their number, become unavailable.



## DEPOSITS WITH FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2021

Annex 3

Indicator	31 Dec. 2020*	31 Dec. 2021	Differences	
1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
1. Total number of deposit holders, of which:	15,358,039	15,499,682	141,643	0.9
• natural persons	14,196,888	14,333,662	136,774	1.0
• legal entities	1,161,151	1,166,020	4,869	0.4
2. Total number of eligible deposit holders, of which:	15,278,106	15,419,008	140,902	0.9
• natural persons	14,148,998	14,285,372	136,374	1.0
• legal entities	1,129,108	1,133,636	4,528	0.4
3. Total number of holders of eligible deposits within the guarantee ceiling, of which:	15,195,155	15,322,948	127,793	0.8
• natural persons	14,101,660	14,230,801	129,141	0.9
• legal entities	1,093,495	1,092,147	-1,348	-0.1
4. Total deposits (million lei), of which:	418,794.6	485,326.6	66,532.0	15.9
• in lei	257,233.5	303,838.9	46,605.4	18.1
• in foreign currencies (in the leu equivalent)	161,561.1	181,487.7	19,926.6	12.3
• natural persons' deposits	222,865.5	242,992.6	20,127.1	9.0
• legal entities' deposits	195,929.1	242,334.0	46,404.9	23.7
5. Total eligible deposits (million lei), of which:	371,823.0	420,495.8	48,672.8	13.1
% of total deposits	88.8	86.6	-2.2 p.p.	
• in lei	232,924.2	264,027.9	31,103.7	13.4
• in foreign currencies (in the leu equivalent)	138,898.8	156,468.0	17,569.2	12.6

\*Final data which were updated after the basis for calculation of the 2021 contributions owed by credit institutions had been verified by the FGDB.

Indicator	31 Dec. 2020*	31 Dec. 2021	Differences	
1	2	3	4 = 3 - 2	5 = 4 / 2 (%)
6. Natural persons' eligible deposits (million lei), of which:	222,504.0	242,615.3	20,111.3	9.0
% of total eligible deposits	59.8	57.7	-2.1 p.p.	
• in lei	123,848.4	133,060.6	9,212.2	7.4
• in foreign currencies (in the leu equivalent)	98,655.6	109,554.7	10,899.1	11.0
7. Legal entities' eligible deposits (million lei), of which:	149,319.1	177,880.6	28,561.5	19.1
% of total eligible deposits	40.2	42.3	2.1 p.p.	
• in lei	109,075.9	130,967.3	21,891.4	20.1
• in foreign currencies (in the leu equivalent)	40,243.2	46,913.3	6,670.1	16.6
8. Total covered deposits (million lei), of which:	241,592.5	263,468.8	21,876.3	9.1
% of total eligible deposits	65.0	62.7	-2.3 p.p.	
9. Natural persons' covered deposits (million lei), of which:	196,246.0	210,785.3	14,539.3	7.4
% of total covered deposits	81.2	80.0	-1.2 p.p.	
10. Legal entities' covered deposits (million lei), of which:	45,346.4	52,683.6	7,337.2	16.2
% of total covered deposits	18.8	20.0	1.2 p.p.	

Note: Due to rounding, totals/subtotals may differ slightly from the sum of the separate figures.

## LIST OF FGDB-MEMBER CREDIT INSTITUTIONS AS AT 31 DECEMBER 2021

### I. Credit Institutions

- Alpha Bank România S.A.
- Banca Comercială Intesa Sanpaolo România S.A.
- Banca Comercială Română S.A.
- Banca de Export Import a României EXIMBANK S.A.
- Banca Română de Credite și Investiții S.A.
- Banca Românească S.A.
- Banca Transilvania S.A.
- BRD - Groupe Société Générale S.A.
- CEC Bank S.A.
- Crédit Agricole Bank România S.A.
- Credit Europe Bank (România) S.A.
- First Bank S.A.
- Garanti Bank S.A.
- Idea Bank S.A.
- Libra Internet Bank S.A.
- OTP Bank România S.A.
- Patria Bank S.A.
- Porsche Bank România S.A.
- ProCredit Bank S.A.
- Raiffeisen Bank S.A.
- Techventures Bank S.A.
- UniCredit Bank S.A.
- Vista Bank (România) S.A.

### II. Savings and Loan Institutions

- Aedificium Banca pentru Locuințe S.A.
- BCR Banca pentru Locuințe S.A.

### III. Central Bodies of Credit Cooperatives

- Banca Centrală Cooperatistă CREDITCOOP