

ANNUAL REPORT

2017



Note

This annual report presents the events of the calendar year 2017 and reflects the data on the 31st of December 2017.

Some statistical data are provisional, and will be updated in the subsequent publication of the Financial Supervisory Authority. Due to rounding, it is possible that totals do not match the exact amount of the components, or that there are small differences from the percentage variations shown in charts or tables.

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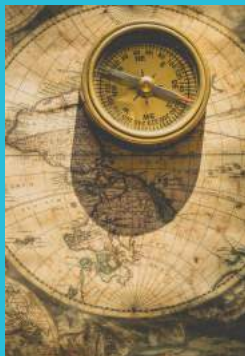
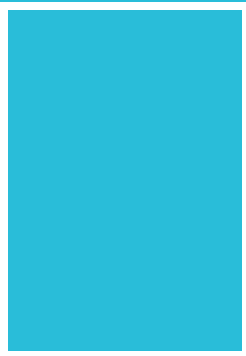
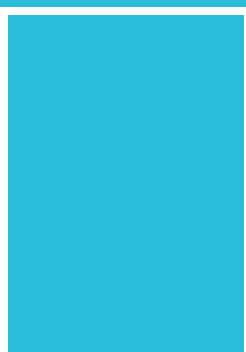
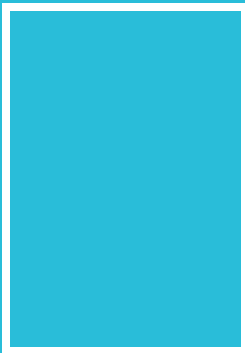
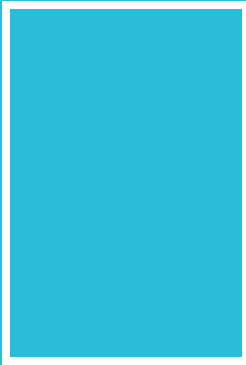
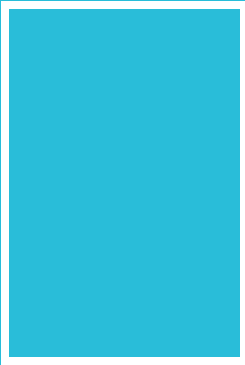
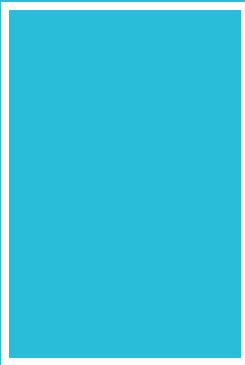


AUTORITATEA DE SUPRAVEGHERE FINANCIARĂ

ANNUAL REPORT

Financial Supervisory Authority

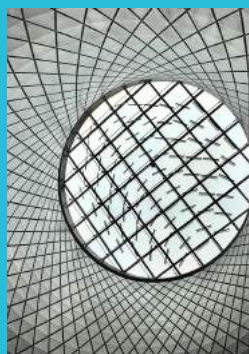
2017





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Foreword by the Chairman of the Financial Supervisory Authority

The Financial Supervisory Authority (ASF) continued the process of consolidation and modernisation of non-banking financial markets during the year 2017, according to the legal attributions granted by the Parliament of Romania.

The modernisation of the internal (primary and secondary) legislative framework, the transposition and harmonisation of European directives into national legislation and the protection of consumers' rights and interests were the main priorities in this respect.

The year 2017 was a landmark for the insurance market due to the adoption by the Romanian Parliament of the new MTPL Law. The ASF experts contributed to the development of primary legislation and drafted the application rules, with the whole legislative package introducing a number of new provisions (reference tariffs, high risk client, direct settlement). All this helped to stabilise the market of the compulsory motor third party liability insurance. The steps taken by ASF led to a better understanding of the tariff formation mechanisms and more effective protection of the rights of the MTPL policyholders.

ASF also paid attention during the year 2017 to consumer protection, a fundamental part of the Authority's mission. This approach was achieved both through direct actions in this respect (complaints handling, consultancy provided through the call centre, etc.), as well as through financial education programs, carried out on national level. For the first time in 2017, ASF organized the Edu Fin Awards Gala - where rewarded the most important contributions made in the field of non-banking financial education in Romania. Also, in 2017, our country won the prize of the Child and Youth Finance International organisation for the financial education projects dedicated to children and youth, ASF contributing substantially in this respect.

ASF also participated to the European institutional building as a member of the European Insurance and Occupational Pensions Authority (EIOPA) and of the European Securities and Markets Authority (ESMA). The activity of the ASF specialists in the working groups set up on the level of the European financial bodies was an important point on the Authority's agenda, notably as regards the harmonisation of national and European financial policies and the substantiation of the decisions taken in the light of good practices from other markets. The presence of the Authority's representatives in the EIOPA and ESMA supervision boards is a recognition of the work done both internally and externally.

" The best way of predicting the future is to create it " - Peter Drucker

At the same time, the Financial Supervisory Authority has a strong partnership with the World Bank, within which it has developed several projects on various levels (from the securities market to human resources). Currently, a continuous Romanian financial sector assessment program is underway, started in the year 2017, where the World Bank coordinates this approach on the non-banking financial market.

ASF will also continue in 2018 to pursue the mission it has undertaken to contribute to strengthening an integrated framework for the functioning and supervision of non-banking financial markets, participants and operations in these markets.

Peter Drucker said that "the best way of predicting the future is to create it." Starting from this axiomatic statement, we intend to strive for the future development of non-banking financial markets in a balanced and courageous way, based on sustainable grounds.

ASF BOARD MEMBERS



Leonardo Badea
President



Ovidiu Răzvan Wlassopol
First Vice President



**Cornel Coca
Constantinescu**
Vice President
insurance-reinsurance sector



**Mircea
Ursache**
Vice President
financial instruments and
investments sector



**Ion
Giurescu**
Vice President
private pensions system sector



Gheorghe Marcu
Non-executive member



Biró Albin
Non-executive member



Daniel Ștefan Armeanu
Non-executive member



Gabriela Boca
Non-executive member



Main achievements in 2017



Aligning regulations to the European legislation
Consumer protection and financial education
Strengthening supervision and development of financial markets
Contribution to the European institutional construction

WHAT WE DID IN 2017 ?

Aligning regulations to the European legislation

Consumer protection and financial education

Strengthening supervision and development of financial markets

Contribution to the European institutional construction

Strengthening the activity on the non-banking financial market is one of the main objectives of the Financial Supervisory Authority, the actions and measures adopted and implemented by the Authority in this respect mainly aimed at the growth and re-establishment on a stable basis of markets and the effective protection of financial services consumers. The year 2017 comes to reinforce and confirm the efforts initiated.

Thus, 2017 was first of all a year of legislative changes in all three financial supervision sectors, but also a year of strengthening institutional capacity as a whole, in order for the Financial Supervisory Authority to confirm the main objectives of consolidating markets supervised and increasing competitiveness by creating a regulatory framework in line with European standards and by implementing risk-based supervision mechanisms and a preventive approach.

Aligning regulations to the European legislation

The Financial Supervisory Authority continued the necessary steps to reconfigure the legislative framework and to abrogate the Law No. 297/2004 on the capital market, in view of implementing the MIFID II Directive. The draft law will be approved by the Romanian Parliament, with the ASF drafting the secondary legislation, which will be adopted after the enforcement of the law.

In the insurance-reinsurance sector, in view of the entry into force of the MTPL law (Law No 132/2017 on compulsory motor third party liability insurance for road and tram accidents), one of the most important regulations issued by ASF in its application is Rule no. 20/2017 on motor vehicle insurance in Romania.

In the second half of 2017, the regulatory activity was intense and fruitful, many draft rules and regulations being finalised and submitted for publication in the Official Gazette of Romania, of which we mention:

- Rule on the organisation of archiving activity in the authorised / endorsed entities regulated and supervised by the Financial Supervisory Authority;
- Regulation no. 6/2017 on the National Protection Fund in the field of insurance;
- Regulation no. 9/2017 for amending the ASF Regulation no. 4/2016 on the organisation and operation of the Alternative Dispute Resolution Entity in the Non-Banking Financial Sector (SAL-FIN) of 22.09.2017;
- Regulation (EC) No 10/2017 on central securities depositories issued for the application of the Regulation (EU) No. 909/2014 of the European Parliament and of the Council of July 23rd 2014 on improving securities settlement in the European Union;
- Regulation no.11 / 2017 for amending and supplementing the ASF Regulation no. 3/2016 on the applicable criteria and the procedure for the prudential assessment of acquisitions and increases of shareholdings in the entities regulated by ASF;
- Rule no. 14/2017 for the application of the MAR Guidelines - Information relating to commodity derivatives markets or related spot markets for the purpose of the definition of inside information on commodity derivatives;

- Rule no. 18/2017 on the procedure for the settlement of petitions regarding the activity of insurance and reinsurance companies and insurance brokers;
- Rule no. 19/2017 for the implementation of the Accounting Reporting System on 30 June 2017 of insurance companies;
- Rule no. 22/2017 on the methodology of calculating by the ASF of reference tariffs for compulsory third party liability insurance for third party damage caused by vehicle and tramway accidents;
- Rule no. 23/2017 on the application of ESMA Guideline on access by a central securities depository to the transaction feeds of central counterparty or of trading venues and ESMA Guideline on the central securities depository/participants default rules and procedures;
- The draft law for the transposition of the Insurance Distribution Directive (IDD) 2016/97 and the draft law on the distribution of insurance;
- Draft Law on the transfer of pension rights of officials and agents of the European Union.

Also, in order to improve the legislative acts according to the best practices in the field, in order to align with the new requirements imposed by the European and national legislation as well as following the developments in the markets supervised by the ASF, several regulations and rules have been drafted amending the existing secondary legislation.

Consumer protection and financial education

Under the law, all the prerogatives with which the Financial Supervisory Authority has been invested are circumscribed to the fundamental objective of protection for the consumers of financial products offered by the non-banking financial market. Thus, the regulatory and supervisory activities and the market entities fall into this permanent objective of consumer protection, with the emphasis on monitoring the risks and benefits to consumers and the elements of conduct, in particular those which derive from market developments.

In 2017, ASF focused on preventive activities, information and financial education, monitoring of abusive, unfair or fraudulent practices in order to counteract by potential corrective measures and by reactive handling of complaints addressed by consumers. This monitoring activity is complemented by mystery shopping or by analyzing the impact of different services or financial products on the consumers.

Thus, ASF has conducted a monitoring and mystery shopping exercise on compliance with the legal terms and conditions of the form and content of the MTPL contract in accordance with applicable law.

Protocol acts concluded by ASF:

Collaboration protocol for the qualitative increase of the general level of training and informing consumers in the field of non-banking financial services, especially in the matter of alternative dispute resolution / disputes outside the courts, concluded between the ASF and the Mediation Council (CM);

The Collaborative Protocol for the Promotion of Educational Projects and Programs, as well as Educational Purposes, concluded between ASF and the Association of the Romanian Users of Financial Services (AURSF);

Collaboration Protocol with the Romanian Motor Registry; Collaboration Protocol with the Institutionalized Arbitration Association (AAI);

Collaboration Protocol with the Alternative Dispute Resolution Center in the Banking Domain.

In order to improve the consumer protection measures:

1. ASF began to work with ANPC and consumer protection associations;
2. ASF concluded bilateral protocols with state authorities to combat fraudulent practices.

ASF has created a series of guides for an easy and uniform implementation of the applicable law and to help the consumer of the financial products:

MTPL Guideline
Travel insurance Guideline

As regards the financial education of consumers of financial products, the Financial Supervisory Authority, in collaboration with the Insurance Pool against Natural Disasters (PAID), organized in October 2017 a national awareness campaign about the compulsory house insurance.

The campaign was run under the slogan "This year I protect my house!" and it was supported by about 20 mayors in the country, the main cities being Focșani, Bacău, Alba Iulia, Cluj-Napoca and Sibiu.

The purpose of the campaign was to bring to the attention of the people the products and services in the non-banking financial market and to raise awareness of their importance in order to increase the coverage of compulsory house insurance.

Strengthening supervision and development of financial markets

In 2017, in order to apply the common supervisory principles and practices for the three sectors, ASF started the following projects:

Development of sectoral risk indicators and risk mapping for the insurance market in Romania. This is in line with the application of the Solvency II regime from 1 January 2016, which has brought significant improvements in the insurance companies' supervision framework. New approaches to risk assessment and increased transparency requirements, which are also reflected in a more complex set of information reported by insurance companies to competent authorities, allow for the development of new methods and indicators for identifying and monitoring risks for these entities. To this end, steps have been taken at European and national level to adapt the set of risk indicators at micro- and macro-prudential level to embrace the new approaches and information available as a result of the application of the Solvency II regime.

Modernization of sectoral risk indicators and risk mappings for collective investment schemes and pension funds, benefiting from the experience gained in the stress test for investment funds. Methodological approaches to this exercise, as well as its results and conclusions, were exploited in 2017 in order to strengthen prudential supervision of investment funds, including by reviewing the templates and content of reporting by collective investment institutions and introducing new indicators for periodic risk monitoring in this sector.

ASF also approved a series of changes related to the Central Depository's and the Bucharest Stock Exchange's own regulations and published a series of reports and analyzes, among which the most relevant:

- Report on Private Pensions Evolution in Romania on 30 September 2017;
- Insurance Intermediaries Supervisor Report for First Semester 2017;
- Report on the Financial Education Project for Beneficiaries of Compulsory House Insurance Policies (PAD);
- Insurers Surveillance Report for First Semester 2017;
- Report on the evolution of the insurance market in the first half of 2017;
- Situation of complaints registered with ASF in the first semester of 2017;
- Report on the evolution of private pensions in Romania on 30 June 2017;
- Report on the involvement of ASF in the work of ESMA and EIOPA in the second quarter of 2017;
- Activity Report on the Implementation of the Financial Education Program in Pre-University Education "Let's talk about the non-banking financial market";
- Analysis of verification of compliance by insurance companies with the provisions of GD 826/2016 regarding the application of the maximum premium rates for April and May 2017;
- Analysis regarding the existence of a possible market abuse on the shares issued by credit institutions on the BVB, during 30-31.08.2017, in the context of public rumors regarding a possible surcharge of commercial banks. In this respect, the analysis revealed that there was no impeachment of the legal requirements on the existence of a market manipulation by the dissemination of false or misleading information as defined in Law no. 24/2017 on issuers of financial instruments and market operations.

Stability and sound operation of markets

In 2017, along with the publication of Law no. 12 / 17.03.2017 on the macro-prudential supervision of the national financial system, the regulatory framework for the establishment and operation of the National Committee for Macro-Prudential Oversight (CNSM) was created. Thus, the CNSM became the macro-prudential authority within the meaning of the Recommendation of the European Systemic Risk Board of 22 December 2011 on the macro-prudential mandate of national authorities (ESRB/2011/3).

The mission of the CNSM is to ensure coordination in the field of macro-prudential supervision of the national financial system by establishing macro-prudential policy and appropriate instruments for their implementation. The fundamental objective is to safeguard financial stability by strengthening the capacity of the financial system to withstand shocks and by reducing the accumulation of systemic risks by ensuring a sustainable contribution of the financial system to economic growth.

Three of the nine members of the CNSM are representatives of the ASF, namely the president, the first vice-president and a vice-president appointed by the ASF Council.

In the year 2017, after its establishment, the CNSM had four sessions in which the administrative bases were laid, the cross-border effects of macro-prudential measures adopted by the EU Member States were analyzed, the recalibration of the anti-cyclical capital buffer was established, the assessment of the significance of third countries for the Romanian banking sector of 14 June) was carried out and 2 regulations on the methodology for setting capital buffers and the rules for the organization of the CNSM were drafted. The last meeting took place on December 18, 2017 and considered the adoption of the macro-prudential strategy by setting intermediate objectives and related instruments as recommended by the European Systemic Risk Board.

Risk monitoring

On the ASF level, the monitoring of the risks related to the non-banking financial markets is carried out through a set of activities involving the elaboration of analysis on the local and international financial markets. Observing the dynamics of some financial variables allows signal trends that may influence the evolution of certain segments of the local market or the market as a whole and may lead to the adoption of micro- and macro-prudential policy measures to mitigate potential negative effects. Among these reports we may include: daily report, weekly report, monthly report in English, sectoral quarterly reports, quarterly non-bank financial risk.

The stress test applied to investment funds in Romania aimed at analyzing how these financial institutions would respond in the event of adverse evolution of key economic variables (local and international stock indices, interest rates, exchange rates and shocks related to liquidity risk).

Such activity will continue in 2018 with an analysis of how these financial institutions can react to significant changes in macroeconomic variables.

At the same time, ASF participates at European level in the activities for the development of new instruments and indicators for monitoring the risks specific to the alternative investment funds market, based on the AIFMD data.

Efficiency of the regulation and supervision process

In order to ensure the efficiency of the regulatory process, the ASF carries out impact assessments of the legislative proposals in order to test their effectiveness. These analyzes are supplemented by studies on the possible evolution of certain risk categories and the assessment of their impact on entities supervised by ASF.

Within the ASF resolution structure, the most important steps taken during 2017 were the assessment of the recovery plans drawn up by all 10 insurers with a significant share of the insurance market in Romania.

Also, in order to ensure efficient market surveillance, the ASF has developed the Operational Procedure no. 10/24.07.2017 for the activity of identifying the financial groups / conglomerates and the supplementary supervision of the entities that are part of a financial conglomerate and a information note for identifying those entities that are a financial group/ financial conglomerate operating in non-bank financial markets supervised and regulated by ASF.

Contribution to the European institutional construction

In 2017, as a member of the European Supervisory Authorities, ASF actively participated, through the experts nominated in the working groups, in achieving the priority objectives set by EIOPA and ESMA for the harmonization of national financial policies and the convergence of the supervision mechanisms of the European financial system.

EIOPA (European Insurance and Occupational Pensions Authority)

- Appliance and monitoring the implementation of Solvency II;
- Ensuring a uniform distribution of insurance products and, implicitly, a higher level of consumer protection;
- Co-operation with the European Authority in order to strengthen the ASF's risk-based supervision of the insurance market.

ESRB (European Systemic Risk Board)

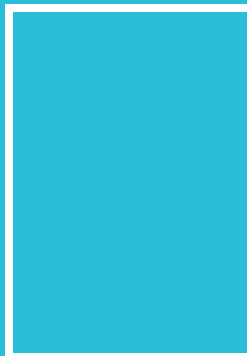
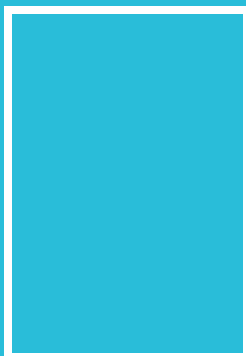
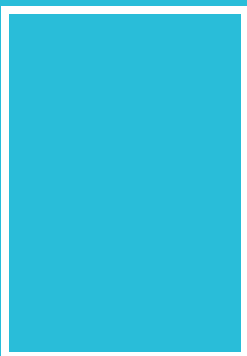
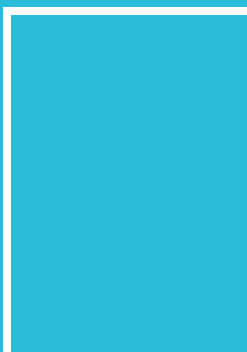
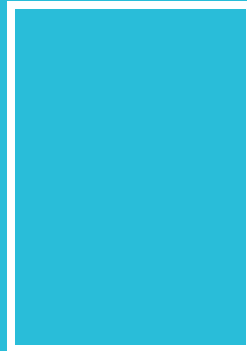
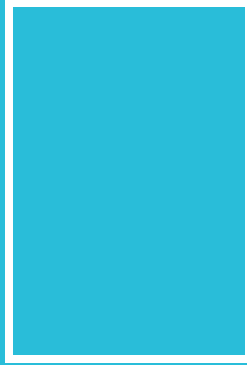
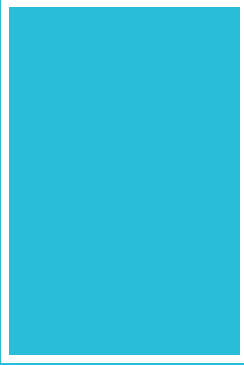
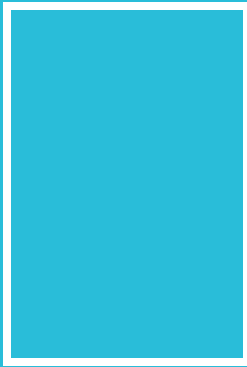
As regards the external risk assessment of financial stability in the non-banking financial system in Romania: participation in the working groups meetings, reporting on financial stability at European level and assessment of the impact of risk materialization on markets and entities supervised by ASF; the participation of the ASF in the definition of the macro-prudential framework on systemic risk in the insurance and reinsurance sector and the capital markets.

ESMA (European Securities and Markets Authority)

- Ensuring the framework for supervisory convergence: completing the set of Level 2 and 3 legislative acts in the application of regulations and directives such as MiFIR, MAR, SSR, BMR, SFTR, MAD; development of technical standards, guides, Q & A and opinions supporting the implementation of the framework provided by UCITS V, AIFMD, ELTIF, EuVECA, EuSEF;
 - Risk assessment for investors and financial stability;
 - Review and ensure the implementation of the MiFID framework;
- Developing IT projects: the Markets Program (in conjunction with the MiFID II and MAR projects - reference data reports, double volume cap mechanisms and commodity derivatives reports), the Transparency Program (in connection with the Transparency Directive revision), and delegated acts - TRACE and FIRDS;
- Guidelines on the application of financial information: completion of the peer review on these guidelines.

World Bank

In the second half of 2017, ASF continued its cooperation with the World Bank as part of its technical assistance project on strengthening the capital market oversight function, to be completed in the first part of 2018. Also, between 31 October and 14 November, the World Bank conducted a joint mission with the IMF to assess the non-banking financial market in Romania (the FSAP program), where it held discussions with representatives of the ASF and industry on issues related to macro-prudential policies and insurance. The cooperation between the ASF and the World Bank will continue during the year 2018, including by launching a new project on the supervision of issuers' transparency requirements in order to strengthen the institutional capacity of the Authority, an objective assumed by the WB / IMF and ASF in the concluded Memoranda.





Non-banking financial developments in 2017



Dimension of financial markets
Capital market
Insurance-reinsurance market
Private pensions market

Dimension of financial markets

Collective Investment Undertakings

5.07% PIB

Capital market sector

- 326,104 investors in OEIF
- 89,118 investors in CEIF
- 59,467 investors with accounts at intermediaries

Insurance Companies

2.33% PIB

Insurance sector

- 12,422,480 non-life insurance contracts and
- 1,867,988 life insurance contracts in force

Private Pensions

4.84% PIB

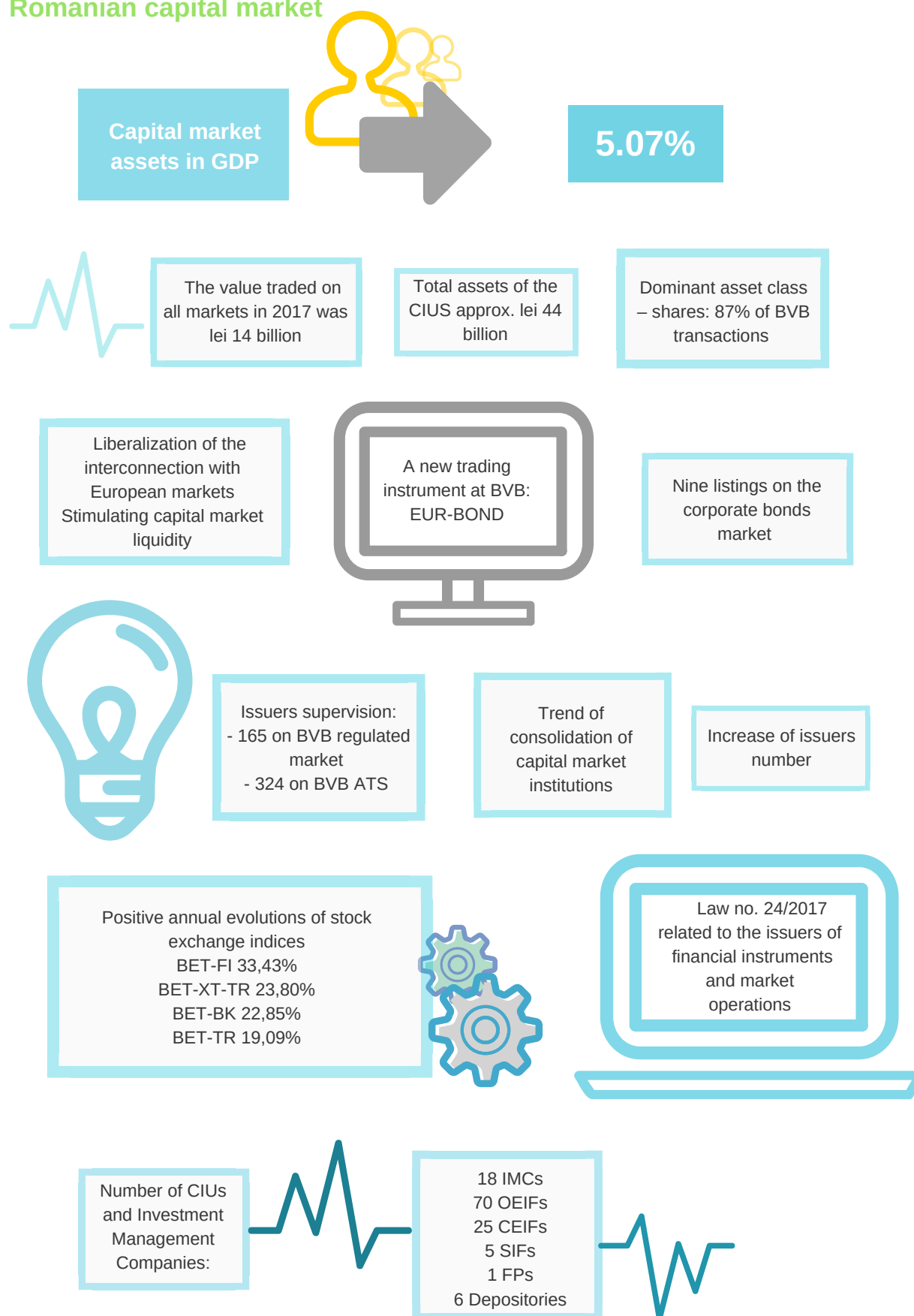
Private pensions sector

- 7.04 million participants in Pillar II
- 446,131 participants in Pillar III

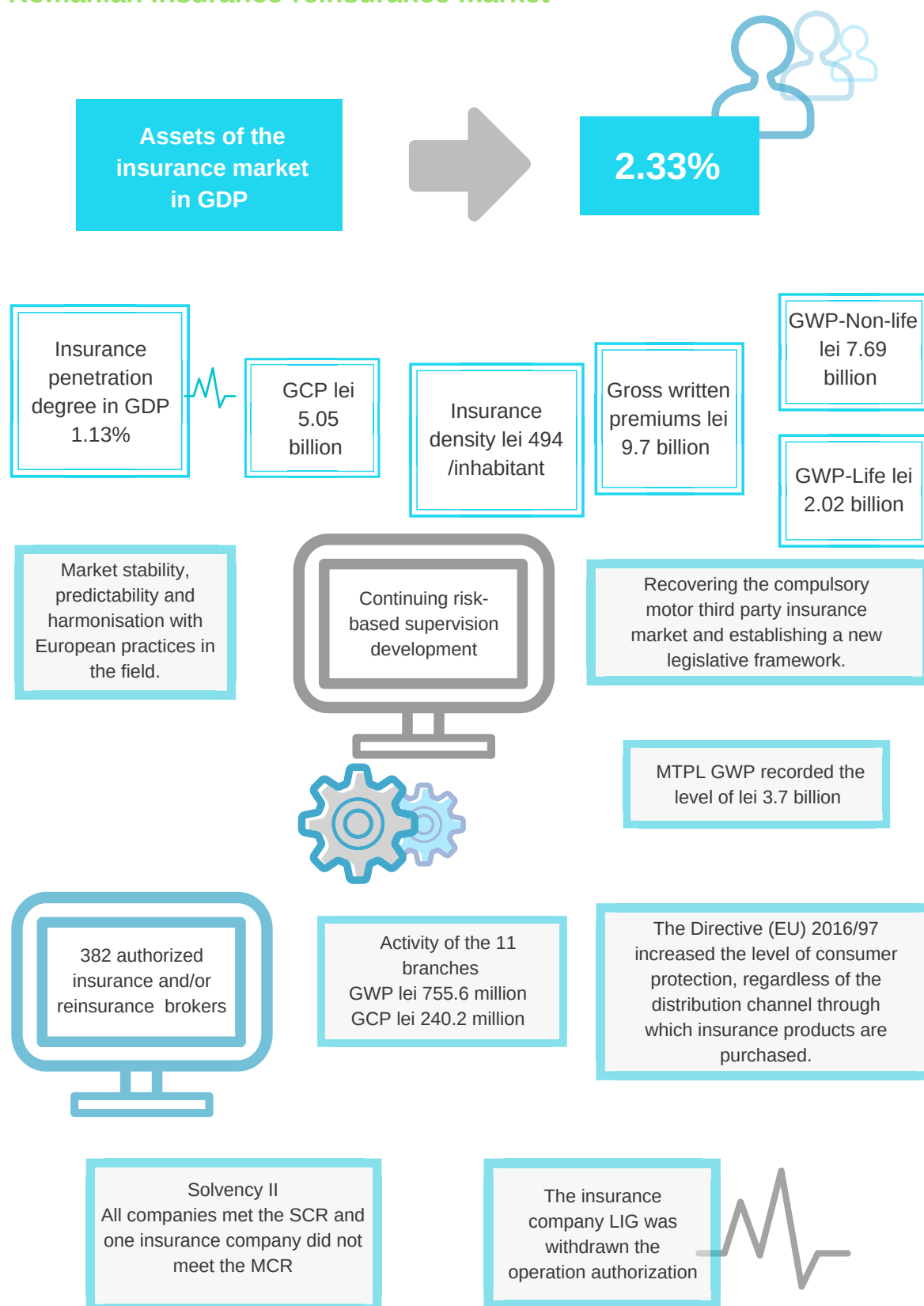
In Romania, in 2017, the assets of the banking sector predominated as a share of GDP (around 53.58%). The non-banking financial sector has seen a positive evolution over the last years, reaching 12.24% of GDP in 2017. The largest share was recorded in the share of private pension funds (from 4.33% in 2016, to 4.84% in 2017).

The other two sectors have reduced assets weights in GDP as compared to 2016. Although the assets of insurance companies and the assets of collective investment schemes increased, the fall in GDP shares was due to the high level of GDP as compared to the previous year.

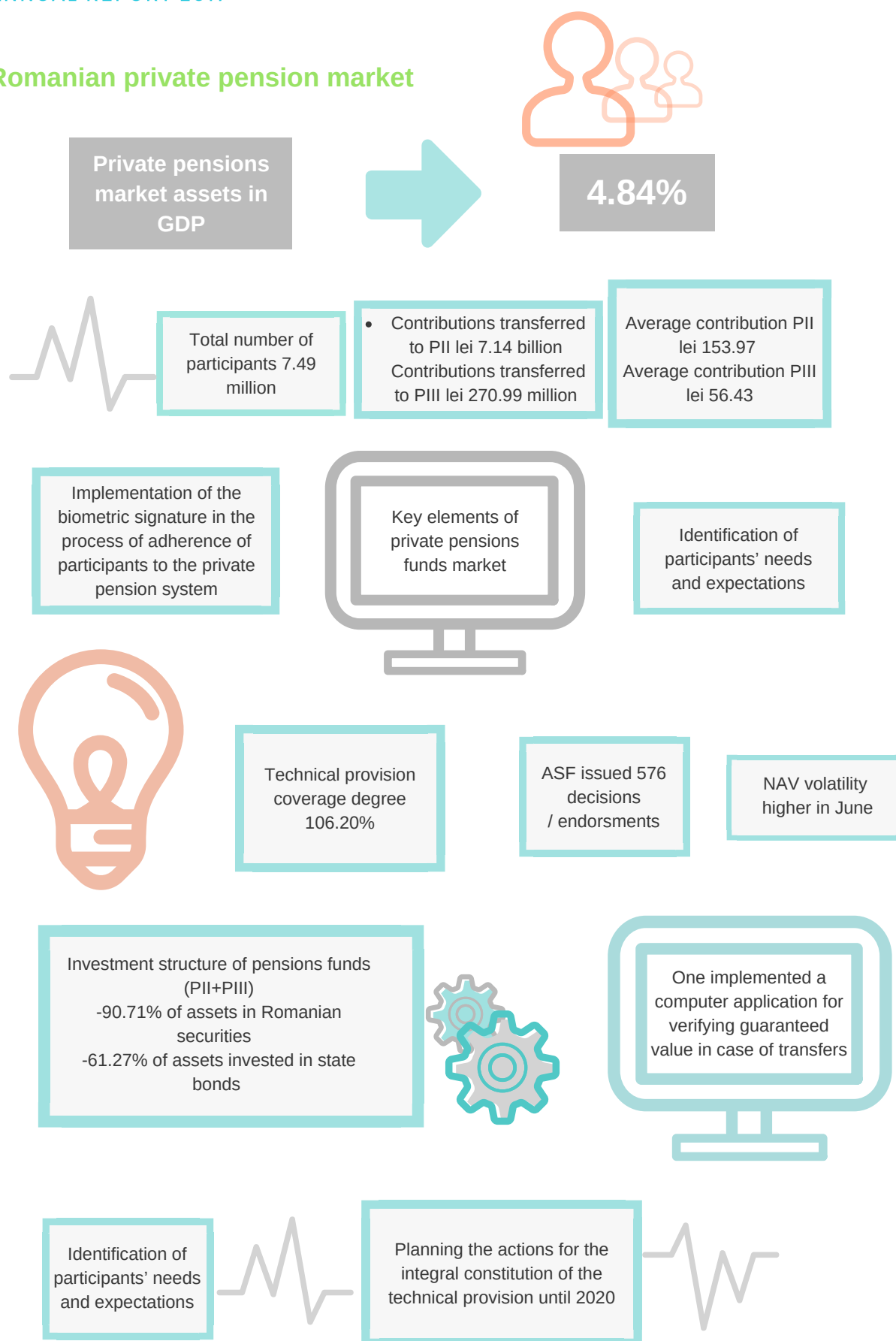
Romanian capital market



Romanian insurance-reinsurance market



Romanian private pension market





Capital market



Emerging market status – priority of Romanian capital market
Consolidation of the legal framework applicable to the capital market
Activity of authorisation - monitoring
Inspection activity in the domain of capital market
Activity in the field of issuers, trading monitoring and market abuse

Emerging market status – priority of Romanian capital market

STEAM Project - "Reaching the status of emerging capital market"

In 2017, ASF continued its work started in 2015 to meet the primary objective of its capital market strategy, namely to achieve the status of "emerging market", an objective assumed by the STEAM Project for the capital market.

The possibility of obtaining the emerging market status will bring more visibility, new opportunities and more investors on the Romanian capital market.

Being a large-scale project with a large spectrum of actions, ASF structured it on 5 major pillars, each of them containing specific objectives and actions:

Pillar I: revision of primary and secondary legislation
Pillar II: strengthening and modernizing the capital market infrastructure
Pillar III: development of the bond market
Pillar IV: stimulating the increase in the number of issuers and the capital market liquidity
Pillar V: retail market development and financial education.

1. Revision of primary and secondary legislation by :

- Elaboration of four draft laws on financial instruments markets, issuers of financial instruments and market operations and alternative investment funds respectively, all of which should replace Law no. 297/2004;
- Modifying and completing ASF rules and issuing new regulations and instructions for the application of primary legislation;
- Elaborate a draft rule for amending the accounting regulations in line with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority.

2. Consolidation and modernization of capital market infrastructure to cope with the liberalization of the interconnection with European markets by:

- Re-authorizing central depositories in accordance with EU Regulation no. 909/2014;
- Authorization / registration of alternative investment funds managers. In application of the provisions of Law no.74 / 2015 and of the ASF Regulation no.10 / 2015, with the subsequent modifications, ASF continued the process of authorisation /

registration as AIFMs of IMCs that administrate non-UCITs and self-managed non-UCITs, respectively SIFs;

- Improvement of the registry activity of the Central Depository.

3. Development of bond market by:

- Organization of meetings and events to promote financing raises through the issuance of corporate or municipal bonds.

4. Stimulation of the increase of the number of issuers and of capital market liquidity by:

Development of strategies / projects for listing of listed and unlisted minority and majority shareholders of state companies on the Bucharest Stock Exchange. There are three categories of such companies: State owned and non-privatized (e.g. Hidroelectrica, Constanta Port, Bucharest Airports); privatised, where State has minor shareholders, but unlisted (e.g. Telekom, Enel, E.ON) or state-owned, minority or majority-owned companies and already listed, where the free-float share can be increased (ex. Romgaz, Nuclearelectrica, Petrom); Simplifying listing and reporting procedures for issuers in the SME category.

5. Development of the retail market and financial education by:

- Creating an educational program dedicated to the capital market, supported by conferences, presentations and information campaigns targeting distinct categories of investors;
- Stimulating the development of distribution channels to expand investor access, including by attracting bank branch networks;
- Diversification of ASF regulated collective investment schemes.

All of these objectives fall under the responsibility of dedicated working groups and are pursued on the basis of clear timelines for implementation so as to meet as quickly as possible the criteria related to the size, liquidity and accessibility specific to an emerging market. Certainly, the STEAM project initiated and implemented by ASF is one of the main measures leading to the achievement of emerging market status, important factors being the increase in the current levels of the total value of the companies, the free float and the liquidity.

Revision of primary and secondary legislation

1. In the year 2017, the Law no. 24/2017 regarding issuers of financial instruments and market operations was adopted starting from the relevant provisions of Law no. 297/2004, which have been duly taken into account, with the updates and additions deemed necessary. By Law no. 24/2017, it was especially targeted:

- transposition of the provisions in the national legislation: Directive 2013/50 / EU of the European Parliament and of the Council amending Directive 2004/109 / EC of the European Parliament and of the Council on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading regulated market, Directive 2003/71 / EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading and Commission Directive 2007/14 / EC laying down the rules implementing certain provisions of Directive 2004/109 / EC (deadline for transposition: 27 November 2015); Directive 2014/57/EU of the European Parliament and of the Council regarding the criminal sanctions for market abuse, published in the Official Journal of the European Union no. 173 / 12.06.2014 (deadline for transposition: 3 July 2016).

- optimization of the transposition of the relevant directives package in the field of issuers (previously achieved under Law 297/2004), including by increasing the clarity of the text of the law (Directive 2001/34 / EC, Directive /2003 71/EC, Directive 2004 / 25 / EC, Directive 2004/109 / EC).

- harmonization of the draft law with the provisions of the EU Regulation no. No 596/2014 of the European Parliament and of the Council on market abuse and repealing Directive 2003/6 / EC of the European Parliament and of the Council and Directives 2003/124 / EC, 2003/125 / EC and 2004/72 / EC.

Compared to the current provisions of Law no. 297/2004, the new draft law brings as a novelty a series of provisions and measures aimed at increasing the transparency, integrity and competitiveness on the capital market. Of these measures, as an example, we mention:

- Reducing the administrative burden on small and medium-sized issuers in order to facilitate their access to capital;
- Enhancing the integrity of European financial markets by establishing criminal sanctions for the most serious market abuse committed intentionally;
- Providing a regulatory framework to detect capital market abuses, including insider dealing, unauthorized disclosure of inside information and market manipulation, and measures to prevent and avoid market abuse in order to ensure the integrity of the capital market; and strengthening the protection and investor confidence in this market.

2. In the context of the need to transpose into national law the provisions of Directive 2014/65 / EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92 / EC and Directive 2011/61 / EU, hereinafter referred to as "MiFID II," the draft Law on markets in financial instruments, developed by ASF in the previous year and finalized in early February 2017, was submitted to the Ministry of Public Finance with a view to its promotion by MFP as initiator.

The issuance of the new legislative act implies, in addition to the transposition of the provisions of Directive 2014/65 / EU, the repeal of certain provisions of Law no. 297/2004 due to the need to update them by taking over and adapting to the new European regulations on central depositaries, central counterparties, financial audit, special administration and liquidation measures.

The main changes proposed by this law, derived from the transposition of MiFID II, are:

- the transfer of OTC transactions to trading venues by establishing the trading obligation on them for certain financial instruments such as shares and derivatives and the establishment of a new trading venue - the organized trading facility (OTF) - for instruments other than capital markets instruments;
- increasing the importance of independent operators by expanding the range of financial instruments that can be traded;
- introduction of the algorithmic trading concept, which is the trading of securities on the basis of a computerized algorithm that automatically establishes, with minimal human intervention or without human intervention, some individual parameters of orders, such as initiation of order, moment of initiation, price or quantity of order or the way in which order is administered after its submission;
- expanding the list of services and investment activities with the OTF management;
- Establishment of new entities as a result of the extension of transaction reporting obligations: Approved Publication Arrangement (APA) - publishes trading reports on behalf of investment firms; Consolidated Tape Provider (CTP) - collects trading reports from regulated markets, MTFs, OTFs and APAs and consolidates them into a continuous flow of real-time electronic data to provide price and volume information for each financial instrument; and the Approved Reporting Mechanism (ARM) - report transactions to competent authorities or ESMA on behalf of investment firms;
- enhancing transparency by extending pre- and post-trade requirements on equity like instruments (for example, depository receipts, exchange-traded funds and certificates) and non-equity instruments (for example, bonds, structured finance products, emission allowances and derivatives);
- improving investor protection by setting more stringent requirements for portfolio management, investment advice, and offering complex financial products such as structured products.

The draft law also includes provisions for the prohibition on the distribution to retail investors of certain securities involving a leverage effect and a higher degree of risk and a ban on the promotion of investment services and activities through entities such as "call centre".

In 2017, the process of adopting Law no. No 210/2017 setting implementing measures for Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories was finalized.

Law no. 210/2017 aims to provide the necessary legal framework for the implementation at national level of the provisions of Regulation (EU) No. 648/2012, by:

- indicating, for legal certainty, the competent authorities to follow compliance with Regulation (EU) 648/2012, respectively the National Bank of Romania for credit institutions and the Financial Supervisory Authority for the other categories of financial counterparties, as well as for the central counterparties;
- establishment of the competent authority to monitor compliance by non-financial counterparties with their obligations under Regulation (EU) 648/2012, being the Financial Supervisory Authority;
- establishment of the sanctioning regime applicable in case of violation of the provisions of art. 4, 5 and 7-11, Title II of Regulation (EU) No. 648/2012;
- modification of Law no. 253/2004 on settlement finality in payment and securities settlement systems to ensure compliance with the provisions of Art. 87 of Regulation (EU) No. 648/2012.

3. Also, Law no. 29/2017 amending and supplementing the Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for amending and completing the Law no. 297/2004 on the capital market was elaborated.

The purpose of the law is to harmonize the legislation applicable to UCITS with European legislation by transposing the provisions of Directive 91/2014 / EU of the European Parliament and of the Council of 23 July 2014 amending Council Directive 65/2009 / EU on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, with regard to depository functions, remuneration policies and penalties (UCITS V).

The amendments made by this legal act mainly concern the following novelty aspects:

1. The entities that may act as depository of an UCITS are the National Bank of Romania, credit institutions (authorized by the BNR or the competent authorities of another Member State) and other legal entities that meet the capital requirements applicable to credit institutions, as well as a number of other infrastructure criteria and its own operating rules.

2. The depository of the UCITS must ensure that the sale, issue, redemption or cancellation of units is carried out by the IMC or another entity on behalf of the UCITS under the provisions of GEO No. 32/2012, the ASF regulations and fund rules / constitutive act of the self-managed investment company. The Depository must also ensure that the value of the units is calculated according to the rules of the fund / act of incorporation of the self-managed investment company and the provisions of the present draft normative act. At the same time, the depository shall ensure that the cash flows of the UCITS are duly monitored and, in particular, that all payments made by or on behalf of investors to the UCITS subscription of the UCITS have been received and that all cash has been recorded in cash accounts which are opened on behalf of the UCITS or the IMC acting on behalf of the UCITS or the Depository acting on behalf of the UCITS.

3. For assets that can not be safely held (in custody), the depository must verify the UCITS 'own ownership or the IMC acting on behalf of the UCITS on the assets concerned by analyzing whether the UCITS or the IMC acting on behalf of the UCITS shall be the owner of the proprietary right on the basis of the information or documents provided by the UCITS or the IMC and, if available, other external evidence. The Depository shall also keep a record of the assets for which it is convinced that the UCITS or the IMC acting on behalf of the UCITS is the owner of the right to property and will periodically update this record.

4. The depository is permanently liable for any loss suffered by the unit-holders caused by their negligence or intentional failure to perform their tasks.

5. The new rules set out in this normative act oblige the IMCs not to take any dangerous or excessive risk, only in order to achieve their bonus targets or variable remuneration based on certain profitability / profitability thresholds of UCITS investments.

6. Sanctions applied by the ASF should be published without delay on the institution's official website (with the express nomination of the persons responsible for committing the legislative deviations and only after exhaustion of any remedies before the ASF for the respective sanctions or administrative measures imposed as a result of violation of the provisions of the present normative act), except when it is considered that the publication of this information would be detrimental to the financial stability of the markets or an ongoing investigation.

4. At the same time, the draft Alternative Investment Funds Law was further elaborated, discussed and analyzed within the working group established with the representatives of the market.

This draft law is also included in the Technical Assistance Project provided by the World Bank and funded by the European Commission. The draft law includes a new classification of the current non-UCITSs according to the type of investor (professional or retail), the investment strategy pursued and the types of eligible assets.

These new categories of collective investment schemes are configured on the basis of the investment strategies listed in Regulation (EU) No. 231/2013, part of the legislative package related to Directive 61/2011 / EU - AIFMD and the experience gained by other EU Member States, taking into account the comments received from the Association of Fund Managers in Romania and other members of the consultative working subgroup created by ASF to support the process of drafting the new legislative package.



Consolidation of the legal framework applicable to the capital market

The activity of developing regulations (rules, regulations, instructions, judgments) in order to create or complete the legal framework for the proper conduct of the activity of the capital market entities, had as main coordinates:

- drafting regulations in application of the legislation in force and transposing the *acquis communautaire* (such as the Draft Regulation amending and supplementing ASF Regulation 9/2014 on the authorization and functioning of investment management companies, collective investment undertakings in transferable securities and depositories and the Draft Regulation on Issuers of Financial Instruments and Market Operations);

- the development of regulations following substantive requests from some of the capital market entities addressed to the ASF for the modification or completion of some regulations;

- the elaboration of the regulations as a result of the changes occurred in the normative acts issued by the Romanian Parliament or by the Government of Romania, as well as in the European legislation regarding the capital market, the implementation of which had to modify the regulations in force, insofar as these do not aimed at amending Law no. 297/2004.

Therefore, for the adoption of regulations in application of the capital market legislation in force, during 2017, the following were launched for public consultation:

- The Draft Regulation on Issuers of Financial Instruments and Market Operations, that was developed in application of the Law no. 24/2017 and that deals with issues related to public sales offers, public purchasing / takeover bids, issuer transparency obligations and issues related to the application of market abuse provisions;
- The draft regulation amending and supplementing the ASF Regulation no. 9/2014 on the authorization and functioning of investment management companies, undertakings for collective investment in transferable securities and depositories of undertakings for collective investment in transferable securities. This project was developed in order to apply Law no. 29/2017 for amending and supplementing the Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for amending and completing the Law no. 297/2004 on the capital market, transposing the provisions of Directive 91/2014 / EU (UCITS V).

REGULATIONS

[Regulation no. 1/2017 amending and supplementing Regulation no. 2/2006 on regulated markets and alternative trading systems, approved by the Order of the National Securities Commission no. 15/2006](#)

- Amends and supplements the CNVM Regulation no. 2/2006 on regulated markets and alternative trading systems, the main amendments consisting of: introducing the possibility of managing a market operator in a dualistic system, detailing the conditions to be met for such administration regarding the responsibilities and conditions to be fulfilled by the management, similar to the conditions imposed for administration in the unitary system; introducing provisions on corporate governance, conflicts of interest and inconsistencies of executive and non-executive management; the introduction of provisions on the documentation required to withdraw the establishment and management of an alternative trading system at the request of the system operator;
- The introduction of changes in the activity of a market operator requiring authorization by the ASF and the changes related to the change of the operator's object and the changes made to the technical-computer system used by him.

Regulation no. 2/2017 on the transfer or withdrawal from trading of issuers' securities in the event of the closure of an alternative trading system. The Regulation establishes the applicable legal framework for the transfer or withdrawal from trading of the securities of issuers, in the event of the closure of an alternative trading system as a result of a merger of the system operator with another system operator or following a decision adopted by the system operator.

Regulation no. 5/2017 regarding the modification and completion of some regulations of the National Securities Commission and for the establishment of some measures

- It amends and supplements mainly the CNVM Regulation. no. 32/2006 on financial investment services, as subsequently amended and supplemented, as well as the CNVM Regulation. no. 5/2010 on the use of the system of global accounts, the application of the mechanisms with and without the pre-validation of the securities, the securities lending operations, the creation of the associated guarantees and the short selling transactions, the CNVM Regulation no. 4/2009 on the Public Register of the National Securities Commission and the ASF Regulation no. 1/2017 for the modification and completion of CNVM Regulation no. 2/2006 on regulated markets and alternative trading systems to regulate some aspects of the practice concerning: the correlation between the level of initial capital of the IF and their ability to provide certain investment services or activities or related services, the clarification of certain aspects related to the accumulation of several functions within the branch of an IF, the taking over of the provisions of the Measure no. 6/2013 clarification of some aspects regarding the auditor's report in case of increase / decrease of the share capital of an SSIF, the creation of the legal framework applicable to direct transfers for securities for which the central depository is not designated as depository of the issuer, the revision of the provisions of Regulation no. 32/2006, in the context of facilitating short-term borrowing and selling operations, the renaming of Section 132 of the CNVM Register, the equalization of the internal control compartment with the compliance officer for market operators and, in this case, the deletion of Section 13 - Internal Control Representatives(RCCI) and Legal Enrolment in Section 131 - Compliance Representatives (RCCO) from the CNVM Register.

Regulation no. 7/2017 amending the Financial Supervisory Authority Regulation no. 16/2014 on the revenue of the Financial Supervisory Authority: modifying art. 25.

Regulation no. 10/2017 on central depositories issued pursuant to Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on the improvement of the securities settlement in the European Union and on securities central securities depositories and amending Directives 98/26 / EC and 2014/65 / EU and Regulation (EU) no. 236/2012

The Regulation lays down rules on the authorization, functioning and changes in the organization and operation of central depositories, in accordance with the provisions of Regulation (EU) No. 909/2014, of Law no. 297/2004, which do not contravene the provisions of Regulation (EU) no. 909/2014, as well as of the technical standards regulating and implementing Regulation (EU) No. 909/2014.

The main provisions of the regulation refer to:

- clarifications on the procedure and conditions for the authorization of central depositories;
- details of changes in the organization and operation of the central depository;
- issues concerning the operation and supervision of central depositories;
- the transitional and final provisions until the central depositories have been re-authorized in accordance with Regulation (EU) 909/2014.

Regulation no. 13/2017 amending and supplementing the Regulation of the Financial Supervisory Authority no. 10/2015 on the management of alternative investment funds

Modifies or completes art. 8, 13, 17, 19 and 441 of the ASF Regulation no. 10/2015.

Regulation no. 14/2017 regarding the repeal of the ASF Regulation no. 6/2013 issued in accordance with the provisions of art. 12 paragraph (1) of Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012 on financial instruments

It abrogates the ASF Regulation no. 6/2013, issued in accordance with the provisions of art. 12 paragraph (1) of Regulation (EU) No. No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories following the entry into force of Law no. 210/2017, as regards the sanctioning regime applicable

to the financial counterparties authorized and supervised by ASF, central counterparties and market / system operators to comply with legal provisions on avoidance of parallelism.

Regulation no. 15/2017 for the modification of the Regulation of the Financial Supervisory Authority no. 16/2014 on the revenues of the Financial Supervisory Authority.

Modify art. 25 par. (1) and repeals paragraph (3) of art. 26

INSTRUCTIONS

Instruction No. 1/2017 on the preparation and submission of annual financial statements by entities authorized, regulated and supervised by the Financial Supervisory Authority, as well as for amending the Instruction of the Financial Supervisory Authority no. 1/2016 on the preparation and submission of annual financial statements and annual reporting by entities authorized, regulated and supervised by the Financial Supervisory Authority.

It establishes the way of preparing and submitting the annual financial statements to the ASF and the territorial units of the Ministry of Public Finance, by the entities authorized, regulated and supervised by the Financial Supervisory Authority, which have the obligation to apply the provisions of Norm no. 340/2015 for the approval of the Accounting Regulations on the Annual Accounts and Consolidated Annual Financial Statements applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority.

It completes the requirements of Instruction No. 1/2016 on the preparation and submission of the annual financial statement and annual reporting by entities authorized, regulated and supervised by the Financial Supervision Authority, regarding the preparation and submission of annual financial statements to sub-units without legal personality belonging to foreign legal entities.

Instruction no. 2/2017 for repealing the Order of the National Securities Commission no. 142/2007 for the approval of Instruction no. 7/2007 on the reporting of certain operations

Instruction CNVM. no. 7/2007 was abolished as a result of the ceasing of the ASF obligation to report to the National Bank of Romania some statistical information according to BNR Norm no. 26/2006 on the statistical reporting of the data for the elaboration of the balance of payments, reporting no longer required according to the BNR Regulation no. 4/2014 on the reporting of statistical data and information to the National Bank of Romania, as amended by the BNR Regulation no. 6/2016.

RULES

Rule no. 5/2017 for the application of the MAR Guide - Persons receiving market soundings - and MAR Guide - Delay in the disclosure of inside information

MAR Guide – Persons receiving market soundings-applies:

- to the competent authorities and the persons receiving market soundings;
- in relation to the factors, measures and records that must be considered and applied by the persons receiving market soundings, based on art. 11 par. (11) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council (MAR);
- it applies from the date of 10.01.2017.

The purpose of the guide is to ensure a common, uniform and consistent approach in relation to the MAR requirements. It aims to reduce the overall risk of disseminating inside information communicated during market soundings and to provide the competent authorities with tools for the effective conduct of investigations into cases of suspected abuse of the market.

MAR Guide - Delay in the disclosure of inside information:

- it applies to competent authorities and issuers;
- presents a non-exhaustive and indicative list of the legitimate interests of issuers likely to be prejudiced by the immediate disclosure of inside information and of situations where the postponement of disclosure of inside information is likely to mislead the public as referred to in art. 17 par. (11) of Regulation (EU) No. 596/2014 of the European Parliament and of the Council (MAR);
- it applies from 20.12.2016.

The purpose of the guide is to provide guidance, by providing examples, to assist issuers in deciding whether to postpone the disclosure of inside information under Art. 17 par. (4) of MAR.

Rule no. 14/2017 for the application of the MAR Guide Information relating to commodity derivatives markets or related spot markets for the purpose of the definition of inside information on commodity derivatives

The MAR Guide - Information relating to commodity derivatives markets or related spot markets for the purpose of the definition of inside information on commodity derivatives includes guidance for competent authorities and investors, financial intermediaries, trading venues and the persons that prepares and performs transactions in commodity derivatives (collectively referred to as 'market participants').

In accordance with art. 7 par. (5) of Regulation (EU) No. No 596/2014 of the European Parliament and of the Council provides examples, i.e. a non-exhaustive and indicative list of information that is reasonably expected to be disclosed or for which disclosure is required in accordance with the legal or regulatory provisions of Union law; domestic law, market rules, contracts, practices or practices with respect to commodity derivatives markets or relevant spot markets referred to in Art. 7 par. (1) lit. b) under the same regulation.

Rule no. 23/2017 for the application of the ESMA Guideline on Access by a Central Securities Depository to the Transaction Feeds of a Central Counterparty or of a Trading Venues and the ESMA Guidelines on participant default rules and procedures

- The rule stipulates that ASF applies the ESMA Guideline on Access by a Central Securities Depository to the Transaction Feeds of a Central Counterparty or of a Trading Venues and the ESMA Guidelines on participant default rules and procedures. The ESMA guidance on central depository access to central counterparty and trading venue feeds details the criteria to be considered by a CCP or a trading venue when conducting a comprehensive legal, financial and operational risk assessment in following a request for access submitted by a CSD.

- Guidelines on participant default rules and procedures are intended to ensure that CSDs define and implement clear and effective rules and procedures to manage the insolvency of any of their participants and provide guidance on what measures should be established and followed by a CSD in the event of a participant's insolvency.

Rule no. 34/2017 for the application of the ESMA Guidance on Transaction Reporting, Order Record Keeping and Clock Synchronisation under MIFID II

The rule stipulates that ASF applies the ESMA Guidelines on Transaction Reporting, Order Record Keeping and Clock Synchronisation under MIFID II.

The purpose of the guide is to provide guidance to investment firms, trading venues, ARMs and independent operators on compliance with the provisions on reporting and record keeping of orders under Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) 648/2012 ("MiFIR") and the regulatory technical standards: Delegated Regulation (EU) 2017/590, Delegated Regulation (EU) 2017/580 and Delegated Regulation (EU) 2017/574. Specifically, the focus is on drafting transaction reports and drawing orders, field-by-field, for different scenarios that may appear.

All concepts in the guide apply only to Article 25 of the MiFIR on the record keeping obligations, Article 26 of the MiFIR on reporting obligations and Article 50 of MiFID II on the synchronization of professional clocks.

DECISIONS

Decision no. 1025/ 26.07.2017

This decision explains how to apply art. 2 of CNVM Regulation no. 1/2008, in the context of Law no. 24/2014 on issuers of financial instruments and market operations.



ENDORSEMENTS

Endorsement no. 468/10.08.2017

-Clarifications on whether or not to qualify as "financial instruments" within the meaning of Law no. 24/2017 regarding issuers of financial instruments and market operations of forward contracts for natural gas to be traded on the centralized commodity markets administered by the Romanian Commodities Exchange.

Activity of authorisation - monitoring

The authorization-monitoring activity should be seen as a first step from the wider perspective of the oversight of capital market and consumer protection entities.

In carrying out the authorization-monitoring activity, the strategic objectives of the ASF on the risk-based approach and the improvement of the quality, efficiency and flow of specific operations were considered.

From the perspective of the authorization activity, the tendency to consolidate the capital market institutions was noted, the most important aspect in this sense being the realization of an earlier intention of the Bucharest and Sibiu exchanges to merge (the Bucharest Stock Exchange "absorbed" SIBEX).

Along with the termination of SIBEX's activity in 2017, the Romanian capital market no longer has a regulated derivatives market, as in 2016 ASF withdrew the authorization of the regulated futures market administered by the BVB, given its inactivity and the absence of a contract with a central counterparty authorized under the EMIR provisions. According to the EMIR provisions, the BVB requested re-authorization within the terms and conditions of authorization of the Central Depository.

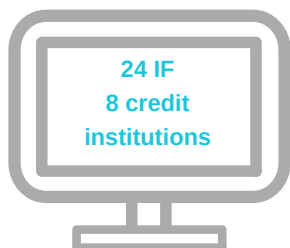
The Central Depository (BVB - majority shareholder with 69% of the share capital) requested re-authorization within the terms and conditions stipulated by Regulation (EU) no. 909/2014 and the delegated (EU) regulations issued in its application, as well as the ASF Regulation no. 10/2017.

At the same time, in the above-mentioned context regarding the ceasing of SIBEX's activity and taking into account its membership in the group, the Sibex Depository notified from the beginning of 2017 the renunciation of the request for reauthorization on the basis of European regulations, the issuers registered in it being transferred directly to the Central Depository, as provided by the ASF Regulation no. 2/2017. Given that as of November 2017, the Sibex Depository did not perform any specific operations on a central depository, ASF withdrew its operating license upon request.

The trend of increase of the number of intermediaries who requested the withdrawal of the authorisation is remarked also in 2017, one of the reasons involved being the costs implied by the implementation of MIFID II.

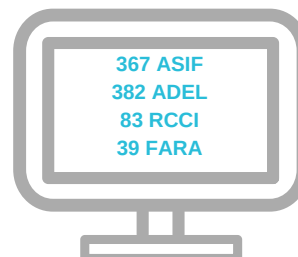
An important element in the authorization activity was the process of evaluation and approval of the members of the management structure (Board of Directors / Supervisory Board and senior management) and of the persons holding key positions (representatives of the internal control department and risk managers) from the framework of entities regulated and supervised by ASF. At the level of 2017 as part of this ample process, ASF organized and conducted 100 interviews (49 interviews with intermediaries and institutions of the capital market and 51 interviews with collective investment schemes) on the basis of the [ASF Regulation no. 14/2015 on the evaluation and approval of members of the management structure and of persons holding key positions within the entities controlled by ASF](#).

1. INTERMEDIARIES



The year 2017 is in line with the trends of previous years of reducing the number of intermediaries in the capital market. Throughout the year the operating authorizations of 3 financial investment firms were withdrawn, the number of credit institutions being the same as in 2016.

2. PERSONNEL WITHIN THE INTERMEDIARIES



Given that the number of investment firms (IF) in the year 2017 registered a downward trend, including the number of agents for such services (ASIFs) whose authorizations were withdrawn was higher than that of authorized agents. The same situation is also noted in the case of representatives of internal control compartments (RCCI). Instead, the number of tied agents (ADEL) increased (most of them doing business in credit institutions), as well as the number of risk managers (FARA) - a key function, according to Regulation no. 14/2015, FARA's authorization involving interviews in advance.



CAPITAL MARKET INSTITUTIONS

1. Sibex and BVB merger
2. Appointment of a new General Director of BVB

During the year 2017 two modifications were approved to the functioning of the market operator Bucharest Stock Exchange as a result of the modification of the membership of the Board of Directors by the appointment of new directors.

The Board of Directors, reunited in the meeting of 01.11.2017, took note of the resignation of Ludwik Leszek Sobolewski from the position of General Manager of the company and decided to appoint Marius Alin Barbu, Deputy General Manager, as Interim General Manager.

By Decision no. 89 / 04.12.2017, the Board of Directors appointed Mr. Tănase Adrian as General Manager for a four-year term, starting with the date when the appointment of the General Manager is approved by the ASF.

As regards SIBEX Sibiu Stock Exchange SA, ASF authorized the share capital increase of BVB (lei 80,492,460) as a result of the merger with SIBEX, withheld the licenses of SIBEX as market operator and system operator, withdrew the shares SIBEX from trading on the regulated market and cancelled these shares from the ASF records.

At the same time, all derivative securities traded on the regulated market administered by SIBEX and registered with ASF (a number of 62 derivatives securities) were extinguished and the quality of SIBEX was withdrawn by a training body.

CENTRAL DEPOSITORIES

1. Initiation of the Central Depository's reauthorization process
2. Withdrawal of the Sibex Depository's Authorization

In 2017, at the request of the Central Depository, the authorization of the person responsible for risk assessment and management (key function) was withdrawn, the company appointing a new person to this position at the beginning of 2018.

The process of re-authorizing the Central Depository was initiated, according to the requirements of Regulation (EU) no. 909/2014 and the Delegated (EU) Regulations issued in its application, as well as the ASF Regulation no. 10/2017.

Regarding the Sibex Depository SA, three new administrators were validated following the Board of Directors' modification, the appointment of a new General Manager was approved and the authorization of a representative of the internal control department (key function).

By Decision no. 1713 / 28.11.2017, ASF withdrew the Sibex Depository's authorization at the request of the company, this decision being accompanied by the withdrawal of the authorizations granted to the person responsible for the risk assessment and management and the representatives of the internal control department.

CLEARING HOUSES / CENTRAL COUNTERPARTIES

With the withdrawal in 2015 and 2016 of the authorizations to operate the Romanian Clearing House SA Sibiu and the Bucharest Clearing House SA, the Romanian capital market no longer has such entities. In relation to this aspect and in the context of the merger through the absorption of SIBEX by the BVB, the management structure of this market operator must be aware of the importance of the establishment of a central counterparty (Romanian).

INVESTMENT MANAGEMENT COMPANIES (IMCs)

18 IMCs inscribed in ASF Public Registry

In relation to the situation existing at the end of 2016, there is a decrease in the number of authorized IMCs, the authorization of the following companies being withdrawn:

- At request:
IMC Patria Asset Management SA and IMC Target Asset Management SA.
- As sanction:
Zepter Asset Management – SAI SA.

Regarding the situation of the IMCs managing individual portfolios, there are no changes to the year 2016.

In 2017, requests from IMCs for authorization of changes in their organization and operation were registered with ASF. At the same time, at the level of 2017 there were registered five requests for approval of direct / indirect acquisitions of qualified holdings in the share capital of some IMCs, of which one was not completed, the request was withdrawn by the entity.

There were two requests to change the name of investment management companies: IMC Intercapital Investment Management SA changed its name to IMC Patria Asset Management SA and Pioneer Asset Management SAI SA changed its name to Amundi Asset Management SAI SA.

COLLECTIVE INVESTMENT SCHEMES

78 OEIFs
25 CEIFs
5 SIF
FP

At the level of 2017 there is an increase in the number of UCITS and a slight decrease in the number of non-UCITSs. As of 31.12.2017 the ASF Public Register registered 78 open-end investment funds (OEIF), 25 closed-end investment funds (CEIFs), to which were added the 5 investment companies (SIFs) belonging to the non-UCITS category with the diversified investment policy and Fondul Proprietatea SA.

ASF granted the operating license for 5 new open-end investment funds (OEIF) in 2017, namely: OEIF Raiffeisen Benefit EURO, OEIF Raiffeisen Moderate EURO, OEIF Raiffeisen Moderated RON, OEIF Raiffeisen Conservator EURO and OEIF Raiffeisen Conservator RON. Also, the authorization for functioning of non-UCITS was withdrawn as a result of its transformation into open-end investment fund (FIPI OTP Expert).

At the same time, 3 open end investment funds were removed from the ASF Registry as a result of the merger by absorption by other UCITSs or at the request of the IMC.

In 2017 he was replaced on request by the administrator of the open-end investment funds Fortuna Classic and Fortuna Gold SAI Target Asset Management SA was replaced by SAI Broker SA.

Regarding the quality of share holders for the collective investment undertakings managed by the 18 IMCs, we mention that in the Public Register ASF at the end of 2017 there were 12 such entities, both credit institutions and IF- Banca Transilvania SA, Banca Comerciala Romana SA, Libra Internet Bank SA, Banca Comerciala Carpatica SA (the current Patria Bank SA following the merger of the two credit institutions), BRD - GSG SA, OTP Bank Romania SA, Unicredit Bank SA, Raiffeisen Bank SA, SSIF IFB FINWEST SA, SSIF BRK FINANCIAL GROUP SA, Swiss Capital and SSIF TRADEVILLE SA.

The deposit and safekeeping of the assets of the collective investment schemes is ensured by 6 depositories: Bancpost, Libra Internet Bank, BRD-GSG, Raiffeisen Bank, BCR, Unicredit Bank, there are no changes in their number compared to 2016.

Regarding the financial investment companies, we mention that during the year 2017, the ASF endorsed changes in the composition of the board of directors / supervisory board or of the composition of the actual management (directors / members of the directorate), as well as changes in the constitutive deeds thereof.

During 2017, ASF issued a number of 5 amendments to the constitutive act of SC FONDUL PROPRIETATEA SA, out of which 4 endorsements include the decrease of the share capital. Thus, the share capital of Fondul Proprietatea diminished during 2017. In this respect, we mention that on 31.12.2017 the value of the share capital of FONDULUI PROPRIETATEA is lei 4,854,034,784 compared to a value of lei 9,168,314,117 recorded on the date of 31.12.2016.

Regarding the free movement of services, as of 31.12.2017, ASF was notified by 9 investment management companies from other EU Member States, 61 UCITS from other Member States EU, out of which 7 investment companies and 54 open-end investment funds, 20 alternative / closed-end investment companies, 38 alternative investment fund managers from other Member States that have notified the provision of services in Romania under Art. 6 par. (4) from AIFMD.

In view of the entry into force of legal regulations that imposed on the entities the obligation to align with their provisions, the following events took place during the year 2017:

- analyzing documentation and issuing individual acts as a result of requests registered with the ASF authorization / registration as AIFMs from the IMCs managing the non-UCITSs and from the self-administered non-UCITSs (legal basis being Law 74/2015 and Regulation No. 10/2015, as amended and supplemented);

- notification of the entities regarding the completion / modification of the constitutive documents in order to align with the provisions of the Regulation no. 2/2016 on the application of corporate governance principles by entities authorized, regulated and supervised by the Financial Supervisory Authority, thus following the notification / notification of changes in the Articles of Incorporation for both the 5 SIFs and the IMCs.

Based on Regulation no. 14/2015, requests from the IMCs / SIFs to approve, modify and / or notify members of the management structure and those holding key positions were registered.

The assessment of the persons in the management structure and the persons with key functions (responsible for risk management, representative of the internal control / compliance department) also includes the process of interviewing these persons.

In 2017, requests for 6 new registrations were made in the Public Registry of the ASF in the capacity of internal control department representatives. Also, following the emergence of the IMC / SIF obligation to subject to authorization, including those responsible for risk management under Regulation no. 14/2015, 5 people were authorized as risk managers.

At the same time, starting from the aforementioned regulation, the management structure of an investment management company was reevaluated, thus the approval for 2 persons was withdrawn as a result of the non-fulfilment of the eligibility criteria provided by the legislation in force.

INVESTMENT ADVISERS

Eight natural persons were authorized as investment advisers, one of which carried out its own business and the other on behalf of investment advisory firms.

Three such companies were authorized in 2017, one of which is mainly addressed to public institutions (Local Public Authorities) which, by the definition given in Regulation no. 32/2006, are assimilated to professional clients. Prior to the provision of any financial investment service, the investment advisory firm must inform the Local Public Authorities that it is considered to be a professional client and will be treated as such unless the company and the client decide otherwise, or the client requests modification of the contractual terms in order to obtain a higher degree of protection.

It is noted that in 2017, on request, the authorizations granted to the investment advisers - natural or legal persons were not withdrawn, the number of investment advisory firms growing this year from 2 to 5.

EVALUATORS

No changes were made to the list of evaluators registered in the ASF Registry. For this operation, strict requirements have to be met by applicants: Valuers should, among other things, specialize in business appraisal and team up an investment consultant authorized by ASF and a financial auditor - CAFR member.

AUDITORS OF INFORMATIONAL SYSTEMS

In 2017 no changes were made to the ASF list of IT auditors endorsed by the ASF for the external audit of the IT systems of the capital market entities (institutions).

FINANCIAL AUDITORS

There have been no changes in the ASF list of financial auditors endorsed by the ASF that carry out this activity in the entities authorized, regulated and supervised by ASF.

HOLDINGS OF COMMERCIAL COMPANIES ADMITTED AT TRADING

ASF certified, at the request of OMV PETROM SA and SIF MOLDOVA, the changes made in 2017 within the composition of these groups.

At the request of YIOULA - STIROM, this group was radiated. The reason is the sale by Yioula Glassworks SA Greece (the parent company of the group and indirectly of STIROM) of the largest part of its holdings.

To ensure transparency of information, ASF-registered groups and their day-to-day changes are published on the ASF website in a separate section.

PROFESSIONAL TRAINING ORGANISMS

SIBEX lost its status of professional training body (OFP), given the merger by absorbing this company by the BVB. Thus, the OFP number decreased from 6 to 5.

There was an increase in the number of training courses for financial investment services agents, tied agents, internal control departments, investment advisers and risk managers as well as the number of training programs (webinars), being granted 14 ASF authorizations for courses and for 9 program licenses.

Activity of supervision and inspection in the field of the capital market

1. Supervision of investment firms

The analysis of the activity of the investment firms was performed on the basis of the mandatory quarterly reports, taking into account the technical criteria for the supervision and evaluation process implemented according to the provisions of the Directive (EU) no. 36/2013 and Regulation (EU) No. 575/2013 requiring investment firms to have sufficient capital buffers to cover unexpected losses and to maintain their solvency in times of crisis.

Therefore, the activity of investment firms for 2017 was analyzed from three perspectives: the solvency situation of the companies according to the specific capital requirements, the analysis of the financial performance of the companies operating on this market segment and the overall market share determined by the number of clients attracted and the value of assets held in custody of intermediaries.

Based on the above, in 2017, the following prudential supervision activities were carried out:

- performance of simulations on the risk classification of regulated and supervised entities of ASF (IF and IMC) in the matrix developed through the World Bank project aimed at implementing risk-based surveillance. The matrix developed by the World Bank project envisages a series of indicators that can be tracked in dynamics as well as the introduction of mitigation factors;
- collecting and transmitting data from investment firms in Romania (the data collected took into account both financial information for the financial year 2016 and information on the types of services provided by investment firms) with a view to finalizing by the European Banking Authority (EBA) report on investment firms and the way in which the prudential regime established by the CRR / CRD IV legislative package is applied at European level;
- constantly updating the reporting templates of equity and capital adequacy requirements to meet supervisory needs and entity reporting requirements;
- permanent provision of data and expertise to other structures within the ASF, either for statistical purposes or for the purpose of elaborating complex situations regarding certain supervised entities;

- taking supervisory measures: 2 sanction decisions with fine, one penalty sanctioning decision, 2 prudential measures;
- the imposition and monitoring of action plans in order to restore the financial balance of entities regulated and supervised by ASF;
- ensuring a permanent contact with market entities for the correct application of prudential legislation, how to fit elements into the appropriate risk categories.

2. Supervision of Investment Management Companies, Managers of alternative investment funds and investment funds in Romania

In order to achieve the proposed objectives and the specific attributions, in 2017, the following prudential supervision activities were carried out for the regulated entities:

- Monitoring of the observance of the legislative provisions and the implementation of the reporting requirements imposed by Law no. 74/2015 and Regulation no. 10/2015 with respect to the alternative investment funds registered and authorized by ASF in 2017.
- Conducting a stress-test exercise: Presenting a detailed picture of the liquidity risk vulnerabilities of the closed-end investment funds untraded on a regulated market but authorized in Romania. The exercise tested administrators' ability to capitalize their assets in a timely manner when the two largest investors simultaneously required full redemption of their holdings. The exercise covered 24 funds and the reference date was March 31, 2016.
- Continue to standardize and streamline reporting on investment fund portfolios both for the purpose of qualitatively raising the information contained therein while reducing the reporting effort of credit institutions that perform the role of depositary for investment fund assets as well as in order to establish a set of indicators to signal extreme fluctuations, the abnormalities in the evolution of yields.
- Updating and developing, as necessary, internal procedures to streamline and adapt to current requirements with regard to prudential supervision of regulated entities by ASF.

A main component is that afferent to the **risk management** and seeks to investigate any existing vulnerabilities for supervised entities, both individually (micro-prudential) and sectoral.



Risks are identified and monitored both by continuous supervision and analysis of the relevant information contained in the periodic reports transmitted to ASF, as well as by stress tests, punctual analyzes and simulations conducted in the light of developments in financial markets.

Regarding the monitoring of the periodic reports sent to ASFs by investment management companies, the monthly report on the UCITS 'global exposure to derivatives is an extremely useful tool. This report provides a detailed analysis of the UCITS portfolio instruments as well as the calculation methodology and exposure value of counterparty risk and global exposure resulting from transactions in derivative instruments traded outside regulated markets.

At the same time, the periodic actions performed for the risk management at the level of the supervised entities also include the monitoring and analysis of the return-risk indicators for the Romanian investment funds in order to determine the funds that record values outside the general model of evolution at the market level, (open / closed end investment funds, share / bond / mixed / diversified funds), for which ASF considered it appropriate to determine the standard deviation of their daily returns as an indicator of risk measurement.

Risk management activity involves the regular start of point analyzes / performing stress test exercises for investment funds. Such analyzes test the ability of fund managers to manage potential exceptional situations, both at micro level, such as the impact of a high level of redemptions, and at macro level in situations of turmoil in national and international financial markets. By conducting stress tests on investment funds, ASF aims to investigate any existing vulnerabilities for these entities. On the basis of the results obtained, the Authority makes recommendations on the need to improve their capacity to manage potential exceptional situations related to the risks involved.

3. Supervision of market institutions

3.1. Activity of market operators

During the first three quarters of 2017, two authorized market operators were active on the local market: Bucharest Stock Exchange (BVB) and Sibiu Stock Exchange SA (SIBEX).

The Sibiu Stock Exchange was the only regulated futures market that operated uninterrupted from January 31, 2003 (date of first authorization by CNVM) until December 2017. Following the SIBEX GSM decision of April 20, 2017, the absorption merger between BVB (absorbing company) and SIBEX (absorbed company) was approved, ASF withdrew the operating authorization of the market operator, the regulated markets and the ATS managed. SIBEX announced that it would cease trading on the regulated market as of 19.06.2017 and under the alternative system starting on 09.10.2017.

The Bucharest Stock Exchange, authorized as a market operator in July 2005 (until now an institution of public interest) was listed on its own regulated market as of 8 June 2010. The company was included in the Premium Category and at the end in 2017, had a capitalization slightly exceeding lei 222 million .

Three important goals of the company for 2017 were sustainability, maintaining a better image for shareholders and potential investors, and increasing the attractiveness of managed markets.

Risk management

BVB is exposed to various risks including: currency and interest rate risk, credit risk, liquidity risk. The company is exposed to market risk through its foreign currency cash holdings and bank placements and government securities purchased. Based on the analysis of financial assets and the sensitivity analysis of the EUR and USD exchange rates, no significant losses are expected.

Financial assets subject to credit risk include mainly core business receivables and financial investments. Credit risk for receivables is limited due to the small number of clients of the company. As regards financial investments, the BVB limits its risk exposure to counterparties having a satisfactory credit quality.

With regard to liquidity risk, the prudent management of liquidity risk implies the maintenance of sufficient liquid resources to cover the working capital needed to conduct the business. BVB's policy is to maintain liquidity to a level that allows payment obligations to be paid to suppliers and third parties at the due date.

BVB records optimal values for liquidity and solvency ratios, with the company's assets being able to cover outstanding liabilities, as debt continues to be marginal (BVB has no long-term debt).

3.2 Activity of central depositories

New European supervisory requirements for post-trading systems in recent years have changed the principles and operational conditions of the securities market infrastructure.

At the end of 2017, the Central Depository was the only entity to perform clearing-settlement transactions in securities, deposit operations of securities issued by issuing companies and registry operations for issuers of securities. In the context of the merger of BVB-Sibex, the withdrawal of market authorizations and the alternative trading system administered by SIBEX, ASF withdrew the Sibex Depository's authorization granted by Decision no. 1285 / 19.08.2009.

Maintenance and correct and efficient operation of post-trading systems

The adoption of new mechanisms and tools to improve surveillance has been marked by a series of events:

- The Central Depository has finalized the implementation of EU market standards for the processing of corporate events by issuers. It has made available to issuers and participants a new application for the transmission of information on corporate events associated with securities for which the Central Depository is the Depository of the issuer. The processing of corporate events based on European standards increased the efficiency of the communication process between issuers and shareholders, optimized the operational process and diminished the related risks. The project, which has been running for many years, was a complex one, involving authorities, ASF and BNR, BVB, issuers and intermediaries, who jointly developed the market practice that will be adopted in Romania in line with international practices. The implementation of the second phase of the Central Depository's connection to the pan-European TARGET2-Securities platform, developed by the Eurosystem for Euro-denominations, makes it possible to communicate automatically between the two systems;
- The European Commission issued in 2017 a series of delegated technical standards and regulations with direct applicability in order to establish the same obligations for central depositories and common prudential requirements;
- Triggers the process of authorization of the central depository under the new European regulations.

In order to adapt specific surveillance methods for market operators and central depositories, a series of activities were developed:

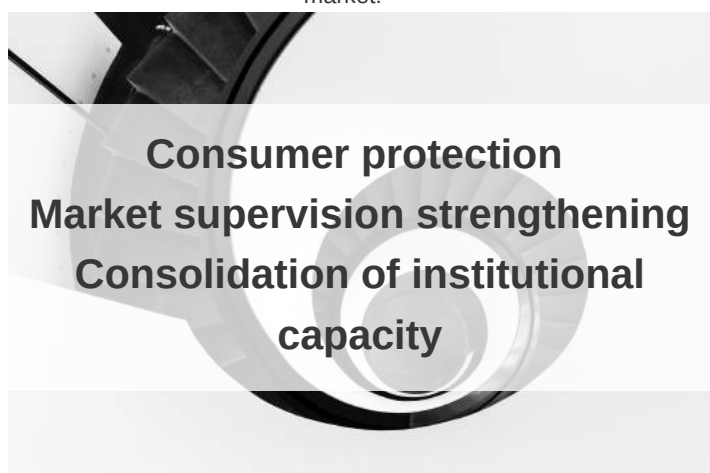
- the analysis of the types of activities actually carried out by market operators and central depositories in order to identify the risks to which they are exposed;
- the analysis of the financial statements of market operators in terms of economic and financial and operational indicators and the way in which the financial risk management was carried out in order to maintain sufficient capital buffers to cover unexpected losses and to maintain solvency in times of crisis;



- periodic verification of the liquidity indicators and the company's assets, in order to determine the coverage level of the due liabilities;
- analysis of the types of activities actually carried out by market operators and central depositories in order to identify the risks to which they are exposed;
- analysis of the financial statements of market operators in terms of economic and financial and operational indicators and the way in which the financial risk management was carried out in order to maintain sufficient capital reserves to cover unexpected losses and to maintain solvency in times of crisis;
- analyses to identify new mechanisms and tools to proactively address the high impact of precarious liquidity and high volatility;
- verification of observance of the prudential and capital requirements that are directly applicable to legal, business, operational and investment risks to provide a sufficient degree of safety and continuity of services provided by a central depository;
- the development of mechanisms, procedures and tools by which ASF ensures that CSDR provisions are applied in a sound, effective and consistent manner;
- analyze the Central Depository's mechanisms and rules to determine whether the depository, which is currently unique on the local market, is safe, robust and complies with the rigorous prudential requirements set by European regulations, including by taking all necessary measures to prevent fraud and negligence.

Inspection activity in the domain of capital market

From among the ASF Strategic Objectives for 2017, the following are incident to the inspection activity on the capital market:



Consumer protection

In order to achieve this objective, specific inspection activities were carried out so that, through the inspections carried out at the headquarters of the entities or other investigations carried out at the ASF headquarters, special emphasis was placed on issues affecting the consumers of financial products on the capital market - / the investors of the entities.

Within the inspection activity, priority was given to respecting the rights and interests of clients through specific checks on the conduct of the supervised entities regarding the following subjects:

Intermediaries (IF and credit institutions)

- documents concluded and information communicated when establishing a business relationship with customers;
- knowledge of customers in order to provide appropriate services and products;
- documents, information (including provided by advertising) and reporting in relation to customers and potential clients;
- segregation of client assets accounts from the entity's own asset accounts;
- safe keeping of client assets;
- managing and executing client orders in the best interest for them;
- conflicts of interest;
- the situation of the incentives and their analysis from the perspective of avoiding / managing the resulting conflict of interest situations.

Investment management companies / Alternative investment funds managers

- managing the portfolios (collective and individual), in relation to the limits specified by the legislation or by the constitutive deeds;
- segregation of accounts;
- safe keeping of client assets;
- conflicts of interest;
- calculation and valuation of assets;
- assessment of stress tests / stress tests conducted by the IMC to determine the capacity of the response entity to such situations.

Depositories of assets of investment funds managed by IMC

- Segregation of investment fund accounts;
- Certification and monitoring of fund assets;
- Informing ASF on any abuse of the IMC / exceeding investment limits.

The objective of consumer protection was reached, for the year 2017, the new approach to inspection, also based on risk identification at the entity level, the assessment of the risk mitigation method as well as the guidance of the entities in order to remedy the identified deficiencies / proper risk management, leading to a reduction of the inadequate behaviour of the entities in relation to the clients / investors.

There was no very serious deviations from the proper conduct of entities in relation to clients or investors. For the non-compliances found, ASF applied sanctions, remedial measures through action plans or recommendations in order to optimize processes and the internal mechanisms of entities.

As a result of short-term follow-up processes, the remedial measures required for non-compliance related to customer relationship behaviour were reported as implemented by entities or under implementation (for situations requiring a longer implementation period, in which case the responsible internal structures took over their monitoring until implementation).

Market supervision strengthening and consolidation of institutional capacity

In order to reach this objective, ASF carried out the Project entitled "Consolidation of the function of capital market supervision in Romania", with the assistance of the World Bank.

During the year 2017, two missions were held at ASF headquarters, and ASF collaborated with representatives of the World Bank team.

The purpose of the project is to improve the institutional capacity of the ASF and to shift to supervisory work from a predominantly compliance-based approach to a risk based supervision).

Among the objectives proposed in the project are the strengthening of the on-site (control) oversight function of investment firms and investment fund managers, based on best practices in the European Union.

The results expected from the perspective of the inspection activity:

1. A risk assessment framework (and an appropriate risk assessment methodology) that will help identify areas at risk, both at the entity level and at the market level. This framework will provide guidance on prioritizing inspections and / or inspection topics (classification of entities / risks based on an agreed scale).
2. Develop a manual containing a methodology for conducting inspection activity in terms of both conduct and prudence aspects for investment firms and investment fund managers.

Status of the project

At the end of 2017, the project was underway, the forecast for its completion being the first semester of 2018.

Other important activities carried out on the level of the inspection structure within ASF:

analysis of the IT audit reports submitted by the capital market entities according to the ASF Rule no. 6/2015; conduct of a screening exercise on regulated capital market entities regarding recent threats to the security of IT systems; contributions to the development and completion of two internal projects of the ASF: the compliance assessment exercise of the supervised entities and the "Order Book and Market Replay" project developed in partnership with the Bucharest Stock Exchange SA.



Activity in the field of issuers, trading monitoring and market abuse

Issuers and public offers

Main operations approved by ASF in the year 2017:

- 3 prospectuses for sale of bonds / admission to trading on the regulated market administered by BVB of the bonds issued by VRANCART SA, IMPACT DEVELOPER & CONTRACTOR SA; and
- UNICREDIT BANK SA whose value was Eur 153,448,913;
- 11 primary listing prospectuses for the sale of shares with a value of lei 43,158,522;
- 12 documents related to public buying offers, 8 of them being initiated by the issuer of the shares, whose value was lei 626,649,150;
- 1 document related to a mandatory takeover bid of lei 8,406,870;
- 2 withdrawals of shareholders from the company that were subject to one of the two conditions imposed by the provisions of Article 42 of Law no. 24/2017.

Following the completion of the procedure provided for in Art. 206 of Law 297/2004 / art. 42 of Law no. 24/2017, 3 companies were withdrawn from trading and 11 other companies were withdrawn from trading on the regulated market / alternative trading system administered by BVB / SIBEX in view of the bankruptcy proceedings / completion of a merger / dissolution or as a consequence of the shareholder's decision - after the company's redemption of the shares held by the shareholders who did not agree with the adoption of that decision.

In the last year, there has been an increase in the interest of local companies, and not only, for the access to the Romanian capital market, the three IPOs issued by AAGES SA, TRANSYLVANIA BROKER DE ASIGURARE SA and SPHERA FRANCHISE GROUP, were successful, and their value amounted to lei 299,687,712 (about Eur 65 million).

Also during the year 2017, the the IPO issued by DIGI COMMUNICATIONS NV (approved by the Dutch authority) for the admission to trading on the regulated market administered by BVB was carried out, amounting to lei 944 million (approximately Eur 207 millions), and in the beginning of 2018 the secondary offer for the sale of shares issued by Purcari Wineries Public Company Limited is expected.

As a peculiarity / novelty, this offer is to be approved based on the acceptance by the ASF of delegated competence by the similar authority in Cyprus.

According to the legal provisions, harmonized with the European directives, ASF receives from the similar authorities in the EU area, the prospectuses approved by them, the certificate and the Romanian summary of the prospectuses; according to the legal norms, ASF does not initiate any approval procedure for the prospectus. In this respect, during 2017, ASF was notified of the approval of 29 prospectuses and 48 supplements / amendments, and on the basis of the notified prospectuses and the final terms submitted, 80 structured product issued by ERSTE GROUP BANK AG AUSTRIA were registered with the ASF for the admission to trading on BVB.

SSIF BRK FINANCIAL GROUP SA made a new basic prospectus for structured products, so that for this issuer there were also 36 structured products.

The registration of the issue of securities or the changes in the characteristics of the issuers existing in the ASF record is made by issuing the Securities Registration Certificate (CIVM). In this respect, in the year 2017 a number of 168 Securities Registration Certificates were issued.

Transparency and issuers' reporting

[Analysis / investigation of the observance of ownership limits in the share capital of financial investment companies \(SIF\) as effect of the provisions of art. 286¹ of Law no.297/2004.](#)

- The activities carried out by the ASF involve a complex mechanism for verifying compliance with the limit of holding in the share capital of financial investment companies. Very often, this mechanism involved both the establishment of contacts and exchanges of information with competent authorities in other states, as well as the knowledge of the legal framework of the operations carried out in exotic jurisdictions. At the same time, at national level, it has collaborated with other state authorities to obtain relevant data and information in the investigation process (DIICOT, General Inspectorate for Immigration, ONRC etc);

- The implications of the results of the activities carried out by the ASF in this process are of particular importance from the point of view of maintaining a fair environment in order to exercise shareholders' rights in the general shareholders' meetings, in accordance with the limits of expressly regulated detention. The intervention of the authority is manifested on the one hand by the immediate deterioration of the voting rights of the shareholders for whom such a situation has been identified for overcoming the limits established by the legal provisions and on the other hand by imposing and following the fulfilment of the obligation to sell legally holdings exceeding the threshold of 5%.

In the context of the ongoing monitoring of the activity of financial investment companies, the analyzes carried out within the ASF are of particular importance regarding the supervision of the financial investment company shareholders' behaviour during the general shareholders' meetings and the enforcement of the law on the concerted action and the holding threshold of 5% of the share capital of financial investment companies, considering that in the general meetings of SIFs there are issues that will have an impact on a large number of investors (over 5 million shareholders for each SIF in part), on the one hand, and the stock market, on the other.

Other cases that have been subject to ASF analyzes, completed either by issuing individual acts or by sending information / warning addresses:

From the perspective of the current reporting obligations, 23 individual acts were issued, out of which 16 sanctions, respectively 8 sanctions with a warning and 8 sanctions with fines totalling lei 94,000, as well as 7 acts regarding the imposition of obligations on issuers regarding compliance with legal provisions.

Also, two decisions have been issued by which the ASF has taken note of the shareholders no longer incident to the provisions of art. 2861 par. (2) of Law no. 297/2004 and of CNVM Instruction no. 6/2012.

Collaboration with other structures within the ASF through the transmission of opinions on: various issues that have been the subject of petitions and prior complaints and petitions for revocation / suspension / cancellation / declaration of absolute nullity of individual acts issued, as well as responses to appeals or requests for action formulated in those disputes.

Reports received from various complainants in connection with the activity carried out by the issuers of securities or by their legal representatives / shareholders. At the same time, ASF has informed competent bodies in the following cases:

*ANAF, in the case of the issuer ROMCAB SA (regarding the insolvency procedure);

*ANAF, in the case of the issuer SIF TRANSILVANIA SA (regarding the application of the provisions 2861 of Law 297/2004);

*PROSECUTOR'S OFFICE WITHIN THE HIGH COURT OF CASSATION AND JUSTICE, NATIONAL ANTICORRUPTION DIRECTORATE (regarding the notifications registered with ASF no. 21455 / 28.03.2016 and no. 23294 / 04.04.2016 and the General Meeting of Shareholders of SIF Transilvania convened for 28 (29).04.2016).

Compliance of financial information with the reporting requirements of Law 24/2017 and Regulation no. 1/2006

Mainly, compliance with the following reporting requirements has been verified:

- Disclosure to the shareholders the documents (in whole or in part) to be submitted to the general meeting of the shareholders at least 30 days prior to the date of its execution (Article 243 paragraph (10) of Law No. 297/2004 / art.92 paragraph (22) of the Law No 24/2017);
- Disclosure to the public of the financial statements, together with the annual report, approved by the general meeting of the shareholders within 4 months (Article 227 paragraph (4) of Law No. 297/2004 / Art. 63 paragraph (1) of Law No. 24/2017);
- Disclosure to the public the quarterly reports within 3 months from the end of the reporting period (art. 65 alin. (1) of Law no. 24/2017);
- Disclosure to the public the quarterly reports within maximum 45 days from the reporting period (art. 113 of the CNVM Regulation no. 1/2006).

- **The annual report** must include the audited financial statements, the report of the Board of Directors, the statement of the persons responsible (Article 112 ^ 1 of CNVM Regulation no. 1/2006);
- **The semi-annual** report must include the interim or consolidated financial statements, the report of the board of directors, the statement of the persons responsible (Article 113 of CNVM Regulation no. 1/2006);

- **The quarterly report** must include the profit and loss account and the economic and financial ratios mentioned in annex no. 30 B (Article 113 of CNVM Regulation no. 1/2006) etc.;
- **The annual report** of the Board of Directors shall contain information equivalent to that set out in annex no. 32.;
- **The semi-annual** report of the Board of Directors shall contain information equivalent to that set out in annex no. 31;

All of these reports are entered into the Digital Reporting System (SIR) in accordance with the CNVM Regulation 27/2010 and made public on the ASF website.

Conformity of financial information with accounting standards (for the issuers on the regulated market)

Under OMF 881/25 June 2012, "companies whose securities are admitted to trading on a regulated market have the obligation to apply International Financial Reporting Standards (IFRSs) when preparing their individual annual financial statements." This normative act was subsequently completed with OMF no. 2844/2016 for the approval of the IFRS Accounting Regulations.

ASF publishes annually on its website the "List of commercial companies to which the provisions of OMF 881/2012 apply".

The credit institutions apply Order no. 27/2010 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards applicable to the credit institutions for the individual financial statements starting with the financial year 2012.

The companies authorized, regulated and supervised by the ASF apply Norm 39/2015 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by ASF from 31 December 2015.

Regulation 1606/2002 of the Commission and the European Parliament on the Application of International Financial Reporting Standards for regulated market companies that prepare consolidated financial statements is in force since 2007, the year of Romania's accession to the European Union.

Thus, during the year 2017, the issuers of securities on the regulated market published 90 separate annual separate financial statements, out of which:

- **46 audited by BIG 4;**
- **72 with opinion without reserves.**

Also, 39 consolidated annual financial statements were prepared.

Investigations and market abuse

Based on the provisions of Law no. 24/2017 on issuers of financial instruments and market operations, ASF is the competent authority that ensures the application of the provisions of Title V Abuse on the market and the provisions of the EU Regulation no. 596/2014 on market abuse.

The transposition of Directive 2014/57 / EU on Criminal Sanctions for Market Abuse (MAD II) by Law no. 24/2017 and the entry into force of Market Abuse (MAR) Regulation (EU) No 596/14 with the role of reinforcing and replacing the existing framework established by the Market Abuse Directive (2003/6 / EC) with the aim of ensuring market integrity and investor protection has led to an increase in the activities of ASF in relation to the target entities.

Since MAR entered into force with a number of delegated implementing regulations issued by the European Commission to ensure uniform conditions throughout the Union on matters covered by MAR, the ASF addressed all issuers and reiterated its obligations established under their responsibility, providing the necessary support for the understanding and application of MAR provisions.

Creation and permanent updating of the section dedicated to the market abuse on the ASF website represent mechanisms at the disposal of the Authority for informing the market and the main targeted subjects on the legislative novelties in the field.

Novelty aspects in MAR and Law no. 24/2017:

- It covers many types of trading tools and venues, including OTC transactions;
- It penalizes the manipulation of reference indices;
- It encourages whistleblowing - EC Directive 2392/2015 provisions taken over in the draft law on issuers;
- It introduces enhanced measures to prevent and detect market abuse;
- It penalizes the attempt to manipulate and use inside information;
- It introduces a 30-day closed period for senior management;
- It prohibits fraudulent practices involving algorithmic and high frequency trading (HFT);
- It introduces specific rules for postponing disclosure of inside information;
- It incriminates the manipulation of reference indices, based on past experiences such as LIBOR manipulation;
- It imposes rules of conduct in market research activities;
- Threshold for transaction reporting by senior management and close associates, set at a transaction value of Eur 5,000 over a calendar year;
- Increased powers of supervision and investigation for competent authorities, many of which are subject to compliance with national law.

The role of ASF in investigating and sanctioning market abuse – Powers of the Authority

The new European and national market abuse framework reinforces investigating powers of national authorities to detect abuses in financial markets. The competent authority shall have at least the following investigative powers:

- it requests information and documents, obtains any documents of regulated entities, issuers or other entities operating on the capital market and securities;
- it conducts inspections and / or controls at the headquarters of the regulated entities and requests the competition of the institutions / authorities / bodies competent to exercise this right;
- it hears any person in connection with his / her activities on the capital market and / or in connection with requests for assistance from similar authorities;

- it seals any premises belonging to entities carrying out activities or performing transactions in relation to the capital market in which documents or other evidence of their activity are located;
- it requests the cessation of any activity that is contrary to the provisions of the capital market law; prohibits the temporary pursuit of a professional activity;
- it requests information to the auditors of the entities carrying on activities or performing transactions in relation to the capital market and the securities;
- it suspends transactions in securities and / or withdraws from trading securities;
- it requests from credit institutions authorized by the National Bank of Romania information necessary for ASF investigations;
- it asks the competent judicial authorities to take precautionary measures against the assets of those guilty of violating the provisions of the Capital Market Law ;
- it requests the existing records of telephone conversations, electronic communications and transfer data held by investment firms, credit institutions or financial institutions.

Sanctions regime

The special Law no.24 / 2017 provides for criminal sanctions for those acts of abuse committed on the market with the form of guilt required by law to be classified as offences, with a penalty of imprisonment from 1 to 5 years for:

- abusive use of inside information;
- the recommendation or determination of another person to participate in insider dealing practices;
- illegal disclosure of inside information;
- market manipulation.

For those deeds that do not constitute offences, the Law provides for contravention sanctions ranging from lei 10,000 to lei 22,000,000 for natural persons and from lei 20,000 to lei 66,000,000 or 15% of total annual turnover for legal entities, as well as administrative pecuniary sanctions up to three times the value of the profits or the losses avoided as a result of the breach.

The conduct of specific activities by the ASF to investigate possible cases of market abuse is based on both the provisions of Chapter 2 of Inside Information, misuse of inside information, unauthorized disclosure of inside information and market manipulation in EU Regulation no. 596/2014, as well as the handling behaviour indicators listed in Annex I to EU Regulation no. 596/2014 and Annex II to Delegate Regulation (EU) 2016/522.

ASF aims to ensure compliance by the target audience with the conduct and reporting requirements provided for both by EU Market Abuse Regulation (MAR) 596/2014 and the delegated regulations issued for its implementation as regards:

- publishing or postponing the publication of inside information;
- compiling and updating lists of people who have access to inside information;
- reporting of transactions made by the top management;
- setting closed seasons and trading restrictions during these periods;
- modalities of performing the redemption programs and the stabilization measures.

As a result of the monitoring of public reports by issuers, reporting by insiders individuals, real-time monitoring of the trading activity, or on the basis of received notifications, ASF initiates investigations primarily targeting:

- potential market manipulation actions; non-fulfillment of the public disclosure obligations of inside information;
- investigating transactions with the issuer's securities that may be performed based on inside information;
- possession of inside information, dissemination and / or trading on the basis thereof.

Another aspect, specifically covered by the MAR and delegated regulations, which also required particular attention was the way in which market-soundings are implemented, knowing that this correctly applied mechanism is an exception from legal fraudulent disclosure of inside information, which constitutes an offence under the law. In this context, it was intended that the persons involved in such a process should know and apply the incidental rules, in terms of the analysis (evaluation) of the information that is the object of the sounding, the way of recording the steps related to such a process.

Electronic supervision and trading monitoring

Real-time transaction monitoring involves tracking trading applications made available by market / system operators. These applications have a low degree of customization, and so has emerged the need for an application to analyze in real time the transaction data received from operators and to send the user configurable alerts in terms of parameters regarding the evolution of price, volume, activity intermediaries etc.

This surveillance / alert system was developed in-house in 2003-2004 by CNVM, the predecessor institution of ASF. The system is open, new alerts can be added and / or altered parameters of existing alerts.

Electronic supervision applications used within ASF

ARENA Trading managed by BVB

- Real - time trading software provided by BVB: Regulated market, ATS;
- ASF has access to every transaction and order information (date and time, intermediaries, quantity, price, order type, internal account identifier etc.).



OASIS managed by SIBEX (until 15.09.2017)

- Real - time trading software provided by SIBEX and managed by ATHEX;
- Regulated market (Spot and Derivatives), ATS;
- ASF has access to every transaction and order information (date and time, intermediaries, quantity, price, order type, order number etc.).

ARENA Post-trading managed by the Central Depository

- ASF has access to information on settlement of transactions made at BVB.

Alert and interrogation-type instruments, made inhouse for ARENA and OASIS

- Uploading information from BVB and OASIS in real time and at the end of the trading day;
- Real - time alerts and historical analyzes that can be accomplished depending on the needs;
- Real - time alerts: related to price developments and / or of volume compared to the prior trading, the entire day, the last day, the last period, trading concentration by intermediaries / customers against the period average;
- Historic analyses: the system can retrieve any transaction and order information starting with 2005 when it was created.

Applications used by ASF, based on European regulations**MiFID database – Regulation (EC) no.1287/2006 for MiFID implementation:**

- database managed by ESMA containing all shares admitted to trading on a regulated market in the EU.
- Each competent authority must upload the liquidity ratios (daily trading averages, daily trading volumes, free float)).

When a new admission to trading or a withdrawal from trading occurs, the database must be updated by the competent authority.

SARIS – art. 41 of MiFID:

- The database, administered by ESMA, contains all suspensions from trading and withdrawals from trading in real time;
- ASF notifies suspension, reintroduction or withdrawal from trading of a financial instrument as soon as this information is known;
- ASF must respond to notifications received from other authorities regarding the suspension of an instrument.

Trade repositories (TRs) – Regulation (UE) no. 648/2012 (EMIR):

- According to EMIR, financial counterparties, as well as certain non-financial counterparts, must report to the Trade Repositories their operations with OTC derivatives (transactions, positions, position changes, closing the contract).
- Currently, there are 6 TRs authorized by ESMA in different Member States.

Short selling reporting – Regulation (UE) no. 236/2012 related to short selling:

- ASF receives from intermediaries / investors reports on short positions on equities admitted to trading in Romania - short positions higher than 0.20% of the issuer's capital. The investor has also the obligation to notify when short positions become more than 0.30, as well as each transaction that has a short net position more than 0.30% of the issuer's share capital.
- On a quarterly basis, ASF should send to ESMA the list of daily short- positions reported by intermediaries / investors as well as short positions on public debt (information transmitted to ASF by the NBNR).

Transaction Reporting Exchange Mechanism (TREM) - Directive MiFID:

MiFID requires ASF to exchange certain transaction reports with other European Competent Authorities through TREM system, managed by ESMA.

In 2017 the European Securities and Markets Authority (ESMA) continued to develop the three projects implemented under MiFID II and EMIR, launched in 2015:

1. FIRDS – Financial Instruments Reference Data System

The purpose of this project is to build a system by which ESMA will collect reference data on behalf of competent authorities (e.g. ISIN, starting date of trading, issuer's LEI, etc.) and trading volumes directly from each trading venue (regulated market, MTF, OTF) and independent operators.

During 2017, the development of this project was continued by ESMA, with competent authorities finalizing local applications in 2017.

2. TRACE - Single Access Point to TRs data

The purpose of the project is to provide a unified hub for data stored by trade repositories (TRs) in accordance with EMIR.

The project was finalized in August 2016 at the ASF level. Access to data is ensured and data is currently being processed in an optimal way. For this purpose, an application license has been acquired that facilitates data viewing and procedures have been initiated to acquire several such licenses. In 2017 ESMA completed the second phase of this project, namely the creation of a module for ad hoc database queries.

3. TREM – MiFIR Transaction Reports Exchange Mechanism

As part of this project, ASF collects transaction reports from investment firms, trading venues and will ensure redistribution to other competent authorities under the MiFIR rules. Transaction reporting will follow a common EU-wide technical format and will be defined by ESMA (XML messages as per standard ISO 20022).

The project was completed at the end of 2017, when tests were conducted with market participants for use in real environment as of 03.01.2018. At that time, ASF was the first echelon of the European Competent Authorities that successfully implemented the TREM system.

Also, in 2017, a project aimed at updating the internal electronic supervision system (ARENA Client application) was continued, at the current standards, taking into account the legislative developments (MiFID II, EMIR, MAD).

Similar software used in electronic surveillance by other competent authorities and / or market operators has been analyzed and a draft technical specification to be implemented in the coming period.





Insurance market



Compulsory motor third party liability insurance

Mandatory house insurance

Implementation of the Insurance Distribution Directive (IDD)

Other measures taken to ensure the smooth functioning of the insurance market

Authorisation and endorsement activity on the insurance market

Further measures for normalizing the MTPL market

Improvement of risk-based supervision

Compulsory motor third party liability insurance

ASF participated in the legislative process that led to the issuance by the Romanian Parliament of Law no. 132/2017 on compulsory insurance against civil liability for damage to third parties caused by vehicle and tramway accidents, published in the Official Gazette Part I no. 431 of 12 June 2017. The law was developed taking into account mainly the provisions of the European directives in the field, the ASF standpoints, the proposals of the professional associations and employers' associations of the insurers and car transporters, as well as the experience of other Member States regarding regulation of this market segment.

The year 2017 meant a reassessment of the motor third party liability insurance market and the establishment of a new legislative framework.

The new legislative framework brought stability, predictability and uniformity with the European practices in the field.

- Regulating the MTPL insurance contract
- Minimum liability limits covered by MTPL insurance
- Possibilities of redemption of the part of the damage incurred by the insured
- Possibility to contract the direct settlement service, based on an optional contractual clause
- Introducing the reference tariff
- Defining the high-risk insured and regulating how to close the MTPL insurance for it
- Provisions on how to deal with claims, how to settle and pay compensations, as well as the appointment of the claims representative



Under the same law, it was reorganized the work carried out by the Romanian Motor Insurers' Bureau, a professional, independent and autonomous association of all insurance companies that carry out the following duties:

- National motor bureau;
- Organism for payment of compensation;
- Information centre;
- Compensation organism;
- Ensure the development and management of the MTPL database by collecting, managing, processing, ensuring quality management and publishing data on MTPL policies as well as analysing the damage and risk behaviour of owners and users of vehicles ;
- Develop and publish national and international insurance statistics;
- Develop and publish comparative analyzes and comparative studies on the charges used by MTPL insurers in the Member States and other information considered relevant for MTPL insurance;
- Publish statistics on the evolution of compensation levels in cases of injury to body or health or death;
- Receive and / or provide to the competent authority subordinated to the Ministry of the Interior data regarding the road accidents, the vehicles insured for civil liability for damages of third parties by traffic accidents;
- Assign high-risk policyholders;
- Publish on its website data on trends in fluctuations in tariffs used by MTPL insurers;
- Collect and publish data and aggregate information on the motor insurance market in Romania, including the volume of claims;
- Publish on its website statistics on the rates charged by vehicle repairers.

For applying the provisions of Law no. 132/2017, the Financial Supervisory Authority drafted [Rule no. 20/2017 regarding motor insurance in Romania](#), published in the Official Gazette of Romania, Part I no. 624 of the 1st of August 2017 regulating the following aspects:

- The clauses of the MTPL contract, including provisions related to its renewal and risks covered;
- The template of the MTPL insurance policy;
- The conditions and criteria for authorizing the insurer to practice MTPL insurance;
- The process of identifying the damages and closing the claims file ;
- The Bonus-malus system and its application criteria;
- The form, dimensions, content and procedures regarding the use of the Amicable Accident Statement;
- Endorsement and registration process, obligations and responsibilities of the personnel performing the claims adjusting;
- Direct settlement method;
- List of documents required to settle the claim;
- Provisions applicable to high-risk policyholders;
- Risk criteria, load indices, increase and / or correction coefficients or other adjustment instruments used to calculate the premium rate

At the same time, Rule no. 22/2017 regarding the [methodology for calculating the reference tariffs](#) for compulsory motor third party liability insurance for motor vehicle and tramway accidents, published in the Official Gazette Part I, regulates the methodology for calculating the reference tariffs for MTPL insurance. To determine a premium ratio insure an uncertain event, estimates of probabilities associated with the occurrence and / or severity of an event are made, based on the history of events and trend projections.

The following steps are taken to determine the MTPL reference tariffs:

- collecting data from MTPL insurers and verifying them by the ASF;
- individual primary analysis for each MTPL insurer;
- aggregation of data provided by MTPL insurers;
- primary analysis on the market level;
- building the risk model;
- risk premium estimate;
- the half-yearly calculation of reference tariffs by a company with expertise contracted by ASF;
- impact analysis.

ANALYTICS

.... and the following are taken into consideration:

Data on the structure of the historical portfolio by bonus / malus classes to quantify the adjustment of the resulting tariff to the B0 bonus / malus class as defined in the legal provisions

Administrative and purchasing costs determined as a percentage of the gross premium

Profit

Mandatory house insurance

On the level of the Financial Supervisory Authority, a working group was set up, dedicated to the identification of medium and long-term measures on the development of mandatory house insurance. They target the [increase of the insurance coverage and the identifying solutions for the effective completion of mandatory house insurance with voluntary house insurance](#).

[Law no. 260/2008](#) provides for a series of important changes to the mandatory policy of insurance against natural disasters:

- Changes to PAID's requirements in accordance with the new Solvency II supervisory regime - this is necessary as PAID is supervised under the new regime and is required to comply with Law 237/2015 on the authorization and supervision of insurance and reinsurance activities and also with regulations issued by the European Commission and EIOPA Guidelines transposed by regulations issued by the ASF;

- Liberalization of access to PAID's shareholding - so any other entities, legal entities, which alone exercise rights deriving from the ownership of shares representing less than 10% of PAID's share capital, can be shareholders in this company, and the company will be able to extend the shareholding, including through public offering, under the conditions of Law no. 24/2017 on issuers of financial instruments and market operations up to a maximum of 30% of the share capital, provided that the entities are not controlled by the same persons or groups of persons;
- Liberalization of distribution channels for PAD policies - it is proposed to amend the articles that stipulate that distribution of PAD policies is done exclusively through insurance companies.
- The amendments are in line with the implementation of the new provisions of the European legislation on distribution in the insurance business;
- Introducing an uncovered 5-day period following the issuance of a new policy only for the foreseeable risks of landslide and flood - is intended to facilitate the early entry into force of new earthquake risk policies. At the same time, it was intended to avoid situations in which the PAD policy is concluded only when the risk of landslide or floods is certain and the consequences are already manifested in the area of the dwelling for which the insurance is required;
- Clarification of the obligation to conclude the PAD policy for all dwelling buildings whether or not they are actually used for this purpose;
- Clear definition of how to electronically issue the PAD policy;
- Clarifying the right of landowners in seismic risk class I to conclude a voluntary contract without providing proof of the conclusion of the PAD, in the case of the legal impossibility to buy a PAD;
- Change of certain provisions from the current legislation - one details and clarifies aspects related to the manner of proving the PAD policy existence by the insured parties;
- Elimination of the 5-day grace period for the conclusion of the PAD when purchasing a new house, the obligation being immediate;
- Modification of some legal provisions regarding the right to compensation in the case of constructions in which unauthorized modifications have been made to the structure of resistance - insured persons will not be compensated for the part of the damage that was produced / favoured as a result of the work done. The sanction of exclusion should be proportionate to the effect that works on the resilience structure of housing; Clarifying some aspects related to the beneficiary of the PAD policy, i.e. removing the phrase "beneficiary" from the content of the law, which is a specific element in life insurance;
- Clarifying the compensation request submission procedure;
- Introducing the possibility for PAID to take over the activity of assessing damages and determining the amount of indemnity from the insurers who have issued the PAD policy following the prior notification of the insurers by PAID;
- Clarification of the procedure for payment of compensations - This is done by PAID on the basis of the claim file by which the damages were ascertained and assessed. Currently, PAID is paid only on the basis of the centralizer transmitted by the insurer who made the assessment of the damages;
- Correcting certain procedures in the relationship -
- PAID - local public authorities - it is proposed that municipalities should provide lists of real estate only at PAID's request. Currently, the law obliges half-yearly information to be provided to PAID. At the same time, it is proposed to change from 3 days to 15 days the period in which the municipalities have the obligation to notify owners indicating that they have not concluded the PAD;
- Simplification of the exchange of information between insurance companies and PAID - elimination of the obligation to transmit the list of optional policies to the PAID;
- Establishment of the fixed amount of the fine for contravention to a fixed amount of lei 500 for the non-conclusion of the PAD policy. At present, the amount is from lei 100 to 500.

Implementation of the Insurance Distribution Directive (IDD)

Insurance Distribution Directive (EU) 2016/97 published in the Official Journal of the European Union no. 26 L of 2 February 2016, which repeals the Insurance Mediation Directive (EU) 2002/92 / EC, has created the framework of European primary legislation, ensuring a high level of consumer protection regardless of the purchasing channel insurance products.

In order to guarantee the same level of protection for consumers regardless of the distribution channel through which they purchase their insurance product, either directly from the insurance undertaking or indirectly through an intermediary, the scope of Directive 2016 / 97/EU includes, in addition to insurance companies and intermediaries, other market participants selling insurance products as ancillary activity.

At national level, in accordance with the legal provisions, in order to ensure legislative transparency, the Ministry of Public Finance, as the initiator of the law transposing the IDD provisions, published the draft law on the official website between September 27, 2017 - October 26, 2017.

The most important changes brought about by IDD are focused on:

- the high level of consumers protection, irrespective of the sales channel through which they buy insurance products;
- introducing the general principle of a level playing field between distribution channels;
- standards for the sale of unit-linked life insurance products are aligned with investment products standards covered by Directive (EU) 2014/65 on markets in financial instruments (MiFID II) and must be subject to the rules on sales standards and conflicts of interest;
- insurance intermediaries and insurers must take all appropriate measures to detect conflicts of interest that may arise in the distribution of insurance products and to inform clients thereof;
- both insurance intermediaries and employees of insurers carrying out insurance distribution activities must constantly update their knowledge and professional skills; all insurance intermediaries are required to provide proof of their professional training (qualifications and continuing vocational training), and insurance companies must establish their own policies on the continuing professional training of their own staff;
- employer's responsibility to make sure that employees have access to training so that they can perform their tasks effectively;
- the rights and the supervisory responsibilities of the home and host Member State are detailed and clarified;
- distributors must inform their customers of the possibility of separately purchasing the different components of a package offered (cross-selling);
- distributors have to inform customers if advice on the insurance products presented is provided and the information, including those relating to marketing, must be clear and not misleading the customers;
- non-observance of the requirements imposed by the legal provisions are penalized more severely to counteract potential profits.

The draft law includes the two major categories of intermediaries, main intermediaries and secondary intermediaries. The main intermediaries are legal entities that carry out distribution activity after obtaining the authorization from the ASF or the ASF endorsement in the case of credit institutions or investment firms.

Secondary intermediaries are intermediaries or auxiliary insurance intermediaries, whether natural or legal persons, registered with ASF, which carry out distribution activity under the responsibility of one or more principal intermediaries or one or more companies, as appropriate, and credit institutions or investment firms.

The draft law provides that credit institutions or investment firms that have carried out bancassurance, respectively an insurance agent or a brokerage assistant under the terms of Law 32/2000, within 120 days from the date of entry into force of the present law, opts for the distribution activity as a primary or secondary intermediary.

If an insurance product is offered with a non-insurance service or ancillary product, within a package or agreement, the insurance distributors inform customers of the possibility of separately purchasing the different components. If so, the insurance distributors shall provide an adequate description of the various components of the agreement or package and a separate account of costs and expenses for each component.

In order to ensure adequate protection for clients and to avoid the risk of regulatory arbitrage, in the case of infringements related to the distribution of insurance-based investment products, the sanctions that the ASF may apply under this draft law are aligned with those laid down in Regulation (EU) No. 1286/2014 on key information documents for packaged retail and insurance-based investment products (PRIIP). The draft law also provides for ASF the possibility to delegate the activity of assessment and certification of the competences regarding the the qualifications and continuing training of distributors.

The draft law also stipulates the possibility of informing the European Commission of the difficulties encountered in its application and of any barriers that may occur to the detriment of the activity of registered or operating distributors in Romania on the basis of the freedom to provide services or the right to establishment.

ASF shall issue regulations in application of the Law related to the insurance distribution regarding:

- Process and registration conditions, including refusal or withdrawal of registration; Developing of the distributors activities ;
- Aspects relating to the conduct and management of their businesses, including the scope of activity;
- Approval of the significant shareholders or associates, the management of the main intermediaries authorized by the ASF and the advice of the management of the main intermediaries notified by ASF;
- Registers of intermediaries;
- Vocational training including authorization, coordination, standardization work, training and retraining, approval of course programs, graduate exams, lecturers' testimonies, and assessment of the skills of distributors and employees of companies performing insurance and reinsurance distribution activities;
- Level of professional liability insurance or guarantee of ancillary insurance intermediaries;
- Notifications to ASF;
- Publication regime;
- The categories of intermediaries provided in the draft law and the legal relations between them.

Other measures taken for the good functioning of the insurance market

1. Rule no. 1/2017 for amending and supplementing the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements of the entities performing insurance and / or reinsurance activity, approved by the Norm of the Financial Supervisory Authority no. 41/2015 (published in the Official Gazette, Part I No. 67 of 26 January 2017)

- Clarification that life insurance investments for which the exposure to investment risk is transferred to the contractor (asset item C in the balance sheet) are measured at fair value, including in the individual annual financial statements, in accordance with the provisions of Art. 46 par. (2), in conjunction with art. 45 and art. 6, Item D of the Active of Directive 91/6741, as subsequently amended and supplemented (Accounting Directive specific to insurance companies).

2. Rule no. 3/2017 on the conclusion of the financial year 2016 for insurance companies (published in the Official Gazette, Part I No. 207 of 27 March 2017)

- The Norm regulates various aspects regarding the submission of the individual and consolidated annual financial statements for the financial year 2016 both to the ASF and to the Ministry of Public Finance, such as the components of the financial statements and related templates, the intra and inter-correlations, the deadline for submission, valuation being the one provided by the specific accounting regulations in force on 31.12.2016.

3. Rule no. 4/2017 for completing the Rule of the Financial Supervisory Authority no. 21/2016 on insurance and / or reinsurance reporting (published in the Official Gazette, Part I No. 201 of 23 March 2017)

- The Standard provides for the introduction of external financial auditing requirements for models that form an integral part of the Annual Solvency and Financial Conditions Report (SFCR) that insurance and / or reinsurance companies publish and, at the same time, transmit ASF for supervisory purposes;
- The draft norm provides for external auditing requirements for a number of 7 models in the SFCR, at individual level, regarding: - Balance sheet; - own funds; - SCR - Solvency Capital Requirement (calculated using the standard formula and a partial internal / full internal model); - MCR - Minimum Capital Requirement for companies carrying out either life insurance or general insurance business; - MCR - Minimum capital requirement for companies carrying out both life and non-life insurance activities.

4. Rule no. 6/2017 for amending and supplementing the Accounting Regulations on the individual annual financial statements and the consolidated annual financial statements of the entities performing insurance and / or reinsurance activity, approved by the Rule of the Financial Supervisory Authority no. 41/2015 (published in the Official Gazette, Part I No. 245 of 10 April 2017)

- The entities may assess the placements from the asset B post, others than lands and buildings, at their fair values, only for the purpose of elaborating the consolidated financial situations;
- The insurance and/or reinsurance companies publish on their websites the short form, of the annual financial situations; the short form of the external auditor's report.

5. Rule no. 15/2017 regarding the calculation methodology by the Financial Supervisory Authority of the reference tariffs for compulsory third-party motor vehicle liability insurance for damage caused to third parties by vehicle and tramway accidents (published in the Official Gazette, Part I No. 365 of May 17, 2017)

- The standard regulates the methodology applied by the ASF for the calculation of the reference tariffs for compulsory third party liability insurance for damage caused to third parties by vehicle and tram accident, according to the provisions of art. 18 par. (2) of Government Emergency Ordinance no. 54/2016 on compulsory insurance against civil liability in respect of the damage to third persons caused by vehicle and tramway accidents, hereinafter referred to as GEO no. 54/2016.

6. Rule no. 16/2017 for amending and supplementing the Norm of the Financial Supervisory Authority no. 39/2016 on motor insurance in Romania (published in the Official Gazette, Part I No. 367 of 17 May 2017)

- the obligation of the MTPL insurer to provide advice to the MTPL contract holder or the driver of the insured vehicle at the time of the event in respect of: - their rights and obligations under the law applicable to the venue of the event; - how to fill in the form "Amicable Accident Statement"; - the procedures they are required to undertake to repair the insured vehicle and to adjust the claims; - other information for the amicable settlement of the case;
- the 15-day deadline for the notification of the notice to be abolished, subject to the submission of the complete documentation and the payment of the notice fee to be provided for by the ASF revenue regulations.

7. Rule no. 18/2017 on the procedure for the settlement of petitions related to the activity of insurance and reinsurance companies and insurance brokers (published in the Official Gazette, Part I No. 555 of 13 July 2017)

- Introduce the obligation of authorized entities, regulated and / or supervised by ASF, as the case may be, to inform the consumer of his / her right to seek alternative dispute resolution and the publication on his / her site of the total number of solving requests alternatives to litigation or arbitration, the total number of claims for alternative dispute resolution or arbitration that are effectively resolved and those solved in favour of policyholders, contractors, beneficiaries, injured parties or their representatives. At the same time, the obligation of the executive management of insurance companies and brokers and of the petitions analyst and peer coordination team was introduced, in the case of insurance companies, to ensure participation in alternative dispute resolution or arbitration, when requested to do so.
- Establishment of the reporting obligation of the "Situation regarding the claims files opened on the basis of the MTPL policies (related to the activity in Romania)" and of the "Number of approved claims" situation, the establishment of the insurance brokers obligation for the six-monthly transmission of the "Situations of the petitions" "Information on the main problems identified in petitions settlement and management", clarification of some issues concerning the business of petitions solving by companies.

8. Rule no. 19/2017 for the implementation of the Accounting Reporting System on 30 June 2017 of insurance companies (published in the Official Gazette, Part I No. 613 of 28 July 2017)

- The rule includes provisions on how to fill in the forms that make up the accounting reports and how to submit them to ASF and MFP; - the templates of the forms (Balance Sheet, Profit and Loss Account and Informational Data - for insurers, reinsurers and insurance brokers, in addition, insurers managing voluntary pension funds also prepare and submit the forms regarding the Statement of Assets, Liabilities and Own funds, and expenses) as well as correlations within and between reporting forms.

Activity of authorization – endorsement on the insurance market

The activity of authorization and endorsement of the insurance, reinsurance and insurance intermediation is essentially aimed at constant checking of the efficient functioning of insurers and insurance brokers, acting as a filter and essential safety element for the protection of beneficiaries' interests.

By exercising the authorization-endorsement function it is ensured the alignment with the internationally recognized requirements and best practices, namely the high standards of corporate governance in the insurance system, as well as the permanent maintenance of the requirements of the fit & proper concept for the entities that activate on the insurance market.

In this context, the amendment of Regulation no. 14/2015 on the approval of members of the management structure and of persons holding key positions within entities controlled by the Financial Supervisory Authority brings changes to the regulatory framework applicable to the evaluation and approval process by aligning secondary legislation with the European one (EBA, ESMA, EIOPA Guidance, ECB, etc.). At the same time, in 2017, the provisions of the Joint Guideline on the prudential assessment of acquisitions and increases of qualifying holdings in financial sector were implemented in the ASF Regulation no. 3/2016.

In 2017, an insurer ceased its activity, namely the LIG insurance company. On 5 January 2017, the company was withheld the operating license and the bankruptcy procedure was initiated as a result of the failure to comply with the measures on the adequacy of eligible own funds to cover MCR and SCR under the short-term financing plan, respectively the recovery plan approved by the Board of Directors of the company.

BCR Life Insurance took over AXA Life Insurance SA and ATE Insurance SA a non-life insurer, transferred its portfolio to the non-life insurer EUROINS Asigurări SA. During the year 2017, six insurance companies increased their share capital by cash contribution in the total amount of lei 271 million.

Regarding the subject of the requests submitted in the year 2017, ASF approved, in particular, changes in the organization and functioning of the entities.

Type of requests by insurance companies

| | | | |
|--|---|--|---|
| 36 approval requests for members of the Board of Directors | 26 approval requests for members of the Supervision Board | 40 approval requests for members of the Directorate / Executive leadership | 9 approval requests for share capital increase |
| two requests for share capital decrease | two requests for cross border activity in EU | two approval requests for portfolio transfer | 7 approval requests for purchase project / shareholders |
| one merger request | 3 approval requests for new classes, including MTPL | 10 requests for financial auditors endorsement | two requests for special administrator endorsement |
| one request of IT auditor endorsement | two requests for actuaries endorsement | 65 notification for key and critical positions | 7 requests for registered headquarters change |
| | 30 outsourcings of activities and functions | 50 notifications from EU Member State | |



Types of requests / decisions by insurance brokers

| | | | |
|--|---|--|--|
| 817 endorsement for claims adjusters | 730 registrations in the Register of Claims Adjusters | 83 notifications from EU Member States on the territory of Romania | 12 approval requests for significant persons / executive managers |
| 15 endorsements for subordinate insurance agents & notifications of bancassurance top management replacement | approvals for conducting controls for activity suspension / authorization withdrawal at request | 6 interdictions of activity temporary performance | one prior approval request for professional training programmes of entities authorized as educational programs suppliers |
| one approval request of e-learning platforms of entities authorized as educational programs suppliers | 13 authorizations for educational programmes suppliers in the field of insurance | 79 changes of registered headquarters | 50 attestations for lecturers in professional training programs in insurance |
| | two authorizations of operation as insurance brokers | 60 openings / closures of operation points | |

ASF had a large amount of work on endorsement / registration in the Register of Claims Adjusters due to the fact that all the personnel that assess the claims had to be approved, following the provisions of Norm 39/2016 on motor insurance in Romania, that implement GEO no. 54/2016 on compulsory motor third party liability insurance for damages caused to third party by vehicle and tram accidents.

All changes resulting from decisions issued for insurers / reinsurers / intermediaries and notifications received from authorities in the European Union are updated in the Database and also ensure the updating of insurers / reinsurers / intermediaries / claims adjusters.



Further measures for the normalisation of the MTPL market

The first 5 months of 2017 for MTPL insurance market meant the continuation of capping of MTPL tariffs, as provided by GEO no. 54/2016 and GD 826/2016, from November 18, 2016 to May 17, 2017. During this period, ASF carefully monitored the legal compliance by insurance companies that practice compulsory motor third party liability insurance for damage to third parties caused by vehicle and tramway accidents. The monitoring process on compliance with maximum premium tariffs consisted mainly of the following procedures:

MTPL gross written premiums databases together with the trial balances were required from the insurance undertakings subscribing to MTPL policies;

the quality of data submitted by insurance and reinsurance companies was checked by requesting clarification of significant differences in reconciliation or inconsistencies between the data transmitted and if necessary by requesting retransmission of the databases;

at the policy level, the tariff applied by each company was compared to the maximum premium tariffs, taking into account the bonus-malus system for the period and duration of the policy.

The analysis showed that **no MTPL insurance company exceeded the maximum tariffs.**

Throughout this period when the maximum premium tariffs were in operation, ASF worked intensively on the implementation of the legislative package that includes functional measures to exit the capped price period and lead to the stabilization of the MTPL market:

- In accordance with the applicable legal provisions, the ASF first computed the indicative reference tariffs based on the statistically determined average damage for each vehicle category, based on actual claims paid by MTPL insurers and reported to the statistical frequency of events occurrence on the category of vehicle segments. For the first calculations, data related to policies, damages and other information obtained from the companies licensed to practice the MTPL with reference date 31.12.2016, with significant exposure during the reference period, were collected. The data analyzed by the ASF at policy level corresponded to all policies that had at least one day of validity during the period 01 July 2012 - 31 December 2016 and the data on MTPL claims included all reported claims by 31 December 2016 and having the date of the MTPL accident as of January 1, 2012.

The reference tariffs calculated directly by ASF were published immediately after the exit of the maximum premium tariffs and had values between lei 500 and 7.300 lei per year. ASF published, besides reference rates, the average claim and statistical frequency of occurrence of events, by vehicle category.

- An essential component of the stabilization of the MTPL market was the entry into force of the new MTPL law, Law no. 132/2017 on compulsory insurance against civil liability for the damage to third parties caused by motor vehicle and tramway accidents in July 2017. The new MTPL Act introduces a series of changes for the Romanian insurance market, the most important being: the introduction of the calculated reference tariffs by the ASF with the help of an independent consultant, the definition of high-risk insured persons and the way of treating them, as well as the possibility of optional choice by the insured of the direct settlement service, with the obligation to offer it by the insurer.
- The methodology created and used by ASF for the calculation of the first reference tariffs was included in the Rule no. 22/2017 on the methodology for calculating reference tariffs, thereby contributing to greater transparency vis-à-vis third parties as to how to determine the reference tariff. Taking into account the legal provisions in force, ASF has carried out a public procurement procedure for the acquisition of actuarial services provided by an independent consultant for the calculation of reference rates.

In the process of continuous supervision, in order to stabilize the motor insurance market, ASF monitors quarterly the tariffs applied by the insurance companies, comparing them with the reference rates. The ASF also analyzes the documentation submitted by the MTPL insurers for the purpose of approving the use of homogeneous segments other than those used in the calculation of the reference tariffs.

Improvement of the risk-based supervision

The second year of application of the Solvency II regime meant for the insurers the submission for the first time of the audited annual reports on their solvency and financial condition as at 31 December 2016 that are accessible to consumers and potential investors on their websites, and of the periodic surveillance reports, which are mandatory to be transmitted to the competent authority every 3 years if they are not requested at a higher frequency. Both reports contain detailed information on:

- Activity deployed;
- Subscription performance; Investment performance;
- Performance of other activities (such as new product deployment, rebranding, or other important activities, as appropriate);
- Detailed description of the governance system (fulfilment of competence and honorability requirements, risk management system, including internal risk and solvency assessment, internal control system, internal audit function, actuarial function and outsourcing);
- Detailed disclosure of the risk profile, with all its components: underwriting risk, market risk, credit risk, liquidity risk, operational risk, as well as other significant risks identified by each individual insurer;
- Solvency assessment of assets, technical provisions and other liabilities as well as alternative valuation methods;
- Capital management, presentation of own funds and Solvency Capital Requirement (SCR), as well as the Minimum Capital Requirement (MCR);
- Appropriate application of the standard formula as well as other information considered relevant.

The information contained in the reports represents important steps in ensuring the transparency of business activities and business plans of insurance companies.

In order to ensure transparency from the point of view of the insurance market supervision, according to the provisions of the Solvency II regime, ASF has ensured the publication on the institution's website of the following information:

The texts of the laws, regulations and administrative provisions, as well as general recommendations in the field of insurance regulation

General criteria and methods, including tools used in the supervision process

Aggregated statistical data on key aspects of prudential enforcement

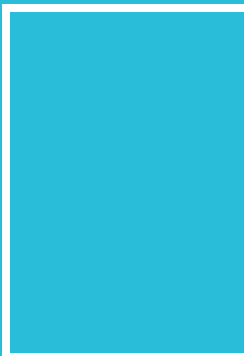
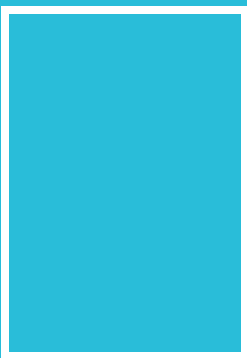
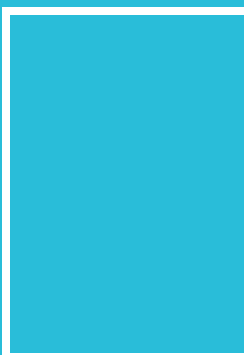
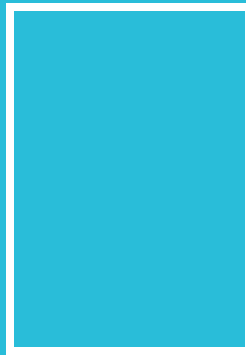
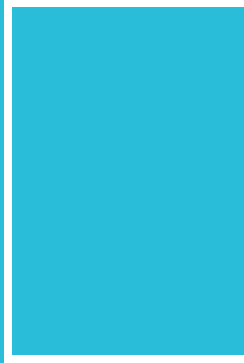
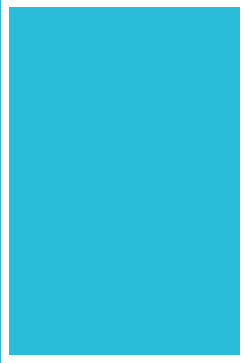
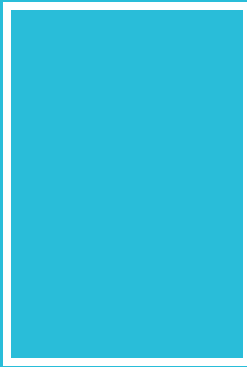
The objectives of surveillance and its main functions and activities

In order to carry out continuous supervision activities for 2017, at the end of 2016, the two off-site and on-site surveillance plans were approved by ASF. Based on these, as well as taking into account the results of the continuous risk assessment as a result of the quantitative and qualitative assessments of all their reporting as well as the classification of insurance companies in 2017, 7 on-site inspections and 6 on-site inspection were started.

On-site inspections are aimed at checking the activities of insurance companies by assessing the governance system, analyzing self-assessment of risk and solvency, assessing the principles of setting contractual limits, valuing assets, technical provisions, and non- technical liabilities of insurance companies, analysis of the classification and eligibility of own funds and assessment of the calculation of the Solvency Capital Requirement of insurance companies. The unannounced on-site inspections have as their object specific situations as a result of ongoing off-site surveillance and of the protection of policyholders' rights.

In the on-site off-site supervision, in addition to the quantitative and qualitative analyzes of all reports under the current legislation, policy analysis is underpinned by monitoring the governance system of insurance companies as well as their strategy. Regular interviews are also held with the leaders of the companies and those holding key positions within them, aiming at the continuous fulfilment of their competence requirements, as well as the functionality at the management level as a whole of the insurance company.

In 2017, ASF, in cooperation with supervisors in the countries of origin of the groups, applied the partial internal model in the calculation of the Solvency Capital Requirement for a company, and for two other companies, made changes to the partially applied internal model.



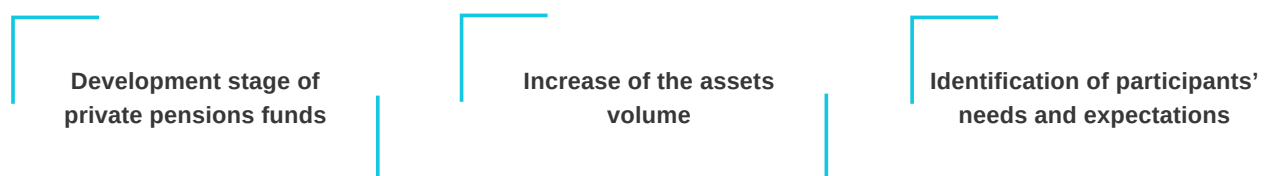


Private pensions market



Implementation of biometric signature
Instalment use of the net personal assets
Authorisation-Endorsement Activity
Supervision of the private pensions system
Off-site supervision of the private pensions system
On-site supervision of the private pensions system
Application of corporate governance principles
Other supervision activities
Improvement of the supervision activity

Key Elements for the development of the regulation framework in the private pensions sector



The regulatory activity has as its main concern the participant / beneficiary and his/her/its protection. Thus, during 2017, the following topics were approached: the introduction of the biometric signature in the adherence process with respect to the personal data protection requirements of the participants, the simplification of the accession and transfer process, the creation of the possibility to use the net personal assets in the retirement, invalidity and death, in the form of instalments over a maximum period of 5 years.

Implementation of biometric signature within the process of participants' adhesion to the private pensions system

Current trends in technological development are attractive to pension fund participants, who are increasingly expressing their desire to communicate electronically both for information and for carrying out operations (changes to personal data, changes in value contribution, etc).

Given that the private pension is targeted at young people, who are aware of the latest trends in information technology, it was important to provide participants with a modern and safe tool for joining a private pension fund.

Thus, after the elaboration and approval of the project on the implementation of the biometric signature in the process of adherence of the participants to the private pension system, a project that was made in 2016, the drafting and publication of the normative act was proceeded. By implementing the biometric signature in the process of adherence of the participants to the private pension system, the development of the regulatory framework was ensured, ensuring a good management of the activity in relation to the current social realities in which the digital tools are being used on an increasingly large scale, ensuring a better protection of biometric signature data, reducing the risk of fraud, increasing operational efficiency and, at the same time, reducing the risk of operational error at the level of administrators of privately managed pension funds, as well as alignment with European legislation.



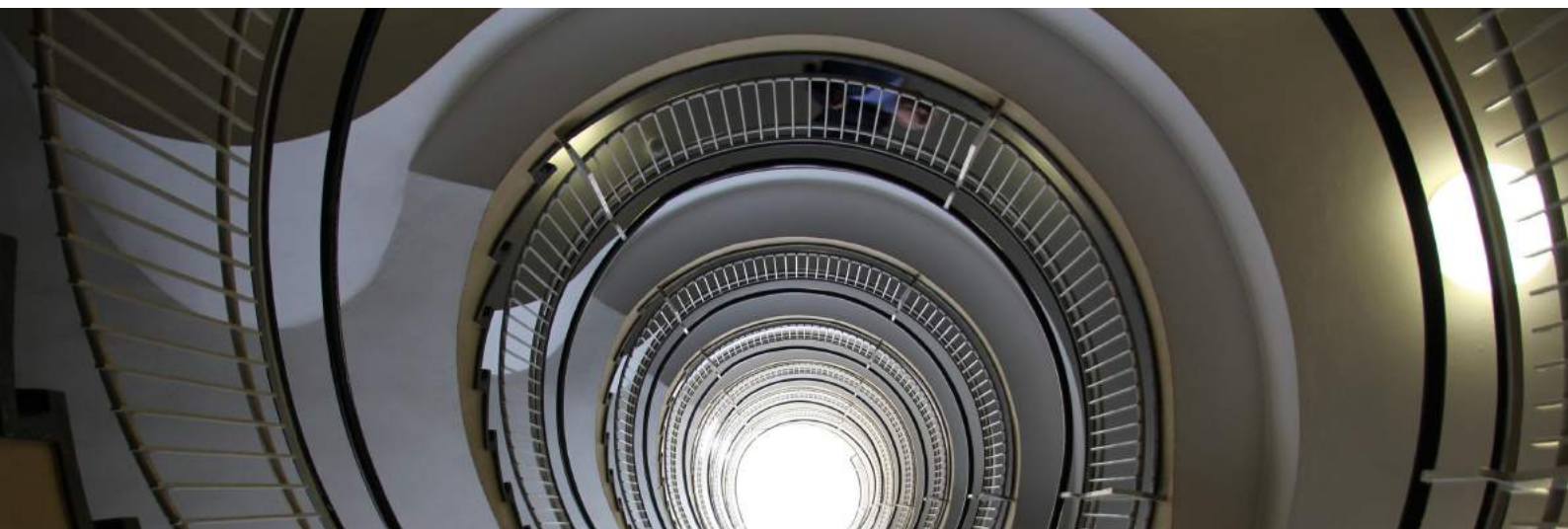
The stages completed for the implementation of the projects were the following:

- analyzing the connection between the legislation in the field and the application requirements for the use of biometric signatures;
- developing a minimum set of requirements for the implementation of this application by private pension fund managers;
- completing / amending the secondary legislation in order to create the legal framework necessary for the use of the biometric signature when signing the individual acts of adherence.

The rules identified for modification and completion refer to: adherence to privately managed pension funds, marketing of private pension funds, and transfer of the participant from a pension fund to another private pension fund.

As a result of the completions / amendments to the secondary legislation, in order to implement the biometric signature, in 2017 the following rules were developed and entered into force:

1. Rule no. 8/2017 for amending and completing the Rule no. 1/2015 on the adherence and record of participants to the privately managed pension funds;
2. Rule no. 9/2017 for the amending and completion of Rule no. 2/2011 on the adherence and record of the participants to the voluntary pension funds, as subsequently amended and supplemented;
3. Rule no. 10/2017 for the amending and completion of Rule no. 3/2013 on the marketing activity of the privately administered pension fund;
4. Rule no. 11/2017 for amending and completing the Rule no. 16/2013 on the marketing activity of the voluntary pension fund;
5. Rule no. 12/2017 amending and supplementing Rule. 26/2014 on the transfer of participants between privately managed pension funds;
6. Rule no. 13/2017 for the amendment and supplement Rule no. 14/2006 regarding the transfer of the participants between the voluntary pension funds.



Instalment use of the net personal assets of a private pensions fund participant

The changes to the secondary regulations were based on participants' requests, consultations with private pension fund administrators during working sessions, which highlighted the need to use the net personal assets as instalment payment in the event of retirement for old age, disability, and case of death .

In this context, the adaptation of the secondary legislation to the market conditions envisaged: modification of the rules on the use of the net assets of a participant in a privately managed pension fund, respectively a voluntary pension fund; introducing the possibility to pay the net personal assets in instalments for a period of up to 5 years and improving the way the participants are informed about the instalment payment of the net asset through the administrators' webpage.



The main objective of the amendments to the normative acts was to improve and complement the legal provisions on how the participant's net assets are used in certain special situations related to retirement age, invalidity or death.

The normative acts elaborated were aimed both at creating a framework for regulating the payment of the asset to the participants / beneficiaries in order to be more flexible and practical with a focus on the interest and protection of the consumers, as well as the efficiency of the administrators' activity.

Thus, in 2017, as a result of the amendments and additions to the secondary legislation for the use of personal net assets in the case of retirement for old age, invalidity and death, as instalment payments, the following rules were developed and entered into force :

- Rule no. 25/2017 for amending and completing the Rule no. 15/2009 on receipts and payments made through the accounts of the privately managed pension fund;
- Rule no. 26/2017 amending and supplementing Rule no. 18/2009 on the operations of receipts and payments made through the accounts of the voluntary pension fund;
- Rule no. 27/2017 on the use of the private net asset of the participant in a privately managed pension fund;
- Rule no. 28/2017 regarding the use of the personal net asset of the participant in a voluntary pension fund;
- Rule no. 29/2017 for amending and completing the Rule no. 1/2015 on the adherence and registration of participants in privately managed pension funds;
- Rule no. 30/2017 for the modification of art. 12 lit. b) of the Rule no. 2/2011 regarding the adherence and registration of the participants to the voluntary pension funds;
- Rule no. 31/2017 amending and supplementing Rule no. 24/2015 on reporting and transparency obligations in the privately managed pension scheme;
- Rule no. 32/2017 for amending and completing the Rule no. 25/2015 on reporting and transparency obligations in the voluntary pension scheme.

Implementation of the project implied:

- indicating the categories of transactions that are carried out through the DIP account for instalment payments of the fund, opened with the depository bank;
- introducing a new provision in the accounting methodology related to the use of the participant's net personal assets in the case of retirement for old age, a provision that does not exist in the normative act in force;
- completing provisions for paying net personal assets by transferring to a bank account;
- detailing the calculation manner for the management fee paid from gross contributions;
- completing the categories of operations that are carried out through the operational fund of the pension fund as well as the transfers of funds from / to other operational accounts of the same fund;
- the possibility that the payment of the participant's personal assets to be made as a single payment or as an instalment payment for a period of 5 years;
- completing the legal framework for granting pensions, with reference to special pension laws, for the categories of participants who fall into that situation;
- some provisions relating to the payment of net personal assets by bank transfer in order to allow the replacement of the statement of account with any document issued by credit institutions attesting to the account holder and the associated IBAN;
- introducing a new provision on the Administrator's obligation to publish the template of the application for payment of the participant's net personal assets in case of old age, invalidity or death on his own website, accompanied by information on the payment of the asset and the applicable tax regime;
- reorganizing the structure of the normative act for the clear presentation of the use of the net assets of a participant both as a single payment and in the form of instalment payments over a maximum period of 5 years;
- the correlation of the secondary legislation on the bookkeeping of the participants in a privately managed pension fund, paying the participant's net personal assets in monthly instalments, for a maximum of 5 years, respectively with the provisions of Rule no. 27/2017 on the use of the private net asset of the participant in a privately managed pension fund;
- the introduction of new provisions regarding the activity of administrators of privately managed pension funds in case of request by the participants / beneficiaries to use the net personal assets in the form of instalment payments and the obligation of the administrators to keep in their records the history of the operations of the opting participants for instalment payments and supporting documents;
- completing the legal framework, in the case of the use of the net personal assets, with the laws governing the granting of the pension in case of some professional categories;
- introducing a new appendix to separately highlight the monthly status of instalment payments for participants / beneficiaries who have opted for this payment option;
- the drafting of an annex to the employees of the privately managed pension fund manager, which will include information on the number of employees, the department / department at which they work, the specification of working time - part-time or part-time for a better reporting on issues that need to be highlighted in supervisory and control activity.



Authorisation – Endorsement Activity

In 2017, ASF issued a total of 576 decisions / endorsementss, out of which:

80 decisions and endorsements on applications for authorization / endorsement / withdrawal of authorizations / opinions of administrators, private pension funds and financial auditors of the private pension system, as well as the modification of the underlying documents

96 decisions and endorsements on applications for authorization / approval / re-endorsement / withdrawal of authorizations / opinions of marketing agents, as well as the modification of the documents underlying their authorization / approval

ASF processed 611 notifications from private pension entities, 125 of which concerned internal procedures for administrators and depositories.

Authorisation – endorsement activity of administrators, funds and depositories

| Individual acts of authorization, endorsement or validation of an assessed person / Notifications | Number of individual acts / notifications |
|---|---|
| Decisions / notices issued and notifications, of which: | |
| A. Private Pensions Fund Administrator | 428 |
| <i>a) Decision / authorisation endorsement / endorsement for:</i> | 18 |
| - Member of the Board of Directors / Supervisory Board | 7 |
| - General Manager / executive manager / Directorate member | 6 |
| - Person leading the risk management structure | 3 |
| - Person leading the internal control structure | 2 |
| <i>b) Decision / modification endorsement for:</i> | 17 |
| - Modification of documents underlying the authorisation of private pensions funds administrators | 17 |
| <i>c) Notifications</i> | 393 |
| - Notifications submitted by administrators / depositories / auditors | 268 |
| - Notifications of internal procedures of administrators / depositories | 125 |
| B. Privately-Managed Pensions Funds | 45 |
| <i>a) Decision / modification endorsement for:</i> | 11 |
| - Documents underlying the obtaining of the authorisation decisions of privately-managed pensions funds | 2 |
| - Modification of the Prospectus of the private pensions scheme | 5 |
| - Modification of the Individual Adhesion Act | 3 |
| - Modification of the Declaration related to the investment policy | 1 |
| C. Voluntary Pensions Funds | 32 |
| <i>a) Decision / modification endorsement for:</i> | 32 |
| - Documents underlying the obtaining of the authorisation decisions of voluntary pensions funds | 3 |
| - Modification of the Prospectus of the voluntary pensions scheme (prior and definitive endorsement) | 14 |
| - Modification of the Individual Adhesion Act | 13 |
| - Modification of the Declaration related to the investment policy | 2 |
| D. Depositories | |
| <i>a) Decision of authorisation withdrawal de /endorsement and erasures from the A.S.F. Repository:</i> | 2 |
| - Withdrawal of the sign-off which granted RAIFFEISEN BANK S.A. the capacity of depository of privately-managed pensions funds assets | 1 |
| - Withdrawal of the sign-off which granted BANCPOST S.A. the capacity of depository of voluntary pensions funds assets | 1 |

In 2017, ASF withdrew its endorsement granting RAIFFEISEN BANK SA the status of Depository of the assets of privately managed pension funds and the endorsement granting BANCPOST SA the status of Depository of the assets of the voluntary pension funds.

Taking into account the provisions of Rule no. 41/2016 for the modification and completion of Rule no. 27/2015 on financial audit activity in entities authorized, regulated and supervised by the Financial Supervisory Authority, the ASF Council was informed of the fulfilment by the financial auditors of the conditions stipulated in art. 7 of the Rule no. 27/2015 regarding the activity of financial audit at the entities authorized, regulated and supervised by the Financial Supervisory Authority, with the subsequent modifications and completions.

At present, 5 auditors carried out financial audit work on private pension market entities regulated and supervised by the Financial Supervisory Authority.



Activity of authorization - endorsement of marketing agents

| Individual acts / Notifications | Number of Individual acts / Notifications |
|--|---|
| Total, of which: | 714 |
| A. Privately-Managed Pensions Funds | 295 |
| <i>a) Endorsement for:</i> | 92 |
| - modification of constitutive deed of marketing agents – legal persons | 1 |
| - natural persons* marketing agents | 71 |
| - reapproval of natural persons** marketing agents | 20 |
| <i>b) Change notifications for:</i> | 96 |
| - constitutive deed of marketing agents – legal persons | 8 |
| - themes related to the training course for marketing agents – natural persons | 8 |
| - identification data afferent to marketing agents – natural persons *** | 80 |
| <i>c) Decision of endorsement withdrawal and erase from the ASF Register:</i> | 107 |
| - withdrawal of endorsement from marketing agents – legal persons | 1 |
| - withdrawal of endorsement from specialised legal persons | 2 |
| - withdrawal of endorsement from marketing agents – natural persons **** | 104 |

Note:

- * through the 71 endorsements one approved 1065 marketing agents – natural persons
- ** through the 20 endorsements one reapproved 310 marketing agents – natural persons
- *** one issued 80 communications related to the change of data afferent to a number of 337 marketing agents – natural persons
- **** through the 104 decisions one withdrew the endorsements from a number of 1038 marketing agents – natural persons

| | |
|--|------------|
| B. Voluntary pensions | 419 |
| <i>a) Endorsement for:</i> | 174 |
| - endorsement for private pensions intermediary | 1 |
| - marketing agents - natural persons* | 117 |
| - reapproval of marketing agents - natural persons ** | 56 |
| <i>b) Change notifications for:</i> | 122 |
| - constitutive deed for marketing agents - legal persons | 7 |
| - themes related to the training course for marketing agents - natural persons | 8 |
| - identification data afferent to marketing agents - natural persons *** | 107 |
| <i>c) Decision of endorsement withdrawal and erase from the ASF Register:</i> | 123 |
| - withdrawal of endorsement from marketing agents - legal persons | 1 |
| - withdrawal of endorsement from marketing agents - natural persons **** | 122 |

Note:

- * through the 117 endorsements one approved 1200 marketing agents – natural persons
- ** through the 56 endorsements one reapproved 519 marketing agents – natural persons
- *** one issued 107 communications related to the change of data afferent to a number of 636 marketing agents – natural persons
- **** through the 122 decisions, the opinions of a number of 1659 marketing agents were withdrawn

Due to the strengthening of the private pensions market, in view of the high percentage of randomly assigned participants in privately managed pension funds, an increasing trend in withdrawal of opinions was maintained in 2017 as compared to the notice / reassessment of individual marketing agents.

Register of entities from the private pensions system

ASF continuously updated the Register with the natural and legal persons that are authorized/approved/erased in the private pension system. This Register is structured on Pillar II and Pillar III and further on entities categories, including managers, private pension funds, depositories, financial auditors and marketing agents (natural and legal persons). The public section of the Register is available on the ASF webpage.



Supervision of the private pensions system

The activity of supervision of the private pensions system was based on the observance of at least the following principles:

- 1. Protecting the interests of participants and beneficiaries by ensuring the effective functioning of the private pension system and ensuring that they have access to adequate information;**
- 2. The supervision process must be preventive and anticipatory;**
- 3. ASF must act appropriately, especially in adverse situations that evolve into a high dynamics.**

The off-site and on-site supervision is the entities' control by monitoring and analyzing all information received by ASF through mandatory reporting, but also by any other means, such as public information and control missions at headquarters supervised entities.

One has continually aimed at the optimization of the process of reporting and verifying the data and information provided by private pension system entities, as well as improving the quality of reports, analyzes and syntheses developed by increasing the relevance and accuracy of data and information. Also, the operational problems identified at the level of the entities within the private pension system were analyzed and solved.

Strategic objectives of the supervision and control activity for the year 2017

Protecting the interests of participants and beneficiaries by supporting the effective functioning of the private pension system and ensuring their access to relevant information.

Maintaining a low risk in the private pension fund market.

Early identification of the main areas of risk in the activity of the entities involved in the private pension system by using a correct assessment tool both of the quality of the corporate governance system as a whole and of the individual activity of the persons holding key functions by keeping a history of their acts and actions (conduct and behavior), and ensuring that similar actions are similar to the facts, and that they are set according to the impact, risk, circumstances and repeatability of the facts.

Off-site supervision of the private pensions system

Optimizing the reporting process of entities in the private pension system is an important element in making off-site oversight work more efficient and improving the prudence attribute, materialized in early detection capability, analysis and remediation, before significantly affect the interests of participants. ASF resolved operational issues for which standpoints and action plans were sought to address the issues raised.

ASF paid particular attention to the process of reporting, verifying the data and information transmitted, and improving the quality of analyzes and syntheses developed, aiming at increasing the relevance and accuracy.

Profiles of private pension funds, managers and depositories of private pension funds were permanently updated to provide a complete picture of authorized and supervised entities in the private pension scheme. Administrators' records also included the sanctions applied and / or the plans of measures ordered as a result of the inspection actions. In addition, a set of risk-specific portfolios of private pension funds was analyzed quarterly: foreign exchange exposure, concentration, interest rate, liquidity, volatility and profitability of private pension funds.

The continuous prudential supervision was aimed at strengthening reporting discipline, monitoring deviations from investment limits, monitoring compliance with risk ratings, monitoring the rate of return of private pension funds, and ensuring the correct and continuous information of participants, thus addressing diverse issues.

During 2017 the primary data necessary for the actuarial calculation of the technical provision for the actuarial valuation of voluntary pension funds providing guarantees in the prospectus of the pension scheme were processed on the basis of the data base of the voluntary pension funds. Thus, the following values were determined for each participant: the current guaranteed value, the current contribution, future contributions to retirement, the guaranteed amount until retirement, the evolution of the value of the personal assets up to retirement, the total payment obligation, with the value of the asset accrued, related to this obligation (the sum of the personal assets generating liabilities).

Following the analysis of the data and the processed information, the actuarial valuation reports of the privately managed pension funds, as well as of the voluntary pension funds were drafted.

The total amount of the technical provisions constituted by the private pension fund managers was of lei 173.32 million. Of the total technical provisions, 95% are related to the privately managed pension funds (lei 164.71 million), respectively 5% are related to the voluntary pension funds (lei 8.61 million). Regarding the assets covering the technical provisions, the highest value was recorded by NN PENSII SAFAP SA (lei 53.56 million invested in government securities and deposits), followed by ALLIANZ-TIRIAC SAFPP SA (lei 41.5 million invested in deposits and current accounts).

Technical provision and assets covering the technical provision at 31.12.2017 (million lei)

| | Administrator | Private pensions fund | Technical provision constituted | Assets covering the technical provision | Coverage degree of the technical provision |
|-------------------|----------------------------|------------------------|---------------------------------|---|--|
| Pillar II | | | | | |
| 1 | AEGON SAFPP SA | FPAP VITAL | 11.92 | 12.12 | 101.68% |
| 2 | ALLIANZ-ȚIRIAC SAFPP SA | FPAP AZT VIITORUL TĂU | 41.15 | 41.50 | 100.85% |
| 3 | BCR PENSII SAFPP SA | FPAP BCR | 19.45 | 20.24 | 104.06% |
| 4 | BRD SAFPP SA | FPAP BRD | 3.96 | 4.01 | 101.26% |
| 5 | GENERALI SAFPP SA | FPAP ARIPI | 9.19 | 14.14 | 153.86% |
| 6 | METROPOLITAN LIFE SAFPP SA | FPAP METROPOLITAN LIFE | 26.85 | 29.96 | 111.58% |
| 7 | NN PENSII SAFPP SA | FPAP NN | 52.19 | 53.56 | 102.63% |
| Pillar III | | | | | |
| 8 | BRD SAFPP SA | FPF BRD MEDIO | 1.00 | 0.78 | 78.00% |
| 9 | NN ASIGURĂRI DE VIAȚĂ SA | FPF NN OPTIM | 7.61 | 7.75 | 101.84% |
| | TOTAL | | 173.32 | 184.06 | 106.20% |

*Preliminary data.

All private pension fund management companies recorded a ratio of coverage of the technical provision to the associated assets above the 100% level, thus respecting the legal provisions according to which the value of the assets corresponding to the technical provision is at least equal to the amount resulting from the most recent calculation of the technical provision, except for the FPF BRD Medio, which is required to constitute the technical provision calculated by the Authority until the date of submission of the financial statements for the year 2017, with the indication that the assets covering the technical provisions were supplemented in the month February 2018 (lei 1.01 million, respectively coverage of 101%).

In order to ensure the proper functioning of the private pension system so that the activity of the administrators is not affected and the interests of the participants are not prejudiced, ASF has asked the private pension fund managers to submit to the Authority the planning of the actions for the full constitution of the technical provision in 2020, as required by the regulations in force. All administrators have complied with and have taken steps to resolving the remaining values to ensure that by the end of 2020 the provision will be fully constituted.

Analyzes of the private pension market entities' reporting on the internal assessment of operational risks and e-reporting indicators have also been carried out. In this context, the results of auditing of IT systems submitted by administrators and depositories and the implementation by the supervised entities of corrective actions recommended by IT auditors following the first audit of IT systems were checked. Other actions in 2017 were [the stress test on the private pensions system](#) in order to determine the possible shock on the value of assets in portfolios of private pension funds based on the EIOPA scenario (IORPs Stress Test Report 2015), calculations, analyzes and assessments of the average value of the personal assets at the time of the withdrawal of participants in the privately managed pension scheme, based on the real data of the whole participants portfolio (at the level of each private pension fund), as well as the description of the actuarial algorithms for the calculation of the pension types according to the principles and types of pensions established by the draft law on the organization and functioning of the system of payment of private pensions.

On-site supervision of the private pensions system

The control of entities in the private pension sector is designed to prevent, identify and dispose of measures to remedy, as appropriate, situations that may prejudice or prejudiced the interests of participants and beneficiaries in private pension funds.

The inspection actions planned for 2017 were part of the ASF's objectives: protecting the interests of private pension fund participants and beneficiaries, protecting the private pension system and strengthening and stabilizing the whole financial system.

ASF focused mainly on the following:

Verifying how the corporate governance system and internal control system of each inspected entity operate, so as to determine whether the policies and procedures developed by each entity are appropriate to the volume and complexity of the business if properly applied and periodically reviewed, and to analyze the effectiveness of using the tools and means used to identify, manage and mitigate risks;

Verification and assessment of activities specific to the private pension scheme taking into account: the nature, cause, impact, remediation and / or diminution, and the form of the related risk exposure, in order to ensure efficient functioning;

Follow the way in which the investment strategy adopted by each private pension fund is applied;

Verification of the establishment and maintenance of an appropriate level of technical provisions, including verification of the existence of assets covering the technical provisions;

The degree of suitability and automation of information systems in relation to the volume and complexity of the activities carried out.

During the year 2017, [ASF planned 13 inspection actions which were carried out totally in accordance with the approved planning](#). In addition to the planned periodic inspection actions during the first half of 2017, [the Authority conducted also two thematic unplanned inspection actions](#).

The sanctions applied to the entities involved in the private pension scheme in the second half of 2017 were due to the repeatability of the identified facts and not necessarily as a consequence of their severity. There were also conducted off-site checks on how some of the marketing agents understood to apply the legal provisions in the marketing activity of the private pension fund prospectus.

At the same time, a project on the implementation of an IT application for verifying the minimum guaranteed value in the case of transfers between the privately managed pension funds was developed.

The main objectives of the control team were to identify deviations from the current legislation and to remedy them immediately as well as to identify processes that can be improved. Control teams had [an active role in remedying the deficiencies detected](#), most of the issues identified during the control action being remedied during and as a result of the action.

All entities in charge of implementing remedial measures have complied with those set forth in the ASF Decisions

As a result of the inspection actions carried out, no risks were identified that would significantly affect the short-term activity of the companies and implicitly the private pension system, the number of sanctions applied decreasing compared to 2016 and due to the continuous efforts of private pension funds administrators to develop and improve workflows and to update IT systems.

However, the identified risks require a reassessment of the processes carried out by the controlled entities. The relevance of operational, compliance and reputation risks was relevant.

The main identified risks, in terms of vulnerabilities or malfunctions, are:

Domain of activity

- Corporate governance;
- Adhesion and evidence of participants;
- Operations related to participants;
- Investment activity and assets assessment
- IT system;
- Constitution of technical provision;
- Reporting and transparency obligations.

Types of risks identified

- Conformity risks;
- Operational risks;
- Reputational risks.

Factors contributing to the risk increase

- Human error, mainly due to manual operations;
- Insufficient development of IT systems;
- Lack of an effective internal control system.

Automation of the reportings of entities from the private pensions system

Automating the reportings of entities in the private pension system has as its main objective the automation of the processing of reported information in the ASF IT system, for the detection of errors and risks in an optimized time and easy data processing. The project aimed at improving the processing of data reported by private pension system entities by generating reports, alerts and checks (both formatted and funded). Also, the possibility of sending automated messages to reporting entities at the time of posting erroneously filed files was also tracked. The project was completed in the second half of 2017, all of its modules being implemented.

Verification of guaranteed value for transfers

Purpose of the programme

Improve supervision and inspection activity to protect the interests of participants and comply with the applicable legal framework;
Early identification of risk areas in the work on the transfer of participants and to provide the possibility to provide remedial measures from the early stage of the identified vulnerabilities;
Ensuring at the level of the Authority a unique instrument to verify the method of calculating the guaranteed value that may be used in the future by other departments.

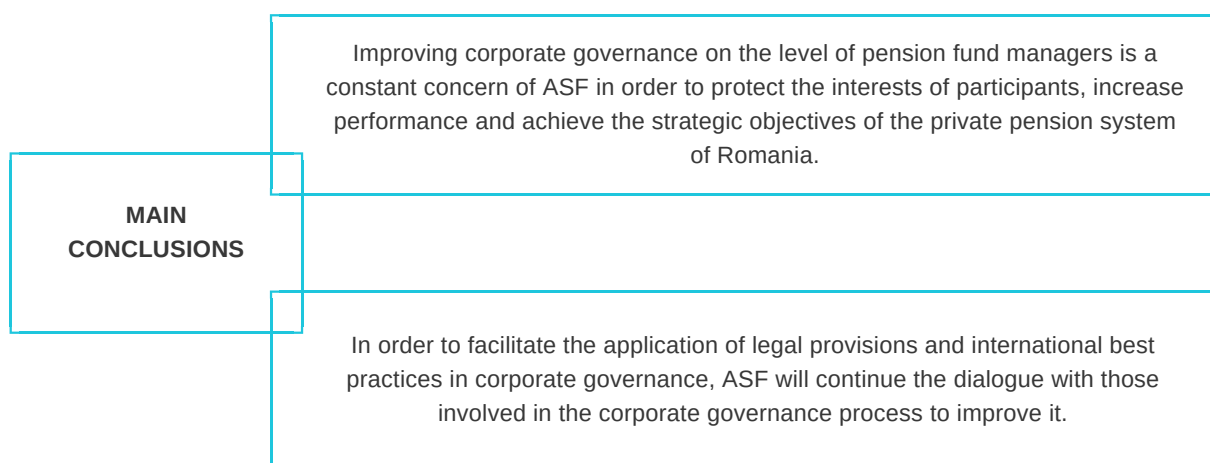
During 2017, ASF implemented a computerized application for verifying the value of secured transfers.

The main objective of the project was the elaboration of a standardized program for verification of the guaranteed value for the transfer of the participants between the privately managed pension funds.



Application of corporate governance principles by the private pensions funds administrators

Following the analysis of the implementation of corporate governance principles by the pension fund managers and the analysis of the half-yearly activity reports transmitted by key internal audit, risk management and internal control functions, ASF organized individual debating sessions with fund managers of pensions. During these meetings, the conclusions of the analysis, the main deficiencies identified, as well as the recommendations of the Authority for their adjustment and the improvement of the internal control, internal audit and risk management mechanisms were discussed.



Other supervision activities

ASF further investigated the notifications received from the Public Relations, Petitions and Financial Education Directorate on a number of petitions submitted by the participants.

The Authority analyzed the drafts of normative acts regulating areas such as: reporting obligations and transparency in the privately managed pension scheme and voluntary pensions, the registration of the participants in the privately managed pension funds, the transfer of the participants between the voluntary pension funds, the collection and payment operations carried out through the accounts of privately managed pension funds and voluntary pension funds, the admission and registration of participants in privately managed pension funds and voluntary pension funds, as well as the use of the net assets of the participant in the privately managed pension fund and the participant in the fund of optional pensions.

Improvement of the supervision activity

- **Automation of reportings of private pensions system entities**
- **Verification of the guaranteed value in case of transfers**

ASF initiated in 2017 a series of projects aiming at improving the activities of regulating, supervising and controlling entities in the private pension system and streamlining these activities.

The aim was to maintain a continuous development and self-improvement in line with the evolution of the private pension system in order to ensure the protection of the interests of the participants in this system.



**Consumer protection,
complaints handling and
financial education**



Main actions carried out for enhancing consumer protection

- Public relations activity
- Complaints handling
- Monitoring and financial education

Main actions carried out for enhancing consumer protection

In 2017, ASF defined much clearer its fundamental objectives related to the consumer needs. Thus, the actions started by the ASF in 2016 intensified and diversified in 2017, based on the following objectives:

Monitoring the compliance with legal / contractual provisions

Providing professional support to consumers

Education and promotion of trust in financial services, products and securities specific to non-banking markets

Protection of consumer rights against unfair, abusive or fraudulent practices

In 2017, ASF activities continued to be complementary to prudential regulation and supervision, by endorsing specific strategies and tactics. In order to increase the level of consumer protection, ASF paid special attention to their correct and complete information by providing specialized assistance in order to clarify all requests of consumers addressed verbally, by telephone, in writing or directly to the ASF headquarters.

ASF facilitated non-discriminatory access for consumers to active systems for resolving requests, requests for information and complaints, by providing them with appropriate information on the legal formalities to be observed when submitting and completing documentation relating to petitions submitted to ASF.

In order to solve the requests addressed by the participants to the privately administered pension funds, the application "Find out what pension fund you are!" is implemented which allows them to identify their membership in the fund to which they have joined or to which they have been distributed, offering the possibility of checking the status applications.

An important component of consumer protection activity is the complaints handling process. It aims, in addition to effectively solving the issues complained of and identifying deficiencies, to permanently monitor them at the level of an entity supervised and / or regulated by the ASF, as well as to analyze the repetitive nature of these deficiencies at the market level in order to establish the measures which are required.

Through the work of the top management, the Authority has actively participated in the European work on consumer protection. Thus, data on the content of consumer complaints were reported to EIOPA and ESMA, ASF contributing to a European image of the consumer and the factors affecting his rights.

Also, in order to support enhanced consumer protection, the Consumers ' Permanent Dialogue Consultative Group established by ASF has worked with consumer associations, relevant financial market associations, representatives in international groups, ANPC. The group meets regularly and issues opinions and regulations to support consumer rights. Collaboration with consumer protection associations has also taken into account the much more applied approach to protection measures.

In the school year 2016-2017, the non-banking financial education program expanded to the level of 16 counties plus Bucharest. Romania won the grand prize for the financial education projects run at national level in 2016 by the Financial Supervisory Authority and the Ministry of National Education. The ASF's country-wide prize came as a result of the Global Money Week events, a premiere for a financial institution in Romania.

Public relations activity in 2017 :

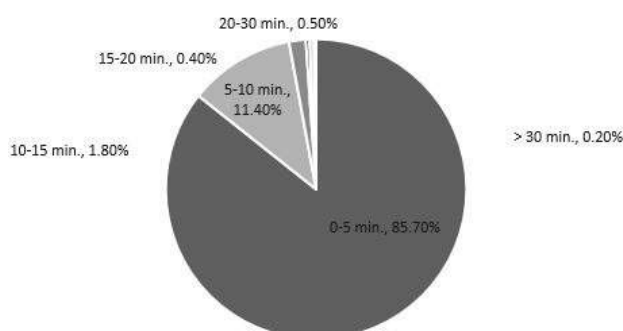
- providing quality specialised assistance to clarify all requests by consumers verbally, by telephone, in writing or directly at the ASF headquarters;
 - facilitating non-discriminatory access for consumers to active systems for resolving requests, requests for information and complaints by properly informing them of the legal formalities to be observed when submitting and completing documentation relating to complaints submitted to ASF;
 - adapting responses to consumers to their real needs by actively contributing to increasing the level of consumer information with regard to the applicable legal provisions applicable to their requests as well as providing concrete instructions on the steps to be taken by consumers to resolve different cases;
 - processing and rapid settlement of requests for information, with an average response time of approximately 2 days from registration of the application;
 - single point of entry and exit for communicating the information requested by different audiences for all complaints on the activity of specific non-bank financial market entities;
 - identifying possible irregularities / non-compliance with applicable legislation, with the risk of amplification and generating complaints, as well as prompt action to prevent them;
 - managing the exceptional situation in ASTRA, FORTE and CARPATICA cases - individually centralizing the calls with the mentioned subjects; effectively informing complainants of issues raised in ASF complaints with ASTRA, FORTE and CARPATICA subjects; collaboration with FGA to address consumer issues;
 - permanent supervision of privately managed pension fund administrators regarding the status of non-bank financial products consumers' applications, participants in the Pillar II privately managed pension system, in order to address consumer issues through the application: "Find out what pension fund you belong to!".
- During 2017, the ASF Call Centre recorded a total number of **23,945 incoming phone calls, a 31% increase compared to the previous year**. Among them, a number of **12,223 calls** have actually been answered and settled by the ASF Call Centre (the difference is represented by out-of-hours calls in non-working days, etc).

Monthly distribution of calls at the ASF Call Centre in 2017

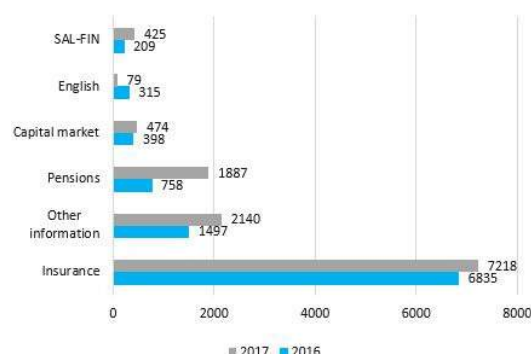


ASF made 1,471 out-of-institution calls. These calls support consumers where they find themselves needing extra phone support, support that is designed to make their access to information faster. With regard to the number of missed calls, the ASF Call Centre recorded a 3.41% of the total number of incoming calls.

Structure of phone calls received dep. on duration



Comparative situation 2016-2017 ASF Call Centre



As a result of the Net Promoter Score (were you satisfied with the information provided, was it helpful?), **the ASF Call Centre reached a percentage of 95% satisfied consumers in 2017**. During the year 2017, 2,010 complaints (information requests) were settled, of which 1,138 were in the insurance and reinsurance sector and 872 complaints on the private pensions sector.

Also, ASF carried out the following activities with direct impact in the activity of consumer protection:

- Centralization and provision of data (registered complaints and appeals) for the established Headquarters to monitor payments to creditors of the insurance and reinsurance companies Astra S.A., Carpatica Asig S.A. and Forte Asigurări Reasigurări S.A. after the examination of the payment claims by the Guarantee Fund of the Insured and the approval or rejection of the amounts due by the Special Committee within the FGA;
- Running 3 (three) Mystery Shopping projects like this:
 - 1 Mystery Shopping exercise on MTPL charges following the publication of the ASF Report on the determination of reference tariffs for compulsory third-party liability insurance for third-party vehicle damage (May-June 2017);
 - 1 Mystery Shopping exercise to monitor and verify the activity of finding and approving MTPL claims by S.C. EUROINS ROMANIA ASIGURARI REASIGURARI S.A. (August 2017);
 - 1 MTPL market opinion survey - Monitoring and verification of the MTPL finding and approval activity by insurance companies authorized to carry out the activity (August 2017).
- Processing of periodic reports submitted by entities on the status of complaints received by them and reporting to the ESMA of the resulting global data (quarterly);
- Participating in various questionnaires conducted by ESMA and providing the requested information (e.g. Trends of retail investors);
- Permanent supervision of private pension fund administrators regarding the status of non-bank financial products consumers' requests, participants in the privately managed pension scheme - Pillar II, in order to solve the issues presented by consumers through the application: "Find out what pension fund you are!" which started on 16 August 2016;
- Administrators' monitoring of the privately administered pension market - Pillar II in terms of time and method of solving requests for membership of a privately managed pension fund. For the period 01.01 - 31.12.2017 there were 24,784 applications in the application "Find out what pension fund you belong to!" and the average response time per total administrators was 6.23 calendar days;
- The conclusion of a Cooperation Protocol between the Financial Supervision Authority (ASF) through the Alternative Dispute Resolution Entity in the Non-banking Financial Sector (SAL-Fin) and the following institutions in Romania:
 - Institutionalized Arbitration Association (AAI);
 - Association of the Council for Arbitration and Alternative Dispute Resolution (CASAL);
 - Mediation Council (CM);
 - Alternate Dispute Resolution Centre in the Banking Sector (CSALB).

Technical Secretariat of the Alternative Dispute Resolution Centre SAL-Fin

The activity of SAL-Fin was carried out in compliance with the provisions of the ASF Regulation no. 4/2016.

- From the establishment until the end of 2017, 233 applications were admitted for analysis. In the year 2017, 197 applications were accepted for analysis;
SAL-Fin analyzed an average of 16 new applications per month and managed an average of 25 conciliation applications for which the Technical Secretariat;

Types of complaints

- 118 requests in MTPL field;
- 26 requests concerning the general insurance field;
- 11 requests related to CASCO facultative insurance;
- 1 request related to PAID;
- 2 requests related to Pillar II and Pillar III pensions (both rejected for lack of documents);
- 4 requests related to life insurance.

- As per the average duration of litigation received for applications registered between 1 January 2017 and 31 December 2016, an average duration of 37 days was recorded for all dispute settlement procedures, with the exclusion of rejected applications and unsolved requests by the reference date;
- In the call centre activity, in 2017, over 60 hours of telephone conversations were recorded, representing calls received from litigation parties, consumers and other persons interested in the activity of SAL-Fin;
- Electronic mail within SAL-Fin amounts to more than 10,000 emails received and transmitted during 2017;
- A number of two consumer-challenged judgments and eight judgments challenged by the trader were found. By the end of 2017, none of the appeals had been definitively settled.

Complaints handling

The activity of complaints settlement is carried out according to the provisions of the Government Ordinance no. 27/2002 regarding the regulation of the complaints settlement activity, approved by Law no. 233/2002, as well as the incidental legislation in the specialized fields of the ASF.

In addition to effectively solving the issues complained of by the consumers, this activity aims to identify deficiencies, to monitor them permanently at the level of an entity supervised and / or regulated by the ASF, and to analyze the repetitive nature of these deficiencies at market level in order to establish the measures required to remedy them. At the same time, through the replies sent to the consumers, ASF provides specialized assistance with regard to the legal / contractual incidents in the present case and recommends to the complainants the procedural steps they have to follow in order to resolve the issues raised.

Thus, in 2017, from the complaints investigation, certain deficiencies / practices were identified in the activity of the entities.

In 2017, within ASF one recorded a total number of 9,383 complaints, by 44.54% less compared to 2016.

| No. | Activity market | Total complaints recorded in 2016 | % of Total complaints in 2016 | Total complaints recorded in 2017 | % of Total complaints 2017 | Increase / Decrease 2017 compared to 2016 |
|-----|-------------------------|-----------------------------------|-------------------------------|-----------------------------------|----------------------------|---|
| 1. | Insurance - Reinsurance | 15,419 | 91.13% | 8,046 | 85.75% | -47.82% |
| 2. | Private pensions | 1,125 | 6.65% | 1,077 | 11.48% | -4.27% |
| 3. | Capital market | 375 | 2.22% | 260 | 2.77% | -30.67% |
| | Total | 16,919 | 100.00% | 9,383 | 100.00% | -44.54% |

Private pensions market

- a total number of 1,077 complaints were received, down 4.27% from the year 2016;
- a number of 965 complaints were investigated / settled individually per claimant;
- a number of 112 complaints were classified or joined, according to the provisions of Ordinance no. 27/2002 and the internal ASF procedures;
- 863 complaints (with a weight of 89.43% of the total) were requests for information, both general and individual per case and person, and 102 complaints (10.57%) required investigations to solve the issues reported;
- there were 800 complaints (82.90%) on Pillar II, down 20.24% compared to 2016, while complaints submitted by the participants who joined a voluntary pension fund (Pillar III) represent a percentage of 1.55% of all registered complaints, down 53.13% as compared to 2016;
- of the total number of complaints requiring investigation, 49 complaints were finalized in favour of the consumers - they were able to determine favourable solutions, legally based on which the ASF had the normative framework for settling the dispute between the parties, In this regard.

Deficiencies detected in the activity of complaints settlement for the private pensions market

- adoption of inappropriate conduct on the part of the administrators and the failure to fully and accurately inform the participants;
- adoption of an inappropriate conduct by the administrators materialized by the refusal to be given to the request of a mail-order participant with acknowledgment of receipt;
- lack of correct and complete information from the participants, lack of knowledge by the participants of their rights and obligations;
- incorrect communication by the administrator to the participants, annual information, confusing the recipients, which has damaged the confidentiality of the data but also the annual information of the participants;
- administrators' refusal to request participants to transfer the assets accumulated from a voluntary pension fund to a pension fund abroad;
- lack of contributions and the delay in turning them into private pension funds;
- issues regarding non-adoption or drafting of normative acts at primary and / or secondary level: law on the provision of private / voluntary pensions; the rule on the amount necessary to obtain the minimum voluntary pension and the rule on the use of the net asset (payment in instalments of the asset returned).

Actions performed for remedying the detected deficiencies

- internal information on issues arising in the relationship between administrators and participants and beneficiaries; submitting for each case to the specialized sector and the competent authorities (MMJS, CNPP, respectively MFP) the issues identified by the petitioners regarding the need to promote in a timely manner the regulations in the field regarding the provision of the private / voluntary pension;
- directing aspects of checking how to hold and transfer contributions to private pension funds to the competent institution - CNPP;
- monitoring the resolution / response manner of administrators to petitions registered at their level and directed by ASF, as well as how to relate them to consumers;
- the submission to the administrators of the filed files, extended to all registered cases at the level of the administrators, of the addresses through which they were constantly informed, the obligation to comply with the applicable legislation, correct, complete and continuous information of the participants / beneficiaries to the system, verifying and updating the operating procedures according to the needs and interests of the participants and making all possible efforts to respect the rights and resolve the issues claimed by them.

Insurance – reinsurance market

- a total of 8,046 complaints were received, down 47.82% as compared to 2016;
- only 6,263 complaints submitted by insured / damages, complaints falling under the competence of the ASF, were recorded on a petitioner, analyzed and solved, down 31.60% compared to the records of 2016;
- there were 139 complaints exceeding the competence of the ASF, the petitioners being directed to address the Insurance Guarantee Fund (FGA), the Romanian Motor Insurers' Bureau, the National Authority for Consumer Protection;
- a number of 1,644 complaints were classified or joined, in accordance with the provisions of Ordinance no. 27/2002 and ASF internal procedures.

The most frequently claim by the consumers in 2017 was the non-payment / partial payment of redemptions / redemptions requested by insured / injured, in 2,799 cases, representing 44.69% of the total. Among other issues, the non-observance of the contractual conditions / MTPL Rules (25.45%), respectively claims for the recalculation of the value of the compensations (5.89%).

The share of complaints finalized in favour of the complainants in total complaints was 66.74% (4,180 complains), out of which 33% were finalized by payment, the requests having legitimacy and a legal framework for solving. These weights were calculated taking into account only the complaints that required investigative (without requesting information to which answers were given) and for which the authority had intervention levers, according to the legal attributions.

The rest of the petitions related to procedural, non-quantifiable claims (opening a claim file, reconciliation, payment accepting payment to the repairer, etc.). A number of 2,083 complaints (33.26%) were found to be unfounded or on which the ASF does not have the capacity to intervene in the application of the current legislation.

Modality of finalizing the complains analysed individually in 2017



Regarding the structure of complaints according to the claimed entity, 99.07% of the complaints analyzed in 2017 were directed against insurance companies and 0.93% were registered against insurance brokers. The situation of the first insurance companies for which the most petitions were registered in 2017 compared to 2016 is presented in the table below.

| Company / Insurance Broker | No.of complaints analysed in 2016 | Weight of complaints 2016 (%) | No.of complaints analysed in 2017 | Weight of complaints 2017 (%) | Variations 2017/2016 (%) |
|-------------------------------------|-----------------------------------|-------------------------------|-----------------------------------|-------------------------------|--------------------------|
| Euroins SA | 1,103 | 12,05% | 1,292 | 20,63% | 17,14% |
| City Insurance SA | 3,329 | 36,36% | 1,203 | 19,21% | -63,86% |
| Asirom VIG SA | 1,813 | 19,80% | 1,071 | 17,10% | -40,93% |
| Omniasig VIG SA | 479 | 5,23% | 442 | 7,06% | -7,72% |
| Allianz –Tiriac SA | 291 | 3,18% | 223 | 3,56% | -23,37% |
| Groupama SA | 193 | 2,11% | 196 | 3,13% | 1,55% |
| Generali Romania SA | 169 | 1,85% | 190 | 3,03% | 12,43% |
| Uniqa Asigurari SA | 273 | 2,98% | 177 | 2,83% | -35,16% |
| Other insurance companies / brokers | 1,506 | 16,45% | 1,469 | 23,46% | -2,46% |
| TOTAL | 9,156 | 100,00% | 6,263 | 100,00% | -31,60% |

Deficiencies detected in the activity of complaint settlement for the insurance market

- exceeding the statutory payment deadline for claims (MTPL);
- failure to inform the injured person about the classification of damage in the category of major damage and how to calculate the maximum amount of compensation;
- exceeding the legal deadline of 5 working days from the date of notification for making the findings, respectively 3 working days from the request in case of reconciliation;
- not registering all the documents relating to the claims files;
- exceeding the 3-month period after the insurer's approval of the claim regarding the submission of the offer of compensation, namely the notification of the total or partial rejection of the claims filed;
- determination of market value by insurers in the case of total claims, without taking into account all the facilities of the vehicles concerned;
- drawing up of offers of indemnity by the insurers, without proof of compliance with the legal provisions;
- insufficient justification of the solutions adopted by the insurers and ASF's petitions;
- the conclusion of new MTPL insurance policies for newly acquired vehicles without taking the bonus / malus class from the old vehicles;
- lowering the amount of compensation if payment is claimed before repairs are made;
- failure to pay the delay penalties along with the payment of compensation;
- issuance in Romania of collateral insurance policies whose validity has not been certified by Elite Insurance Company Limited, based in Gibraltar;
- identifying interpretations of the legal provisions specific to the tourism field with negative impact on the rights of the beneficiaries of the insurance policies for the tourist services packages in case of the insolvency of the travel agencies;
- identifying situations in which the claims were not approved for payment as a result of the insurers interpreting the insurance conditions for the property and housing insurance contracts to the detriment of the insured;
- issuance of optional insurance policies without complying with the provisions of the Rules on information that insurers and insurance intermediaries must provide to clients as well as other elements that the insurance contract must cover, implemented through CSA Order no. 23/2009, respectively of the ASF Rule no. 15/2015 on the electronic marketing of insurance contracts.

Modality of finalizing the complaints analysed individually in 2017

- internal transmission of 12 monthly information on identified deficiencies in complaints work on the handling of MTPL claim files by insurers authorized to practice this type of insurance, as well as a number of 7 point-by-case information, on the conduct of insurers in relation to consumers;
- internal disclosure of the existence on the territory of Romania of collateral policies whose validity has not been confirmed by Elite Insurance Company Limited, based in Gibraltar;
- collaboration with other ASF structures to establish compliance with Rule no. 15/2015 by online insurance intermediaries;
- collaboration with other ASF structures for the exact application by the insurers of the legal provisions specific to the field of tourism regarding the insurance policies for the tourist services packages in case of the insolvency of the travel agencies;
- following the identification of the existence of unfair terms in the case of travel insurance policies, Omnia Sig VIG S.A. changing the contractual clauses for these types of contracts;
- consumer meetings with the claimed entities;
- active involvement in regulatory activities through effective participation in changes to mandatory MTPL auto insurance legislation;
- participation in the MTPL working subgroup with a view to drawing up recommendations on the settlement of technical issues claimed by complainants leading to the reduction of MTPL compensation in relation to the current legislative framework;
- internal transmission of information on issues arising in the relationship between insurers and repair units;
- permanently holding meetings with representatives of insurance companies / brokers in order to clarify the divergent issues arising from complaints, as well as establishing the necessary measures to remedy the identified deficiencies, in order to protect the rights of insured persons / injured persons;
- analyze and settle all complaints that have claimed the handling of open claims files with the Guarantee Fund of the Insured.

In 2017, in addition to the complaints, the ASF conducted an extensive monitoring of the insured-insurer's relationship, the degree of compliance of the insurance products with the needs of the insurance consumers, process, taking into account the issues identified, complementary to supervisory work designed to bring added value added both to consumer protection and the financial stability of the insurance market.

ASF conducted a number of 14 analyses:

Elaboration of the project "Recommendations for the investigation of MTPL auto claims files in order to protect the rights of consumers of insurance services and products"

Two half-yearly statistical analyses on the status of complaints registered with ASF

Analysis of the conditions for insurance of optional insurance products

Three statistical analyzes of information from quarterly reports submitted by insurers and insurance brokers

Two analyzes of indicators specific to the activity of protection of the consumers of insurance

Analysis of Insurers 'Inquiries regarding the Insurers' Behavior and Practices in Carrying Out CASCO Claims

Four analyzes of the period of payment and settlement of insured claim files under insurer MTPL auto insurance contracts

Financial instruments and investments market

- a total of 260 complaints were received, down by 30.67% over the year 2016;
- ASF solved 217 complaints individually per petitioner, decreasing by 34.44% compared to 2016;
- 43 complaints were classified or joined, in accordance with the provisions of GO no. 27/2002 and internal procedures;
- from the analysis of complaints carried out on the entities claimed, it appears that most of them were registered for issuers (128), representing 58.99% of the total, down by 30.05% as compared to 2016;
- with regard to the types of operations complained by the consumers, from the complaint analysis and resolution it was found that most of the complaints, i.e. 41% of them, concerned the request for verification of the share holdings / dividend payment;
- of the total complaints analyzed in a unique way, a number of 214 complaints (82.31%) were finalized in favour of the consumers - they were able to determine favourable solutions, legally based.

Deficiencies detected in the activity of complaints settlement for the capital market

Issuers

- non-compliance with the rights of minority shareholders with regard to: transparency obligations, the granting of the right to withdraw from the company, the payment of the equivalent of the shares / dividends due;
- non-observance of the legal provisions regarding shareholders' rights, regarding: convocation of the GSMat the request of shareholders with a certain holding in the company's share capital, upon completing the convocation, as well as the quorum conditions.

Intermediaries

- performing transactions and trading on online platforms (Forex transactions) by entities or persons not authorized by the ASF for the purpose of performing specific activities on the capital market;
- failure to correctly and fully inform customers about the conditions and limits of structured products or purchased derivatives;
- uncertainties in the presentation of certain structured products traded within the BVB, several names being used for certain terms, and within the contracts concluded between issuers / representatives and clients it is not expressly stated that details / updates regarding those securities can be found on the BVB website;
- unclear issues in the payment of fees and commissions charged for the transaction.

Actions performed for remedying the detected deficiencies

Issuers

- transmission of warning addresses regarding the obligation to observe the rights of minority shareholders regarding the transparency, the granting of the right to withdraw from the company, the payment of the equivalent of the shares / dividends due;
- in order to respect the right to information of shareholders and compliance with the obligation of transparency of companies whose securities are traded on the capital market, the necessary steps have been taken to underline the applicable legal framework regarding the fulfilment of the obligation to answer the questions raised by the shareholders, but depending on the existence of one of the situations specified by the provisions of art. 13 par. (2) of Regulation No. 6/2009.

Intermediaries

- actions to protect consumers of securities damaged by licensed investment firms in Member States, including through the development and posting of alerts;
- additional information was requested on structured products traded on the capital market;
- identifying in the process of investigating complaints indications of potential abuses by a financial investment services firm (SSIF BT Capital Partners) by not properly informing investors of the actual terms of the contract.

Monitoring and financial education

ASF's work became more exhaustive in 2017 given the development of educational programs and the wide-ranging monitoring reports. In this respect, we make it clear that there is a direct relationship between the monitoring activity and the financial education activity. The correlation of the two activities lies in a good informing and educating consumers of non-banking financial products and services. Any identified unfair practices or misconduct of the entities may lead to the development of educational actions that increase the level of knowledge of the population and at the same time increase the level of consumer confidence in the Authority and the supervised markets. Such activity also leads to the promotion and strengthening of the role and image of ASF among the population.

Monitoring activity

ASF continued the monitoring of key consumer rights for financial products and services (principles defined in the previous period):

- right to transparency and to be informed;
- right to know and understand their rights and obligations;
- right to negotiate, to pay a fair price and to compare prices between them;
- right to receive assistance;
- right to have access to complaints handling;

One carried out several activities, such as:

- bottom-up monitoring through the Mystery Shopping concept, used for the first time in Romania on the non-banking financial market;
- identifying and taking action to regulate the behaviour of market entities or to regulate the channels of distribution of products sold by them;
- tracking consumer-financial entity interaction by monitoring possible unfair, fraudulent, unauthorized, misleading or incomplete information, misleading advertising, non-transparent or unauthorized activities, or to prevent discriminatory treatment;
- Develop multiple monitoring reports to identify unfair, unauthorized practices that may affect consumers of non-banking financial products and services;
- monitoring external sources of information as well as social media (Facebook) to identify unauthorized incorrect practices that may affect consumers of non-banking financial products and services;
- increasing confidence in the functioning of financial markets;
- requesting ASF inspection actions in case of findings of incorrect practices;
- cooperation with international institutions such as ESMA, EIOPA (e.g. Consumer Trends - report that involves the collection, analysis and aggregation of complex information on the insurance market and the private pensions market);
- providing opinions on pre-contractual information for insurers;
- issuing opinions to internal structures of ASF; this category also includes the views requested by the specialized departments on certain normative acts or financial products and services;
- transmission of possible unauthorized practices to other state institutions (DIICOT, IGPR-MAI, ANPC); popularization of consumer alerts on unauthorized, unfair practices of entities;
- the on-line delivery of messages on good consumer information;
- consumer assistance activities through Facebook (continuous activity, 7/7 and 24/24 - average response time: 1 hour);
- market statistical analyzes, carried out as support for monitoring or financial education;
- statistic analyses of consumption or information (as is the example of Google's use analysis);
- issuing views on the development of new Rules;
- development and publication of alerts in order to inform consumers of non-bank financial products and services;

- drafting and transmitting views to European institutions and active participation in the Enhanced Market Monitoring subgroup of CCPFI - EIOPA including through teleconference and the submission of specific questionnaires;
- providing replies by press institutions to the ASF Board;
- administering and organizing the Secretariat of the Permanent Dialogue Group and drafting the Group's Opinions and publishing them on the ASF website; developing the new Rule of Organisation of the Consultative Group and managing the selection process of Group members; providing answers to internal or external requests.

Quantitative aspects:

- 12 mystery shopping exercises (2 for the capital markets, 10 for the insurance market).
- Work within the Consultative Group on Consumer Protection and elaboration of 2 public opinions of this group (materials published on the ASF website);
- Managing (active administration and organization of secretarial meetings and meetings) of the Consultative Group, elaborating Specific Notes, developing the new Rule of Organisation of the Group, managing the process of selection of new members;
- Issuing opinions on ASF draft rules and / or participating in their development;
- Participation in the ESMA Working Group on CySEC Surveillance of the Activity of 9 Cypriot Companies in Other EU States;
- Performing monitoring actions (multiple monitoring reports) of possible mediation / service activities by unauthorized companies, for retail clients on Romanian territory, the results being transmitted to the competent bodies;
- To adopt the necessary measures to protect consumers of non-banking financial products and services;
- Developing 12 monitoring reports to identify possible, unauthorized possible practices. Two cases were redirected to MAI-IGPR, ASF having limited legal leverage to continue investigations;
- Monitoring exercises and mystery shopping including new MTPL legislation and tracking compliance by entities with new legal provisions (e.g., checking compliance with the form and content of the MTPL contract);
- Reporting to EIOPA on the Consumer Trends Report - collecting, analyzing and consolidating data from sectors and complains and transmitting this information to Eioipa;
- Issuing views on the development of new Rules;
- Elaboration and publication of alerts for the purpose of informing consumers of non-bank financial products and services;
- Providing answers to internal or external requests;
- Permanent information gathering and social media monitoring;
- Content creation (for all 3 ASF-supervised markets) specific to Facebook;
- Developing a Good Practice Guide addressed to the entities supervised by ASF, including by making meetings with the market;
- Comparative analysis of agricultural insurance products for the top five insurers in the market selected on the basis of gross written premiums in the year 2016. This analysis was a complex one, the number of documents analyzed being very high given the diversity of products offered;
- Analysis of malpractice insurance contracts; Analysis of contractual clauses for certain insurance companies as a result of internal claims (e.g. Metropolitan Life - several Collaborated Contracts, Colonnade Insurance, multiple analyzes performed);
- Comparative analysis of the main features of health and health insurance subscriptions (Unfinished project at this time). There were analyzed 18 insurance companies, the average of the specific contracts / insurer being 10;
- Market statistical analysis of MTPL claims and reconciliation activity and distribution of this activity at regional level for 2016;
- Analysis of contractual clauses of the CASCO product for Omniasig;
- Analysis of contractual clauses for Armonia, Allianz Tiriatic;
- Case study on auto-damage simulation in MTPL-specialized systems - large-scale material;
- Transmission of views to other state institutions (CNADNR, Romanian Parliament, etc.);
- Developing a Good Practice Guide applicable to Non-Banking Financial Services Providers, a comprehensive material based on principles of good conduct, principles agreed with the market following the meetings. This material is circumscribed in the sphere of both activities;
- Analysis of the motor events in the MTPL and CASCO basis by aggregating the information of insurance companies carrying out activities in this segment. This material belongs to the educational sphere by the elaboration of new adapted educational materials;
- Management of the Facebook communication channel and granting of continual assistance to consumers (24/24 and 7/7 – average response time: 1 hour).

Activity of financial education

Qualitative aspects:

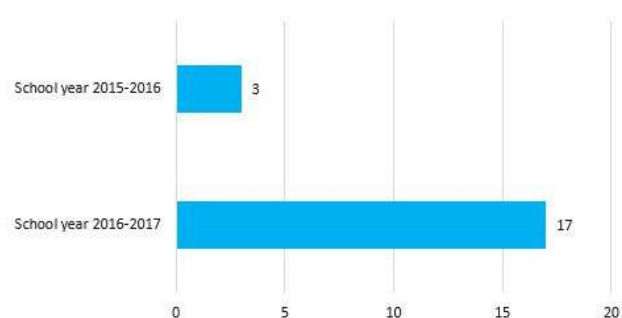
- Continuing the financial education strategy 2015-2018. Educational programs were developed and diversified in a sustained and varied manner;
- Continuing communication in social environments - direct interaction with consumers through Facebook;
- Conclusion of new Collaboration Protocols with School Inspectorates, Educational Units (Kindergartens, Schools, Universities), Professional Associations and Consumer Protection, Town Halls, Junior Achievement etc.
- Sending useful messages and information to raise public awareness of certain features of financial products and services;
- Develop new educational guides that have been added to the ASF Guides Collection;
- Developing the ASF website for financial education (www.asfromania.ro/edu), managing the financial education site and developing ongoing educational materials;
- Review the content of the Consumer ASF website by adding new educational materials;
- Organization of conferences and seminars within the Academic Laboratory range; diversification of these activities (practical internships);
- Making 2 workshops Be smart! of financial education intended for children of financial market professionals in grades 5-8 (the third will be held on 09.12.2017);
- Sending to INFE statistical surveys relating to financial education or having financial research coverage;
- Coordination of the education program and its continuous monitoring. Ensuring logistics related to the financial education program (elaboration and printing of educational materials, training sessions for lecturers, elaboration and printing of students' tests etc.);
- Develop training sessions for volunteer lecturers of the Financial Education Program - Let's talk about the non-banking financial market in order to extend it to the national level. Thus, the ASF Financial Education Program is implemented in the current school year at the level of 29 counties with representation in 32 cities;
- Development of new partnerships involving both local authorities and prestigious educational establishments (Partnership with the Technopol Galati Association, an association made up of the Local Council, the County Council, the Chamber of Commerce in Industry and Agriculture, the Lower Danube University in Galati, The Association of Soft Producers);
- Supporting and organizing new events for financial education, public diversification;
- Developing the Global Money Week event at national level and diversifying the activities of this event by organizing joint actions in Bucharest and Iasi. This event is intended to raise awareness of the global financial market population.
- Making graphic, photo-video after organized events;
- Contribution of ASF following the Protocol concluded by the ASF with the Ministry of Education, whereby ASF actively intervened in the working group formed to examine the opportunity to introduce y financial education in the compulsory school curriculum. Thanks to the contribution of the ASF, as of 2020, 8th grade students will have financial education as a compulsory discipline. ASF also contributed technically to the design of this material;
- Organization of seminars in partnership with NIM (National Institute of Magistracy). These seminars were intended exclusively for prosecutors and judges for increased access to information on the Romanian capital market;
- Participation in seminars on mandatory PAD policies in collaboration with the Habitat Owners Associations League and Habitat Plus Romanian House Association;
- Publication of specialized articles in the online environment (www.wallstreet.ro and www.financialmarket.ro) - bi-monthly frequency;
- Organizing the meeting in the Protocol concluded with ASF during a study visit that the MBA students from CNAM Paris did in Romania. The theme of the seminar was to present the role and activity of the Authority in Romania;
- Organizing an educational session for the students of Babeş Bolyai University in Cluj at the ASF headquarters - presenting the role and specific activities of ASF;
- Participation in conferences and various public presentations;
- Developing financial education campaigns dedicated to raising awareness of the importance of providing PAD-type house insurance - This year I protect my house! Develop materials associated with this campaign;
- National Safety and Road Prevention Campaign - Stay sober when driving! - campaign organized in partnership with the Romanian Police, ApPA and BAAR. Develop materials associated with this campaign;
- Performing financial education programs with the InfoCons Association (including on-line course support);
- Organisation of financial education events at World Investor Week, global education campaign supported by IOSCO;

- Creating and managing the Pilot project at the Higher Commercial School Nicolae Kretzulescu and developing specific materials for this program including the participation of ASF staff as lecturers within this program;
- The MTPL information campaign on new legislation and the development of materials associated with this type of campaign;
- Developing a lecturer's manual for all three ASF-regulated markets for lecturers in the large-scale financial education program;
- Elaborate, organize and run the road traffic campaign Be smart in traffic, campaign organized in partnership with UNSAR, Romanian Police, ATA with ApPA support.

Quantitative aspects:

- Several guides and materials for the general public were developed as follows: The MTPL Guide - New Legislation, the FOS Guide, the Travel Insurance Guide, the FCI Guide, the Green Card Guide, the Pet Insurance Guide, the Malpractice Medical Guide, the Malpractice Guide for Consumers, MTPL Broken Rights Guide, MTPL Brochure, PAD Campaign "This Year I Protect My House", Flyer MTPL, WIW Flyer, Flyer MTPL Rights, Trifold Be Smart in Traffic, and other educational materials like trifold for high school students, leaflets etc.;
- At the Global Money Week, approximately. 100 diplomas for the participants, and in the framework of the non-banking financial education program more than 15,000 diplomas were prepared and printed for the participating students;
- 43 collaboration protocols for educational purposes (with school inspectorates, universities, professional associations, municipalities, consumer associations) have been concluded; Extending the education program through partnerships concluded by ASF with professional associations such as UNSAR and the Brokers Association;
- A tripartite protocol has been concluded between ASF, INM and ISF;
- Following the signed agreements, the financial education project addressed to schools and lyceums was extended during the school year 2016-2017 at the level of 96 educational units in 16 counties plus Bucharest. The support offered by volunteer lecturers was considerable. As a result of the activity that the over 90 volunteer lecturers carried out, more than 14,000 Romanian students benefited from this project. Throughout the school year, volunteer lecturers involved in the program supported over 1,360 hours of financial education for 7th and 11th grade students. These include private schools in Bucharest (British School of Bucharest, Lauder and SEB).

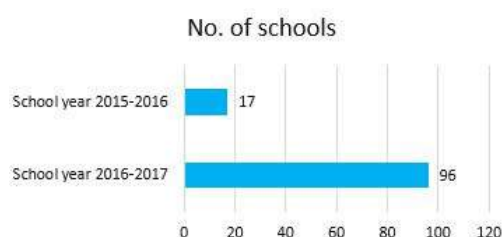
Territorial coverage



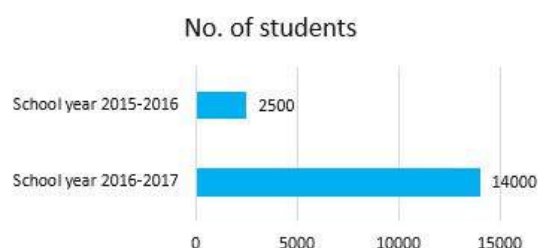
**Increase by
466.67%**

In the school year 2016-2017, the non-banking financial education program expanded to the level of 16 counties plus Bucharest. The counties of Argeş, Bacău, Braila, Braşov, Buzău, Constanţa, Dolj, Galaţi, Giurgiu, Neamţ, Prahova, Suceava, Timiş, Vrancea were added to the two counties included in the program, Cluj and Iaşi.

Impact on schools

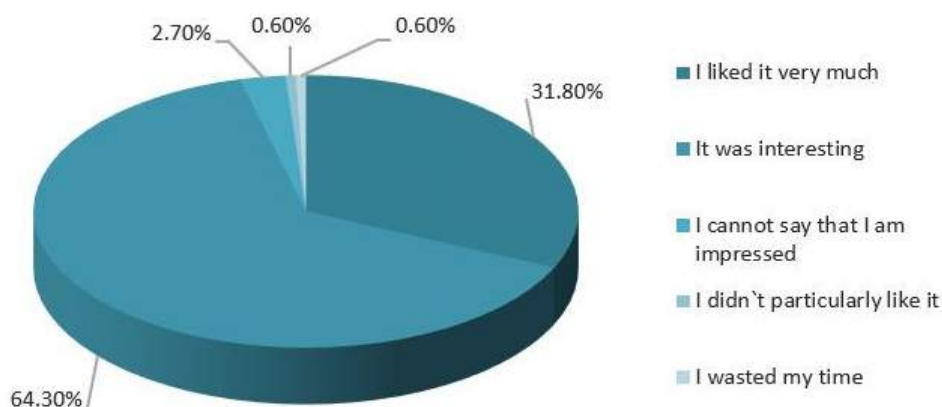


Impact on students



The number of students involved in the program increased substantially in the school year 2016-2017 compared to the previous school year. The program included about 5,000 7th grade students and about 9,000 11th grade students.

Student feedback forms have been analyzed and processed, the results being:



- Organization of conferences The Academic Laboratory - 5 conferences organized in Bucharest, Iasi, Galati; Active participation at an international conference in Cluj, conference on financial education;
- Concluding a partnership with CAFR;
- Within the Global Money Week 2017, ASF and its partners (public administration institutions, university education institutions, private companies) organized a series of events dedicated to children and young people as well as teachers and professionals from the three financial markets. Through all our initiatives, we have reached about 514,000 children and young people. During GMW 2017, ASF organised:

* Educational TV / online media broadcasts that highlighted the importance of financial education among young people, teachers, parents and financial specialists;

* Event in partnership with the Bucharest Stock Exchange, attended by representatives of ASF and BVB, together with 65 primary and secondary school students who took part in the opening of the trading session;

* Launch of a competition organized with ASE dedicated to the students of the Cybernetics Faculty;

* Academic Laboratories - a premiere in the Romanian university both in terms of format and concept, as over 200 students are involved in interactive discussions and comparative analyzes between different practical and specific technical concepts in the non-banking financial markets under the coordination of a ASF expert in non-banking financial markets - in partnership with universities in Bucharest, Galati and Iasi;

* Informal interviews for children aged 8 to 14 years in financial markets (management of entities);

- * Educational games for over 400 kindergarten children in Bucharest and Iasi, where a brochure dedicated to preschoolers was launched;
- * Educational games for over 400 kindergarten children in Bucharest and Iasi, where was launched a brochure dedicated to preschoolers;
- * An enhanced seminar dedicated to over 200 professionals from the three markets that took part in it;
- * Voluntary actions attended by 16 entities of the non-banking financial markets who donated books to the libraries of 11 schools in Iasi;
- * Creating a workshop Be smart! of financial education intended for children of financial professionals in grades 5-8;
- * An exhibition of promotional materials designed to facilitate the interaction between entities and consumers;
- * The EduFin Gala was the first such event organized on the non-banking financial market, an event that aimed to award distinctions in the field of non-banking financial education.

Managing photo, video and editing of educational films related to organized events, which involves a large allocation of time resources. More than 10 films, filming, editing and editing were performed.

The ASF Financial Education webpage has been constantly developed by adding content or new sections. Complex activity that requires the allocation of large time resources.

Romania won the grand prize for the financial education projects run at national level in 2016 by the Financial Supervisory Authority and the Ministry of National Education. The ASF's country-wide award came as a result of the Global Money Week event, a premiere for a financial institution in Romania. The prize was awarded by Child & Youth Finance International (CYFI), one of the world's largest financial education organizations.

The distinction was given at the Global Inclusion Awards 2017, on Wednesday, May 3, 2017, in Berlin, under the high patronage of the German G20 Presidency. Romania was named winner of the CYFI Country Award category, with five prizes, one for each region in the world. The ceremony was also attended by the Romanian Ambassador to Germany, Mr. Emil Hurezeanu.

Publishing over 20 articles in the online media (partnering with www.wallstreet.ro and www.financialmarket.ro).

As a result of the enthusiasm and interest shown by students and teachers in the financial education classes supported by the lecturers involved in the "Let's talk about the non-banking financial market" program, ASF continued and expanded the program to approximately:

- 170 educational establishments in 28 counties, plus Bucharest. From the point of view of the effectiveness of financial education, this program is important to sustain until the beginning of the school year 2020-2021, when the mandatory VIII grade program involves studying the financial notions within the Economic-Financial Education discipline, reviewing the school curriculum for the economy of the 11th grade.

In order to extend this program, collaboration protocols have been signed with other professional associations and County School Inspectorates. As a result of these efforts, an even greater number of lecturers will volunteer to support the financial education projects run by the ASF for social purposes.

According to the logistical approaches, the planning shows the presence of the program in 32 cities, representing a significant increase. Also, following the discussions with the representatives of the Higher School of Commerce Nicolae Kretzulescu, the pilot financial education program was initiated. The Finance Club started to run.

From the point of view of logistics, the extension of the education program implied a close collaboration with the educational units and volunteer lecturers involved in the program. In order to program the 4 hours of financial education within the Program Let's talk about the non-banking financial market, ASF staff developed numerous interactions (by phone, e-mail, addresses) in order to provide all the necessary information for the good performance of the program as follows:

- Phone conversations for the presentation of the program followed by at least one e-mail with the main purpose of detailing the related information;
- Phone conversations and e-mail exchanges to schedule financial education classes so that they do not disturb the current student schedule. This approach may involve even 4-5 telephone conversations / emails with a single educational unit;
- Phone conversations and e-mail exchanges with lecturers assigned to educational institutions to match the personal program with the proposals from schools. This may involve even 2-3 phone conversations / emails with a single educational unit;
- Subsequently, messages are sent to educational establishments to confirm the classes scheduled and to provide parental agreements;
- Based on the information received from schools, the educational materials that students will receive at the first class in the Program are being prepared. In this respect, all packages containing educational materials, diplomas, teacher guides, as well as the games required for the running of capital market hours and private pensions are delivered to each individual lecturer;
- Organizing under the auspices of World Investors Week (WIW), launched by IOSCO worldwide, in the week of October 2-6, a series of events dedicated to investors. Along with its partners, ASF invited guests to events that have children, young people, investors, entrepreneurs, capital market entities;
- Opening of the BVB market on October 2, 2017 with a group of high school students (up to 50 students) from "Nicolae Kretzulescu" Higher School of Commerce, a school that is part of the ASF financial education program. This action was aimed at facilitating the awareness of youth market accessibility issues, as well as its accessibility as an investment mechanism. In the first part of the meeting, ASF and BVB representatives gave a presentation on the main role of the capital market and the stock market, namely to facilitate the flow of money from the investors who have the capital to the entrepreneurs who need capital for development. In the continuation of the meeting, University Professor PhD. Adrian Mitroi held a gaming exercise, which was also done at the Global Money Week 2017 and was successful in the participants;
- The event was held in the Millenium Hall of the Bucharest Stock Exchange Building, which was made available (at no cost) by the Central Depository. During the event, the participating students were awarded packages with diplomas, threefold - 18 years old – I am financially responsible, puppets and bracelets (materials developed by ASF). The event was promoted on the ASF and BVB Facebook page;
- Also, during this event, the pilot program for the 2017-2018 school year was launched at the "Nicolae Kretzulescu" Supermarket School, for pupils of the 11th grade. The event took place at the "Nicolae Kretzulescu" Higher School of Commerce, where all the pupils of the 11th grade (about 240) and the teachers participated. Presentations were supported exclusively by ASF lecturers. During this event, the ASF representatives presented the Pilot Project - a broad non-banking financial education program as well as general elements regarding the definition of the three markets supervised by the ASF;
- During this event a conference organized by ASF, the Union of Bilateral Chamber of Commerce in Romania (UCCBR), the Bucharest Stock Exchange and the Central Depository took place in which were discussed topics related to investments, investors, basic notions, legislation, opportunities. The conference invited local and potential investors as well as representatives of the capital market and ASF Vice-President, Mircea Ursache;
- The campaign "This year I protect my house!" is also part of the educational campaigns. This is the message that was sent between October 9 and 13 in about 20 mayor's offices in Romania;
- Elaboration of feedback questionnaires for pupils and teachers;
- Continuous ASF support for lecturers and schools for the smooth running of the Financial Education Program (remind of the support classes to lecturers, remind of surprise images, remind to distribute feedback questionnaire);
- Collecting questionnaires and processing data to monitor the impact of the Program.

A team of representatives of the ASF and PAID travelled during this period to convey, through city halls, information on the importance of housing protection through the PAD - the Natural Disaster Insurance Policy.

With over 7.2 million uninsured houses, there is an acute need in Romania for information on the responsibilities of each homeowner. Only in the event of a major earthquake, 75% of the Romanian population would be affected, as well as 45% of the country's infrastructure. Given the fact that the state has no obligation to provide aid to those whose houses have been damaged and that they have no compulsory house insurance, the need for every Romanian to be responsible for its property is obvious. Moreover, in the event of a natural disaster, public funds will be used primarily for critical purposes: infrastructure, schools, hospitals, etc., the restoration of housing remaining in the care of each owner.

The caravan carried out by ASF and PAID Romania, with the support of ApPA - Insurance Promotion Association, started on 9 October in Bucharest and continued on a route established as follows: Mizil, Râmnicu Sarat, Focsani, Mărășești, Adjud, Bacău, Piatra Neamț, Cluj Napoca, Floresti, Gilau, Turda, Ocna Mures, Aiud, Alba Iulia, Sibiu, Calimanesti, Curtea de Arges.

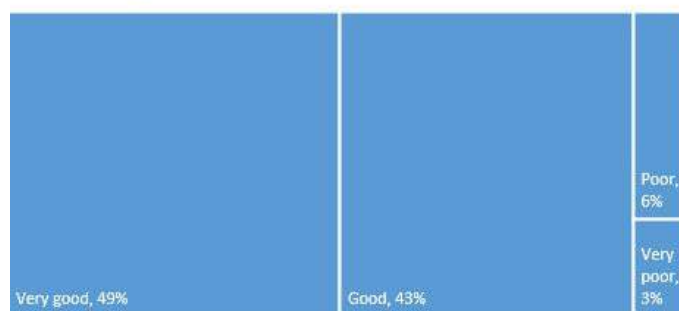
Meetings were held with representatives of local authorities and, especially, communities (owners and individuals associations). Information materials were distributed at each stop, and the representatives of ASF and PAID Romania had meetings and discussions with city hall representatives, local press and homeowners. Within this campaign, specific materials such as flyer, campaign poster, campaign brochure were developed.

The main statistics of this campaign:

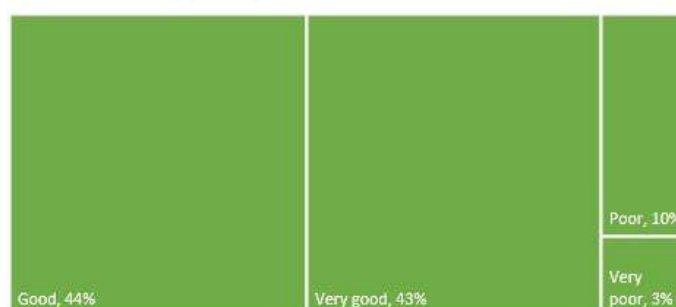


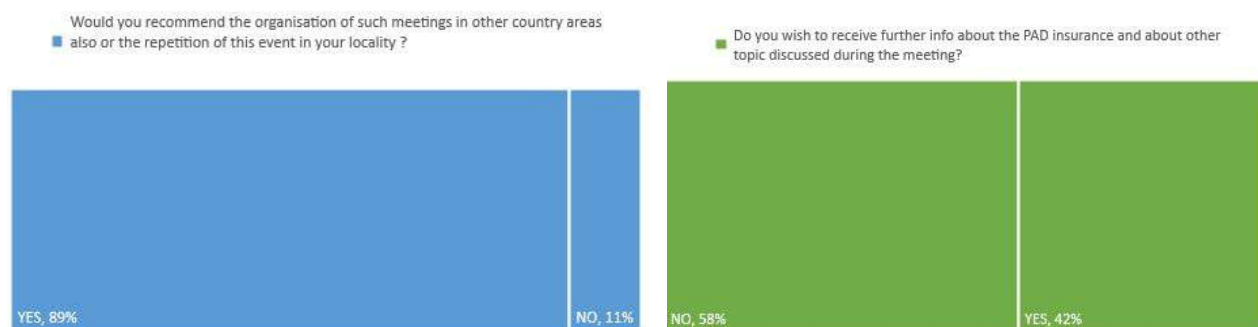
PAD Caravan Route

■ How do you evaluate the topics discussed within the event?



■ How do you assess the usefulness of the event?





In other words, the way of organizing and interacting with the public through this caravan was positively assessed by the participants, appreciating the ASF dialogue and local, direct, personalized information. Moreover, the answers show the importance of organizing these events repeatedly.

- National Safety and Road Prevention Campaign – Stay Sober When Driving! Develop materials associated with this campaign. This campaign was developed in the online environment in partnership with ApPA, BAAR and the Romanian Police (national campaign for road safety and prevention) and involved the development of specific materials (brochure) and promotional actions in the online environment. This campaign ran from July 15th to September 15th exclusively in the online environment and implied the transmission of useful traffic safety information.
- MTPL information campaign on new legislation and the development of materials associated with this type of campaign, such as flyer and brochure, online popularization for the delivery of educational materials on the MTPL segment.
- Be Smart in Traffic ! Campaign, part of the road traffic education campaign conducted by ASF in partnership with the Romanian Police, UNSAR, ATA and with the support of ApPA. This campaign involved the development of a public awareness brochure and joint actions of the ASF and the Police in several schools in Bucharest and other municipalities in the country. Traffic education actions also took place and materials were distributed to road users (drivers, pedestrians, cyclists etc.).
- Co-participation in the BAAR and UNSAR campaign together with the Border Police to inform drivers about accidents abroad. There was a brochure that was distributed in the vaults.
- Co-Participation in ApPA Campaign – October - The Month of Dwellings 2017 - Making a Brochure and Wide Distribution - ongoing project.



Common policies and financial stability



Integrated supervision and regulations
Monitoring of trends, risks and vulnerabilities
National Committee of Macprudential Oversight
International cooperation
Resolution mechanism of insurance companies and investment firms
Activity of money laundering prevention and combating
Personal data protection

Integrated Supervision and regulations

In line with the legislative developments in the three financial supervision sectors, and taking into account the best practices, standards and recommendations issued by European authorities, regulatory and supervisory work at an integrated level aimed at strengthening and maintaining unitary approaches.

In the context of the steps taken to develop a new Act on markets in financial instruments following the implementation of the provisions of Directive 2014/65/UE (MIFID II), ASF has analyzed and established the need to harmonise the legal framework applicable to the Investors' Compensation Fund with the legislation specific to the other compensation-guarantee schemes that serve the insurance market, the private pensions market and the banking market respectively.

For this purpose, a draft legal act has been elaborated modifying the legal status of this entity from a joint stock company to a legal person of public law.

Along with the coming into force of the forthcoming law, the organization and functioning of the Investor Compensation Fund will be similar to the rules laid down in the specific legislation applicable to the Policyholders Guarantee Fund, the Private Pension System Rights Guarantee Fund and the Bank Deposit Guarantee Fund respectively.

The newly set up fund will be supervised by the ASF and will be headed by a board of 3 natural persons, of which: a chairman appointed by the ASF, a member appointed by the MFP, a member appointed by the participants in the securities and investments market which contributes to financing the Fund's resources.

The legislation of the compensation-guarantee schemes was amended and supplemented by the issuance of the following normative acts:

- Rule no. 21 / 10.08.2017 for the amendment of the Rule No. 2/2013 on the actuarial calculation of the annual contribution owed by the private pension fund managers to the Private Pension Systems Rights Guarantee Fund;
- Rule No. 1/2017 on the increase or decrease of the annual contributions owed to the Private Pension Systems Guarantee Fund;
- Rule no. 17/2017 for the modification of the Rule of the Financial Supervisory Authority no. 4/2016 on the management of the resolution fund for insurers;
- Regulation Nr. 6/2017 on the National Protection Fund.

For the same purpose to ensure cross-sectoral convergence and alignment with European legislation, transposition and implementation into national legislation and practice, the following regulations and procedures for integrated supervision were issued, applicable to all categories of entities supervised by the ASF:



- Regulation no. 11/2017 amending and supplementing Regulation no. 3/2016 on the applicable criteria and the procedure for the prudential assessment of acquisitions and increases of shareholdings in entities regulated by the Financial Supervisory Authority;

- Rule no. 33/2017 on the organization of archiving activity in the authorized / approved entities, regulated and supervised by the Financial Supervisory Authority;

- Procedure to facilitate effective dialogue between insurance supervisors and statutory auditors in line with the guidelines issued by EIOPA;

- Operational procedure for the process of endorsement of external IT auditors performing IT audit missions to entities authorized / approved / registered and / or supervised by the ASF in accordance with the provisions of the Norms no. 6/2015;

- Operational procedure for carrying out the activity of identifying financial groups / conglomerates and supplementary supervision of entities that are part of a financial conglomerate within the ASF;

- Operational procedure for monitoring the trends and risks of non-bank financial markets supervised by ASF;

- Draft rule on the management of operational risks generated by computer systems used by authorized / approved / registered, regulated and / or supervised entities by the Financial Supervisory Authority.

Also, in order to achieve the strategic objectives, the ASF has carried out a series of activities that were aimed at:

Promoting financial stability and efficient market functioning through macro-prudential and integrated oversight of the non-banking financial system regulated and supervised by the ASF, identifying, monitoring and assessing trends and risks in financial markets and using and developing specific tools, techniques and mechanisms risk management

Daily monitoring of trends and risks that may indicate vulnerabilities liable to affect the stability of non-bank financial markets supervised by ASF and the monthly compilation of monitoring reports accompanied by action plans and / or risk alerts. when necessary

Identification of those entities that are authorized and supervised by ASF that performs, directly or through a subsidiary, activities in several financial supervision sectors, as well as those belonging to a financial conglomerate. Groups with cross-sectoral activities have been identified and the conditions regarding the qualification of entities as entities of a financial conglomerate have been checked.



Monitoring of trends, risks and vulnerabilities

ASF identifies, monitors and assesses the trends, risks and vulnerabilities that may occur on the financial markets in order to ensure financial stability and the confidence of participants and consumers of financial services. This is translated in the performance of periodical information analyses, with daily, weekly, monthly, quarterly and bi-annual frequency. The daily and weekly reports are distributed internally, but are transmitted also to other public institutions of strategic interest.

In an effort to increase international awareness, visibility and transparency, as well as the attractiveness of Romanian financial markets, ASF publishes monthly a report on the evolution of non-bank financial markets in English. The report shows a high interest for foreign investors, international partner institutions and representatives of the foreign business environment in Romania.

<http://asfromania.ro/en/publications/monthly-reports>

ASF Weekly Monitor

Distributed internally

ASF Top Management
Specialized Departments

Externally distributed

National Bank of Romania
Ministry of Public Finances
Office of the President of Romania

ASF Monthly Market Report

International institutions

World Bank
European Bank for
Reconstruction and
Development
International Monetary Fund
European Commission
EIOPA
ESMA

Foreign embassies in Romania and bilateral Chambers of Commerce

Quarterly and half-yearly reports are published in Romanian and contain detailed information on the evolution of non-bank financial markets. Annually, ASF also publishes a detailed market analysis report in English.

National Committee of Macroprudential Oversight

Law no. 12/2017 on the macro-prudential oversight of the national financial system stipulated the establishment of the [National Committee for Macroprudential Oversight \(CNSM\)](#), the successor of CNSF, which became macroprudential authority within the meaning of the recommendations of the European Systemic Risk Board (ESRB) and the designated authority within the meaning of the CRD and CRR provisions. The fundamental aim of the Committee is to safeguard financial stability by strengthening the capacity of the financial system to withstand shocks and by reducing the accumulation of systemic risks, thus ensuring a sustainable contribution of the financial system to economic growth. In the exercise of its duties, the CNSM may issue recommendations and warnings addressed to the BNR, ASF and the Government in order to maintain financial stability subject to the "comply or explain" regime".

The CNSM, led by the General Council, met 4 times in 2017, according to the Calendar of Assemblies published on the official website of the CNSM:

<http://www.cnsmro.ro>.

CNSM is made up of 9 members, of which 3 representatives of ASF: ASF President and First Vice-President, as well as the Vice-President of the Private Pensions Sector. The CNSM chairman is the governor of the BNR, and the organizational structure also includes two technical committees and a consultative scientific committee, with the composition set up by the General Council.

Given the particularities of the supervised non-bank financial markets, ASF has assumed the interim [objectives recommended by ESRB](#), using specific macro-prudential tools, with which he proposed two new intermediate targets.

The macro-prudential policy strategy includes those intermediate objectives for which the ASF currently has at least one macroprudential instrument that is found in the current legislation applicable to supervised entities. In the future, identifying other intermediate targets of significant importance to ensure the stability of non-bank financial markets involves the development of the applicable legislation to include the necessary tools.

The intermediate objectives assumed by ASF regarding the macroprudential policy

Limitation of systemic impact of non-harmonized incentives in view of reducing moral hazard

Reduction and prevention of excessive growth of credits and indebtedness

Reduction and prevention of excessive maturity mismatches and lack of market liquidity

Limitation of direct and indirect exposures concentration

Protection of the insurance system against the consequences of certain insurers' insolvency

Consolidation of financial infrastructures resilience

Reduction of the negative impact of operational risks generated by the use of digital technology

International cooperation

Activity within ESMA

ESMA's priorities in 2017 focused on three directions:

supervision convergence - effective and consistent implementation of the new legislation - MiFID2, MiFIR, MAR, respectively adequate investor protection in the context of cross-border provision of services; effective convergence in the supervision of EU central counterparties;

regulation - issue a single rulebook on BMR, EMIR, MAR, MiFID, MMF, SFTR and ELTIF;

risk assessment - research activities, data analysis and statistics.

In 2017, ESMA developed and published 27 regulatory technical standards (RTS) or implementing technical standards (ITS), of which 12 were developed under the Regulation on financial benchmarks (BMR), 7 based on the Regulation regarding the securities financing transactions (SFTR), 3 in the application of the Directive and Regulation regarding the markets in financial instruments (MiFID II/MiFIR).

ASF is actively involved both in the standing committees of ESMA and in the process of adopting technical standards in the Board of Supervisors, thus contributing to strengthening the single regulatory framework for EU financial markets. Through this involvement, ASF ensures that it has a good understanding of the technical aspects included in the documents developed by ESMA and that the implementation of the Community legislation at national level is correctly defined.

In 2017, ESMA published 9 guidelines applicable to competent authorities, ASF notifying the European authority of its intention to comply with or not.

Thus, the ASF has communicated the intent to comply with the Guideline of circuit breakers and publication of trading halts, as well as the Guideline on transaction reporting, order record keeping and clock synchronization, developed under MiFID II.

The ASF also notified ESMA that it complies with the provisions of the Guidelines on access by a CSD to the transaction feeds and trading venues and Guidelines on CSD participants default rules and procedures in application of the Regulation CSDR, Guidelines on the validation and review of CRA methodologies ; Guidelines on the management body of market operators and data reporting service providers; ; Guidelines on prudential assessment of acquisitions and increases of qualifying holdings in the financial sector, Guidelines regarding the characteristics of a risk-based approach to anti-money laundering and terrorist financing supervision.

In the context of ESMA's supervisory activity on 22-23 March 2017, a visit was held at ASF's premises during the assessment exercise of the implementation of the ESMA Guidelines on enforcement of financial information. The conclusions and recommendations made following this visit were included in the general report prepared by ESMA.

An important topic on ESMA's agenda in 2017 was the assessment of the impact on the financial market of the UK's decision to withdraw from the EU, identifying the risks and challenges it faces, and potential actions / measures to do to mitigate identified risks. In this respect, ESMA published four opinions on Brexit and set up a group dedicated to discussing the relocation of entities and activities in this context.

Activity within EIOPA

In 2017, the activity of the European Insurance and Occupational Pensions Authority (EIOPA) was focused both on strengthening the European supervisory framework for occupational pensions and insurance companies and on addressing the challenges posed by the latest political and economic developments.

EIOPA continued the series of activities to ensure the convergence of supervisory practices and to enhance cooperation between supervisors. Thus, at the January 2017 meeting, the Board of Supervisors of EIOPA approved the Decision on cooperation between European Union supervisors, finalizing the process started in 2016 to reconfigure the co-operation mechanism between insurance supervisors and consolidate the bases for monitoring the cross-border insurance based on FoS and FoE.

ASF supported EIOPA's review of the General Protocol, and its representative in the Working Group contributed to the drafting of the new text of the document.

The Supervisory Handbook, developed by EIOPA in collaboration with representatives of the national authorities, was completed in 2017 with two new chapters on: i) approval of changes in the internal model and extension of the partial internal model implementation; and ii) supervision of technical provisions both for life insurance and for non-life insurance.

The representatives of the Member States in BoS EIOPA also agreed to introduce a "Chapter 0" in the Handbook with a view to establishing a common European approach to the supervisory process, clarifying some important principles already reflected in the legal framework, without prejudice to the application of the principle of proportionality.

Peer review missions continued to be among the main tools provided by EIOPA to ensure the convergence of supervisory practices.

ASF participated, together with the other Member State authorities, in peer review exercises on i) the application of the proportionality principle in the evaluation of key functions and ii) reputational requirements in the case of executive management and qualified shareholders.

In June 2017, EIOPA forwarded to the EU institutions an Opinion on the Recovery and Resolution Framework for Insurers proposing a minimum degree of harmonization in this area which could help to ensure consumer protection as well as to maintain financial stability in the EU. The ASF contributed both to the analysis of the current state of play of the Recovery and Resolution Framework at EU level and to the development of the Opinion through the designated representative in the EIOPA Group set up for this purpose.

In parallel, EIOPA continued to analyze, in terms of its impact on the insurance market and consumer protection, the possible effects of the UK withdrawal from the EU, including contingency plans drawn up by insurance companies to ensure the continuity of the insurance contracts concluded in and from the UK, on the basis of the freedom to provide services or the freedom of establishment.



Activity within the working groups of the European Council and Commission

As 2017 was a year with an increased activity within the financial services working groups organized at the level of the EU Council, the activity of the ASF experts designated in these working groups also intensified. In 2017, five new legislative files were opened, for which working teams of multi-sector specialists were set up.

The proposal to amend Regulation no. 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR Regulation), launched on 4 May 2017, aims at simplifying reporting requirements (dual reporting) at least for non-financial firms and, depending on the new technology, a project on data standardization to improve reporting will be launched.

The proposal on the location of Central Counterparties (CCPs) influenced by Brexit was launched in June (amending the ESMA Regulation and amending the EMIR Regulation on CCP Supervision).

In the field of private pensions, the European Commission published in June a proposal for a Regulation on the creation of a pan-European personal pension product (PEPP), a portable product recognized in all Member States and supporting the objectives of the CMU (Capital Markets Union).

An extensive legislative package on the review of the European System of Financial Supervision, which falls under both the responsibility of the ASF and the NBR, was published by the European Commission in September and contains the following proposals:

- The Omnibus Regulation to amend the establishing regulations of ESMA, EBA and EIOPA and to amend certain sectoral legislation in the context of the new powers conferred on ESMA;
- Directive amending Directive 2014/65 / EU (MIFID II) and Directive 2009/138 / EC (Solvency II);
- Regulation amending the ESRB establishing regulation;
- Regulation amending the Establishing Regulation of ESMA and amending Regulation 648/2012 (EMIR II).

In order to participate in the work of this group and to negotiate the legislative package, a working group consisting of specialists from all sectors has been established within ASF to meet periodically to analyze the documents and to establish the point of view of the institution taking into account the developments in the negotiations on this file.

At the end of 2017, i.e. on December 20th, a new legislative proposal was published for the revision of prudential treatment of investment firms with the scope to improve prudential rules of investment firms by an efficient and calibrated prudential supervision according to its size and nature. This could restore and boost competition and improve investors' access to new opportunities.

Also, this year, ASF has begun preparing for the Romania's EU Council Presidency in the first half of 2019, so have strengthened each working group to effectively manage the legislative files under negotiation at the Council, namely: amending Regulation EMIR - EMIR REFIT, CCPs supervising - EMIR CCP supervision, recovery and resolution of central counterparties (CCPs), legislative proposal on the revision of the prudential supervision of investment firms, Securities Law Directive, the proposal for a European Cover Bonds Framework, the revision of the MTPL Directive. Although some of these proposals have not been officially launched and will be published in the first quarter of 2018, internal groups have already been set up to familiarize experts with the topics to be discussed.

At the same time, representatives of the ASF participated in the work of the Expert Group on barriers to the free movement of capital in the context of the Capital Markets Union (CMU), organized within the European Commission. During the meetings, discussions were held on "Accelerating the CMU: removing barriers to capital movements", as well as on actions and commitments to be taken to implement the Roadmap to achieve the objectives set out in the Action Plan.

Resolution mechanisms of insurance companies and investment firms

As a result of the entry into force of legislation on the resolution of insurers and investment firms, ASF has acquired a new powers since 2015, becoming the resolution authority. This new quality confers increased powers and competences through a different organizational structure than those involved in the supervision activity, thus establishing the Resolution of Insurers and Investment Firms Unit.

In any financial market there is the theoretical risk of deteriorating the financial health of other systemically important institutions. Targeting financial stability, the ASF's response to this possibility is reflected in recovery and resolution, in other words, prevention, rescue or, where necessary, the minimization of significant adverse effects on financial stability.

Thus, the objectives of the resolution framework are to protect users of financial services and products, minimize the impact on fund protection, avoid significant negative effects on the financial stability of financial markets and ensure continuity of critical functions. In this context, in the area of the common policies of the ASF, besides the activities of recovery and resolution, included also the activities of supervision and control of the guarantee and protection funds, FGA, FGDSPP, FCI respectively BAAR.

Given that in 2016 an organizational structure was established to manage the implementation of the resolution framework for insurers and investment firms, in 2017 the focus was on strengthening this framework, analyzing recovery plans and supporting development and the reorganization of certain elements of the guarantee and protection system in the non-banking financial markets.

The new MTPL insurance regulations have generated the need for institutional restructuring with regard to BAAR. Thus, in the first part of last year, ASF provided support in this reorganization process, after which BAAR completed the patrimony and all the attributions of the Street Victims Protection Fund, ensuring the full continuity of FPVS.

The reorganization of BAAR required the modification of the status of the organization according to the new attributions conferred by the legislation. The BAAR reorganization process was correlated with the introduction of the high-risk MTPL policyholders management mechanism.

The development of this mechanism implied concerted efforts by both BAAR and especially ASF to develop necessary procedures, elaborate specific secondary regulations, collect and analyze MTPL insurance statistics needed to apply the mechanism, develop and manage the MTPL database and not least the introduction of effective data communication protocols on MTPL insurance policies to stakeholders.

The conjuncture of the insurance market in 2017 has enabled the full testing of the FGA's statutory tasks and objectives. The positive results of the FGA reorganization in the previous period were validated last year by the practice of managing the two bankruptcies registered by companies with significant market share in the insurance markets : Astra and Carpatica. FGA recorded last year a monthly average of 3,208 files approved / rejected by the Special Fund Committee, with a monthly average value of approx. Lei 19,840 thousand.

As regards recovery, ASF has carried out activities to analyze recovery plans drawn up by insurance companies. The analyzes were followed by the elaboration of specific recommendations for improvement of the plans prepared by the insurers for preventive purposes, recommendations accompanied by a reference standard on what the ASF considers to be a fair and comprehensive content.

It should be noted that every insurer with a significant weight in the national insurance system must develop and maintain a recovery plan that provides for measures to be taken to restore the financial situation in the event of a significant deterioration of the financial indicators.

At the same time, for this category of entities, ASF, as a resolution authority, it develops resolution plans.

After the drafting of a resolution plan for an insurer of significant national importance for Romania and the EU - in 2016 last year, from the perspective of the resolution options, the insurance-reinsurance company City Insurance was analyzed. The company was in the process of financial recovery on a plan basis between April 2016 and July 2017.

In July 2017, the ASF found the financial situation of the insurer restored on the basis of the documents submitted by the company and the verifications carried out, and the closure of the financial recovery procedure of City Insurance was ordered. It was also established, under the responsibility of the insurer's management, the implementation of an additional set of measures subject to monitoring by the ASF.



Activity of money laundering prevention and combating

From the perspective of analyzes and profile checks, in the course of 2017, the ASF activity has led or supplemented a significant number of information and notifications sent to other competent authorities in this area, including the National Office for the Prevention and Control of Money Laundering (ONPCSB), The Public Ministry / DIICOT, ANAF, etc. Also, from the point of view of the interinstitutional collaboration, the activity of the ASF was the basis for elaborating analyzes and materials on the application of AML / CFT in the supervised financial markets.

At the same time, the ASF experts have made an important contribution to the drafting of the legal proposal on the implementation and transposition into national legislation of the European Parliament and Council Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing (The Fourth Directive on AML). Representatives from the ASF worked with experts of the AML/CFT Joint Committee of the European Supervisory Authorities (ESMA / EBA / EIOPA) to develop regulations applicable to European financial markets, of which the most important are the Risk-Based Supervision Guidelines (RBS) and Risk Factor Guidelines for Customer Due Diligence (CDD).

Regarding the correlation with certain segments of the licensing activity in relation to supervised markets and entities, over 450 analyzes, materials and profile verifications were carried out.

Regarding the application of the international sanctions regime, the experts from the ASF ensured the effective transposition and implementation of the resolutions specific to this area, including the institutional approaches related to the cooperation with the Office of Financial Sanctions Implementation (MAE). Institutional representation in the Interinstitutional Council for the Implementation of International Sanctions was also ensured, as well as the support for the elaboration of the draft amendments to the national normative framework for the application of the international sanctioning regime.

The activity carried out in this field by the ASF was underlined in the report submitted to the Supreme Council of Defence of the country, with no observations or deficiencies observed in the financial markets supervised by the Authority.

The ASF activity in 2017 also covered operational levels related to the prevention, compliance, provision of support and technical support needed to implement the AML / CFT profile obligations, both through punctual engagement with compliance officers and supervised entities, and by organizing specialized training sessions, together with the Institute for Financial Studies and the National Office for Preventing and Combating Money Laundering.

From the perspective of AML / CFT profile reporting to ONPCSB, the same high level of compliance remains for the entities supervised by ASF, mainly obtained through preventive measures, training and specialist support. Regarding the reporting of external transfers (higher values equivalent to Eur 15,000), there were 332 transactions reported by the entities supervised by ASF, amounting to Eur 144,337,505.22 (193 transactions reported on external payments amounting to Eur 46,478 .221,22 and 139 operations on external receipts amounting to Eur 97,859,284.44). Also, the supervised entities have sent to the ONPCSB for in-depth analysis a number of 83 transaction reports that could contain risk elements, suspicions or features of the AML / CFT profile indicators.





By the nature and international standards of direct applicability, money laundering prevention and control has been the subject of an assessment by experts of the Moneyval Committee of the Council of Europe as part of the Fourth Round of the Progress Report of Romania Mutual Evaluation of the National AML / CFT System. No significant weaknesses have been identified in the assessment process for AML / CFT activity performed by ASF for supervised financial markets and entities, including those that have an impact on country ratings attributed to compliance with standards issued by the main international forum for preventing and combating money laundering and terrorist financing - the Financial Action Task Force (FATF). In view of the initial findings, there is considerable progress in the operational sphere (surveillance, profiling and risk assessment, profile analysis, etc.) as well as in the area of prevention and relation with supervised entities.



Personal data protection

During 2017, on the ASF level, the practices and activities that involved personal data management were performed in accordance with the provisions of the regulatory framework that sets the protection of personal data.

The development and implementation of information security policies and procedures at the level of the institution in general has increased the awareness of the sensitive information security, including personal data.

As from 25 May 2018, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data and repealing Directive 95/46 / EC - General Regulation regarding data protection – GDPR, represents a major reform of the data protection of persons in the European Union in the context of cyber attacks in 2016 and of repeated breaches of the security and confidentiality of personal data.

GDPR replaces and expressly repeals Directive 95/46 / EC on the protection of individuals with regard to the processing of personal data and the free movement of such data and is directly applicable in all EU Member States without the need for transposition into national law.

ASF, as a personal data operator, must comply with the GDPR and protect its data on individuals (consumers, petitioners, clients, account holders, individuals involved in transactions on regulated markets, companies holders, etc.) so as to ensure the adequate security of personal data, including unauthorized or unlawful processing, and loss, destruction or accidental damage by implementing appropriate technical or organizational measures.

This is ensured by implementing GDPR compliance mechanisms and instruments, a process that imposes specific regulatory harmonization requirements on all EU operators. In this respect, all operators, including ASF, are required to audit, monitor, report and be able to respond quickly to security / privacy incidents. Therefore, all types of organizations (operators as defined in Article 4 (7) of GDPR) need to adapt their practices and working arrangements to the new requirements imposed by GDPR prior to 25 May 2018.

The GDPR also establishes additional obligations and responsibilities for data operators, as well as increased rights for the data subjects (deletion, restriction, portability), aspects that should also be considered in the implementation of compliance measures.

The sanctions set out by the GDPR for non-compliance and violation of the rights of the data subjects are extremely high and, in order to avoid them, compliance with these provisions is essential.

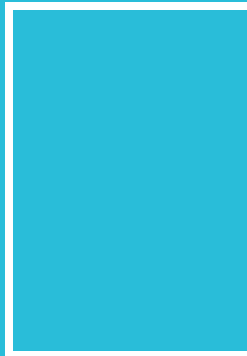
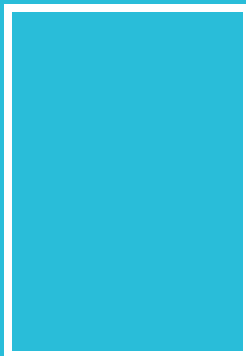
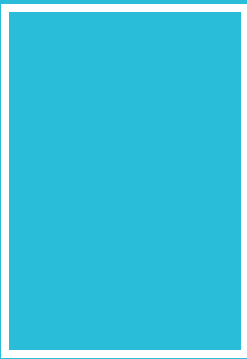
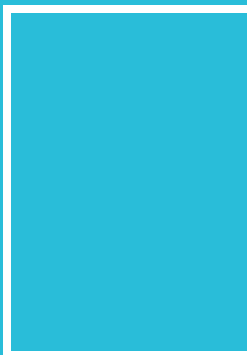
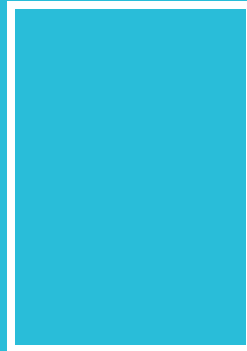
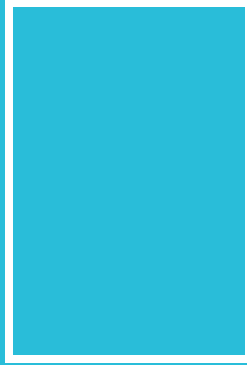
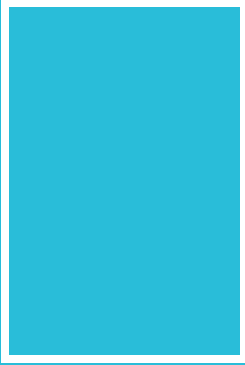
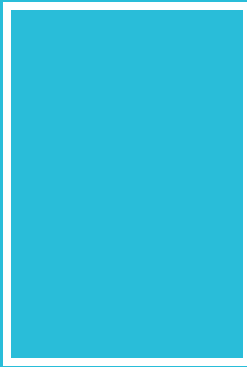
Under the current regulatory framework, the need to ensure an adequate level of protection of personal data is an obligation assumed by the application of domestic law (Law 677/2001 on the Protection of Individuals with regard to the Processing of Personal Data and Free Movement of these data) and by implementing specific GDPR compliance measures.

| Integrated private policies | Security procedures | Data retention procedures |
|---|---------------------|--|
| Information governance frame | | |
| Role of DPO / sectors / privacy by design | | Audit, training and organizational culture |
| Intra-group data transfers | | Data sharing agreements |

Against the backdrop of the acceleration of institutional processes to implement specific measures to comply with GDPR provisions, the first measures for the implementation of GDPR have already been adopted within the ASF, namely the establishment of the [Permanent Commission for Personal Data Protection](#), subordinated to the ASF Chairman, who will exercise the general tasks provided by GDPR, coordinating and advising ASF staff on compliance with legal provisions in the field of personal data protection. In addition, given the implications of the field on the specialized activity, the representatives of the structures, the personal data protection officers at the sector level, will permanently ensure the coordination, counselling and guidance of the personnel of the sector they represent, acting according to the agreed decisions in the Permanent Commission.

On the other hand, the Permanent Commission will develop the Personal Data Protection Policy within the ASF, which is implemented at the level of all organizational structures through specific procedures and codes of practice that apply to the processes of each ASF sector according to functional competencies. At the same time, the Commission will issue recommendations and points of view following targeted requests for unclear implementation of legal provisions on the protection of personal data. At the operational level, the Standing Commission will take all necessary steps and will carry out the necessary activities to implement and strengthen an effective information governance framework that protects personally identifiable data throughout their life at the ASF level in a complex approach based on policies, strategies, procedures, cooperation and monitoring.







Consolidation of the institutional capacity



Consolidation of the IT infrastructure
Human resources policy
Institutional communication and transparency

Consolidation of the IT infrastructure

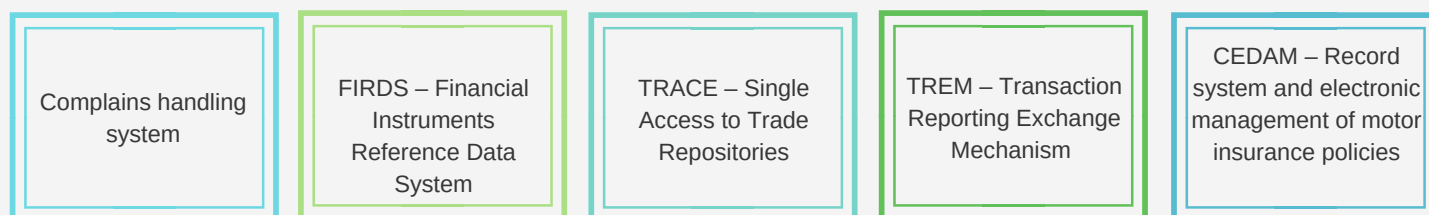
During the year 2017, several important IT projects were continued.

Cybernetic security. On the ASF level, cyber security has been reorganized with the aim of providing the technical framework for the protection of data transmitted through its own IT system. Also, the Cyber Security Service has been set up to define, implement and monitor the appropriate operational technical measures.

Protocol of cooperation with the Special Telecommunications Service (STS). At the end of 2017, a protocol of cooperation with the STS was concluded with a view to using, for the needs of the ASF, the services offered by STS to high safety and availability parameters.

CEDAM database. The CEDAM (Centralized Database for Motor Vehicle Insurance) database has been migrated to the new hardware infrastructure, which has helped to increase the system's performance and reliability. Also, in December 2017, the CEDAM database administration phase was completed to BAAR (the Romanian Motor Insurers' Bureau), in accordance with the legal requirements.

Integration and modernization of IT infrastructure. In 2017, hardware and software IT infrastructure enhancement activities continued with a high availability and security architecture to ensure confidentiality and data protection through organized and controlled access to information. Thus, they have been implemented:



Insurance – Reinsurance Sector

Solvency II. In 2017, the Solvency II reporting software platform (eHub) was expanded by deploying an XBRL processing engine, a reporting and export data reporting module, and an interface for viewing EIOPA quality reports. At the same time, a database for XBRL reporting has been designed and implemented along with a pivotal interface for generating specific reports based on collected data.

Electronic registries. Electronic registers have been implemented for the record of claims adjusters and special administrators.

Private Pensions System Sector

The implementation of a standardized information software for guaranteed value verification for the transfer of the participants between the privately managed pension funds.

Automation of reportings and improvement of processing data reported by entities in the private pension system by generating reports, alerts and checks and generating or automatically sending messages to reporting entities when filing files that were erroneously.

Investments and Financial Instruments Sector

In 2017, in cooperation with ESMA and the other Competent Authorities of Member States, a number of IT projects have been implemented with impact on ASF oversight activities:

FIRDS (Financial Instruments Reference Data System). The system manages securities admitted to trading on a trading venue in the European Economic Area (EEA) or whose underlying assets are admitted to trading on a trading venue in the EEA in accordance with the provisions of EU Regulation no. 596/2014 on Market Abuse (MAR) and EU Regulation 600/2014 on Markets in Financial Instruments (MiFIR). The system collects and processes the reference data of financial instruments at trading venues, executes threshold calculations for transparency requirements and liquidity determination, and manages the withdrawal / suspension of trading of securities.

TREM (Transaction Reporting Exchange Mechanism). The system automates the process of collecting transactions in financial instruments from investment firms and exchanging transaction data with other competent national EEA authorities in accordance with EU Regulation 600/2014 on Markets in Financial Instruments (MiFIR).

TRACE (Single Access to Trade Repositories). The system provides centralized access to trade repositories, data collection and processing of derivative transactions in accordance with EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR).

The activities of the project to strengthen the supervisory function on the capital market / Technical Assistance Project with the World Bank on the strengthening of the capital market oversight function were further developed.

The project on the Conformity Assessment Entity of the Supervised Entities (IF / IMF) in the Financial Instruments and Investments Sector (CAT).

Other ASF Sectors

Also in 2017 a series of IT projects with impact on the common policies of the ASF were launched:

Automation of authorization flow on the ASF level. The foundation was provided for the implementation of an integrated management system for authorization / authorization applications by developing internal analysis specifications.

Development of a DW - Data Warehouse system. The activity of setting up an infrastructure for a DW system at ASF level and reorganizing the data and information flows into the IT system was started.

Implementation of such a system will lead to an improvement of the data collection process from supervised entities; standardize the template of reporting files collected from supervised entities; improving the quality of collected data; the provision of data that can be used in on-site and off-site surveillance as well as in decision-making processes; creating a unique data source at the ASF level.

Disaster Recovery. In order to ensure the continuity of the functioning of the IT systems of the ASF, in 2017 the project for setting up a framework for Disaster Recovery (DR) was initiated, which aims to relocate the infrastructure and to provide high-capacity redundant communication channels for ASF.



Human resources policy

In 2017, the ASF's human resources policy has been divided into two priorities:

Continuing the consolidation and modernization processes

Increasing the efficiency of the institutional governance

These concerns, which involved the allocation of significant time and human resources, resulted in the optimization of certain provisions of the Regulation of Organization and Functioning of ASF applicable as of 01.01.2017, through modifications and additions in accordance with the requirements generated by the provisions of the European Directives on the regulation and supervision of the capital markets, insurance and reinsurance and the private pension system, in order to ensure the sufficiency of resources for the further development of an efficient risk management and internal control system and knowledge of the operational risk of the personnel key.

Consolidating the institutional culture

Increasing the efficiency of the informational activity organization

Strengthening and aligning the supervision functions

Prior to the elaboration of the amendments and additions to the Regulation of Organization and Functioning of ASF, amendments to the legal framework were implemented, by transposing some European directives into the national legislation, as well as the 2017 ASF objectives. Thus, there were targeted and harmonized aspects and principles that have emerged both from legislative and European Directives and from the specific objectives assumed by the Financial Supervisory Authority.

1. Work practices and tools modernisation

2. Human capital recruitment and development

3. Inter-sectoral communication enhancement

4. Institutional culture consolidation

In line with good practice developed at the level of other EU competent authorities, the Financial Supervisory Authority has adapted its institutional framework and internal organizational structures to be able to align with the new attributions brought about by European legislation in line with dynamics legislative reform in the capital, insurance and private pensions sectors.

In order to modernize work tools and practices, new IT platform functionalities have been developed to support managers in the preparation and management of job descriptions, goal and performance management, training and development needs identification, development plans, feedback 180.

In order to accompany the vast process of institutional modernization, in 2017 the development of human capital was an objective of the ASF that aimed at both the attraction, selection and recruitment of the best candidates in the market, as well as the development of professional and managerial skills.

In 2017, approximately 500 candidates applied to fill out the competition, which shows the image ASF acquired on the Romanian labour market.

The multi-stage selection process, which does not include tests and interviews, has ensured rigorous scrutiny and recruitment of the best candidates. The call, in the final stages of selection, to interview guides, allowed for more standardization and efficiency of the selection process.

The promotion of the ASF brand on the labour market, especially among young people, continued in 2017 through the second edition of the internship program addressed to graduates with high development potential and through the implementation of an internship program.

Both programs were organized on the basis of partnerships with economics universities in order to provide students and master students with opportunities to develop professional knowledge and skills in the three regulated and supervised ASF markets.

During the year 2017, 7 students and master students had practiced internships within the ASF specialty departments within the program for potential talents. A number of 4 participants were selected and assigned for a fixed period of 1 year.

At present, ASF develops practice stages programmes together with 9 partner universities:

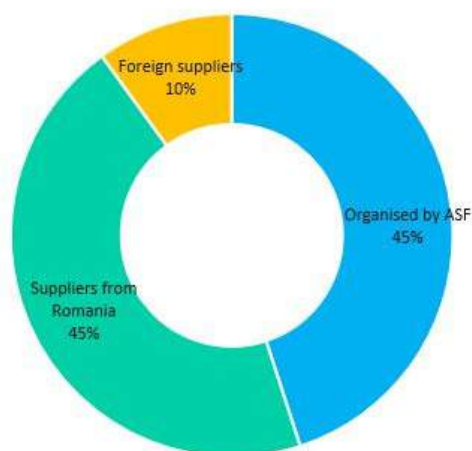
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|--|---|--|
| The Bucharest University of Economic Studies | "Dimitrie Cantemir" Christian University, Bucharest | "Titu Maiorescu" University, Bucharest |
| Romanian-American University, Bucharest | Babeş-Bolyai University, Cluj Napoca | Alexandru Ioan Cuza University, Iaşi |
| West University, Timişoara | Danubius University | Petru Maior University |

The development and training of ASF employees is a key element of the human resources strategy in order to fulfil at the highest level the supervisory and regulatory responsibilities of the three financial markets.

Of the 423 participations in training programs, with support from domestic and foreign providers (ESMA, EIOPA, EBA, JVI), 45% were organized by the ASF with own resources and internal trainers from the Recruitment, Training and Development Service.

The training programs aimed at developing and strengthening the technical skills, as well as the organizational and managerial skills of the employees. At the same time, ASF has concluded an agreement with the CFA Institute that facilitates employees' access to study materials and exams.

Training programmes by types of suppliers



The professional training programmes conceived and supplied by internal trainers have addressed the development needs identified during the performance evaluation:

- Secrets of a successful speech
- Coaching for managers
- Emotional Intelligence
- Introduction to Machine Learning and (in) R
- Assertive communication
- Performance management teams
- Career management.

Inter-sector communication enhancement

- seminars
- workshops
- projects

Work practices and tools modernisation Developing the IT platform for.

- job descriptions management
- performance management
- identifying training and development needs
- offering feedback 180

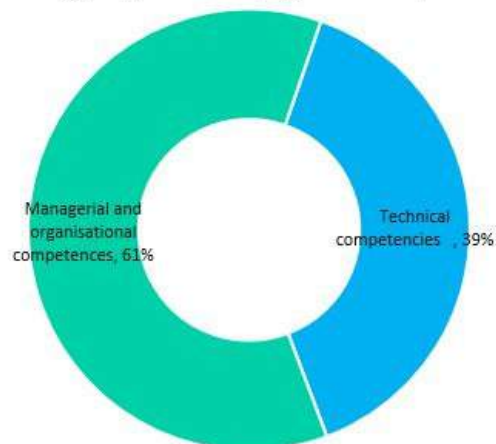
Human capital recruitment and development

- recruitment
- practice stages
- Young Talents programme
- MBA scholarships cofunding
- technical skills and competencies training

Organisational and managerial skills development Internally organised training sessions:

- presentation skills
- coaching and feedback
- assertive communication
- emotional intelligence
- career management
- introduction to Machine Learning and R

Training programmes by types of competencies



The co-funding MBA programmes or assimilated programs has been another lever to facilitate the development of employees with outstanding performance and high potential for development.

Improvement of inter-sector communication.

ASF has the responsibility to regulate and supervise non-bank financial markets, which requires close collaboration and coordination of its own organizational structures. Since facilitating cross-sectoral communication and teamwork is a priority, workshops have been organized to this end, involving employees from all sectors.

The central focus of these actions was not just the accumulation of knowledge, but especially the facilitation of mutual knowledge, the development of teamwork, the exercise of constructive feedback focused on improving performance and stimulating engagement.

In 2018, the activity in the field of human resources shall be focused on the following directions:

developing and implementing a performance evaluation system that meets the new requirements

updating policies, procedures and practices to meet GDPR exigencies

continuing the managerial skills development programs that were successful in 2017 and developing new programs

strengthening leadership and transversal communication.



Institutional communication and transparency

In 2017, the PR activity of the Financial Supervisory Authority focused mainly on communicating the measures taken by the Authority to strengthen non-bank financial markets, and in particular the insurance market.

Relation with the media

In the ongoing dialogue with journalists, ASF responded to more than 250 requests for information - punctual questions, interviews and TV statements / synchronies. Also, over 2017, more than 120 press releases were transmitted to the media, through which ASF provided information on the work of the Authority - Council decisions, projects on the three sectors, actions dedicated to financial education, and consumer protection, etc. - as well as data, analyzes and statistics on the evolution of the three supervised and regulated markets.



Social media

Through social networking, ASF directly communicated with the general public and provided information on the work of the institution (press releases, public positions of management, financial education projects). Also, through social networks (especially Facebook), consumer protection topics (alerts, guides, etc.) were presented. Through Facebook, ASF interacts with participants in non-banking financial markets, providing them with answers to the problems they face.

ASF publications

ASF provides quarterly reports in electronic format on the evolution of the three supervised markets as well as, on a half-yearly basis, integrated reports available also in print.

Also, in the first quarter of the current year, the Authority shall make public, in the Annual Report, the main lines of action and the last year projects together with the financial results.

The year 2017 was an important point for redrawing the primary and secondary legislative framework governing the Motor Third Party Liability Insurance (MTPL) market by introducing new provisions and instruments that have led to the stabilization of this sector. Given the impact of these measures on drivers in Romania, the dissemination of information on this topic had a significant weight in the oversight market.

Attendance of public events

The Authority's public messages were also presented at conferences and events organized on the non-banking financial market, through Council members and other specialists, on the main actions of the ASF aimed at developing and stabilizing the three markets.

www.asfromania.ro

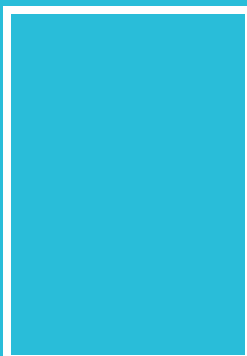
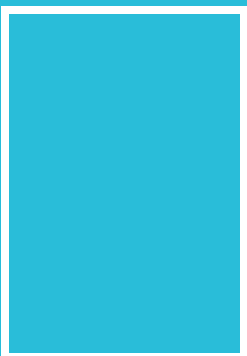
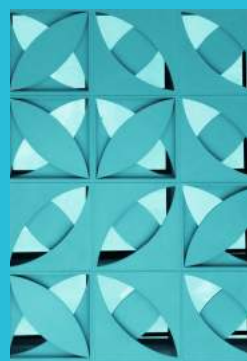
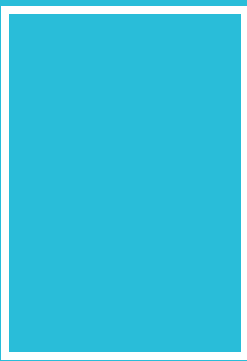
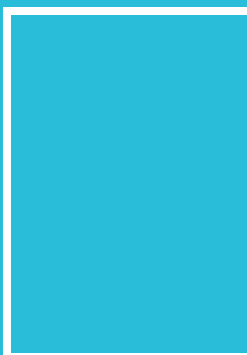
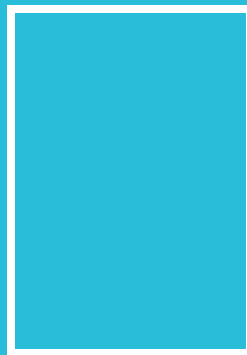
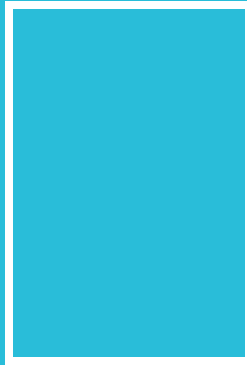
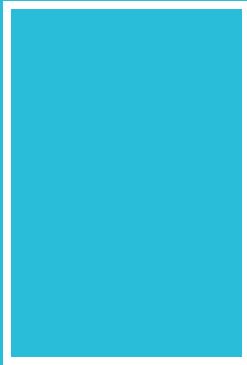
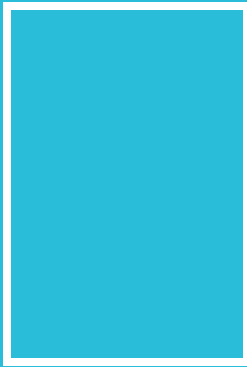
The ASF site remains one of the most important channels of information on the current work of ASF.

www.asfromania.ro hosts data and information on projects under public consultation, legislative changes, public communications, non-banking financial markets. The site can also find the guidelines developed by the ASF for consumers, but applications that support them (e.g. regarding the identification of the privately managed pension fund - Pillar II).

The portal is updated daily, the number of monthly posts rising to more than 200. The site also has an English version that provides information of general interest to investors.

Law 544/2001

According to the legal attributions, ASF responded to 70 requests from natural and legal persons under Law 544/2001 regarding free access to public information. They aimed at providing information on the work of the Authority in all three sectors.





2017 Financial statements

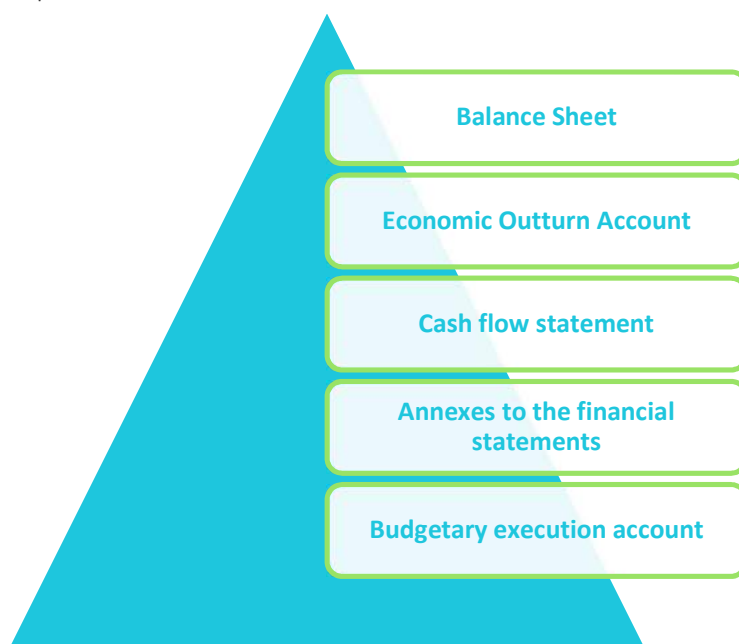


ASF annual financial statements for the year 2017

The Financial Supervisory Authority is an autonomous, specialized, legal personality, independent, self-financed, established in accordance with Article 1 paragraph (2) of GEO 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority approved by Law no.113 / 23.04. 2013, with subsequent amendments and additions.

The financial statements on 31.12.2017 were prepared according to the provisions of the Accounting Law no. 82/1991, of the Order of the Minister of Public Finance no. 1917/2005 with subsequent modifications and completions, including the provisions of the Order of the Minister of Public Finance no. 2021/2013 for amending and supplementing the Methodological Norms regarding the organization and management of the accounting of public institutions, the Plan of Accounts for Public Institutions and its Implementation Instructions, OMF 1177 / 26.01.2018 for the approval of the Methodological Norms regarding the preparation and submission of the financial statements of the public institutions at December 31, 2017.

The ASF financial statements are prepared in accordance with the accounting principles and rules laid down by current legislation and they comprise:



The financial statements are prepared in lei, currency items denominated in foreign currency, foreign currency receivables and debts, non-monetary items purchased in foreign currency are evaluated and reported at the BNR exchange rate valid at 31.12.2017.

The annual financial statements have been audited by Ernst & Young Ltd. The auditors' opinion was that the financial statements give a true and fair view of ASF's financial position as at 31 December 2017, as well as its financial performance and cash flows.

ASF BALANCE SHEET at 31.12.2017

lei

| Nr. crt. | Indicators | Line code | Balance at the beginning of the year | Balance at the end of the year |
|----------|--|-------------|--------------------------------------|--------------------------------|
| A | B | C | 1 | 2 |
| 1. | ASSETS | 01 | X | X |
| 2. | NON-CURRENT ASSETS | 02 | X | X |
| 3. | Non-corporal fixed assets (ct.2030000+2050000+2060000+2080100+2080200+2330000-2800300-2800500-2800800-2900400-2900500-2900800-2930100*) | 03 | 3,818,807 | 3,224,014 |
| 4. | Technical installations, means of transportation, livestock, plantations, furniture, office devices and other corporal assets (ct.2130100+2130200+2130300+2130400+2140000+2310000 -2810300-2810400-2910300-2910400-2930200*) | 04 | 6,540,800 | 4,994,929 |
| 5. | Lands and buildings (ct.2110100+2110200+2120101+2120102+2120201+2120301+2120401+2120501+2120601+2120901+2310000-2810100-2810200 -2910100-2910200-2930200) | 05 | 13,913,647 | 13,588,251 |
| 6. | Other non-financial assets (ct.2150000) | 06 | 0 | 0 |
| 7. | Non-current financial assets (long-term investments) over one year (ct. 2600100+2600200+2600300+2650000+2670201+ 2670202+2670203+2670204+2670205+2670208-2960101-2960102-2960103-2960200), of which: | 07 | 0 | 0 |
| 8. | Participation titles (ct. 2600100+2600200+2600300-2960101-2960102-2960103) | 08 | 0 | 0 |
| 9. | Non-current receivables – amounts to be collected after a period longer than one year (ct. 4110201+4110208+4130200+4280202+4610201+ 4610209- 4910200-4960200), of which: | 09 | 65,520 | 3,860 |
| 10. | Non-current commercial receivables – amounts to be collected after a period longer than one year (ct. 4110201+4110208+4130200+4610201-4910200-4960200) | 10 | 0 | 0 |
| 11. | TOTAL NON-CURRENT ASSETS (ln.03+04+05+06+07+09) | 15 | 24,338,774 | 21,811,054 |
| 12. | CURRENT ASSETS | 18 | x | |
| 13. | Stocks (ct. 3010000+3020100+3020200+3020300+3020400+3020500+3020600+3020700+3020800+3020900+3030100+3030200+3040100+3040200+3050100+3050200+3070000+3090000+3310000+3320000+3410000+3450000+3460000+3470000+3490000+3510100+3510200+3540100+3540500+3540600+3560000+3570000+3580000+3590000+3610000+3710000+ 3810000+/-3480000+/-3780000-3910000-3920100-3920200-3930000-3940100-3940500-3940600-3950100-3950200-3950300-3950400-3950600-3950700-3950800-3960000-3970000-3980000-4420803) | 19 | 1,359,878 | 1,350,110 |
| 14. | Current receivables– amounts to be collected after a period shorter than one year | 20 | x | |
| 15. | Receivables from commercial operations, advance payments and other disbursements (ct. 2320000+2340000+4090101+4090102+4110101+4110108+4130100+4180000+4250000+4280102+4610101+4610109+4730109**+4810101+4810102+4810103+4810200+4810300+4810900+4820000+4830000+4890101+4890301-4910100-4960100+5120800), of which: | 21 | 17,094,491 | 16,245,203 |
| 16. | Disbursements related to the closure of the state budget execution in the current year (ct.4890101+4890301) | 21.1 | 0 | 0 |
| 17. | Commercial receivables and advance payments (ct.2320000+2340000+4090101+4090102+4110101+ 4110108+ 4130100+4180000+4610101-4910100-4960100), of which : | 22 | 17,077,313 | 16,245,190 |
| 18. | Advance payments granted (ct.2320000+2340000+4090101+4090102) | 22.1 | 0 | 0 |
| 19. | Budgetary receivables (ct.4310100**+4310200**+4310300**+4310400**+4310500**+4310700**+4370100**+4370200**+4370300**+4420400+4420800**+4420802+4440000**+4460000**+4460100**+4460200**+4480200+4610102+4610104+4630000+4640000+4650100+4650200+4660401+4660402+4660500+4660900+ 4810101**+4810102**+ 4810103**+4810900**+4820000**-4970000), of which: | 23 | 1,051,676 | 843,678 |
| 20. | Receivables of the general consolidated budget (ct.4630000+4640000+4650100+4650200+4660401+ 4660402+4660500+4660900-4970000) | 24 | 0 | 0 |

| | | | | |
|-----|--|------|-------------|-------------|
| 21. | Receivables from operations with non-reimbursable external funds and budget funds (ct. 4500100+4500300+4500501+4500502+4500503+ 4500504+4500505+4500700+4510100+4510300+4510500+ 4530100+4540100+4540301+4540302+4540501+4540502+ 4540503+4540504+4550100+4550301+4550302+4550303+ 4560100+4560303+4560309+4570100+4570201+4570202+ 4570203+4570205+4570206+4570209+4570301+4570302+ 4570309+4580100+4580301+4580302+4610103+4730103**+ 4740000+4760000), of which: | 25 | 0 | 0 |
| 22. | Amounts to receive from the European Commission / other donors (ct.4500100+4500300+4500501+4500502+4500503+ 4500504+ 4500505+4500700) | 26 | 0 | 0 |
| 23. | Short-term loans granted (ct. 2670101+2670102+2670103+2670104+2670105+ 2670108+2670601+2670602+2670603+2670604+2670605+ 2670609+ 4680101+4680102+4680103+4680104+4680105+4680106+4680107+4680108+4680109+46901 03+4690105+ 4690106+ 4690108+4690109) | 27 | 84,070,437 | 116,035,552 |
| 24. | Total current receivables (ln.21+23+25+27) | 30 | 102,216,604 | 133,124,433 |
| 25. | Short-term investments (ct.5050000-5950000) | 31 | 0 | |
| 26. | Accounts at treasuries and loan entities : | 32 | x | |
| 27. | Accounts at treasury, cash register in lei (ct. 5100000+5120101+5120501+5130101+5130301+5130302+ 5140101+5140301+5140302+5150101+5150103+5150301+ 5150500+5150600+5160101+5160301+5160302+5170101+ 5170301+5170302+5200100+5210100+5210300+5230000+ 5250101+5250102+5250301+5250302+5250400+5260000+ 5270000+5280000+5290101+5290201+5290301+5290400+ 5290901+5310101+5500101+5520000+5550101+5550400+ 5570101+5580101+5580201+5590101+5600101+5600300+ 5600401+5610101+5610300+5620101+5620300+5620401+ 5710100+5710300+5710400+5740101+5740102+5740301+ 5740302+5740400+5750100+5750300+5750400-7700000) | 33 | 26,724,468 | 19,068,700 |
| 28. | Interest to collect. other values, treasury advance payments (ct. 5180701+5320100+5320200+5320300+5320400+ 5320500+ 5320600+5320800+5420100) | 33.1 | 1,764 | 1,764 |
| 29. | Deposits | 34 | x | |
| 30. | Accounts at loan entities, BNR, cash register in foreign currencies (ct. 5110101+5110102+5120102+5120402+5120502+ 5130102+5130202+5140102+5140202+5150102+5150202+ 5150302+5160102+5160202+5170102+5170202+5290102+ 5290202+5290302+5290902+5310402+5410102+5410202+ 5500102+5550102+5550202+5570202+5580102+5580202+ 5580302+5580303+5590102+5590202+5600102+5600103+ 5600402+5610102+5610103+5620102+5620103+5620402) | 35 | 41,108,802 | 54,012,319 |
| 31. | Interest to collect. treasury advance payments (ct.5180702+5420200) | 35.1 | 307,582 | 259,506 |
| 32. | Deposits | 36 | x | |
| 33. | Total availabilities and other values (ln.33+33.1+35+35.1) | 40 | 68,142,616 | 73,342,289 |
| 34. | Availabilities accounts of the Central Treasury and of territorial treasuries (ct. 5120600+5120700+5120901+5120902+5121000+ 5240100+ 5240200+5240300+5550101+5550102+5550103 -7700000) | 41 | 0 | 0 |
| 35. | Interest to collect. other values, treasury advance payments (ct.5320400+5180701+5180702) | 41.1 | 0 | 0 |
| 36. | Advance expenses (ct. 4710000) | 42 | 7,403,687 | 10,008 |
| 37. | TOTAL CURRENT ASSETS (ln.19+30+31+40+41+41.1+42) | 45 | 179,122,785 | 207,826,840 |
| 38. | TOTAL ASSETS (ln.15+45) | 46 | 203,461,559 | 229,637,894 |
| 39. | DEBTS | 50 | x | |
| 40. | NON-CURRENT DEBTS - amounts to be paid after a period longer than one year | 51 | x | |
| 41. | Non-current amounts – amounts to be paid after a period longer than one year (ct. 2690200+4010200+4030200+4040200+4050200+4280201+ 4620201+4620209+5090000), of which: | 52 | 0 | 0 |
| 42. | Commercial debts (ct.4010200+4030200+4040200+4050200+4620201) | 53 | 0 | 0 |
| 43. | Long-term loans (ct. 1610200+1620200+1630200+1640200+1650200+ 1660201+1660202+1660203+1660204+1670201+1670202+ 1670203+1670208+1670209-1690200) | 54 | 0 | 317,993 |

| | | | | |
|-----|--|------|--------------------|--------------------|
| 44. | Provisions (ct. 1510201+1510202+1510203+1510204+1510208) | 55 | 24,443,561 | 31,026,665 |
| 45. | TOTAL NON-CURRENT DEBTS (ln.52+54+55) | 58 | 24,443,561 | 31,344,658 |
| 46. | CURRENT DEBTS – amounts to be paid within a period of maximum one year | 59 | x | |
| 47. | Commercial debts, advance payments and other disbursements (ct. 2690100+4010100+4030100+4040100+4050100+ 4080000+4190000+4620101+4620109+4730109+4810101+ 4810102+4810103+4810200+4810300+4810900+4820000+ 4830000+4890201+5090000+5120800), of which: | 60 | 8,108,645 | 686,810 |
| 48. | Disbursements regarding the closure of the state budget execution in the current year (ct.4890201) | 60.1 | 0 | |
| 49. | Commercial debts and advance payments (ct.4010100+4030100+4040100+4050100+ 4080000+ 4190000+ 4620101), of which: | 61 | 8,060,772 | 609,356 |
| 50. | Advance payments received (ct.4190000) | 61.1 | 0 | |
| 51. | Debts to budgets (ct. 4310100+4310200+4310300+4310400+4310500+ 4310700+4370100+4370200+4370300+4400000+4410000+ 4420300+4420801+4440000+4460000+4460100+4460200+ 4480100+4550501+ 4550502+4550503+4620109+4670100+ 4670200+4670300+ 4670400+4670500+4670900+ 4730109+4810900+4820000), of which: | 62 | 3,002,699 | 4,100,765 |
| 52. | Debts of public institutions to budgets | 63 | x | |
| 53. | Social contributions (ct. 4310100+4310200+4310300+4310400+4310500+ 4310700+4370100+4370200+4370300) | 63.1 | 2,138,526 | 2,872,505 |
| 54. | Amounts due to the budget from non-reimbursable external funds (ct.4550501+4550502+4550503) | 64 | 0 | 0 |
| 55. | Debts from operations with non-reimbursable external funds and funds from the budget, other debts to other international organisms (ct. 4500200+4500400+4500600+4510200+4510401+ 4540402+4540409+4510601+4510602+4510603+4510605+ 4510606+4510609+4520100+4520200+4530200+4540200+ 4540401+4540402+4540601+4540602+4540603+4550200+ 4550401+4550402+4550403+4550404+4550409+4560400+ 4580401+4580402+4580501+4580502+4590000+4620103+ 4730103+ 4760000) | 65 | 0 | 0 |
| 56. | of which: amounts due to the European Commission / other donors (ct.4500200+4500400+4500600+4590000+4620103) | 66 | 0 | 0 |
| 57. | Short-term loans – amounts to be paid within one year (ct. 5180601+5180603+5180604+5180605+5180606+ 5180608+5180609+5180800+5190101+5190102+5190103+ 5190104+5190105+5190106+5190107+5190108+5190109+ 5190110+ 5190180+5190190) | 70 | 0 | 0 |
| 58. | Long-term loans – amounts to be paid during the current financial year (ct. 1610100+1620100+1630100+1640100+1650100+ 1660101+1660102+1660103+1660104+1670101+1670102+ 1670103+1670108+1670109+1680100+1680200+1680300+ 1680400+1680500+1680701+1680702+1680703+1680708+ 1680709 -1690100) | 71 | 0 | 0 |
| 59. | Employees' salaries (ct. 4210000+4230000+4260000+4270100+4270300+4280101) | 72 | 4,615,182 | 5,267,478 |
| 60. | Other rights due to other categories of persons (pensions, unemployment allowances, scholarship) (ct. 4220100+4220200+4240000+4260000+4270200+ 4270300+4290000+4380000), of which: | 73 | 0 | 0 |
| 61. | Pensions, unemployment allowances, scholarship | 73.1 | x | |
| 62. | Revenues in advance (ct.4720000) | 74 | 1,971,770 | 0 |
| 63. | Provisions (ct.1510101+1510102+1510103+1510104+1510108) | 75 | 12,483,049 | 17,835,324 |
| 64. | TOTAL CURRENT DEBTS (ln.60+62+65+70+71+72+73+74+75) | 78 | 30,181,345 | 27,890,377 |
| 65. | TOTAL DEBTS (ln.58+78) | 79 | 54,624,906 | 59,235,035 |
| 66. | NET ASSETS = TOTAL ASSETS – TOTAL DEBTS = EQUITY (ln.80= ln.46-79 = ln.90) | 80 | 148,836,653 | 170,402,859 |
| 67. | EQUITY | 83 | x | |
| 68. | Reserves, funds (ct.1000000+1010000+1020101+1020102+1020103+1030000+1040101+1040102+ 1040103+1050100+1050200+1050300+1050400+1050500+1060000+1320000+13 30000+1390100) | 84 | 4,152,261 | 4,152,261 |
| 69. | Carried-over result (ct.1170000- creditor balance) | 85 | 112,847,746 | 142,542,539 |
| 70. | Carried-over result (ct.1170000- debtor balance) | 86 | | |
| 71. | Patrimonial results of the financial year (ct.1210000- creditor balance) | 87 | 31,836,646 | 23,708,059 |
| 72. | Patrimonial results of the financial year (ct.1210000- debtor balance) | 88 | | |
| 73. | TOTAL EQUITY (ln.84+85-86+87-88) | 90 | 148,836,653 | 170,402,859 |

Economic Outturn Account of ASF at 31.12.2017

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| Nr. crt. | Indicators | Line code | Previous year | Current year |
|----------|--|-----------|---------------|--------------|
| A | B | C | 1 | 2 |
| I. | OPERATIONAL REVENUES | 01 | 0 | 0 |
| 1. | Revenues from taxes, fees, insurance contributions and other revenues of budgets (ct.7300100+7300200+7310100+7310200+7320100+7330000+7340000+7350100+7350200+7350300+7350400+7350500+7350600+7360100+7390000+7450100+7450200+7450300+7450400+7450500+7450900+7460100+7460200+7460300+7460900) | 02 | 0 | 0 |
| 2. | Revenues from business activities (ct.7210000+7220000+7510100+7510200+/-7090000) | 03 | 0 | 0 |
| 3. | Fundings, subsidies, transfers (ct.7510500+7710000+7720100+7720200+7740100+7740200+7750000+7760000+7780000+7790101+7790109) | 04 | 33,222 | 137,793 |
| 4. | Other operational revenues (ct.7140000+7180000+7500000+7510300+7510400+7810200+7810300+7810401+7810402+7770000) | 05 | 182,002,355 | 192,738,446 |
| | TOTAL OPERATIONAL REVENUES (ln.02+03+04+05) | 06 | 182,035,577 | 192,876,239 |
| II. | OPERATIONAL EXPENSES | 07 | | |
| 1. | Salaries and social contributions affront to employees (ct.6410000+6420000+6450100+6450200+6450300+6450400+6450500+6450600+6450800+6460000+6470000) | 08 | 108,299,282 | 123,180,648 |
| 2. | Subsidies and transfers (ct.6700000+6710000+6720000+6730000+6740000+6750000+6760000+6770000+6780000+6790000) | 09 | 5,372,926 | 5,861,590 |
| 3. | Stocks, consumables, works and services executed by third parties (ct.6010000+6020100+6020200+6020300+6020400+6020500+6020600+6020700+6020800+6020900+6030000+6060000+6070000+6080000+6090000+6100000+6110000+6120000+6130000+6140000+6220000+6230000+6240100+6240200+6260000+6270000+6280000+6290100) | 10 | 12,237,578 | 13,083,002 |
| 4. | Capital expenses, amortizations and provisions (ct.6290200+6810100+6810200+6810300+6810401+6810402+6820101+6820109+6820200+6890100+6890200) | 11 | 25,795,084 | 28,581,156 |
| 5. | Other operational expenses (ct.6350000+6350100+6540000+6580101+ 6580109) | 12 | 94,255 | 132,901 |
| | TOTAL OPERATIONAL EXPENSES (ln.08+09+10+11+12) | 13 | 151,799,125 | 170,839,297 |
| III. | RESULT FROM THE OPERATIONAL ACTIVITY: | 14 | | |
| | - OVERPLUS (ln.06- ln.13) | 15 | 30,236,452 | 22,036,942 |
| | - DEFICIT (ln.13- ln.06) | 16 | | |
| IV. | FINANCIAL REVENUES (ct.7630000+7640000+7650100+7650200+7660000+7670000+7680000+7690000+7860300+7860400) | 17 | 1,421,461 | 2,065,835 |
| V. | FINANCIAL EXPENSES (ct.6630000+6640000+6650100+6650200+6660000+6670000+6680000+6690000+6860300+6860400+6860800) | 18 | 40,463 | 394,718 |
| VI. | RESULTS FROM THE FINANCIAL ACTIVITY: | 19 | | |
| | - OVERPLUS (ln.17- ln.18) | 20 | 1,380,998 | 1,671,117 |
| | - DEFICIT (ln.18- ln.17) | 21 | | |
| VII. | RESULT FROM THE CURRENT ACTIVITY: | 22 | | |
| | - OVERPLUS (ln.15+20-16-21) | 23 | 31,617,450 | 23,708,059 |
| | - DEFICIT (ln.16+21-15-20) | 24 | | |
| VIII. | EXTRAORDINARY REVENUES (ct.7910000) | 25 | 219,196 | 0 |
| IX. | EXTRAORDINARY EXPENSES (ct.6900000+6910000) | 26 | 0 | 0 |
| X. | RESULT FROM THE EXTRAORDINARY ACTIVITY: | 27 | | |
| | - OVERPLUS (ln.25-ln.26) | 28 | 219,196 | 0 |
| | - DEFICIT (ln.26-ln.25) | 29 | | |
| XI. | PATRIMONIAL RESULT OF THE FINANCIAL YEAR (GROSS) | 29.1 | | |
| | - OVERPLUS (ln. 23+28-24-29) | 29.2 | 31,836,646 | 23,708,059 |
| | - DEFICIT (ln. 24+29-23-28) | 29.3 | | |
| | Expenses for the tax on profit (from ct. 635 *) | 29.4 | 0 | 0 |

Cash-Flow Statement at 31.12.2017

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| Indicators | Line code | TOTAL | 5310101 | 5600101*, 770* | Other availabilities (ct.5xx) |
|---|-----------|-------------|---------|----------------|-------------------------------|
| A | B | 1 | 2 | 10 | 15 |
| I. CASH FROM THE OPERATIONAL ACTIVITY | 1 | | | | |
| 1. Cash-ins | 2 | 180,345,526 | 718,548 | 179,557,641 | 69,337 |
| 2. Payments | 3 | 141,637,685 | 718,548 | 140,854,640 | 64,497 |
| 3. Net cash from operational activity (ln. 02- ln.03) | 4 | 38,707,841 | 0 | 38,703,001 | 4,840 |
| II. CASH FROM THE INVESTMENT ACTIVITY | 5 | | | | |
| 1. Cash-ins | 6 | 0 | 0 | 0 | 0 |
| 2. Payments | 7 | 1,363,609 | 0 | 1,363,609 | 0 |
| 3. Net cash from the investment activity(ln.06-07) | 8 | -1,363,609 | 0 | -1,363,609 | 0 |
| III. CASH FROM THE FUNDING ACTIVITY | 9 | | | | |
| 1. Cash-ins | 10 | -35,000,000 | 0 | -35,000,000 | 0 |
| 2. Payments | 11 | 0 | 0 | 0 | 0 |
| 3. Net cash from the funding activity (ln.10-ln.11) | 12 | -35,000,000 | 0 | -35,000,000 | 0 |
| IV. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT (ln.04+ln.08+ln.12) | 13 | 2,344,232 | 0 | 2,339,392 | 4,840 |
| V. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | 14 | 26,724,468 | 0 | 26,714,322 | 10,146 |
| - Amounts recovered in the overplus of the previous year **) | 14.1 | 0 | x | 0 | x |
| - Amounts used from the overplus of the previous year / amounts transferred from the overplus to the local budget / amounts transferred from the overplus for constituting treasury deposits ***) | 14.2 | 10,000,000 | x | 10,000,000 | x |
| - Amounts transferred from the availability not used at the end of the previous year ****) | 14.3 | 0 | x | x | x |
| VI. CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (ln.13+ln.14+ln.14.1 - ln.14.2 - ln.14.3) | 15 | 19,068,700 | 0 | 19,053,714 | 14,986 |

Cash flow statements at commercial banks at 31.12.2017

lei

| Indicators | Line code | Total | 5310402 | 5500102, 5600402, 5120402, 550 |
|--|-----------|------------|-----------|--------------------------------|
| A | B | 1 | 2 | 3 |
| I. CASH FROM THE OPERATIONAL ACTIVITY | 01 | | | |
| 1. Cash-ins | 02 | 64,942,837 | 1,279,037 | 63,663,800 |
| 2. Payments | 03 | 51,989,813 | 1,278,981 | 50,710,832 |
| 3. Net cash from the operational activity (ln.02- ln.03) | 04 | 12,953,024 | 56 | 12,952,968 |
| II. CASH FROM THE INVESTMENT ACTIVITY | 05 | | | |
| 1. Cash-ins | 06 | 0 | 0 | 0 |
| 2. Payments | 07 | 0 | 0 | 0 |
| 3. Net cash from the investment activity (ln.06-07) | 08 | 0 | 0 | 0 |
| III. CASH FROM THE FUNDING ACTIVITY | 09 | | | |
| 1. Cash-ins | 10 | 0 | 0 | 0 |
| 2. Payments | 11 | 0 | 0 | 0 |
| 3. Net cash from the funding activity (ln.10-ln.11) | 12 | 0 | 0 | 0 |
| IV. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENT (ln.04+ln.08+ln.12) | 13 | 12,953,024 | 56 | 12,952,968 |
| V. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR | 14 | 41,108,802 | 0 | 41,108,802 |
| 1. Favourable exchange rate differences | 15 | 7,691 | 95 | 7,596 |
| 2. Unfavourable exchange rate differences | 16 | 57,198 | 151 | 57,047 |
| VI. CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (ln.13+14 +15-16) | 17 | 54,012,319 | 0 | 54,012,319 |

The ASF's statement of revenue and expenditure for the year 2017

lei

| Indicators | Budgetary code | Rectified annual forecasts 2017 | Budgetary execution 31.12.2017 | % of achievement |
|---|-----------------|---------------------------------|--------------------------------|------------------|
| 1 | 2 | 3 | 4 | 5=4/3 |
| CURRENT REVENUES, of which: | | 178,630,847 | 180,964,981 | 101.32 |
| 1. Shares afferent to the transactions with financial instruments and public offers | 36.10.50 | 16,358,719 | 13,712,868 | 83.83 |
| Share of the values of transactions with financial instruments carried out within the supervised trading systems, except the derivative securities trading | 36.10.50 | 5,356,698 | 5,867,083 | 109.53 |
| Tariffs applicable to the derivative securities transactions carried out within the supervised trading systems | 36.10.50 | 500 | 215 | 43.00 |
| Shares perceived for monitoring the transactions carried out outside the trading systems (turnaround) | 36.10.50 | 669,405 | 1,066,685 | 159.35 |
| Share of the value of sale public offers | 36.10.50 | 292,852 | 421,816 | 144.04 |
| Share of the value of purchase / takeover public offers | 36.10.50 | 10,039,264 | 6,357,069 | 63.32 |
| 2. Shares and fees applicable for the operation / management / supervision of the collective investment schemes, private pensions funds and insurers / insurance-reinsurance brokers | 36.10.50 | 153,482,366 | 158,430,866 | 103.22 |
| Monthly share of the value of net assets of investment funds (collective investment schemes) | 36.10.50 | 38,472,537 | 39,378,237 | 102.35 |
| Monthly share of the value of net assets of privately managed pensions funds (pillar II) | 36.10.50 | 33,187,666 | 33,407,882 | 100.66 |
| Monthly fee of the value of gross contributions collected by the private pensions funds (pillar II) | 36.10.50 | 20,405,376 | 21,096,491 | 103.39 |
| Monthly share of the value of net assets of voluntary pensions funds (pillar III) | 36.10.50 | 2,008,451 | 1,986,936 | 98.93 |
| Monthly fee of the value of gross contributions collected by the voluntary pensions funds (pillar III) | 36.10.50 | 706,272 | 675,850 | 95.69 |
| Operation fee applicable to the depositories of privately managed pensions funds | 36.10.50 | 380,235 | 425,928 | 112.02 |
| Contributions of insurance brokers | 36.10.50 | 993,637 | 1,909,274 | 192.15 |
| Contribution for exercising the supervision and control of the general insurance activity, except the motor third party liability insurance MTPL | 36.10.50 | 14,000,000 | 15,651,408 | 111.80 |
| Contribution for exercising the supervision and control of the activity of life insurance activity | 36.10.50 | 4,915,496 | 6,154,641 | 125.21 |
| Contribution for exercising the supervision and control of the activity of motor third party liability insurance MTPL | 36.10.50 | 38,412,696 | 37,744,219 | 98.26 |
| 3.Revenues earned from other activities | 36.10.50 | 6,319,010 | 6,751,937 | 106.85 |
| Tariff / fee for the resolution of applications for authorization / endorsement / approval / attestation and withdrawal of authorization from regulated entities | 36.10.50 | 1,328,474 | 1,599,990 | 120.44 |
| Tariff / fee for inscription / registration / maintenance / erasure in / from the ASF records and registries | 36.10.50 | 502,405 | 477,734 | 95.09 |
| Shares / tariffs / fees perceived for monitoring the entities regulated by A.S.F. provided in art. 2 para. (1) letter a) of Government Emergency Ordinance no. 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority, approved with amendments and completions by Law no. 113/2013, as subsequently amended and supplemented (OUG No 93/2012), with the exception of investment companies | 36.10.50 | 3,974,531 | 4,242,340 | 106.74 |
| Tariffs and fees from other activities carried out by A.S.F. | 36.10.50 | 513,600 | 431,873 | 84.09 |
| 4. Fines | 35.01.02 | 303,496 | 221,466 | 72.97 |
| 5. Diverse revenues | | 2,167,256 | 1,847,844 | 85.26 |
| TOTAL EXPENSES, of which: | 80.01.30 | 168,774,552 | 142,870,200 | 84.65 |

| | | | | |
|--|-------------------|------------------|-------------------|---------------|
| CURRENT EXPENSES (10 + 20 +30+ 55) | 80.01.30 | 159,842,952 | 142,941,719 | 89.43 |
| PERSONNEL EXPENSES, of which: | 80.01.30.10 | 132,971,733 | 123,841,729 | 93.13 |
| Salary expenses in money | 80.01.30.10.01 | 103,810,999 | 98,253,219 | 94.65 |
| Salary expenses in kind | 80.01.30.10.02 | 5,169,088 | 3,647,409 | 70.56 |
| Contributions | 80.01.30.10.03 | 23,991,646 | 21,941,101 | 91.45 |
| GOODS AND SERVICES | 80.01.30.20 | 20,983,280 | 13,239,818 | 63.10 |
| Goods and services | 80.01.30.20.01 | 9,104,023 | 5,476,760 | 60.16 |
| Current repairs | 80.01.30.20.02.00 | 150,000 | 0 | 0.00 |
| Goods of the nature of inventory objects | 80.01.30.20.05 | 599,400 | 153,970 | 25.69 |
| Business trips | 80.01.30.20.06 | 1,530,000 | 1,183,341 | 77.34 |
| Books, publications and documentary materials | 80.01.30.20.11.00 | 70,000 | 36,077 | 51.54 |
| Consultancy and expertise | 80.01.30.20.12.00 | 2,450,000 | 562,094 | 22.94 |
| Professional training | 80.01.30.20.13.00 | 800,000 | 507,995 | 63.50 |
| Labour protection | 80.01.30.20.14.00 | 455,000 | 328,876 | 72.28 |
| Judicial and extra-judicial expenses | 80.01.30.20.25.00 | 30,000 | 13,513 | 45.04 |
| Other expenses | 80.01.30.20.30 | 5,794,857 | 4,977,192 | 85.89 |
| TRANSFERS – membership fees to international organisms | 80.01.30.55 | 5,887,940 | 5,860,172 | 99.53 |
| CAPITAL EXPENSES | 80.01.30.70 | 8,931,600 | 1,363,822 | 15.27 |
| TITLE X NON-FINANCIAL ASSETS | 80.01.30.71 | 8,931,600 | 1,363,822 | 15.27 |
| Fixed assets | 80.01.30.71.01 | 8,931,600 | 1,363,822 | 15.27 |
| CURRENT OVERPLUS | | 9,856,295 | 38,094,781 | 386.50 |

REPORT ON THE ACCOUNTING BALANCE SHEET AND THE ECONOMIC OUTTURN ACCOUNT DRAWN UP ON 31.12.2017

- Non-current assets (tangible and intangible assets, financial assets) decreased mainly due to the fact that part of the financial investments in the balance at the beginning of the year in the form of longer-term government securities were reinvested in the form of government bonds for less than one year.
- The total assets at 31.12.2017 increased by lei 21,566,206, an increase generated by the accumulated financial assets in the year 2017.
- The total debts of the balance sheet as at 31.12.2017, amounting to lei 59,235,035 comprise, for the most part, provisions for litigation, restructuring, unpaid leave.
- The estimated value of the provision for risks and expenses recognized in the financial statements is lei 48,861,989, out of which the amount of provisions for labour disputes in which the ASF is involved is lei 29,211,991.
- The other provisions for litigations of a patrimonial nature, as well as provisions for unpaid leave, retirement provisions, etc. were valued at lei 19,649,998.
- Other debts represent, for the most part, staff rights for December paid in January 2018. The patrimonial result is a positive one, rising as compared to the previous year, the increase generated by the resumption of inward loss provisions for property disputes that remained inappropriate as a result of resolving / resizing the winning chances.

BUDGETARY EXECUTION ACCOUNT

- In accordance with the provisions of art.18 of GEO 93/2012 regarding the establishment, organization and functioning of the Financial Supervisory Authority approved with amendments by Law no. 113/2013, the ASF is financed entirely from its own extra-budgetary revenues. The structure of revenues, as well as the level of quotas, tariffs, taxes and contributions, are regulated in the Regulation no.16 / 2014 on the income of the ASF, with subsequent modifications and additions.

- Expenditure is determined by the annual budget of the ASF, in line with its objectives and responsibilities.
- The budget execution account comprises the revenue side - receipts made, and on the expenditure side - the payments made. The budget surplus was established as the difference between the revenue received and the payments made.
- The current surplus of ASF budget execution was lei 38,094,781.
- In accordance with the aforementioned legal provisions and the structure of the Income and Expense Budget of the ASF approved for 2017, the structure of the planned and receivable revenues is presented as follows:

Situation of the ASF revenues in 2017 by structures

lei

| Item | Annual forecasts | 2017 achievements | Achievement to forecast ratio (%) |
|--|--------------------|--------------------|-----------------------------------|
| Other revenues from concessions and rentals | 858,697 | 799,095 | 93.06 |
| Revenues from interests | 959,666 | 834,420 | 86.95 |
| Revenues from fines | 303,496 | 221,466 | 72.97 |
| Operational revenues, of which: | 176,508,988 | 179,110,000 | 101.47 |
| - Shares afferent to securities trading and public offers | 16,358,719 | 13,712,868 | 83.83 |
| - Shares and fees applicable for the operations / management / supervision of collective investment schemes, private pensions funds and insurers / insurance-reinsurance brokers | 153,482,366 | 158,430,866 | 103.22 |
| - Revenues earned from other activities | 6,319,010 | 6,751,937 | 106.84 |
| - Other revenues | 348,893 | 214,329 | 61.43 |
| TOTAL REVENUES | 178,630,847 | 180,964,981 | 101.31 |

Evolution of ASF revenues in the period 2016 - 2017 by structures

| Item | Budgetary execution 2016 | Budgetary execution 2017 | Achievement degree (%) |
|--|--------------------------|--------------------------|------------------------|
| 0 | 1 | 2 | 3=2/1 |
| Shares afferent to securities trading and public offers | 17,150,195 | 13,712,868 | 80 |
| Shares and fees applicable for the operations / management / supervision of collective investment schemes, private pensions funds and insurers / insurance-reinsurance brokers | 146,714,413 | 158,430,866 | 108 |
| Revenues earned from other activities | 6,690,951 | 6,751,937 | 101 |
| Fines | 179,761 | 221,466 | 123 |
| Miscellaneous revenue | 3,019,550 | 1,847,844 | 61 |
| TOTAL REVENUES | 173,754,870 | 180,964,981 | 104 |

According to the Regulation no.16 / 2014 on the income of ASF, with the subsequent amendments and completions, the venues are as follows:

Revenues from quotas related to transactions with financial instruments and public offers registered a volume of revenues in 2017 of lei 13,712,868, representing 83.83% of the forecast. The most relevant quotas within this revenue category are as follows:

- ✓ the share of the value of trades in financial instruments under supervised trading systems, except transactions in financial derivatives (up to 0.06%) lei 5.867.083 - achievement 109.53% compared to the forecast of the period, due to the increase in the volume of transactions on the Stock Exchange;
- ✓ share of the value of the public offerings for sale (between 0.05% and 0.1%, but not more than lei 500.000, respectively lei 1.000.000) – lei 421.816 - achievement of 144.04% compared to the budgeted figure;
- ✓ share of the value of the public purchase offers - takeover (between 1% and 1.5%) - lei 6.357.069 - achievement rate of 63.32%.

Revenues from these sources generated around 8% of total ASF revenues.

Income from the allowances and fees applicable to the operation / administration / supervision of the collective investment undertakings, the private pension funds and the insurance / reinsurance brokers / insurers recorded a volume of revenues in 2017 in the amount of lei 158,430,866, representing 103.22 % of the forecast. The main sources of revenues in these categories are as follows:

- ✓ 0.0078% share of the net asset value of the investment funds (collective investment schemes) – lei 39,378,237 - achievement rate of 102.35% compared to budgeted;
- ✓ 0.0078% of the net asset value of the privately managed pension funds and a monthly fee of 0,3% of the value of the gross contributions received by the private pension funds (Pillar II) – lei 54,504,373 - (degree of achievement 101.70%);
- ✓ 0.01% of the net asset value of voluntary pension funds and a monthly fee of 0.25% of the gross contributions earned by voluntary pension funds (Pillar III), as well as the operating tax applicable to depositors – lei 3,088, 714 - (achievement rate 99.80%);
- ✓ operating tax applicable to insurance companies and brokers (contribution to the supervision and control of the general activity - 0.4%, respectively for life insurance - 0.3% and the operating fee for brokers - 0.1%) – lei 23,715,323 - (performance ratio 159,07%). 1% contribution for exercising the supervision and control of motor third party liability insurance – lei 37,744,219 - achievement rate of 98.26%.

Revenues from these sources generated around 88% of ASF revenues in 2017.

Income from other activities, including revenues related to fees, authorization / approval / authorization / withdrawal fees, enrolment / registration / maintenance / decommissioning fees, quotas / tariffs / fees for monitoring and other taxes / fees as set out in Annex no. 3 to Regulation no.16 / 2014, as subsequently amended and supplemented, recorded a total amount received in 2017 in the amount of lei 6,751,060 - achievement of 106. 84% compared to annual provisions.

Revenues from these sources generated around 4% of total ASF revenues in 2017.

Revenues from fines applied to entities coming from the Reinsurance Insurance Sector – lei 222,343 - an achievement rate of 73.26% compared to the annual provisions and increasing compared to the year 2016 by a percentage of 23.20%.

The **Miscellaneous revenues item** amounted to lei 1,847,844, down from the forecast for the year, by 14.74%. and includes the financial revenues obtained from the placement of the ASF's deposits in bank deposits, government securities - lei 834,420, income from the renting of premises owned by ASF – lei 799,095, other income lei 214,329 (imputations, penalties, etc.).

Expenditure execution at 31 December 2017

The total expenditures realized in 2017 amounted to lei 142,870,200 - representing an achievement of 84.66% compared to the provisions related to the period. Expenditure incurred on 31 December 2017 has the following structure:

Situation of ASF expenditures in the year 2017

lei

| Item | Annual forecasts | Achievements 31th of December 2017 | Achievement to forecasts degree % |
|---|--------------------|------------------------------------|-----------------------------------|
| 0 | 1 | 2 | 3=2/1 |
| Personnel expenses | 132,971,733 | 123,841,729 | 93.14 |
| Expenses for goods and services | 20,983,280 | 13,239,818 | 63.11 |
| International transfers | 5,887,940 | 5,860,172 | 99.53 |
| Capital expenses | 8,931,600 | 1,363,822 | 15.27 |
| Payments made in the pervious years and recovered in the current year | 0 | -1,435,341 | 0 |
| TOTAL EXPENSES | 168,774,553 | 142,870,200 | 84.66 |

Evolution of ASF expenses in the period 2016 - 2017

| Item | Budgetary execution 2016 | Budgetary execution 2017 | Increase percentage (%) |
|---|--------------------------|--------------------------|-------------------------|
| 1 | 2 | 3 | 4=3/2 |
| Personnel expenses | 108,569,441 | 123,841,729 | 114.10 |
| Expenses for goods and services | 12,089,197 | 13,239,818 | 109.50 |
| Membership fees to international organisms | 5,372,926 | 5,860,172 | 109.10 |
| Capital expenses | 8,752,436 | 1,363,822 | 15.60 |
| Payments made in the previous years and recovered in the current year | -366,224 | -1,435,341 | |
| TOTAL EXPENSES | 134,417,776 | 142,870,200 | 106.30 |

The personnel expenses, in the total amount of lei 123,846,053 (93% of the budgeted provisions), represent basic salaries, bonuses, other rights (e.g., medical aid, funeral), meal vouchers, plus the institution's contributions. The personnel expenses in 2017 **accounted for approx. 87% of the Authority's total expenditure**, approx. 69% of total revenues.

The total expenditures on goods and services in the amount of lei 13,239,818 (63.10% of the budgeted provisions) consisted in:

- *purchase of office supplies, cleaning materials, fuels, utilities, telephony, internet, security services, car service, central heating maintenance services, archiving services, press agencies* (Bloomberg, Reuters) etc. - the amount paid in 2017 was lei 5,476,760, representing 60.16% of the budgeted amount for 2017;
- *internal and external travel*: lei 1,183,341 - representing 77.34% of the amount foreseen for transportation and other contingencies, excluding travel allowance;
- *consulting and expertise* – lei 562,094 - represents 22.94% of the budgeted provisions and consists of payments under the legal assistance contracts, consultancy, financial audit services.
- *other expenses*: lei 4,977,192 and consist mainly of payments representing the rent paid by ASF to EximBank – lei 3,971,507 (79.79%), expenses for protocol and representation actions – lei 415,472, other expenses, etc.

International transfers - represents the contributions to the international bodies (ESMA, EIOPA, IOSCO, IAIS, IOPS) to which the ASF is a member - the total amount paid in 2017 was in the amount of Lei 5,860,172, within the approved budget of lei 5,887,940.

Capital expenditures, amounting to lei 1,363,822 (15.27% of the budgeted amount), represent the total amount paid in 2016 for:

- purchase of server equipment – lei 448,000;
- purchases of hard-ware and other IT equipment - lei 330,964;
- office equipment, furniture – lei 39,518;
- ASF contribution to the MiFIR Instruments Reference Data (implemented by ESMA) – lei 50,822;
- licenses and software purchases / development – lei 494,518.

The expenditure on planned and unrealized investments in 2017 concerned the acquisition of passenger cars (Instalment II), the acquisition of IT solutions for the implementation of business intelligence, ERP, risk management, Solvency II, disaster recovery.

Current account surplus for the year 2017 (current revenues collected –expenses paid)

The current overplus of 2017 is in the amount of lei 38,094,781. We mention that in the report on the financial statements for the year 2017, which will be submitted to the Ministry of Finance, the current overplus of 2017 is in the amount of **lei 38,087,908**, with lei 6,873 lower than the current real overplus presented in the note – lei 38,094,781 due to some opinions of the Ministry of Finance regarding the value of the payments made through the treasury.

The overplus is the result, on the one hand, of the increase in current revenues **(+4%)**, an increase in the absolute amount higher than the increase of 6% recorded by the total expenditures. Also, the execution rate of only 16% of the investment projects (capital expenditures) contributed to the above mentioned level of the current surplus.

Under these circumstances, the accumulated overplus in the year 2017, i.e. current revenues + overplus from previous years - expenditures paid - unfavourable exchange differences is of **lei 188,564,405 (eur 41,278,520)**, of which the **overplus carried over to 01.01.2017 of previous years was lei 150,526,822.**



The audit report



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RAPORTUL AUDITORULUI INDEPENDENT INDEPENDENT AUDITOR'S REPORT

Catre Consiliul Autoritatii de Supraveghere Financiara
To the Board of the Financial Supervisory Authority

Raport asupra situatiilor financiare
Report on the financial statements

Opinia
Opinion

Am auditat situatiile financiare anexate ale Autoritatii de Supraveghere Financiara ("ASF") cu sediul social in Bucuresti, Splaiul Independentei Nr.15, Sector 5, identificata prin codul unic de inregistrare fiscala 31588130, care cuprind bilantul la data de 31 decembrie 2017, contul de rezultat patrimonial, situatia modificarilor in structura activelor nete/capitalurilor proprii, situatia fluxurilor de trezorerie, contul de executie a bugetului pentru exercitiul financiar incheiat la aceasta data si anexe (Disponibil din mijloace cu destinatie speciala, Situatia plăților efectuate din buget si nejustificate prin bunuri, lucrari, servicii la finele perioadei, Plati restante, Situatia activelor si datoriilor financiare ale institutiilor publice din Administratia centrala, Situatia activelor fixe amortizabile, Situatia activelor fixe neamortizabile) cat si un sumar al politicilor contabile semnificative si alte note explicative incluse in «Raportul privind situatiile financiare ale Autoritatii de Supraveghere Financiara incheiate la data de 31 decembrie 2017».

We have audited the accompanying financial statements of Financial Supervisory Authority („ASF”), with official head office in Bucharest, Splaiul Independentei Nr.15, Sector 5, identified by sole fiscal registration number 31588130, which comprise the balance sheet as at 31 December 2017, and the income statement, statement of changes in the structure of net assets/equity, the cash flow statement, budget execution account for the year then ended and appendices (Special purpose amounts, Statement of payments from budget and not justified through goods, works, services at the end of period, Overdue payments, Statement of assets and liabilities of public institutions from Central Administration, Statement of fixed assets to be depreciated, Statement of fixed assets not to be depreciated) and a summary of significant accounting policies and other explanatory notes included in the “Report regarding financial statements of Financial Supervisory Authority as at 31 December 2017”.

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a ASF la data de 31 decembrie 2017, ca si a performantei financiare si a fluxurilor de trezorerie ale acesteia pentru exercitiul financiar incheiat la aceasta data, in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1917/2005, cu modificarile si clarificarile ulterioare si cu politicile contabile descrise in «Raportul privind situatiile financiare ale Autoritatii de Supraveghere Financiara incheiate la data de 31 decembrie 2017».

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in amănunt, in situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza asupra traducerii.
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole, in all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.



2

In our opinion, the accompanying financial statements give a true and fair view of the financial position of ASF as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1917/2005 and subsequent amendments and the accounting policies described in the "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2017"

Bazele opiniei *Basis for opinion*

Noi am efectuat auditul conform Standardelor Internationale de Audit (ISA). Responsabilitatile noastre conform acestor standarde sunt descrise mai detaliat in sectiunea „Responsabilitatile auditorului pentru auditul situatiilor financiare” din raportul nostru. Suntem independenti fata de ASF conform Codului etic al profesionistilor contabili emis de Consiliul pentru Standarde Internationale de Etica pentru Contabili (codul IESBA) si conform cerintelor etice care sunt relevante pentru auditul situatiilor financiare in Romania si ne-am indeplinit responsabilitatile etice conform acestor cerinte si conform Codului IESBA. Consideram ca probele de audit pe care le-am obtinut sunt suficiente si adecvate pentru a constitui baza pentru opinia noastra. *We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of ASF in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.*

Evidentierea unor aspecte *Emphasis of matter*

Atragem atentia asupra notei 4 "Provizioane pentru riscuri si cheltuieli" din «Raportul privind situatiile financiare ale Autoritatii de Supraveghere Financiara incheiate la data de 31 decembrie 2017», care prezinta detalii privind litigiile prin care se solicita ASF acordarea de despagubiri. Conducerea ASF a evaluat situatia si a inregistrat un provizion pentru litigii in valoare de 29.295 mii lei la 31 decembrie 2017 (22.508 mii lei la 31 decembrie 2016). Date fiind complexitatea si incertitudinile privind rezultatul acestor litigii, estimarea ASF ar putea sa difere de obligatiile efective rezultate in urma finalizarii acestora. Opinia noastra nu este emisa cu rezerve in legatura cu acest aspect.



3

We draw attention to Note 4 "Provisions for risks and expenses" from "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2017", which presents details on litigations for which ASF was requested to pay damages. The ASF management assessed the matter and has recorded a provision for litigation of 29,295 thousand RON as at 31 December 2017 (22,508 thousands RON as at 31 December 2016). Given the complexity and uncertainties related to the outcome of these litigations, the Company estimate may differ from actual obligations resulting from the finalization of these legal disputes. Our opinion is not qualified in respect of this matter.

Responsabilitatile conducerii si ale persoanelor responsabile cu guvernanta pentru situatiile financiare

Responsibilities of Management and those charged with governance for the Financial Statements

Conducerea ASF are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1917/2005, cu modificarile si clarificarile ulterioare si cu politicile contabile descrise in «Raportul privind situatiile financiare ale Autoritatii de Supraveghere Financiara incheiate la data de 31 decembrie 2017», si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de fraudă, fie de eroare.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1917/2005 and subsequent amendments and the accounting policies described in the "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2017", and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

La intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea ASF de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze ASF sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.

In preparing the financial statements, management is responsible for assessing ASF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate ASF or to cease operations, or has no realistic alternative but to do so

Persoanele responsabile cu guvernanta au responsabilitatea supravegherii procesului de raportare financiara a ASF.

Those charged with governance are responsible for overseeing the ASF's financial reporting process.



Responsabilitatile auditorului pentru auditul situatiilor financiare

Auditor's Responsibilities for the Audit of the Financial Statements

Obiectivele noastre constau in obtinerea unei asigurari rezonabile privind masura in care situatiile financiare, luate in ansamblu, nu contin denaturari semnificative cauzate de eroare sau frauda si de a emite un raport de audit care sa includa opinia noastra. Asigurarea rezonabila reprezinta un nivel ridicat de asigurare, insa nu este o garantie ca un audit desfasurat in conformitate cu standardele ISA va detecta intotdeauna o denaturare semnificativa, daca aceasta exista. Denaturarile pot fi cauzate fie de frauda fie de eroare si sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor, luate in baza acestor situatii financiare.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 the economic decisions of users taken on the basis of these financial statements.

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional si ne mentinem scepticismul profesional pe intreg parcursul auditului. De asemenea:

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de frauda fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de frauda este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece frauda poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.
- ▶ *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 those 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.*



5

- ▶ **Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al ASF.**
- ▶ *Obtain an understanding of internal control relevant to the 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 ASF's internal control.*
- ▶ **Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.**
- ▶ *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- ▶ **Concluzionam asupra caracterului adecvat al utilizarii de catre conducere a principiului continuitatii activitatii si determinam, pe baza probelor de audit obtinute, daca exista o incertitudine semnificativa cu privire la evenimente sau conditii care ar putea genera indoilei semnificative privind capacitatea ASF de a-si continua activitatea. In cazul in care concluzionam ca exista o incertitudine semnificativa, trebuie sa atragem atentia, in raportul de audit, asupra prezentarilor aferente din situatiile financiare sau, in cazul in care aceste prezentari sunt neadecvate, trebuie sa ne modificam opinia. Concluziile noastre se bazeaza pe probele de audit obtinute pana la data raportului nostru de audit. Cu toate acestea, evenimente sau conditii viitoare pot determina ca ASF sa nu isi mai desfasoare activitatea in baza principiului continuitatii activitatii.**
- ▶ *Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ASF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause ASF to cease to continue as a going concern.*
- ▶ **Evaluam prezentarea, structura si continutul general al situatiilor financiare, inclusiv al prezentarilor de informatii, si masura in care situatiile financiare reflecta tranzactiile si evenimentele de baza intr-o maniera care realizeaza prezentarea fidelaela.**
- ▶ *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*



6

Comunicăm persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate și programarea în timp a auditului, precum și constatările semnificative ale auditului, inclusiv orice deficiențe semnificative ale controlului intern, pe care le identificăm pe parcursul auditului nostru.

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.

În numele

On behalf of

Ernst & Young Assurance Services SRL

Inregistrat la Camera Auditorilor Financiari din Romania

Cu nr. 77/15 august 2001

Registered with the Chamber of Financial Auditors in Romania

Nr. 77/15 August 2001

Numele semnatarului: Anamaria Cora

Name of signing person: Anamaria Cora

Inregistrat la Camera Auditorilor Financiari din Romania

Cu nr. 1593 / 16 august 2005

Registered with the Chamber of Financial Auditors in

Romania

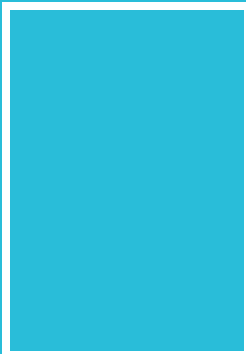
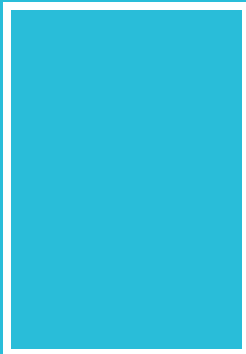
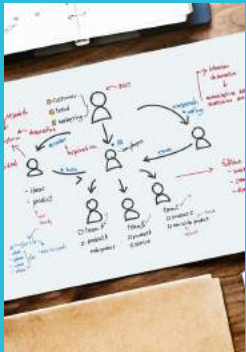
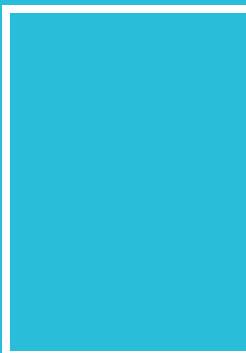
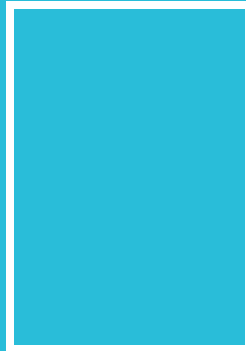
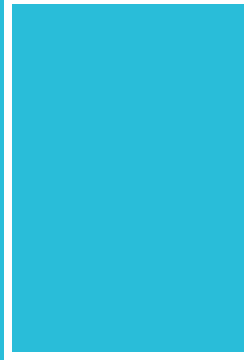
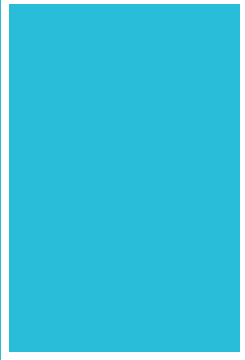
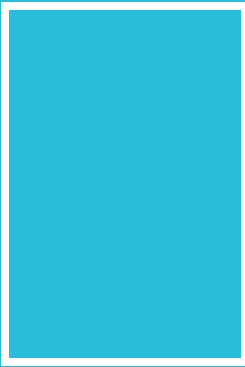
No. 1593 / 16 August 2005

Bucuresti, Romania

15 februarie 2018

Bucharest, Romania

15 February 2018





ASF objectives for 2018



Adequate consumer protection and information
Stability and sound operation of markets
Alignment of the primary legislation to the European directives and standards
Harmonisation of the primary and secondary legislation
Stimulation of non-banking financial markets development
Strengthening of institutional capacity and consolidation of the Authority

Strategic objective for the year 2018

ASF will continue to work in 2018 to achieve strategic goals so as to ensure the consolidation of the integrated framework for the organization, functioning and development of non-bank financial markets.

As in previous years, the program of activities to be carried out in 2018 will primarily take into account the following objectives:

- Appropriate protection and information for consumers
- Stability and healthy functioning of markets
- Stimulating the development of non-bank financial markets
- Strengthening institutional capacity and strengthening ASF

Adequate consumer protection and information

In order to enhance the consumers' trust in the non-banking financial market, ASF shall focus in 2018 also on the following main activities:

- ▶ ensuring and improving consumer transparency and accessibility to the key information to be provided before and after the purchase of non-bank financial products;
- ▶ tracking and ensuring that information on non-bank financial products and services is provided fairly, completely, clearly and not misleading;
- ▶ continuing to pay more attention to the degree of financial education of the population by properly informing about the advantages, rights and obligations arising from the quality of the consumer of financial products, instruments and services;
- ▶ monitoring the potential risks and benefits for consumers of non-bank financial products, in particular those arising from innovations and the specific evolution of each market and, where appropriate, the issue of alerts to the attention of consumers.



Stability and sound operation of markets

In order to ensure the stability and correct operation of the three financial sectors regulated and supervised by ASF, we shall continue:

- ▶ the analysis of how some risks could be spread throughout the financial sector;
- ▶ the harmonisation of sectoral policies on oversight, designing stress tests for crisis situations;
- ▶ the identification, assessment and elaboration of an overview of the main risks, analyzing their impact on the supervised markets, activities and institutions, and establishing the necessary measures to mitigate or eliminate them;
- ▶ the improvement and development of the best practices in supervising the conduct of supervised entities;
- ▶ the establishment of the macro-prudential strategy of ASF, monitoring of systemic risks and the implementation of macro-prudential policies.

Also, strengthening the process of streamlining supervisory activity is a major priority objective in 2018 to ensure common supervisory principles and practices for the three sectors as well as synergy of on-site / off-site functions.

Insurance – Reinsurance Sector

In 2018, ASF will continue to monitor compliance with Solvency II requirements by regularly evaluating reporting information to identify risks and threats in order to develop mitigation and management measures and early identification of risks that may arise.

For the implementation of risk-based supervision, it is intended to provide the most efficient insurance market surveillance tools for detecting major risks to financial stability, both from a micro- and macro-prudential perspective.



Continuous development and improvement of instruments and techniques used to identify, mitigate and manage risks is another area on which ASF will focus its efforts, the proposed measures for the following:

- ▶ implementing a supervisory system based on risk assessment, developing supervisory tools on the new reporting framework provided by Solvency II, and developing internal procedures for assessing the degree of solvency requirements by Solvency II under the new Solvency II;
- ▶ monitoring the risk profile of insurance companies and possible deviations from the assumptions underlying the application of the standard formula, specific parameters or the approved internal model, in order to strengthen the preventive intervention function in the surveillance activity;
- ▶ analysis of the need to issue additional regulations for prudential supervisory issues that are not covered by European Solvency II;
- ▶ active participation in EIOPA committees and supervisory colleges set up for the supervision of insurance groups;
- ▶ implementation of an effective and prospective approach to the evaluation of executives and shareholders with qualifying holdings both at the time of notification and during the exercise of the position. For this purpose, the ASF benefits from the Technical Assistance Project on strengthening the Romanian insurance market surveillance function, aimed at strengthening the supervisory function of insurance companies, from the point of view of prudence and conduct, through the efficient use of off- site and on-site tools.

Financial Instruments and Investments Sector

Within the Financial Instruments and Investments Sector, ASF intends to continue the efforts initiated related to the strengthening of the supervision activities with a special focus on:

- ▶ analyzing financial and prudential indicators to identify the main risks and vulnerabilities that would require additional surveillance measures;
- ▶ entity monitoring, adapted to the risk classes to which they belong;
- ▶ direction of the surveillance activity towards knowing in detail the activity of the entities and the risks to which they are exposed and / or which they may induce;
- ▶ developing the proactive dimension of surveillance;



- ▶ standardisation of reporting templates and the development of the system for analyzing, checking and identifying vulnerabilities through alerts, including the implementation of the early warning system based on prudential indicators;
- ▶ implementation of two projects developed by ESMA for all EU supervisors in relation to: data collection and processing for the fulfilment of the obligations of the ASF under MiFID relating to financial instruments; the common interface for access to all EU trade repositories;
- ▶ reviewing and improving the reporting system for collective investment schemes and investment management companies, and the application of an electronic system for their oversight;
- ▶ alignment to ESMA projects and approaches on the convergence of supervisory practices across EU countries;
- ▶ development / diversification of specific mechanisms for preventing, identifying and sanctioning market abuse in the context of extending the scope to a larger number of trading venues (including MTF) and financial instruments;
- ▶ optimizing the specific activities addressed to ensure that issuers comply with the specific, regular and periodic transparency obligations and shareholders' rights;
- ▶ development / diversification of the specific mechanisms of the activity regarding the identification of the cases of concerted action and ensuring the observance of the legal provisions regarding the performance of the compulsory public offers or the observance of the limits of the holding in the share capital of the Financial Investment Companies (SIFs);
- ▶ development of technical capabilities for electronic supervision of transactions on regulated markets and alternative systems in Romania (IT applications for real-time data analysis and historical data);
- ▶ development of technical capabilities for the management of reports received through the TREM (Transaction Reporting Exchange Mechanism) and the data received from Trade Repositories in accordance with EMIR.

Part of the aforementioned activities shall be realized through the technical assistance projects started with the support of the World Bank, namely:

Project of assistance for enhancing the supervision function of the capital market

will be completed in the first part of 2018 with the aim of developing the instruments for supervising investment firms and fund managers, with the support of the World Bank and the European Commission.

aims to strengthen the off-site supervision of conduct for investment firms and fund managers with a view to early detection of risk areas at both individual and market levels, as well as strengthening the on-site surveillance function) as a tool to detect and monitor problems both in terms of conduct and prudence.

Project of assistance for enhancing the supervision of issuers' transparency

aims to strengthen the oversight role of issuer transparency requirements with a view to a risk-based approach and strengthening institutional capacity with regard to financial instruments and investments sector supervision.

The measures proposed for the Financial Instruments and Investments Sector are the continuation of efforts carried out during the year 2017 and are mainly focused on:

- ▶ direct cooperation of the supervisory services in the pre and post inspection stages;
- ▶ improving the feedback provided by the inspection structure of other supervisory / authorization services as a result of the inspection actions carried out in order to increase its consistency and even to develop plans for joint measures aimed at remedying the deficiencies found in the supervised entities.

Private Pensions System Sector

Within the private pension system, we are pursuing the further development of supervisory mechanisms for administrators' work to ensure the stable operation of the system and the protection of participants and beneficiaries. As a result of reporting requirements, ASF receives and checks information on:

- ▶ investments of private pension funds, their exposures by countries, currencies, instruments and issuers, the investment limits and the degree of risk of each fund;
- ▶ collection of contributions and payments made from the assets of private pension funds;
- ▶ correct calculation of the personal assets of the participants or beneficiaries;
- ▶ valuation of assets and calculation of net asset value;
- ▶ participants' records;
- ▶ corporate governance, internal audit reports and risk management for private pension fund managers;
- ▶ level of technical provisions and the assets covering them;
- ▶ evolution of the net asset value of the net asset and the calculation of profitability rates;
- ▶ accurate information of participants by disseminating marketing tools in line with reality.

Based on the data collected, ASF uses and develops risk analysis indicators to identify early warning signals and to act in a way that does not affect system stability or protect the interests of participants.

At the same time, the ASF seeks to harmonize the regulatory framework with the level of system development and supervisory requirements in order to increase the efficiency of the processes.

Alignment of the primary legislation to the European directives and Standards Harmonisation of the primary and secondary legislation

The implementation of European directives and standards at the level of the national legislation on non-banking financial markets, as well as best practices in this field, is a continuous process that is permanently found within ASF objectives. For this purpose for 2018, the most important projects for revising and completing the legislative acts refer to:

Insurance – Reinsurance Sector

- ▶ elaboration of secondary legislation in the implementation of the Law on the transposition of the IDD Directive.

Financial Instruments and Investments Sector

- ▶ elaboration of secondary legislation in application of the law on the transposition of the Directive 2014/65 / EU on markets in financial instruments (MIFID II);
- ▶ elaboration of secondary legislation in application of the Law on Alternative Investment Funds;
- ▶ elaboration of legislation on the organization and functioning of the Sovereign Development and Investment Fund (subject to the adoption of the draft by the Parliament of Romania).

Private Pensions System Sector

- ▶ elaboration of the draft normative acts for the transposition of the Directive (EU) 2016/2341 on the activities and supervision of the institutions for occupational retirement provisions (IORP);
- ▶ drafting changes to secondary legislation where primary legislation will make changes to the operation of Pillar II (optional system for participation in Pillar II).

Consumer protection

- ▶ elaboration of the secondary legislation for the organization and functioning of the Investor Compensation Fund (in application of the law that is in the final stage of the adoption process);
- ▶ collaboration with FGDSPP for the elaboration of changes to its own regulations in the case of the adoption of primary legislation modifying the functioning of Pillar II.

On integrated level

- ▶ drafting a new regulation on fit & proper requirements for the governance structure and key functions of ASF-regulated entities in order to align with EU legislative changes (ensure the implementation of best practices as recommended by ESMA - EIOPA);

- ▶ implementation of the Common Guideline on the characteristics of a risk-based approach to the supervisory action for combating money laundering and terrorist financing and the steps to be followed when carrying out risk-based supervision;
- ▶ implementation of the guidelines developed by ESMA or EIOPA;
- ▶ development of secondary legislation in application of primary legislation and technical standards / guides issued by European authorities.

Stimulation of the non-banking financial markets development



In order to stimulate the development of supervised markets, we aim to intensify the dialogue with other public authorities, to develop new cooperation protocols, as well as to identify with the responsible institutions the possibility of issuing state securities, especially bonds with maturities greater than one year, for the purpose of admitting them to trading on the regulated market and offering them to retail investors.

We will also focus on the following areas in the 2018 activities agenda:

Insurance-Reinsurance Market

Increased accessibility and attractiveness of the insurance market and tracking of the insurance claim

Supervision of insurers and insurance intermediaries and indicators as well as balancing the weights of products available by stimulating those with maximum utility for consumers

Stimulating growth in the non-life insurance segment, i.e, health and life insurance

Private Pensions Market

Supporting the completion of pension legislation

Continuously update, monitor and adapt to market conditions of investment policies of pension funds

Preparing for the introduction of the occupational pension system

Capital Market

Developing the bond market as an alternative to financing through the capital market and stimulating bond issues by companies already listed on the capital market

Continuing measures to achieve emerging market status, boosting capital market liquidity by providing a regulatory framework in line with the highest standards

Strengthening and developing capital market infrastructure by reiterating the necessary steps and the interinstitutional dialogue to set up a CCP or affiliation to a regional CCP and to restructure share holdings within the Section 1 of the Central Depositories

Identifying solutions for the development of the retail market by increasing the number of active investors, accompanied by an increase in the importance and scope of the activity of the investment funds

Strengthening of the institutional capacity and ASF consolidation

The strengthening of the institutional capacity of the ASF in order to improve the efficiency of both the regulatory, authorization, supervision and control activity of the entities operating in the non-banking financial sector as well as the internal operational flows and the IT structure are will also focus 2018 on the following main pillars:

- ▶ strengthening the implementation of the risk-based oversight system, identifying and exercising a sound professional judgment regarding the risk assessment of the various regulated entities;
- ▶ reviewing the primary and secondary legislative framework;
- ▶ strengthening the consumer protection function;
- ▶ strengthening interinstitutional cooperation;
- ▶ development of training of staff to take on new responsibilities in the context of continued legislative changes;
- ▶ development of an efficient infrastructure and an adequate oversight capability in line with best international practice;
- ▶ strengthening IT infrastructure, centralizing financial reporting and building an data warehouse to which all the organizational structures of the ASF to be connected;
- ▶ ensuring the principles of operational independence, financial autonomy, accountability and confidentiality to implement an effective supervisory process.

List of abbreviations

| | |
|---------|---|
| AAI | = Association of Institutionalised Arbitrage |
| ADEL | = Delegated agents |
| AIFM | = Alternative Investment Funds Managers |
| AIFMD | = Alternative Investment Funds Managers Directive |
| AML/CFT | = Anti Money Laundering / Combating the Financing of Terrorism |
| ANAF | = National Agency of Fiscal Administration |
| ANPC | = National Authority for Consumer Protection |
| APA | = Approved Publication Arrangement |
| ApPA | = Insurance Promotion Association |
| ARM | = Approved Reporting Mechanism |
| ASF | = Financial Supervisory Authority |
| ASIF | = Agents for financial investments services |
| ASE | = Academy of Economic Studies |
| ATS | = Alternative Trading System |
| AURSF | = Association of the Romanian Users of Financial Services |
| BAAR | = Office of Motor Insurers of Romania |
| BMR | = Benchmarks Regulation |
| BNR | = National Bank of Romania |
| BVB | = Bucharest Stock Exchange |
| CA | = Board of Directors |
| CAFR | = Chamber of Financial Auditors of Romania |
| CASAL | = Association of the Council for Arbitration and Alternative Dispute Resolution |
| CASCO | = Insurance of land transport means except railroads |
| CEDAM | = Database of the MTPL policies issued in Romania |
| CEIF | = Closed-End Investment Funds |
| CIS | = Collective Investment Schemes |
| CIU | = Collective Investment Undertaking |
| CNADNR | = National Company for Road Infrastructure Administration |
| CNPP | = Public Pensions National Office |
| CNSM | = National Committee of Macroprudential Oversight |
| CNVM | = National Securities Commission |
| CM | = Mediation Council |
| CMU | = Capital Markets Union |
| CCP | = Central Counterparty |
| CCPFI | = Committee on Consumer Protection and Financial Innovation |
| CRD IV | = Capital Requirements Directive |
| CRR | = Capital Requirements Regulation |
| CSALB | = Alternate Dispute Resolution Centre in the Banking Sector |
| CSD | = Central Depository |
| CSDR | = Central Securities Depositories Regulation |
| CTP | = Consolidated Tape Provider |
| CySEC | = Cyprus Securities and Exchange Commission |
| DIICOT | = Directorate for Investigating Organised Crime and Terrorism |
| DPO | = Data Protection Officer |
| DR | = Disaster Recovery |
| EBA | = European Banking Authority |
| EC | = European Commission |
| ECB | = European Central Bank |
| EEA | = European Economic Area |
| EIOPA | = European Insurance and Occupational Pensions Authority |
| ELTIF | = European Long-Term Investment Funds Regulation |
| EMIR | = European Market Infrastructure Regulation |

ESRB= European Systemic Risk Board
ESMA = European Securities and Markets Authority
EU = European Union
EuSEF = European Social Entrepreneurship Funds
EuVECA = European Venture Capital Funds Regulation
FARA = Risk Administrator
FATF = Financial Action Task Force
FCI = Investors Compensation Fund
FGA = Policyholders Guarantee Fund
FGDSPP = Private Pensions System Rights Guarantee Fund
FIRDS = Financial Instruments Reference Data System
FoS = Free of Services
FoE = Freedom of Establishment
FP = Property Fund
FPVS = Street Victims Protection Fund
FSAP = Financial Sector Assessment Program
GCP =Gross Compensations Paid
GEO= Government Emergency Ordinance
GD = Government Decision
GDPR = General Data Protection Regulation
GDP= Gross Domestic Product
GSM = General Shareholders Meeting
GWP = Gross Written Premiums
HFT = High Frequency Trading
IDD = Insurance Distribution Directive
IF= Investment Firms
IFRS = International Financial Reporting Standards
IGPR = Romanian Police General Inspectorate
IMC= Investment Management Company
IMF= International Monetary Fund
INFE = International Network for Financial Education
INM = National Council of Magistracy
IPO = Initial Public Offering
IORP = Directive on Institutions for Occupational Retirement Provision
IOSCO = International Organisation of Securities Commissions
ISIN = International Securities Identification Number
IT = Information Technology
ISF = Financial Studies Institute
JVI = Joint Vienna Institute
LEI = Legal Entity Identifier
MAD = Market Abuse Directive
MAE = Ministry of Foreign Affairs
MAR = Market Abuse Regulation
MCR = Minimum Capital Requirements
MFP = Ministry of Public Finances
MiFID II = Markets in Financial Instruments Directive
MIFIR = Markets in Financial Instruments Regulation
MMJS = Ministry of Labour and Social Justice
MTF = Multilateral Trading Facility
MTPL = Mandatory Motor Third Party Liability Insurance
NAV = Net Assets Value

OEIF = Open-End Investment Funds
OFP = Professional Training Organism
OMF = Order of Ministry of Public Finance
ONRC = National Trade Register Office
ONPCSB = National Office for Money Laundering Prevention and Combating
OTC = Over-The-Counter
OTF = Organised Trading Facility
PAD = Mandatory insurance policy against natural disasters
PAID = Pool of Insurance against Natural Disasters
PEPP = Pan-European Personal Pensions Product
PRIIP= Packaged Retail and Insurance Based Products
RCCI = Internal Control Departments Representatives
ROF = Organisation and Functioning Regulation
SAL-FIN = Entity for Alternative Dispute Resolution in the Non-Banking Financial Domain
SCR = Solvency Capital Requirements
SIBEX = Sibiu Stock Exchange
SFCR = Solvency and Financial Condition Report
SFTR = Securities Financing Transactions Regulation
SIF = Financial Investments Company
SIR = Digital Reporting System
SME = Small and Medium Entreprises
SSR = Short-Selling Regulation
STEAM = Set of actions Towards Establishing and Acknowledgment of the Emerging Market Status
STS = Special Telecommunications Service
TRACE = Access to Trade Repositories Project
TREM = Transaction Reporting Exchange Mechanism
TR = Trade Repositories
UCCBR = Union of Bilateral Chamber of Commerce in Romania
UCITS V = Undertakings for Collective Investments in Transferable Securities Directive
UNSAR = National Union of Insurance and Reinsurance Companies of Romania
XBRL = eXtensible Business Reporting Language
WB=World Bank



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