



FINANCIAL  
SUPERVISORY  
AUTHORITY

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# 2018 ANNUAL REPORT

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#### Note

This annual report presents the events during the calendar year 2018 and reflects the data as of 31 December 2018.

Some statistical data are provisional and will be reviewed in subsequent publications of the Financial Supervisory Authority. Due to roundings, totals may not exactly comply with the sum of the components or small differences may arise compared to the percentage variations indicated in the charts or tables.

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2018

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# ANNUAL REPORT

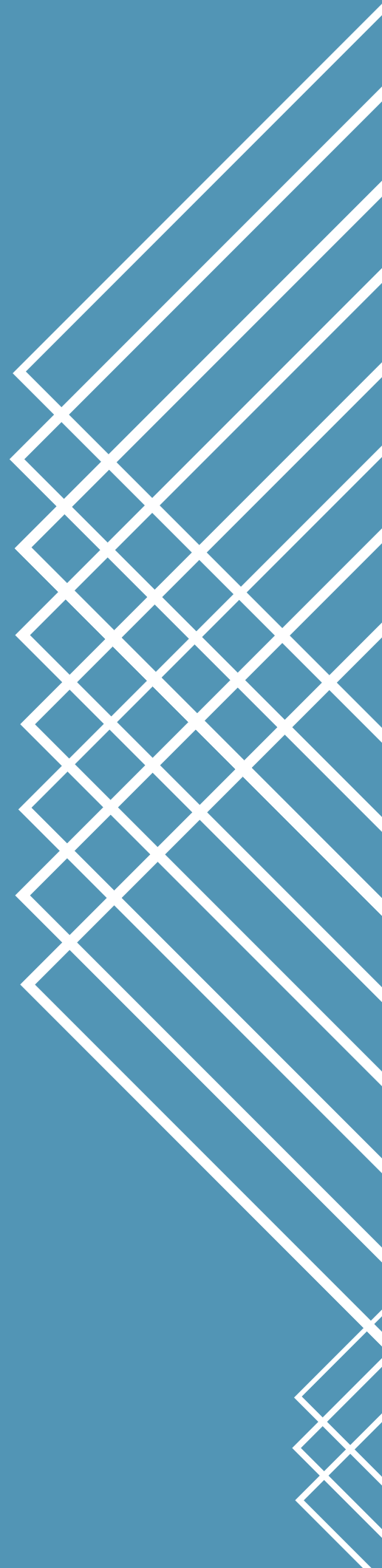


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# Message of the Chairman of the Financial Supervisory Authority

## The Year of Stability

2018 - the Centennial Year marked the fifth anniversary of the establishment of the Financial Supervisory Authority (FSA), which is a good opportunity for review.

From 2013 to 2018, FSA followed the natural steps of a newly established institution. We have experienced construction and reconstruction periods, but we have always sought to meet the needs of markets and consumers.

During our five years of institutional life, we have never strayed from our two fundamental objectives: the stability/development of non-bank financial markets and the protection of financial services consumers.

In order to achieve these goals, we have kept developing the legislative framework by transposing European guidelines and provisions into national legislation and we have permanently reviewed secondary legislation to improve market operating mechanisms. We have also pursued our policy to reduce commissions, as a part of the FSA strategy to diminish the financial efforts undertaken by entities in regulated and supervised sectors.

The Central Counterparty project was a significant focus for FSA during 2018, as we actively pursued the required steps and inter-institutional dialogue to establish this entity. In our opinion, such an institution is highly required for the development of the capital market infrastructure and, why not, for incentivizing investments on the Bucharest Stock Exchange.

The IDD law on distribution in insurance, adopted in 2018, is a significant pillar for the insurance market. This legislative act will ensure a much improved consumer protection as it requires the insurers to provide higher transparency and consultancy, and optimally regulates conflicts of interest and relevant professional training.

Outlining the legislative framework for the introduction of occupational pensions was another strategic line of action for the FSA. In our opinion, this category of pensions optimally complements the operating framework of the Romanian private pension system.

FSA pursued the financial education programme within its consumer protection policy, permanently extending the number of education institutions (primary, secondary, tertiary education) where FSA lecturers hold talks and lectures.

I would like to emphasize that FSA placed a significant focus on European and international activities in 2018 as well. The contributions of the authority's experts within the workgroups established at the level of European financial bodies (the European Insurance and Occupational Pensions Authority - EIOPA - and the European Securities and Markets Authority - ESMA) were highly appreciated and provided added value regarding the harmonization of national and European financial policies.

Analysing FSA's activity we may say, without fear of being wrong, that 2018, the Centennial Year, was a year of stability, a year where we could see the results of the continuous activity performed with my colleagues, Board members and employees of the Authority

***Leonardo Badea – Chairman of the Financial Supervisory Authority***

# About us

The Financial Supervisory Authority (FSA) was established in 2013 as a specialized independent administrative authority, with a legal status, self-financed, exercising its attributions by taking over and reorganizing all the attributions and prerogatives of the National Securities Commission (CNVM), the Insurance Supervisory Commission (CSA) and the Supervisory Commission for the Private Pensions System (CSSPP).

FSA helps reinforce an integrated framework for the operation and supervision of non-bank financial markets, of participants and operations on these markets, with the following objectives:



## THE FINANCIAL INSTRUMENTS AND INVESTMENTS MARKET

Providing for the stability, competitiveness and proper functioning of financial instruments markets, promoting the reliability of such markets and of investments in financial instruments, as well as ensuring the operators' and investors' protection against unfair, abusive and fraudulent practices.

## THE INSURANCE AND REINSURANCE MARKET

Promoting the stability of the insurance activity and defending the insureds' rights.



## THE PRIVATE PENSIONS MARKET

Providing for the efficient operation of the private pensions system and protecting the interests of participants and beneficiaries



With the establishment of the Financial Supervisory Authority in 2013, the FSA mission was defined and established around two essential benchmarks: ensuring the integrity, transparency and proper operation of non-bank financial markets, as well as protecting the interests and rights of consumers of financial products and services specific to these markets. The entire activity of the authority is subordinated to the achievement of the core goals set out by the lawmaker.

The FSA mission was established around two essential benchmarks: ensuring the integrity, transparency and proper operation of non-bank financial markets, as well as protecting the interests and rights of consumers of financial products and services specific to these markets. FSA rigorously acts for the proper operation of non-bank financial markets, for the stability and integrity of the financial sector in general, as a forward-looking authority, combining compliance principles with the innovations of the risk-based approach, i.e. to prevent and minimize the effects of risks, within its supervisory activities.



The main objective of the authority's vision is to reinforce the supervised markets and enhance their competitiveness, by creating a regulatory framework in accordance with European standards, designed to help their development within the deployment of risk-based supervisory mechanisms and a preventive approach.

FSA performs its activities in a transparent and responsible manner, promoting performance and aiming at upgrading regulatory, licensing and supervisory practices with a view to ensuring a proper operation of markets to the consumers' benefit.

FSA is involved in activities resulting in an increase of the financial education level, as an active measure to protect non-bank financial services and products consumers and to increase reliability.





# The main achievements



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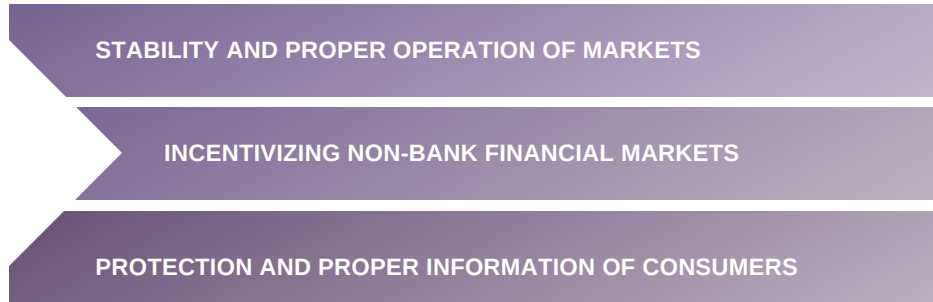
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## THE MAIN ACHIEVEMENTS OF 2018

FSA pursued its activities in 2018 to achieve the strategic goals mainly referring to:



The Authority kept developing the legislative framework according to high standards, as a capital market-specific activity is the transposition into national legislation of the European provisions MiFID II (Directive on the Markets in Financial Instruments) / MiFIR (Regulation on Markets in Financial Instruments), which helps improve the functional framework of the capital market in the long run, supporting the achievement of the emerging market status and incentivizing liquidity.

**FSA reviewed secondary legislation to facilitate the implementation of new provisions and to improve the existing operating mechanisms by:**

- Ensuring the unitary implementation of European provisions regarding: product governance requirements, simulation scenarios of crisis situations regarding money market funds, calculation of indicators to determine the most relevant currencies for settlement, the enforcement of international financial reporting standards;
- Updating regulations regarding: financial instrument issuers and market operations, capital adequacy, protection of financial instruments and funds belonging to customers, avoiding conflicts of interest, trading places, the FSA Public Register, providing investment services and activities on behalf of investment firms and credit institutions.

**FSA supported the reinforcement and development of the capital market infrastructure by pursuing the reduction of commissions and by reiterating the required actions and the inter-institutional dialogue to establish a Central Counterparty (CCP) at a national level.**

### The Authority also pursued actions regarding:

- ➔ The development of the bond market as a financing alternative by means of the capital market and incentivizing the issuing of bonds by companies already listed on the capital market;
- ➔ The development of the retail market by increasing the number of active investors, along with an increased importance and scope of the activity of investment funds.

**Law no. 236/2018 on insurance distribution** was implemented on the insurance market, aimed at improving the protection of insurance product consumers, irrespective of the distribution channel through which they purchase the insurance product, especially by promoting transparency, developing better supervision and governance of insurance products and by imposing requirements on consultancy in insurance products, professional training and capacity, compensation and conflicts of interest.

**Law no. 236/2018 implements Directive (EU) 2016/97 of the European Parliament and of the Council of 20 January 2016 on insurance distribution (IDD) and introduces the following requirements and innovations for the Romanian insurance market:**

<ul style="list-style-type: none"> <li>• Consumer protection must be improved and ensured irrespective of the distribution channel by means of which they purchase their product.</li> </ul>	<ul style="list-style-type: none"> <li>• The direct sale of insurance products by insurers, without intervention of intermediaries, is regulated with a view to creating fair competition conditions for all categories of distributors of insurance products in all European Union (EU) member states;</li> </ul>	<ul style="list-style-type: none"> <li>• New standards on the sale of insurance products containing investment elements were aligned to standards regarding investment products regulated by the Markets in Financial Instruments Directive;</li> </ul>
<p>The sales of insurance products with an investment component are subject to legislative acts regarding sale standards and conflicts of interest, in compliance with the requirements regarding consultancy, requirements on information provided to consumers concerning these products, as well as transparency requirements;</p>	<ul style="list-style-type: none"> <li>• Forbidding all forms of compensation and incentives in counselling cases if detrimental to consumers;</li> <li>• Presenting specific information in the case of cross-selling;</li> <li>• Introducing the requirement that insurance distributors should disclose any conflicts of interest.</li> </ul>	

Eventually, improved protection mechanisms for consumers, as well as information and transparency will help develop a more sustainable insurance sector in the long run.

On the private pensions market, FSA aimed at ensuring the proper operation of the system, ensuring both transparency and fairness for participants. At the same time, FSA analysed the possibility to complete the operating framework by introducing occupational pensions and diversifying investment mechanisms, so as to allow the support for infrastructure projects and public-private partnerships.

**On an institutional level, we intensified our approaches regarding:**

- Reinforcing the deployment of the risk-based supervision system, identifying and deploying a solid professional reasoning regarding the assessment of the risks affecting the various regulated entities;
- Improving and increasing the efficiency of infrastructure in order to ensure a suitable supervisory capacity based on the best international practices, simultaneously with the development of IT infrastructure;
- ensuring principles of operational independence, financial autonomy, responsibility and confidentiality to enforce an efficient supervisory process.

From a systemic perspective, FSA always performs analyses to identify, assess and draw up a dashboard of the major risks, to estimate their impact on the supervised markets, activities and institutions and to establish the required actions for their reduction, mitigation or removal.

**Eventually, all approaches are subsumed to the fundamental consumer protection objective, for which they are essential:**

Ensuring and improving the transparency and accessibility of consumers to the key information that must be provided before and after the purchase of non-bank financial products;

Pursuing and guaranteeing that the information on non-bank financial products and services is provided in an accurate, complete and clear manner, without causing confusion or error;

Continuing to focus on the financial education of population by properly informing them on their rights and obligations as consumers of financial products, instruments and services;

Monitoring potential risks and benefits for consumers of non-bank financial products, especially those resulting from innovations and from the specific evolution of each market and issuing alerts to consumers, as applicable.





# The context of 2018

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**The macroeconomic framework**  
**The dimension of non-bank financial markets**  
**Evolutions on the capital market**  
**Evolutions on the insurance market**  
**Evolutions on the private pensions market**

## The macroeconomic framework

Recent macroeconomic evolutions indicate a **solid growth of world economy in 2018 (+3.6%)**, slightly lower than the previous year (+3.8%), which marked a peak of the economic cycle (advantageous trade exchanges, increased liquidity on the financial markets, favourable borrowing conditions). After a favourable period in 2017 and partially in 2018, the global economic activity slowed down in the second half of the last year (+3.2%), reflecting a combination of factors that had an impact on dominant economies.

China had a slight slowdown (from 6.8% in Q1 to 6.4% in Q4) given the effect of external trade barriers and the stronger influence of internal financial regulations on the shadow banking sector. In the United States, the Gross Domestic Product (GDP) reached a three-year peak in 2018 (+2.9%) given the increase in domestic demand and tax incentives; however, their effect will dissipate in the forecoming period.

**The European economy experienced a stronger slowdown (+2.0%)** given the reduced trust of consumers and the business environment; car manufacturing in Germany was affected by the introduction of new standards for carbon emissions; investments decreased in Italy as sovereign spreads increased, while services contracted in France given the constant social protests.

**These macroeconomic factors will also exercise their potentially inhibiting effect in 2019, maintaining some financial vulnerabilities** (increased loans and financial costs, increased indebtedness, stock exchange corrections). Thus, economic perspectives on a global level point out to a constant slowdown in 2019, both in the United States (+2.3%) and China (+6.3%) forecast of the International Monetary Fund (IMF)), and in Europe (+1.5%) (forecast of the European Commission (EC)), which shows the dominant influence of the Euro area (+1.3%).

The annual dynamics of the European economy was eventually overcome by inflation in the second half of 2018, exceeding 2% during this period and decreasing to 1.6% in December. The highest end-of-year values of inflation (the Harmonised Index of Consumer Prices (HICP)) were seen in Estonia (3.3%), **Romania (3.0%)** and Hungary (2.8%), while modest (less than 1.0%) increases were seen in Poland (0.9%), Ireland (0.8%), Denmark (0.7%), Greece and Portugal (0.6%).

Labor demand remained strong in the EU, which shows that **private business keeps developing**, as showed by the seasonally adjusted unemployment rate, which stabilized in December 2018, to a minimum of 6.6% in the EU and 7.9% in the Euro area. Unemployment remains heterogeneous among European states, reaching its peak in Greece (18.4%), Spain (14.4%) and Italy (10.5%), with the lowest values in the Czech Republic (2.1%) and Germany (3.3%). Europe currently faces issues related to the qualification of workforce requested by new employment, given business growth, as well as the low engagement of the youth.

**GDP also slowed down in dynamics in Romania, to 4.1% in 2018 from the 7.0% peak reached in the previous year; however, it remains strong, one of the highest in the EU, supported by private consumption.**

On the whole, the current economic model is characterized by a reduction of expenditure related to domestic consumption, especially in the retail sector, which is affected by the basic effect of the strong growth in 2017, a slow recovery of investments and a relative increase of external deficit.

Macroeconomic balance is ensured in the medium run, based on the latest forecasts, but deficits need to be controlled.

## The dimension of non-bank financial markets

**Collective  
Investment  
Schemes  
4.20% GDP**

- 299,262 investors in open-end investment funds(OEIF)
- 88,913 investors in closed-end investment funds (CEIF)

**Insurance  
companies  
2.19% GDP**

- 13,351,730 non-life insurance contracts
- 1,646,848 life insurance contracts

**Private pension  
funds  
5.27% GDP**

- 7.25 million participants in the 2nd Pillar
- 472,160 participants in the 3rd Pillar

The assets of the financial banking sector keep prevailing in 2018 in Romania (52% GDP). The non-bank financial sector has kept an ascending trend along the last years, reaching 12% of the GDP in 2018. The most remarkable growth was seen in the private pensions sector, where its assets increased by about 19% compared to the previous year.

## Evolutions on the capital market

Capital market assets related to GDP

4.20%

The total value traded on the Bucharest Stock Exchange in 2018 approx. 14 billion RON

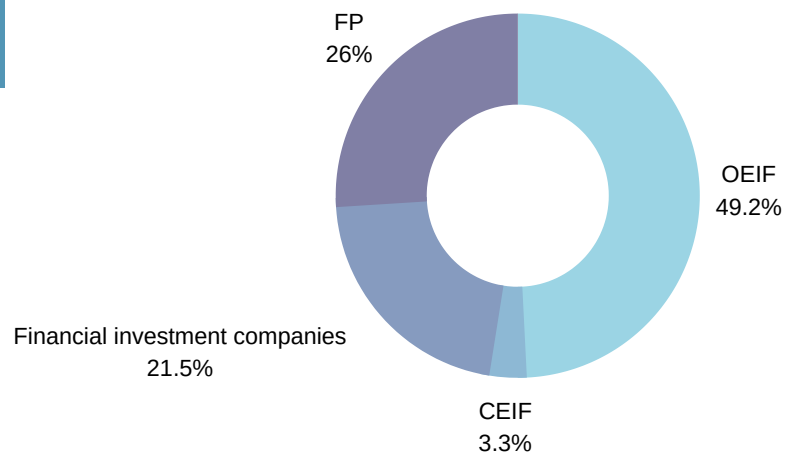
Total assets of collective investment undertakings in securities (UCITS) approx. RON 39 billion

196 securities registration certificates issued in 2018

The prevailing class of financial instruments – shares: 82% of the BVB-traded value

18 Investment management companies (IMC)  
78 OEIF  
24 CEIF  
5 Financial investment companies (FIC)  
Fondul Proprietatea (FP)  
4 Depositories

### Total assets of Collective Investment Schemes



Stock exchange capitalization at the end of the year: EUR 30 billion

Law no. 126/2018 on financial instruments markets

Draft Law on alternative investment funds

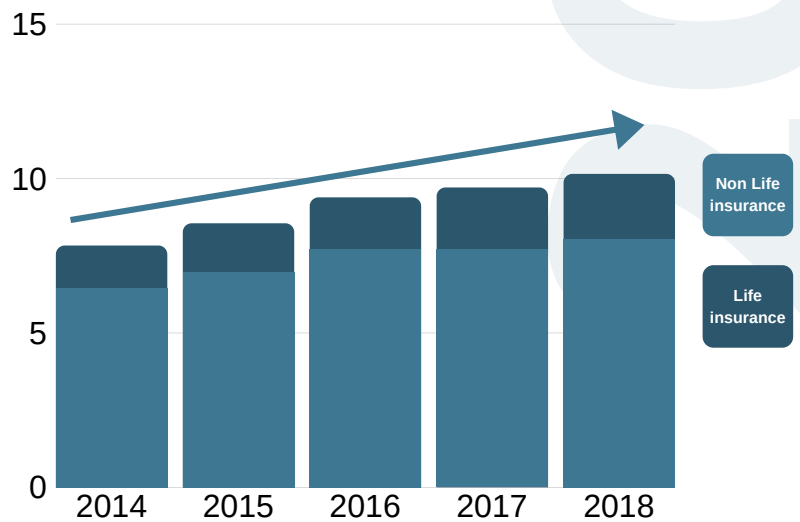
## Evolutions on the insurance market

Insurance market assets related to GDP

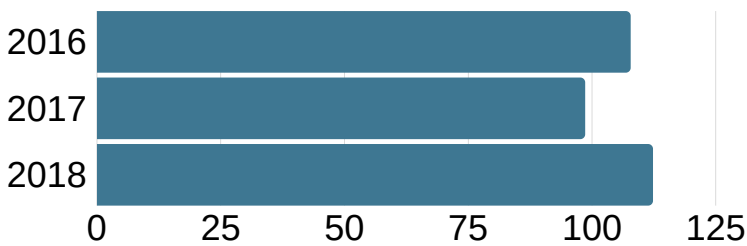
2.19%

At the end of December 2018, all companies met solvency capital requirements (SCR) and minimum capital requirements (MCR).

Evolution of gross written premiums (RON billion)



Combined ratio for the A10 class (Motor vehicle liability)



29 insurance companies  
of which 16 contracted only non-life insurance, 7 only contracted life insurance and 6 performed composite activities

Gross written premiums (GWP) for branches – RON 669 million

At the end of 2018, health insurance had a total GSP of about 335 million RON, an approximate 60% increase compared to the previous year

Assets exceeded debt by about RON 4.81 billion as of the end of 31.12.2018

Average MTPL premium RON 612

## Evolutions on the private pensions market

Private pension market assets related to GDP

5.27%

Monthly average contribution of participants to PII = RON 160

Average value of an account in the privately managed pension system = RON 6,671

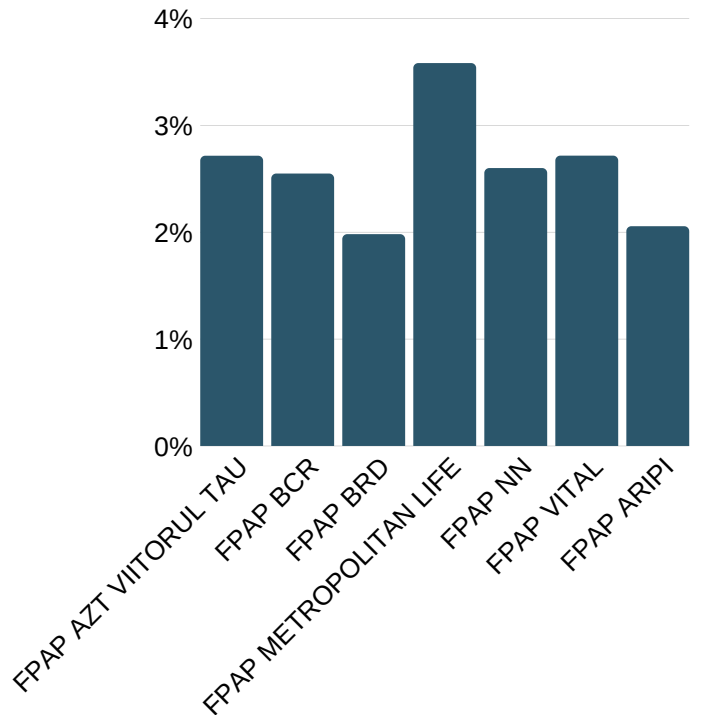
The highest share in the structure of pension fund portfolios was held by government bonds with 63.62%

91.80% of the assets of private pension funds as of December 31, 2018 were denominated in national currency

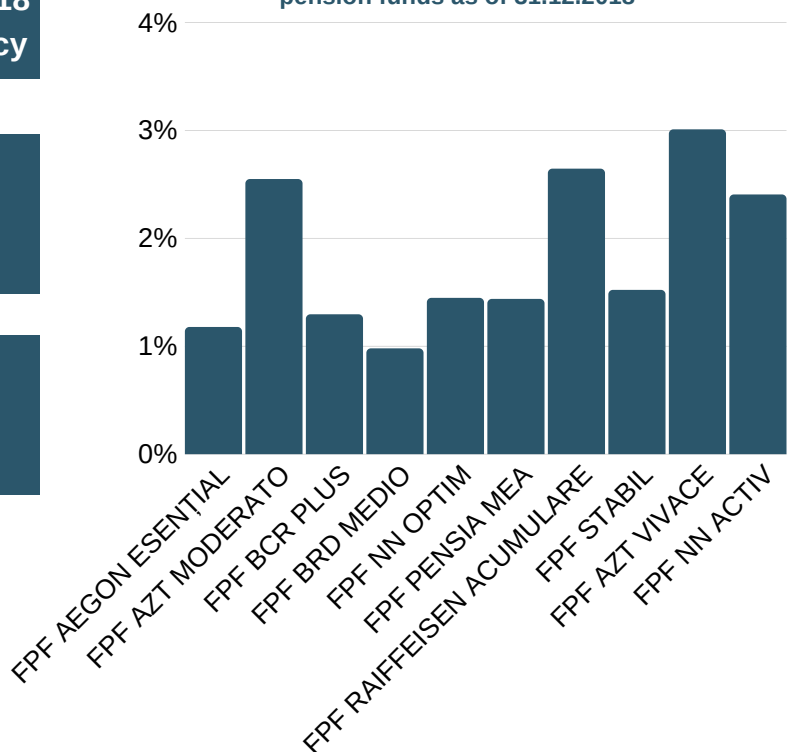
Monthly average contribution of participants to PIII = 60 RON

Average value of an account in the voluntary pension system = RON 4,567

The annualised profitability rate of privately managed pension funds as of 31.12.2018



The annualised profitability rate of voluntary pension funds as of 31.12.2018



FPAP=Privately managed pension fund  
FPF=Voluntary pension fund





# Reinforcement of institutional capacity



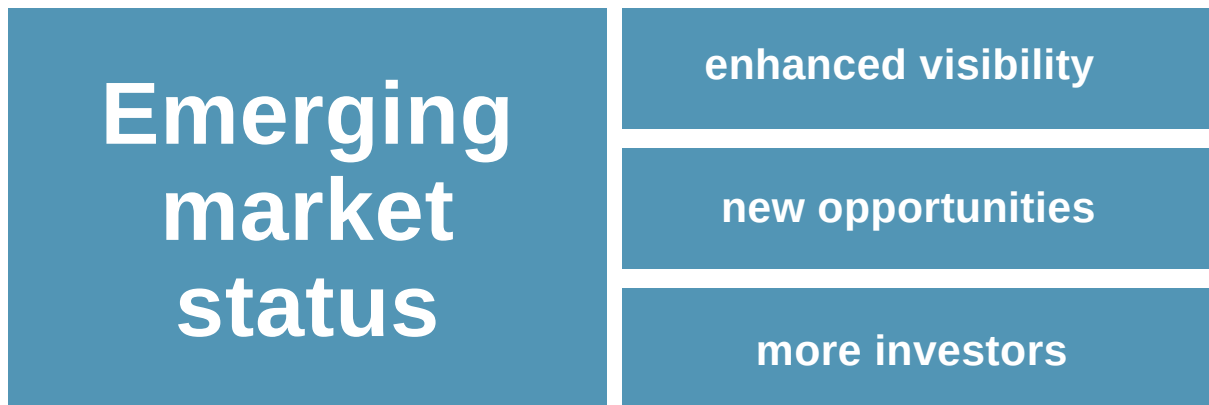


Reinforcement of the legislative framework in the field of the capital market  
Reinforcement of the legislative framework in the field of the insurance market  
Reinforcement of the legislative framework in the field of the private pensions market

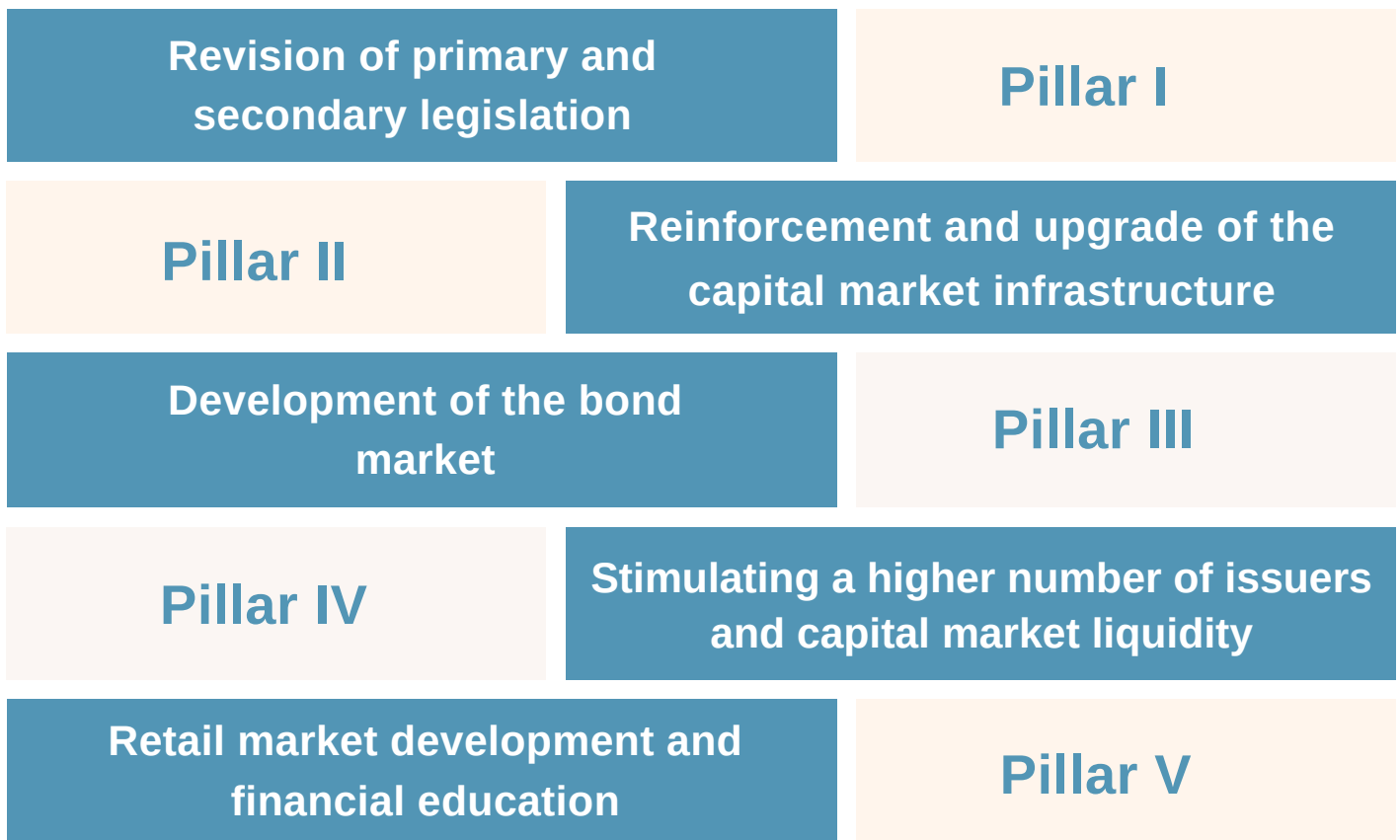
## REINFORCEMENT OF THE LEGISLATIVE FRAMEWORK IN THE FIELD OF THE CAPITAL MARKET

### The STEAM project - emerging market status

FSA pursued the actions commenced in 2014 with a view to fulfilling the major goal of its strategy in the field of the capital market, i.e. obtaining the “emerging market” status, as undertaken in the STEAM project (Set of actions Towards Establishing and Acknowledgement of the emerging Market status).



As this is a comprehensive project including a wide range of actions, it had to be structured across 5 significant pillars, each of which contained specific goals and actions:



## 1. Revision of primary and secondary legislation by:

- Passing Law no. 126/2018 on financial instruments markets ensuring the national transposition of the provisions of Directive (EU) 2014/65/EU (MiFID II);
- Drawing up two draft laws with a view to regulating alternative investment funds in Romania and to amending and supplementing normative acts in the field of the capital market, as well as establishing measures for the enforcement of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012, as this entire package will replace Law no. 297/2004;
- Amending and supplementing FSA rules and the issue of new regulations and instructions in the implementation of primary legislation;
- The issue of a draft regulation regarding the authorisation and operation of investment firms . This draft regulation considers the review of FSA Regulation no. 32/2006, in the context of Law no. 126/2018, by doing away with provisions stipulated in the relevant EU legislation, which need not be transposed into national legislation;
- Drawing up a draft regulation on professional training in the field of the capital market, to replace and repeal Regulation no. 12/2010 on the professional training of operators and specialists for the capital market;
- Drawing up a draft to amend and supplement the annex to Rule no. 39/2015 on the approval of accounting regulations in line with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the field of financial instruments and investments;
- The issue of three norms for the enforcement of ESMA guides on intermediaries and CIS; The issue of a norm amending accounting regulations in line with the International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the field of financial instruments and investments;
- The issue of an instruction on the elaboration and submission of the interim financial statements by entities authorized, regulated and supervised by the Financial Supervisory Authority - the field of financial instruments and investments;
- The issue of four regulations on the enforcement of Law no. 126/2018 on financial instruments markets.

## 2. Reinforcement and upgrade of the capital market infrastructure in order to face the liberalisation of the interconnection with European markets by:

- Pursuing the analysis of the documentation submitted by Depozitarul Central SA in the context of re-authorization based on Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012;
- Pursuing the analysis for the improvement of the registration activities of Depozitarul Central SA, by solving issues related to inactive holdings shown in Section 1 of the Central Depository, belonging to individuals who acquired shares pursuant to the Mass Privatization Programme (MPP);
- The authorization/registration of managers of alternative investment funds.

### 3. The development of the bond market by stimulating bond issues undertaken by companies that are already listed on the capital market.

- In the context of the revision of Regulation no. 1/2006 at the level of 2018, the establishment of a legal status for bonds issuers was considered regarding the obligations on listing and transparency, differentiated according to the dimension of bond issues.

### 4. Stimulating a higher number of issuers and capital market liquidity by:

- Supporting the BVB initiative regarding the project to set up a local Central Counterparty.

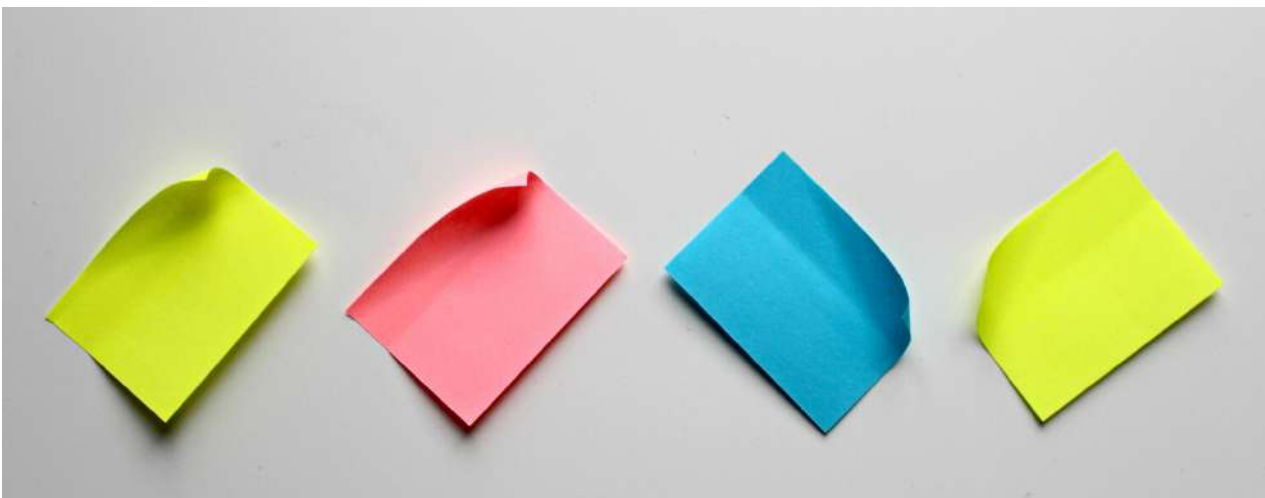
FSA declared its willingness to become involved in such a project and expressed its intention to review the Regulation of the Financial Supervisory Authority no. 16/2014 on the revenues of the Financial Supervisory Authority with a view to reducing the charge for transactions with financial instruments completed within BVB and settled through a local central counterparty, up to no less than 0.03% (a 50% reduction compared to the current level of this charge) and no more than 0.02% (a 66.67% reduction) after the establishment of the local central counterparty in Romania.

The position and strategy adopted by FSA regarding the support of BVB initiatives to set up a local central counterparty (CCP) is based on the fact that:

- it will develop services on the spot market;
- it will allow to set up derivative markets, which will enhance the liquidity and flexibility of operations on these markets in the clearing of transactions on the spot market;
- the provided services also forecast a medium and long-term increase in the amount of transactions on the two above mentioned markets, which will implicitly result in the increase of FSA revenues by applying the share for transactions in financial instruments

### 5. Retail market development and financial education by:

- Enhancing the implementation of corporate governance principles at the level of entities on the capital market (issuers, intermediaries, market operators, central depositories, etc.)



## Revision of primary legislation

Law no. 126/2018 on financial instruments markets was adopted during 2018.

The main purpose of this normative act is to adapt the legislation on the field of financial markets to recent European practice, by **transposing the provisions of MiFID II into primary legislation.**

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

- moving transactions from the over-the-counter (OTC) market to regulated markets by establishing trading obligations for certain financial instruments such as shares and derivatives, and establishing a new trading venue – the organized trading facility (OTF), for instruments other than capital markets instruments;
- the existence of numerous similarities for OTFs and MTFs (multilateral trading facilities), e.g. both are multilateral systems, have the same pre- and post-trading transparency requirements, and their operators cannot perform transactions on them using own funds (with certain exceptions); however, some significant differences also arise, such as the types of financial instruments that may be traded on them and the exercise of discretion regarding the execution of customer orders;
- increasing the importance of systematic internalisers by enhancing their status, through the inclusion of several financial instruments;
- promoting competition in trading and clearing by means of requests directed to trading venues and central counterparties, with a view to awarding transparent access, without discrimination;
- introducing the notion of algorithmic trading, representing the trade of financial instruments based on a computer algorithm automatically establishing, with minimum or no human intervention, some individual parameters of orders, such as the initiation of the order, the time when initiated, the price or quantity of the order or how the order will be managed after it is sent. Algorithmic trading implies fulfilling several requirements, such as notifying the competent authority and the trading venue, submitting the details on requested strategies, the existence of internal control systems;
- extending the range of financial instruments so that they should also include greenhouse gas emissions allowances and relevant derivatives;
- extending the list of investment services and activities with the management of OTF;
- establishing new entities pursuant to the extension of transaction reporting obligations:
  - *the approved publication arrangement (APA)* - publishes trading reports on behalf of investment firms;
  - *the consolidated tape provider (CTP)* - collects trading reports from regulated markets, MTFs, OTFs and APA and consolidates them in a continuous electronic data flow in real time, so as to provide information on pricing and volume for each financial instrument;
  - *the approved reporting mechanism (ARM)* - reports transactions to the competent authorities or ESMA, on behalf of investment firms.
- increasing transparency by extending pre- and post-trading requirements to equity like financial instruments (e.g. depositary receipts, exchanged-traded funds and certificates) and non-equity instruments (e.g. bonds, structured finance products, emission allowances and derivatives);
- as for markets in commodities derivatives, introducing provisions regarding position reporting, as well as reducing systemic risk and speculation by limiting the amount of held positions;
- improving investor protection, by establishing stricter requirements on portfolio management, investment advice and the offer of complex financial products, such as structured products. Corporate governance rules and rules on the managers' responsibility are introduced for all investment firms.

## DRAFT LAWS

The draft law amending and supplementing normative acts in the field of the capital market, as well as establishing measures for the enforcement of Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

**This draft law aims at aligning the specific legislation applicable to issuers and other entities or operations within the supervision scope of FSA to the requirements of several EU normative acts** (directly applicable EU regulations or directive provisions to be transposed on a national level), as well as performing changes and/or additions to such legislation, so as to ensure the proper development of the activities under its scope. Thus, the draft law amends and supplements a range of normative acts, such as, for instance: Law no. 24/2017 on the issuers of financial instruments and market operations and Law no. 126/2018 on financial instruments markets.

The EU normative acts considered when drawing up the draft law have been:

1. Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC;
2. Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement;
3. Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012.

### Draft Law on alternative investment funds.

The draft law was sent to the Ministry of Public Finance in June 2018 in order to initiate the inter-ministry endorsement process. The draft law was published for public consultation on the website of the Ministry of Public Finance on 18.12.2018 for 20 natural days. The draft law includes a new classification of current non-UCITs (Other Collective Investment Undertakings), depending on the type of addressed investors (professional or retail), the envisaged investment strategy and the types of eligible assets. These new categories of collective investment schemes are configured based on the investment strategies listed in Regulation (EU) No 231/2013, a part of the legislative package related to Directive 61/2011/EU (AIFMD) and the experience of other EU member states, considering the comments from the Romanian Association of Fund Managers (-AAF) and from other members of the consultative subgroup created by FSA with a view to supporting the elaboration of the new legislative package

### Revision of secondary legislation

The regulations to create or enhance the legal framework for the proper performance of the activity of capital market entities regulated and supervised by FSA were drawn up according to the following main parameters:

1. drawing up regulations for the implementation of the legislation in force and for the transposition of the EU acquis (e.g. FSA Regulation no. 2/2018 amending and supplementing normative acts);
2. drawing up regulations pursuant to documented requests of entities from the capital market, for FSA to amend or supplement certain regulations;
3. drawing up regulations pursuant to changes in the normative acts issued by the Romanian Parliament or the Romanian Government, as well as in EU legislation, regarding the capital market, whose implementation imposed the amendment of the regulations in force, provided that they did not aim at amending Law no. 297/2004 on the capital market.

## REGULATIONS

<p>1. Regulation No. 1/2018 amending and supplementing FSA Regulation No. 8/2015 on financial investment services agents, tied agents and amending and supplementing Regulation no. 32/2006 on financial investment services</p>	<ul style="list-style-type: none"> <li>The regulation aimed at updating provisions on the activity of tied agents from other member states working for an investment firm, pursuant to situations found in authorization practice.</li> </ul>
<p>2. Regulation no. 2/2018 amending and supplementing normative acts</p>	<ul style="list-style-type: none"> <li>Amending and supplementing FSA Regulation no. 9/2014.</li> </ul>
<p>3. Regulation no. 4/2018 amending the Financial Supervisory Authority Regulation no. 9/2015 on the settlement procedure by the regulated entities and supervised by the Financial Supervisory Authority based on Law no. 297/2004 regarding the capital market and Law no. 74/2015 regarding alternative investment fund managers of complains related to their activity on the capital market</p>	<ul style="list-style-type: none"> <li>The amendmen of FSA Regulation no. 9/2015 took place as ESMA reviews the reporting templates for complains at the member states' level, which were subject to reporting based on CNVM Instruction no. 7/2012 on the submission of reports regarding complaints from customers and their settlement, which was repealed as its provisions were taken over in FSA Regulation no. 9/2015 with a view to creating a single regulatory framework whereby FSA-regulated entities could report complains, also subject to the provisions of the Guide for complaints handling for the securities sector (ESMA) and in the banking sector (EBA). FSA expressed its intention to comply with this guide, whose provisions were partially included in normative acts in force on a national level.</li> </ul>
<p>4. Regulation no. 5/2018 on issuers of financial instruments and market operations</p>	<p>The regulation sets out the legal framework applicable to market operations dealing with financial instruments admitted or likely to be admitted for trading on a regulated market or traded on a multilateral trading system or on an organized trading system supervised by the Financial Supervisory Authority, as well as issuers of financial instruments, public offers of securities and market abuse operations, based on the provisions of Law no. 24/2017 on issuers of financial instruments and market operations. This regulation also repealed Regulation no. 1/2006 on issuers of and operations with securities.</p>
<p>5. Regulation no. 6/2018 amending FSA Regulation no. 3/2014 on some aspects related to the application of GEO no. 99/2006 regarding credit institutions and capital adequacy and Regulation (EU) no. 575/2013</p>	<p>The regulation aimed at updating provisions regarding capital requirements applicable to investment firms in the field of capital buffers considering the national establishment of the National Committee for Macroprudential Oversight.</p>

## REGULATIONS

<p>6. Regulation no. 10/4/2018 on the safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits</p>	<ul style="list-style-type: none"> <li>• This regulation, jointly issued with NBR, dealt with the national transposition of the directive enforcing MiFID provisions, i.e. Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to safeguarding of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits.</li> </ul>
<p>7. Regulation no. 11/2018 on the application of some provisions of art. 104 of Law no.126/2018 on financial instrument markets</p>	<ul style="list-style-type: none"> <li>• The main provisions of this regulation detailed the features of contracts for difference that may be distributed to retail investors, considering the restrictions imposed by art. 104 of Law no.126/2018 on financial instrument markets.</li> </ul>
<p>8. Regulation no. 12/2018 for the implementation of certain provisions of Regulation (EU) No. 1.286/2014 on key information documents for the Packaged retail investment and insurance-based products (PRIIP)</p>	<p>The regulation was drawn up based on the need to introduce provisions into secondary national legislation so as to ensure the legal framework for the enforcement of the provisions of art. 5(2), art. 7 and art. 28 (1) and (4) of Regulation (EU) No 1286/2014.</p>
<p>9. Regulation no. 13/2018 on trading venues</p>	<ul style="list-style-type: none"> <li>• The regulation replaced the legal framework provided by the CNVM Regulation no. 2/2006 on regulated markets and alternative trading systems, with a view to aligning the provisions of secondary legislation to both primary national legislation (Law no.126/2018, transposing MiFID II) and Regulation (EU) No 600/2014 (MiFIR), as well as the EU regulations issued for the enforcement of MiFID II and MiFIR.</li> </ul>
<p>10. Regulation no. 14/7/2018 on the performance of investment services and activities on behalf of investments firms and credit institutions</p>	<ul style="list-style-type: none"> <li>• This regulation, jointly issued with NBR, deals with minimum professional training and experience requirements for the staff of investment firms and credit institutions providing consulting services or information regarding financial instruments.</li> </ul>
<p>11. Regulation no. 15/2018 on the Public Register of the Financial Supervisory Authority</p>	<ul style="list-style-type: none"> <li>• The regulation amends and updates the sections of the FSA Register and repeals Regulation no. 4/2009 on the public register of the National Securities Commission, as subsequently amended and supplemented, as well as requirements for tied agents.</li> </ul>
<p>12. Regulation no. 17/2018 amending and supplementing the Financial Supervisory Authority Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority</p>	<ul style="list-style-type: none"> <li>• The regulation includes amendments and additions to Regulation No. 16/2018 proposed within the Insurance-Reinsurance and Financial Instruments and Investments sectors.</li> </ul>



## INSTRUCTIONS

1. Instruction No. 1/2018 regarding the preparation and submission of the interim financial statement by the entities authorised, regulated and supervised by the FSA

- The instruction sets out provisions regarding the elaboration of interim financial statement and its submission to the head office of the FSA and the territorial units of the Ministry of Public Finance (MPF), based on the obligation set out in Law no. 163/2018 amending and supplementing Accounting Law no. 82/1991, amending and supplementing the Law on Companies no. 31/1990, as well as amending Law no. 1/2005 on the organization and operation of cooperation

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

- Instruction no. 7/2007 was repealed as the FSA's obligation to report statistical information to NBR was terminated, based on NBR Rule no. 26/2006 on statistical data reporting for payment balance purposes. Based on the provisions of NBR Regulation no. 4/2014 on statistical data and information reporting to the National Bank of Romania, as amended by NBR Regulation no. 6/2016, such reporting no longer is required.

## NORMS

1. Rule no. 2/2018 amending and supplementing FSA Rule no.39/2015 on the approval of accounting regulations in line with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the field of financial instruments and investments

3. Rule No. 13/ 2018 for the application of the Guidelines of the European Securities and Markets Authority (ESMA) on stress tests scenarios under Article 28 of the Regulation (EU) 2017/1131 regarding the money-market funds

2. Rule No. 11/2018 for the application of the ESMA guidelines on the process for the calculation of the indicators to determine the most relevant currencies in which settlement takes place, of the ESMA Guidelines on the process for the calculation of the indicators to determine the substantial Importance of a CSD for a host member state, and of the ESMA Guidelines on the cooperation between authorities under articles 17 and 23 of Regulation (EU) No. 909/2014

4. Rule No. 14/2018 for the application of the Guidelines on MiFID II product governance requirements

## APPROVALS

1. Approval no. 86/16.03.2018

This approval provided clarifications on the enforcement of the provisions of art. 5 (1) (h) of Law no. 24/2017 on financial instrument issuers and market operations

## DECISIONS

### 1. Decision No. 436/04.04.2018

Amending the Central Depository Code mainly regarding the relaxation of conditions for operational segregation and the replacement of the intermediaries' obligation to perform internal audit with the obligation to perform internal checks, based on their own procedures, certifying that the total number of financial instruments existing in reports to clients is the same as the one shown in the global account opened with the Central Depository.

### 2. Decision No. 978/09.08.2018

Amending the Central Depository Code regarding the liberalization of the settlement of transactions entered outside trading systems.

### 3. Decision No. 1185/04.10.2018

This decision provided clarifications regarding the enforcement of art. 182 (8) of FSA Regulation no. 5/2018 with a view to consistently and suitably enforcing the provisions of capital market legislation.

### Other activities:

- analyzing the operating rules for a new multilateral trading system;
- analyzing the regulations of Depozitarul Central SA, in the context of their re-authorization based on Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

**The following documents were under public consultation at the end of 2018, with a view to adopting regulations to enforce the relevant capital market legislation:**

1. The draft regulation regarding the authorization and operation of investment firms. This draft regulation considered the review of FSA Regulation no. 32/2006, in the context of Law no. 126/2018, by doing away with provisions stipulated in the relevant EU legislation, which need not be transposed into national legislation;
2. The draft amending and supplementing the annex to Rule no. 39/2015 on the approval of accounting regulations in line with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority.

Pursuant to the analysis of comments and proposals received during the public consultation period, FSA will adopt the above mentioned regulations for the enforcement of relevant legislation.



## REINFORCEMENT OF THE LEGISLATIVE FRAMEWORK IN THE FIELD OF THE INSURANCE MARKET

With a view to improving the outcomes of regulatory activity for the insurance market, the established goals mainly refer to:

- creating the regulatory framework on primary and secondary legislation applicable to insurance or reinsurance intermediaries, including the framework on professional training in insurance compatible with the requirements of the new EU Directive (the IDD package);
- pursuing the permanent exchange of information and expertise with the representatives of insurance companies regarding the enforcement of the Solvency II framework, amending both supervisory activity and the activity of insurance companies;
- integrating and harmonizing EIOPA guidelines drawn up for the Solvency II supervisory system in the applicable national legislative framework;
- contributions in the development of institutional capacity with a view to ensuring the effective implementation of new requirements;
- pursuing actions to stabilize the MTPL market by enforcing the provisions of Law no. 132/2017 and its enforcement guidelines, also analyzing the opportunity to adapt legislative provisions to the new realities and trends of the national and European MTPL market;

Analysing the effects of the new legislation regarding MTPL and identifying solutions to improve it at the one-year anniversary of the enforcement of Law no. 132/2017, contributing to the stabilization of the MTPL market, considering the issues described in the official notice of 23.07.2018 of the Permanent Representation of Romania to the European Union regarding the opening of the infringement procedure for the transposition into national legislation of certain provisions included in the Solvency II Directive and the Directive on motor insurance, with a view to ensuring the convergence of national legislation with relevant EU directives.

### Regulatory activities in the insurance sector

#### IDD package - Insurance distribution

1. Law no.236/2018 on insurance distribution
2. Rule no. 16/2018 on the enforcement of the provisions of the Guideline of the European Supervisory Authority (European Insurance and Occupational Pensions Authority) (EIOPA) regarding insurance-based investment products including a structure that makes it difficult for the consumer to understand the relevant risks
3. Rule no.19/2018 on insurance distribution
4. Rule no.20/2018 on the professional training of persons involved in distribution activities

#### Mutual insurance companies

1. Draft law on mutual insurance companies

#### Moto vehicle insurance and BAAR

1. Draft Regulation amending and supplementing Regulation no. 6/2017 on the National Protection Fund (Regulation no. 2/2019)

### Accounting

1. Rule no. 3/2018 amending the Financial Supervisory Authority Rule no. 19/2015 on the enforcement of international financial reporting standards by insurance, insurance-reinsurance and reinsurance companies
2. Rule no. 5/2018 on the end of financial year 2017 for insurance companies
3. Rule no. 9/2018 amending and supplementing accounting regulations on individual annual financial statements and the consolidated annual financial statements of entities performing insurance and/or reinsurance activities, approved by FSA Rule no. 41/2015
4. Rule no. 10/2018 supplementing accounting regulations on individual annual financial statements and the consolidated annual financial statements applicable to insurance and/or reinsurance brokers, approved by FSA Rule no. 36/2015
5. Rule no. 12/2018 enforcing the Accounting Reporting System of insurance companies as of 30 June 2018
6. Rule no. 15/2018 supplementing accounting regulations on individual annual financial statements applicable to the Policyholders Guarantee Fund, approved by FSA Rule no. 15/2016
7. Rule no. 22/2018 amending and supplementing the Financial Supervisory Authority Rule no. 19/2015 on the enforcement of international financial reporting standards by insurance, insurance-reinsurance and reinsurance companies

### Legislative harmonization

1. Rule no. 3/2018 supplementing Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority, with a view to introducing the definition of "collected gross premiums" and a limitative provision regarding the admission of rectifying statements
2. Rule no. 7/2018 amending and supplementing normative acts

### Reducing the administrative burden

1. Rule no. 6/2018 on the amendment of art. 11 (7) of the Rule of the Financial Supervisory Authority no.20/2016 on the authorization and monitoring of insurance and reinsurance companies

### FSA integrated regulations

1. Rule no. 4/2018 on the management of operational risks generated by information systems used by authorized/licensed/registered entities, regulated and/or supervised by the Financial Supervisory Authority
2. Regulation no. 3/2018 supplementing the Financial Supervisory Authority Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority
3. Regulation no. 12/2018 for the implementation of certain provisions of Regulation (EU) No. 1.286 / 2014 on key information documents for the Packaged retail investment and insurance-based products (PRIIP)
4. Regulation no. 17/2018 amending and supplementing the Financial Supervisory Authority Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority
5. Draft to amend the Rule no. 4/2018 on the management of operational risks generated by information systems used by authorized/licensed/registered entities, regulated and/or supervised by the Financial Supervisory Authority
6. Draft to amend the Regulation no. 14/2015 on the assessment and approval of the members of the management structure and of persons holding key functions in the entities regulated by the Financial Supervisory Authority

## PROJECTS INITIATED IN 2018 AND DUE TO BE COMPLETED IN 2019

### Mutual insurance companies

1. Draft Rule on mutual companies - to enforce the provisions of the Law on mutual insurance companies; to be subject to public consultation after the law is published.

### Motor insurance

1. Draft to amend and supplement Law no. 132/2017 on compulsory insurance against civil liability for damages to third parties through accidents of vehicles and trams - completing the proposals to amend Law no. 132/2017 and Rule no. 20/2017, pursuant to the action of the European Commission, as well as to improve several aspects.
2. Draft to amend and supplement Rule no. 20/2017 on motor vehicle insurance in Romania - alignment to the provisions of Directive 2009/138/EC and Directive 2009/103/EC.
3. Draft Joint Order of the Ministry of Health and FSA - The final version of the score from the National Institute of Legal Medicine (INML) is expected, for analysis within the Ministry of Health.

### Solvency II

1. Draft rule on the enforcement of the Solvency II framework at a company level, drawn up based on EIOPA guidelines, currently under review. The guidelines are currently enforced as drawn up by EIOPA, which issued 23 guidelines for the enforcement of the new supervision regime; they should be transposed, not enforced as such.
2. Draft rule on the enforcement of the Solvency II framework at a group level. Though a single guideline on solvency is available at a group level, information regarding groups is also available in the other guidelines issued by EIOPA. The guideline is currently enforced as drawn up by EIOPA; it should be transposed, not enforced as such.

### Financial recovery

1. Draft to amend Law no. 503/2004 on financial recovery, bankruptcy, dissolution and voluntary liquidation in insurance activities

### Housing

1. Draft to amend Law no. 260/2008 on compulsory housing insurance against earthquakes, landslides and floods - Submitted to the Ministry of Regional Development and Public Administration for the exercise of the right to legislative initiative.
2. Draft to amend Order no. 7/2009 for the enforcement of Guidelines on establishing, assessing and liquidating damages for compulsory housing insurance against earthquakes, landslides or floods - Depending on the amendment of Law no. 260/2008.
3. Draft to amend Rule no. 7/2013 on the form and clauses included in the contract for compulsory housing insurance against earthquakes, landslides or floods - For alignment to the provisions of the General Data Protection Regulation (GDPR).

## Accounting

1. Draft rule amending and supplementing the Rule of the Financial Supervisory Authority no. 41/2015 for the approval of Accounting Regulations on individual annual financial statements and the consolidated annual financial statements of entities performing insurance and/or reinsurance activities - Based on the amendments of Law no. 163/2018 amending and supplementing Accounting Law no. 82/1991 (regarding the possibility to quarterly distribute dividends).
2. Draft rule amending and supplementing the Rule of the Financial Supervisory Authority no. 36/2015 for the approval of Accounting Regulations on individual annual financial statements and the consolidated annual financial statements applicable to insurance and/or reinsurance brokers - Based on the amendments of Law no. 236/2018 and Law no. 163/2018 amending and supplementing Accounting Law no. 82/1991 (regarding the possibility to quarterly distribute dividends).
3. Draft rule on the approval of accounting regulations regarding individual annual financial statements and the consolidated annual financial statements applicable to mutual insurance companies.
4. Draft rule on the approval of accounting regulations in line with the International Financial Reporting Standards by insurance and/or reinsurance companies

## Integrated regulations

1. Draft to amend Regulation No. 2/2016 regarding the enforcement of corporate governance principles by the entities authorised, regulated and supervised by the FSA.

## OTHER RELEVANT PROJECTS

### Normative acts of other institutions

1. FSA Advice on Government Ordinance no. 2/2018 on travel services packages and related travel services, as well as to amend some normative acts.
2. The involvement of FSA in drawing up the Order of the Ministry of Tourism on the approval of Procedures to guarantee the amounts paid by passengers regarding travel service packages/related travel services in case of insolvency of the organizing travel agent and the procedures for compensating passengers.
3. FSA Approval on the Draft Government Decision on the approval of the Methodological Guidelines for the enforcement of the Nairobi International Convention on the Removal of Wrecks, adopted in Nairobi on 18 May 2007.

### Collaborations with other institutions

1. Ministry of Agriculture - National Rural Development Programme (PNDR) 2014-2020 submeasure 17.1 "Compensating the farmers' insurance premiums".
2. Ministry of Agriculture - National Rural Development Programme (PNDR) 2014-2020 submeasure 17.2 "Mutual funds for unfavourable climate events, for animal diseases, for pest infestation and for environmental incidents (mutual funds)".

### Miscellaneous

1. Proposals for the Fit and Proper Manual - This manual was drawn up to support FSA in the proper and accurate assessment of the management of insurance companies. The manual was drawn up together with EIOPA.
2. Draft rule on rules of conduct for companies in the insurance field - Elements taken over in Rule no. 19/2018 on insurance distribution.
3. The National Association of Insurance and Reinsurance Companies in Romania (UNSAR) – discussions on topics such as health insurance, guarantee insurance, presentation of the project to amend Law no. 503/2004.

**THE EU  
PRESIDENCY -  
ACTIVE  
INVOLVEMENT IN  
PREPARING THE  
ROMANIAN  
PRESIDENCY OF  
THE COUNCIL OF**

- Allocating resources by assigning FSA specialists (chairman and vice-chairman of the workgroup) for the legislative draft to amend the Motor Insurance Directive and the dossier on sustainable finance (SF);
- Taking part in training sessions;
- Taking part in the activity of workgroups under the Austrian Presidency;
- Preparing to take over the legislative dossier (MTPL) during the Romanian Presidency and setting up the calendar for bilateral meetings with the current presidency, the European Commission, member states;
- Preparing experts to take over the dossier (Sustainable Finance - SF) during the Romanian Presidency and setting up the timeline for trilateral meetings (technical trilogues) with the presidency, the European Commission and the European Parliament.

**WORKGROUPS -  
EUROPEAN  
LEVEL**

- Drawing up participation mandates for the EIOPA Board of Supervisors (BoS)
- Documents of the EIOPA Committee for Consumer Protection and Financial Innovation
- Documents of the Sustainable Finance Workgroup - drawing up the technical approval for the COM mandate for the approval of financial legislation

## I. Creating the regulatory framework for insurance distribution (IDD) - law and legislative package

- drawing up the draft law according to the provisions of the IDD Directive;
- external meetings of the workgroup for the transposition of IDD with the participation of professional associations: UNSAR (The National Association of Insurance and Reinsurance Companies in Romania), UNSICAR, PRBAR (The Romanian Patronate of Insurance-Reinsurance Brokers), CPBR (The Council of Banking Employers in Romania), ALB (The Romanian Association of Financial Companies) with a view to discussing key issues regarding IDD; drawing up the transposition table and the centralised table with the proposals resulting from the meetings of the workgroup, to be submitted to MFP as the initiator;
- drawing up proposals and comments in the inter-ministry approval process (MPF, Ministry of Foreign Affairs, Ministry of Justice, NBR, the General Secretariat of the Government, the Legislative Council, the Superior Council of Magistrature, etc.), including the revision of the draft after its analysis by the relevant directorates of MPF and, if applicable, the counter-arguments submitted to the ministry if the proposed amendments are not accepted; subsequently, re-submitting to MPF the documents underlying the correspondence with the other institutions;
- taking part in the meeting with MPF representatives within the Commission for Social Dialogue, the Economic and Social Council regarding the transposition of the IDD Directive in the draft law and supporting the legislative draft - discourse with a view to supporting the legislative draft and answering the questions asked within the Commission;
- taking part in meetings with MPF and MJ representatives, as well as commissions of the Romanian Parliament to clarify certain aspects raised when drawing up the draft law;
- drawing up a summary of the proposals for the inter-ministerial approval process regarding the proposals received within the public consultation process by means of the MPF regarding the Draft Law on insurance distribution under public consultation;
- drawing up the transposition table for EC, based on the obligations of the FSA to submit the National Enforcement Measures (NEM) to the Ministry of Foreign Affairs. The table includes the provisions of the directive and their transposition by including Law no. 236/2018 on insurance distribution, published in the Official Gazette of Romania;
- checking the takeover of national provisions in the draft law or the enforcement norms based on the provisions chart for Law no. 32/2000 and the draft law on the transposition of IDD into national legislation.

#### Activities regarding the drawing up of secondary legislation

- drawing up a note for the approval of the draft consolidated rule regarding intermediation in insurance with a view to preparing the implementation of IDD as a transition phase for public consultation;
- analysing the European legislative framework with a view to identifying the need to draw up secondary legislation applicable to IDD based on the existing normative acts, to include aspects that are not regulated in 2nd and 3rd level acts;
- drawing up the IDD package (under public consultation and as a draft).

#### Permanent monitoring of 2nd and 3rd level drafts or normative acts and translation quality analysis

- FSA-UNSAR workgroup regarding EU 2nd and 3rd level legislation issued for the enforcement of IDD and PRIIP (PRIIPs Regulation, filling-in rules and EIOPA guideline on complex and non-complex products).

## II. . Creating the regulatory framework regarding mutual insurance companies

#### Activities regarding the completion of the Draft Law

Activities for this project are mainly those regarding elaboration, substantiation, the transposition table, the centralised table with the proposals of the internal workgroup, submission to MPF, analysis, elaboration of the centralised table with the proposals of the internal workgroup and answers to the comments of endorsing ministries, participation within the Commission for Social Dialogue and the Economic and Social Council.

#### Activities regarding the drawing up of secondary legislation

Activities for this project refer to a review of the draft law, followed by the elaboration and substantiation of the draft rule.





### III. Improving the regulatory framework regarding MTPL insurance

#### Activities regarding the completion of two normative acts of primary legislation (the draft law for the approval of MTPL GEO as amended and supplemented and the MTPL Law, subsequently)

Specific activities refer to elaboration, substantiation, transposition table, centralised table with the proposals of the internal workgroup, submission to the MPF, participation in the discussions of the Parliamentary Commission for Budget, Finance and Banking and the Parliamentary Commission for Industry and Services of the Chamber of Deputies, drawing up the transposition table for EC, based on the obligations of the FSA to submit the National Enforcement Measures (NEM) to the Ministry of Foreign Affairs.

#### Activities regarding the drawing up of secondary legislation

Specific activities for this draft refer to elaboration, substantiation, internal and external meetings, participation and coordination of the public debates organised at the Romanian Chamber of Commerce and at the Palace of the Parliament and preparing the required documents, transposition table with the legislation applicable to insurance companies, drawing up comparative tables and analysing the draft law, analysing the European legislative framework with a view to identifying the need to draw up secondary legislation for the enforcement of the MTPL Law.

#### Activities to amend Law no. 132/2017 and Rule 20/2017

Activities for these projects mainly refer to participation in the MTPL Workgroup with a view to analysing legislation regarding MTPL insurance, which was reviewed by the European Commission, to draw up proposals to amend it in order to ensure the convergence of national legislation with relevant EU directives, also considering the obligation of Romania, through FSA, based on art. 27 of Directive 2009/138/EC regarding the safeguarding of insurance policy holders and beneficiaries, drawing up, substantiation, internal and external meetings, transposition table, centralised table with the proposals of the internal and external workgroup, submission to MPF and Ministry of Foreign Affairs, analysis of comments based on the received proposals, proposal of relevant changes.

#### Drawing up guides and other related activities

Other activities referred to participation in workgroups regarding: drawing up the Protocol to establish the conditions for access to records of vehicles registered in Romania and managed by public authorities; drawing up the procedure to suspend the circulation right upon request of the insured who entered an MTPL contract based on legal provisions and immobilising the vehicle based on art. 6(6) of Law no. 132/2017 (involved institutions: the Ministry of Internal Affairs, the Ministry of Transport, the Ministry of Regional Development, Public Administration and EU Funds and FSA); drawing up the joint order for the determination of compensations payable to persons affected by damages to the physical integrity or health of individuals based on the score provided by the "Mina Minovici" National Institute for Legal Medicine of Bucharest, based on art. 22 (5)(a) of Law no. 132/2017, the purpose to interconnect the databases of RAR-ARR-CNAIR-ISCTR-ASF-DRPCIV-ANAF. Other outstanding activities were the participation in the Consulting Group for Ongoing Dialogue (GCDP) in the field of safeguarding consumers of non-bank financial services and the participation in the consulting group, representatives in the FSA work subgroup, the Consumer Protection Authority (ANPC) and Audatex for the use of specialised systems. Other important activities were those regarding the drawing up of the chart with the steps to follow when solving claims files, so that it may be published on the FSA website and contributions to FSA-initiated projects with a view to drawing up best practice guides (BAAR Guideline - How to use the GREEN CARD document, Guideline - The rights of affected individuals covered by MTPL insurance, the Guideline for consumers entering MTPL insurance with an insurer operating on the Romanian territory based on the freedom to provide services, MTPL Guideline and Recommendations for the performance of the management and settlement of MTPL car claims files).

## IV. Improving the regulatory framework on compulsory housing insurance - PAD

### Activities for the completion of the draft to amend the PAD Law

Correspondence with the Ministry of Regional Development with a view to promoting changes resulting from the activity of the workgroup, analysis and answers to the comments of the above mentioned ministry.

### Other relevant activities

Permanent monitoring and analysis of legal provisions to identify the provisions of Solvency II/IDD likely to contradict the provisions of legislation on PAD and internal meetings performed on a regular basis with a view to discussing key issues.

## V. Draft law on financial recovery, dissolution and liquidation in insurance

### Activities for the completion of the normative draft for primary legislation

Activities for this project refer to: elaboration, substantiation, analysis of existing provisions, internal and external meetings, transposition table, centralized table with the proposals of the internal/external workgroup. The drafts to amend Law no. 213/2015 and Law no. 85/2014 were also considered, so as to avoid legislative parallels and any incongruities, to differentiate provisions regarding the financial recovery procedure and the specific provisions applicable in the dissolution and liquidation of companies and insurance and/or reinsurance brokers otherwise than due to bankruptcy, to adjust procedures for mutual insurance companies as well.

## VI. Working group on the Business Continuity Plan project

**Main activities:** drawing up the master document at the FSA level, establishing the structure of the Management Team for the crisis situation, drawing up tables including Emergency Situations Teams, including Managers for crisis situations within directorates (MCS), the list of coordinators for continuity of the activity (CCA) and replacements, drawing up the list on vital information, establishing institutional infrastructure components that could be affected in the directorate/service in case of an emergency situation.

**Other relevant activities:** permanent monitoring and analysis of the above mentioned situations

## VII. Improving the accounting regulatory framework applicable to insurance and/or reinsurance companies and brokerage companies

Activities for these projects refer to elaboration, substantiation, analysis of existing provisions, ensuring the congruity with the national regulatory framework drawn up by MPF, obtaining approval from MPF and drawing up comparative tables, as the case may be.

## VIII.EIOPA – workgroups/experts

EIOPA - The persons in charge with coordinating EIOPA activities within FSA and those appointed in the workgroups/EIOPA experts have undertaken the following activities: drawing up mandates for the meetings of the members of the Board of Supervisors (BoS), as shown in the responsibility area of FSA employees included in EIOPA workgroups; drawing up answers to questionnaires/providing comments or drawing up documents for EIOPA workgroups, drawing up quarterly reports both at an internal level and for workgroups/experts, active participation (written communications and physical presence in EIOPA meetings, Frankfurt) regarding European regulations on IDD (including the collaboration protocol between national MS authorities) and PRIIPs, as well as other topics.

The Council of the European Union - the Sustainable Finance (SF) workgroup, participation in FSA internal meetings to discuss the responsibilities of each group member, the directives to be amended, etc., active participation - written communications and work meetings in EC, Brussels, drawing up reports on participation in the experts' work meetings, updating dossier reports in the field of financial services to be submitted to Ministry of Foreign Affairs, participation in drawing up the informative report on the evolutions of negotiations on the Sustainable Finance (SF) dossier of the EU Council, training experts for the takeover of the dossier during the Romanian Presidency and setting up the timeline for trilateral meetings (technical dialogues) with the presidency, the European Commission and the European Parliament.

## IX. The notification of national enforcement measures (NEM) to MFA

Following the evolution of European legislation and permanent referral to the EurLex platform, checking the obligations of notification and referring to the European Union website, consulting, filling in and submitting the table for the National Programme for Transposition and Notification of Directives (MAE) by updating the data, observations and normative drafts transposing the directives under the obligation of notification of FSA.



# REINFORCEMENT OF THE LEGISLATIVE FRAMEWORK IN THE FIELD OF THE PRIVATE PENSIONS MARKET

## Drawing up secondary legislation

The status of development of the private pension fund market, the increase in the volume of assets, the evolution in EU sectoral and inter-sector regulations, as well as the identification of the participants' needs and expectations are issues lying at the basis of the development of the regulatory framework in the private pensions field.

In the regulatory process, major significance was granted to the dialogue with stakeholders, good practices, guidelines, studies and research papers drawn up by bodies with relevant experience (e.g. The Group of twenty of finance ministers and central bank governors (G20), the International Monetary Fund (IMF), the World Bank, the European Bank for Reconstruction and Development (EBRD), the International Organisation of Pension Supervisors (IOPS), EIOPA).

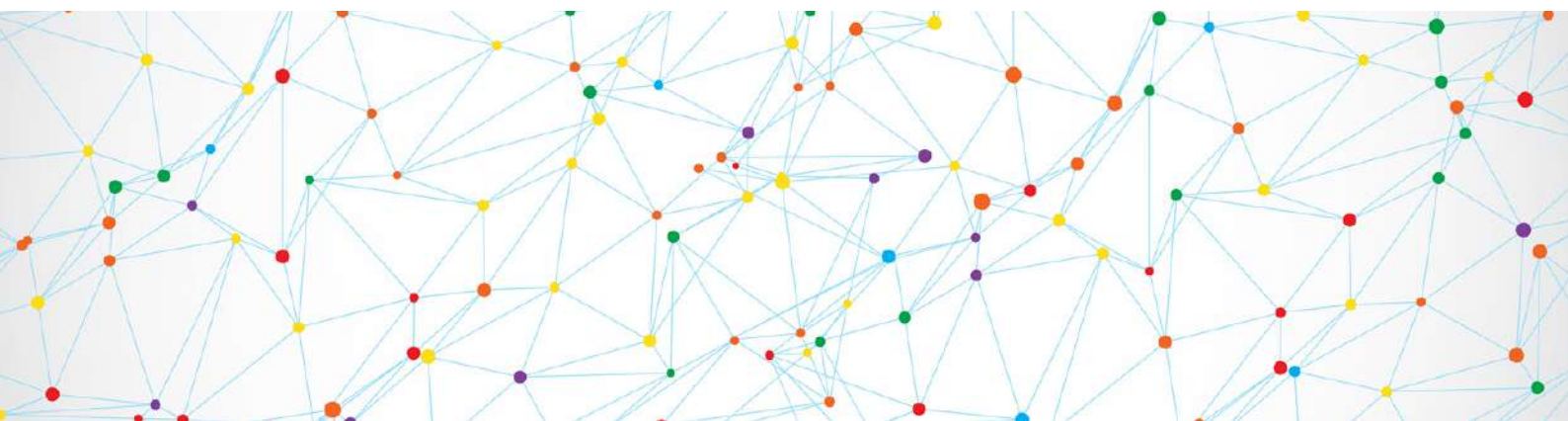
The main focus of the regulatory activity was the participant/beneficiary and their protection, resulting in a regulatory update process pursuant to changes in the relevant primary legislation, i.e. the implementation of the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (also known as the General Data Protection Regulation) and accounting regulations in line with EU directives.

### I. Implementing the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data

This EU normative act is directly enforced by European Union member states and substantially amends the legal framework for personal data processing. One of the fundamental principles regulated by means of the Regulation is the transparency principle. This principle implies that data operators, respectively the entities establishing the purposes and means for personal data processing, should provide a minimum amount of information to the data subjects whose data they process.

In the fulfilment of their scope of activity, companies managing private pension funds act as personal data operators of participants to pension funds. Thus, it results that the obligations included in the Regulation apply to such companies, including, without limitation, the obligation to observe the transparency principle.

In this context and related to the impact of new EU regulation, FSA considered that an analysis is needed to identify the provisions of secondary legislation that have to be amended, identifying the participants' accession to a private pension fund. Thus, the rules regarding accession to privately managed and voluntary pension funds were amended and supplemented.



**Pursuant to change/additions to primary legislation, the following rules were drawn up and came into force in 2018:**

(a) Rule no. 17/2018 for amending and supplementing the Norm of the Financial Supervisory Authority no. 1/2015 on the adherence and registration of the participants in the privately administrated pensions funds, published in the Official Gazette of Romania, Part I, issue 968 of 15 November 2018, including new provisions regarding:

1. The enforcement of the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation) was adopted in 2016;
2. Supplementing the provisions of the Master Document for accession to a privately managed pension fund;
3. Updating Rule no. 1/2015 in the context of the provisions of art. 124(E) of Law no. 223/2015 on public military pensions, as subsequently amended and supplemented;
4. The supply of more detailed information for future participants in a privately managed pension fund regarding the identity of the data operator, how they process such data and the processing purposes.

(b) Rule no. 18/2018 on the adherence and registration of the participants in the voluntary pensions funds, published in the Official Gazette of Romania, Part I, issue 969 of 15 November 2018, including new provisions regarding:

1. The enforcement of the provisions of Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation);
2. supplementing the provisions of the Master Document for accession to a voluntary pension fund, so as to align to some provisions of Regulation (EU) 2016/679 requiring that participants should be informed regarding: the identity of the data operator, data processing purposes, as well as the legal basis for processing purposes;
3. the supply of more detailed information for future participants in a voluntary pension fund regarding the identity of the data operator, how they process such data and the processing purposes.

FSA cooperated with the National Authority for Public Pensions and received approvals for all secondary regulation drafts that were submitted (based on the legal obligation to obtain approval for projects relevant for the accession and registration of participants to the 2nd pillar).

## **II. The update of accounting regulations for entities that are authorized, regulated and supervised by FSA in the private pensions field**

Entities performing activities in the field of private pensions must hold accounting records based on Norm no. 14/2015 on accounting regulations in line with EU directives applicable to the private pension system, issued based on Accounting Law no. 82/1991, republished, as subsequently amended and supplemented. Due to the evolution of the private pension system and considering tax changes, Rule no. 14/2015 was amended by Rule no. 1/2018 and Rule no. 8/2018

(a) Rule no. 1/2018 supplementing the Rule of the Financial Supervisory Authority no. 14/2015 on accounting regulations compliant with the European directives applicable to the private pension system, published in the Official Gazette of Romania, Part I, issue 66 of 23 January 2018, regulates the introduction of new accounts in the accounting of pension private pension funds, so as to reflect net asset payments, staggered in installments for no more than 5 years. Thus, the accounting treatment is regulated for net asset payment operations, both for single payments and for staggered payments, at the enforcement unit level.

(b) Rule no. 8/2018 supplementing the Rule of the Financial Supervisory Authority no. 14/2015 on accounting regulations compliant with the European directives applicable to the private pension system, published in the Official Gazette of Romania, Part I, issue 513 of 21 June 2018, regulates the introduction of new accounts in the accounting of pension companies/pension brokers/guarantee fund, so as to reflect the social security contribution, the health insurance contribution, the insurance contribution for labour and expenses on the insurance contribution for labour.

## WORKGROUPS ORGANIZED IN FSA

### (a) Workgroup to identify possible “investment vehicles”

The workgroup organized within FSA aimed at identifying possible “investment vehicles”, the financial resources and the legal provisions that may allow drawing up a regulatory framework. An inter-sectorial workgroup was established, with a view to drawing up an informative note regarding the identification of possible “investment vehicles” of financial resources in the three fields of activity of FSA, as well as the legal provisions that may allow to draw up a regulatory framework for such “investment vehicles”.

The analysis of national and EU legislation for the three sectors, of good practices on European and international financial markets, as well as information regarding current concerns and projects existing at the level of relevant EU bodies, showed that, besides punctual restrictions, FSA-supervised entities may invest in a wide range of investment vehicles (complying with certain limits on the level of exposures, compared to the total value of the portfolio).

Thus, given the risk profile and the different objectives of FSA-supervised entities, significant differences are found between regulations regarding the investment policy specific to insurers (which are generally very permissive), alternative investment funds (also very permissive), collective investment undertakings for securities (more restrictive) or private pension funds (also more restrictive). In order to be able to attract investments from FSA-supervised entities, a potential investment vehicle must be organized as a stock company or as a collective investment undertaking and issue financial instruments such as shares or bonds, respectively participation units/fund units.

### (b) Workgroup to revise/amend Regulation no. 14/2015

For the changes to Regulation no. 14/2015 on the assessment and approval of the members of the management structure and of persons holding key functions in the entities regulated by the Financial Supervisory Authority, FSA representatives actively took part in the meetings of the workgroup and submitted comments and proposals to restate the content for each of the submitted versions.

## **Contributions to drawing up primary legislation drafts**

FSA cooperated with Romanian authorities such as the Ministry of Public Finance, the Ministry of Labour and Social Justice, the Ministry of Foreign Affairs, the Ministry of Justice, the Romanian Parliament and the National Authority for Public Pensions, based on the law and/or agreements/protocols entered therewith, by exchange of information and technical opinions regarding relevant legislative drafts for FSA, with a view to reinforcing the stability and integrity of the Romanian private pension system.

**(a) The draft law on occupational pensions**

The Ministry of Labour and Social Justice is the institution that agreed to transpose Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for occupational retirement provision (IORP II). Upon their initiative, a workgroup was established to identify the required legislative measures to transpose Directive (EU) 2016/2341 into Romanian legislation, where FSA representatives took part.

**(b) The draft law on private pensions payment**

FSA cooperated with the Ministry of Labour and Social Justice, the Ministry of Justice and the Ministry of Foreign Affairs in the law-making/inter-institutional approval process for the draft law on private pensions payment. The content of the draft law is completed, as it was subject 11 times to the inter-institutional approval process, upon request of the Ministry of Labour and Social Justice, as the initiator.

**(c) The draft law on the public pension system**

FSA submitted proposals to amend and supplement the draft law on the public pensions system, to the Ministry of Labour and Social Justice. During the inter-institutional approval process, the content of the project was endorsed by FSA in October 2018.

**(d) Amendment of the Law on the Tax Code**

Proposals were made to amend/supplement the provisions of Law no. 227/2015 on the Tax Code, upon request of the Ministry of Public Finance.

FSA, through its structure in charge with the regulation of the private pension system, collaborated with the Ministry of Public Finance, by providing technical opinions on the system for the taxation of private pensions, as well as issues related to tax deductibility.

**(e) Amendments to the Accounting Law (adopted)**

FSA filed comments and proposals on the draft law to amend and supplement Law no. 82/1991, upon request of the Ministry of Public Finance. The normative draft was adopted and became Law no. 163/2018 amending and supplementing the Accounting Law no. 82/1991, amending and supplementing the Law on companies no. 31/1990, as well as amending Law no. 1/2005 on the organization and operation of cooperation.

**(f) Draft Law on the transfer of the pension rights of European Union officers and agents**

The status of European Union officers and the status applicable to other agents of the European Communities were established by Council Regulation no. 259/68 (PSEUI), as subsequently amended and supplemented, with direct applicability in each member state. PSEUI is a supranational occupational retirement scheme established for the public sector employees of European Union institutions.

The Ministry of Labour and Social Justice drew up a draft law, upon request of the European Commission, proposing the national framework allowing Romanian officers and contractual agents to exercise their statutory right in terms of transfer of pension rights. FSA provided technical opinions regarding the relevant aspects for private pensions.

**(g) Draft Law on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights**

The Ministry of Labour and Social Justice agreed to transpose Directive 2014/50/EU on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights. FSA collaborated with the Ministry of Labour and Social Justice, the Ministry of Justice and the Ministry of Foreign Affairs in the law-making/inter-institutional endorsement process for the draft law on minimum requirements for enhancing worker mobility between Member States by improving the acquisition and preservation of supplementary pension rights. During the inter-institutional approval process, the content of the project was endorsed by FSA in December 2018.

**(h) The National Reform Programme of Romania**

Upon request of the Ministry of Labour and Social Justice, comments were filed in the consultation process for the COUNCIL RECOMMENDATION on the 2018 National Reform Programme of Romania and on the 2018 convergence Programme of Romania.

**(i) Information Memorandum**

Upon request of the Ministry of Public Finance, a contribution was submitted to the periodic update of the information Memorandum for the issue of eurobonds on external financial markets. A workgroup was set up by FSA and the Romanian Association of Privately Managed Pensions (APAPR) during 2018, with a view to identifying practical and legal solutions to increase the digitalization of processes (especially those with an impact on participants and beneficiaries) applicable for the entire private pension system.

## International activities

### THE EUROPEAN INSURANCE AND OCCUPATIONAL PENSION AUTHORITY (EIOPA)

**(a) Workgroup for the implementation of IORP II Directive: governance and risk assessment**

The workgroup aims at increasing the efficiency of the process for the enforcement of the provisions of the IORP II Directive on governance and risk assessment. The outcome of the activity is drawing up an EIOPA opinion including aspects regarding:

1. Guidelines presented as principles regarding the governance of IORPs and the risk assessment documents issued thereby, based on IORP II (the statement of investment policy principles - SIPP and the own-risk assessment - ORA). (Work Stream 1 – participation in the drawing up team);
2. Practical issues related to the implementation of a joint European risk assessment framework for IORPs (Work Stream 2);
3. Developing a joint operational risk management framework created by IORPs (to be used at the level of the relevant authorities), as well as ESG (environmental, social and governance) risks. (Work Stream 3 – participation in the drawing up team).

**(b) The workgroup regarding the annual informative letter**

The primary objective of the workgroup was to draw up a Good Practice Report regarding the annual informative letter (participation in the drawing up team), which was adopted by the BoS and published in 2018.

The second goal of the group is to draw up a Report of principles and guidance regarding other informative documents (participation in the drawing up team), different from the annual informative letter. This second report was in progress in 2018 and had to be completed by the beginning of 2019.

Within these projects, during 2018, the activity of specialists with competences in the regulation of private pensions consisted of: designing and drawing up reports, taking part in the meetings of the workgroup, supporting works by reviewing the relevant documents to be simultaneously drawn up by other groups, active participation in meetings, in phone conferences, also by means of written comments.



## THE INTERNATIONAL ORGANISATION OF PENSION SUPERVISORS (IOPS)

All projects within the activity programme of IOPS were followed and analysed.

1. Spring meetings. During 22-23 February 2018;
2. Summer meetings. During 4-6 June 2018;
3. Autumn meetings. During 24-26 October 2018.

## THE EUROPEAN AGENDA

### a) The “PEPP Regulation” dossier

On 29 June 2017, the European Parliament and the Council published the Proposal for a Regulation on a pan-European Personal Pension Product (PEPP) (COM(2017)343). The PEPP dossier is one of the important dossiers within the Capital Market Union (CMU) project. PEPP supports the CMU objective to create favourable conditions for unblocking funds, so that they may be directed from saving account holders in the EU to European companies.

The proposal regarding a PEPP framework includes a voluntary system complementary to national schemes, thus allowing providers to create personal pension products on a pan-european scale. The text of the general agreement on the PEPP Regulation was completed during 2018. Romania expressed its position regarding the form and content of the Regulation and the representation in the works of the Group for financial services established at the level of the EU Council.

In the trilogue phase, the Austrian Presidency completed this dossier by the end of December 2018. During the Austrian Presidency of the EU Council, FSA undertook a proper “shadow presidency”, a specific preparatory activity for the actual takeover of the PEPP dossier at the beginning of Romania’s presidency of the EU Council.

### (b) The “Sustainable Finance” dossier

Based on the Paris Agreement on Climate Change and the Agenda 2030 of the United Nations (UN) for sustainable development, the “Sustainable Finance” legislative package (including three proposals for regulations and two proposals for delegated acts) was launched by the European Commission in May 2018 for public debate and is included in a more comprehensive initiative to facilitate investments in sustainable projects and sustainable assets in the entire European Union.

A workgroup including experts from all sectors was set up within FSA, to negotiate the legislative package within the EU Council workgroup. At the end of 2018, the project was in the phase of negotiation of a General Agreement.

### (c) The “ESFS Review” dossier

The “ESFS Review” legislative package (review of the European System of Financial Supervision) includes four documents, respectively amendment proposals for:

1. The Omnibus Regulation amending the rules of operation of the European Securities and Markets Authority (ESMA), the European Banking Authority (EBA) and EIOPA and amending sectoral legislative acts in the context of the new powers granted to ESMA;
2. The Directive amending Directive 2014/65/EU (MiFID II) and Directive 2009/138/EC (Solvency II);
3. The Regulation amending the operating rules of the European Systemic Risk Board (ESRB);
4. The Regulation amending the ESMA operating rules and amending Regulation 648/2012 (EMIR II).

**(d) The “IORP II” dossier**

A workgroup was set up within FSA to take part in the seminars organized on the topics of the new European legal framework for occupational pensions, organized by the European Commission. The seminars were organized by the Directorate-General for Financial Stability, Financial Services and Capital Markets Union of the European Commission in January 2018 and June 2018 and were meant to provide assistance to member states in the implementation of Directive (EU) 2016/2341 on institutions for occupational retirement provision (IORP II) by identifying challenges, priorities, as well as time constraints. These sessions were meant to prepare and train for technical contributions in the elaboration of the Draft Law on occupational pensions, transposing the provisions of Directive IORP II.

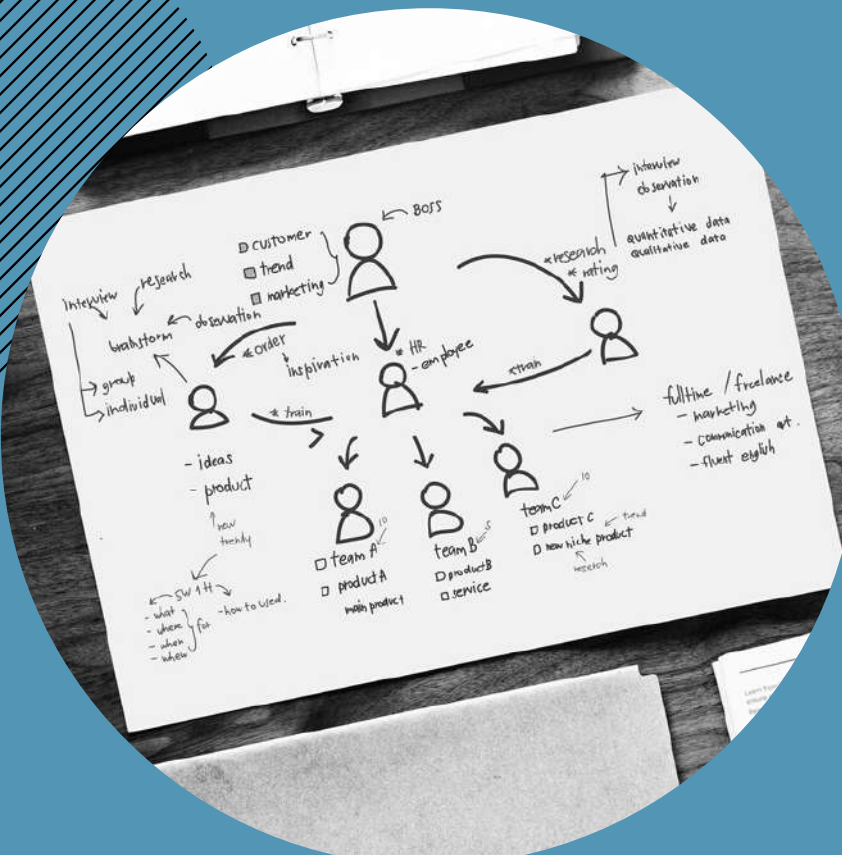






# Approval-endorsement activities

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Authorisation-endorsement activities in the capital market field

Authorisation-endorsement activities in the insurance-reinsurance market field

Authorisation-endorsement activities in the private pensions market field

## AUTHORISATION-ENDORSEMENT ACTIVITIES IN THE CAPITAL MARKET FIELD

Authorisation-monitoring activities must be seen as a first step from the wider perspective of the supervision of entities active on the capital market and consumer protection. Strategic FSA goals were considered in the performance of authorisation-monitoring activities regarding the risk-based approach and improvement of quality, efficiency and operational flow.

As Law no. 126/2018 came into force, besides the introduction of new types of entities on the capital market (the approved publication arrangements (APA), the consolidated tape provider (CTP), the approved reporting mechanism (ARM)), a new approach was needed regarding the assessment of the organizational structure of regulated entities (by introducing the need for a collective assessment of the managing structure). We also mention that this normative act set out the regulated entities' obligation to align to the new requirements for staff reconfiguration in terms of services and investment activities (supply of information or consultancy), a process that took place within 6 months from the establishment of the new conditions imposed to this purpose.

One of the aspects marking 2018 was represented by the completion of the first phase in the alignment of Depozitarul Central SA to the provisions of Regulation no. 909/2014 and the technical standards issued for its enforcement, thus ensuring close cooperation between FSA and the relevant authorities, i.e. NBR and ECB.

An important element in the authorisation activity was the assessment and approval of the members of the managing structure (Administrative/Supervisory Board and the top management) and of the persons holding key functions (representatives of the internal control department and risk managers) within the entities regulated and supervised by FSA.

During 2018, within this comprehensive process, FSA organized and performed 61 interviews (38 interviews for intermediaries and capital market institutions and 23 interviews for collective investment schemes) based on FSA Regulation no. 14/2015 on the assessment and approval of the members of the management structure and of persons holding key functions in the entities regulated by the Financial Supervisory Authority.

At the same time, regarding collective investment schemes, given the entry into force of legal regulations establishing the entities' obligation to align to their provisions, the following significant events in their activity took place in 2018:

The pursuit of the alignment to the provisions of Law no. 74/2015 and Regulation no. 10/2015, as subsequently amended and supplemented, respectively the analysis of documentation and the issue of individual acts pursuant to requests submitted to FSA for authorisation/registration as an Alternative Investment Fund Manager (AIFM) from Investment Management Companies (IMC) managing non-UCITs and from self-managed non-UCITs.

The pursuit of the alignment of IMC and collective investment schemes to the provisions of Law no. 29/2017 amending and supplementing Government Emergency Ordinance no. 32/2012 on collective investment undertakings in securities and investment management companies, as well as amending and supplementing Law no. 297/2004 on the capital market.

Initiating the alignment of IMC and collective investment schemes to the provisions of Regulation no.2/2018 amending and supplementing normative acts, which was seen in the analysis of documentation and submission of individual acts pursuant to authorisation requests submitted by IMCs to FSA, respectively the analysis of information and documents submitted to FSA.

### 1. INTERMEDIARIES (Investment firms (IF) and credit institutions)

During 2018, five of the 24 IFs registered in the Public Register of FSA at the beginning of the year submitted requests for having their authorisation withdrawn to FSA. Regarding the above, we mention that only three processes for withdrawal of the IF operation authorisation had been completed at the end of the reference period. A major issue of last year is the fact that a request to authorize a new company as an investment firm was registered; the process had not been completed by the end of the analysed period. Of the eight credit institutions registered in the Public Register of FSA at the beginning of 2018, one was removed upon its request (Libra Bank SA). At the same time, Bancpost SA also submitted a request to be removed from the Public Register of FSA, given its merger through absorption with Banca Transilvania SA.

### 2. THE STAFF OF INTERMEDIARIES (ASIF, ADEL, RCCI, FARA)

2018 was marked by wide fluctuations regarding the staff of IFs and credit institutions, given the new staff structure imposed by the current legislative changes. Thus, FSA authorised 47 persons as agents for financial investment services and 290 persons as tied agents. Analysing the comparative situation at the end of 2017-2018 regarding the persons operating within IFs and credit institutions as ASIF, ADEL, RCCI/RCCO and FARA, a 25% increase compared to 2017 is seen for the previous year.

### 3. CAPITAL MARKET INSTITUTIONS

The Bucharest Stock Exchange pursued the process initiated in 2017, of supplementing the management structure of the market operator, by authorising a person as the General Director; FSA also authorised another person in the key position of risk manager. Furthermore, since the alignment to the provisions of Law no. 126/2018 is in progress, the market operator initiated an operation to amend the rules of organization and operation which deals, *inter alia*, with the review of the attributions undertaken by persons holding key positions, with a view to meeting the requirements provided by the regulations in force.

### 4. CENTRAL DEPOSITORIES

Depozitarul Central SA pursued the alignment to requirements provided by EU regulations - Regulation (EU) No 909/2014 and the standards (delegated regulations) issued for its enforcement, as well as those included in FSA Regulation no. 10/2017, with a view to obtaining the FSA authorisation and thus ensuring a close cooperation between FSA and the relevant authorities, i.e. NBR and ECB (European Central Bank). Furthermore, the general ordinary meeting of the shareholders of Depozitarul Central SA decided to appoint the new managers of the company at the end of 2018.

### 5. INVESTMENT MANAGEMENT COMPANIES (IMC)

18 IMCs were registered in the Public Register of FSA at the end of 2018, and their number did not change compared to the end of 2017.

## 6. COLLECTIVE INVESTMENT SCHEMES

The following are registered in the Public Register of FSA: 78 UCITS and 31 non-UCITS, respectively 25 closed-end investment funds, 5 financial investment companies (classified as non-UCITS with a diversified investment policy) and SC Fondul Proprietatea SA (a special non-UCITS, established as a closed-end investment company), operating on the Romanian capital market.

FSA awarded the operating license for a new open-end investment fund, i.e. FDI OTP Real Estate & Construction, managed by OTP Asset Management SAI and withdrew the operating license of FDI SAFI Obligatiuni, upon request of SAI Safi Invest SA.

Furthermore, FSA authorised the change of the depository Businessmen's Fund (FOA) managed by SAI SAFI Invest SA and the 4 UCITSs managed by SAI GLOBINVEST SA, from Bancpost SA to BRD Groupe. Authorisation requests and notifications were registered with FSA on behalf of IMCs, regarding the changes in the documents of the collective investment schemes they manage, upon their request or pursuant to the entry into force of national regulations: Law no. 29/2017, FSA Regulation no. 2/2018.

Moreover, considering the entry into force of EU regulations, the regulated entities had the obligation to align to such regulations: Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU, Regulation 2015/2365 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No 648/2012, Regulation (EU) 2017/1131 on money market funds, Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC.

Regarding the activity of financial investment companies, we mention that FSA approved the changes in the structure of managing boards/supervisory boards or in the structure of the actual management (SIF Transilvania SA, SIF Banat-Crişana SA, SAI Muntenia Invest SA), as well as changes in their articles of incorporation (SAI Muntenia Invest SA, SIF Transilvania SA). Furthermore, the reduction in the registered capital of SIF Banat-Crisana SA was approved, from RON 52,000,000 (as of 31.12.2017) to RON 51,746,072.4.

Regarding Fondul Proprietatea SA, FSA issued 3 approvals for the amendment of the articles of incorporation, of which 2 also included capital reduction. Thus, the registered capital of Fondul Proprietatea decreased during 2018. To this purpose, we mention that the registered capital of FONDUL PROPRIETATEA SA is RON 4,733,020,898.32 as of 31.12.2018, compared to RON 4,854,034,784 as of 31.12.2017.

The changes in the Deposit Agreement entered by BRD – Groupe Societe Generale SA, Fondul Proprietatea and Franklin Templeton International SARL were approved.

## 7. ALTERNATIVE INVESTMENT FUND MANAGERS (AIFM)

During 2018, a major aspect regarding both investment managing companies and financial investment companies is the pursuit of the implementation of Law no. 74/2015 and Regulation no. 10/2015. Thus, the authorisation and registration of these entities as alternative investment fund managers continued, with 7 certified companies (SIF Moldova SA, BT Asset Management SA, SIF Oltenia SA, SIF Transilvania SA, SAI Atlas Asset Management SA, SIF Banat-Crişana SA, STK Financial SAI SA) and 2 registered companies (SAI SAFI Invest SA and SAI Swiss Capital Asset Management SA).



#### **8. PARTICIPATION SECURITIES DISTRIBUTORS**

As for the status of distributors of participation securities for the collective investment schemes managed by the 18 IMCs, we mention that their number slightly decreased compared to 2017, when the Public Register of the FSA mentioned 12 such entities as of 31.12.2017 and 11 such entities at the end of 2018, both credit institutions and IFs: Banca Transilvania SA, Banca Comercială Română SA, Banca Comercială Carpatica SA (currently Patria Bank SA pursuant to 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, SSIF Swiss Capital and SSIF Tradeville SA. The distributor status of Libra Internet Bank SA was withdrawn, upon the entity's request.

#### **9. COLLECTIVE INVESTMENT SCHEMES DEPOSITORIES**

The safe deposit and storage of the assets of collective investment schemes was ensured at the end of 2018 by 5 depositories: Bancpost, BRD-GSG, Raiffeisen Bank, BCR and Unicredit Bank. As for these entities, we mention a slight decrease in their number compared to the similar period of 2017, when the mentioned activity was undertaken by 6 depositories. The depository status of Libra Bank was withdrawn and it was removed from the Public Register of FSA, upon its own request.

#### **10. INVESTMENT ADVISERS**

As for the segment of investment advisers, we mention that an authorization of an investment adviser was withdrawn in 2018, upon request.

#### **11. EVALUATORS**

Activities undertaken by FSA in 2018 regarding the entities classified as evaluators resulted in the registration of two new legal entities in the Public Register of FSA, as well as the removal of one natural person from the Public Register of FSA.

#### **12. IT SYSTEM AUDITORS**

Pursuant to the amendment of the norm establishing the requirements for the endorsement of IT system auditors, all IT auditors were contacted in order to clarify how they still meet FSA requirements, and additional documents and information were requested to this purpose.

#### **13. FINANCIAL AUDITORS**

The list of financial auditors approved by FSA who undertake this activity with entities authorized, regulated and supervised by FSA did not change.

#### **14. GROUPS OF COMPANIES ADMITTED FOR TRADING**

Changes were registered within two groups of companies admitted for trading (2 SIF Moldova, 1 OMV Petrom), and lists published on the FSA website were accordingly updated.

## 15. PROFESSIONAL TRAINING BODIES

2018 did not stand out through a fluctuation in the number of professional bodies certified by FSA for the organization of professional training programmes for persons subject to the certification process with various statuses on the capital market. The list of the five professional training bodies certified by FSA may be consulted on the FSA website.

## INTERNATIONAL ACTIVITY

Notifications received by FSA from Romanian IFs who intend to perform investment services and activities on foreign markets

Seven investment firms provided investment services and activities at the beginning of 2018 based on the principle of free circulation of services, i.e. BT CAPITAL PARTNERS SA, ESTINVEST SA, IFB FINWEST SA, IEBA TRUST SA, MUNTENIA GLOBAL INVEST SA, BLUE ROCK FINANCIAL SERVICES SA and VIENNA INVESTMENT TRUST SA.

Furthermore, the notification of the investment firm IEBA TRUST SA regarding the termination of the free performance of investment activities, as well as auxiliary services provided throughout Greece and Luxembourg, was solved during 2018. Notifications received by FSA from relevant authorities of EU member states

From the perspective of Collective Investment Schemes (CIS), 10 investment managing companies from other EU member states which can provide investment managing services in Romania were registered in the Public Register of FSA as of 31.12.2018, along with 63 UCITS from other EU member states, 7 investment companies and 56 open-end investment funds, 25 alternative/closed-end investment companies, 39 alternative investment fund managers from other member states notifying the supply of services in Romania based on art. 6 (4) of the Directive on alternative investment fund managers (AIFM).

Considering the attributions of FSA in the context of international activities undertaken on the capital market, a range of notifications submitted by relevant member state authorities were registered, based on the provisions of Directive 65/2014/EU (MiFID II), Regulation (EU) 2017/2382 and Regulation (EU) 2017/1018 regarding investment firms and credit institutions intending to operate on the Romanian territory, based on the freedom to provide services or by establishing a branch.

123 member state investment firms (MSIF) and member state credit institutions (MSCI) were registered in the Public Register of FSA, 56 MSIF and MSCI were removed, while 131 MSIF and MSCI amended their scope of activity. As for the branches established by the MSIF on the Romanian territory, we mention that two branches of such entities were registered in the Public Register of FSA and four branches were removed, based on notifications submitted to FSA by the relevant authorities of member states of origin.

At the same time, the updated lists including investment services and activities undertaken by the tied agents of investment firms on the Romanian territory, based on the free movement of services, were published on the FSA website.

Six system operators from member states were registered in the FSA Public Register who undertook the specific operations required to facilitate the Romanian intermediaries' access/connection and remote trading to alternative trading systems managed thereby, on the Romanian territory, based on the free movement of services.

Since FSA helps reinforce an integrated operation and supervision framework for non-bank financial markets, as well as participants and operations on such markets, with objectives such as providing for the stability, competitiveness and proper functioning of financial instruments markets, promoting the reliability of such markets and of investments in financial instruments, as well as ensuring the operators' and investors' protection against unfair, abusive and fraudulent practices, we mention that, based on notices registered with the relevant departments of FSA, a lot of correspondence was exchanged with both the relevant authorities of the member states and the relevant legal bodies.



## AUTHORISATION-ENDORSEMENT ACTIVITIES IN THE INSURANCE- REINSURANCE MARKET FIELD

The authorisation of insurance/reinsurance/insurance intermediation activities essentially aimed at checking the efficient operation of insurers and insurance brokers on a permanent basis, as well as analysing approval requests submitted by the Romanian Motor Insurers Bureau and the Policyholders Guarantee Fund.

On the other hand, the unitary enforcement of governance principles in insurers was envisaged, with a view to using best practices and undertaking cautious management.

31 insurers and 334 insurance brokers operated on the insurance market as of 01.01.2018.

**29 insurance companies and 302 insurance brokers operated on the insurance market as of 31.12.2018.**

### The main specific attributions undertaken within the authorisation/endorsement activity of insurers

1. analysing and submitting proposals to solve the requests submitted by insurance and/or reinsurance companies and investment vehicles so as to obtain the approval and/or operating license, as well as to approve changes to authorisation documents or conditions, as the case may be, based on the legal provisions in force;

2. checking and reviewing the documents submitted to obtain approval (for persons in the insurers' managing bodies, direct or indirect significant shareholders);

3. checking and reviewing the documents submitted to obtain endorsement (for external IT auditors, financial auditors, actuaries, special administrators);

4. checking and reviewing the documentation submitted by insurance and/or reinsurance companies to obtain endorsement for new types of insurance classes, MTPL included;

5. analysing documentation regarding (portfolio transfer, merger, division, liquidation in the insolvency procedure and the voluntary liquidation procedure);

6. analysing the requests and documentation for the approval of documents regarding the organization/operation/activity of the Romanian Motor Insurers Bureau and the Policyholders Guarantee Fund;

7. checking the compliance with the requirements stipulated by the law for the members of the Managing Board of the Romanian Motor Insurers Bureau and the Policyholders Guarantee Fund and proposing their approval, etc.

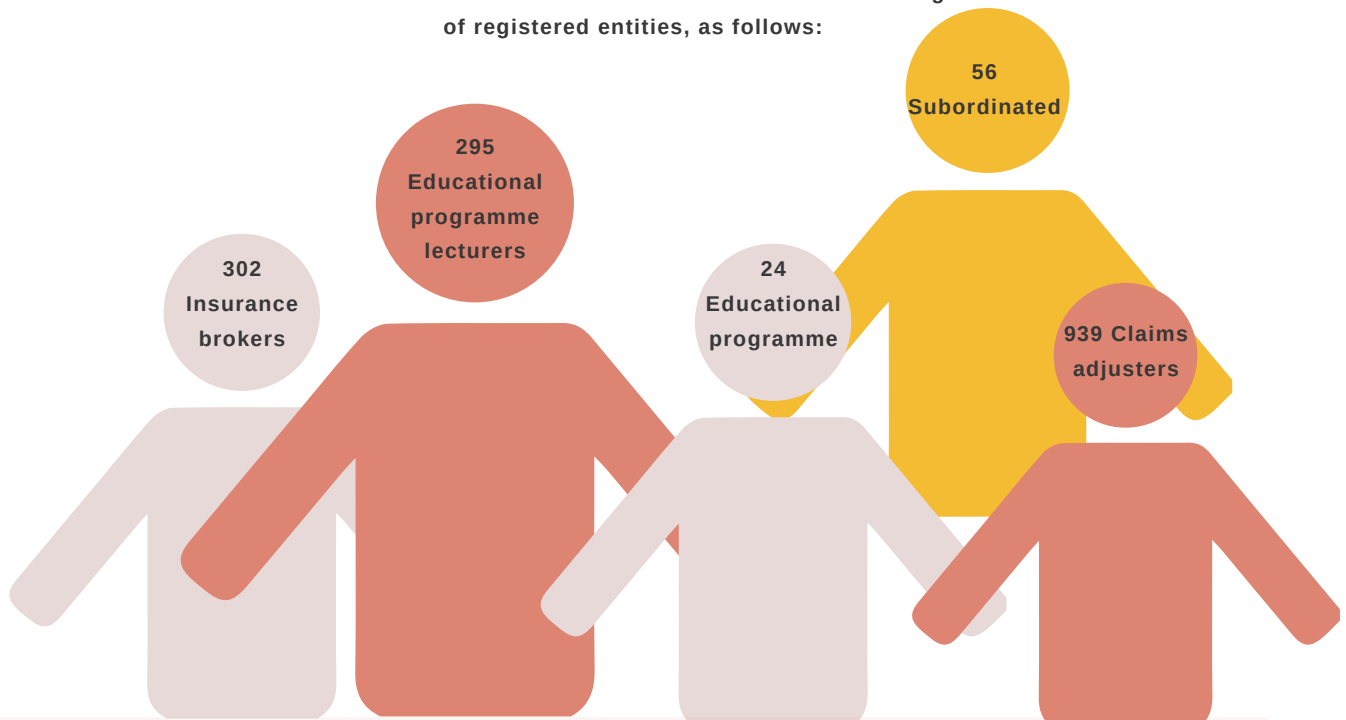
8. fulfilling any other specific attributions for the scope of activity, as stipulated by the regulations in force or by the hierarchical management.

**Insurance companies and the two entities, the Romanian Motor Insurers Bureau (BAAR) and the Policyholders Guarantee Fund (FGA) submitted a total number of about 915 requests approval/endorsement requests, notices from insurers, natural persons/legal entities, other entities) to FSA.**

The following requests were analysed in the reference period, grouped according to their complexity (I - IV):

<p><b>I</b></p> <ul style="list-style-type: none"> <li>• 2 approval requests for the purchase project/shareholders;</li> <li>• 3 approval requests for the portfolio transfer; 1 merger request.</li> </ul>	<p><b>II</b></p> <ul style="list-style-type: none"> <li>• 4 requests to approve the increase of registered capital;</li> <li>• 96 requests to approve the managing structure;</li> <li>• 7 requests to approve new classes;</li> <li>• 3 requests to extend activity in the EU (FOS);</li> <li>• 1 request to resume activity in the EU (FOE);</li> <li>• 8 requests to equate the names of insurance/reinsurance classes;</li> <li>• 5 requests to approve the change in the registered office;</li> <li>• 2 requests to withdraw managing body members, upon request;</li> <li>• 1 request to approve the BAAR status;</li> <li>• 1 request for approval as a member of the BAAR Managing Board;</li> <li>• 2 requests to withdraw the operating license;</li> <li>• 1 request to withdraw the operating license, pursuant</li> <li>• to voluntary liquidation</li> </ul>
<p><b>III</b></p> <ul style="list-style-type: none"> <li>• 1 approval request for the financial audit, analysis, issue of the note, obtaining approvals, drawing up approvals, submitting approvals, registration in the list, update of the SAR database;</li> <li>• 1 approval requests for actuaries, analysis, issue of the internal note, notice, registration in the list;</li> <li>• 102 notices from EU Member States (FOS=freedom of services/FOE=freedom of establishment).</li> </ul>	
<p><b>IV</b></p> <ul style="list-style-type: none"> <li>• 44 notices regarding key and critical functions, analysis, notice for the insurer to complete the documentation, as the case may be, submission of notice, update of SAR database;</li> <li>• 20 outsourcings of activities and functions, analysis, notice to the company, SAR database update.</li> </ul>	

The endorsement-authorisation of intermediaries refers to a high number of registered entities, as follows:



Insurance brokers, insurance intermediaries, authorities or other natural persons and legal entities submitted a total number of about 2463 notices (approval requests, notices from brokers, natural persons/legal entities, other entities) to FSA.

**The main specific attributions undertaken within the authorisation/endorsement activity for intermediation:**

1. analysing and make proposals regarding the solving solutions received from the insurance brokers about their authorization

3. analysing the documentation regarding the portfolio`s transfers or mergers, divisions or liquidations

2. checking and analysing the documents submitted for the approval of subordinated insurance agents;

4. analysing documentation regarding changes to the articles of incorporation;

5. fulfilling any other specific attributions for the scope of activity, as stipulated by the regulations in force or by the hierarchical management.

**Other activities undertaken in the authorisation-endorsement activity**

1. As of 31.12.2018, a total number of 939 claims adjusters were registered, who were monitored regarding the requirements for being kept in the register of claims adjusters;
2. 66 requests were reviewed regarding changes to articles of incorporation and executive management;
3. Requests for the certification of lecturers for insurance training programmes were registered and solved;
4. Notices to undertake activities on the Romanian territory based on the freedom of services (FOS) or on the freedom of establishment by means of a branch (FOE) were registered and solved;
5. Notices/notes/endorsements were drawn up regarding changes to the registered office, as well as notices regarding the closure/opening of work points;
7. Certificates for registration in the Brokers' Register were drawn up;
9. The approval of subordinated insurance agents, the notice of changes in the management of the bank assurance activity, as well as the withdrawal of the endorsement upon request were reviewed;
10. Requests of entities intending to be authorised by the Financial Supervisory Authority as educational programme providers in the field of insurance were registered and solved;
11. The ongoing review resulted in the identification of intermediary companies that failed to observe the legal provisions in force; hence, reports were drawn up for the temporary prohibition of activities subject to sanctioning decisions;
12. Only one request to obtain the operating license as an insurance and/or reinsurance broker was analysed and solved;
13. Requests for the prior approval of professional training programmes of entities authorised as educational programme providers were analysed and solved;
14. Requests for the approval of e-learning platforms of entities authorised as educational programme providers were analysed and solved;

## AUTHORISATION-ENDORSEMENT ACTIVITIES IN THE PRIVATE PENSIONS MARKET FIELD

**Authorisation/endorsement activities consisted of a review of the requests submitted by entities in the private pensions system and the relevant documents, a check of the conditions, criteria and compliance with the legal provisions in force.**

Thus, authorisation/endorsement activities in the private pension system for 2018 resulted in drawing up files for a **total number of 596 individual acts issued by FSA**, of which:

- 94 decisions and endorsements regarding authorisation/endorsement/withdrawal requests, authorisations/approvals of managers and private pension funds in the private pension system, as well as changes to the relevant authorisation/endorsement documents;
- 502 decisions and endorsements regarding authorisation/endorsement/re-endorsement/withdrawal requests, authorisations/endorsement of marketing agents, as well as changes to the relevant authorisation/endorsement documents;

As for the authorisation of persons subject to authorisation for the managing structure and key positions in private pension administrators, 24 decisions to establish the committees for interviews to such persons were issued.

The following documents are drawn up and updated on a regular basis, pursuant to the undertaken activities:

- Report on persons authorised for the managing structure and key positions with private pension administrators;
- Report on private pension fund audit contracts;
- Report on external auditors for private pension administrators;
- Report on the history of the registered capital of private pension administrators;
- Report on officers for the archive activity of private pension administrators;
- Report on officers for the internal audit activity of private pension administrators;
- Report on external auditors for private pension administrators;
- Report on the shareholding of private pension administrators;
- Report on persons in charge with data protection within private pension administrators;
- Summary of the issued decisions and endorsements;
- Report on audit committees for private pension administrators;
- Report on the comparative analysis of privately managed pension funds;
- Report on the comparative analysis of voluntary pension funds;
- Report on market operations (mergers, fund takeovers, company name changes);
- Report on sanctions/notices to entities in the private pension system;
- Report on contractual relations between administrators and marketing agents who are legal entities;
- Report on the persons in charge with marketing activities within private pension system entities;
- Report on the update of topics for marketing agent courses for natural persons;
- Management of the electronic file with scanned decisions and endorsements.

### The register of entities in the private pension system

- The register of entities and natural persons who are authorised/endorsed/removed in/from the private pension system is updated on a permanent basis. This is established and structured according to Pillar II and Pillar III and by categories of entities therein, including administrators, private pension funds, depositories, financial auditors and marketing agents who are legal entities (private pension brokers, private pension intermediaries, private pension consultants and specialized legal entities).
- The public part of the register can be consulted on the FSA website.







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# Supervisory and inspection activities

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**Supervision and inspection activities in the capital market field**  
**Supervision and inspection activities in the insurance market field**  
**Supervision and inspection activities in the private pensions market field**

## SUPERVISION AND INSPECTION ACTIVITIES IN THE CAPITAL MARKET FIELD

Of the strategic objectives of FSA for 2018, the following refer to activities on the capital market:

THE PROTECTION AND PROPER INFORMATION OF INVESTORS

THE STABILITY AND PROPER OPERATION OF MARKETS

REINFORCING INSTITUTIONAL CAPACITY AND REINFORCING AUTHORITY

### Off-site supervision of conduct rules:

The purpose of off-site supervision activities is to improve the quality, efficiency and consistency of supervision regarding the observance of rules of conduct by intermediaries (investment firms and credit institutions included in the FSA Public Register), market institutions and investment managing companies/alternative fund administrators, by implementing proactive measures and moving to a risk-based supervision system, with a view to protecting investors against unfair and fraudulent practices.

Risks of conduct depend on the activities and services provided to investors by the supervised entities. The range of rules of conduct to be supervised is comprehensive, based on the applicable legislation at a national/EU level. This includes protecting investors in various steps of performance of a service, from “pre-sale” (proper and suitable nature, proper communication of information to customers and the relevant risk of operations, research costs, sale practices, etc.) to the “execution” phase of the service (fair treatment, order management, proper performance) and “post-sale” (suitable post-trading information, complaints, etc.).

### 1. Supervision of intermediaries (investment firms and credit institutions included in the FSA Public Register)

At the beginning of 2018, 24 investment firms (IF) and 8 credit institutions were authorised/included in the FSA Public Register. The decreasing trend in the number of intermediaries was maintained during 2018, so that their number reached 27 at the end of the year (21 investment firms and 6 credit institutions).

During 2018, off-site supervision regarding the intermediaries' compliance with rules of conduct was based both on their periodic reporting, according to the legal provisions in force, and on explicitly/ad-hoc requested reports and notices received by the Authority regarding the activity of such entities.

Therefore, the intermediaries' activity was analysed in terms of conduct, considering the related risks: the management of client relations, conflicts of interest, internal organization and governance, the number of clients and the values of their assets held by the companies.

**Thus, within the off-site supervision activity, checks undertaken during 2018 mainly envisaged:**

- the fulfilment of the attributions of persons with compliance attributions, with a view to preventing any infringement of legal provisions and of internal regulations/procedures;
- the clients' funds held by IF, in correlation with the corresponding accounting records;
- services and activities actually undertaken by the intermediaries;
- the clients' classification as professional clients and the intermediaries' internal procedures to this purpose;
- the compliance of the clients' files checked by the entity, i.e. whether they included all the documents stipulated by the applicable legal framework/internal procedures;
- the review of personal transactions undertaken by or on behalf of relevant persons, by the IF;
- potential conflicts of interest within companies and duly filling in the register of conflicts of interest, based on legal provisions;
- the IF compliance with publicity requirements;
- aspects found by the person with compliance-related attributions, pursuant to the review of activities undertaken by agents for financial investment services/tied agents, the identified deviations and the adopted measures, as the case may be;
- reports drawn up by the audit committees of the IF;
- internal and financial audit reports submitted to the FSA, with a view to identifying any drawbacks in terms of compliance and conduct.

During 2018, supervision activities resulted in warnings being sent to investment firms regarding their improper conduct, the improper fulfilment of attributions and responsibilities by the person with compliance-related attributions, failures regarding the distinct accounting of amounts belonging to IF and those belonging to clients, etc.

Furthermore, in two cases:

- the persons in charge within the company were fined;
- it was decided that a company had to comply with the applicable legal framework for product governance (plan of measures).

In 2018, off-site supervision mainly focused on enhancing the intermediaries' responsibility and monitoring their involvement in the implementation of MiFID II, considering the new applicable legislative framework, as well as the major changes imposed by the alignment to the new provisions.

Furthermore, in terms of off-site supervision, simulations were undertaken regarding the classification of financial investment service companies within risk classes, in the matrix developed through the World Bank project aiming at implementing risk-based supervision.

## 2. Supervising the activity undertaken by the branches of investment firms and credit institutions in member states, registered in the FSA Public Register

As of 31.12.2018, the FSA Public Register included:

- 7 branches of investment firms from EU member states, compared to the beginning of the year, when 8 branches were notified/registered;
- 3 branches of credit institutions from EU member states.

The main issues requested by FSA regarding the activity undertaken by the above mentioned branches referred to:

- services and activities actually undertaken within the branches;
- trading platforms used/provided to clients;
- the type of financial instruments provided to clients and the markets they are traded on;
- the compensation scheme applicable to clients;
- notices received within branches, their scope and settlement;
- the promotion of services provided by branches, with a view to attracting Romanian investors;
- the number of clients and the value of transactions undertaken by means of branches.

During 2018, pursuant to the function of supervision of the activity undertaken by branches, as well as a notice received within FSA regarding the activity undertaken by a branch, notices were sent to competent authorities regarding:

- the fact that a branch used 34 individuals on the Romanian territory, with a view to promoting its activities, without notifying such persons as tied agents;
- the trading activity undertaken on a client's account by an investment firm having established a branch on the Romanian territory;
- the legal provisions applicable on the Romanian territory, for the promotion of investment services/activities, respectively the provisions of art. 82 (5) of Law no. 126/2018 on financial instrument markets, mentioning that the promotion of investment services and activities by means of external service providers (such as call centres) is forbidden.

## 3. The supervision of activities undertaken by investment advisers authorised by FSA

### The supervision of activities undertaken by investment advisers authorised by FSA

In 2018, the main checks undertaken within supervision envisaged: the activity undertaken by entities

- authorised as such;
- the compliance of the reporting submitted by them.

Pursuant to an analysis of the reporting submitted by investment advisers, warnings were sent regarding the failure to observe the deadlines for reporting the various situations imposed by the legal provisions.

#### 4. The supervision of activities undertaken by market institutions (the Bucharest Stock Exchange and the Central Depository)

The main aspects requested by FSA within supervision on the observance of rules of conduct by market institutions referred to:

- activities undertaken by persons with compliance-related attributions therein;
- the conduct of market institutions based on the faulty aspects identified therein, based on inspection activities or warnings;
- the shareholders' compliance with the holding threshold, as imposed by the legal provisions in force;
- the compliance of reporting submitted by market institutions, as imposed by the legislation in force, respectively the identification of failures notified by them, from the perspective of the entities' compliance and conduct;
- the received warnings, their scope and settlement.

Pursuant to the undertaken checks, additional information was requested regarding activities undertaken by persons with compliance-related attributions, as stipulated by the legal provisions and internal procedures.

**Furthermore, during 2018, the progress of the reauthorisation of the Central Depository had to be monitored, based on Regulation (EU) no. 909/2014. This implied a review of rules and procedures of conduct, resulting in changes to some reporting from the entity's perspective and to some internal procedures from the FSA's perspective, upon the completion of the reauthorisation of the Central Depository.**

#### 5. The supervision of IMC/CIU/AIFM/AIF in terms of compliance with rules of conducts

In order to ensure an efficient supervision process, all established/taken actions and measures must be proportional to the nature, dimension and complexity of inherent risks, irrespective of the impact on the financial stability of the capital market (the proportionality principle).

**Aspects regarding the supervision of the conduct of IMC-AIFM are as follows:**

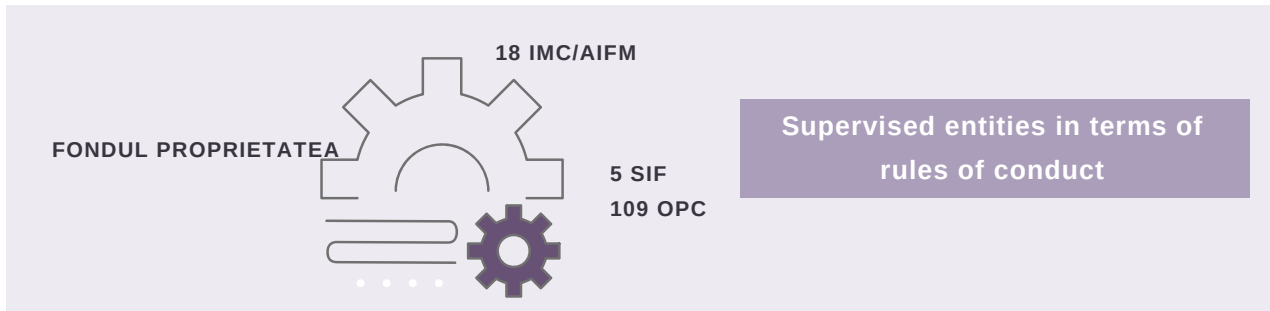
- checking responsibilities regarding the observance of the normative and procedural framework, the technical facilities and the means to inform investors/clients, the available human and technical resources, internal risk control and management mechanisms, as well as the scaling of the efficiency of internal control;
- undertaking investigations, including thematic investigations, regarding the conduct of the supervised entities and their staff, as well as the adaptation of work mechanisms and internal procedures to the amount and level of complexity of the activity of supervised entities;
- identifying the risks and vulnerabilities the company is exposed to and deciding the required actions;
- checking the compliance with rules of transparency and publicity, as well as monitoring webpages;
- checking the administration of individual portfolios (based on the data included in the scope of activity authorised by FSA);
- undertaking/implementing plans of actions decided with a view to solving any failures in the supervision activity, as well as checking the entities' observance of the imposed measures, on a regular basis.

IMC = Investment Managing Company

CIS = Collective Investment Schemes

AIFM = Alternative Investment Fund Manager

AIF = Alternative Investment Funds



Moreover, simulations were undertaken during 2018 in terms of off-site supervision regarding the classification of IMC/AIFM within risk classes, in the matrix developed through the project undertaken with the World Bank, following the implementation of risk-based supervision at the level of the Romanian capital market.

## Prudential supervision in the capital market field

Prudential supervision implies a range of activities aimed at ensuring a dynamic assessment of the supervised entities, as well as prompt and efficient intervention, if required. Periodic/ad-hoc reporting is reviewed, the entities are included in the risk matrix and the risk class of the supervised entity is decided, in order to achieve these goals.

The evaluation of entities regulated and authorised by FSA and their classification in risk classes allows to establish alerts regarding the negative evolutions of some indicators and to adopt the required prudential actions depending on the signalled issues. The adoption of preventive measures helps maintain the stability of the non-bank financial market and to avoid the possible infringement of the investors' rights and assets.

On a general level, **prudential supervision activities** took the following concrete form:

- (1) monitoring the main indicators, especially those of liquidity and own funds, with a view to enforcing preventive supervision measures to maintain financial stability;
- (2) completing the programme undertaken with the World Bank for the reinforcement of the supervision function and initiating procedures to implement risk based supervision (RBS);
- (3) imposing and monitoring plans of measures, with a view to re-establishing the financial balance of entities regulated and supervised by FSA;
- (4) ensuring permanent contact with market entities, for the correct enforcement of prudential regulations, for the classification of elements in proper risk categories.

### 1. The prudential supervision of investment firms

The following prudential supervision activities were undertaken in 2018:

- analysis of the evolution of financial indicators reported by IFs, so as to establish the level of financial stability and possible risks of failure of investment firms;
  - performance of studies and analyses regarding the identification of risks induced by trading in complex instruments (structured products), as well as the treatment of such instruments in terms of capital requirements;
  - performance of simulations regarding the impact of the new prudential regime on Romanian investment firms .
- FSA was actively involved in the negotiations of this legislative dossier at the EU level, supporting such a proposal, considering the permanent focus of providing IFs with a fair treatment and, implicitly, prudential requirements adapted to their activities and size (the proportionality principle).



## 2. The prudential supervision of IMC/CIU/AIFM/AIF

The following were considered in the current performance of CIS activities, besides their basic activity, in 2018:

- (1) developing risk/performance analyses, aimed at identifying anomalies and developing additional analyses regarding the calculation of assets and investment limits for CIS;
- (2) monitoring activities undertaken by IMC/AIFM for the managed investment funds, with a view to developing crisis simulations so as to maintain a proper liquidity profile, as well as determining, as the case may be, the need to correlate the investment strategy with the repurchase policy for fund units;
- (3) actions aimed at clarifying the status of CIS investments in AIF, as stipulated by the legislation in force and the enforcement of the reverse solicitation concept for AIFs registered in other member states.

## 3. Prudential supervision of market institutions

With a view to adapting specific supervision measures, the types of activities actually performed by market operators were analysed, in order to identify the risks they are exposed to, as well as the financial statements of market operators from the perspective of economic-financial and operational indicators and of how financial risk management was undertaken, with a view to maintaining enough capital reserves to cover unexpected losses and to maintain solvency during periods of crisis.

On the local market, during 2018, given the merger by absorption of SIBEX – Sibiu Stock Exchange with the Bucharest Stock Exchange, completed in December 2017, only one authorised market operator was active: Bursa de Valori Bucureşti SA (BVB).

The Bucharest Stock Exchange is an average stock exchange in the region. At the end of 2018, the capitalisation of all companies listed on the regulated market of BVB was about RON 143 billion, a 13% decrease compared to 2017. The relevant markets managed by the BVB SA market operator are:

- **The regulated market, where shares and rights issued by Romanian and international entities are traded, debt securities issued by Romanian and international entities, units in collective investment schemes, structured products, exchange-traded funds (ETF), warrants;**
- **The AeRO market, initially only dedicated to start-ups, such as companies in the IT&C sectors and SMEs, is currently dedicated to financing companies that do not meet size or age criteria for listing on the regulated market. AeRO is structured along separate sections for the trading of shares and bonds issued by Romanian or foreign companies listed on another market.**

In compliance with FSA Regulation no. 13/2018 on trading places, at the end of 2018, BVB proposed changes regarding the compliance function, significantly supplementing the department's attributions. The main attributions are: continuous monitoring and assessment of the effectiveness and adequacy of the enforcement of internal measures and procedures by the market or system operator or by BVB employees, as well as the measures taken to solve any infringement of the company's obligations as a market/system operator or the established failures.

The risk management function will be undertaken by a new department aimed at establishing a functional and efficient risk assessment and management system, suitably integrated in the organizational structure of BVB, to identify, assess, monitor, manage and report the risks faced by the market operator.

Market operators are not subject to uniform prudential requirements on a European level. In this context, FSA Regulation no. 13/2018 on trading places implemented an approach that was similar to the one for central depositories in European legislation for the treatment of the capital and financial resources of market operators; the following prudential aspects were dealt with:

- the introduction of the concept of initial capital: besides registered capital, this includes items such as retained earnings and reserves, which may have negative values, thus affecting the initial capital. Therefore, the initial capital requirements do not refer exclusively to the nominal value of the registered capital, but they also consider the possible losses of the market operator;
- the investment policy: issues were integrated guaranteeing that resources are placed in financial instruments which can be liquidated quickly, with minimum negative effects on price and low credit risk. Besides, clear and limitative conditions were established for the placement of financial resources in derived financial instruments.

2018 marked a strong decrease in the trading volume on markets of shares, rights and fund units (-3%), while solid increases compared to the similar period of the previous year were witnessed on the other markets, i.e. the market of fixed-income instruments (bonds and government bonds) and the market of structured products. Thus, transactions in fixed-income securities increased by more than 27%, as the first bond issue of Banca Transilvania (TLV) was launched in July, with a total value of EUR 285 million. On the market of structured products, though the progress exceeded 40%, the traded volumes are still modest ( $\approx$  RON 336 billion). As a whole, the entire trading activity increased by 2%.

Operating revenues generated by the trading segment increased by 3%, supported by the increase in volumes traded on the stock exchange, while operating profits decreased by 32%, due to the fact that BVB had a procurement gain of RON 2.9 billion due to the merger with SIBEX in 2017. Without considering these procurement gains, operating profits decreased by about 6%. Total BVB assets decreased by about 4% as of 31.12.2018, given the decrease in current results, without relevant changes in structure.

## Implementation of risk management in market institutions

Risk management is a complex process of identification, analysis and response to possible risks of a regulated entity, through a scientific approach using material, financial and human resources for the achievement of goals, aimed at reducing loss exposure.

The obligation that each market institution should perform analyses on a systematic basis, at least once a year, in order to assess risks related to the performance of its activities, appoint persons in charge with risk management and update risk registers at the department level was strongly emphasized in 2018.

Integrated FSA rules regarding the management risk function provide market institutions with enough flexibility in the implementation of risk management, also considering good practice and the existence or absence of a unitary framework to approach specific concepts. Until the approval of new FSA regulations issued for the implementation of MiFID II, risk management was mainly focused on operational risk, with the final goal of maintaining the integrity of markets managed by the market operator and settlement for the Central Depository.

## The activity of central depositories

New European requirements regarding the supervision of post-trading systems, as stipulated in the last years, have changed the operating principles and conditions of the infrastructure of financial instrument markets.

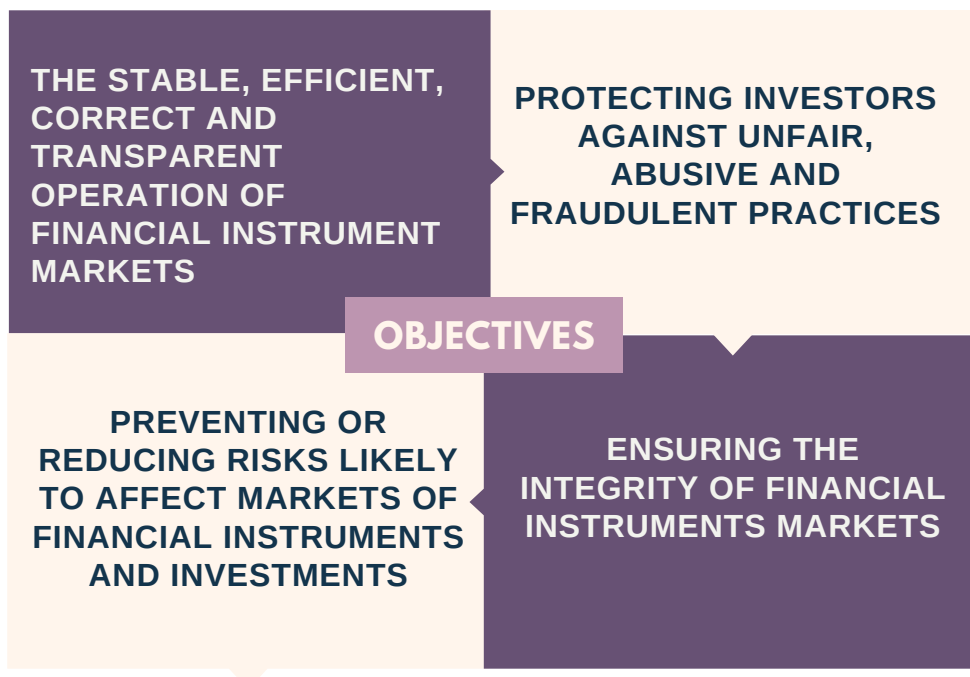
At the end of 2018, the Central Depository undertook operations of clearing-settlement of transactions with financial instruments, operations of deposit of financial instruments issued by the issuers and registration operations for financial instrument issuers.

The adoption of new mechanisms and instruments to improve prudential supervision in 2018 was mainly marked by the issue of several technical standards and delegated regulations by the European Commission in 2017, with direct applicability at the EU level, with a view to establishing identical obligations for the central depositories in the Union and common prudential requirements.

Considering the complexity and systemic nature of central depositories and the services they provide, as well as the fact that such institutions are responsible for the management of settlement systems, the observance of directly applicable specific prudential and capital requirements was reviewed on a quarterly basis, which would cover legal, business, operational and investment risks, so as to provide enough safety and continuity to the services provided by the Central Depository.

The total assets of the Central Depository increased by 19% at the end of 2018, given the increase in the amounts held by issuers in the depository's accounts with a view to distributing dividends (both as money available in the accounts and as debt), while equity had a sensible 2.5% increase given the increase in net profits by more than RON 800,000 in 2018.

## Inspection activities in the capital market field



## 1. Protection and proper information of consumers

Inspection activities primarily aimed at observing the investors' rights and interests, by reviewing the conduct and prudential requirements of the supervised entities, mainly regarding common topics for several categories of entities.



### Investment managing companies / Alternative fund managers (and the collective/individual portfolio managed thereby)

- managing (collective and individual) portfolios with regard to the limits specified by legislation or fund documents;
- calculation and assessment of the assets of the managed portfolios;
- risk profiles for CIUS/AIF and assessment of the crisis simulations/stress tests undertaken to determine the entity's capacity of reaction to such situations; a deeper analysis on the management of the liquidity risk existing at the level of the managed portfolios.

### Intermediaries (FISC and credit institutions)

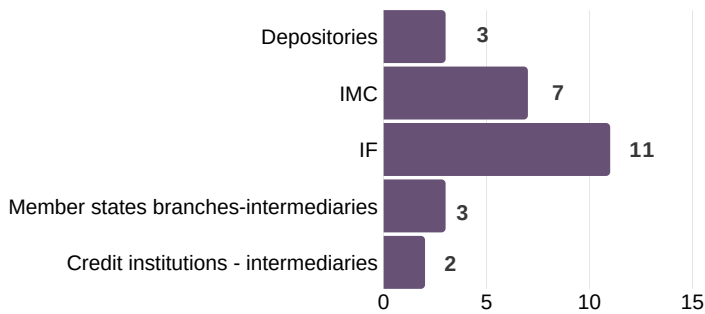
- contractual documents when setting up the business relation with clients;
- management and execution of the clients' orders to their best interest;
- own trading;
- internet-based trading.

### Depositories of investment fund assets

- certifying and monitoring fund assets;
- informing FSA on any abuse of the IMC/excess of investment limits.

SPECIFIC TOPICS

Controls undertaken in 2018 by types of entities



In terms of inspection, the objective regarding the protection and proper information of consumers was achieved for 2018, as the inspection approach, also based on the identification of risks at the entity level, the assessment of risk mitigation methods, as well as the guidance provided to entities in order to solve any failures/properly manage risks, resulted in a lower number of situations of improper conduct of entities in their relation with clients/investors

## 2. The stability and proper operation of markets

During 2018, a significant decrease was found in the number of non-compliances of entities supervised by FSA (in terms of seriousness/impact), which shows that the most recent approach of inspection activities, based on risks, and the identification of the most suitable remedial measures (along with the entities) had the expected results. The inspection activities performed in 2018 did not identify risks that would significantly affect the short-term activity of companies and, implicitly, the capital market system.

Significant steps were taken to intensify the dialogue with the market, by organising work meetings at the headquarters of FSA, at the initiative of both inspection teams and inspected entities, clarifying a range of situations and creating the premises to remedy non-compliant situations and/or identify risk mitigating solutions.

### 3. Reinforcing institutional capacity and reinforcing the Authority

With a view to achieving this goal, in June 2018, FSA completed the project “Enhancing the supervision function of the Romanian capital market”, supported by the World Bank.

The purpose of the project - The project implies changing the supervision and inspection philosophy, through a transition from the largely compliance-based model to a risk-based supervision (RBS) model. In terms of control, the project aimed at remodelling the on-site supervision process, from the prudential perspective and in terms of rules of conduct, as well as optimizing the allocation of control resources, in agreement with the best practices at a European level. To this purpose, suitable methodologies and instruments were developed, that could be used to inspect investment firms and fund managers operating on the Romanian market.

#### Steps to follow for RBS implementation:

The resulting risk methodology will be tested in 2019 in a pilot programme for the gradual implementation of RBS supervision and controlling principles and techniques.

### 4. Other major activities undertaken by the inspection structure of FSA

- cooperation with other relevant authorities/notifying or informing them;
- cooperation, through specific contributions, with other sector-based or integrated FSA structures (e.g. proposals and comments in the regulatory process, interview committees for certification, various viewpoints/specific opinions, etc.);
- analysis of reports/notifications submitted by capital market entities, based on FSA Rule no. 6/2015 and 4/2018 and drawing up answers upon request of reporting entities, to clarify aspects regarding the enforcement of such rules;
- taking part in workgroups/projects/conferences/seminars;
- updating the internal procedural framework for inspection activities.

### 5. Capital market inspection activities in numbers

When establishing measures resulting from inspection activities, non-compliances and risks had to be assessed in a lawful, rigorous/substantiated and proportional manner, considering the probability, impact, any damages, the actual and material circumstances of the perpetration of the deed and the perpetrator's conduct, for proper individualization.

The following measures were taken pursuant to controlling activities:

- plans of measures (23);
- sanctioning measures applied to entities (5 fines and 5 warnings);
- sanctioning measures applied to individuals (7 fines and 54 warnings);
- notices to entities (5);
- notices to individuals (13).

Of these statistical data, the plans of measures issued in 2018 (23) stand out compared to the 2017 level (17).

The inspection reports drawn up in 2018 resulted in 88 recommendations (to optimize processes or internal mechanisms of entities / adopt best practices), and the 23 decisions to impose the plan of measures resulted in 248 concrete measures to remedy some failures / mitigate some risks).

It is seen that the risk-based approach of inspection was emphasized at the level of the capital market inspection structure, as well as the guidance to entities with a view to remedying failures/mitigating risks.

## Issuers and public offers

The main operations approved by FSA during 2018 were as follows:

- 2 prospects drawn up in order to admit bonds for trading and a basic prospect for the issue of structured products issued by the FISC BRK FINANCIAL GROUP SA;
- 16 prospects for primary share sale offers whose value was RON 172,395,374 and one prospect for an unsuccessful secondary share sale offer;
- a prospect for an initial public offering drawn up in order to admit for trading the shares issued by Purcari Wineries Public Company Limited Cipru, whose specificity was that FSA was delegated the competences to approve it from the similar authority of Cyprus, the value of the offer was RON 186,200,000;
- 3 public offer documents for mandatory takeover whose value was RON 12,021,084.52;
- 16 public offer documents for purchase whose value was RON 1,379,395,475 ;
- 9 withdrawals from trading on the BVB/the alternative system managed by BVB;
- 5 notices regarding the triggering of the shareholders' withdrawal;
- 3 sanctions for shareholders who failed to meet their obligation of making the compulsory offer within the legal deadline; recording corporate operations in FSA records.

### Cross-border operations

In compliance with the legal provisions harmonized with EU directives, as a host state, FSA receives from similar EU authorities the prospects approved by them, the certificate and the Romanian language abstract of the prospects. Based on the legal rules, FSA initiates no prospect approval procedure in these cases.

FSA was notified on the approval of 27 such prospects and 57 supplements (amendments) to already approved prospects during 2018.

In order to admit the trading of structured products issued based on the basic prospects approved by other EU authorities and notified to FSA, some of the documents requested by BVB are the certificates for the registration of such securities with FSA. For the structured products issued by Erste Group Bank AG Austria, based on the prospects submitted by the Authority of the member state of origin - the Austrian Financial Market Authority - and the notified final terms, 76 registration certificates for structured products were issued pursuant to the analysis undertaken within FSA.

## Transparency and issuer reporting

FSA undertakes supervision, monitoring and investigation of issuers whose shares are traded on the capital market, on the one hand from the perspective of transparency obligations (current and periodic reporting) they have according to legal provisions in force, as well as the protection of shareholder rights and, on the other hand, in terms of monitoring the compliance of the issuers' financial statements with the accounting regulations in force.

- **The supervision of current reporting obligations**

- the general obligation of transparency/reporting of all company events as stipulated by the relevant legislation, by the provided deadlines;
- calling and performing general meetings of shareholders;
- checking the compliance with relevant legal provisions on transparency (reporting deadlines, calling and performing general meetings of shareholders, competences of managers, shareholders' rights, etc.) regarding:
  - repurchase of own shares,
  - the insolvency procedure (from the perspective of reporting obligations and regarding the need of suspension/reintroduction for trading);
- checking the conditions for the suspension/reintroduction for trading of financial instruments subject to FSA supervision, in order to accurately inform investors; taking the required actions if the market operator failed to establish the required measure;
- monitoring litigations regarding changes to the company's features/decisions of the GSM and ESM, the insolvency procedure, amendments to the articles of incorporation;
- observing legal provisions on the capital market regarding dividend distribution; observing the legal provisions on the capital market regarding the enforcement of the cumulated vote method for the election of the managing board;
- supervising the observance of legal provisions on the capital market regarding purchases or sales of assets whose value exceeds 20% of all fixed assets, less receivables, on an individual or cumulated basis, during a financial exercise;
- monitoring changes in the obligations of companies that may significantly affect the company's activity or asset status.

- **Reviewing/investigating the observance of registered capital limits for financial investment companies (FIC) pursuant to the provisions of art. 286<sup>1</sup> of Law no. 297/2004 on the capital market.**

Activities undertaken by FSA involve a complex mechanism for checking the observance of the registered capital limit for financial investment companies. Many times, this mechanism implied elements of extraneity, involving both contacts and information exchanges with relevant authorities from other states, and a good knowledge of the legal framework applicable to operations undertaken in third jurisdictions. Furthermore, on a national level, cooperation was pursued with other public authorities with a view to obtaining relevant data and information for the investigation process (the Directorate for Investigating Organized Crime and Terrorism - DIICOT, the General Inspectorate for Immigration of the National Trade Register Office, the General Regional Directorate of Public Finance - DGRPF-ANAF, etc.).

The implications of the outcomes of activities undertaken by FSA in this process are highly important in order to maintain a fair environment, so that shareholders may exercise their rights in general meetings of shareholders, in agreement with explicitly regulated holdings thresholds. The intervention of the authority is seen, on the one hand, in the immediate damage to the shareholders' voting rights for which such a situation of excess of the limits stipulated by legal provisions was identified, for the general meeting based on which the review was undertaken and, on the other hand, in the imposition and monitoring of the obligation to sell holdings exceeding the 5% threshold by the legal deadline.

- **Notices received from various applicants regarding activities undertaken by securities issuers or by their legal representatives/shareholders**

### • Supervising periodic reporting obligations and checking the compliance of financial statements with IFRS

- Providing shareholders with the (full or partial) documents to be submitted to the general meeting of shareholders at least 30 days prior to its performance (art. 92 para. (22) of Law no. 24/2017);
- Providing the audience with the financial statements and the annual report, approved by the general meeting of shareholders, within 4 months (art. 63 para. (1) of Law no. 24/2017);
- The annual report must include the audited financial statements, the report of the managing board, the statement of the responsible persons (art. 63 para. (2) of Law no. 24/2017);
- The annual report of the managing board must include information equivalent to those stipulated in annex no. 15 of Regulation 5/2018;
- Publishing a half-year financial report for the first 6 months of each financial exercise, no later than 3 months after its end (art. 65 para. (1) of Law no. 24/2017);
- The half-year financial report includes: the half-year accounting report, the report of the managing board, the statement of the responsible persons;
- The full report of the financial auditor, if the financial statements were audited (art 65 para. (2) of Law no. 24/2017);
- Providing the public with quarterly reports within no more than 45 days from the end of the reporting period (art. 67 para. (1) of Law no. 24/2017);
- The quarterly report must include the profit and loss statement (...) (art. 67 para. (1) of Law no. 24/2017).

### • Other cases subject to analysis and resulting either in the issue of individual acts or in notices/warnings

A range of individual acts were issued, imposing various obligations on the issuers, i.e. to report, to add/remove certain resolutions from the agenda of the GSM, to take the required actions to suspend voting rights for shareholders who fail to meet the provisions of art. 286<sup>1</sup> of Law no. 297/2004, etc.

24 individual acts were issued on a whole, of which 5 sanctions with a total value of RON 86,000.

Securities issuers on the regulated market published 116 individual (separate) annual financial statements during 2018, of which:

- **43 audited by BIG 4;**
- **73 with an opinion with no reserves.**

Furthermore, 43 consolidated annual financial statements were drawn up.





## Electronic supervision and transaction monitoring

Real-time transaction monitoring implies following the trading applications provided by market/system operators or those developed on an internal basis with a view to identifying situations where one or several transactions generate an abnormal evolution in price or volume. Alerts thus generated are analysed by the specialists who assigned the concerned financial instrument according to procedural criteria, in compliance with the legislation on market abuse.

The transaction supervision applications used by the FSA are as follows:

- **The ARENA Trading trading system managed by the Bucharest Stock Exchange;**
- **Alert and query instruments, built in house for ARENA (the ARENA Client system);**
- **The ARENA Post-trading settlement system managed by the Central Depository.**

Another major activity of FSA is to implement specific EU legislation on transaction reporting. The relevant legislation is the MiFID II/MiFIR package, the European Market Infrastructure Regulation (EMIR), the Short Selling Regulation, along with all the delegated acts issued for their enforcement.

### Transaction Reporting Exchange Mechanism (TREM) - MiFID II / MiFIR

- Based on MiFIR (art. 26), FSA must exchange certain transaction reports with other relevant European authorities through the ESMA-managed TREM system;
- By means of TREM, FSA submits daily reports on transactions performed in Romania by branches of European investment firms, to the relevant authorities of the state of origin of the holding company;
- Furthermore, for the instruments where FSA is not the relevant authority, FSA sends daily transaction reports with such instruments to the relevant authorities;
- FSA receives daily reports on transactions performed in the European Economic Area with instruments for which it is the relevant authority and/or undertaken by branches of Romanian investment firms;
- In force starting 03.01.2018; FSA was one of the first authorities in the EU having the system operational on that date;
- Current activity implies providing support to intermediaries involved in the reporting system and improving the quality of the data submitted by them.

### Financial Instruments Reference Data System (FIRDS) - MiFID II / MiFIR

- Based on art. 27 of MiFIR, trading venues must submit the reference data of financial instruments admitted for trading (name, ISIN, nominal value, maturity date, price type, CFI code - Classification of Financial Instruments, etc.). FSA, like most competent authorities, delegated this activity to ESMA;
- Together with FITRS (described below), ESMA uses this data to establish the relevant market for each instrument and to redirect transactions submitted through TREM;
- Data quality is ensured by the relevant authorities, as ESMA performs monthly and bi-monthly tests for the consistency and completeness of data reported by trading places;
- FSA and BVB check the quality of data reported in the FIRDS on a bi-monthly and monthly basis. Additionally, complex quality tests are undertaken on a quarterly basis.

### Financial Instruments Transparency Reference System (FITRS) - MiFID II / MiFIR

- Delegated Regulations no. 583, 587 and 588/2017 for the enforcement of MiFIR introduce transparency requirements for all types of instruments and provide relevant authorities with the possibility to allow venues to exempt from pre-trading transparency requirements.
- Furthermore, FITRS sets out the price step system and the liquidity of a financial instrument. FSA, like most competent authorities, delegated this activity to ESMA;
- Data quality is ensured by the relevant authorities, as ESMA performs monthly and bi-monthly tests for the consistency and completeness of data reported by trading venues;
- FSA and BVB check the quality of data reported in the FITRS on a bi-monthly and monthly basis. Additionally, complex quality tests are undertaken on a quarterly basis.

### Double Volume Cap (DVC) - MiFID II / MiFIR

- Art. 5 of MiFIR limits the use of exemptions from pre-trading transparency requirements to certain percentages of the total transaction value for each instrument market and on a European level (4% and 8% respectively).
- DVC calculations are performed by ESMA (based on the delegation awarded by the relevant authorities, FSA included), based on FITRS data;
- On a monthly basis, ESMA informs the relevant authorities on the results of calculations, and they will take action accordingly (suspend the exemptions for 6 months);
- FSA monitors such notifications and the actions taken by BVB;
- Data quality is ensured by the relevant authorities, as ESMA performs monthly and bi-monthly tests for the consistency and completeness of data reported by trading places.

### Suspensions and Restorations Instruments System (SARIS) - MiFID II / MiFIR

- The web-based database managed by ESMA includes all suspensions from trading and withdrawals from trading in real time;
- FSA notifies the suspension, reintroduction or withdrawal from trading of a financial instrument, as soon as this information is known;
- At the same time, FSA answers the notifications received from other authorities regarding the suspension of an instrument; if an instrument is suspended in an EU member country and is traded in Romania as well (e.g. Erste Bank), it should also be suspended in Romania and the other way round.

### Short sellings reports - Regulation (EU) no. 236/2012 on short selling

- Art. 5 of MiFIR limits the use of exemptions from pre-trading transparency requirements to certain percentages of the total transaction value for each instrument market and on a European level (4% and 8% respectively).
- On a monthly basis, ESMA informs the relevant authorities on the results of calculations, and they will take action accordingly (suspend the exemptions for 6 months);
- FSA monitors such notifications and the actions taken by BVB;
- Data quality is ensured by the relevant authorities, as ESMA performs monthly and bi-monthly tests for the consistency and completeness of data reported by trading places.

## Trade Repositories (TRs) - Regulation (EU) no. 648/2012 (EMIR)

- Based on EMIR, financial counterparties and certain non-financial counterparties must report their operations with OTC derivatives (transactions, positions, position changes, contract closure) to Trade Repositories.
- 8 TRs are currently authorised by ESMA in various Member States;
- In order to have a comprehensive view of the market of OTC derivatives, FSA established connections with the 8 TRs;
- The actions required for an easy viewing of the data in the TRACE system (single access to the data in TRs) were undertaken in 2018, by purchasing a Tableau Server license, which will allow the implementation of a
- mechanism for an easy viewing of TRACE data.

## Investigations and market abuse

Based on the provisions of Law no. 24/2017 on financial instrument issuers and market operations, FSA is the relevant authority ensuring the enforcement of Title V Market abuse and the provisions of Regulation (EU) no. 596/2014 on market abuse.

The transposition of Directive 2014/57/EU on criminal sanctions for market abuse (MAD II) through Law no. 24/2017 and the enforcement of Regulation (EU) no. 596/2014 on market abuse (MAR), with a view to reinforcing and replacing the existing framework set out in the Market Abuse Directive (2003/6/EC), in order to ensure market integrity and investor protection, resulted in the extension and enhancement of activities undertaken by FSA with regard to the concerned entities.

During 2018, starting 21.06.2018, the provisions of FSA Regulation no. 5/2018 on financial instrument issuers and market operations came into force, bringing into the regulated area some of the topics debated at a European level by means of Q&A. At the same time, this regulation identified, without limitation, some of the inside information that should be published as soon as possible, but no later than 24 hours after the event or after the issuer becomes aware.

### The sanction system

Special law no. 24/2017 stipulates criminal sanctions for market abuse deeds perpetrated with the guilt stipulated by the law in order to qualify as crimes, setting out punishment with imprisonment for 1-5 years for:

- Abusive use of inside information;
- Recommending or making another person take part in practices of abusive use of inside information;
- Illegal disclosure of inside information;
- Market manipulation.

For deeds that do not qualify as crimes, the Law stipulates sanctions for offences from RON 10,000 to RON 22,000,000 for individuals and from RON 20,000 to RON 66,000,000 or 15% of the total annual turnover for legal entities, as well as administrative financial sanctions up to three times higher than the profits obtained or the losses avoided pursuant to such infringement.

FSA monitors the observance of the rules of conduct and reporting stipulated by Regulation (EU) no. 596/2014 on market abuse (MAR) and by the delegated regulations issued for its enforcement, by the concerned subjects, regarding the publication or delayed publication of inside information, the drawing up and update of lists with persons who have access to inside information, the reporting of transactions undertaken by managers, the establishment of closed periods and trading restrictions during these periods, the methods to design repurchase programmes and stability measures.

For analyses dealing with possible suspicions of market manipulation, the specific review process primarily implied a review of the trading behaviour of suspect persons, the request and review of client files, their activity on the trading account, as well as the impact of their activity on the price of the concerned financial instrument. Such analyses were undertaken both in compliance with the national and European legal framework, where market manipulation indicators identified in MAR and in the delegated regulations issued for its enforcement were considered in many cases, and with regard to the (frequently low) liquidity status characteristic for many issuers listed on BVB.

Analyses aimed at identifying the compliance of regulated subjects with the obligations and prohibitions established by the legal framework mainly took place based on the data and information provided by issuers and with regard to their conduct for the observance of the financial timeline, the publication of inside information, the information of the concerned persons subjects on the obligations and prohibitions set out in MAR, drawing up/updating lists of managers and persons close to them, the observance of the requirements for the performance of repurchase programmes, etc.

FSA actively helped clarify the enforcement of the relevant legal framework for market abuse and improve the secondary normative framework, by providing relevant viewpoints to both securities issuers and intermediaries on the capital market.

In order to help ensure market integrity and a high degree of supervision convergence, in agreement with the objectives of the European Securities and Markets Authority (ESMA), FSA actively engaged in the elaboration of the technical standards for the regulation and implementation of MAR, of the guidelines and recommendations issued for the enforcement of MAR, of the Benchmark Regulation (BMR) and of Q&A documents approaching practical issues resulting from the enforcement of the EU normative framework, by means of the expert appointed in the ESMA Market Integrity Standing Committee.

A distinct activity undertaken in FSA is related to the forced executions performed by means of unitary capital market mechanisms at the market level (with the proper amendment of article 228 of the BVB Code), completed with special sale operations.



## SUPERVISION AND INSPECTION ACTIVITIES IN THE INSURANCE MARKET FIELD

### Off-site supervision in the insurance market field

With the coming into force of the new Solvency II supervision regime, the supervision of insurance companies needs detailed knowledge and continuous dialogue with insurance companies, as well as additional responsibilities in the relation with EU bodies.



The first step in the supervision process is the quarterly review and the companies' classification according to risks and impact on the insurance market.

The companies' review and classification is objective and is based on the data in the periodic reporting submitted by them, the outcomes of market analyses and stress tests undertaken by FSA or by EIOPA, if relevant for the Romanian market.

Companies are classified according to risks and the impact they may have on the insurance market as follows:

**-by impact categories: category 1 includes companies with the lowest impact level, and category 4 includes companies with the highest impact level;**

**- by risk categories: category 1 includes companies with the highest capacity to face risks, and category 4 includes companies with the lowest capacity of reaction to risks.**

Depending on the outcomes of the review, insurance-reinsurance companies are classified into 4 supervision categories, as follows

**Category 1 - basic supervision**  
**Category 2 - standard supervision**  
**Category 3 - enhanced supervision**  
**Category 4 - intense supervision**

A supervision plan is drawn up with a view to undertaking supervision activities, considering supervision priorities, available resources and other relevant information, besides the previously mentioned classification.

The supervision plan sets out the frequency and intensity of supervision activities for each company, depending on the supervision category, including the inspection activities/actions planned for insurance-reinsurance companies.

The supervision plan must be proportional to the company's nature, size and complexity, and the principle of proportionality must be considered in all the steps of the supervision process (based on the EIOPA Guide and Law no. 237/2015).

The actions included in the 2018 supervision plan were established so as to ensure the continuity of actions undertaken during 2016 and 2017 and were performed based on the specific timeline of each insurance company, always considering the outcomes of quarterly risk assessments, of periodic or ad-hoc on-site actions, as well as information from companies, both on a periodic (reporting) and on an ad-hoc basis.

**Permanent off-site supervision also included a review of policies lying at the basis of the governance system of insurance companies, as well as an analysis of their strategy, besides the quantitative and qualitative analyses of all reportings, based on the legislation in force.**

**Furthermore, periodic interviews were taken to managers of the companies and to persons holding key positions therein, in order to ensure permanent compliance with competence requirements and functionality at the level of the entire management of the insurance company.**

Issues such as a good knowledge of the undertaken activities, the sufficient size of the concerned departments in the companies, their interdependence and independence, an understanding of legislative aspects with an impact on the activities undertaken in insurance companies were followed during meetings with the holders of key/critical positions, depending on actually performed activities, their complexity, as well as the specificities of the insurance company where the person is employed.

At the same time, 2018 witnessed meetings with the internal auditors of the supervised insurance companies, aimed at clarifying the issues raised by them in letters to the management, both pursuant to statutory audit and in audits on the Solvency II balance sheet.

Similarly to 2017, a major off-site activity undertaken in 2018 was the participation in the meetings of colleges of supervisors for the branches of EU member states groups, where quantitative and qualitative risk analyses were provided to the coordinating supervisors of the groups for their branches on the Romanian territory.

For the first time since the application of the Solvency II system, an on-site review was undertaken in 2018, jointly controlled by the group supervisor, in a member of the concerned group.

The topic decided by the group coordinator dealt with the assessment of the best estimation of life insurance reserves, the relevant procedures and processes, checking data quality and the deadlines for their aggregation with a view to submitting local information for centralisation and reporting by the group, the management of assets covering the technical reserves of the Solvency II system for life insurance, capital structure and the adjustment of the loss absorption capacity.

Furthermore, a specific activity of the new supervision system was undertaken regarding the Internal models applied by certain insurance companies.

Based on art. 82 of Law no. 237/2015 on the authorisation and supervision of insurance and reinsurance activities, insurance companies may use a full or partial internal model subject to FSA approval for the calculation of the following elements:

- a) solvency capital requirements (SCR) for one or several modules or submodules: the subscription risk for the general insurance activity, the subscription risk for life activity, the subscription risk for health insurance, the market risk, the counterparty risk;
- b) SCR for operational risk;
- c) adjustment depending on the loss-covering capacity of technical reserves and deferred tax.

All activities prior to approval and actual approval were undertaken in cooperation with the supervision authorities from the countries of origin of the groups and took place starting 2017.

During 2018, focus was given to how a company met the terms and conditions applicable at a group level and at a local entity level, included in the Joint Decision of the relevant Supervision Authorities which approved the use of a partial internal model, as follows:

- Analysis of the uncertainty of the partial internal model in order to analyse and estimate the expected variation of the relevant results of the model due to the uncertainty of input parameters and to determine their confidence levels.
- Validation of the modelling of business risk for the Romanian subsidiary, pursuant to the use of the normal distribution and neutral market assumptions, with the results of the validation being reported to the group supervisor.

After assessing the documentation provided by the applicant company, it was found that all the conditions required in the Joint Decision for the approval of the use of the partial internal model were duly met by this company.

Furthermore, in 2018, for other two companies belonging to the same insurance group also applying a partial internal model, certain changes to the initially approved model were analysed, i.e.

- Discarding the subscription risk for health insurance from the scope of the model, technically similar to general insurance for the group subsidiaries in Slovakia and the Czech Republic. The reason for this change consists of the significant effort required to model and ensure governance with regard to the meaning of the business line in the portfolio;
- Based on the model changing policy, the quantitative criteria were met so that minor model changes occurring from the initial approval of the partial internal model represent a major change of the model, by aggregation. The most important changes consist of a full review of the modelling of reinsurance and changes to parametrisation methods for the group subsidiaries in Slovakia and the Czech Republic.

The major change of the partial internal model for which approval was requested on the second application referred to taking a non-Romanian, group member company out of the scope of the partial internal model.

Other three minor changes of the internal model affecting the two Romanian entities were approved at the end of 2018.

Several activities were undertaken during 2018 with a view to ensuring the calculation of the MTPL reference tariffs. Based on the provisions of art. 18 of Law no. 132/2017, the reference tariffs is calculated by a company with recognized expertise in the field, contracted by FSA, on a half-year basis, and shall be published by FSA.

Thus, in order to meet the obligation set out in Law no. 132/2017, FSA drew up and published a regulatory framework under the form of a rule, i.e. Rule no. 22/2017 on the methodology for the calculation of reference tariffs for compulsory motor third party liability insurance for third party damage caused by vehicle and tramway accidents, so as to ensure enhanced transparency against third parties regarding the determination of the reference tariffs.

At the same time, considering the legal provisions in force, FSA undertook two public procurement procedures with a view to purchasing actuarial services for the calculation of the reference tariffs for MTPL insurance.

After the completion of public procurement procedures:

- An actuarial service agreement was entered on 4 January 2018 between FSA and an association of Deloitte Audit SRL, Deloitte Advisory Sp.Z.oo and Deloitte Advisory s.r.o., represented by Deloitte Audit SRL, whose purpose was to ensure that Deloitte provided FSA with actuarial services for the calculation of a reference tariffs for the MTPL insurance. The actuarial report on the calculation of the MTPL reference tariffs drawn up and signed by Deloitte Audit SRL was submitted to FSA on 15.02.2018 and FSA published a summary of the information included in this Report;

- On 13 August 2018, FSA entered the following agreements with Ernst & Young Assurance Services SRL:

- master agreement for the supply of actuarial services aimed at establishing the essential elements and conditions to govern subsequent (no more than 4) service contracts to be awarded for the duration of the master agreement, as well as setting out the conditions to duly supplement subsequent contracts;
- subsequent contract for the supply of actuarial services, so that Ernst & Young Assurance Services SRL may provide FSA with actuarial services for the calculation of a reference tariffs for MTPL insurance.

- On 21 December 2018, FSA and Ernst & Young Assurance Services SRL entered a subsequent contract for the supply of actuarial services, so that Ernst & Young Assurance Services SRL would provide FSA with actuarial services for the calculation of a reference tariffs for MTPL insurance.

The first actuarial report regarding the calculation of the MTPL reference tariffs drawn up by Ernst & Young Assurance Services SRL (based on the information regarding MTPL insurance policies which were valid for at least one day from 1 January 2013 to 31 December 2017) was sent to FSA on 26 October 2018 and FSA published a summary of the information included in this Report.

Specific actions for the calculation of the MTPL reference tariffs were initiated in the 4th quarter of 2018, drawn up based on the information on MTPL insurance policies which were valid for at least one day from 1 July 2013 to 30 June 2018.



## On-site supervision in the insurance market field

As previously shown, 01.01.2016 marked the entry into force of Law no. 237/2015 on the authorisation and supervision of insurance and reinsurance activities, as subsequently amended and supplemented, transposing the provisions of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

In the spirit of the requirements of Directive 2009/138/E, 2016 was considered a year of transition to new regulatory requirements regarding both the insurance market and the supervision process undertaken by the authority.

The first (periodic) inspection actions planned to be undertaken from the perspective of new legislative requirements were initiated during 2017, when FSA did not have a dedicated service for such activities, as inspection actions were implemented by the prudential supervision services operating at that time, based on the supervision plan approved by the FSA Board.

Inspections dealt with issues related to company governance, self-assessment of risks and solvency, subscription activities, valuation of assets and debt, the quality of data used for the calculation of technical provisions, the methodology for the calculation of technical provisions, as well as their inclusion in accounting records; Analysis of the classification and eligibility of own funds, capital management; Congruency between prudential and additional reportings drawn up based on the legislative framework in force, and the information in technical databases, assessing the process of their submission to FSA; checking the calculation and payment of contributions and taxes to FSA.

During 2018, 7 periodic inspections actions and one ad-hoc inspection action were initiated in insurance-reinsurance companies and the inspection actions initiated at the end of 2017 were completed for some companies.

On-site and off-site inspection activities resulted in the establishment of certain remedial measures and, in a proactive manner, considering the proportionality principle, recommendations were drawn up regarding the activity undertaken by insurance-reinsurance companies.

### **Thus, off-site supervision activities and on-site inspection actions resulted in the issue of 35 decisions in 2018, as follows:**

2 decisions by which two insurance companies were sanctioned with a written warning;

7 decisions by which persons in the management of an insurance company were sanctioned with a written warning;

4 decisions by which four insurance companies were fined;

15 decisions by which persons in the executive and administrative management of two insurance companies were fined;

7 decisions imposing certain measures on insurance companies.

## Supervisory and inspection activities regarding intermediaries

In 2018, the supervisory and inspection activities regarding intermediaries were focused on the following aspects:

- Supervising the stability of the insurance intermediation market;
- Supervision and inspection of intermediaries based on Law no. 32/2000, repealed and replaced by Law no. 236/2018 of October 2018 and the relevant enforcement guidelines;
- Monitoring the conduct of insurance companies and insurance intermediaries based on national legislation on insurance, European legislation on insurance distribution, including the Delegated Regulation on PRIIPs, given the postponement of the entry into force of the Insurance Distribution Directive (IDD) and the delegated regulations for its supplementation until 01.10.2018;
- Supervision and inspection of the Romanian Motor Insurers Bureau (BAAR), based on Law no. 132/2017 on compulsory insurance for damages to third parties caused by vehicle and tramway accidents and the relevant enforcement norms;
- Analysing the requests for the issue of the FSA approval in the bankruptcy of insurance/reinsurance companies, based on the provisions of Law no. 85/2014 on insolvency prevention and insolvency procedures;
- Monitoring the controlled development of innovative insurance products and services;
- Taking part in the assurance of the European convergence framework in the field of insurance based on the requirements and committees of EIOPA - the Consumer protection and financial innovation committee, InsurTech Task Force (ITF), IDD subgroups, etc.

### Ongoing inspection activity – off-site supervision

15 insurance and/or reinsurance brokers were notified, who failed to meet legal provisions on drawing up and submitting reports. Reports with sanctioning proposals were drawn up;

6 insurance and/or reinsurance brokers who had their activity suspended on a temporary basis requested the withdrawal of the operating license, and 6 decisions to approve the withdrawal of the operating license were thus issued based on permanent inspection;

15 insurance and/or reinsurance brokers whose activity was prohibited on a temporary basis according to FSA records were notified, since the decisions issued by CSA/FSA had not been observed; therefore, 15 decisions of withdrawal of the operating license were issued;

One insurance and/or reinsurance broker had its operating license withdrawn for making amendments at the Trade Register without approval from FSA, while 2 insurance and/or reinsurance brokers were removed from the Register of insurance and/or reinsurance brokers;

Pursuant to notices received from the Institute of Financial Studies (Institutul de Studii Financiare - ISF) regarding the failure to meet professional training requirements/forgery of certificates by natural persons within brokerage assistance who were legal entities, the involved insurance and/or reinsurance broker was subject to review. The relevant bodies were notified as a consequence of such reviews, so that the situations might be checked, and a fine decision was issued for an insurance and/or reinsurance broker;

300 reports were reviewed based on FSA Rule no. 4/2018 on the management of operational risks generated by the IT systems used by entities which are regulated, authorised/endorsed and/or supervised by the Financial Supervisory Authority, for the 300 insurance and/or reinsurance brokers active during 2018;

168 insurance and/or reinsurance brokers were notified regarding the provisions of Rule no 24/2014 on the procedure to solve complains regarding the activity of insurers and insurance brokers, then 150 insurance and/or reinsurance brokers were sent warnings;

A thematic review of "Alternative insurance product distribution channels by means of insurance and/or reinsurance brokers" was undertaken regarding a number of 298 insurance and/or reinsurance brokers;

The existence of a valid professional training certificate was checked for the executive managers of all the 298 active insurance and/or reinsurance brokers;

The legal status was verified, according to the records of the National Trade Register Office, for 29 insurance and/or reinsurance brokers and 23 insurance and/or reinsurance brokers were notified, as they failed to observe the decisions of FSA/CSA and had their activity temporarily prohibited/suspended;

Based on mystery shopping actions regarding MTPL insurance offers and the intermediation fees collected by insurance and/or reinsurance brokers, the required actions were taken for MTPL insurance contracts against 36 insurance and/or reinsurance brokers, so that the failures could be acknowledged and solved, many of them being related to the used IT system/electronic issue platform;

Notifying the relevant bodies regarding the circumstances for the issue of certain insurance policies by an international insurer.

Therefore, pursuant to the ongoing inspection activity, 15 Reports were drawn up, resulting in 25 decisions, as follows:

- 6 decisions to approve the withdrawal of the operating license, upon request of insurance and/or reinsurance brokers;
- 16 decisions to withdraw the operating license;
- 1 decision to provide a written warning to the executive manager of an insurance and/or reinsurance broker;
- 1 decision to fine with RON 5,000 the executive manager of an insurance and/or reinsurance broker;
- 1 decision to fine with RON 2,500 an insurance and/or reinsurance broker.

### Periodic and ad-hoc on-site inspections

**10 periodic inspection actions and 11 ad-hoc inspection actions resulted in the issue of 13 decisions, as follows:**

- 4 decisions to approve the withdrawal of the operating license, upon request of insurance and/or reinsurance brokers;
- 1 decision to suspend the company's activity, upon request of an insurance and/or reinsurance broker;
- 2 decisions to withdraw the operating license;
- 4 decisions to provide a written warning to the company;
- 1 decision to provide a written warning to the executive manager;
- 1 decision to fine the company with RON 2,500 and temporarily prohibit its activity.

For 5 insurance and/or reinsurance brokers, no failures were found that would result in sanctions.

**The main aspects resulting from inspections actions were as follows:**

- a) The failure to fully transpose, starting with 01.01.2016, the accounts in the trial balance drawn up for 31.12.2015, based on the new account plan stipulated in the Accounting regulations on individual annual financial statements and consolidated annual financial statements applicable to insurance and/or reinsurance brokers, approved by FSA Rule no. 36/2015;
- b) The failure to observe the contents and function of certain accounts;
- c) The information in the reports submitted to the authority was not identical to the one in the company's accounting records.
- d) The person in charge with the enforcement and observance of legal provisions in force regarding the prevention and mitigation of money laundering and terrorism financing did not have a graduation certificate from a training programme regarding the prevention and mitigation of money laundering and terrorism financing;
- e) Entering collaboration agreements with insurance companies undertaking insurance activities based on the right of free movement of services, without observing the principles of the temporary nature of activities undertaken based on the European passport, according to the provisions of art. 16 - Freedom to provide services of Directive 2006/123/EC on services in the internal market, as well as the Commission Interpretative Communication - Freedom to provide services and the general good in the insurance sector – 2000/C43/03, the failure to observe legal provisions on keeping own staff records and the log of brokerage assistants.

### Monitoring conduct and unfair or fraudulent practices on the insurance market by:

- observance of information, consultancy and transparency requirements by the insurers and intermediaries, both in the offering and contracting process for insurance products and during the performance of contractual relations with clients;
- unfair or fraudulent practices in FSA-supervised entities, abusive contractual clauses, the supply of non-compliant or incomplete information to clients, misleading publicity;
- observing legal requirements on the distribution of insurance products, as well as relevant review policies.

### The conduct and unfair or fraudulent practices in FSA supervised entities were monitored by means of the following activities undertaken in 2018:

#### a) Thematic review on the following aspects:

- The cooperation between insurance companies and car repair shops in the settlement of damages, regarding the respect for the rights of motor insurance product clients;
- The implementation of the provisions of Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products (PRIIPs), supplemented by Delegated Regulation (EU) 653/2017, at the level of insurance companies;
- The development of insurance products against cyber risks on the Romanian market, the extent to which Romanian insured persons may benefit from insurance against cyber risks, including the coverage of such products;
- The method to establish average direct procurement expenditure for MTPL policies and for insurance companies to observe their obligations to inform;
- The design and distribution of medical travel insurance;
- Work procedures regarding the approval, establishment, documentation and liquidation of the damage claims of insurance companies authorised to undertake motor insurance;
- Monitoring the observance of the provisions of Regulation (EU) 2017/1469 laying down a standardised presentation format for the insurance product information document (IPD), by insurance companies.

#### a) Mystery shopping actions

- Identifying potential practices that are detrimental to clients regarding the promotion and sale of MTPL insurance policies, as well as checking whether intermediation fees paid to insurance intermediaries are included in MTPL insurance offers, based on the provisions of FSA Rule no. 20/2017 on Romanian motor insurance.
- Analysing the evolution of MTPL rates after they are notified to FSA in January 2018, compared to the previous period.

Reports drawn up pursuant to mystery shopping actions were reviewed by FSA, and the failures were presented to the supervisory bodies of insurance intermediaries, so as to be reviewed and the required actions could be taken.

## Supervision and inspection of the Romanian Motor Insurers Bureau (BAAR)

- a) Reviewing the budget of revenues and expenditure of BAAR, as well as the contributions, subscriptions and management rates for the MTPL contract database, for 2018; Submitting all these for approval;
- b) Monitoring the National Safeguard Fund on a monthly basis;
- c) Undertaking an ad-hoc inspection action in BAAR, in order to check the fulfilment of its attributions as a claims payment body and as a compensation body, along with the National Safeguard Fund;
- d) Completing the cooperation protocol between FSA, BAAR and the Directorate for Car Driving Licenses and Registration of the Romanian Police, so that BAAR could fulfil its attributions as a national motor bureau and information centre in Romania, as stipulated by Law no. 132/2017, along with its obligation to provide information to other national bureau, given this status;

## Monitoring the controlled development of innovative insurance products and services

With a view to supporting the controlled development of innovation in technologically supported insurance (InsurTech), EIOPA adopted a range of initiatives aimed at encouraging financial innovation and set up the InsurTech Task Force to collect data and develop competences and expertise, in charge with technological phenomena and activities generated by them in fields such as Big Data, Internet of Things, Sandbox, Blockchain, telematics, robot use for recommendations, artificial intelligence, etc. Considering the objectives regarding the support for a controlled development of innovation in technologically supported insurance and the stimulation of technological companies and hubs, providing support, facilitating cooperation with market entities for information exchange, etc., as well as the establishment of the InsurTech Task Force in EIOPA, the InsurTech Hub group was established within FSA, integrated by representatives of FSA, of insurance companies and of relevant insurance and IT associations.

Five project proposals were received in the InsurTech HUB group, which were analysed and are currently in progress:

- Housing micro-insurance;
- Distributed management system for information regarding motor damage;
- Increasing the safety of documents used in insurance;
- Standardisation of motor category repositories in the MTPL underwriting process;
- On demand CASCO micro-insurance.

### **Analysing the requests for the issue of the FSA endorsement in the bankruptcy of insurance/reinsurance companies, based on the provisions of Law no. 85/2014 on insolvency prevention and insolvency procedures**

8 requests for the issue of the FSA endorsement for the liquidation of goods and capitalization of the rights held by bankrupt insurance/reinsurance companies were analysed in 2018. They were reviewed and approved/rejected by the FSA.

### **Participation in ensuring the European convergence framework on insurance by means of EIOPA and other participations**

Since increasingly importance is awarded to the supervisory framework for risks of conducts on a European level, as well as considering new EU regulations applicable in member states as of 2018 (the Insurance Distribution Directive - IDD, the General Data Protection Regulation - GDPR, the Delegated Regulation on PRIIPs), FSA was represented and undertook activities in the workgroup Consumer Protection and Financial Innovation (CCPFI) and in the EIOPA InsurTech Task Force. Guidelines and technical regulations for the enforcement of IDD and delegated regulations were drawn up within CCPFI. Moreover, active participation was ensured by presentations and debates in various conferences, workgroups, seminars, etc., with a view to informing and being informed on all novelties provided by the new regulations and the best practices in the field.

### **Other activities undertaken in 2018**

- Active participation in the drafting of primary and secondary legislation on insurance distribution;
- Preparing the "Enhancing the Supervisory Function of the Romanian Insurance Market" project undertaken with EIOPA and financed by the European Commission;
- Taking part in the meetings of the Consumer Protection Subgroup of the Consultative Group for ongoing dialogue on consumer protection;
- Taking part in the meeting with the representatives of the supervisory authority of Moldova, with a view to exchanging experience between the two authorities;
- Taking part in the review of the activities undertaken by the Insurance House of Public Notaries, given the publication of some information regarding its insurance activities, though this does not fall within the supervisory scope of FSA;
- Taking part in the project to amend Regulation no. 6/2017 on the National Safeguard Fund;
- Taking part in the meeting with representatives of the Ministry of Environment regarding the review of the possibility to use insurance products to guarantee the financial risks generated by the improper waste management of the Responsibility Transfer Organisation;
- Taking part in the meeting with the Association of Romanian Financial Companies - ALB Romania - regarding the implementation of legislation regarding insurance distribution in IFN companies.
- Taking part in the meeting of the workgroup for motor vehicles within the Permanent Inter-ministry Delegation for Road Safety, to establish optimal traffic regulatory conditions for right-hand-drive vehicles previously registered in another member state (and for which re-registration is requested in Romania).

## SUPERVISION AND INSPECTION ACTIVITIES IN THE PRIVATE PENSIONS FIELD

In 2018, FSA's activity regarding the supervision and inspection of the private pensions system was based on the observance of at least the following principles:



Based on the FSA Strategy, the goals of supervision and inspection activities for 2018 were:

Protecting the participants' and beneficiaries' interests, by ensuring an efficient operation of the private pensions system and their access to adequate information

Maintaining low risk on the private pensions fund market.

An early identification of the main risk areas in the activity of entities involved in the private pension system through the use of a fair assessment tool for both the quality of the corporate governance system as a whole and regarding the individual activity of persons holding key positions, by keeping records of their acts and deeds (conduct and behaviour) and to guarantee that similar actions are taken for similar deeds, which are decided according to impact, risk, circumstances and repeatability of the deeds.

A major focus was placed on the reporting process, checking the submitted data and information, as well as improving the quality of analyses and summaries in 2018, with a view to enhancing relevance and accuracy, since the optimisation of the reporting process for entities in the private pensions system is a major element in increasing the efficiency of off-site supervision activities and improving the prudentiality feature. The purpose was to increase the capacity to detect any problems from the very beginning, to analyse and to solve them, before the participants' interests are significantly affected.



In order to identify the main risks the private pensions system is exposed to, the following were analysed on a quarterly basis: the concentration rate, liquidity, the interest rate, foreign currency exposure, the volatility and profitability of private pension funds.

The files of private pension funds, of the administrators and depositories of assets of private pension funds were updated on a permanent basis, in order to have a complete image of the authorised and supervised entities in the private pension system. Information regarding shareholders, registered capital, total assets, staff involved in the activity, number of participants, net participant transfers, contributions paid to the Guarantee Fund for the Private Pensions System (FGDSPP), assets covering technical provisions, liquidity, profitability, exposure by countries and currencies, management commissions, etc. were centralised for each administrator.

Ongoing prudential supervision aimed at reinforcing reporting discipline, monitoring deviations from investment limits, monitoring the observance of the risk degree, monitoring the profitability rates of private pension funds and ensuring the accurate and permanent supply of information to participants, thus solving various aspects and issues.

The primary data required for the actuarial calculation of the technical provision for the actuarial assessment of voluntary pension funds stipulating guarantees in the pension scheme prospect were processed during 2018, based on the data history of voluntary pension funds. Thus, the following parameters were determined for each participant: current guaranteed value, current contribution, future contributions until retirement, guaranteed value until retirement, evolution of personal assets until retirement, total payment obligation, respectively guaranteed value compared to the value of accumulated assets for this obligation (the sum of personal assets generating obligations).

The analysis of processed data and information resulted in the elaboration of actuarial assessment reports for privately managed pension funds, as well as voluntary pension funds.

The reports of entities from the private pension market regarding the internal assessment of operational risks and electronic reporting indicators were also reviewed.

In this context, the results of the audit of IT systems submitted by administrators and depositories were also reviewed, as well as the implementation by the supervised entities of the corrective actions recommended by IT auditors pursuant to the first mission of audit of IT systems.

The inspection of entities in the private pension sector aims at preventing, identifying and deciding measures to solve, as the case may be, situations likely to affect or having affected the interests of participants and beneficiaries of private pension funds, to ensure an efficient operation of the Romanian private pension system;

Both periodic and ad-hoc inspection actions were undertaken in 2018. The inspection actions planned for 2018 were in accordance with FSA goals: protecting the interests of beneficiaries and participants in private pension funds, protecting the stability of the private pension system, reinforcement and stability of the financial system as a whole. The following were mainly envisaged:

- checking the operation of the corporate governance system and of the internal control system of each inspected entity, with a view to identifying whether the policies and procedures drawn up by each entity are suitable to the volume and complexity of the activity;

- checking and assessing the specific activities of the private pension system considering: the nature, cause, impact, method of settlement and/or mitigation, as well as the manifestation of the relevant risks, with a view to ensuring efficient operation;
- monitoring the enforcement of the investment strategy adopted by each private pension fund;
- checking the establishment and maintenance of a suitable level of technical provisions, including checking the existence of assets covering the technical provision
- managing the operational risks generated by the IT systems used by authorized/endorsed/registered entities, regulated and/or supervised by the Financial Supervisory Authority in the private pension system.
- thorough checks regarding the main risks and failures of IT systems.

Periodic inspection actions were planned in 2018 for all private pension fund administrators and depositories, which were fully undertaken according to the approved planning. Additionally to the planned periodic inspection actions, two ad-hoc checks were undertaken in 2018 in two private pension intermediaries.

**Generally, the following main risk areas/risks were identified in terms of number of vulnerabilities/dysfunctions:**

Scope of activity	Types of identified risks	Factors increasing risk
Corporate governance Participants' adherence and records Operations regarding participants IT system Reporting and transparency obligations	Compliance risks Operational risks Reputation risks	Human errors, mostly arisen due to manually performed operations; Insufficient development of IT systems Absence of an efficient internal control system

The main objectives were to identify deviations from the legislation in force and to immediately solve them, as well as identify processes that may be improved. In 2018, inspection actions played an active part in solving any failures, and most aspects identified during the inspection action were solved at that time and as a consequence of the concerned action.

The following were also monitored: the fulfilment of measures stipulated by FSA and the observance of the deadline for the implementation of such measures; the results of such activities were recorded in the notes on the fulfilment of the plan of measures.

The follow-up of the measures decided by FSA and of their impact on the activities of entities in the private pension system, on-site inspection actions undertaken on an annual basis and off-site ongoing supervision show that, in most cases, the actions were necessary and preventive and envisaged a positive effect, thus resulting in an improvement of their activities and a decrease of the relevant risks.

At the same time, all statistical information published on the FSA website, the quarterly report on private pensions and the part of the annual FSA report regarding the private pension system were prepared during 2018. The institutions provided with statistical data on the private pension system include: NBR (quarterly national accounts and financial stability reports), NIS (quarterly reporting of data for pillars II and III regarding participants, assets, contributions, transfers, payments, profit, retained earnings, commissions, penalties, audit fees), EIOPA (Spring Report and Autumn Report, ad-hoc reports on information provided to participants and update of the database with information on the private pension system), OECD (Spring Report and Autumn Report), the Ministry of Public Finance (monthly report on holdings of government bonds, data on pension payment, i.e. the payment amount and the number of retired persons, by gender and age groups, for pillars II and III, as well as the amount of contributions to pillar III in 2017 and the most recent data for 2018).

The activity undertaken in 2018 focused on international cooperation, through constant participation in workgroups and EIOPA and IOPS meetings. Participation implied drawing up specific materials, submitting statistical data and answers to surveys.

- The contribution to EIOPA was seen in the participation in the Consumer Trends Survey-Pensions, in the workgroup on the annual letter for information to participants and in the workgroup on corporate governance and risk management, submitting information on the largest voluntary pension administrators and preparing mandates for the Board of Supervisors (BoS) regarding private pensions.

- The contribution to IOPS implied preparing discussion topics for the executive management of IOPS, answers to studies on fees and commissions, comments on the self-assessment exercise undertaken by a supervisory authority of the private pension system in Ukraine, reviewing the document "Costs and Past Performance Methodology", research on outsourcing activities in IOPS member states and updates to materials on the database of the Public Inspectorate for the Supervision of Insurance and Non-Public Pension Funds (ISSA)/OECD/IOPS and Romania's country profile on the IOPS website.

## PROJECTS TO IMPROVE ACTIVITIES

Based on Decision no. 1279/12.09.2017, a workgroup was established in 2018 to initiate the public consultation procedure through the Electronic Public Procurement System, for the project **"Implementation of a software to calculate the technical provision for privately managed pension funds and voluntary pension funds"**.

**The purpose of the project was to identify, by means of public consultations, the most suitable solution to draw up a standardised software to calculate the technical provision for privately managed pension funds and voluntary pension funds that would assist FSA in the review of how private pension fund managers calculate the technical provisions for the funds they manage, based on legal provisions.**



# Consumer protection, complaints handling and financial education

# 8 1 0 2



Managing and handling complaints  
Monitoring and financial education  
Public relations activities

## MANAGING AND HANDLING COMPLAINTS

### Quality-related aspects

The documentation and handling of complains related to the 3 activity sectors of FSA resulted in the identification of certain failures/practices in the activity of supervised entities in 2018.

### The financial instruments and investments market in 2018

The documentation and handling of complains related to the capital market resulted in the identification of the following failures regarding:

#### Issuers

1. failure to observe the rights of minority shareholders regarding: transparency obligations, the payment of the corresponding shares/dividends, establishing the agenda of shareholder meetings;
2. failure to observe legal provisions on the shareholders' rights, regarding: the call of the general meeting of shareholders upon request of shareholders holding a certain amount of the company's registered capital, the filling-in of the call notice, as well as quorum-related requirements.

#### Intermediaries

1. transactions and operations on online platforms (Forex transactions) by entities or persons not authorized by FSA for the performance of specific capital market activities;
2. providing incorrect and incomplete information to clients on the conditions and limits of the purchased structured or derivative products;
3. unclear information regarding the payment of taxes and fees charged for the performance of transactions.

#### Actions taken:

##### Issuers

1. submitting notices regarding the obligation to observe the rights of minority shareholders regarding transparency, awarding the right to withdraw from the company, changes to the call notice and introducing proposals from majority shareholders;
2. regarding the observance of the shareholders' right to information and the observance of the obligation of transparency of companies whose securities are traded on the stock exchange, the required actions were taken to emphasize the applicable legal framework regarding the observance of the obligation to answer the questions asked by shareholders, but this right can be conditioned on the existence of any of the situations stipulated by the provisions of art. 13 para. (2) of Regulation no. 6/2009.

##### Intermediaries

The handling of complains regarding activities undertaken on the FOREX market resulted in actions to protect financial instrument consumers affected by the investment firms licensed in member states, including by drawing up and posting alerts.

Applicants are explicitly warned through the submitted answers, on the risks of transactions undertaken in this framework and the interested investors are always recommended to previously check the "**Register of financial instruments and investments**" in order to verify the existence of the operating license for an intermediary or a financial investment service agent.

## The insurance market in 2018

The following failures resulted from the handling of complains for the insurance-reinsurance market:

- 1.the failure to observe the legal deadline for the payment of claims related to damage claims opened based on MTPL contracts;
- 2.the failure to timely inform the affected individual on the maximum claim value;
- 3.the failure to observe the legal deadline for findings/re-findings;
- 4.the insurers' failure to register all documents related to damage claims opened based on MTPL contracts;
- 5.the insurers established the market value, for total damages, without considering all the equipment of the concerned vehicles;
- 6.the insurers drew up compensations offers without proving that the legal provisions had been observed;
- 7.insufficient documentation of the solutions adopted by insurers and notified to FSA for the settlement of applications;
- 8.entering new MTPL insurance policies for newly acquired vehicles, without considering insurance history.

**FSA took the following actions:**

1. monitoring the identified failures so as to consider them in its regulatory, supervisory and controlling activities;
2. ongoing meetings the representatives of insurance companies/brokers to clarify the diverging issues resulting from the documentation of complains, as well as establishing the required actions to solve any failures, with a view to protecting the rights of insured/affected persons;
3. analysing and settling all complains about the documentation of damage claims opened with the Policyholders` Guarantee Fund;
4. correspondence with the Romanian Motor Registry in order to clarify issues related to the technical solutions decided by insurers for certain items and challenged by applicants for car insurance.

In 2018, besides the documentation and handling of complains, considering the established aspects, FSA kept monitoring the insured-insurer relation, the compliance of insurance products with the needs of insurance consumers, a complementary process to supervisory activities, aimed at providing added value to both the protection of insurance consumers and the financial stability of the insurance market.



## The private pension market in 2018

The analysis, documentation and handling of complains regarding the field of private pensions resulted in the identification of the following failures for which actions were taken by fund administrators:

1. participants were notified by other administrator than the one where they were registered as participants; pursuant to FSA actions, the administrators solved the issue and agreed to improve the communication process, so as to avoid further errors;

2. not being qualified as participants, though they had signed individual accession acts; pursuant to FSA actions, the administrators acknowledged the issue and informed the participants on possible options;

3. the lack of accurate and complete information from administrators (e.g. regarding rights the beneficiaries have when the pension right is initiated; for disability pensions; the retention of contributions in the private pension fund account), including the lack of ongoing information. In its answers to the applicants, FSA mentioned the obligations of the former, their direct relationship with the administrators, while the administrators were reminded of the need to support the applicants and to provide information on the system on an ongoing and complete basis;

4. the administrator erroneously provided the participants with annual information, mistaking the recipients, which affected data privacy and the annual information of participants; the administrator claimed operational error and similarities in their names; pursuant to FSA actions, the issue was solved;

5. aspects regarding the failure to adopt or draw up primary and/or secondary normative acts: the law on the supply of private/voluntary pension.

Within its activities for the documentation and handling of complains regarding the private pension market, FSA performed the legal actions required for the favourable and swift settlement of complains on an ongoing and rigorous basis, i.e.

1. monitoring the identified failures so as to consider them in its regulatory, supervisory and inspection activities;

2. notifying the relevant authorities (the Ministry of Labour and Social Justice, the National Authority for Public Pensions, the Ministry of Public Finance) regarding the aspects falling within their scope of activity;

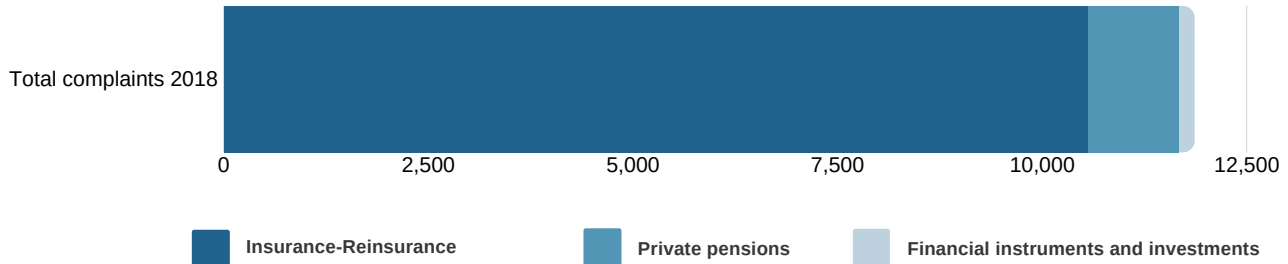
3. monitoring the administrators' settlement/answers to the complains registered by them and directed to FSA, as well as their relation with the consumers;

4. providing the administrators with notices emphasizing, on a continuous basis, their obligation to comply with the applicable laws, to correctly, fully and permanently informing the participants/beneficiaries to the system, to check and update operating procedures based on the participants' needs and interests, regarding the documented dossiers, but with extension to all the cases experienced by administrators.





## Quantity-related aspects



A total number of **11,859 complains** were registered by FSA in 2018. Of all complains registered in 2018, **88.95% are related to the insurance-reinsurance market, 9.41% are related to the private pensions market**, while **1.64% refer to the market of financial instruments and investments**.

### The insurance-reinsurance sector

The analysis of data reported by insurance companies to FSA shows that the 8,313 complains analysed and settled on an individual applicant level represent 0.64% of the total number of damage claims endorsed by insurers in 2018 (1,289,320 - the total number of endorsed claims) and 0.06% of the total number of insurance contracts in force as of 31.12.2018 (14,988,578 - the total number of insurance contracts in force at the end of 2018).

The share of complains where the decision favoured the applicants, of the total number of single complains solved in 2018, was 61.92% (i.e. 5,147 complains). Of these, 51.18% resulted in a payment, as the applications were legitimate and could be solved legally. The other complains concerned procedural requests, which cannot be quantified materially

### The private pensions sector

Of all complains analysed on an individual basis, 1,015 complains (97.41%) were solved in the applicants' favour.

### The financial instruments and investments sector

Of all complains analysed on an individual basis, 166 complains (99%) were solved in the applicants' favour.



## MONITORING AND FINANCIAL EDUCATION

**Financial education** is a strategic priority for FSA and a major component of the development of non-bank financial markets, a project in which the authority has been actively engaged. In this context, FSA's activity was significantly enhanced, given the diverse activities undertaken and the increased territorial scope and target group, seen from the perspective of the financial education programme *Let's talk about the non-bank financial market*.

At the same time, FSA took proactive consumer protection measures, undertaking **monitoring** actions representing indicators for the entities' activity in their relations with consumers and assessing the trends and risks on non-bank financial markets induced by new financial instruments (financial innovation). Monitoring activities included a range of *mystery shopping exercises* aimed at identifying the various approaches and information needs a consumer may have in its relation with a regulated entity. At the same time, a *Survey for the analysis of financial literacy* in Romania was undertaken, which was publicly distributed through various communication channels: in hard copy (directly or with the help of the institutional partners) and electronically (on FSA's website and Facebook page and with the support of institutional partners). About 2360 persons answered this questionnaire.

**The Consulting Group for Ongoing Dialogue (GCDP)** interacted with FSA, supporting various areas of interest for consumer protection by means of specific debates and research materials. The group and its members also supported various activities related to financial education, considering that this is crucial for establishing a financial culture in Romania, resulting not only in better consumer protection, but also in a long-term increase in population welfare and an improvement of financial inclusion. From an organisational point of view, the rules of operation and the structure of GCDP were amended in 2018, when FSA undertook a comprehensive selection and organisation process.

FSA met its obligations as a member of international institutions such as ESMA and EIOPA. The national data required for the single European reporting **Consumer Trends** were reported; this is an annual EIOPA report implying the collection, analysis and aggregation of complex information on the insurance market and the private pensions market.

The Ministry of National Education (MEN), the National Bank of Romania (NBR), the Ministry of Public Finance (MPF), the Financial Supervisory Authority (FSA) and the Romanian Banking Association (RBA) entered a **Collaboration agreement for joint activities on financial education and drew up the National Financial Education Strategy in 2018**. The agreement deals with the development, acquisition and improvement of elements of financial education at the level of primary, secondary and tertiary education and in adults. The collaboration agreement provides the inter-institutional framework by means of which the five signatories will undertake joint activities in the field of financial education for target groups and experience exchanges regarding the partners' existing initiatives on financial education.

In the field of financial education, continuing the enforcement of **FSA's financial education strategy for 2015-2018**, the Authority drew up a range of programmes and activities dedicated to current and future consumers, supported a range of modern and interactive methods of communication, such as the webpage dedicated to financial education ([www.asfromania.ro/edu](http://www.asfromania.ro/edu)), a portal using friendly language, attractive graphics, with interactive graphical elements, the Authority's Facebook page, as well as direct interaction with consumers.

The developed programmes, actions, materials (presentations, analyses, educational materials, etc.) created in 2018 increased compared to the previous year, as follows:

**The programme Let's talk about the non-bank financial market – PRE-UNIVERSITY level**

This programme includes actions for pre-university education (pupils, teachers, schools, etc.).

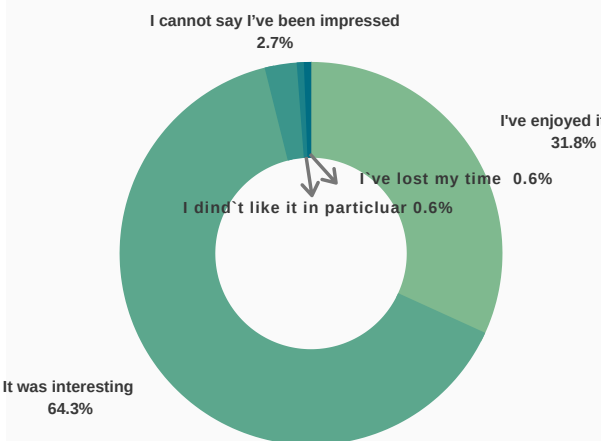
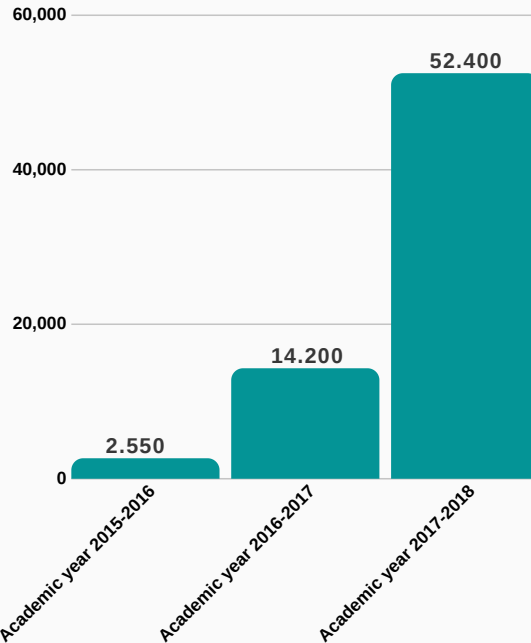
The programme for pupils in the 7th and 11th grades has a modern presentation module, dialogue and games with pupils, as well as other educational actions and games for various ages, with a certain specificity, location or topic (e.g. Be smart!, Be smart in traffic!, etc.).

During the 2017-2018 academic year, FSA, with the support of volunteer lecturers, professionals of regulated markets, had the following attendance:

- 33 towns in 28 counties (Alba, Arad, Argeş, Bacău, Bihor, Botoşani, Braşov, Brăila, Buzău, Cluj, Constanţa, Dâmboviţa, Dolj, Galaţi, Giurgiu, Iaşi, Maramureş, Mehedinţi, Mureş, Neamţ, Olt, Prahova, Satu Mare, Sibiu, Suceava, Timiş, Vaslui, Vrancea) and Bucharest;
- 187 participating schools and 3 kindergartens;
- 19,100 pupils;
- 140 lecturers.
- The following indicators were obtained for the academic year 2018-2019, in progress at the end of the calendar year 2018 (by that date):
- 37 counties (Alba, Arad, Argeş, Bacău, Bihor, Braşov, Brăila, Buzău, Călăraşi, Cluj, Constanţa, Dâmboviţa, Dolj, Galaţi, Giurgiu, Hunedoara, Ialomiţa, Iaşi, Ilfov, Maramureş, Mureş, Neamţ, Olt, Prahova, Sălaj, Sibiu, Suceava, Timiş, Vâlcea, Vrancea) and Bucharest;
- 172 participating schools;
- 18,500 pupils (by that date); 145 lecturers.

The extension of this education programme implied close cooperation with educational units and volunteer lecturers involved in the programme. The programme also included the organisation of practical learning activities during the “Scoala Altfel” week, visits to the entities’ headquarters and FSA, educational games simulating a stock exchange, visits to BVB, school year opening in pre-university education institutions, workshops and games, upon the beneficiaries’ request. Several train-the-trainer sessions were organised to support the programme, in Bucharest and abroad, in order to provide volunteer lecturers with a unitary way of presenting themselves in front of children and young people.

**The number of pupils taking part in FSA financial education programmes for pre-university education**



**Feedback questionnaire on the satisfaction of participating pupils (1000 pupils sample)**

Other financial education modules and activities for children and young people supplemented this programme.

The pilot programme was undertaken in an education institution from the economic field – **Scoala Comerciala Superioara Nicolae Kretzulescu of Bucharest** – where 250 pupils benefitted from an extended extra-curricular syllabus and from traineeships in entities from the financial market during 2017-2018. The implementation of such a programme was based on the need for systematic and modern learning, primarily achievable in schools or along the various training phases, needed for the development of future generations.

The choice of pre-university education in the economic field helps set the bases for this type of education, bringing benefits to the Romanian educational system. Moreover, such a programme provides added value to education and to the subsequent professional training of economists. In their final dialogue, the pupils described the experience as positive, considered that they had learned useful things for their future career and they requested that they should be involved in education actions undertaken by FSA in the future as well, as the practical experience they had acquired was essential for both their future and their professional guidance.

FSA also undertook **a road traffic prevention campaign**, *Be smart in traffic!*, jointly organised with UNSAR, the Romanian Police, Academia Titi Aur (ATA) with the support of the Association for Insurance Promotion (ApPA). 30,000 children from 393 schools from the entire country benefitted from this campaign, whose major objective is a good knowledge of road prevention methods with a view to decreasing the number of victims of traffic accidents. The need for this campaign stems from the provisions of art 126 of Government Emergency Ordinance no. 195/2002, as subsequently amended and supplemented, as well as from social responsibility, since the number of victims of traffic accidents in Romania is very high at the level of the European Union, with a direct impact on Romanian society and an indirect impact on the insurance market.

In its range of educational actions, FSA also developed the *Urban camp concept*. Thus, in June 2018, it organised jointly with OK Center, for a week, a range of modern educational activities for a group of pupils selected by the Inspectorate for Education of Bucharest. This programme is unique on a national level and uses modern *edutainment* methods.

The programme is supplemented by the series of activities *Be smart!* for children aged 9-15 and by the series of activities *We play and learn!* for pre-school children (up to 7 years), which take place outdoors, with games related to financial education.

In March 2018, FSA organised a social action, the second of this kind, coordinating the participation of the entire financial market to support education in Romania through the action *Donate a book for the school*, where book donations were made to school libraries in Bucharest (in the previous years, in a similar action, the beneficiaries were schools from Iasi).

In 2018, FSA also launched **the first story of financial education for children** – *Oamenii mici și Țara curcubeului (Small people and the Rainbow Country)*, at the Central University Library, in partnership with Editura Didactica si Pedagogica. The event addressed a group of more than 200 children from various primary schools in Bucharest.

A significant element of the financial education programme, also appreciated at an international level and mentioned by IOSCO in the *World Investors Week 2018 Report* and press releases, was the organisation of **debate competitions on financial topics** by FSA, supported by Ardor Romania.

Contribution of FSA pursuant to the Protocol entered with the Ministry of Education, whereby FSA became actively engaged in the workgroup set up with a view to analysing the opportunity to introduce financial education as a compulsory school subject.

Also due to the contribution of FSA, it was decided that, starting with 2020, 8th grade pupils will have **financial education as a compulsory subject**. Based on this future change in the school curriculum, teachers in pre-university education have to get training for this subject. This is why FSA started to organise **training sessions for teachers in pre-university education**, supported by inspectorates for education. In this context, FSA also drew up an online coursebook for teachers.

### The Academic Laboratory programme

FSA also developed a financial education programme for the university environment, providing university centres and students with a range of educational tools such as: participation in scientific sessions, traineeships, visits to the headquarters of FSA, educational competitions and conferences, educational centres, seminars and workshops, research and access to research materials, etc.

At the end of 2018, 13 national universities were partners of FSA in this programme: the Academy of Economic Studies of Bucharest, the Alexandru Ioan Cuza University of Iasi, the Dimitrie Cantemir Christian University of Bucharest, the Titu Maiorescu University of Bucharest, the Romanian-American University of Bucharest, the West University of Timisoara, the Babes-Bolyai University of Cluj, the Petru Maior University of Targu Mures, the University of Oradea - Faculty of Economics, the Vasile Alecsandri University of Bacau, the Danubius University of Galati, the University of Craiova, the National University of Political Studies and Public Administration of Bucharest.

The *Academic Laboratory* is an educational programme undertaken by FSA starting 2016, providing students with the possibility to analyse case studies and directly interact with professionals from non-bank markets.

### Activities for adults

The FSA financial education programme also targets adults. A range of programmes and campaigns for this target group were undertaken, as FSA aims at providing proper information to consumers, with a view to increasing their protection, economic welfare and financial inclusion at a national level.

The PAD caravan - I protect my home this year! October 2017 marked the first edition of this national programme, and October 2018, the second edition. This educational programme is dedicated to adults and aims at increasing the target audience's knowledge of information regarding compulsory housing insurance (PAD) against natural disasters and its efficient use, by means of direct interaction with population, homeowners' associations, local authorities, representatives of local communities, local press, etc. Presentations and interactions with the population from 11 towns were performed in 2018: Brăila, Galați, Tecuci, Buzău, Bârlad, Vaslui, Iași, Târgu Frumos, Botoșani, Suceava, Roman.

The Facebook page of the authority is a modern communication channel with an educational purpose, which supports consumers 24/7 and conveys useful messages and information to increase the public's awareness regarding certain particularities of financial products and services.

In 2018, the participation of FSA in the **International Car Exhibition of Bucharest (SIAB)** provided counselling to visitors regarding motor insurance, especially MTPL, in the context of new applicable legislation and a better use of such compulsory insurance.

Furthermore, FSA's participation in the **Tourism Fair - Spring 2018** ensured direct interaction with consumers, enhancing their beneficial use of travel insurance in order to achieve better protection.

**The traffic prevention campaign** also targeted adults, with a specially designed component – *Please drive preventively!* The goal of this campaign is to decrease the number of traffic accidents in Romania. Thus, FSA takes part, according to its legal obligations, in nationally relevant programmes for the decrease in the number of victims of traffic accidents.

For adults as well, FSA organised specific actions on the occasion of the **World Consumers Rights Day** (15 March), so that they are more informed and protected. A range of interactions were organised between FSA representatives and population, in Bucharest, Iasi and Oradea. Direct interaction with population, by means of locally organised actions, aims at encouraging dialogue and sending information directly to the recipient, the consumer of financial products and services, as one of the most effective methods of financial education and information for adults. Within such actions, also undertaken for the *Global Money Week (March)* and the *World Investors Week (October)*, information is conveyed about financial products and services, support is provided to those who request certain punctual information, educational and informative printed materials are given out, the importance of financial education is promoted for consumer protection and enhanced economic welfare in the long run.

### Global Money Week – 2018

For the third year in a row, FSA supports the organisation of financial education programmes and actions in the international Global Money Week (GMW). All around the world, every year, in March, authorities and other stakeholders organise events to enhance awareness of the importance of financial education.

With its financial education activity, FSA contributed to Romania winning the *Country Award for Europe* in 2017, granted by *Child and Youth Finance International* (the initiator of GMW) with the support of the G20 Presidency. Thus, Romania was represented in the international context of financial education and its efforts were recognized, and FSA played a major role in this appreciation.

Therefore, FSA pursued its actions and programmes for financial education. Within GMW 2018, the efforts made by the Authority to undertake educational actions and programmes increased, culminating with the **second edition of the EduFin Gala** organised in Bucharest. The EduFin Gala is a unique event at a national level, internationally recognized, celebrating the efforts of the financial market, of universities, of the education system and civil society to increase the level of financial education in Romania.

Financial education is a strategic priority for FSA and a major component of the development of non-bank financial markets, a project in which the authority has been actively engaged.

### The organisation of the World Investors Week (WIW) - 2018

In October 2018, FSA organised the World Investors Week (WIW) for the second time in Romania. The campaign is initiated by IOSCO under the patronage of IOSCO, with the support of OECD, the World Bank, etc. In this context, FSA represented Romania at an international level, organising a range of events that placed our country on the map of international events dedicated to financial education. FSA actions and programmes were dedicated to children, young people and adults likewise.

*The bell rings at BVB!* was an activity undertaken with young people, symbolically opening the event week and introducing the public to the world of stock exchanges. This was a specific action for financial education, along with other items of FSA programmes. They were also supplemented by the programmes of regulated entities.

During this week, in order to support FSA actions of information and financial education of the audience, the Central Depository provided the IBAN update service and the statement of account service free of charge.

Conferences, seminars and public workshops were organised in Bucharest, Iasi, Oradea, as well as partner universities. The purpose was to promote a good knowledge of the capital market and financial instruments in order to ensure a better understanding of personal finance management methods in the long run.

### International relations in education

1. FSA takes part in the activity of *INFE-OECD (International Gateway for Financial Education)*, the international workgroup established and supported by OECD for financial education where FSA is a member, representing Romania. FSA takes part with other OECD-INFE member states in the research and review activities undertaken within this group and thereafter submitted to the OECD leadership.

Due to this presence, Romania became a part of the project financed by OECD and the Netherlands to support financial education in Eastern Europe. Within this project, Romania is one of the 8 countries to receive specialized support from OECD to establish a national financial education strategy.

2. FSA takes part in the activity of the C8 workgroup of **IOSCO**, where FSA is a member. C8 is a workgroup whose objective is consumer protection and financial education. This workgroup initiated the organisation of international events under the brand World Investors Week (aimed at raising the consumers' awareness of the importance of financial education in the context of capital markets and the recognition of investor protection risks and methods).

3. **An international agreement** was signed in 2018 by FSA and the Alexandru Ioan Cuza University of Iasi - the Doctoral School in Insurance, Finance, Banking and the University of Poitiers (France) to support financial education in the university environment.

4. In 2018 as well, FSA signed a **protocol with the similar authority of Moldova** to support financial education; an experience exchange on education will take place within this protocol.

## PUBLIC RELATIONS ACTIVITIES

As in the previous years, public relations activities in 2018 were closely connected to the actual needs of consumers of non-bank financial products, through the following concrete methods:

- providing high quality specialised support in order to clarify all requests filed by consumers verbally, by phone, in writing or directly at the FSA headquarters;
- facilitating the consumers' non-discriminatory access to active systems for the settlement of demands, requests for information and complains;
- assistance for the observance of legal procedures for the submission and filling in of documentation by consumers, with a view to solving all the issues presented by them;
- adapting the answers sent to consumers to their actual needs, actively contributing to increasing the consumers' information regarding legal provisions;
- integrating and completing the circuit of complains, the standardisation of typologies of applications and forms with a view to facilitating the non-discriminatory access of non-bank financial product consumers to complain handling mechanisms;
- continuous development of the specialized assistance provided to consumers by increasing the quality of the assistance. (E.g. Consumers calling the FSA call centre are identified in terms of relevant knowledge and experience, and then are provided with the requested information, are informed on the risks they could be exposed to if they choose financial products that are not suitable to their training and experience and are advised to make investment decisions only when they understand the relevant risks and may cover the corresponding losses);
- identifying possible irregularities/infringements of the applicable legislation, with a risk to become more serious and result into complains, as well as take prompt action with a view to preventing them;
- processing the periodic reports submitted by entities regarding the status of the complains received by them and reporting the global resulting data to ESMA (on a quarterly basis);
- implementing the Net Promoter Score (NPS) system with the Centralised infrastructure Project – “The complains management system within FSA” - a management tool that may be used to measure the consumers' loyalty, as an alternative to traditional research on consumer satisfaction;
- ongoing supervision of privately managed pension fund administrators – Pillar II, with a view to solving issues presented by consumers, by means of the application: “Find out which is your pension fund!”;
- monitoring the administrators on the privately managed pensions market, in terms of time and settlement of requests regarding inclusion in the Pillar II system;
- managing the exceptional situation in the cases of ASTRA, FORTE and CARPATICA - individual centralisation of calls with the mentioned topics; effective information of the applicants on issued shown in petitions to FSA on the topics of ASTRA, FORTE and CARPATICA; cooperation with the Policyholders Guarantee Fund with a view to solving the issues presented by consumers.



The FSA Call Centre had a total number of 25,973 incoming phone calls, of which 14,042 calls were actually received and solved by the FSA Call Centre.

Insurance-Reinsurance – 6,759 calls (48.13%) with an average incoming call duration of 3.50 min.

Other information: – 1,689 calls (12.03%) with an average incoming call duration of 2.38 min.

Private pensions: – 4,609 calls (32.82%) with an average incoming call duration of 2.19 min.

Capital market: – 366 calls (2.61%) with an average incoming call duration of 2.67 min.

English language: – 36 calls (0.26%) with an average incoming call duration of 2.56 min.

SAL Fin – 583 calls (4.15%) with an average incoming call duration of 3.16 min.

Pursuant to the calculations performed according to the score for the Net Promoter Score question (“Were you happy with the provided information, was it useful?”), **the FSA Call Centre obtained a score of 98% satisfied consumers during 2018.**

FSA undertook five mystery shopping projects/exercises in the private pensions sector and one mystery shopping project/exercise in the insurance-reinsurance sector.

**“Find out which is your pension fund! ”**

FSA supervises privately managed pension fund administrators on a permanent basis regarding the status of requests on the inclusion in the Pension Pillar II, with a view to solving issues presented by consumers, by means of the application: *Find out which is your pension fund!*. The application allows consumers to interact with the administrators of personal accounts of private pensions, filling in the form in the application on the website [www.asfromania.ro](http://www.asfromania.ro), under Public Relations.

By accessing the application *Find out which is your pension fund!*, the consumer's waiting time is optimized, as the number of days to receive the requested information is 10 calendar days, during which administrators identify the participants in the funds they manage and solve the requests for information submitted by them.

**78,666 requests were registered in 2018 by means of the application *Find out which is your pension fund!*.** Compared to 2017, when 25,134 requests were registered, the information requested by consumers regarding inclusion in Pillar II significantly increased, by 212%.

In 2018, considering the increase in the number of requests submitted by means of the application - ***Find out which is your pension fund!***, all administrators met the 10 days deadline for settling information requests regarding inclusion in Pillar II.

### Alternative Dispute Resolution Entity in Non-bank financial sector – SAL Fin

The conciliators' register currently includes **23 conciliators who have entered mandate contracts**. 20 of them are active on the insurance-reinsurance segment and 3 on the capital market segment. **232 requests were submitted for analysis in 2018**. The consumers' requests mainly referred to conflicts with traders in the insurance field, but some also referred to capital market or private pensions.

#### The most frequent litigations are due to the following situations:

- a significant difference between the amounts proposed by insurers in claim files and the calculations received by consumers pursuant to assessments or findings in car shops (for MTPL) or, for the other insurance, the significant difference between the amounts proposed by insurers and the maximum amounts stipulated in insurance contracts;
- no transparent communication on the calculations performed by insurers with a view to establishing the amount of claims;
- faulty communication between traders and consumers;
- the recent request for amounts that consumers deem to be payable, for the lease of vehicles based on MTPL contracts or lack of use.

#### The methods to improve the performance of SAL-Fin include:

- identifying a communication strategy with the media (with a strong focus on social networks and especially, online communities);
- creating partnerships with relevant entities in order to disseminate the results of SAL-Fin activities and to create a favourable educational culture for the development of methods for the alternative dispute resolution;
- introducing SAL-Fin in the financial education programme undertaken at the FSA level;
- organising training courses for persons within FSA departments that are in direct contact with consumers and traders, for full and accurate information on SAL-Fin procedures;
- designing a continuous training programme with the participation of conciliators within SAL-Fin, to improve alternative dispute resolution procedures and implement unitary work methods.





# Common policies and financial stability

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**Supervision and integrated regulations**  
**Monitoring risks, trends and vulnerabilities**  
**The National Committee for Macroprudential oversight**  
**International cooperation**  
**The resolution mechanism of insurance companies and investment firms**

## SUPERVISION AND INTEGRATED REGULATIONS

Protecting and ensuring the integrity of the non-bank financial market, a component of the Romanian financial system, remains, year after year, a major objective of FSA activities, as we are aware that its achievement provides benefits to the participating entities, to investors and to society as a whole.

Through its decisions made in 2018, FSA aimed at ensuring the efficiency and reliability of the three non-bank financial markets, at enhancing the participating entities of these markets to implement a resilient infrastructure, a governance including an internal administration and control system that would ensure: proactive risk identification, management of conflicts of interest, transparent and suitable rules of access to the provided financial products, full and accurate information to properly meet the needs of investors and consumers of non-bank financial products.

When considering this general objective, we pursued the policy to ensure an integrated regulatory and supervisory framework for non-bank financial markets.

The alignment of national legislation relevant for non-bank financial markets to EU legislation and standards is a process that continued in 2018 as well, with the review, amendment and supplementation of legislative provisions, so as to reinforce, harmonize, simplify and ensure cross-sector convergence, as well as unitary and integrated rules in similar fields and activities undertaken on non-bank financial markets.

For the unitary regulation of common operations in the activity of entities on non-bank financial markets, analyses and impact assessments were undertaken that would substantiate the supplementation/amendment of integrated normative acts in force or the issue of new integrated normative acts, so as to ensure primarily prudential regulation.

### **Thus, the following normative acts were issued and subject to public consultation and cross-sector debate in 2018:**

- Rule no. 4/2018 on the management of operational risks generated by information systems used by authorized/endorsed/registered entities, regulated and/or supervised by the Financial Supervisory Authority;
- The draft Regulation on the assessment and approval of the members of the management and persons holding key positions in FSA-regulated entities (approved in January 2019 – Regulation no. 1/2019).

Within integrated supervision activities, in order to ensure financial stability, we developed instruments, techniques and mechanisms to identify, monitor and assess the trends of emerging risks at a sector level and/or at the level of the entire non-bank financial market, with a focus on the monitoring process in areas with a higher risk.

The results obtained pursuant to the monitoring of trends and risks on local and international non-bank financial markets are centralised in internal monitoring reports and lie at the basis of any alerts, measures or action plans for risk management or mitigation.

Another field FSA has focused on was the identification of FSA-regulated and supervised entities which undertake activities on several non-bank financial markets, directly or by means of a branch, as well as those that could be classified as belonging to a financial conglomerate based on Emergency Ordinance no. 98/2006 on the additional supervision of credit institutions, insurance and/or reinsurance institutions, financial investment service companies and investment managing companies in a financial conglomerate.

This approach resulted in the identification of groups and entities with cross-sector activities, analyses were performed regarding the observance of the legislation in force and the suitable premises were created to keep monitoring group-specific risks.

In order to support the efficiency of the legislation issue process and the supervisory process at a sector or integrated level, FSA undertakes impact analyses and studies on the possible evolution of certain categories of risks and the assessment of their impact on FSA-supervised entities.

**Thus, the following activities were undertaken in 2018:**

1. Impact assessment in the context of the transposition of Directive 2014/65 (MiFID II) into national legislation, aimed at assessing the changes brought by the new requirements of the MiFID II legislative package on the operation of the capital market, especially on entities involved in the provision of services and investment activities.

In this approach, FSA sent a survey to participants to the capital market, regarding how their activity was influenced by this directive.

The survey was sent to 20 investment firms, 5 credit institutions registered in FSA registers in Romania undertaking financial service activities, the Bucharest Stock Exchange and the Central Depository. The quantitative and qualitative assessment of the aspects mentioned in this consultation dealt with issues such as changes in the architecture of the capital market, an enhanced transparency of markets, corporate governance and enhanced supervision of financial markets and helped complete secondary legislation and draw up the supervisory plans for the new requirements.

2. Analysis on the assessment of cyber risks pursuant to the special monitoring of IT operational risk (cyber risk). The operational risk determined by IT infrastructures (cyber risks) at the level of FSA-supervised and regulated non-bank financial markets was subject to special monitoring, based on the internal assessments of operational risks and the risk register drawn up by entities regulated, authorised, endorsed and supervised by FSA based on FSA Rule no. 6/2015. The conclusions resulting from this analysis were notified to the organisational structures that supervised entities and were considered in order to draw up drafts to amend and supplement Rule no. 6/2015.

3. Analyses regarding the need to review integrated regulations adopted by FSA, determining how these regulations were actually enforced, identifying issues regarding certain practical aspects and clarifying them so as to ensure a suitable legislative framework, allowing the regulated and supervised entities to implement their own unitary, accurate and effective rules and procedures.

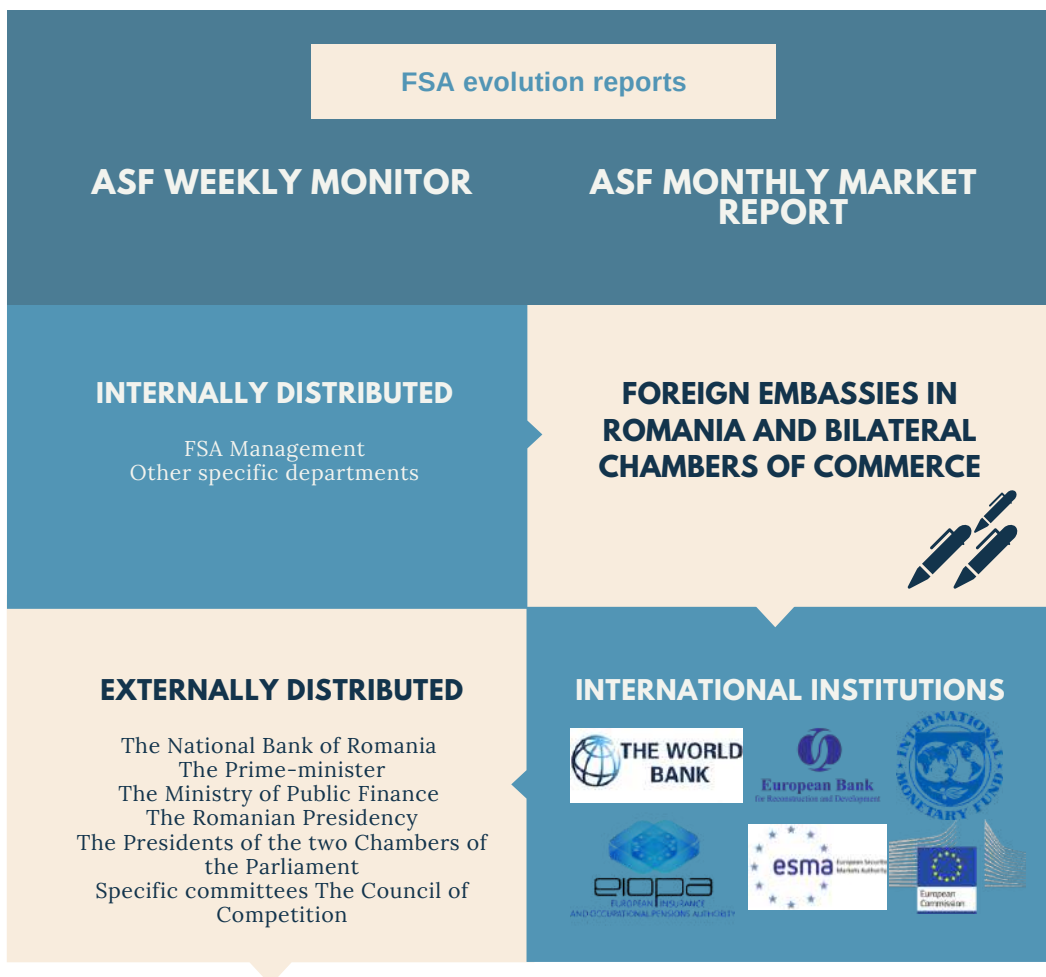
4. Analysis of the activity undertaken by a group of companies with cross-sector activities on FSA-regulated and supervised markets. In this case, the purpose was to identify specific risks to increase the efficiency of the monitoring of activities undertaken on the non-bank financial market the concerned group operates on.

## MONITORING RISKS, TRENDS AND VULNERABILITIES

# FSA

- identifying, monitoring and assessing the trends, risks and vulnerabilities likely to arise on financial markets with a view to ensuring the financial stability and reliability of participants and financial service consumers;
- identifying the institutions and structures of the non-bank financial system with a systemic importance;
- analysing the local and international macroeconomic context, as well as the impact of macroeconomic factors on non-bank financial markets and drawing up relevant risk scenarios;
- performing periodic reviews on a daily, weekly, monthly, quarterly and half-year basis. Daily and weekly reports are distributed internally, but are also sent to other public institutions with a strategic interest.

FSA publishes a report on the evolution of non-bank financial markets in English language on a monthly basis (<http://asfromania.ro/en/publications/monthly-reports>), with a view to increasing popularity, visibility and transparency on an international level, as well as the attractiveness of Romanian financial markets.



Quarterly and half-year analyses are published in Romanian and include detailed information on the evolution of non-bank financial markets. On an annual basis, FSA also publishes a detailed analysis report on market trends in English language.



## THE NATIONAL COMMITTEE FOR MACROPRUDENTIAL OVERSIGHT

CNSM, the macroprudential authority based on the recommendations of the European Systemic Risk Board, and also a designated authority as per the Capital Requirements Directive (CRD) and the Capital Requirements Regulation (CRR) **fundamentally aims at safeguarding financial stability** by reinforcing the capacity of the financial system to withstand shocks and by reducing the cumulation of systemic risks. In the exercise of its attributions, CNSM may issue recommendations and warnings to NBR, FSA and the Government with a view to maintaining financial stability, subject to the “comply or explain” system. From its establishment until the end of 2018, FSA took part in all the 8 meetings of CNSM.

**During 2018, CNSM issued 8 recommendations, one of which was applicable to FSA:**

RCNSM recommendation no. R/4/2018 on the implementation of macroprudential tools for the achievement of the intermediary goals included in the Comprehensive framework on the macroprudential policy strategy of the National Committee of Macroprudential Oversight

**Recipients: NBR, FSA**

### The implementation of the recommendation:

**Permanent.** Achieved for 2017 and 2018. FSA performs periodic reviews on the risks and vulnerabilities identified on the 3 supervised non-bank financial markets, as well as the opportunity to implement the existing macroprudential tools.

Pursuant to analyses undertaken by FSA regarding investment firms(IF), **the capital conservation buffer was activated in 4 equal annual rates, of 0.625%** of the total value of risk weighted exposure, implemented during

1 January 2016 - 1 January 2019:

- From 1 January 2016 – 0.625%
- From 1 January 2017 – 1.25%
- From 1 January 2018 – 1.875%
- From 1 January 2019 – 2.5%.

As for the anti-cyclic capital buffer and the capital buffer for systemic risk, FSA established, based on its own reviews and on the information resulting from its participation in CNSF (previously) and CNSM activities, that, so far, there is no need to set a level higher than 0% for this buffer in the case of an IF.

For insurance companies, FSA implemented the following macroprudential instruments:

- **Monitoring the liquidity index of insurance companies:**
- **The recovery plan mechanism**
- **The Policyholders Guarantee Fund.**

For the private pension market, **FSA maintained the macroprudential instrument regarding restrictions on significant exposures regulated by Law 411/2004 on privately managed pension funds, Law 204/2006 on voluntary pensions, Rule 11/2011 on the investment and assessment of private pension funds, respectively limiting the exposure to an issuer to 5% of the net assets, and the exposure to a group of issuers and persons affiliated thereto shall not exceed 10% of the assets of the private pension fund.**

For all supervised entities, FSA applies requirements on the safety of IT systems, implemented based on Rule no. 6/2016, according to which supervised non-bank financial entities submit self-assessments of IT risks and IT audit reports to FSA on an annual basis. Pursuant to the analysis of collected information, FSA improved requirements regarding IT system safety by issuing Rule no. 4/2018.

## INTERNATIONAL COOPERATION

### ACTIVITY IN EIOPA AND ESMA

**As a member of the European Insurance and Occupational Pension Authority (EIOPA) and of the European Securities and Markets Authority (ESMA), FSA continued to be actively involved and contribute to EU-level discussions on the regulation and supervision of the non-bank financial sector.**

FSA's activity on a European level was a significant item on the agenda of the authority, especially regarding the harmonization of national and European financial policies and the substantiation of the adopted decisions, considering good practices on other markets.

Through the experts appointed within the workgroups established at the level of European supervisory authorities, FSA actively took part in the achievement of the priority goals set out by EIOPA and ESMA to harmonize national financial policies and in the convergence of the supervisory mechanisms in the European financial system.

**The work programme of the two European authorities was drawn up so as to consider the new challenges resulting from the publication of the Capital Market Union Action Plan and the Great Britain's intention to leave the European Union. In this context, ESMA and EIOPA allotted significant resources to preparing for Brexit, especially in terms of supervisory convergence and risk assessment**

**EIOPA's work programme for 2018** mainly referred to activities to ensure convergence and a higher quality of supervisory processes, as well as to develop a solid and cautious regulatory framework:

1. Establishing a common set of indicators for supervisory practices: harmonizing supervisory practices on the assessment of the risk of conduct for the entire lifetime of the product and ensuring a uniform approach to the calculation of technical provisions in the context of cross-border activities;
2. Analysing current supervisory practices and issuing recommendations and good practices for the reinforcement and uniformity of such practices: completing peer review missions regarding:
  - the proportionality principle in the supervision of key positions;
  - regarding the assessment of reputation requirements for AMSB members and shareholders with a qualified holding;
  - enforcing the prudent person principle in the supervision of occupational pension funds.
3. Monitoring the consequences of Brexit on insurance and occupational pensions and ensuring a uniform supervisory approach;
4. Contributions to IAIS activities to draw up international standards on capital in insurance;
5. Promoting supervisory convergence in the Insurtech field, including the analysis of the approaches of national authorities in terms of innovation (the use of tools such as "regulatory sandboxes" and "innovation hubs"); drawing up good practices on IT security and governance;

In 2018, FSA was provided consultancy by EIOPA, within the EU-funded technical support programme for the reinforcement of the supervisory function of the insurance market.

### The ESMA work programme for 2018 envisaged:

1. Ensuring the framework for supervisory convergence; ensuring supervisory convergence in the context of UK's decision to withdraw from the EU - Brexit, pursuing the consistent implementation of supervisory requirements based on MiFID II/MiFIR, completing the required technical infrastructure and improving data reporting quality, developing and applying convergence tools (including peer reviews and stress tests).
2. Assessing risks for investors and financial stability: increasing the contribution of analytical tools in the operational activity of ESMA (including stress tests, impact assessments, product interventions and financial stability monitoring), improving the required technical infrastructure for data management and processing.
3. Aspects on regulatory activities: completion of standards and technical advice regarding legislative evolutions related to Securitization, Prospect, Review of the European Market Infrastructure Regulation (EMIR).

## ACTIVITY WITHIN WORKGROUPS OF THE COUNCIL AND THE EUROPEAN COMMISSION

With a view to preparing the Romanian Presidency of the EU Council for the first semester of 2019, activities in workgroups in the field of financial services organised at the level of the EU Council intensified during 2018. To this purpose, the participation of appointed experts in the meetings of such groups increased considerably.

Six new legislative dossiers were opened in 2018 with incidence on the FSA scope of activity, for which work teams including specialists from several sectors were established. These six dossiers are included in the EU initiative of reinforcement of capital market integration, i.e. the Capital Market Union (CMU).

Cross-border fund distribution - is a legislative package with a view to reducing barriers for alternative investment funds and collective investment undertakings in securities, including a Proposal of regulation to facilitate the cross-border distribution of collective investment funds, to amend EuVECA and EuSEF regulations and a Proposal of directive to amend UCITS and AIFMD directives. The proposals aim at improving the transparency of national requirements, removing burdening requirements and harmonizing diverging national guidelines, so that the cross-border distribution of investment funds is simpler and quicker.

- Sustainable finance – the package includes three components, i.e. Transparency, Indexes and Taxonomy. The proposals aim at establishing a framework for sustainable investment, including in a more comprehensive initiative to facilitate investments in sustainable projects and assets in the entire European Union. The package defines: obligations to inform regarding sustainability risks, the introduction of definitions for new categories of benchmarks and uniform criteria for economic activity to be considered environmentally sustainable, in order to measure the sustainability of an investment.
- Funding SMEs through the capital market – a proposal of regulation with a view to promoting the use of growth markets for SMEs by establishing a joint regulatory framework to facilitate the access of such companies to public savings.

EuVECA=European Venture Capital Fund

EuSEF=European Social Entrepreneurship Funds

UCITS=Undertakings for the Collective Investment in Transferable Securities

AIFMD=Alternative Investment Fund Managers Directive

- Crowdfunding - in the context of the Action Plan on how to harness the opportunities presented by technology-enabled innovation in financial services (FinTech), a draft regulation was proposed regarding European crowdfunding service providers, along with a proposal to amend Directive 2014/65/EU on markets in financial instruments. The action plan aims at allowing the exploitation of progresses of new technologies, such as the blockchain technology, artificial intelligence and cloud services.
- Motor insurance - a proposal to revise Directive 2009/103 relating to insurance against civil liability in respect of the use of motor vehicles, dealing with four fields where specific changes are welcome: full compensation for accident victims in case of insolvency of an insurer, the minimum compulsory insured amounts, the control of the compulsory insurance policy and claims history statements..
- Covered bonds - a legislative package setting out a joint framework for covered bonds at the EU level, aimed at creating a more integrated market on a European level, without undermining the quality of existing guaranteed obligations, considering that this is a major long-term financing channel for real economy. The package includes a proposal of directive on covered bonds that sets out the requirements these bonds must meet in order to be recognized based on EU legislation and a proposal to amend the Capital Requirements Regulation.

FSA experts continued to contribute to the activity of workgroups for dossiers already in certain negotiation phases. Thus, teams were reinforced for the workgroups regarding changes to the EMIR Regulation – EMIR REFIT, the supervision of central counterparties - EMIR CCP Supervision, the recovery and resolution of central counterparties (CCP), a pan-European personal pension product (PEPP), a proposal of a European framework for covered bonds.

Moreover, an intense activity was also undertaken by experts for the negotiation of comprehensive legislative packages, such as:

- revising the European financial supervision system, including proposals to amend the rules of operation of ESMA, EBA and EIOPA and to amend sector-based legislative acts in the context of new powers granted to ESMA, to amend Directive 2014/65/EU (MiFID II) and Directive 2009/138/EC (Solvency II) and to amend the rules of operation of ESRB.
- revising the prudential treatment of investment firms bringing improvements to prudential rules for investment firms for a more efficient prudential supervision, depending on the size and nature of the investment firm, that could re-establish and stimulate competition and improve the investors' access to new opportunities.



## ACTIVITY IN OTHER INTERNATIONAL PROJECTS

### Financial education projects

#### The International Network for Financial Education - INFE

INFE was established in 2008, at the initiative of the Organisation for Economic Cooperation and Development (OECD), with a view to promoting and facilitating international cooperation between decision makers and stakeholders regarding issues related to financial education. The main goals of INFE are: promoting and increasing awareness on the importance of financial education; exchanging information and opinion regarding programmes, initiatives and research outcomes in the field of financial education, as well as identifying and developing good practices and efficient financial education tools. INFE currently includes 240 institutions from more than 110 states. FSA has been a member of INFE since 2013, as the authority was established, taking over this status from the Supervisory Commission for the Private Pensions System (CSSPP), who had been a member since 2011.

Due to this presence, Romania became a part of the project financed by OECD and the Netherlands to support financial education in Eastern Europe. Within this project, Romania is one of the 8 countries to receive specialized support from OECD to establish a national financial education strategy. Thus, FSA is involved in the project to provide technical support to Romania for financial education by means of the Dutch Constituency, a project funded by the Netherlands and OECD to take place during 2018 -2023 (5 years). The first official meeting of this project took place in September 2018 in the Hague, Netherlands. The purpose of the support project is to adjust actions aimed at increasing the efficiency of financial education projects to the specific needs of the country by: collecting data (to establish the level of financial education, identify priorities and target audiences), designing and assessing national strategies, developing and intervention for the implementation of national strategies, as well as to exchange experience.

#### Other international activities regarding financial education

FSA takes part in the activity of the C8 workgroup of IOSCO, where FSA is a member. C8 is a workgroup whose objective is consumer protection and financial education. This workgroup initiated the organisation of international events under the brand World Investors Week (aimed at raising the consumers' awareness of the importance of financial education in the context of capital markets and the recognition of investor protection risks and methods).

An international agreement was signed in 2018 by FSA and the Alexandru Ioan Cuza University of Iasi - the Doctoral School in Insurance, Finance, Banking and the University of Poitiers (France) to support financial education in the university environment.

In 2018 as well, FSA signed a protocol with the similar authority of Moldova to support financial education; an experience exchange on education will take place within this protocol.

### L'Institut Francophone de la Régulation Financière IFREFI (Francophone Institute of Financial Regulation)

IFREFI was established in June 2002, at the initiative of francophone financial regulatory authorities, as a structure of dialogue and cooperation between supervisory authorities of capital markets, with the main goals of exchanging information and experience between relevant specialists, drawing up studies and research regarding topics of common interest for the financial markets. IFREFI currently has 20 members. FSA has been a member of IFREFI since 2013, as the authority was established, taking over this status from the National Securities Commission (CNVM), who had been a member since 2004.

During 27-29 June 2018, FSA hosted the 17th meeting of IFREFI in Bucharest. The main topic was "Financial innovation to the benefit of economic growth", with a focus on the role of supervisory authorities and the importance of consumer protection. On 27 June 2018, IFREFI members and almost 100 high level guests and representatives of the Romanian financial market took part in the Public Conference, where the following topics were approached: innovation in financial services: risks and opportunities; investor protection in the new digital era; border-less FinTech; problems and challenges for regulatory authorities.

## THE RESOLUTION MECHANISM OF INSURANCE COMPANIES AND INVESTMENT FIRMS

Early warning and the proactive settlement of any failures are the most efficient ways to ensure financial stability and timely remove any threats to the operation of markets under optimal conditions of safety and reliability.

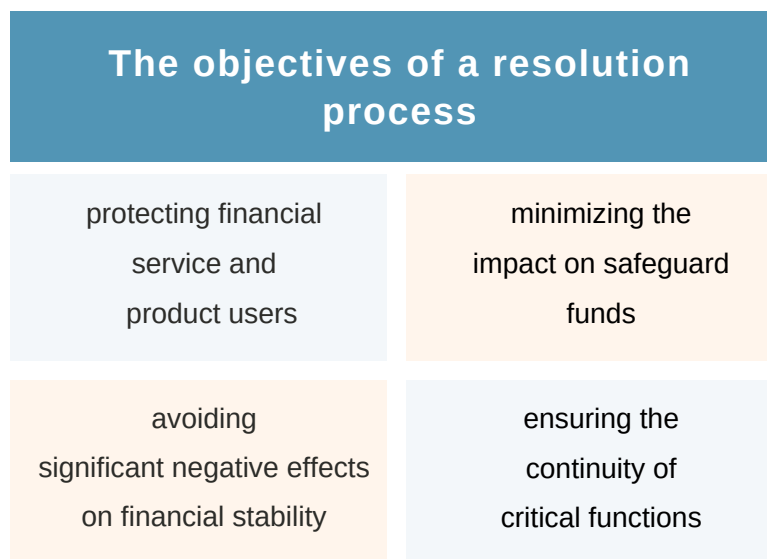
A good resolution mechanism allows an efficient management of non-viable or failing financial companies. The mechanism for recovery planning, recovery and early intervention allow to prevent and avoid unwanted situations whose effects may have a negative impact on financial users and even for the real economy as a whole.

Such tools are mainly needed in order to prevent insolvency or, if this happens, to minimize negative consequences by maintaining the systemically important functions of the concerned institution. During the previous crises, these challenges were a major factor that compelled some European states to save financial companies by using taxpayers money. The purpose of a recovery and resolution framework is to avoid the need for such an action as far as possible.

Due to the enforcement of legislation on the resolution of insurers and investment firms, FSA acquired a new status, i.e. the status of resolution authority, starting 2015. This new status grants enhanced attributions and competences, exercised by means of a different organisational structure than those involved in supervisory activities.

Any financial market includes a theoretical risk of damage to the financial health of nationally significant institutions. Targeting financial stability, FSA's answer to this possibility is seen in recovery and resolution, in other words prevention, bailout or, if needed, the minimization of significant negative effects on financial stability.

Thus, the goals of the resolution framework are: to protect financial service and product users, to minimize the impact on safeguard funds, to avoid significant negative effects on the financial stability of financial markets and to ensure the continuity of critical functions.



The resolution framework refers to three distinct steps, i.e. preparation, early intervention and resolution, and the triggering conditions, the involved authorities, the competences and instruments that may be enforced, as well as their enforcement method are set out for each of these steps



Both the recovery plan drawn up by financial companies and approved by FSA and the recovery plan drawn up by FSA aim at improving the resolution capacity prior to the occurrence of any financial issues that could generate a company's failure or insolvency.

In terms of prevention and recovery, FSA undertook reviews of the recovery plans drawn up by insurance companies. The reviews were followed by specific recommendations for the improvement of plans drawn up by insurers with a preventive purpose; the recommendations were also accompanied by a benchmark regarding what FSA considers to be accurate and comprehensive content.

Thus, a set of benchmark recommendations was drawn up, based on which the organisers could calibrate their organisational structure, their internal processes and measures with a view to preventing and planning optimal reaction/prevention measures in case of hypothetical cases of financial failure.

11 insurance companies have been analysed so far in terms of the adequacy of the recovery plans to the applicable legislation and the benchmark drawn up and updated by the FSA.

Furthermore, FSA constantly updates the status of insurance companies in terms of recovery and resolution and analyses recovery plans based on the previously drawn up benchmark.

It has to be said that each insurer holding a significant share of the national insurance system must draw up and maintain a recovery plan stipulating measures they have to take to re-establish the financial situation in case of significant decrease of financial indicators. At the same time, for this category of entities, FSA, as the resolution authority, draws up resolution plans.

A resolution plan for a nationally significant insurer was drawn up in 2016, for the first time for Romania and the EU, and another significant insurer would be reviewed in terms of resolution possibilities in 2017.

As for investment firms, FSA cooperated with NBR during 2018 with a view to collecting relevant data for recovery and resolution, it took part in the efforts to transpose the Guideline of the European Banking Authority on the circumstances when an institution shall be considered as failing or likely to fail.

Based on FSA's analysis, no investment firm meets the requirements regarding holding a significant share in the national financial system so that FSA would have to draw up recovery plans.

2018 did not bring unpleasant surprises regarding the significant decrease in the indicators of the insurance company, so attention was paid to recovery planning and an analysis of the options to improve applicable legislation.

Thus, in 2018, FSA was actively involved in cross-department works for the update of the legislative framework regarding recovery and resolution in insurance. In this context, FSA took part in discussions drawing up improvement proposals, based on the experience of previous years, especially regarding the moments when resolution was entered, the clarification of the recovery and early intervention process and the harmonisation of legislative elements overlapping in the field of recovery of insurance companies.

The end of the last year marked the completion of the first step in the project undertaken by FSA, to perform a preliminary review of the recovery and resolution mechanism for Romanian insurers in terms of recommendations and based on the methodology of the Financial Stability Board.

In October 2018, NBR organised an exercise and a simulation, in cooperation with the World Bank, following several objectives, of which the most important were: a quantitative assessment of situations and notified information and communication (responses, speed, etc.). This exercise was also attended by FSA, together with the Ministry of Public Finance and the Bank Deposit Guarantee Fund. The exercise was preceded by 2 training sessions and was followed by a feedback session.

The area of common policies of FSA, besides recovery and resolution, until the end of 2018, also included the supervision and control of guarantee and protection funds, the Policyholders Guarantee Fund (FGA), the Guarantee Fund for the Private Pensions System (FGDSPP), the Investor Compensation Fund (FCI). FGA is a major part of the Romanian resolution mechanism and, besides managing the Resolution Fund, it may play an active part in the resolution mechanism as set out in the applicable primary and secondary legislation, i.e. it may act as a temporary administrator, resolution administrator, single shareholder of the bridge institution and of the asset management vehicle.

FGA's supervisory activity was seen in the review of reports regarding the payment of compensations, the financial resources of FGA, budgetary execution, the review of quarterly reports on contributions payable and paid by insurers, the analysis of indicators and information included in accounting reports, the analysis of information included in financial statements, etc.

It is worth mentioning that FGA includes a Board that monitors processes related to the payment of compensations to insurance creditors, whose activity has been actively followed up by FSA during last year. Similar supervision and control activities were undertaken for FGDSPP and FCI. At the same time, FSA was engaged in the update of legislation regarding guarantee-compensation funds. Moreover, FSA undertook specific supervisory activities for the ISF.







# Reinforcement of institutional capacity



Reinforcement of IT infrastructure  
The human resource policy  
Communication and institutional transparency  
FSA`s legal activity

## REINFORCEMENT OF IT INFRASTRUCTURE

In 2018, activity in the field of Operations and IT was focused on:

- cyber security in FSA's IT systems;
- optimal performance of activities in the operational area coordinated in accordance with the requirements of FSA's functional processes;
- alignment of the evolution of IT systems to the functional requirements of FSA and to developments arisen in the IT field;
- alignment of the management of FSA's IT and telecommunication systems to the parameters requested by FSA's functional processes.

FSA focused on identifying the IT service needs of the structures within the entity and on finding suitable solutions for implementation and operation, so as to support the activities undertaken by the institution's staff. To this purpose, meetings were organised, where the needs of digitalisation of functional processes were analysed and defined and suitable technical solutions were proposed.

Thus, FSA contributed to the technical implementation (drawing up technical and functional system specifications, extension of applications, IT infrastructure preparation, interconnecting systems, data takeover and storage, data migration, testing) of requests submitted by the organisational structures of the institution and of the projects undertaken by them in their relation with European authorities, such as:

### Projects in the relation with European authorities

- Implementing an IT system ensuring the collection and storage of reference data associated to financial instruments (Financial Instruments Reference Data System - FIRDS);
- Implementing an IT system acting as a single access point to data provided by Trade Repositories (TRACE);
- Implementing an IT system ensuring data exchange regarding cross-border transactions with other relevant authorities of the member states, based on MiFID II/MiFIR (TREM);
- Implementing an IT system whereby FSA collects and exchanges information regarding the activity of AIFMs (alternative investment fund managers) with other relevant authorities and ESMA (AIFMD).

### Internal projects/requests

- Implementing an application module and ensuring constant maintenance and support;
- Implementing an electronic register for secondary insurance intermediaries;
- Implementing a centralised solution for data analysis and presentation for the capital market sector;
- Implementing a finance and accounting management system;
- Updating the institution's website;
- Delivering the CEDAM system to BAAR; Implementing a software platform for project management and an official website - for Insurtech Hub Romania;
- Ensuring reporting management.

Besides current technical support activities (migrations, installations, reconfiguring applications, integrations, system function extensions, upgrade of communication infrastructure, equipment purchases, hardware and software maintenance), FSA showed a strong interest for the knowledge of technological evolutions on the market, considering the highly intense development of communication technologies and IT, the change of paradigm for the construction of IT processes, the focus on concepts classified as Big Data Analyse, Artificial Intelligence, the use of software robots to automate processes, the use of non-structured data, automated collection of data from public sources, etc.

Thus, FSA promoted and approved the establishment of a new hardware and software integrated IT infrastructure, of the cloud computing type, that would increase the efficient use of calculation resources, of data storage and communication, ensuring the implementation of modern IT services using emerging technologies, ensuring a high degree of cyber security, as well as service continuity and data protection in case of disaster. Furthermore, various technologies were tested and a range of proof of concept pilot projects were undertaken.

Cyber security activities were reorganised at the institution level, with a view to ensuring the technical framework to protect data circulated through the institution's own IT system. FSA works on defining and implementing suitable operational measures.



## THE HUMAN RESOURCE POLICY

### FSA managing structures

The Financial Supervisory Authority is managed by a Board appointed by the Romanian Parliament for a 5-year term. This includes 9 members, as follows: a chairman, a first vice-chairman, three vice-chairmen appointed for each relevant sector, i.e. financial instruments and investments, insurance-reinsurance and the private pension system and 4 non-executive members.

**The FSA Board takes the required actions to fulfil its goals.**

**In order to ensure an efficient and proper organisation of the activity of the Financial Supervisory Authority and of the FSA Board, and for monitoring and deciding on specific issues, four commissions work besides the FSA Board, as follows:**

**The Ethics Committee is a supporting structure of the FSA Board that reviews the enforcement of the FSA's Code of Ethics and Integrity.**

The Ethics Committee plays a consulting and review role, dealing with the examination and settlement of FSA employees' and FSA Board members' individual notices and complaints regarding infringements of internal ethics and integrity provisions. In the exercise of its attributions, the Ethics Committee analyses the received notices and complaints with a view to establishing the causes and circumstances resulting in such situations, as well as identifying possible effects. Subsequently, it submits proposals to settle the received notices and complaints to the FSA Board, for approval purposes. At the same time, the Ethics Committee may propose to initiate the disciplinary procedure against FSA employees, upon prior notice to the FSA Board, based on FSA's internal rules.

**The Appeal Committee is a supporting structure of the FSA Board, playing a consulting role in the settlement of prior complaints filed based on Law no. 554/2004 on administrative issues, as subsequently amended and supplemented, against administrative acts issued by the Financial Supervisory Authority.**

The main objectives of the Appeal Committee are ensuring the dialogue between FSA and the entities/persons envisaged by the administrative acts issued by FSA, as well as preventing litigations in court.

**The Audit Committee is a consulting structure supporting the FSA Board's activity, established with a view to defining strategic directions and FSA's policy in the field of internal control, risk management and internal audit.**

The Audit Committee ensures the independence and efficient operation of internal audit within FSA, by maintaining open and transparent communication. The FSA Board takes the required actions to fulfil its goals.

**The Communication and Financial Education Committee examines opportunities related to communication activities, as well as financial education projects following the line of FSA's public strategy for these fields; the Committee's proposals may be submitted to the FSA Board for approval.**

**In 2018, FSA's human resource activity focused on ensuring the required premises for the achievement of institutional goals, which implied ensuring a flexible organisational structure with a view to optimizing the adaptation to European legislation, and also developing human capital and reinforcing the institutional culture focused on efficiency and performance.**

## Ensuring the flexibility of the organisational structure

In 2018, FSA made some changes regarding the organisation of the activity, aimed at increasing efficiency and developing existing activities, as well as aligning to relevant EU legislation. Thus, the scope of activities in the insurance-reinsurance sector was developed by:

- updating the types of insurance intermediaries, as well as their monitoring and/or supervisory attributions in accordance with the new legislation;
- supplementing supervisory and control attributions according to the requirements of the new legislative framework (the supervised entities observe requirements on information, consultancy, prevention of conflicts of interest, professional competence and moral probity, requirements on the supervision and governance of insurance products, etc.).

## Human capital development and reinforcement of institutional culture focused on efficiency and performance

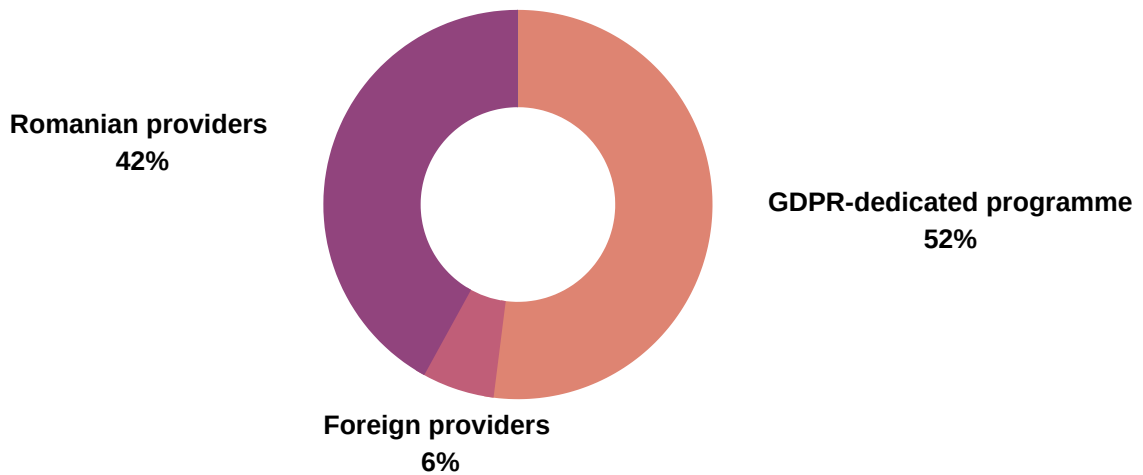
In order to achieve the strategic goals of FSA, human resource development was a joint endeavour of the FSA management and human resource activities, mainly aiming at increasing the operative satisfaction of human resource needs, capitalizing the professional expertise of FSA employees through internal mobility actions, attracting valuable candidates, and developing professional and managerial skills.

The promotion of FSA on the labour market, especially among young people, continued in 2018 with the second edition of the internship programme for graduates with a high potential and with the pursuit of the traineeships programme. Programmes for BA and MA students aim at providing opportunities to develop knowledge and professional skills in the field of the three markets regulated and supervised by FSA. These programmes are organised based on the partnerships entered with nine higher education institutions in the field of economics of Bucharest, Cluj, Iasi, Timisoara, Galati and Targu-Mures.

**The professional development and training of FSA employees is a key element of the human resource strategy for the optimal fulfilment of supervisory and regulatory attributions regarding the three financial markets.**

Considering the entry into force of GDPR provisions regarding personal data protection, FSA undertook a professional training programme attended by all employees. Additionally to GDPR courses, FSA had 427 participations in professional training programmes during 2018. 50 of them were undertaken with foreign providers (ESMA, EIOPA, EBA, JVI), while 120 were delivered by FSA lecturers. Professional training programmes aimed at developing and reinforcing the employees' technical skills, as well as their organisational and management skills. At the same time, FSA renewed its agreement with CFA Institute facilitating the employees' access to study materials and examinations.

### Professional training programmes by types of providers



Professional training programmes designed and delivered by internal lecturers approached the development needs identified upon the assessment of the employees' professional activity. Presentation skills, Persuasion and influence in interpersonal relations, Communication styles, Emotional intelligence, Team cohesion.

**The co-financing of MBA programmes** or similar programmes was pursued in 2018 as well, as another means to facilitate the development of employees with outstanding performance and a high development potential.

## Improving cross-sector communication

In order to reinforce the close cooperation and coordination of the institution's own organisational structures – a prerequisite for the integration of regulatory and supervisory activities for non-bank financial markets, workshops were organised with a view to facilitating mutual knowledge, developing team work, practising constructive feedback focused on enhancing performance and commitment.



**With a view to upgrading work instruments and practices**, new functions of the IT platform continued to be developed, supporting managers in the elaboration and management of job descriptions, the management of objectives and performance, the identification of training and development needs, the determination of individual development plans.



**In correlation with the objective to enhance institutional efficiency**, the procedure for the employees' professional assessment was fully revised and their professional assessment system was optimized, based on the specificities of the institution and the requirements of the job, ensuring adaptation to current requirement.

Throughout 2018, FSA supported the implementation of activities with a positive impact on the management of the career of its staff, such as: professional training and development activities in agreement with the priorities of FSA organisational structures and the employees' individual development needs as shown by the professional assessment process and not only, capitalizing the professional expertise of FSA employees through internal mobility actions, co-financing MBA programmes and facilitating access to certification institutions in the financial field such as the CFA Institute.

Moreover, FSA fulfilled the employer's obligations regarding work health and safety, ensuring an optimal working environment where the employees could perform their work. In this context, specific activities were undertaken to train employees (work safety, first aid), occupational medicine examinations were performed, along with the relevant signalling and equipment review.

**Supporting this extremely important focus on achieving the institution's goals, human resource activities in 2019 will envisage:**

- attracting the best specialists on the market;
- developing technical, organisational and managerial skills by means of both external providers and internal resources;
- developing management and leadership skills;
- reviewing and upgrading work tools;
- reinforcing institutional culture and good practices at the institution level.

## COMMUNICATION AND INSTITUTIONAL TRANSPARENCY

### Public communication

During 2018, FSA's public communication activities mainly focused on providing information regarding the actions implemented by the authority **to ensure stability and develop the three regulated and supervised markets, as well as to protect the rights and interests of consumers of non-bank financial services.**

Based on the Rules of organisation and operation of the FSA, the Communication Service ensures the development of the authority's public communication actions.

### Social media

FSA communicated to the wide audience directly and provided information on the institution's activity (press releases, public positions of the management, financial education projects, etc.) by means of its own Facebook page - <https://www.facebook.com/asf.romania/> .

Moreover, the institution's LinkedIn page included materials reflecting its activity, as well as statements delivered when FSA representatives took part in various public events - <https://www.linkedin.com/company/autoritatea-de-supraveghere-financiară/> .

### Media relations

Last year, FSA had a consistent activity in terms of relations with the media, as the primary stakeholder disseminating data and information on our activity to the wide and specialised audience. 75 press releases were drawn up and sent in 2018, by means of which FSA provided information on its activity.

The main communication topics were: decisions of the FSA Board, projects on the three sectors, actions dedicated to financial education and consumer protection, as well as data, analyses and statistics regarding the evolution of the three supervised and regulated markets.

Within its ongoing dialogue with journalists, FSA answered about 210 information requests - punctual questions, interviews and statements (TV included).

### Media relations

FSA draws up electronic reports on the evolution of the three supervised markets on a quarterly basis and it draws up printed integrated reports on the same topic every six months.

In the first semester of the current year, FSA publishes the Annual Report, where it presents the summary of activities for the previous year, directions for action and financial results.

The Communication Service draws up and edits the Electronic Newsletter of FSA on a weekly basis, where the documents/individual acts issued by FSA in the financial instruments and investments sector (FIIS) are published. More than 600 acts were published during 2018 in the 49 editions of FSA newsletters and about 60 reports submitted by capital market entities were edited and typed (reports submitted by IMC, based on Regulation no 9/2014).

## FSA webpage

FSA's official webpage is one of the most important information channels regarding current FSA activities. [www.asfromania.ro](http://www.asfromania.ro) hosts data and information regarding projects subject to public consultation, legislative changes, public communications, non-bank financial markets. The website also hosts guidelines drawn up by FSA for consumers, as well as applications supporting them (e.g. the one regarding the identification of the privately managed pension fund – Pillar II).

The portal is updated on a daily basis and more than 1,500 documents were published in 2018.

## Law 544/2001

FSA manages and draws up the answers for the requests based on Law no. 544/2001 regarding free access to information of public interest. Collaboration with all FSA directorates is ensured on a permanent basis with a view to obtaining the requested information. **Answers to 61 requests from natural persons and legal entities were submitted in 2018 based on Law no. 544/2001.** They referred to the supply of information regarding the authority's activity in all three sectors. The first **"Report to assess the implementation of Law no. 544/2001"** was drawn up and published on the authority's website during the year.

## Presence in public events

Members of the FSA Board and experts representing the authority frequently took part in conferences and events regarding the non-bank financial market, where public messages of FSA were conveyed regarding the main directions for action of the institution aimed at developing markets and protecting non-bank financial service consumers:

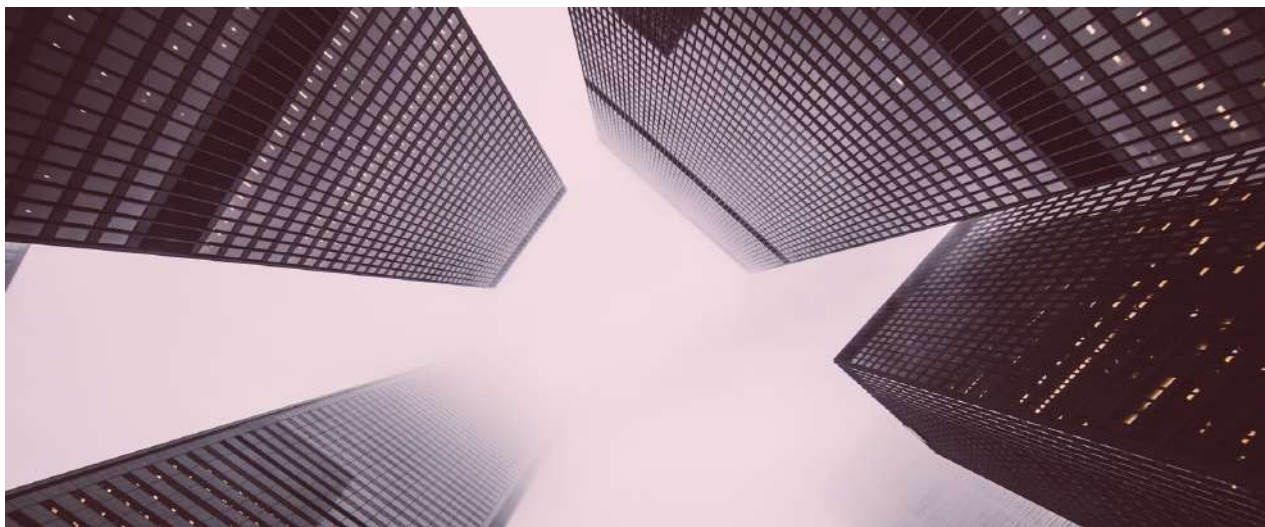
The 17th meeting of the Francophone Institute of Financial Regulation organised by FSA in Bucharest

The conference to launch the TAXEDU project in Romania, a European Union portal created based on a pilot project coordinated by the European Parliament and the European Commission

EUROFI Financial Forum 2018

2018 ISF International Conference

The Financial Forum "Romanian Financial Markets: Supervision, Development and Efficient Financing of Economy", organised by the Association for Economic and Social Studies and Forecasts, in partnership with FSA, NBR, the General Association of Romanian Economists (AGER) and the Academy of Economic Studies



## FSA'S LEGAL ACTIVITY

The achievement of the main goals set out in the provisions of art. 931 of Regulation no. 10/2016 on the organisation and operation of FSA:

- I. Ensuring a comprehensive, stable and consistent legal framework, meeting the needs for the efficient and safe operation of non-bank financial markets
- II. Ensuring the legality of FSA acts, by checking their compliance with the applicable legislation
- III. Protecting FSA rights and preventing litigations, by representing the interests of the institution in courts/arbitration courts, in front of criminal prosecution bodies and the prosecutors' offices attached to legal courts or in the mediation procedure

### I.

FSA's legal activity regarding the development of the legal framework consisted of the review and approval of 300 normative acts.

Furthermore, FSA filed 50 proposals and comments/viewpoints on drafts of normative acts/legislative initiatives with a relevance for the financial markets supervised by FSA, drawn up by other central public authorities.

At the same time, action was taken to submit normative acts/individual acts of FSA to the Official Gazette, for publication. 86 normative acts/individual acts issued by FSA were sent and published in the Official Gazette of Romania, Part I, structured into categories, as follows:

**16 regulations**

**22 rules**

**1 instruction**

**47 decisions**

### II.

FSA's legal activity in terms of legal endorsement consisted of the issue of 3,585 endorsements, drawing up 263 legal opinions and 476 answers to requests. The total number of works is 4,324.

The main component of this activity was the approval of documents drawn up by the three activity sectors:

- in terms of authorisation – 2,657 endorsements were issued;
- supervision and control, recovery, resolution of insurers and insurance companies - 330 endorsements were issued;
- market operations - 214 endorsements were issued;
- public procurement - 330 endorsements were issued;

As a result of the above described activities, individual acts issued by the authority to regulated and authorised entities were checked and approved, and 338 endorsements were issued.

The Legal Directorate of FSA collaborates, provides support and consultancy for the analysis and settlement of complains regarding the activity of regulated entities, with a view to protecting the interests of the insured, investors and participants. Furthermore, the Legal Directorate draws up legal opinions regarding the enforcement of legislation on insurance, both for compulsory insurance and for optional insurance, on the capital market and on pensions. 23 legal opinions were drawn up to this purpose.

FSA's legal activity also consisted of drawing up viewpoints upon request of other public authorities, of natural persons or legal entities, as well as of the organisational structures of FSA. 432 documents were drawn up for this activity.

### III.

During 2018, the Legal Directorate of FSA documented 1161 files (litigations, receivable recoveries, forced execution files, other works) and 45 preliminary complaints for the three activity sectors. The total number of files is 1206.

During the reference period, 45 preliminary complaints were registered and settled by the Legal Directorate.

41 preliminary complaints were filed in the capital market field.  
3 preliminary complaints were analysed in the insurance-reinsurance field.  
1 preliminary complaint was registered in the private pensions field.

Of the 45 decisions of FSA, 24 are currently subject to action in court.

90 new court files were registered in FSA. To these, we add the files registered in the previous years that had not been completed yet (approx. 373), being in different process phases. Thus, FSA documents about 463 litigations (files dealing with receivable requests, forced execution files, requests to issue payment ordinances are excluded from this total).

Out of these, in the reference period:

- 96 files were settled irrevocably, of which:
  - 84 with favourable solutions;
  - 12 with non-favourable solutions;
- 189 files were settled in the court phase, as they were subject to appeal, of which:
  - 159 were settled favourably;
  - 30 had a non-favourable solution and FSA would exercise the relevant means of appeal.

#### **Specific activities for the recovery of FSA receivables and performing actions for the forced execution of enforceable titles (judgments/sanctioning decisions) obtained/issued by FSA**

In 2018, FSA documented 250 forced execution files for the recovery of amounts from fines enforced in the insurance-reinsurance sector, that are a revenue to the FSA budget based on the legal provisions, as well as those related to payment ordinances for 2011-2013, 2014. Of these, 10 forced execution requests were filed in 2018.

Additionally, about 304 receivable claims were filed by FSA in files against entities who had payables to the institution's budget.

Besides the above mentioned files, 144 other works with an administrative relevance were settled in FSA.



# The annual financial statements of the FSA for 2018

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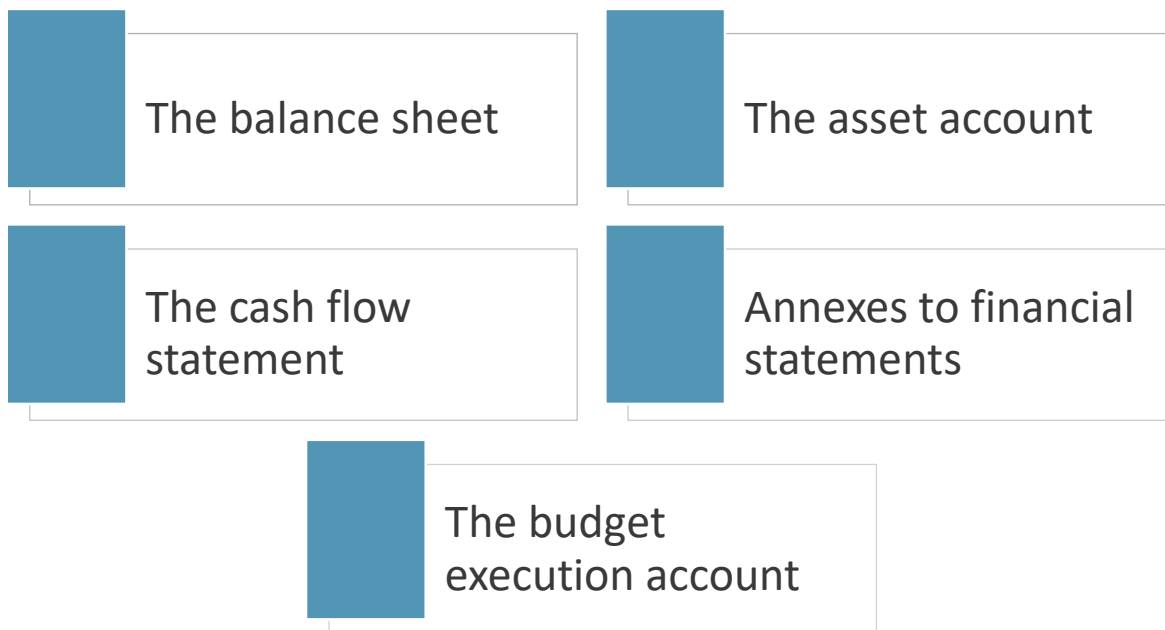


## THE ANNUAL FINANCIAL STATEMENTS OF FSA FOR 2018

The Financial Supervisory Authority is an autonomous specialised administrative authority, with a legal status, independent, self-financed, established based on art. 1 para. (2) of Government Emergency Ordinance no. 93/2012 on the establishment, organisation and operation of the Financial Supervisory Authority approved by Law no. 113/23.04.2013, as subsequently amended and supplemented.

Financial statements as of 31.12.2018 were drawn up based on the provisions of the Accounting Law no. 82/1991, of the Order of the Minister of Public Finance no. 1917/2005 on the approval of Methodological Guidelines for the organisation and management of the accountancy of public institutions, the Plan of accounts for public institutions and its enforcement guidelines, as subsequently amended and supplemented, and the Order of the Ministry of Finance no. 129/18.01.2019 on the approval of Methodological Guidelines for the elaboration and submission of the financial statements of public institutions as of 31 December 2018.

**The financial statements of FSA are drawn up based on the accounting principles and rules stipulated by the legislation in force and include:**



Financial statements are drawn up in RON, monetary elements are expressed in foreign currency, receivables and debt in foreign currency, non-monetary elements purchased in foreign currency are assessed and referred to the NBR exchange rate valid on 31.12.2018.

Annual financial statements were audited by Ernst&Young SRL. The auditors' opinion was that the financial statements provided a fair and faithful image of FSA's financial position as of 31 December 2018, as well as its financial performance and cash flows.



## FSA BALANCE SHEET as of 31.12.2018

(RON)				
No.	Name of the indicators	Row code	Balance at the beginning of the year	Balance at the end of the period
A	B	C	1	2
<b>1.</b>	<b>ASSETS</b>	<b>01</b>	<b>X</b>	<b>X</b>
<b>2.</b>	<b>NON-CURRENT ASSETS</b>	<b>02</b>	<b>X</b>	<b>X</b>
<b>3.</b>	<b>Intangible fixed assets</b> (acct.2030000+2050000+2060000+2080100+2080200+2330000-2800300-2800500-2800800-2900400-2900500-2900800-2930100*)	<b>03</b>	3.224.014	3.863.343
<b>4.</b>	<b>Technical facilities, means of transport, animals, plantations, furniture, devices and other tangible assets</b> (acct.2130100+2130200+2130300+2130400+2140000+2310000-2810300-2810400-2910300-2910400-2930200*)	<b>04</b>	4.994.929	3.404.306
<b>5.</b>	<b>Land and buildings</b> (acct.2110100+2110200+2120101+2120102+2120201+2120301+2120401+2120501+2120601+2120901+2310000-2810100-2810200-2910100-2910200-2930200)	<b>05</b>	13.588.251	13.265.491
<b>6.</b>	<b>Other non-financial assets</b> (acct.2150000)	<b>06</b>	0	0
<b>7.</b>	<b>Non-current financial assets (long-term investments) for more than one year</b> (acct. 2600100+2600200+2600300+2650000+2670201+ 2670202+2670203+2670204+2670205+2670208-2960101-2960102-2960103-2960200), of which:	<b>07</b>	0	0
<b>8.</b>	Holdings (acct. 2600100+2600200+2600300-2960101-2960102-2960103)	<b>08</b>	0	0
<b>9.</b>	<b>Non-current receivables - amounts to be collected after more than a year</b> (acct. 4110201+4110208+4130200+4280202+4610201+ 4610209- 4910200-4960200), of which	<b>09</b>	3.860	0
<b>10.</b>	Non-current trade receivables - amounts to be collected after more than a year (acct. 4110201+4110208+4130200+4610201-4910200-4960200)	<b>10</b>	0	0
<b>11.</b>	<b>TOTAL NON-CURRENT ASSETS</b> (rows 03+04+05+06+07+09)	<b>15</b>	21.811.054	20.533.140
<b>12.</b>	<b>CURRENT ASSETS</b>	<b>18</b>		
<b>13.</b>	<b>Inventories</b> (acct. 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)	<b>19</b>	1.350.110	1.442.263
<b>14.</b>	<b>Current receivables - amounts to be collected in less than a year</b>	<b>20</b>		
<b>15.</b>	<b>Receivables from trade operations, advance payments and other settlements</b> (acct. 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:	<b>21</b>	16.245.203	18.015.249
<b>16.</b>	<b>Settlements for the completion of the execution of the public budget in the current year</b> (acct. 4890101+4890301)	<b>21.1</b>	0	0
<b>17.</b>	<b>Trade receivables and advance payment</b> (acct.2320000+2340000+4090101+4090102+4110101+4110108+ 4130100+4180000+4610101-4910100-4960100), of which:	<b>22</b>	16.245.190	18.015.231
<b>18.</b>	<b>Granted advance payments</b> (acct.2320000+2340000+4090101+4090102)	<b>22.1</b>	0	0
<b>19.</b>	<b>Budget receivables</b> (acct.4310100**+4310200**+4310300**+4310400**+4310500**+4310700**+4370100**+4370200**+4370300**+4420400+	<b>23</b>	843.678	1.062.577

No.	Name of the indicators	Row code	Balance at the beginning of the year	Balance at the end of the period
	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:			
20.	<b>Receivables of the general consolidated budget</b> (acct.4630000+4640000+4650100+4650200+4660401+4660402+ 4660500+4660900-4970000)	24	0	
21.	<b>Receivables from operations with non-reimbursable foreign funds and budget funds</b> (acct. 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.	<b>Receivables from the European Commission/other donors</b> (acct.4500100+4500300+4500501+4500502+4500503+ 4500504+4500505+4500700)	26	0	0
23.	<b>Short term loans</b> (acct.. 2670101+2670102+2670103+2670104+2670105+ 2670108+2670601+2670602+2670603+2670604+2670605+ 2670609+4680101+4680102+4680103+4680104+4680105+ 4680106+4680107+4680108+4680109+4690103+4690105+ 4690106+ 4690108+4690109)	27	116.035.552	170.126.529
24.	<b>Total current receivables</b> (rows 21+23+25+27)	30	133.124.433	189.204.355
25.	<b>Short-term investments</b> (acct.5050000-5950000)	31		
26.	<b>Accounts in treasuries and credit institutions:</b>	32		
27.	<b>Accounts in the treasury, cash in RON</b> (acct. 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	19.068.700	24.892.203
28.	Receivable interest, other securities, treasury advance payments (acct. 5180701+5320100+5320200+5320300+5320400+ 5320500+5320600+5320800+5420100)	33.1	1.764	1.764
29.	<b>Deposits</b>	34		
30.	<b>Accounts in credit institutions, NBR, cash in foreign currency</b> (acct. 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	54.012.319	29.260.151
31.	Receivable interest, treasury advance payments (acct.5180702+5420200)	35.1	259.506	290.148
32.	Deposits	36		
33.	<b>Total cash and other values</b> (rows 33+33.1+35+35.1)	40	73.342.289	54.444.266
34.	<b>Cash accounts of the Central Treasury and territorial treasuries</b> (acct. 5120600+5120700+5120901+5120902+5121000+ 5240100+5240200+5240300+5550101+5550102+5550103 -7700000)	41	0	0

No.	Name of the indicators	Row code	Balance at the beginning of the year	Balance at the end of the period
35.	Receivable interest, other securities, treasury advance payments (acct.5320400+5180701+5180702)	41.1	0	0
36.	Deferred expenses (acct. 4710000 )	42	10.008	15.300
37.	TOTAL CURRENT ASSETS (rows 19+30+31+40+41+41.1+42)	45	207.826.840	245.106.184
38.	TOTAL ASSETS (rows 15+45)	46	229.637.894	265.639.324
39.	DEBT	50		
40.	NON-CURRENT DEBT - amounts to be paid after more than a year	51		
41.	Non-current payables - amounts to be paid after more than a year (acct. 2690200+4010200+4030200+4040200+4050200+ 4280201+4620201+4620209+5090000), of which:	52	0	0
42.	Commercial debt (acct.4010200+4030200+4040200+4050200+4620201)	53	0	0
43.	Long term loans (acct. 1610200+1620200+1630200+1640200+1650200+1660201+1660202+1660203+1660204+1670201+1670202+1670203+1670208+1670209-1690200)	54	317.993	1.295.720
44.	Provisions (acct. 1510201+1510202+1510203+1510204+1510208)	55	31.026.665	33.206.945
45.	TOTAL NON-CURRENT DEBT (rows 52+54+55)	58	31.344.658	34.502.665
46.	CURRENT DEBT - amounts to be paid within less than a year	59		
47.	Trade payables, advance payments and other settlements (acct. 2690100+4010100+4030100+4040100+4050100+4080000+4190000+4620101+4620109+4730109+4810101+4810102+4810103+4810200+4810300+4810900+4820000+4830000+4890201+5090000+5120800), of which:	60	686.810	686.196
48.	Settlements for the completion of the execution of the public budget in the current year (acct. 4890201)	60.1		
49.	Trade payables and advance payments (acct. 4010100+4030100+4040100+4050100+4080000+ 4190000+ 4620101), of which:	61	609.356	536.532
50.	Received advance payments (acct 4190000)	61.1	0	0
51.	Debt to budgets (acct. 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	4.100.765	4.293.350
52.	Debt of public institutions to budgets	63		
53.	Social contributions (acct. 4310100+4310200+4310300+4310400+4310500+4310700+4370100+4370200+4370300)	63.1	2.872.505	3.570.311
54.	Payables to the budget from non-reimbursable foreign sources (acct.4550501+4550502+4550503)	64	0	0
55.	Payables from operations with non-reimbursable foreign funds and budget funds, other payables to other international bodies (acct. 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: payables to the European Commission / other donors (acct. 4500200+4500400+4500600+4590000+4620103)	66	0	0
57.	Short-term payables - amounts to be paid within less than a year (acct. 5180601+5180603+5180604+5180605+5180606+5180608+5180609+5180800+5190101+5190102+5190103+5190104+5190105+5190106+5190107+5190108+5190109+ 5190110+5190180+5190190 )	70	0	0

No.	Name of the indicators	Row code	Balance at the beginning of the year	Balance at the end of the period
58.	<b>Long-term payables - amounts to be paid within the current exercise</b> (acct. 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.	<b>Staff salaries</b> (acct. 4210000+4230000+4260000+4270100+4270300+4280101)	72	5.267.478	5.719.000
60.	<b>Other payables to other categories of persons (pensions, unemployment benefits, scholarships</b> (acct. 4220100+4220200+4240000+4260000+4270200+4270300+ 4290000+4380000), of which:	73	0	0
61.	<b>Pensions, unemployment benefits, scholarships</b>	73.1		
62.	<b>Deferred revenues</b> (acct.4720000)	74	0	0
63.	<b>Provisions</b> (acct.1510101+1510102+1510103+1510104+1510108)	75	17.835.324	15.945.692
64.	<b>TOTAL CURRENT DEBT</b> (rows 60+62+65+70+71+72+73+74+75)	78	27.890.377	26.644.238
65.	<b>TOTAL DEBT</b> (rows 58+78)	79	59.235.035	61.146.903
66.	<b>NET ASSETS = TOTAL ASSETS - TOTAL DEBT = EQUITY</b> (row 80= rows 46-79 = row 90)	80	170.402.859	204.492.421
67.	<b>EQUITY</b>	83	x	
68.	<b>Reserves, funds</b> (acct.1000000+1010000+1020101+1020102+1020103+1030000+1040101+1040102+1040103+1050100+1050200+1050300+1050400+1050500+1060000+1320000+1330000+1390100)	84	4.152.261	4.152.261
69.	<b>Retained earnings</b> (acct.1170000- credit balance)	85	142.542.539	166.507.588
70.	<b>Retained earnings</b> (acct.1170000- debt balance)	86		
71.	<b>Net assets of the exercise</b> (acct.1210000- credit balance)	87	23.708.059	33.832.572
72.	<b>Net assets of the exercise</b> (acct.1210000- debt balance)	88		
73.	<b>TOTAL EQUITY</b> (rows 84+85-86+87-88)	90	170.402.859	204.492.421



## NET ASSETS OF FSA AS OF 31.12.2018

(RON)				
No.	Name of the indicators	Row code	Previous year	Current year
A	B	C	1	2
I.	<b>OPERATING REVENUES</b>	01	0	0
1.	<b>Revenues from taxes, fees, insurance contributions and other budget revenues</b> (acct. 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.	<b>Revenues from business activities</b> (acct.7210000+7220000+7510100+7510200+/-7090000)	03	0	0
3.	<b>Financing, subsidies, transfers</b> (acct.7510500+7710000+7720100+7720200+7740100+7740200+7750000+7760000+7780000+7790101+7790109)	04	137.793	32.265
4.	<b>Other operating revenues</b> (acct. 7140000+7180000+7500000+7510300+7510400+7810200+7810300+7810401+7810402+7770000)	05	194.452.101	208.448.549
	<b>TOTAL OPERATING REVENUES</b> (rows 02+03+04+05)	<b>06</b>	<b>194.589.894</b>	<b>208.480.814</b>
II.	<b>OPERATIONAL EXPENSES</b>	07		
1.	<b>Salaries and social contributions of employees</b> (acct. 6410000+6420000+6450100+6450200+6450300+6450400+6450500+6450600+6450800+6460000+6470000)	08	123.180.648	142.991.591
2.	<b>Subsidies and transfers</b> (acct. 6700000+6710000+6720000+6730000+6740000+6750000+6760000+6770000+6780000+6790000)	09	5.861.590	6.408.406
3.	<b>Inventories, consumables, works and services performed by third parties</b> (acct. 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	14.796.657	13.375.426
4.	<b>Capital expenditure, depreciation and provisions</b> (acct. 6290200+6810100+6810200+6810300+6810401+6810402+6820101+6820109+6820200+6890100+6890200)	11	28.581.156	15.510.484
5.	<b>Other operating expenditure</b> (acct.6350000+6350100+6540000+6580101+6580109)	12	132.901	8.676
	<b>TOTAL OPERATING EXPENDITURE</b> (rows 08+09+10+11+12)	<b>13</b>	<b>172.552.952</b>	<b>178.294.583</b>
III.	<b>OPERATING RESULTS</b>	14		
	- <b>EXCESS</b> (row 06- row 13)	15	22.036.942	30.186.231
	- <b>DEFICIT</b> (row 13- row 06)	16		
IV.	<b>FINANCIAL REVENUES</b> (acct. 7630000+7640000+7650100+7650200+7660000+7670000+7680000+7690000+7860300+7860400)	17	2.065.835	3.728.363
V.	<b>FINANCIAL EXPENDITURE</b> (acct. 6630000+6640000+6650100+6650200+6660000+6670000+6680000+6690000+6860300+6860400+6860800)	18	394.718	92.540
VI.	<b>FINANCIAL RESULTS</b>	19		
	- <b>EXCESS</b> (row 17- row 18)	20	1.671.117	3.635.823
	- <b>DEFICIT</b> (row 18- row 17)	21		
VII.	<b>CURRENT RESULTS</b>	22		
	- <b>EXCESS</b> (rows 15+20-16-21)	23	23.708.059	33.822.054
	- <b>DEFICIT</b> (rows 16+21-15-20)	24		
VIII.	<b>EXTRAORDINARY REVENUES</b> (acct.7910000)	25	0	10.518
IX.	<b>EXTRAORDINARY EXPENDITURE</b> (acct.6900000+6910000)	26	0	0

No.	Name of the indicators	Row code	Previous year	Current year
X.	<b>EXTRAORDINARY RESULTS</b>	27		
	- EXCESS (row 25-row 26)	28	0	10.518
	- DEFICIT (row 26-row 25)	29		
XI.	<b>ASSETS OF THE EXERCISE (GROSS)</b>	29.1		
	- EXCESS (rows 23+28-24-29)	29.2	23.708.059	33.832.572
	- DEFICIT (rows 24+29-23-28)	29.3		
	Income tax expense (from acct. 635*)	29.4	0	0

### CASH FLOW STATEMENT as of 31.12.2018

(RON)

Name of the indicator	Row code	Total	5310101	5600101*, 770*	Other cash ( acct.5xx)
A	B	1	2	10	15
<b>I. CASH FROM OPERATING ACTIVITIES</b>	<b>1</b>				
1. Revenues	2	180.973.391	368.458	180.540.216	64.717
2. Payments	3	161.923.885	368.458	161.501.179	54.248
3. Net cash from the operational activity (rows 02- row 03)	4	19.049.506	0	19.039.037	10.469
<b>II. CASH FROM INVESTMENT ACTIVITIES</b>	<b>5</b>				
1. Revenues	6	0	0	0	0
2. Payments	7	2.226.003	0	2.226.003	0
3. Net cash from investment activities (rows 06-07)	8	-2.226.003	0	-2.226.003	0
<b>III. CASH FROM FINANCING ACTIVITIES</b>	<b>9</b>				
1. Revenues	10	-11.000.000	0	-11.000.000	0
2. Payments	11	0	0	0	0
3. Net cash from financing activities (row 10-row 11)	12	-11.000.000	0	-11.000.000	0
<b>IV. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (row 04+row 08+row 12)</b>	<b>13</b>	5.823.503	0	5.813.034	10.469
<b>V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>14</b>	19.068.700	0	19.053.714	14.986
- Amounts recovered in the excess of the previous year **)	14.1		x		x
- Amounts used from the excess of the previous year / amounts carried from the excess to the local budget/amounts carried from the excess to set up deposits in the treasury***)	14.2	0	x	0	x
Amounts transferred from cash not used at the end of the previous year****)	14.3	0	x	x	x
<b>VI. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (row 13+row 14+row 14.1 - row 14.2 - row 14.3)</b>	<b>15</b>	24.892.203	0	24.866.748	25.455

### CASH FLOW STATEMENT for commercial banks as of 31.12.2018

(RON)

Name of the indicator	Row code	Total	5310402	5500102, 5600402, 5120402, 550
A	B	1	2	3
<b>I. CASH FROM OPERATING ACTIVITIES</b>	<b>01</b>			
1. Revenues	02	426.159.317	1.418.353	424.740.964
2. Payments	03	450.845.116	1.418.299	449.426.817
3. Net cash from the operating activity (row 02- row 03)	04	-24.685.799	54	-24.685.853
<b>II. CASH FROM INVESTMENT ACTIVITIES</b>	<b>05</b>			
1. Revenues	06	0	0	0
2. Payments	07	0	0	0
3. Net cash from investment activities (rows 06-07)	08	0	0	0
<b>III. CASH FROM FINANCING ACTIVITIES</b>	<b>09</b>			
1. Revenues	10	0	0	0
2. Payments	11	0	0	0
3. Net cash from financing activities (row 10-row 11)	12	0	0	0
<b>IV. NET INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS (row 04 + row 08 + row 12)</b>	<b>13</b>	-24.685.799	54	-24.685.853
<b>V. CASH AND CASH EQUIVALENTS THE BEGINNING OF THE YEAR</b>	<b>14</b>	54.012.319	0	54.012.319
1. Favourable exchange rate differences	15	4.401	88	4.313
2. Non-favourable exchange rate differences	16	70.770	142	70.628
<b>VI. CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (rows 13+14 +15-16)</b>	<b>17</b>	29.260.151	0	29.260.151

### EXECUTION OF THE INCOME AND EXPENDITURE BUDGET OF FSA FOR 2018

(RON)

Name of the indicators	Budget code	Annual provisions 2018	Budget execution December 31, 2018	% of achievement
1	2	3	4	5=4/3
<b>TOTAL OWN REVENUES, of which:</b>	<b>00.01.10</b>	<b>193.368.212</b>	<b>198.260.072</b>	<b>102,53</b>
I. REVENUES FROM LEASE	30.10	896.816	809.041	90,21
II. REVENUES FROM INTERESTS	31.10	1.357.757	2.159.790	159,07
III. FINES, PENALTIES and SEIZURES	35.10	317.321	302.292	95,26
<b>IV. CURRENT REVENUES, of which:</b>		<b>190.796.319</b>	<b>194.988.949</b>	<b>102,2</b>
<b>1. Rates for transactions in financial instruments and public offers, of which:</b>	<b>36.10.50</b>	<b>21.112.113</b>	<b>20.841.148</b>	<b>98,72</b>
The rate of the value of transactions with financial instruments undertaken in supervised trading systems, except for transactions with derivative financial instruments	36.10.50	5.926.586	5.655.492	95,43
Rates charged for monitoring turnaround transactions	36.10.50	810.596	803.197	99,09
Rate from the value of public sale offers	36.10.50	449.164	381.637	84,97
Rate from the value of public purchase/takeover offers	36.10.50	13.925.767	14.000.822	100,54
<b>2. Rates and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurers or insurance/reinsurance brokers, of which:</b>	<b>36.10.50</b>	<b>163.790.586</b>	<b>166.311.629</b>	<b>101,54</b>
Monthly rate of the net assets of investment	36.10.50	39.154.785	38.527.320	98,40

Name of the indicators	Budget code	Annual provisions 2018	Budget execution December 31, 2018	% of achievement
funds (collective investment undertakings)				
Monthly rate of the net assets of privately managed pension funds (pillar II)	36.10.50	40.856.755	41.099.968	100,60
Monthly fee of the gross contributions collected by private pension funds (pillar II)	36.10.50	21.395.820	23.057.108	107,76
Monthly rate of the net assets of voluntary pension funds (pillar III)	36.10.50	2.316.110	2.285.673	98,69
Monthly fee of the gross contributions collected by voluntary pension funds (pillar III)	36.10.50	749.776	735.493	98,10
Operating fee applicable to depositories of privately managed pension funds	36.10.50	435.164	451.701	103,80
Insurance broker contributions	36.10.50	918.048	1.056.973	115,13
Contribution for the exercise of supervision and control of general insurance, except for motor insurance	36.10.50	16.910.451	17.135.702	101,33
Contribution for the exercise of supervision and control of life insurance	36.10.50	6.059.020	6.136.220	101,27
Contribution for the exercise of supervision and control of motor insurance	36.10.50	34.994.657	35.825.471	102,37
<b>3. Revenues from other activities, of which</b>	<b>36.10.50</b>	<b>5.418.336</b>	<b>7.516.348</b>	<b>138,72</b>
Fee/rate for the settlement of the requests of authorisation/approval/endorsement/certification and withdrawal of the authorisation of regulated entities	36.10.50	1.885.795	3.313.955	175,73
Fee/rate for registration/maintenance/removal in/from FSA records and registers	36.10.50	261.135	270.329	103,52
Fees/rates for monitoring FSA-regulated entities, as stipulated under art. 2 para. (1) (a) of Government Emergency Ordinance no. 93/2012 on the establishment, organisation and operation of the Financial Supervisory Authority, approved with amendments and supplementations by Law no. 113/2013, as subsequently amended and supplemented (G.E.O. No. 93/2012), except for investment companies	36.10.50	3.212.240	3.928.291	122,29
Fees and rates from other FSA activities	36.10.50	59.166	3.773	6,38
Other revenues		475.283	319.824	67,29
<b>TOTAL EXPENDITURE, of which:</b>	<b>80.01.30</b>	<b>191.805.653</b>	<b>164.470.545</b>	<b>85,75</b>
<b>CURRENT EXPENDITURE (10 + 20 +30+ 55)</b>	<b>80.01.30</b>	<b>182.299.891</b>	<b>163.533.793</b>	<b>89,71</b>
<b>STAFF EXPENDITURE, of which:</b>	<b>80.01.30.10</b>	<b>157.172.221</b>	<b>143.428.682</b>	<b>91,26</b>
<b>Salary expenditure in money</b>	<b>80.01.30.10.01</b>	<b>147.335.589</b>	<b>134.997.577</b>	<b>91,63</b>
<b>Salary expenditure in kind</b>	<b>80.01.30.10.02</b>	<b>4.788.800</b>	<b>3.882.497</b>	<b>81,07</b>
<b>Contributions</b>	<b>80.01.30.10.03</b>	<b>5.047.832</b>	<b>4.548.608</b>	<b>90,11</b>
<b>GOODS AND SERVICES</b>	<b>80.01.30.20</b>	<b>18.586.789</b>	<b>13.694.552</b>	<b>73,68</b>
<b>Goods and services</b>	<b>80.01.30.20.01</b>	<b>7.241.300</b>	<b>5.580.403</b>	<b>77,06</b>
Current repairs	80.01.30.20.02.00	140.000	8.439	6,03
Inventory goods	80.01.30.20.05	185.000	131.185	70,91
<b>Travel</b>	<b>80.01.30.20.06</b>	<b>2.001.228</b>	<b>1.141.066</b>	<b>57,02</b>
Books, publications and documentary materials	80.01.30.20.11.00	75.635	38.240	50,56
<b>Consulting and expertise</b>	<b>80.01.30.20.12.00</b>	<b>1.550.000</b>	<b>847.063</b>	<b>54,65</b>
Professional training	80.01.30.20.13.00	886.800	633.814	71,47
Work safety	80.01.30.20.14.00	570.107	436.356	76,54
Legal and extra-legal expenditure	80.01.30.20.25.00	30.000	18.179	60,60



Name of the indicators	Budget code	Annual provisions 2018	Budget execution December 31, 2018	% of achievement
Other expenses	80.01.30.20.30	5.906.719	4.859.807	82,28
TRANSFERS - subscriptions to international bodies	80.01.30.55	6.540.881	6.410.558	98,01
CAPITAL EXPENDITURE	80.01.30.70	9.505.762	2.226.003	23,42
TITLE X NON-FINANCIAL ASSETS, of which:	80.01.30.71	9.505.762	2.226.003	23,42
Fixed assets	80.01.30.71.01	8.931.600	1.363.822	15,27
Capital repairs for fixed assets	80.01.30.71.03.00	1.000.000	131.422	0,00
Payments incurred in the previous years and recovered in the current year	80.01.30.85.01.03		-1.289.251	
<b>CURRENT EXCESS</b>			<b>33.789.527</b>	

### REPORT ON THE BALANCE SHEET AND THE PROFIT STATEMENT AS OF 31.12.2018

Total FSA assets as of 31 December 2018 were RON 265,639,324 , i.e. RON 36,001,430 higher than their value as of 31.12.2017, an increase mainly due to the positive evolution of the cash resulting from the collection of revenues.

Total payables in the balance sheet as of 31.12.2018, i.e. RON 61,146,903 , mostly included provisions for litigations, retirement, payment of staff payables for the ended financial exercise, annual leaves that had not been taken.

The estimated value of provisions for risks and expenditure recognized in the financial statements is RON 49,152,637 , of which RON 31,454,650 for labour-related litigations where FSA is involved. The other provisions for asset-related litigations, as well as provisions for annual leaves that have not been taken, retirement provisions, etc. were assessed at RON 17,697,987 .

Other debt mostly represents **staff payables for December 2018 that were paid in January 2019**.

**The result is positive**, higher than in the previous year, which was mainly due to higher financial revenues, due to the use of available cash.

### THE BUDGET EXECUTION ACCOUNT

Based on the provisions of art. 18 of G.E.O. no. 93/2012 on the establishment, organisation and operation of the Financial Supervisory Authority, approved with amendments by Law no. 113/2013, FSA is fully financed from its own extra-budget revenues. The structure of revenues, as well as the level of rates, fees and contributions are regulated in Regulation no. 16/2014 on FSA revenues, as subsequently amended and supplemented.

Expenditure are set out in the FSA annual budget, according to its objectives and responsibilities.

**The budget execution account includes the collected cash under revenues and the incurred payments under expenditure. Budget excess was established as a difference between the collected revenues and the incurred payments.**

*The current excess of the execution of the FSA budget was RON 33,789,527 .*

Based on the above mentioned legal provisions and the structure of FSA's Budget of Revenues and Expenditure approved for 2018, forecast and collected revenues are as follows:

### FSA revenues in 2018, by structures

(RON)

Article	2018 annual forecasts	2018 budget execution	Achievement compared to the forecast (%)
Other revenues from lease and rental	896.816	809.041	90,21
Revenues from interests	1.357.757	2.159.790	159,07
Revenues from fines	317.321	302.292	95,26
Operating revenues, of which:	190.796.318	194.988.949	102,20
Rates for transactions in financial instruments and public offers	21.112.112	20.841.148	98,72
Rates and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurers or insurance/reinsurance brokers	163.790.587	166.311.629	101,54
Revenues from other activities	5.418.336	7.516.348	138,72
Other revenues	475.283	319.824	67,29
<b>TOTAL REVENUES</b>	<b>193.368.212</b>	<b>198.260.072</b>	<b>102,53</b>

### Evolution of FSA revenues in 2017-2018, by structures

Article	Budget execution 2017	Budget execution 2018	Achievement (%)
0	1	2	3=2/1
Rates for transactions in financial instruments and public offers	13.712.868	20.841.148	152,00
Rates and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurers or insurance/reinsurance brokers	158.430.866	166.311.629	104,97
Revenues from other activities	6.751.937	7.516.348	111,32
Fines	221.466	302.292	136,50
Other revenues	1.847.844	3.288.655	177,97
<b>TOTAL REVENUES</b>	<b>180.964.981</b>	<b>198.260.072</b>	<b>109,56</b>

Based on Regulation no. 16/2014 on FSA revenues, as subsequently amended and supplemented, collected revenues are as follows:

20,841,148 RON were collected in revenues from rates for transactions in financial instruments and public offers, i.e. 98.72% of the forecast value for the period. The most relevant rates within this category of revenues are as follows:

- The rate of the value of transactions with financial instruments undertaken in supervised trading systems, except for transactions with derivative financial instruments (up to 0.06 %) – RON 5,655,492 – 95.43% achievement compared to the forecast for the period, due to a slight decrease in the amount of transactions undertaken on the Bucharest Stock Exchange, compared to the one estimated when documenting the budget;
- The rate from the value of public sale offers (from 0.05% to 0.1%, but no more than RON 500,000 or RON 1,000,000 respectively) – RON 381,637 – achievement 84.97% compared to the forecast;
- The rate from the value of public purchase/takeover offers (from 1% to 1.5%) – RON 14,000,822 – achievement 100.54% compared to the forecast.

In 2018, revenues from these sources generated about 10.51% of the total collections of FSA.

*Revenues from rates and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurers or insurance/reinsurance brokers* had collections of RON 166,311,629 in 2018, i.e. 101.54% of the forecast for the period. The main sources of collections for these categories are as follows:

- the rate of 0.0078% of the net assets of investment funds (collective investment undertakings) - RON 38,527,320 - achievement 98.40% compared to the forecast;
- the rate of 0.0078% of the net assets of privately managed pension funds and the monthly rate of 0.3% of the value of gross contributions collected by private pension funds (pillar II) – RON 64,157,076 - achievement 103.06%;
- the rate of 0.01% of the net assets of voluntary pension funds and the monthly rate of 0.25% of the value of gross contributions collected by voluntary pension funds (pillar III), as well as the operating fee applicable to depositories – RON 3,472,867 - achievement 99.20%;
- contributions applicable to insurers and insurance brokers: operating fee of 0.3% applicable to insurers/operating fee of 0.2% applicable to insurance brokers (0.1% starting 1 October 2018), contribution for the exercise of supervision and control of the general activity - 0.4%, respectively 0.3% for life insurance, contribution for the exercise of supervision and control of car insurance activities - 1% - RON 60,154,366, achievement 102.16%.

In 2018, revenues from these sources generated about 84% of the total collections of FSA.

**Revenues from other activities**, including revenues from the fees, rates for authorisation/certification/approval/endorsement/withdrawal of authorisation, rates for the registration/maintenance/removal, rates/fees for monitoring and other rates/fees as stipulated in annex no. 3 to Regulation no. 16/2014, as subsequently amended and supplemented, had a total value of 2018 collections of **RON 7,516,348**, achievement **138.72%**.

In 2018, revenues from these sources generated about 3.79% of the total collections of FSA.

*Revenues from fines* for entities in the insurance-reinsurance sector – **RON 302,292**, – a 36.50% increase compared to the previous year, which is almost equal to the forecast for the period.

During the analysed period, a value of RON 3,288,655 was recorded under Various revenues, a 20.47% increase compared to the forecast for the year. This heading includes financial revenues from the placement of FSA assets in deposits, government bonds – RON 2,159,790, revenues from the lease of areas held by FSA – RON 809,041, other revenues RON 319,824 (claims, penalties, returns of amounts from previous years).

#### The execution of expenditure as of 31 December 2018

Total EXPENDITURE incurred in 2018 was RON 164,470,545, i.e. an achievement of 85.75% compared to the forecast for the period. Expenses incurred on 31 December 2018 have the following structure:

#### Statement of FSA expenses in 2018

(RON)

Article	2018 annual forecasts	Budget execution 2018	Achievement %
0	1	2	3=2/1
Staff expenses	157.172.221	143.428.682	91,26
Expenses for goods and services	18.586.789	13.694.552	73,68
International transfers	6.540.881	6.410.558	98,01
Capital expenses	9.505.762	2.226.004	23,42
Payments incurred in previous years and recovered in the current year		-1.289.251	
<b>TOTAL EXPENSES</b>	<b>191.805.653</b>	<b>164.470.545</b>	<b>85,75</b>

### Evolution of FSA expenses in 2017-2018

(RON)

Article	Budget execution 2017	Budget execution 2018	Increase (%)
1	2	3	4=3/2
Staff expenses	123.841.729	143.428.682	115,82
Goods and services	13.239.818	13.694.552	103,45
Subscriptions to international bodies	5.860.172	6.410.558	109,39
Capital expenses	1.363.822	2.226.004	163,22
Payments incurred in previous years and recovered in the current year	-1.435.341	-1.289.251	89,87
<b>TOTAL EXPENSES</b>	<b>142.870.200</b>	<b>164.470.545</b>	<b>115,12</b>

**Staff expenses**, a total of **RON 143,428,682** (91.26% of the forecast), are basic wages, premiums, other payables, meal vouchers, along with the institution's contributions.

Staff expenses in 2018 were about **87.21%** of all expenses of the authority, i.e. about **72.34%** of total revenues.

**Expenses on goods and services**, with a total value of RON 13,694,552 (73.68% of the forecast), consisted of:

purchase of office equipment, cleaning materials, fuel, utilities, phone services, internet, guard services, car repairs, heating power station maintenance, archiving services, press agents (Bloomberg, Reuters), etc. – RON 5,580,403, i.e. 77.06% of the forecast for this period;

- domestic and foreign travel – RON 1,141,066, i.e. 57.02% of the amount forecast for travel and other unexpected expenses, except for the travel allowance;
- consulting and expertise – RON 847,063 – 54.65% of the forecast, consisting of payments in legal assistance contracts, consultancy, financial audit services.
- other expenses – RON 4,859,807 mostly including payments representing the lease paid by FSA to EximBank – RON 3,926,443 (80.80%), expenses for protocol and representation actions – RON 422,819, other expenses, etc..

**International transfers** – representing subscriptions in international bodies (ESMA, EIOPA, IOSCO, IAIS, IOPS) where FSA is a member – the total amount paid in 2018 was RON 6,410,558, i.e. lower than the approved budget of RON 6,540,881.

**Capital expenses** – RON 2,226,004 (23.42% of the forecast amount), representing the total amount paid in 2018 for the pursuit of the development of centralised and decentralised IT infrastructure, consisting of:

- purchase of hardware and other IT equipment – RON 831,084,
- furniture, office equipment – RON 141,366,
- FSA contribution to the MiFIR Instruments Reference Data project (implemented through ESMA) – RON 51,328,
- software licenses and procurement/development – RON 1,070,803,
- capital repairs - work on the Amiral Bălescu headquarters – RON 131,423.

**The current excess for 2018 is RON 33,789,527.**



Business Items

**SAMANTHA BLACK**  
Public Defender

**EXPERIENCE**

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**PROFESSIONAL STATEMENT**

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**SKILLS**

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**REFERENCES**

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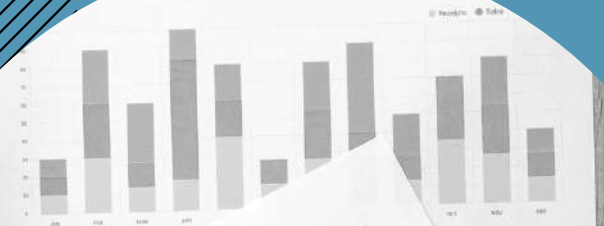
**EDUCATION**

**WEST ADVERTISING TRAINING**  
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**SCHOOL TITLE LOREM**  
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# 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 auditului situatiilor financiare**  
*Report on the Audit of 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 2018, 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, Plati restante, Situatiia activelor si datoriilor financiare ale institutiilor publice din Administratia centrala, Situatiia activelor fixe amortizabile, Situatiia 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 2018».

*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 2018, 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, 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 as at 31 December 2018.*

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a ASF la data de 31 decembrie 2018, 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 2018».

*In our opinion, the accompanying financial statements give a true and fair view of the financial position of ASF as at 31 December 2018, 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 with all subsequent modifications and clarifications and the accounting policies described in the “Report regarding financial statements of Financial Supervisory Authority as at as at 31 December 2018”.*





### **Bazele opiniei** *Basis for opinion*

### **Evidențierea unor aspecte** *Emphasis of matter*

Atragem atenția asupra notei 4 "Provizioane pentru riscuri și cheltuieli" din «Raportul privind situațiile financiare ale Autorității de Supraveghere Financiară încheiate la data de 31 decembrie 2018», care prezintă detalii privind litigiile prin care se solicită ASF acordarea de despăgubiri. Conducerea ASF a evaluat situația și a înregistrat un provizion pentru litigii în valoare de 31.514 mii lei la 31 decembrie 2018 (29.295 mii lei la 31 decembrie 2017). Date fiind complexitatea și incertitudinile privind rezultatul acestor litigii, estimarea ASF ar putea să difere de obligațiile efective rezultate în urma finalizării acestora. Opinia noastră nu este emisă cu rezerve în legătură cu acest aspect.

*We draw attention to Note 4 "Provisions for risks and expenses" from "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2018", 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 31,514 thousand RON as at 31 December 2018 (29,295 thousands RON as at 31 December 2017). Given the complexity and uncertainties related to the outcome of these litigations, the ASF's estimate may differ from actual obligations resulting from the finalization of these legal disputes. Our opinion is not qualified in respect of this matter.*

Noi am efectuat auditul conform Standardelor Internaționale de Audit (ISA). Responsabilitățile noastre conform acestor standarde sunt descrise mai detaliat în secțiunea „Responsabilitățile auditorului pentru auditul situațiilor financiare” din raportul nostru. Suntem independenți față de ASF conform Codului etic al profesioniștilor contabili emis de Consiliul pentru Standarde Internaționale de Etică pentru Contabili (codul IESBA) și conform cerințelor etice care sunt relevante pentru auditul situațiilor financiare în România și ne-am îndeplinit responsabilitățile etice conform acestor cerințe și conform Codului IESBA. Considerăm că probele de audit pe care le-am obținut sunt suficiente și adecvate pentru a constitui baza pentru opinia noastră.

*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 the 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.*

### **Responsabilitățile conducerii și ale persoanelor responsabile cu guvernanta pentru situațiile financiare** *Responsibilities of Management and those charged with governance for the Financial Statements*

Conducerea ASF are responsabilitatea întocmirii și prezentării fidèle a situațiilor financiare în conformitate cu Ordinul Ministrului Finanțelor Publice nr. 1917/2005, cu modificările și clarificările ulterioare, și pentru acel control intern pe care conducerea îl considera necesar pentru a permite întocmirea de situații financiare care sunt lipsite de denaturări semnificative, cauzate fie de fraudă, fie de eroare.

Traducerea în limba engleză are doar scop informativ. Traducerea raportului trebuie citită împreună cu situațiile financiare, luate în ansamblu. În situațiile în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretare, versiunea originală în limba română a raportului nostru prevalează asupra acestei traduceri.  
*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.*



*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 with all subsequent modifications and clarifications, 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 întocmirea situațiilor financiare, conducerea este responsabilă să evalueze abilitatea ASF de a-și desfășura activitatea conform principiului continuității activității și să prezinte, dacă este cazul, aspectele referitoare la continuitatea activității și folosirea principiului continuității activității, mai puțin în cazul în care conducerea intenționează să lichideze ASF sau să înceteze activitatea sau nu are nicio alternativă reală decât să procedeze astfel.

*In preparing the financial statements, management is responsible for assessing the 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 financiară a ASF.

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

#### **Responsabilitățile auditorului pentru auditul situațiilor financiare** *Auditor's Responsibilities for the Audit of the Financial Statements*

Obiectivele noastre constau în obținerea unei asigurări rezonabile privind măsura în care situațiile financiare, luate în ansamblu, nu conțin denaturări semnificative cauzate de eroare sau fraudă și de a emite un raport de audit care să includă opinia noastră. Asigurarea rezonabilă reprezintă un nivel ridicat de asigurare, însă nu este o garanție că un audit desfășurat în conformitate cu standardele ISA va detecta întotdeauna o denaturare semnificativă, dacă aceasta există. Denaturările pot fi cauzate fie de fraudă fie de eroare și sunt considerate semnificative dacă se poate preconiza, în mod rezonabil, că acestea, atât la nivel individual sau luate în ansamblu, vor influența deciziile economice ale utilizatorilor, luate în baza acestor situații 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 în conformitate cu standardele ISA, ne exercităm raționamentul profesional și ne menținem scepticismul profesional pe întreg 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:*



- Identificăm și evaluăm riscurile de denaturare semnificativă a situațiilor financiare, cauzate fie de fraudă fie de eroare, stabilim și efectuăm proceduri de audit care să răspundă acestor riscuri și obținem probe de audit suficiente și adecvate pentru a constitui o bază pentru opinia noastră. Riscul de nedetecare a unei denaturări semnificative cauzate de fraudă este mai ridicat decât cel de nedetecare a unei denaturări semnificative cauzate de eroare, deoarece fraudă poate include complicitate, falsuri, omisiuni intenționate, declarații 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.*
- Înțelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate în circumstanțele date, dar nu și în scopul exprimării unei opinii asupra eficacității 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 the ASF's internal control.*
- Evaluăm gradul de adecvare a politicilor contabile utilizate și rezonabilitatea estimărilor contabile și a prezentărilor aferente de informații realizate de către conducere.
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- Concluzionăm asupra caracterului adecvat al utilizării de către conducere a principiului continuității activității și determinăm, pe baza probelor de audit obținute, dacă există o incertitudine semnificativă cu privire la evenimente sau condiții care ar putea genera îndoieli semnificative privind capacitatea ASF de a-și continua activitatea. În cazul în care concluzionăm că există o incertitudine semnificativă, trebuie să atragem atenția, în raportul de audit, asupra prezentărilor aferente din situațiile financiare sau, în cazul în care aceste prezentări sunt neadecvate, trebuie să ne modificăm opinia. Concluziile noastre se bazează pe probele de audit obținute până la data raportului nostru de audit. Cu toate acestea, evenimente sau condiții viitoare pot determina ca ASF să nu își mai desfășoare activitatea în baza principiului continuității activității.
- *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.*



- Evaluăm prezentarea, structura și conținutul general al situațiilor financiare, inclusiv al prezentărilor de informații, și măsura în care situațiile financiare reflectă tranzacțiile și evenimentele de bază într-o manieră care realizează prezentarea fidelă.
- *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.*

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.*

In numele,  
On behalf of,

**Ernst & Young Assurance Services SRL**  
Bd. Ion Mihalache 15-17, etaj 21, București, România  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Inregistrat în Registrul Public electronic cu nr. 77  
Registered in the electronic Public Register under No. 77

Nume Auditor / Partener: Alina Dimitriu  
Name of the Auditor/ Partner: Alina Dimitriu  
Inregistrat în Registrul Public electronic cu nr. 1272

*Registered in the electronic Public Register under No. 1272*

București, România

15 februarie 2019

Bucharest, Romania

15 February 2019



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# Strategic goals for 2019-2023

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**Strategic goals and activity plan for 2019-2023**  
**Financial stability - healthy operation and reinforcement of markets**  
**Harmonizing the legislative framework**  
**Consumer protection**

## STRATEGIC GOALS AND ACTIVITY PLAN FOR 2019-2023

The activity programme of the Financial Supervisory Authority for 2019-2023 aims at fulfilling the institution's strategic role by ensuring the proper operation of supervised markets, as well as by matching national legislative provisions with European legislation and the best international practices in the field, with the main purpose of increasing the investors' confidence in non-bank financial markets, as well as their protection, and improving the quality of actions and services in the supervised and regulated non-bank financial markets.

To this purpose, FSA's activity in the future years will focus on ensuring the sustainability of strategic goals and on the activities initiated in the previous years, as well as ensuring their continuity, in order to achieve the proposed goals; besides, it will aim at fulfilling new specific objectives set out for the future years, i.e.

consumer protection – quality  
improvement



regulation and alignment to  
EU legislation



enhanced market  
supervision



the development of non-bank  
financial markets



reinforcement of institutional  
capacity



contribution to the European  
institutional construct





## FINANCIAL STABILITY – HEALTHY OPERATION AND REINFORCEMENT OF MARKETS

Financial stability is a permanent activity for FSA, on an integrated level, representing a major part of the institution's activity, in order to meet the need for systematic approach, that will be one of the fields FSA activities will focus on and will acquire higher priority during 2019-2023.

In accordance with actions taken at the level of the European authorities ESMA and EIOPA, of which we are members, the strategic plan for the following three years includes:

Improving the quality, efficiency and consistency of supervisory activities by:

- ensuring the convergence of supervisory practices in the three non-bank financial sectors - adopting a unitary set of supervisory policies and practices;
- implementing risk-based supervisory procedures and practices.

Identifying, assessing, mitigating and managing risks and threats to the financial stability of the non-bank financial market with a focus on:

- monitoring financial activities and innovations and implementing intervention mechanisms for financial products in emergency situations;
- the risk analysis of the non-bank financial market.

Thus, FSA will publish reports on the assessment of risks for the three supervised financial sectors, on a periodic basis, which will highlight analyses and estimations regarding the main trends and vulnerabilities of the stability of the supervised financial markets.

FSA has decided to improve the supervisory function through a consistent take-up of the best relevant practices, also by approaching conduct-based supervision. The 2019-2023 period represents a period of development and reinforcement of the supervisory function, by harmonizing the two types of supervision, risk-based supervision and conduct-based supervision, for a healthy functioning of the supervised markets.

The quick and permanent evolution of financial markets emphasizes the need for the continuous monitoring of large exposures, of interconnections between various segments of the market or between members of financial groups/conglomerates, the analysis of methods by which certain risks could be propagated to the entire financial sector. In this context, sector policies on supervision will be harmonised, stress tests for crisis situations will be designed, risks will be identified and assessed and their impact on the supervised markets, activities and institutions will be reviewed.

It should be mentioned that a project was recently initiated in the insurance-reinsurance sector that will be a basic pillar in the future years for the development and support of technological innovation in insurance, i.e. InsurTECH HUB. This deals with collecting information, developing competences and expertise, providing support and consultancy to stakeholders, within the various structures of authorities. Workgroups are in charge with reviewing technological phenomena and related activities and the main goals of the workgroup are:

## OBJECTIVES:

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- Encouraging innovative technologies to the benefit of consumers, the development of regulatory and supervisory means and the development of the insurance market, on a par with the relevant evolutions of other European countries;
- Supporting innovative technological development in a controlled manner and to the consumers' benefit, protecting their rights and interests from the perspective of digital identity, of the dematerialised assets they hold and personal data;
- Creating a testing and support framework for companies developing innovative solutions to the consumers' benefit, to extend the penetration of insurance, to increase service quality and reduce insurance costs by using digitalisation;
- Monitoring innovative technological developments from the perspective of:
  - current regulations and regulations that have to be enforced in the future;
  - the conduct of companies promoting such solutions;
  - entities using innovative technologies and solutions;

Identifying cyber risks and proposing actions to manage them.



The project can also be extended to the other sectors, in the following period.

As for the **reinforcement of the supervisory function of the insurance sector**, a project was started in 2019 in cooperation with **EIOPA**, aimed at ensuring the most efficient supervisory tools for the insurance market, to detect major risks to financial stability from a both micro and macro-prudential perspective. The following will be drawn up pursuant to the project;

## DELIVERABLES

Handbook to ensure a consistent approach regarding the assessment of the executive management and shareholders with qualified holdings at the moment of the assessment and during the exercise of the function;

Framework for the performance of the supervisory analysis and processes for the exercise of supervisory attributions and supervisory handbooks for the three components of supervision;

Handbook for the off-site supervision of companies regarding the fulfilment of ORSA requirements;

Handbook for the off-site supervision of strategic risks and the companies' business models;

Handbook for the assessment of the adequacy of the technical provisions established by companies, including guidelines for companies.

Furthermore, a project was initiated in the **financial instruments and investments sector**, to **reinforce the supervisory function on the capital market**, in cooperation with the **World Bank**, aimed at reinforcing **off-site** (in terms of both conduct and prudentiality) and **on-site supervisory** functions for investment firms and fund managers, to ensure alignment to good European practices. The scope of the project also included the review of the draft law regarding alternative investment funds. Thus, the project established the following deliverables:

## DELIVERABLES

An integrated document including the methodology for risk-based supervision and off-site and on-site supervision handbook for investment firms and fund managers;

Draft Law on alternative investment funds.

Furthermore, within the scope of the financial stability objective, FSA aims at fostering the development of non-bank financial markets in the future years. The main objectives to ensure convergence in the supervisory process that will be envisaged in order to stimulate the development of the three financial supervision sectors are as follows:

## The insurance market

Regarding the insurance market, the permanent objectives for this financial supervision sector are as follows:

increasing the accessibility and attractiveness of the life insurance market;

stimulating the growth of health insurance;

balancing the weights of available products by stimulating those with maximum consumer utility.

Considering FSA objectives to protect the insured and maintain the stability of the insurance market, major focus will be given to:

### OBJECTIVE 1

Reinforcing and developing mechanisms for the early identification of emerging risks on an individual and sector level and, implicitly, concentrating the supervisory process to areas with a higher risk.

### OBJECTIVE 1

Reinforcing and developing mechanisms for the early identification of emerging risks on an individual and sector level and, implicitly, concentrating the supervisory process to areas with a higher risk.

### OBJECTIVE 3

Close cooperation with the relevant associations in the insurance field and the establishment of joint workgroups with UNSAR and cooperation with the Romanian Actuarial Association to develop mechanisms focused on the needs of the insurance market and to update Law no 136/1995 on Romanian insurance and reinsurance.

## The capital market

pursuing actions to achieve the status of emerging market, stimulating the liquidity of the capital market;

the development of the bond market as a financing alternative by means of issues of corporate/municipal bonds and fostering the issuing of bonds by companies already listed on the capital market;

the development of the retail market by increasing the number of active investors, along with an increased importance and scope of the activity of investment funds, as well as the development of the derivative market with securities or goods as underlying assets, mainly for hedging operations;

reinforcing and developing capital market infrastructure by re-authorising central depositories, establishing a national central counterparty and restructuring shareholdings within Section 1 of central depositories.

## The private pensions market

promoting legislative actions for the safe development of the pension fund market, by issuing regulations that target both a higher efficiency in the operation of the system and the participants' protection;

updating, monitoring and continuous adaptation of the investment policies of pension funds to the market requirements;

introducing the occupational pension system;

supporting the completion of legislation for pension payment.

## The stability of the financial system and macro-prudential supervision

FSA will keep promoting financial stability and the efficient operation of markets through the macro-prudential and integrated supervision of the non-bank financial system. This implies identifying, monitoring and assessing the trends and risks on non-bank financial markets for macro-prudential and integrated supervision. Thus, FSA will keep identifying the institutions and structures of the non-bank financial system that are systemically relevant, performing risk analyses, developing quantitative methodologies and instruments to identify and assess risks, early warning systems and tools for tests in adverse conditions

## HARMONIZING THE LEGISLATIVE FRAMEWORK

- Regarding the alignment of national legislation on non-bank financial markets to EU directives and standards, with a view to simplifying and harmonizing primary and secondary legislation, so that they result in a healthy and valid operation of markets for financial stability, this is a comprehensive and ongoing process of review, amendment and supplementation of legislative provisions, with a view to reinforcing and creating a harmonized regulatory framework and to discarding failures in the operation and transparency of financial markets.
- A relevant component of this objective is related to the simplification of the regulatory framework and ensuring cross-sector convergence following, wherever possible, a set of unitary rules applicable to all FSA-regulated and supervised entities. The activity of convergence in the supervisory and legislative field is a collective effort of all supervisory sectors for a high, efficient and consistent level of performance at the institution level.

## CONSUMER PROTECTION

As for the protection of consumers of non-bank financial products - a major goal circumscribing all the other attributions granted by the law to the Financial Supervisory Authority - this will still be a key issue of regulatory and supervisory activities. FSA will keep monitoring potential risks and benefits for the consumers of non-bank financial products, especially those resulting from innovations and from the specific evolution of each market.

We shall focus more on preventive actions, so that any corrective actions are decided prior to the occurrence of possible irreversible dysfunctions.

The purpose of the FSA is to develop and reinforce the institutional construct with a focus on risk and conduct, along with a preventive component, for the supervision of business, in order to lay solid foundations for optimal supervisory actions. The Authority also aims at developing and reinforcing the applicable legislative framework, with a view to simplifying it and facilitating the access of financial product consumers.

**Major concerns of FSA representing specific and ongoing consumer protection objectives for each FSA sector are:**

- the timely payment of claims by insurance companies;
- the transparency of markets, proper information provided to investors and the dissemination of accurate, complete and timely information by issuers;
- reducing the number of random allocations to Pillar II by stimulating personal choice.

In order to meet the consumers' needs, FSA considers that it has to be guaranteed that the information on the provided financial products and services are accurate, clear and do not cause confusion or error. In this context, guidelines will be issued for the implementation of technical standards to be agreed on a European level and alerts will be issued in case of infringements of the rules of conduct or in case of major risks to potential consumers.

Considering FSA objectives to protect the insured and maintain the stability of the insurance market, major focus will be given to the supervision of intermediaries, depending on the risk profile of each of them and their guidance for an accurate enforcement of IDD provisions.

Drawing up a code of conduct for insurance intermediaries. Supervising the conduct of insurance intermediaries in the relation with clients and insurers.

Regarding the stability and proper operation of the insurance market, member states of the European area pay more and more attention to the supervisory framework for the conduct of the supervised entities, emphasizing that improper conduct in the relation with insurance product clients may have an impact that is similar to the infringement of prudential solvency provisions.

On a European level, the importance of developing and implementing a unitary approach for conduct supervision is promoted, similarly to the prudential supervision of insurance companies, as the final goal of both types of supervision is to protect insurance product clients.

In this context, considering FSA objectives regarding the protection of the insured and maintaining the stability of the insurance market, FSA will primarily focus on reinforcing the supervision of the conduct of insurance distributors, taking into account its importance for both insurance product clients - for the protection of their rights - and insurance companies, as well as for the market as a whole, by promoting the proper operation of markets, resulting in a fair and competitive business environment, enhancing the consumers' confidence in insurance companies and insurance intermediaries, as well as financial stability as a whole. These objectives are also supported by the enforcement of the legislative framework for insurance distribution.

Considering the importance of the convergence in the supervision of conduct among member states, FSA will undertake supervision based on risk analysis, using modern supervision tools on a European level, such as: thematic supervision actions, analysis of reports on consumer trends, market monitoring, establishing and monitoring conduct risk indicators, including the development of modern IT applications to support risk-based supervisory activity.

Considering FSA's attributions regarding the supervision of the Romanian Motor Insurers Bureau, FSA has the following objectives in this field: monitoring the available funds of the National Protection Fund, approving contributions for BAAR and the MTPL database management fee, so that BAAR can permanently meet its attributions as a national car bureau, as an claims payment body and a settlement body.

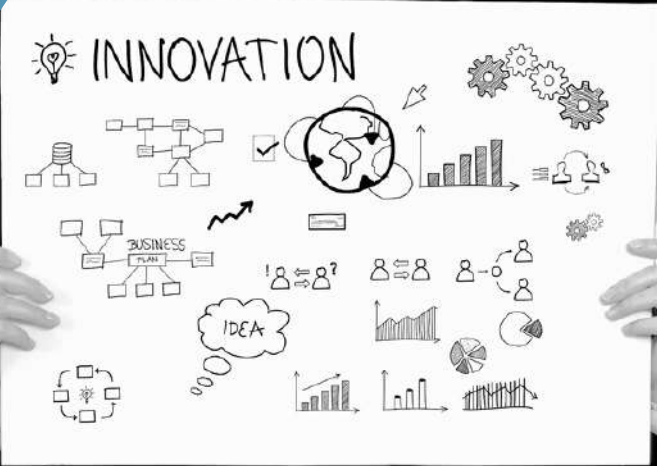
At the same time, FSA undertakes supervisory and inspection activities on the Policyholders Guarantee Fund, to achieve the objective regarding the protection of insurance creditors against the consequences of the insurers' insolvency.

A second objective we envisage is to protect insurance product clients. Thus, FSA aims at performing an anticipatory, preventive, risk-based conduct supervision, with a view to avoiding or raising awareness on potential damages caused to clients as soon as possible, besides reactive supervision activities. FSA envisages the supervision and inspection of the risk of conduct implied by insurance distribution in all the steps of the lifecycle of insurance products: risks implied by the business and management model, risks related to the design of insurance products, sale-related risks, as well as risks which may arise in the post-sale phase, including damage liquidation.

The enhanced digitalization of financial services, that will determine new insurance products and services to the clients' benefit, also raises new specific risks and challenges regarding ethics and the assurance of proper conduct. FSA will constantly consider these risks, approached as a priority within the InsurTech HUB coordinated by FSA as well, providing relevant support and know-how, promoting the removal of legislative barriers, creating a testing environment and enforcing European requirements against cyber risks, by aligning to relevant European approaches, also by educating Romanian companies on the risks and benefits of such insurance.







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## LIST OF ABBREVIATIONS

AAF	= Romanian Association of Fund Managers
ADEL	= Tied agents
AIFM	= Alternative investment fund manager
AIFMD	= Alternative Investment Fund Managers Directive
ALB	= Association of Financial Companies
ANAF	= the National Tax Administration Authority
ANPC	= the National Authority for Consumer Protection
APA	= Approved Publication Arrangements
APAPR	= Romanian Association of Privately Managed Pensions
ApPA	= Association for Insurance Promotion
ARM	= Approved Reporting Mechanism
ARR	= Romanian Road Authority
ASIF	= agents for financial investment services
ATA	= the Titi Aur Academy
ATS	= Alternative Trading System
BAAR	= the Bureau of Romanian Motor Insurers
BoS	= Board of Supervisors
BVB	= the Bucharest Stock Exchange
CCA	= Coordinators for the pursuit of activities
CCPFI/CPCIF	= Committee on Consumer Protection and Financial Innovation
CEDAM	= the database where RCA policies issued in Romania are registered
CEIF	= Closed End Investment Funds
CFA	= Chartered Financial Analyst
CIS	= Collective Investment Schemes
CIUS	= Collective Investment Undertakings in Securities
CMU	= Capital Market Union
CNAIR/CNADNR	= the National Road Infrastructure Management Company
CNSM	= the National Committee for Macroprudential Oversight
CNVM	= National Securities Commission
COM	= the European Commission
CCP	= Central Counterparty
CPBR	= the Council of Romanian Banking Patronates
CRD IV	= the Capital Requirements Directive IV
CRR	= the Capital Requirements Regulation
CSA	= the Insurance Supervisory Commission
CSSPP	= Supervisory Commission for the Private Pensions System
CTP	= Consolidated Tape Provider
DGRFP	= the General Regional Directorate of Public Finance
DIICOT	= the Directorate for Investigating Organized Crime and Terrorism
DRPCIV	= the Directorate for Car Driving Licenses and Registration
DVC	= Double Volume Cap
EBA	= European Banking Authority
EBRD	= European Bank for Reconstruction and Development
EC	= European Commission
EIOPA	= the European Insurance and Occupational Pension Authority
EMIR	= the European Market Infrastructure Regulation
ESG	= Environmental, social and governance risks
ESMA	= the European Securities and Markets Authority
ESM	= Extraordinary Shareholders Meeting
ESRB	= European Systemic Risk Board

ESU = the Team for Emergency Situations  
ETF = Exchange-Traded Fund  
EU = European Union  
EuSEF = Regulation on European social entrepreneurship funds  
EuVECA = Regulation on European venture capital funds  
FARA = Risk manager  
FCI = the Investor Compensation Fund  
FGA = Policyholders Guarantee Fund  
FGDSPP = the Guarantee Fund for the Private Pensions System  
FIC = Financial Investment Company  
FinTech = Financial Technology  
FIRDS = Financial Instruments Reference Data System  
FISC = Financial Investment Services Company  
FITRS = Financial Instruments Transparency Reference System  
FoE = Freedom of establishment  
FoS = Freedom of services  
FP = Fondul Proprietatea  
FSA = the Financial Supervisory Authority  
FSB = Financial Stability Board  
G20 = the group of twenty of finance ministers and central bank governors  
GCDP = the Consulting Group for Ongoing Dialogue  
GDP = Gross Domestic Product  
GDPR = General Data Protection Regulation  
GEO = Government Emergency Ordinance  
GMW = Global Money Week  
GSM = General Shareholders Meeting  
GWP = Gross Written Premiums  
HIPC = Harmonised Index of Consumer Prices  
IAIS = International Association of Insurance Supervisors  
IDD = Insurance Distribution Directive  
IFN = Non-bank Financial Institution  
IFRS = International Financial Reporting Standards  
IMC = Investment Management Company  
IMF = International Monetary Fund  
INFE = International Network for Financial Education,  
INML = National Institute of Legal Medicine  
NIS = National Statistics Institute  
IF= Investment Firms  
IOPS = International Organization of Pensions Supervisors  
IOSCO = International Organization of Securities Commissions  
IORP = Institutions for Occupational Retirement Provisions  
ISF = Institute of Financial Studies  
ISIN = International Securities Identification Number  
IT = Information Technology  
ITF = Insurtech Task Force  
JVI = Joint Vienna Institute  
MAD = Market Abuse Directive  
MFE = Ministry of Foreign Affairs  
MAR = Market Abuse Regulation  
MBA = Master in Business Administration

MCR = Minimum Capital Requirements  
MCS = Managers for crisis situations within the directorates  
MEN = Ministry of National Education  
MFP = Ministry of Public Finance  
MiFID II = Markets in Financial Instruments Directive  
MIFIR = Regulation on Markets in Financial Instruments  
MJ = Ministry of Justice  
MNE = National enforcement measures  
MS = Member States  
MSCI = Member States Credit Institutions  
MSIF= Member State Investment Firms  
MTF = Multilateral Trading Facility  
MTPL=Motor Third Party Liability Insurance  
NBR = the National Bank of Romania  
NPS = Net Promoter Score  
OECD = Organization for Economic Cooperation and Development  
OECD InfoCons = Consumer Protection Association  
OEIF= Open End Investment Funds  
ORA = Own-Risk Assessment  
OTC = Over-The-Counter  
OTF = Organized Trading Facility  
PAD = Compulsory insurance policy against natural disasters  
PAID = Insurance Pool against Natural Disasters  
PEPP = Pan-European Personal Pension Product  
PNDR = National Programme for Regional Development  
PPM = Mass Privatisation Programme  
PRBAR = Romanian Patronate of Insurance-Reinsurance Brokers  
PRIIPs = Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on key information documents for packaged retail and insurance-based investment products  
RAR = Romanian Car Registry  
RCCI = Representatives of internal control departments  
RCCO = Representatives of compliance departments  
SAL-FIN = Alternative Dispute Resolution Entity in the Non-bank Financial Field  
SARIS = Suspensions and Restorations Instruments System  
SCR = Solvency Capital Requirements  
SEAP = Electronic Public Procurement System  
SF = Sustainable Finance  
SIAB = International Car Exhibition of Bucharest  
SIBEX = Sibiu Stock Exchange  
SIPP = Statement of Investment Policy Principles  
SME = Small and Medium Enterprises  
SSR = Short Sales Regulation  
STEAM = Set of actions Towards Establishing and Acknowledgement of the emergent Market  
TRACE = Access to Trade Repositories Project  
TR = Trade Repositories  
TREM = Transaction Reporting Exchange Mechanism,  
UCITS = Undertakings for Collective Investment in Transferable Securities  
UN SAR = the National Association of Insurance and Reinsurance Companies in Romania  
UN SICAR = the National Association of Insurance Intermediation and Consulting Companies

OPCVM = Organisme de Plasament Colectiv în Valori Mobiliare  
ORA = Own-Risk Assessment  
OTC = Over-The-Counter  
OTF = Sistem organizat de tranzacționare  
OTR = Organizație de Transfer de Responsabilitate  
OUG = Ordonanță de urgență a Guvernului  
PAD = Poliță de asigurare obligatorie împotriva dezastrelor naturale  
PAID = Pool-ul de Asigurare Împotriva Dezastrelor Naturale  
PBS = Prime brute subscrise  
PEPP = Produs paneuropean de pensii personale  
PIB = Produsul Intern Brut  
PIM/MIP = Partial Internal Model/Model Intern Parțial  
PNDR = Programul Național de Dezvoltare Regională  
PPM = Programul de Privatizare în Masă  
PRBAR = Patronatul Român al Brokerilor de Asigurare-Reasigurare  
PRIIPs = Regulamentul (UE) NR. 1286/2014 al Parlamentului European și al Consiliului din 26 noiembrie 2014 privind documentele cu informații esențiale referitoare la produsele de investiții individuale structurate și bazate pe asigurări.  
RAR = Registrul Auto Român  
RATB = Regia Autonomă de Transport București  
RCA = Asigurarea obligatorie de răspundere civilă auto  
RCCI = Reprezentanții compartimentelor de control intern  
RCCO = Reprezentanții compartimentelor de conformitate  
ROF = Regulament de Organizare și Funcționare  
SAI = Societate de Administrare a Investițiilor  
SAL-FIN = Entitatea de Soluționare Alternativă a Litigiilor în Domeniul Financiar Nonbancar  
SARIS = Suspensions and Restorations Instruments System  
SCR = Cerințe de capital de solvabilitate  
SEAP = Sistemul Electronic de Achiziții Publice  
SGG = Secretariatul General al Guvernului  
SIBEX = Sibiu Stock Exchange  
SFT = Regulamentul privind transparența operațiunilor de finanțare prin instrumente financiare  
SIAB = Salonul Internațional Auto București  
SIF = Societate de Investiții Financiare  
SIPP = Statement of Investment Policy Principles  
SM = State Membre  
SMT = Sistem Multilateral de Tranzacționare  
SSIF = Societate de Servicii de Investiții Financiare  
SSR = Regulamentul privind vânzările în lipsă  
SOT = Sistem Organizat de Tranzacționare  
STEAM = Set of actions Towards Establishing and Acknowledgement of the emergent Market  
STS = Serviciul de Telecomunicații Speciale  
TRACE = Access to Trade Repositories Project  
TREM = Transaction Reporting Exchange Mechanism, ESMA  
TR = Registre centrale de tranzacții  
UAIC = Universitatea Alexandru Ioan Cuza Iași  
UCITS V = Directiva V privind organismele de plasament colectiv/ The Undertakings for Collective Investment in Transferable Securities Directive 2009/65/EC  
UE = Uniunea Europeană  
UN SAR = Uniunea Națională a Societăților de Asigurare și Reasigurare din România  
UN SICAR = Uniunea Națională a Societăților de Intermediere și Consultanță în Asigurări  
UVT = Universitatea de Vest din Timișoara  
VIG = Vienna Insurance Group[CL1]  
VUAN = Valoarea unitară a activului net  
WIW = World Investors Week  
XBRL = eXtensible Business Reporting Language



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