

# ANNUAL REPORT 2020



# Annual Report 2020



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## FOREWORD

The Financial Supervisory Authority is a fundamental institution of the Romanian state, overseeing a non-bank financial market accounting for approximately 13,6% of Romania's gross domestic product in terms of total assets. The capital market, insurance-reinsurance market and private pensions system are components with a key impact on economy, since together, they make up for one of the most important local capital sources, ease access to funding and provide, at the same time, protective mechanisms against risks by a wide range of insurance products.

The fact that the Authority achieves its underlying objectives, according to legal prerogatives, is highlighted both by preservation of market stability and by sanctioning any breach of the legal applicable framework, taking two priority axes into account: protection of non-bank financial services consumers and market sustainable development.

The year 2020 tested markets and its participants' ability to adapt to unwanted and unexpected challenges, caused by the COVID-19 pandemic outbreak. The shock was felt both worldwide and locally, in most economic and financial sectors, affecting each and every individual separately. In this volatile context, characterized by uncertainty, the non-bank financial markets in Romania showed resilience all last year, even if, in the beginning of the pandemic, they suffered short-term effects from the shocks spread on the financial markets.

Thus, the capital market fell sharply during the period from March to April 2020, due to the contagion effects, but it followed a rebound over the next period and a stabilisation by the end of the year.

Although insurance market increased during the last year in terms of gross written premiums, the Authority has identified certain deviations that urged the strengthening of the monitoring, supervision and inspection processes in order to ensure the observance of the prudential and compliance requirements provided by law.

The private pensions system also managed to grow, even under adverse market conditions, bravely surpassing the volatility periods recorded during 2020 and continuing to achieve positive yields for its participants.

In order to test the capacity to cope with shocks, the Financial Supervisory Authority has launched several exercises to assess market resilience and stability, both on individual level and as an aggregate, which will continue throughout 2021.

During all this time, the Financial Supervisory Authority has reviewed and adjusted the supervision procedures, integrating the new realities that required remote interaction and continuing to carefully monitor the three markets' activities, given the vulnerable macroeconomic context.



## FOREWORD

To prevent the materialization of possible risks, the Authority stepped up its inspection actions and ordered, where it deemed to be the case, measures intended to correct the found out deviations. In 2021, as well, the Authority will continue to be vigilant about potential deviations from the legal framework governing the three supervised markets and will employ all legal levers to ensure markets' financial stability.

Also, in order to reduce the health crisis impact, the Authority has launched a series of measures intended to support the regulated entities. Thus, the Authority reduced all rates, taxes, duties and contributions of the supervised entities by 25%, as of April 1st, 2020, throughout the entire emergency state duration. The reporting deadlines were rendered more flexible, allowing the submission of correspondence in electronic format; conditions were created for carrying out remote general shareholders meetings, and the authorisation activities were performed via electronic means.

During this time, collaboration with the central and local public administration authorities was enhanced, as well as with the appropriate European and international organisations, in order to preserve a synergic, converging approach with regard to markets supervision, much needed under these unprecedented circumstances.

Hence, in a year when traditional approaches reached their limits, much focus was laid on digitalisation, procedures were simplified and new communication channels were opened with supervised entities and consumers of non-bank financial products.

Also, a new communication strategy ensured transparency of the Authority's decisions and actions, as well as a sustained promotion of financial education projects, which is the fundamental/central focus for an informed consumer and a stable market, with good premise for sustainable development.

To strengthen the institutional ability, further to a thorough analysis, the Financial Supervisory Authority launched in 2020 more effective operational flows, which continue to be valid in 2021, laying accent on improving the decision-making processes, digitalisation and update of the information systems, taking into account the trends and developments in the field as well.

The objectives and actions we have been undertaking for this year are meant to continue to ensure financial stability, cross-sectorial convergence, harmonization of the regulation framework and strengthening of the supervision functions, as well as the ongoing consolidation of the institution capacity, in accordance with the measures, practices and strategic priorities promoted nationally and across Europe.

**Nicu MARCU, PhD**

President  
The Financial Supervisory Authority



## ABOUT US

The Financial Supervisory Authority (FSA) was established in 2013 as an autonomous, specialized administrative authority, with legal personality, independent, self-financed, which exercises its attributions according to the provisions of the *Government Emergency Ordinance no. 93/2012 with regard to the establishment, organization and operation of the Financial Supervisory Authority*, approved with amendments and supplements by *Law no. 113/2013, with subsequent amendments and supplements*, by taking over and reorganizing all the attributions and prerogatives of the National Securities Commission (CNVM), the Insurance Supervisory Commission (CSA) and the Private Pension System Supervisory Commission (CSSPP).

FSA contributes to the consolidation of an integrated framework for the functioning and supervision of markets, participants and operations in these markets and has as objectives:

- ensuring the stability, competitiveness and proper functioning of the financial instruments markets, promoting confidence in these markets and in investments in the financial instruments, as well as ensuring the protection of operators and investors against unfair, abusive and fraudulent practices;
- promoting the stability of the insurance activity and protecting the rights of the policyholders;
- ensuring the efficient functioning of the private pension system and the protection of the interests of participants and beneficiaries.

**According to the law, FSA exercises, attributions of authorization, regulation, supervision and inspection over the specific entities, activities, services and operations, carried out within the 3 non-bank financial markets:**

**Financial  
instruments and  
investments  
market**

**Insurance -  
reinsurance  
market**

**Private pension  
market**

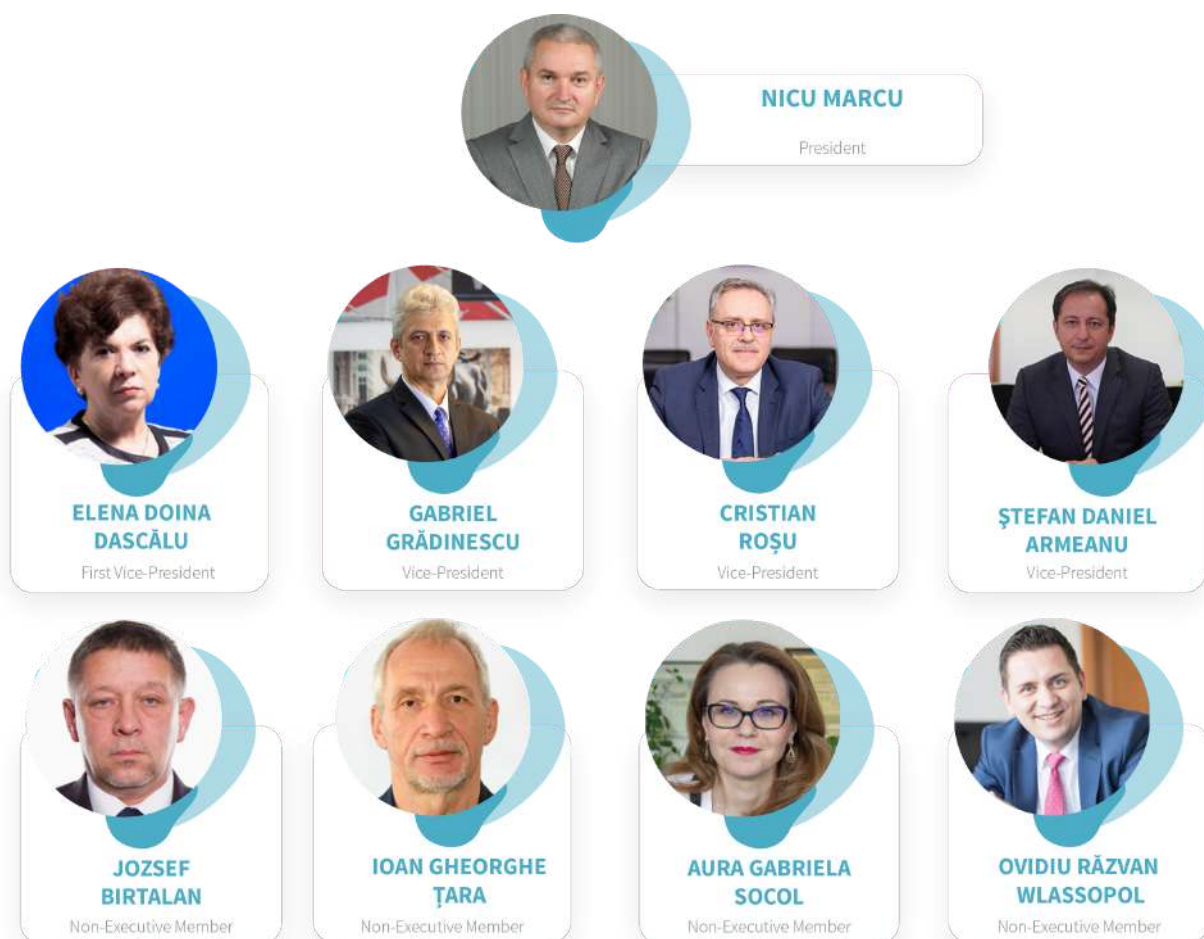
FSA is the competent authority at national level for the implementation and monitoring of compliance with legal acts with direct applicability issued at the level of the European Union, in the fields provided by *GEO no. 93/2012*, as well as for the transposition and implementation in the national legislation of those provisions issued at the level of the EU Council, the EU Parliament, the European Commission, as well as of other European authorities.

FSA represents Romania's interests within the International Organization of Securities Commissions (IOSCO), the European Securities and Markets Authority (ESMA), the European Insurance and Occupational Pensions Authority (EIOPA), the International Association of Insurance Supervisors (IAIS) and the International Organization of Pension Supervisors (IOPS), being a full member of these international authorities.



## FSA management

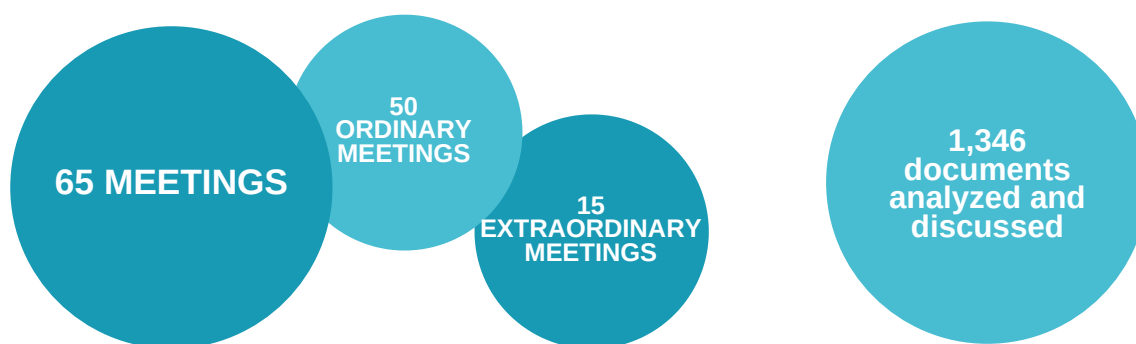
The Financial Supervisory Authority is chaired by a Board of 9 members, of which 5 executive members, respectively the chairman, first vice-chairman and 3 vice-chairmen with distinct responsibilities related to one of the 3 non-bank financial sectors, and 4 non-executive members.



According to the law establishing the authority, the FSA Council debates in the presence of at least half plus one of its members, including the chairman or, in his absence, the first vice-chairman, the decisions being adopted with the vote of 2/3 of the present members.

During the FSA Council meetings in 2020, a total number of 1,346 documents were discussed and analyzed, including draft regulatory acts, requests for granting authorizations/opinions, the results of supervision and inspection actions together with the proposed measures and sanctions and analyses on the evolution of the 3 non-bank financial markets and on the risks that threaten the financial stability.

## Meetings of the Board of the Financial Supervisory Authority in 2020



As a result of these meetings, the FSA Council adopted decisions approving or, as the case may be, ordering specific measures, including:

- issue of individual administrative acts (decisions, authorizations, endorsements, certificates) addressed to regulated and/or supervised entities, at their request;
- update of secondary legislation by issuing rules, regulations and instructions in order to align with the latest developments in national primary legislation and European best practices;
- application of sanctions and measures plans in order to prevent/remedy deficiencies found and/or properly manage risks;
- approval of recovery plans and financing plans for restoring the compliance of the prudential indicators of some supervised entities.

The actions taken and the decisions adopted by the FSA Council in 2020 formed the basis of most of the activities carried out within the institution, presented in detail in the subsequent chapters, and aimed at:

- improving the quality, efficiency and consistency of the supervisory activities through: ensuring the convergence of practices within the three non-bank financial sectors - adoption of a harmonized set of supervisory policies and practices and development of risk-based supervisory and inspection techniques and procedures;
- identification, assessment, mitigation and management of risks and threats to the financial stability of the non-bank financial markets with emphasis on: monitoring the financial activities and conduct of supervised entities, implementing emergency intervention mechanisms and risk analysis of the non-bank financial markets.

At the same time, given the major challenge represented by the COVID-19 pandemic, in order to mitigate the negative impact on the stability of non-bank financial markets, the decisions adopted by FSA targeted both measures to support supervised entities (e.g. 25% reduction of fees/charges due to the FSA budget, submission of documents and reports exclusively in electronic form, use of remote communication means for organizing debates, interviews, extension of deadlines for reports submission), as well as intensification of supervision and inspection actions, aiming to ensure continuity, solvency and the resilience of the supervised entities.



2020

**The context of year 2020**



2020

**General framework**

**Size of non-bank financial markets**

**The year 2020 in terms of supervising non-bank financial  
markets**

**Indicators regarding the non-bank financial market on  
December 31, 2020**

## General framework

The year 2020 was marked by the emergence of a new risk addressed to financial markets in the wake of the rapid spread of the new coronavirus, with significant effects on the entire economic activity.

Tackling the effects of the COVID-19 pandemic crisis remained the main concern of the states throughout the year, the sanitary crisis inducing a high level of uncertainty, with a significant impact on macroeconomic and financial developments at European and global level.

The measures adopted by governments and institutions were aimed, first of all, at preventing the spread of the virus on the population, focusing on physical distance, closing borders, limiting the mobility of people and suspending economic activities. These measures have had a negative impact on the economy amid the declining supply for certain goods and services, the initial supply crisis continuing with a classic decrease of demand and subsequently leading to the deterioration of macroeconomic fundamentals and the widespread declines in stock indices and prices of certain goods. Then, in the second stage, measures were adopted to support the economy and allocate public funds to manage the crisis situation (fiscal and monetary measures by injecting liquidity into the economy, reducing interest rates, suspending payments, granting aids and access to non-reimbursable funds).

The high degree of uncertainty provoked by the current health crisis has had a significant influence on macroeconomic and financial developments at European and global level in 2020, the expected economic recovery starting in the third quarter of 2020, after significant deteriorations in the second quarter, depending on the capacity of the measures implemented by governments and central banks to mitigate the negative effects of the COVID-19 pandemic. Although the monetary and fiscal response has been broader and faster than in the 2008-2009 financial crisis, with states directing massive financial resources to support crisis-affected sectors and to ensure liquidity in financial markets since October 2020, economies have been impacted by the consequences of the second wave of the pandemic, which led to new lockdowns and restrictions in many countries in order to prevent the spread of the virus. The shock caused by the COVID-19 pandemic has overlapped with a number of vulnerabilities in global economies related to the mild growth rates in previous years and the very high level of government debts, reducing the space for maneuver in addressing shocks.

During 2020, the persistence of the low level of annual inflation rates, the tendency to increase the unemployment rate and a change in consumer behavior in the sense of the aggregate demand contraction were noticed, as a result of reducing available income and increasing savings.

The second quarter of 2020 was the most affected by the effects of the COVID-19 pandemic, with the EU and euro area economies recording the most severe contractions since 1995, since the introduction of the data series, of -14.6%, respectively -13.8% compared to the similar period of the previous year. However, the results obtained in the third quarter of 2020 marked a recovery: the euro area economy returned to a growth rate of 12.5% (seasonally adjusted series), and the GDP of the European Union rose by 11.6% compared to the previous quarter, amid the gradual lifting of restrictions and the relaxation of measures implemented in order to prevent the spread of COVID-19.

Compared to the similar period of the previous year, the EU and the euro area economy registered significant drops in the fourth quarter of 2020, of -4.4% and -4.7%, respectively. More severe contractions compared to European averages were recorded in Spain (-8.9%), Malta (-7.7%), Greece and Croatia (both -6.9%), Italy (-6.5%), Portugal (-6.1%), Austria (-5.9%), Belgium (-4.9%), the Czech Republic and Slovenia (both -4.8%), while at the opposite end were Lithuania (-1.1%), Finland (-1.6%) and Romania (-2%), which had the lowest economic contractions compared to other Member States.

According to Eurostat data, the euro area economy contracted by 6.5% in 2020, and the EU economy dropped by -6.1%.

In terms of short- and medium-term developments, according to the European Commission's spring economic forecasts, the impact of the COVID-19 pandemic on the economic activity in 2021 is estimated to be less significant than expected in the autumn economic forecast. The euro area economy will rise by 4.3% in 2021, an upward revision as compared to the previous scenario (4.2%), and estimates for the EU economy indicate an advance of 4.2% in 2021 compared to 4.1% (economic forecasts for autumn 2020).



Private consumption is expected to recover strongly in the second half of 2021 amid lifting restrictions due to the intensification of the vaccination process and is expected to remain robust in 2022. Investments will remain strong according to the European Commission's forecasts, further supported by the construction sector. Exports are expected to recover in the context of improving the economic conditions of Romania's main trading partners. The average annual inflation rate is projected to rise slightly to 2.6% in 2021 and fall to around 2.4% in 2022.

The latest estimates of the International Monetary Fund (IMF), published in April 2021, indicate an economic global growth of 6% in 2021, well above the level of 2020, when the global economy contracted by 3.3%, in the context of the effects of the COVID-19 pandemic.

Locally, according to the data published by the National Institute of Statistics (NIS), the gross domestic product dropped by 3.9% in 2020 compared to 2019. In addition, the gross domestic product was, in real terms, higher by 2.8% in the first quarter of 2021 compared to the fourth quarter of 2020. Compared to the similar period of the previous year, in the first quarter of 2021, Romania's gross domestic product dropped by 0.2% on the gross series and did not register any change on the seasonally adjusted series.

The National Commission for Strategy and Prognosis (NCSP) revised upward the economic growth forecast for 2021, to 5% (from 4.3% according to the preliminary winter forecast of NCSP), amid the return of activity in industry (+ 5.8%), agriculture (+ 14.8%), constructions (+ 6.1%) and services (+ 3.9%) compared to 2020.

The share of government debt in GDP was 98.1% in the euro area for the fourth quarter of 2020, increasing compared to the level recorded in the fourth quarter of 2019 (84.0%). At the level of EU Member States, there is a considerable heterogeneity of the level of indebtedness, the share of public debt in GDP ranging from 18.2% (Estonia) to 205.6% (Greece). Romania is among the EU member states with a low level of indebtedness (47.3%), below the average indebtedness of EU member states of 90.8% of GDP.

At the end of 2020, the debt of the Romanian public administration stood at a value of about Lei 498.3 billion, increasing compared to the end of 2019 (Lei 373.6 billion), meaning about 47.7 % of GDP. In February 2021, Romania's public administration debt stood at approximately Lei 506.25 billion, rising compared to the end of 2019 (Lei 373.5 billion), accounting for 48.0% of GDP.

The labor market has also been affected by the COVID-19 pandemic and by the measures taken to prevent the spread of coronavirus, which have reversed the downward trend in unemployment over previous years. The seasonally adjusted unemployment rate for the euro area was 8.2% in December 2020, rising compared to the same period last year (7.4%). Regarding the EU economy, the unemployment rate was 7.4% in December 2020, 0.8 pp higher compared to the same period of the previous year (6.6%).

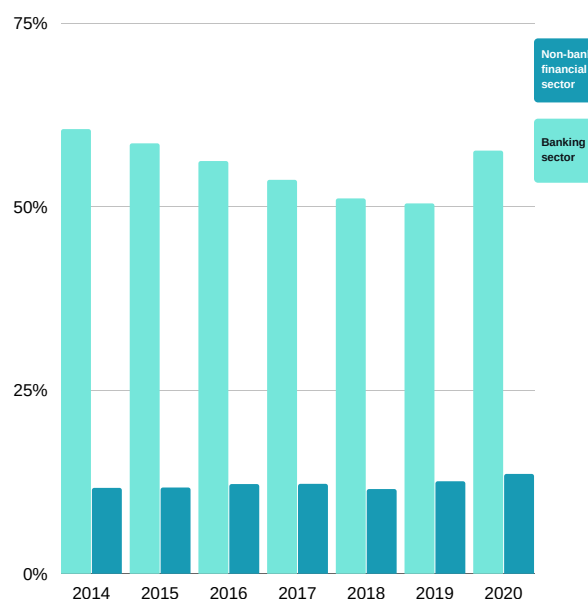


## The size of non-bank financial markets

As of December 31, 2020, the assets of the non-bank financial sector amounted to Lei 143.46 billion, a rise of 8% compared to the end of 2019. The size of assets of the non-bank financial sector in relation to GDP had a slightly upward evolution in recent years and in 2020 reached a new high (13.59%). The first quarter of 2020 was marked by the outbreak of the COVID-19 pandemic, the value of non-bank financial sector assets related to GDP registering a sharp drop (11.38%), which was however recovered by the end of the year.

The evolution of the private pension funds total assets was influenced both by the monthly inflow of contributions and by the positive returns following the investment policies of managers, their value related to GDP being of 7.40% at the end of 2020. The second place is occupied by the financial instruments and investments sector, where the widespread fall of the capital market amid the pandemic led to a ratio of 3.92% between assets and GDP. The assets of the insurance-reinsurance sector represented a percentage of 2.27% of GDP at the end of 2020, slightly higher than the previous year (2.10%).

Financial sector assets related to GDP



Source: NIS, NBR, FSA calculations, \*NFIs are not included

## Consumers of non-bank financial products in Romania

### Capital market

- 65,637 investors at Bucharest Stock Exchange
- 341,598 investors in open-end investment funds
- 88,562 investors in closed-end investment funds



3.92% GDP

### Insurance market

- 14,745,829 non-life insurance contracts
- 1,474,974 life insurance contracts



2.27% GDP

### Private pension market

- 7.63 million participants in Pillar II
- 527,336 participants in Pillar III



7.40% GDP

## The year 2020 in terms of supervising non-bank financial markets

In the general context mentioned above, the main objective of the FSA has become the mitigation of the impact of the COVID-19 pandemic on the stability of the non-bank financial market and, implicitly, the protection of non-bank financial market consumers.

Further to the efforts made by the Romanian Parliament and by the Government in order to efficiently manage this situation in 2020, FSA has applied several measures to support companies operating in non-bank financial markets:

- reduction by 25% of all tariffs, fees, quotas and contributions due to FSA by the supervised entities, starting with April 1, 2020 throughout the state of emergency. The measure was applied to entities authorized, regulated and/or supervised by the FSA as well as to natural and/or legal persons who have requested the FSA to issue individual documents or to provide services. In this sense, *Regulation no. 3/2020 for the regulation of some measures regarding the application of the provisions of the FSA Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority during the state of emergency imposed by the spread of COVID-19* was issued;
- issuing specific provisions for holding general shareholders meetings by remote means in order to ensure the continuity of corporate events under the conditions imposed by the avoidance of physical meetings (*Regulation no. 5/2020*);
- extension of deadlines for reporting, disclosure of public information and submission of other documents to the FSA in the insurance field, as a result of the situation generated by COVID-19 and the establishment of a state of emergency in Romania, in accordance with EIOPA recommendations on flexibility of deadlines for submission of surveillance reports and publication of information (*Rule no. 21/2020*);
- extending the threshold for investments of private pension funds in government securities, allowing the possibility to invest in a percentage higher than 70% in government securities issued by MoF or EU member states or belonging to the European Economic Area (*Rule no. 22/2020*);

- submission exclusively in electronic format of correspondence, periodic reports, information and other documents provided by the applicable legislation (*Instruction no. 3/2020*);
- intensifying the communication with the regulated entities, related to the updating and transmission of the business continuity plans, including the measures ordered to mitigate the impact generated by COVID-19;
- organizing interview meetings in order to grant authorizations, exclusively through electronic platforms;
- communication and collaboration with other central government authorities, as well as coordination with European bodies responsible for the financial market, in particular with ESMA and EIOPA, for a convergent approach in the use of legal prerogatives in order to maintain orderly market developments;
- notification of companies, whose securities are traded on the capital market, in order to perform an assessment specific to the issuer and take all necessary measures according to the recommendations made by the authorities to prevent/limit the spread of COVID-19.

Also, in the process of monitoring extraordinary social events and measures and the deterioration of the main economic indicators, in the context of the COVID-19 crisis, FSA issued in 2020 two alerts signaling the building up of some risks:

- The risk alert signaling the increase of the downside risks on very short time that may have an impact on the stability of the markets and of the entities supervised by the FSA;
- The risk alert signaling the rise of cybersecurity risk, in the conditions in which the IT security protection provided within the companies by their own architectures that integrate firewalls, applications for protection against data loss, intrusion prevention systems, anti-malware and antivirus solutions cannot be found in all devices and at the level of working devices used remotely and access to stored information is not ensured in all devices through encrypted connections.



To ensure the mitigation of the consequences or effects that the identified risks may generate, these alerts have been accompanied by a set of recommended measures and actions. Thus, some of the measures were adopted by the FSA at sectoral level (extension/prorogation of deadlines), others at the integrated level (transmission exclusively in electronic format of correspondence/requests/reports, 25% reduction of all fees/charges due to FSA). Supervised entities were also recommended to monitor operational risks in the context of remote activities, as well as plans to ensure the continuity of activities.

Special attention was paid to the recommendations sent to the attention of supervised entities and consumers of non-bank financial products regarding the measures necessary to reduce cyber risk. These recommendations were aimed at:

1. implementation of adequate prevention/management measures, especially in situations where staff work remotely:

- setting up access accounts and setting solid access passwords, preferably with two authentication factors;
- identification of additional risks and management methods if staff are allowed to use personal work devices (computer/laptop/telephone) - control and visibility by the entity of these devices is more limited and involves robust authentication solutions;
- training the staff on phishing risks and on detecting the typical signals of phishing emails, as well as warning their clients about the ways of communication/confirmation of the services provided;
- training staff on communication/reporting, including communication channel, in the shortest time of cyber security issues or cyber threats;
- elaboration of instructions/guides for the use of remote applications and their testing before use, if they are different compared to those used at the headquarters/office;
- activating and configuring the encryption of data used on computers/telephones used for telework to be protected in case of loss/theft of the work device;
- identification of tools that can be used to block unauthorized access to the work device, to delete or copy data stored within them.

2. reviewing/identifying vulnerabilities in the new context together with the external IT auditor/outsourced IT service supplier and identifying the ways to address the operational risks in compliance with the requirements of Rule no. 4/2018 on the management of operational risks generated by the IT systems used by the entities authorized/approved/registered, regulated and/or supervised by the Financial Supervisory Authority with subsequent amendments;

3. FSA notification regarding any cyber incident that occurred in the current activity of the regulated entity.



## Indicators regarding the financial instruments and investments sector as at December 31, 2020

Structure of transactions carried out at BVB (Regulated Market and MTF), by value corresponding to each type of instrument

Type of instrument	No. of transactions	Traded value (lei)	Share of total value (%)
Shares, including rights	836,141	12,572,185,291	67.14%
Other bonds	18,722	2,632,525,706	14.06%
Structured products	108,992	828,795,845	4.43%
Government securities	19,435	2,677,927,575	14.30%
Fund units	6,195	14,439,761	0.08%
<b>TOTAL</b>	<b>989,485</b>	<b>18,725,874,178</b>	<b>100.00%</b>

# 18.73

billion Lei the total value traded on BVB

# 154.37

billion Lei market capitalization on the regulated market

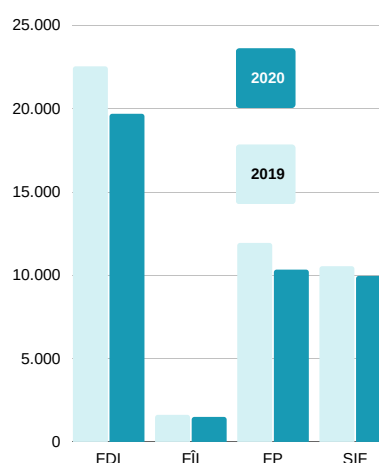
# 41.42

billion Lei total assets of collective investment undertakings in securities

Evolution of Bucharest Stock Exchange indicators

Index	Value as at Dec 31, 2019	Value as at Dec 31, 2020
BET	9,977	9,806
BET-BK	1,892	1,867
BET-FI	47,547	43,078
BET-NG	786	693
BET-TR	15,969	16,510
BET-XT	915	872
BET-XT-TR	1,474	1,475
BETPlus	1,490	1,465
ROTX	20,877	20,560

Evolution of total assets by CIU categories (Lei million)



### Challenges faced by the financial instruments and investments sector

The onset of the coronavirus pandemic has caused uncertainty in all economic sectors, which was felt on the capital market and by the regulated entities operating in this field. Global capital markets have seen massive declines as liquidity deteriorated. International institutions (European Central Bank, European Securities and Markets Authority) and national capital market supervision authorities have reacted by taking remedial actions.

In this global context, the FSA's activity in the capital market area has adapted to the new realities. Thus, the risks at the level of capital market entities were identified and analyzed, requiring the intensification of surveillance actions and, further, conditions were created for remote interaction with market entities (electronic submission of documents) and teleworking for FSA staff involved in supervision and inspection. The inspection activity has adjusted to the new conditions, the periodic inspections being performed remotely (when the situation required), the specific regulatory framework being amended accordingly (*FSA Regulation on the periodic and ad hoc inspection activity carried out by the Financial Supervisory Authority*).

In general, the risks identified at the beginning of the pandemic were: low liquidity, high exposures on certain financial instruments, pressure to redeem fund units by investors, disturbance of the activity of people with key/critical functions, difficulties in the maintenance and good administration of information systems and large-scale but untested implementation of telework.

## Indicators regarding the insurance-reinsurance sector as at December 31, 2020

Solvency Indicators II		
Eligible own funds to cover SCR 6.25 billion lei	SCR (Solvency Capital Requirement) 3.30 billion lei	SCR rate 1.89
Eligible own funds to cover MCR 5.92 billion lei	MCR (minimum capital requirement) 1.27 billion lei	MCR rate 4.66

# 11,5

Billion lei GWP

# 1,17%

degree of insurance penetration in GDP

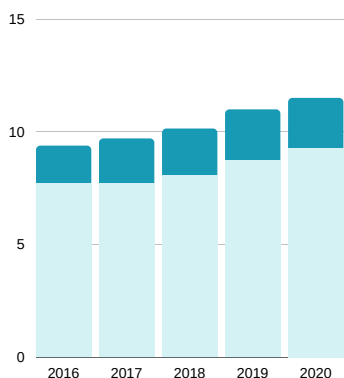
# 630

lei/inhabitant insurance density

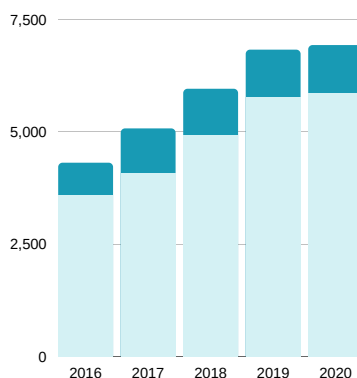
**COMBINED RATIO:** 105.79% 114.06% 78.73% 113.49%

COMBINED RATIO NON LIFE A3 A8 A10

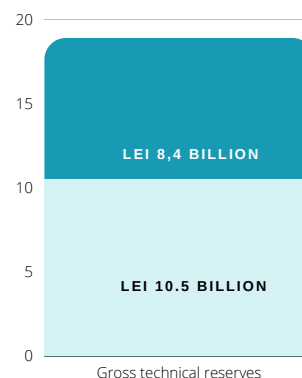
Evolution of the gross written premiums (billion lei)



Evolution of the gross indemnities paid, including maturities and redemptions for non-life and life insurance (million lei)



Gross technical reserves (billion lei)



### Challenges faced by the insurance-reinsurance sector

The main challenge of 2020 was to adapt the supervision of insurance market entities, taking into account the restrictions imposed in the state of emergency and alert, amid the outbreak of the global pandemic, and to intensify the monitoring of the impact of the capital market volatilities on the insurance market in Romania. Thus, some deadlines were extended for the submission by insurers of the supervision reports, during the state of emergency, and the transition was made exclusively to the electronic transmission, on the e-registry platform of the FSA, and to the holding of meetings through remote means. At the same time, taking into account the high degree of concentration on the MTPL and guarantee insurance segments, the supervision and inspection processes at the level of insurance companies with significant market share have been intensified. Furthermore, FSA assessed the level of liquidity of insurance companies in correlation with the decisions taken by the companies regarding the dividends distribution policy, as well as the fluctuations in the value of their investment portfolios. The authority verified the manner in which their own funds were maintained at a level sufficient to cover the obligations undertaken within the concluded insurance contracts. Additionally, in the context of the COVID-19 pandemic, the monitoring of the evolution of the underwriting activity was intensified, as well as of the evolution of specific indicators such as the lapse/redemption rate, the variation of claims expenses and technical reserves, etc.

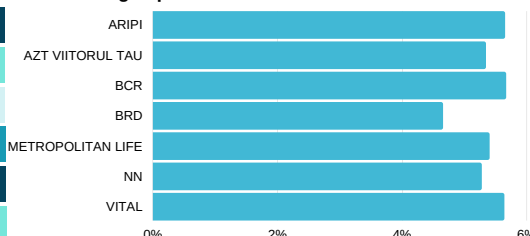
The impact of COVID-19 on the activity of insurance companies was periodically analyzed both at local level and at the level of colleges of supervisors set up for the supervision of insurance groups within the European Union.



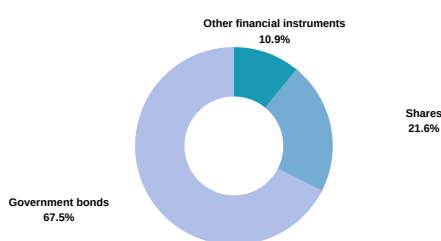
## Indicators regarding the private pension system sector as at December 31, 2020

Privately managed pension funds as at Dec 31, 2020		
Privately managed pension fund	Net assets (billion lei)	Participants (million pers)
FPAP NN	26.16	2.04
FPAP AZT VIITORUL TĂU	16.22	1.61
FPAP METROPOLITAN LIFE	10.46	1.07
FPAP VITAL	7.49	0.96
FPAP ARIPI	6.69	0.79
FPAP BCR	5.15	0.69
FPAP BRD	2.94	0.48
<b>TOTAL</b>	<b>75.11</b>	<b>7.63</b>

Annualized rates of return on privately managed pension funds



Structure of the investment portfolio of privately managed pension funds



# 8.16

million participants

# 78.07

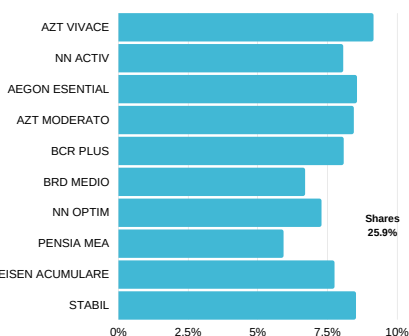
billion lei total assets

# 78.03

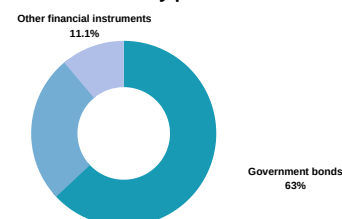
billion total net assets

Voluntary pension funds as at Dec 31, 2020		
Voluntary pension fund	Net assets (billion lei)	Participants (pers)
FPF NN OPTIM	1.25	199.571
FPF BCR PLUS	0.52	139.025
FPF NN ACTIV	0.34	54.887
FPF AZT MODERATO	0.31	39.684
FPF BRD MEDIO	0.16	33.541
FPF AZT VIVACE	0.11	20.250
FPF RAIFFEISEN ACUMULARE	0.11	14.731
FPF PENSIA MEA	0.09	16.326
FPF STABIL	0.03	5.464
FPF AEGON ESENTIAL	0.01	3.857
<b>TOTAL</b>	<b>2.93</b>	<b>527.336</b>

Annualized rates of return of voluntary pension funds



The structure of the investment portfolio of voluntary pension funds



### Challenges faced by the private pension sector

In a volatile financial environment and with significant contractions in several economic fields, following the outbreak of the COVID-19 pandemic, the private pension system was the least affected, given the long duration of savings and investment, as well as the balanced and prudent diversification of investment that reduces the market risk of price fluctuations on an asset class.

The administrators of private pension funds managed to ensure the observance of requirements on assets security, quality and profitability through a conservative investment policy, with holdings of over 60% of assets in government securities.

Despite the temporary moments of high volatility, the total assets of private pension funds had an increasing trend in 2020. The wider variations of financial assets prices in the spring of 2020 were short-term and did not influence pensions value, as it is the result of long-term investments. Thus, the value of privately managed pension fund assets was maintained at a level higher than the guaranteed value.

The rapid change in the way of doing business by practicing teleworking has led to other potential risks, which the financial industry has had to cope with, the most important being the cyber risk.

# 2020

**Main achievements of 2020**

2020

**Major projects in the field of financial instruments and investments**

**Major projects in the field of insurance and reinsurance**

**Major projects in the field of private pensions**

**Major projects in the field of financial innovations**

**Major projects on consumer protection**

## Main achievements of 2020

The increased uncertainties and risks to the evolution and the stability of the global economy have determined FSA to continuously and considerably adapt its method of operation, raising professional standards and the speed of reaction at the institutional level.

Therefore, the projects with major impact carried out within the authority involved the alignment of national regulations with the latest policies adopted at European level, the strengthening of supervisory functions and the continuation of the capacity building process.

### Major projects in the field of financial instruments and investments

#### Continuation of supporting actions to establish a central counterparty

The entity that will manage the central counterparty was established as a legal entity at the end of 2019 (CCP.RO Bucharest SA) and is going to host the infrastructure that will allow the relaunch of the derivative financial instruments market in Romania. After obtaining the appropriate authorizations to carry out the activity, it will provide new mechanisms for reducing and transferring risks for the markets operated by BVB and OPCOM (Electricity and Natural Gas Market Operator), contributing to increasing confidence and activity in these markets.

The process of approving the operation of the CCP is particularly complex and involves both the preparation and testing from a technical point of view, as well as the drafting of documentation regarding the operational processes and the governance system. The assessment of compliance with the requirements of *EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR)* will be performed by a College consisting of the competent authorities of the entities participating in the system (FSA, NBR, ESMA and other central counterparty supervisors in other states, with which interoperability agreements will be established).

For the preparation of the whole process, an agreement was signed between CCP.RO Bucharest SA and the provider of consulting and technology services, Cassa di Compensazione e Garanzia S.p.A. (CC&G). Thus, the central counterparty in Italy will provide consulting and technology services for the preparation of the central counterparty operation - in Romania, will perform the functional analysis and will deliver technical manuals, documents and training for using the clearing system in the context of future interaction with trading systems and the Central Depository.

#### Adoption of Law no. 158/2020 for the amendment, completion and repealing of certain regulatory documents and laying down measures for the implementation of Regulation (EU) 2017/2402

*Law no. 158/2020* was published in the Official Gazette of Romania, Part I, no. 673 of 29 July 2020 and aims mainly at aligning the legislation on issuers and market operations to the requirements of several European regulations (*Directive (EU) 2017/828, Regulation (EU) 2017/1129*), as well as at performing some amendments and/or completions in order to capture the dynamics and recent evolutions of the capital market, respectively to allow the proper development of some activities or operations under the supervision of the FSA. Also, *Law no. 158/2020* stipulates clear provisions regarding the designation of the FSA as the competent authority for the situations expressly provided for by *Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 establishing a general framework for securitization and the creation of a specific framework for a simple, transparent and standardized securitization and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU, as well as Regulations (EC) no. 1060/2009 and (EU) no. 648/2012*, as well as for the sanctioning regime under this European regulation.



## Continuation of risk-based supervision

The FSA's efforts were directed towards the gradual implementation of the risk-based supervision methodology of capital market entities, both at organizational level (establishing final formats and testing of reporting templates, internal procedures, market dialogue) and from an IT perspective (automation of risk assessment flows at the level of supervised entities, according to the methodology developed by the FSA).

The data collected from the capital market entities were systematized in a unitary reporting template, which was tested on the market in 2020. The reporting matrix provides a mapping of the implementation and compliance with national and European regulations in force for each FISC/IMC/AIFM and includes information structured on: (i) the entity's profile (activities performed during the reporting period, shareholder data, personnel data, execution and organization systems, significant changes and events during the reporting period); (ii) organization and governance (organization of the permanent compliance function and the risk management function, issues related to risk management in relation to third parties, corporate governance, organization of the audit function); (iii) compliance with regulatory requirements (handling of investor complaints/petitions/notices, conflicts of interest, investment due diligence, incentive policy, remuneration policy, investor classification and evaluation, investors information, personal transactions, portfolios transactions recording, registration of subscriptions/redemptions); (IV) financial data and validation of information.

The exercise aimed at testing, standardizing and improving the reporting of capital market entities, holding management accountable for conduct in reporting and raising awareness of the impact of inappropriate actions/approaches, as well as the possible implications of a non-compliant activity.

In parallel, the FSA has begun to automate surveillance processes and, implicitly, risk-based supervision by launching a pilot project to test the applicability of Blockchain technology on the flow of collection, systematization and analysis of reports included in the risk-based supervision methodology.

In accordance with Art. 22 para. (1) of *Regulation (EU) no. 909/2014 on improving securities settlement in the European Union and on central securities depositories*, the FSA, as the competent authority, examines at least once a year the agreements, strategies, processes and mechanisms implemented by a central securities depository in order to verify the compliance with the requirements of the EU regulation and delegated acts and assesses the risks to which the central depository is or may be exposed, as well as the risks posed by it to the financial stability of capital markets.

## Carrying out the first assessment exercise of the Central Depository according to the European legislation

Thus, the FSA in collaboration with the National Bank of Romania and the European Central Bank conducted the first assessment exercise of Depozitarul Central SA, concluded at the end of last year. The evaluation was carried out for the period December 19, 2019 - June 30, 2020, by an working group, composed of specialists in secondary markets and post-trading services. The first annual examination and evaluation exercise was a complex process that required expertise and allocation of resources to reanalyze the procedures, processes, mechanisms, agreements and strategies implemented by Depozitarul Central SA, as the capital market infrastructure.

Following the assessment exercise, which was based on the data, information and documents provided by Depozitarul Central SA, it resulted that the company activity complies with the requirements of *Regulation (EU) no. 909/2014 on improving the securities settlement in the European Union and on the central securities depositories* and delegated acts, no problems likely to affect the proper conduct of services provided by Depozitarul Central SA being identified. However, the FSA made some specific recommendations in order to improve the activity carried out by Depozitarul Central SA. In accordance with the legal provisions in force, the next assessment exercise will start on July 1, 2021.

**Providing support for the completion of the technical assistance project from the EBRD on solving the issues related to inactive holdings on the Romanian capital market**

Given the existence of approximately 29.5 million inactive accounts in Section I of the Central Depository coming from the mass privatization process, most (over 27.8 million accounts) having a value of less than Lei 100, for which the holders did not carry out any operation at least after January 1, 2007, a project with European funding was launched to draft a legislative proposal for solving out these inactive accounts.

The project financed by European Commission funds (EUR 150,000), with the consultant the European Bank for Reconstruction and Development, was completed in 2020 and ensured the analysis of the legal framework and the situation of inactive holdings, the evaluation of possible solutions and the proposal of the solution to be implemented and detailed recommendations for modifying the legal framework necessary for the implementation of the proposed solution. The resulting bill was transmitted to the Ministry of Finance as the initiator.

**Obtaining the status of emerging market by the Romanian capital market**

In 2020, the most important event was the effective inclusion, starting with September 21, 2020, of the Romanian capital market in the category of emerging markets as a result of the decision of the global index provider FTSE Russell. This event represented the achievement of the major objective of the STEAM Project (*Set of actions Towards Establishing and Acknowledgment of the emerging Market status*) carried out by the FSA since 2014. This promotion of the Romanian capital market will provide greater visibility to Romania on the worldwide investment "radar" of large professional investors, being thus a direct way to attract to the Bucharest Stock Exchange new categories of investors who currently do not invest in frontier markets, as well as a viable alternative to financing Romanian companies, with important positive consequences on the Romanian economic and social development.

## Major projects in the field of insurance and reinsurance

**Launching the exercise of assessing assets and liabilities on the Romanian insurance market**

In the context of certain vulnerabilities on the Romanian insurance market, given primarily by the high degree of concentration on the non-life insurance business, FSA started in 2020, in cooperation with EIOPA, an exercise of assessing assets and liabilities (BSR exercise - eng. *Balance Sheet Review*), which covers the Romanian insurance sector, in accordance with the Solvency II regime. The assessment will result in a detailed and updated overview of the risks and vulnerabilities in the insurance sector, including from the perspective of the potential risk of contagion on the financial sector and the real economy. The conclusions of this exercise will be made public and, as appropriate, additional supervision measures and plans to correct deficiencies will be provided, in accordance with national legal provisions.



**Implementation of the Supervision Manual following the project "Strengthening the supervision function of the non-life insurance sector" carried out in collaboration with EIOPA**

In order to implement the Solvency II legislative package, numerous guidelines have been developed containing recommendations to the competent national authorities to ensure the supervision convergence at the level of the European Single Market. In this context, FSA was the beneficiary of a project financed by the European funds through the program "Structural Reforms Support" (*Structural Reform Support Service-SRSS*), worth EUR 100,000, which ended with the drafting of a manual containing recommendations for the operational processes related to the authorization, supervision and inspection attributions of insurance-reinsurance companies, in accordance with the best European practices in the field. For its implementation, the year 2020 was dedicated to the revision of the existing specific internal procedures, in order to implement the activities provided in the EIOPA Supervision Manual.

Thus, the FSA has developed a package of specific procedures, which contains the main assessments needed to be carried out in order to ensure effective supervision of insurance companies by detecting the risks to which they may be exposed.

**Evaluation of insurers' liquidity in the context of COVID-19**

Participation in the project carried out by EIOPA - Common framework for assessing insurers' liquidity in the context of the crisis triggered by COVID-19 - aims to monitor insurers' liquidity risk during the COVID-19 pandemic and conduct a global liquidity risk assessment.

**Completion of the technical assistance project regarding the consolidation of the FSA's function of supervising the conduct of the entities operating on the Romanian insurance market**

Also, in order to strengthen the supervisory function, the insurance sector benefited from a new project funded by the European Commission through the SRSP program (*Structural Reform Support Program*), worth EUR 200,000, which involved technical assistance provided by EIOPA in the field of supervision of insurance distributors, in accordance with the legislation adopted for the implementation of *Directive (EU) 2016/97 on insurance distribution (Law no. 236/2018)*.

Conduct risk assessment involves analyzing the qualitative aspects identified by the FSA in the ongoing surveillance process, as well as examining a set of conduct risk indicators, at market and supervised entity level, in order to identify risks and vulnerabilities early, as well as to take the corrective actions in order to limit and effectively manage these risks.

The project resulted in the development of a conceptual supervision framework, namely the Manual for the insurance distributors' conduct supervision, to be implemented by the FSA during 2021. The Manual is structured according to the factors that cause conduct risks during the life cycle of the insurance products, mainly: the risks posed by the business model and the management of the supervised entity, the risks posed by the way in which the insurance products are created and developed, the risks caused by the distribution processes of the insurance products and the risks induced by the interaction of distributors with customers in the after-sales stages.

## Major projects in the field of private pensions

### Introduction of the occupational pension system through the implementation of the IORP II Directive

Following the publication in the Official Gazette of Romania, Part I no. 10 of January 8, 2020, of *Law no. 1/2020 on occupational pensions*, the FSA developed a large part of the secondary regulations necessary to implement the provisions of this law, which transposes the provisions of *EU Directive 2341/2016 on the activities and supervision of institutions for occupational pension provision - IORP II* - and which has as social objective the provision of an additional pension, financed mainly by employers and, in subsidiary, by employees.

Occupational pension funds are based on a form of social partnership between the employer and his employees, being also a factor of stimulation and reward for employees, as well as their retention.

### Continuation of the project for the implementation of the Information Management System for Management, Analysis and Actuarial Evaluation

During 2020, the FSA continued the project on the development and implementation of the Information Management System for Management, Analysis and Actuarial Evaluation for privately managed pension funds, voluntary pension funds and the Private Pension System Rights Guarantee Fund.

This project aims to improve the supervision activity and perform complex actuarial analyses by developing an integrated computing program, so that data can be managed (simultaneous and secure access and query of data by multiple users) and processed faster, as the volume of information increases. The future IT system will allow better management and easy processing of data on participants, as well as easier processing of operating parameters and indicators related to private pension funds.

### Measures to prevent and reduce the IT risk in order to ensure the stability of the private pension system

- Assessment of the operational risks generated by the use of important information systems and electronic reporting indicators transmitted by the administrators and depositories of private pension funds according to *Rule no. 4/2018 on the management of operational risks generated by the IT systems used by the entities authorized/endorsed/registered, regulated and/or supervised by the Financial Supervisory Authority*;
- Carrying out the comparative analysis of the reports submitted by the administrators and depositories of private pension funds regarding the internal assessment of operational risks, at the level of 2019 and 2020, depending on the identified risks, levels associated with identified risks, inspection measures, deadlines for implementing inspection measures, identification and evaluation of new information systems used in the activities authorized/endorsed/registered and supervised by the FSA;
- Carrying out the comparative analysis of the electronic reporting indicators provided in Annex no. 4 of *Rule no. 4/2018*, transmitted by the administrators of the private pension funds to the FSA for the years 2019 and 2020.



## Major projects in the field of financial innovations

### Development and testing of a blockchain prototype at FSA level

In line with the strategic objective of internal digitization, a remarkable project is represented by the development and test of a blockchain prototype within the authority. The project aims to develop a prototype solution for collecting and managing data/information based on blockchain technology, aiming to streamline the collection, systematization and analysis of data/reports or information received by the authority for a category of entities. The project was started in 2020 and will be completed in 2021, according to project estimates. The scope of the pilot project is to increase efficiency and unlock human and time resources, the digitalization of the workflow by collecting and standardizing reports and using computational algorithms significantly reducing the working time. The pilot project did not only intend to collect data and reports, but also to translate them into easy-to-read and interpretable templates through graphs and tables that can indicate the history of the entities, the evolution of an entity's risk, delays, etc.

Also, through the FinTech Hub space dedicated to technology-based financial innovations, the dialogue with companies interested in promoting innovative solutions and products in the supervised markets was intensified, providing, on the one hand, support and advice to the stakeholders on the appropriate regulatory framework, and, on the other hand, strengthening the authority's capacity to analyze and manage Fintech solutions.

## Major projects on consumer protection

### Intensifying consumer protection

Consistent with the general objective of ensuring the protection of consumers, FSA has paid more attention to supervising the conduct of regulated entities, assessing, both on the basis of offsite and onsite supervision, the compliance with the requirements of the legislation in force regarding:

- ensuring a fair, equitable treatment and pursuing the best interest of the consumer by avoiding or preventing conflicts of interest;
- ensuring transparency and complete and accurate information of consumers on the benefits, risks and significant features of financial products/services, so that their choice corresponds as best as possible to their own needs and interests;
- making relevant information available to consumers and establishing internal verification and control procedures to ensure protection against fraud and deceit of any kind, including by issuing alerts on risks or unauthorized persons.

In 2020, FSA interacted with more than 100,000 consumers through the Call Center, specific informing applications, complaints handling and financial education campaigns.

In the second half of 2020, FSA launched the FinClub program, dedicated to high school students with keen interests in financial markets, and that focused on deepening the financial notions and concepts. Another financial education program, launched in the fall of 2020, was Financial Wellness which includes a series of online seminars dedicated to labor market actors, respectively employees and employers from all sectors of activity.

2020

**Financial stability and  
macroprudential supervision  
of the non-bank financial  
system**



**Financial stability and macroprudential supervision of the non-  
bank financial system**

**National Committee for Macroprudential Oversight**

**Identifying and monitoring risks, trends and vulnerabilities to  
financial stability**

**Measures to prevent and reduce IT risk in order to ensure the  
stability of the non-bank financial system**

**Resolution mechanism for insurance companies and financial  
investment services companies**

**Development of technological innovation in the field of financial  
services (FinTech)**

## Financial stability and macroprudential supervision of the non-bank financial system

Financial stability describes that state of the financial system (consisting mainly of intermediaries, markets and market infrastructures) that gives it the ability to withstand shocks, without interrupting or significantly affecting its function of financial intermediation and continuing to provide financial services and products needed by real economy entities and activities. Financial stability disrupts when one or several systemic risks materialize. To strengthen it, responsible local and international authorities use macroprudential policies and instruments whose main objective is to safeguard financial stability and mitigate or eliminate systemic risks. The effects of systemic risks can manifest both on the evolution of the economy and on financial intermediation. In a usual classification by risk categories, the components of systemic risk can be identified as market risk, credit risk, concentration risk, liquidity risk, solvency risk, operational risk, etc. There are many peculiarities, however, depending on the type of financial institution, the classes of analyzed assets, the interdependencies with the public administration (sovereign risk), the stage in the economic cycle, cross-border influences and links, types of analyzed vulnerabilities.

At European level, the supervision of the financial system is the responsibility of the European System of Financial Supervision (ESFS), consisting of the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), The European Insurance and Occupational Pensions Authority (EIOPA), the Joint Committee of European Supervisory Authorities (CCAES) and the European Systemic Risk Board (ESRB), as well as the competent national authorities. The ESFS was created as a decentralized, hierarchical system of micro and macroprudential authorities to ensure financial supervision in the European Union in a consistent and coherent manner.

Following the 2008-2009 financial crisis, the international community of authorities with a role in ensuring the stability of the financial system began a long and difficult effort to identify, develop, calibrate and implement policies to improve its resilience to potential internal shocks (e.g. , the failure of large financial companies, cost increases, technological changes or accumulations of risks in the balance sheets of financial institutions) or external (for example, economic recessions, geo-political events or pandemics).

Such an external shock, unforeseen and with a systemic effect, emerged at the beginning of 2020 - the COVID-19 pandemic. Owing to the efforts of regulators in the decade since the 2008-2009 crisis, the financial system has been in a much better position to deal with a major systemic shock. In the case of COVID-19, the shock was much faster and more widespread, affecting all economies. The health of the financial system allowed both a shock absorption and a large intervention of the authorities - the system having no solvency problems, registering only liquidity shocks.

Another important direction at EU level is the transition to a sustainable and climate-neutral economy. Given the EU's plans, both the real economy and the financial system will see an increase in certain transition risks or physical risks posed by climate change. European and national authorities take these risks into account, creating scenarios and policies to ensure that risks are well managed by entities in regulated markets.

### The macroprudential policy aims at:

- preventing the excessive accumulation of risks resulting from external factors and market failures;
- increasing the resilience of the financial sector to shocks and limiting the effects of contagion; as well as
- encouraging the adoption of a broad perspective on financial regulation in order to create the right incentives for market participants.

At local level, the macro-prudential policy on the financial system is the responsibility of the National Committee for Macroprudential Oversight (NCMO), consisting of the National Bank of Romania, the Financial Supervisory Authority, the Ministry of Finance and the Bank Deposit Guarantee Fund. The fundamental objective of the NCMO is to contribute to safeguarding financial stability, including by strengthening the capacity of the financial system to withstand shocks and by reducing the accumulation of systemic risks, thus ensuring a sustainable contribution of the financial system to economic growth.



## National Committee for Macroprudential Oversight

The National Committee for Macroprudential Oversight is the macroprudential authority within the meaning of the recommendations of the European Systemic Risk Board (ESRB), as well as the designated authority under the provisions of the CRD (Capital Requirements Directive - *Directive 2013/36/EU on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms*) and CRR (Capital Requirements Regulation - *Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms*). In the exercise of its attributions, NCMO issues recommendations and warnings addressed to the NBR, FSA and the Government in order to maintain financial stability, subject to the "comply or explain" regime. NCMO is led by a General Council composed of 9 members, of which 3 FSA representatives:

### Chairman

### First Vice Chairman

### 1 Vice Chairman appointed by the FSA Council

#### The National Committee for Macroprudential Oversight has the following attributions:

- Identification, monitoring and evaluation of systemic risks, as well as collection and analysis of information necessary for their objective;
- Identification of systemically important financial institutions;
- Elaboration of the macroprudential policy strategy;
- Setting, reassessing on a regular basis and monitoring the intermediate objectives of macroprudential policy;
- Setting and re-assessing of macroprudential instruments;
- Issue of recommendations and warnings addressed to the NBR, FSA and the Government in order to maintain financial stability. The institutions to which these recommendations are addressed are subject to the "comply or explain" regime;
- Monitoring the implementation of recommendations;
- Issue of advisory opinions;
- Coordination of financial crisis management;
- Ensuring cooperation and exchange of information with the European Commission, the European Banking Authority, the European Systemic Risk Board and equivalent authorities in other states.

## The General Council of NCMO met in 4 meetings during 2020.

### Macroprudential policy strategy

In the application of ESRB's Recommendation/2013/1 of 4 April 2013 of the European Systemic Risk Board (ESRB), the national macro-prudential authorities have defined the intermediate objectives of macro-prudential policy for their national financial system as a whole.

Also, according to the above-mentioned ESRB recommendation, the Member States of the European Union must assess, in cooperation with the macroprudential authorities, whether the macroprudential tools, currently under direct control or within the scope of the recommendation powers of these authorities, are sufficient to achieve effective and efficient implementation of the ultimate objective of macro-prudential policy, as well as their intermediate objectives. The evaluation stipulates that macro - prudential authorities should have under direct control or within the scope of the recommendation powers at least one macro - prudential tool for each intermediate objective of macro - prudential policy, although more than one tool may be needed.

Considering the particularities of the supervised non-bank financial markets, FSA undertook at the end of 2017 a number of 7 intermediate objectives and 13 macroprudential tools, which were discussed in NCMO and notified to ESRB.



In 2020, the National Committee for Macroprudential Oversight issued two new recommendations to the Financial Supervisory Authority, as follows:

**NCMO recommendation no. R/ 4/ 2020 on the implementation of ESRB Recommendation/ 2020/8 on monitoring the implications for financial stability of measures on credit moratoria, public credit guarantee schemes and other fiscal measures taken to protect the real economy from the effects of COVID-19 pandemic**

- a) *For the characteristics and implementation of the measures: volume, type of financial aid granted (moratoria for loans, public guarantees for loans, subsidized loans or equity participations), their beneficiaries and eligibility conditions, duration, information on the application of the measure (for example the volume of requests received and accepted);*
- b) *For implications on financial stability: the flow of loans to the real economy, liquidity, solvency and indebtedness of the non-financial sector, the prudential situation of financial institutions, including observed and expected trends in non-performing loans and the ability to meet the requirements of liquidity and capital.*

FSA has adopted a series of micro-prudential measures in response to the COVID-19 pandemic, which are not of a fiscal nature and are not subject to the NCMO Recommendation. At the same time, the fiscal measures adopted by the Romanian Government do not directly target the entities regulated by the FSA.

**NCMO recommendation no. R/5/2020 on how to implement ESRB Recommendation/ 2020/ 7 on restrictions on dividend distributions during the COVID-19 pandemic** by which it is recommended that the NBR and the FSA request financial institutions in their area of supervision to avoid carrying out by January 1, 2021 any of the following actions, which have the effect of reducing the quantity or quality of own funds at consolidated and/or individual level:

- a) *to distribute dividends or to grant an irrevocable commitment to distribute dividends;*
- b) *to buy-back ordinary shares;*
- c) *to create an obligation to pay a variable remuneration to a member of a category of staff whose professional activities have a material impact on the risk profile of the financial institution.*

The financial institutions supervised by the FSA that are subject to the ESRB recommendation are: insurance companies, financial investment services companies and central counterparties.

**Financial investment services companies (FISCs)**

had own funds clearly higher than the minimum capital requirement for the category of services provided. The average multiplier at the market level in 2019 was 4.39. Also, out of a total of 18 FISCs, a number of 14 FISCs made a profit in 2019, the cumulative value of their profits being about Lei 27.56 million. The cumulative loss of the 4 FISCs that had negative results was approximately Lei 2.46 million.

Of the 14 companies that recorded a profit in 2019, only 7 companies could have distributed dividends from the obtained profit, the other companies recorded losses in previous years, losses that will be covered from current and future profits. Of these 7, only two companies notified FSA of the GSM decision to distribute the profit. Regarding the recommendations on the prohibition of the buy-back of ordinary shares and the commitment to pay variable remuneration, these measures do not have a significant impact on the financial investment services companies in Romania.

The recommendation will be applied individually if there are indications that financial investment services companies are not complying with or fail to meet capital requirements in the next 12 months.

Based on the applicable legal provisions (the competence of the Financial Supervisory Authority provided in art. 6, paragraphs (1) and (4) of *Law no. 237/2015 on the authorization and supervision of the insurance and reinsurance activity*, with subsequent amendments and supplements to supervise the insurance companies so as to contribute to the maintaining of the stability of the insurance market and the protection of policyholders), FSA issued a set of Recommendations for insurance and reinsurance companies on some measures to minimize the effects of the COVID-19 crisis, taking into account: the need to maintain a sufficient level of own funds to help reduce systemic risk and sustain the economy, the negative effects that the COVID-19 crisis could have on companies' solvency by reducing underwriting and increasing obligations due to low interest rates, respectively through low asset returns.

Approximately 83% complied with the recommendations issued by the FSA, and 15% expressed the intention to comply.

### The recommendations issued by FSA for insurance and reinsurance companies were:

- **Recommendation 1:** Insurance and reinsurance companies should update the capital management policy and provide for measures to be taken in order to maintain an adequate level of capital.
- **Recommendation 2:** Insurance and reinsurance companies should assess the effects of the COVID-19 crisis on the quality and quantity of own funds covering SCR and MCR.
- **Recommendation 3:** If the assessment provided for in Recommendation 2 shows that the quantity and quality of own funds may be affected, insurance companies should apply the following measures:
  - a) postpone or not to distribute dividends, including not to make firm commitments regarding their distribution;
  - b) Not to buy-back ordinary shares.
- **Recommendation 4:** If the assessment provided for in Recommendation 2 shows that the quality and quantity of own funds covering SCR and MCR may be affected, insurance and reinsurance companies should update the remuneration policy and postpone the payment of variable remuneration to persons who may assume on behalf of companies risks that have a significant impact on their risk profile.

Also, FSA continues to be responsible for complying with *NCMO Recommendation no. R/4/2018, with permanent duration, regarding the implementation of the macroprudential tools for fulfilling the intermediate objectives included in the General Framework regarding the strategy of the macroprudential policy of the National Committee for Macroprudential Oversight.*

### The manner of fulfilling the NCMO regular recommendations

FSA performs periodic analyses on the risks and vulnerabilities identified in the non-bank financial markets, as well as the opportunity to implement existing macroprudential tools. To date, the following macroprudential measures have been implemented:

- At the level of financial investment services companies (FISC): the capital conservation buffer<sup>[1]</sup> (implemented in 4 annual installments equal to 0.625% of the total value of risk-weighted exposures, between January 1, 2016 - January 1, 2019) :
  - From January 1, 2016 - 0.625%;
  - From January 1, 2017 - 1.25%;
  - From January 1, 2018 - 1.875%;
  - From January 1, 2019 - 2.5%.

With regard to the countercyclical capital buffer and the systemic risk capital buffer, so far there are no conditions requiring the establishment of a level higher than 0% for this buffer in the case of financial services intermediaries (FISC):

- In the case of insurance companies, FSA maintained the previously implemented macroprudential elements:
  - liquidity ratio of insurance companies: monitoring and analysis of the liquidity ratio of insurance companies at least quarterly;
  - recovery plan;
  - Policyholders Guarantee Fund
- In the case of the private pensions market, FSA maintained the macroprudential tool regarding the restrictions on significant exposures regulated by *Law no. 411/2004 on the privately managed pension funds, Law no. 204/2006 on voluntary pensions and Rule no. 11/2011 on investing and assessing the assets of private pension funds;*
- In the case of private pension fund managers, in order to avoid concentrating on a small number of issuers, the limitation on exposure to an issuer to 5% of net assets has been maintained, and the exposure to a group of issuers and their affiliates may not exceed 10 % of the private pension fund assets;
- All entities overseen by the FSA apply IT system security requirements. These were implemented by *Rule no. 4/2018 on the management of operational risks generated by information systems used by entities authorized/endorsed/registered, regulated and/or supervised by the Financial Supervisory Authority*, according to which non-bank financial entities submit self-assessments of IT risks, as well as IT audit reports (the frequency of which differs depending on the risk class in which each entity falls) to the FSA on an annual basis.

35] [1] The capital conservation buffer is intended to increase the resilience of credit institutions, respectively their ability to absorb any losses resulting from banking activity.



## Identifying and monitoring risks, trends and vulnerabilities to financial stability

### Potential risks in the Financial Instruments and Investments Sector

The outbreak of the second wave of the pandemic, which exceeded the first in terms of economic effects and number of infections, led to the resumption of the lockdowns in many countries, spreading increased uncertainty among investors.

Overall, the risk on the Romanian capital market remains high, with increasing trends, in the context in which stock exchanges react quickly and anticipatively to any stress that could disrupt economic, social, political developments, etc. In addition, the Bucharest Stock Exchange remains the main link between the entities in the non-bank financial market, along with the Romanian state, the market shocks being transmitted to a lesser or greater extent, depending on the individual and aggregate investment strategies adopted by insurance companies, investment funds and private pension funds.

The liquidity risk on the Bucharest Stock Exchange maintains at medium level. The daily traded value in 2020 rose by 26% compared to the average of 2019. Also, the capitalization of BVB did not fully recover the decrease registered in 2020, dropping by approximately 15% compared to December 2019.

The concentration degree of depositary services remains high, for the same structural reasons as in the case of pension funds.

The latest promotion of BVB to the emerging market status by the evaluation agency FTSE Russell, which occurred in September 2020, creates the premises for the development of the capital market, through the access of a larger number of investors and, implicitly, the growth of liquidity and the diversification of issuers and traded instruments.

### Potential risks in the Insurance-Reinsurance Sector

The high degree of concentration on the insurance market represents a vulnerability both in terms of exposure by insurance classes and in terms of significant market shares held by a relatively small number of insurance companies.

From the perspective of exposure by classes, the Romanian insurance market is characterized by a high degree of concentration for the non-life insurance segment (the dominance of motor insurance in the local market is observed), but also in terms of life insurance activity. The highest values of underwritings are registered by motor insurances, classes A10 (MTPL and CMR) and A3 (CASCO), which represent approximately 57% of the entire Romanian insurance market.

From the point of view of the market shares in terms of the gross premiums subscribed by the insurance companies, the degree of concentration is medium to high on the Romanian insurance market, taking into account both the non-life and life insurance segments. Thus, the first 5 companies account for 64% of the Romanian insurance market.

In the field of compulsory motor third party liability insurance (MTPL), as of December 31, 2020, SAR City Insurance SA had a market share of about 43.49% and a number of over 2.37 million policyholders (individuals and legal entities), which confirms its position as systemically important financial institution in this sector from a sectoral point of view.

Thus, in order to reduce the dependence of the insurance market on motor insurance, FSA has developed a series of financial education programs that might diversify the interest of Romanian consumers for a wider variety of insurance products and services. Furthermore, FSA has set up working groups aimed at developing the agricultural and health insurance markets.

As a positive evolution, there is a tendency to diversify consumers' interest in health insurance products, which implicitly leads to the development of these insurance segments. A more detailed analysis of this market shows a rise in the volume of gross written premiums for health insurance (both those assimilated to non-life and life insurances) from 1.2% in 2015 to 3.9% in 2020 in the total gross written premiums on the entire Romanian insurance market.



In the long run, the development of the health insurance market can improve the profitability of insurance companies by reducing dependency on insurances with higher losses and ensuring the financial stability of the entire insurance market in Romania.

The risk of conduct remained high during 2020, amid a significant increase in the total number of complaints recorded by FSA compared to the previous year. The compulsory motor third party liability insurance (MTPL) is the product for which most complaints are registered, referring mainly to non-compliance with the provisions of the relevant legislation and the rules of the Financial Supervisory Authority.

In the context of COVID-19 and of the strict measures imposed by states in order to prevent the spread of the virus, with an impact on economic activity, in 2020, business risk had an increasing trend, caused by a decrease in the volume of gross written premiums during the state of emergency in the second quarter. The positive results obtained at the end of 2020 are mainly due to the positive dynamics recorded in the first quarter of 2020, respectively the third quarter of 2020 and the fourth quarter of 2020 when the volume of gross written premiums reached the highest quarterly values in recent years (Lei 2.95 billion, Lei 2.89 billion, respectively Lei 2.98 billion).

The solvency risk aggregated for the entire insurance market remained at a medium level. The SCR (*Solvency Capital Requirement*) and MCR (*Minimum Capital Requirement*) rates calculated at the market level as the ratio between the total eligible own funds to cover the capital requirements and the total value of the capital requirement recorded values greater than one

### Potential risks in the Private Pension System Sector

The private pension system remained one of the segments that was least affected in the context of the uncertainty generated by the COVID-19 pandemic, given its particularity characterized by long-term savings and investments. In the context of a prudent, balanced and diversified investment policy, pension funds have been in positive territory during the turbulent periods that have taken place since their inception, constantly adapting to new conditions in the financial markets.

Credit risk for private pension funds remains at a medium to low level, given the fluctuations in financial asset prices generated by the COVID-19 pandemic. However, the largest exposure of private pension funds with guaranteed contributions is to the Ministry of Finance (67% - as of Dec. 31, 2020). The liquidity risk continues to be low, as the private pension system continues the accumulation period, the level of payments and outflows being very low, due to the demographic structure of the population which has many years to go until the number of applications for retirement will become relevant for liquidity management.

Market risk maintains relevant for defined contribution pension funds, such as in Romania, but it has been managed prudently by administrators by diversifying portfolios and focusing on fixed-income instruments with medium and long-term maturities.

The solvency risk for the administrators of private pension funds keeps low, in the context of an increase of the technical provisions for all the 7 administrators of privately managed pension funds, which confirms the ability of administrators to meet their obligations towards participants arising from the guarantee of their contributions.

The profitability risk of the administrators of private pension funds is at medium level, with a decreasing trend, as a consequence of the legislative provisions amendments regarding the level of administration fees, which constitute operating income for the administrators of the Pillar II pension funds.

The risk of concentration is structural and remains high for private pension funds in Romania and for their depositories. However, the regulatory framework has been developed to allow for multiple verification mechanisms and increased transparency, in order to eliminate from the start any potential vulnerabilities that could evolve from this risk.





## Periodicals to increase the transparency of supervised markets

In order to increase the degree of transparency and information of consumers of financial products, FSA elaborated in 2020 a series of periodic reports published on the FSA website.



**The report on the stability of non-bank financial markets** is a comprehensive analysis of the local and international macroeconomic and financial context, in view of the long-term evolution of the Romanian non-bank financial sector, mainly the stability of the private pensions market, the financial instruments and investments market, the insurance market, interconnection of non-bank financial markets and macro-prudential policies. The draft of a financial stability report is in line with the practices at national level in many Member States of the European Union, which have an institutional architecture regarding the micro and macroprudential supervision of the financial system similar to the one existing in Romania.

The report contributes to the FSA's institutional communication policy and to strengthening the authority's image in the areas of macro-prudential policy, financial stability and the sustainable development of the markets it oversees. At the same time, the report draws on the gained experience, the developed methodologies and the FSA practice during the last years in the area of analysis of trends, risks and vulnerabilities. The first edition of this report was made in 2019, being published half-yearly on the FSA website.

**FSA publishes a monthly report on the non-bank financial markets evolution** in Romanian and English languages in order to increase its prestige, visibility and transparency internationally, simultaneously with the attractiveness of financial markets in Romania. Similar to this report, but with a higher frequency, FSA publishes weekly reports containing a mapping of the main financial indicators, trends and risks on the financial markets during the analyzed week, as well as opinions on important events in the economic sector.

**The Morning Call** report is a daily report that includes indices, charts, trends, as well as the latest financial market news.

**The quarterly report on the insurance market evolution** presents the main indicators of the insurance market: (1) insurance companies (gross written premiums, insurance contracts, gross indemnities paid, claims rate, technical reserves, liquidity of insurance/reinsurance companies, data statistics under the Solvency II regime, home insurance, MTPL market, etc.), (2) branches (gross written premiums, gross indemnities paid) and (3) insurance/reinsurance brokers (insurance intermediation activity, profits obtained from the activity of insurance intermediation).

**The quarterly report on the capital market evolution** presents the overview of this sector for the related quarter: primary market (issuers statistics, new issues of financial instruments and other corporate events); secondary market (evolution of BVB); intermediaries; collective investment undertakings.

**The quarterly report on the private pension market evolution** captures the statistics related to the private pension system in Romania, both for privately managed and voluntary pension funds: the value of net and total assets, the number of participants, pension funds contributions, payment of net assets in case of retirement, disability or death, investments structure and rates of return.

All the above-mentioned reports are published on the FSA website, in order to increase the transparency of the supervised markets.

## Measures to prevent and reduce IT risk in order to ensure the stability of the non-bank financial system

FSA has implemented a tool for assessing IT risks through *Rule no. 4/2018 on the management of operational risks generated by information systems used by entities authorized/endorsed/registered, regulated and/or supervised by the Financial Supervisory Authority*. It sets out the requirements for identifying, preventing and reducing the potential negative impact of operational risks arising from the use of information and communication technology at the level of people, processes, systems and external environment, including cybercrime. The rule also regulates the activities and operations for the assessment, supervision and control of the operational risks generated by the use of information systems, as well as the management of risks regarding the security of information systems.

According to the provisions of this rule, the entities are classified in four risk categories, each of them having established mandatory activities for assessing the operational risks generated by the information systems.

The distribution of entities supervised by FSA in each risk category at the end of 2020 was as follows:

### 1. Major risk category:

- 1 market operator;
- 1 central depository;
- Romanian Motor Insurers' Bureau;
- 4 administrators of private pension funds.

### 2. Significant risk category:

- 4 significant FISCs in terms of size, internal organization and nature, scope and complexity of the activity, according to specific regulations;
- 15 intermediaries that use internet trading facilities (ADP/AS) - platforms for receiving and transmitting customers orders;
- 1 intermediary (which is also a significant FISC) which has the quality of market maker and/or liquidity provider;
- 28 insurance and reinsurance companies;
- 4 depositaries of the collective investment undertakings and of the private pension funds;
- 5 managers of private pension funds.

### 3. Medium risk category:

- 8 investment management companies (IMC), alternative investment funds managers (AIFMs) - which hold net assets in the portfolio/managed in total value, cumulated for all managed funds, of over EUR 250 million, equivalent to lei;
- 1 intermediary providing ancillary services for the safe keeping and management of financial instruments on behalf of clients, including custody and related services, such as the management of funds or guarantees;
- Investor Compensation Fund;
- Policyholders Guarantee Fund;
- Private Pension System Rights Guarantee Fund;
- 1 private pension funds manager.

### 4. Low risk category:

- 14 investment management companies (IMC), alternative investment funds managers (AIFM) - which hold net assets in the portfolio/managed in total value, cumulated for all managed funds, up to EUR 250 million, equivalent in lei;
- 286 intermediaries carrying out the activity of distribution of insurance and reinsurance products.



## Resolution mechanism of insurance companies and financial investment services companies

FSA acts as a resolution authority, starting with 2015, as follows:

- for insurance companies, pursuant to the provisions of *Law no. 246/2015 on the recovery and resolution of insurers*;
- for financial investment services companies, based on the provisions of *Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms* (financial investment services company), as well as for the amendment and completion of some regulatory documents in the financial field.

### Insurance companies subject to the recovery and resolution planning regime

Insurance companies that hold a significant share in the national insurance system and, in this way, are subject to the provisions of recovery planning and resolution, are identified based on the provisions of art. 3 of *Law no. 246/2015*, based on the following criteria:

1. the value of the insurer's gross technical provisions should exceed 5% of the total value of gross technical provisions at market level;
2. they should own a market share of at least 5%, as follows:
  - for life insurance, by reporting the value of the company's gross technical provisions to the total gross technical provisions of all companies underwriting life insurance;
  - for non-life insurance, by reporting the value of the company's gross written premiums, direct and from reinsurance acceptances, to the total value of the gross written premiums, direct and from reinsurance acceptances, of all companies underwriting non-life insurance.

The above criteria are evaluated based on the financial results of the closed financial year. Thus, during 2020, 10 insurance companies were identified as having a significant share in the national insurance system, 9 of them fulfilling several conditions simultaneously. At the same time, a number of 9 insurance companies had technical provisions of over 5%, 5 insurance companies had a market share for life insurance of over 5% (one company met only this criterion, the others fulfilling also the first criterion on technical provisions) and 6 insurance companies had a market share for the non-life insurance of over 5% (all these companies also met the first criterion on technical provisions).

### Financial investment services companies subject to the recovery and resolution planning regime

Compared to the types of entities provided in art. 3 para. (2) of *Law no. 312/2015* for which FSA fulfills the function of resolution authority, on December 31, 2019 the situation was as follows:

- 10 financial investment service companies were registered, from the category of financial investment service companies authorized to provide financial investment services and activities, which are subject to an initial capital requirement representing the RON equivalent of EUR 730,000;
- there were no branches in Romania of investment firms from third countries or groups subject to supervision on a consolidated basis, whose parent company is an investment company or which, if the parent company is a financial holding company or a mixed financial holding company, do not include also a credit institution.

At the same time, according to the criteria (total value of assets - over EUR 30 billion and share of total assets in GDP - over 20%, unless the value of assets is below EUR 5 billion) defined in *Law no. 312/2015*, following the FSA analyses, it was noticed that no financial investment services company has a significant share in the national financial system given the low level of assets managed by them and the insignificant share in the gross domestic product of Romania.

### Activities related to the planning of the resolution of insurers and financial investment service companies

FSA's activities in 2020 focused on identifying companies that meet the requirements for recovery and resolution planning, as well as on developing and updating resolution plans for 11 insurance companies, one of these companies for which the plan was updated at the beginning of 2020 having, in the meantime, no longer met the legal requirements for inclusion in the category of insurance companies that have a significant share in the national insurance system.

During 2020, there were no situations in which the resolution mechanism would be triggered for any insurance company that holds a significant share in the national insurance system.



## Development of technological innovation in the financial services field (FinTech)

In recent years, FinTech (technological innovation in the financial services field that allows the development of new business models, applications, solutions, processes or products with a direct effect on the provision of financial services by using innovative information and communication technologies) has gained more and more ground in the entire financial field, but also in the FSA supervised markets. The competent authorities in the European Union have taken various measures to keep pace with the rapid FinTech developments, one of the most common initiative being the establishment of innovation hubs. FSA followed this trend, setting up a FinTech Hub too, in the second half of 2019.

Given the growing interest, the FinTech Hub project has thus become permanent at the FSA level. The activities of organizing and functioning in good conditions of the FinTech Hub were carried out with specialists from the dedicated FSA structures, in order to formulate answers for the requests received from the interested IT companies. Thus, the important role played by FinTech Hub in modernizing and adapting the authority's vision to new trends was confirmed, especially in the general context created by the COVID-19 pandemic.

Encouraging digitization and technological innovation by providing an open framework for discussion with market stakeholders is one of the goals of FinTech Hub, the Authority being open to dialogue with stakeholders. FinTech Hub is a step forward for FSA, given the importance and share of digitalization in the new social and economic context.

The requests received within FinTech Hub were varied, but most focused on insurance, IT companies being attracted by the development of solutions for this market, in order to streamline existing processes, but also to facilitate consumer experience and business management in general. It is important for stakeholders to focus not only on the opportunities and benefits of innovation, but also on the risks they can pose and the solutions to prevent or mitigate them.



FinTech Hub members are also appointed to attend EU Council technical meetings for the negotiation of the legislative proposals in the EC Digital Finance Package - *Markets in Crypto-Assets Regulation (MiCA)*, the *Pilot Regulation for Markets Infrastructures based on Distributed Registers Technology (DLT)* and the *Regulation on Digital Operational Resilience for the Financial Sector (DORA)*. Through this legislative package, the EC aims to support the competitive development of the EU financial sector and provide consumers with access to innovative financial products, while ensuring consumer protection and market stability.



2020

# Microprudential supervision of the non-bank financial system





Analysis of the fulfillment of the criteria for the application of additional supervision of the groups that are part of a financial conglomerate for which FSA is designated as coordinating competent authority

Integrated supervision

Supervision of the insurance-reinsurance sector

Supervision of the financial instruments and investments sector

Supervision of the private pension system sector

## Analysis of the fulfillment of the criteria for the application of additional supervision of the groups that are part of a financial conglomerate for which FSA is designated as coordinating competent authority

In 2020, the process of identifying entities authorized and supervised by FSA belonging to a group operating in several financial sectors or carrying out cross-sectoral activities, as well as those belonging to a financial conglomerate for which FSA is the coordinating competent authority, according to the *Government Emergency Ordinance no. 98/2006 on the additional supervision of credit institutions, insurance and/or reinsurance companies, financial investment services companies and investment management companies in a financial conglomerate* took place.

This process is carried out annually based on the criteria defined by *GEO no. 98/2006* in order to apply a set of additional supervision rules at consolidated level. Following the completion of the above-mentioned process, no regulated and authorized entities were identified by the FSA to be the parent company (group leader) and to form a financial conglomerate.

## Integrated supervision

During the end of 2020, at the level of integrated supervision, the focus was on performing diagnostic analyses in order to evaluate the FSA supervisory mechanisms and to improve both tactics and internal institutional processes. This focus involved assessing the impact of sectoral supervision on financial stability in terms of macroprudential risks and of issues related to governance, consumer protection or the conduct of market entities. On the other hand, the internal system for monitoring trends and risks in local and international non-bank financial markets has been rethought, by drawing up more detailed monthly and quarterly reports.

At the same time, substantiated analyses and recommendations were developed in order to apply supervision measures for the first two companies that registered the largest volume of complaints in the insurance market, but also regarding sensitive cases in the financial instruments and investments sector. These analyses will show their effects in the coming years when they will be reflected in the improvement of the supervision system.

In order to identify the best institutional practices and develop recommendations for enhancing supervisory processes, the stage of implementation of insurance and capital market supervision manuals, developed following the recommendations of international partners, such as EIOPA and World Bank, was evaluated.

In the field of insurance, both for prudential and conduct supervision, extensive processes of institutional restructuring have been started, as well as for the improvement of supervision processes, based on the Manuals recommended by EIOPA.

Thus, for the insurance prudential area, the Manual was developed between October 2017 and October 2018 and is being implemented, and for the insurance conduct area, the Manual was developed between June 2019 and September 2020.

In the investment and financial instruments sector, a Manual was developed for the supervision of issuers, between June 2018 and June 2019, within the technical assistance from the European Commission (EC) in collaboration with the World Bank (WB). Following the implementation of the project, there are already improvements in the specific activity. For the supervision of FISC and IMC/AIFM, a project was carried out between November 2016 and June 2018 with the technical assistance provided by the EC in collaboration with the WB and the solutions are being now implemented within the FSA. Important steps have been taken to adopt and improve the application of risk-based supervision in the current business.

In order to identify, prevent and mitigate the potential negative impact of the operational risks induced by the use of information technology, *Rule no. 4/2018* regulates the activities and operations for the assessment, supervision and control of operational risks posed by the use of information systems, as well as the management of risks regarding the security of information systems.

Regulated entities have the obligation to audit important IT systems with an external IT auditor registered in the *List of external IT auditors* maintained by FSA. In this sense, activities are carried out regarding the registration/deletion of external IT auditors in/from the *List of external IT auditors*, maintained by the FSA.

# Entities of the financial instruments and investments sector

## Intermediaries and market institutions

19 Financial investment services companies (FISC)	Market operator (Bucharest Stock Exchange) 2 trading systems - regulated market and multilateral trading system	4 Central depositories (1 Romanian legal entity and 3 foreign legal entities that can provide core services on the Romanian territory, based on the free movement of services and EU Regulation no. 909/2014)	24 Credit institutions (CI)
4 Investment consultants (of which 1 Romanian legal entity and 3 Romanian natural persons)	3 Branches of credit institutions from Member States	129 Credit institutions from other Member States (INCM) (on Jan. 1, 2020, their number was 167, but they decreased following, on the one hand, the notifications sent by the competent authorities of the Member States of origin and, on the other hand, the Brexit process)	6 Investment firm branches from the Member States (on Jan 1, 2020 their number was 7, but they decreased, following the notifications sent by the competent authorities of the home Member States, as well as because of Brexit)
475 Investment firms from other Member States that carry out their activity in Romania directly (FISMD) (on Jan 1, 2020 their number was 1,753, fluctuating during the year, as a result of the notifications sent to the FSA by the competent authorities from home Member States, as well as the effects of Brexit)	7 Vocational Training Bodies	38 Financial Auditors	21 Assessors (18 legal entities and 3 natural persons)
2 Systematic internalisers	1 Benchmarks Manager (Bucharest Stock Exchange)	Investor Compensation Fund (FCI)	12 MTFs from other Member States (On Jan 1, 2020 their number was 19, which fluctuated during the year as a result of the notifications sent to the FSA by the competent authorities of the home Member States, as well as of the effects produced by the Brexit process)
6 OTFs from other Member States (On Jan 1, 2020 their number was 25, which fluctuated during the year as a result of notifications sent to the FSA by the competent authorities of the home Member States, as well as of the effects produced by the Brexit process)			

## Collective investment undertakings and investment management companies/alternative investment fund managers

115 collective investment undertakings (including 5 Financial investment Companies and Fondul Proprietatea), 4 depositories and 11 distributors	18 Investment Management Companies (IMCs), of which 12 Alternative Investment Fund Managers (AIFM)	Fondul Proprietatea	20 Investment Management Companies from other Member States (SAIM)	1 Branch of investment management companies in other Member States (SSAM)
18 Managers of alternative investment funds from other member states operating directly in Romania (AFIASMD)	1 Branch of alternative investment fund managers from other member states operating in Romania (AFIASMS)	66 Open-End Investment Funds from other Member States whose participation units are distributed in Romania (FDIA)	12 Investment companies from other Member States whose participation units are distributed in Romania (SISA)	28 Alternative Investment Funds from other Member States whose participation units are distributed in Romania (FIAM)

## Portfolio of supervised entities

19 Financial investment services companies (of which 1 in the process of withdrawal - SSIF ALPHA FINANCE ROMANIA SA, one suspended on request - SSIF OPTIMUS FINTECH SA and one suspended, as a result of non-compliance with the authorization conditions SSIF SHARE INVEST SA)	9 Credit institutions (providing investment services and activities with financial instruments other than those provided in art. 2 paragraph (3) of Law no. 126/2018), of which 4 also fulfill the role of depositories of investment fund assets (BRD-Grupa Societate Generale SA, Raiffeisen Bank SA, Banca Comercială Română SA, UniCredit Bank SA)	18 Investment Management Companies (IMC/AIFM)	5 Financial investment companies
Fondul Proprietatea	107 collective investment undertakings (81 open-end investment funds and 26 alternative investment funds)	9 branches of investment firms in the Member States (of which 3 have been deregistered since Jan 1, 2021, being from the UK)	3 Branches of credit institutions in the Member States
4 investment consultants, of which 3 individuals and one legal entity	1 central depository - Depozitarul Central SA	1 market operator - Bursa de Valori București - SA	Investor Compensation Fund

## Supervision of the financial instruments and investments sector

The global uncertainty amid the consequences of the coronavirus spread has triggered massive decreases in the capital markets, the FSA efforts thus directing towards the identification and analysis of the emerging risks. On the whole, the identified risks were: reduction of liquidity, high exposures on certain financial instruments, pressure to redeem fund units by investors, disturbance of the activity of persons with key/critical functions, difficulties in the maintenance and good administration of information systems, large scale implementation of teleworking, still untested. The year 2020 represented the achievement of the major objective of the STEAM Project (*Set of actions Towards Establishing and Acknowledgment of the emerging Market status*), namely the classification of the Romanian capital market in the category of emerging markets as a result of the decision of the global index provider FTSE Russell.

### Conduct supervision of capital market entities

In the context of the pandemic and its effects on the capital markets, several supervision actions were considered in order to ensure a permanent monitoring of the conduct risks, so that they could be identified on time and managed correctly:

- maintaining a dialogue as consistent as possible with the supervised entities, in order to identify risk areas (e.g.: feedbacks from testing business continuity plans, feedbacks and discussions with relevant associations);
- deepening/understanding the entity's activity and establishing the risk profile (e.g.: focus on financial groups, group redemptions);
- awareness of the supervised entities managers about their business conduct and about the impact of inappropriate actions/approaches, as well as about possible failures (e.g.: honoring redemptions; method of carrying out online transactions);
- elaboration of a "market overview", highlighting vulnerable entities and weaknesses, by: establishing principles of risk assessment starting from the integrated assessment of conduct, financial and business model risks, and implementing a risk matrix allowing the identification and classification of the main risks at the market level, with the purpose of capturing the risk profile of the entities in a single picture, for a certain date;

- development of adequate analysis mechanisms (conducting questionnaires addressed to the supervised entities for a better knowledge of the general, but also particular phenomena of the capital market);
- further deepening of the essential aspects in the supervision activity, in parallel with the proactive action.

In order to ensure the efficiency of the supervision process, all measures and actions instituted/undertaken aimed to be proportionate to the nature, size and complexity of the risks inherent in the activity carried out by the supervised entities and to take into account the impact on the financial stability of the capital market.

### Prudential supervision of capital market entities

Prudential supervision in the current context has focused on a number of measures aimed, on the one hand, at identifying the impact of COVID-19 on the activities of supervised entities, and, on the other hand, at identifying those specific indicators to warn of the potential impact on prudential requirements. Thus, two categories of increasing risks were identified, namely liquidity risk and market risk.

### Prudential supervision of financial investment services companies

The liquidity risk analysis for financial investment service companies (FISCs) focused on the liquidity buffers, as well as on the quality of liquid assets held by supervised entities, that could be used to meet increased liquidity demand as well as to contribute to the proper functioning of the capital market. In terms of market risk, it was analyzed from the perspective of its impact on own funds and solvency, so as to identify in advance the companies that could encounter difficulties in terms of financial stability and to adopt proactive measures, whenever deemed necessary.

Thus, companies vulnerable to significant financial market fluctuations were identified, by elaborating stress scenarios regarding the impact of immediate losses from portfolio devaluation, as well as companies vulnerable from the viewpoint of the business model. Also, companies with high liquidity risk were identified and monitored, respectively those that have previously opted for a business model with a low current liquidity (companies that mainly use financial instruments to cover the need for liquidity).

The conclusions drawn from the tests performed on financial investment services companies are the following:

- Romanian financial investment services companies have directed their own portfolio mostly towards shares listed on BVB that have high liquidity;
- after the application of risk stress tests on portfolio devaluation, the impact would have been limited at the level of 2020;
- in the first half of the year, most of the supervised entities came under the scenario, which did not require a capital inflow or special financial recovery measures;
- the entire activity, the value of assets in custody and implicitly the profitability of financial investment services companies was affected in the first half of 2020, but in the third quarter the activity had an upward trend and in the fourth quarter it bounced back to the previous year level.

#### Prudential supervision of collective investment undertakings (CIU)

At the same time, regarding the prudential supervision of the CIU, once the increasing impact of the COVID-19 global spread, FSA monitored the liquidity risk carefully, especially at the beginning of March 2020. Particularly, the reaction of investment funds investors was observed with higher frequency compared to the usual reporting standard, respectively the evolution of net subscriptions and the need for cash to honor them.

Following the declaration by the WHO of the COVID-19 pandemic and the declaration by the President of Romania of the state of emergency at national level, FSA proceeded to:

- supporting inter-institutional communication in order to prevent potential risks with systemic impact;
- developing and maintaining an efficient dialogue with investment management companies in order to determine in real time incidents related to the significant redemption requests as reported to the investment funds liquidity, as well as the most diligent application of fund documents provisions and, respectively, the legal provisions in such situations;

- analysis of the open-end investment funds prospectuses in order to determine the liquidity management mechanisms and the coherence of valuation methods, especially for fixed income instruments. Under these circumstances, FSA reiterated to all IMCs the need to use equitable, fair and transparent pricing and valuation systems for the managed UCITS, in order to comply with the obligation to act in the best interests of units-holders;
- active concern in the analysis of the context specific to each situation in which FSA found investment funds exceeded the investment limits related to their portfolios.

Through working groups at European level, the FSA has been in constant contact with other competent authorities to identify best supervisory practices in the context of high financial market volatility, driven by the impact of the health situation on investor behavior.

Apart from the activity carried out as a result of the events specific to the COVID-19 pandemic, in the current CIU prudential supervision, as a result of the processing, centralization and analyses of the reports submitted by regulated entities, it was mainly considered, without diminishing the importance of the other elements of the specific activity, the continuation of:

- development of risk versus yield analyses, that aim at identifying anomalies and carrying out additional analyses regarding the assets calculation and investment limits for CIU;
- monitoring the activity carried out by the IMC/AIFM, with the scope to perform crisis scenarios in order to maintain an appropriate liquidity profile, as well as to determine, as appropriate, the need to correlate the investment strategy with the fund units redemption policy;
- determining a scale for internal use regarding the investment management companies' risk, made by translating the concept of compliance supervision to a current, more robust concept, namely supervision based on identifying risks associated with supervised entities.



## Prudential supervision of market institutions

The market institutions prudentially supervised by the FSA are the market operators, central depositories, settlement systems, central counterparties and clearing members (from the date of their authorization) and the Investor Compensation Fund.

In order to adapt the supervision methods, the types of activities actually carried out by the Bucharest Stock Exchange and the Central Depository were analyzed, aiming to identify the risks to which companies are exposed and their financial statements in terms of economic-financial and operational indicators. Thus, FSA verified the adequacy of financial risk management in order to maintain sufficient capital buffers to cover unexpected losses and to maintain solvency in times of crisis.

The current supervision of the market institutions meant the development of the following activities: analysis of the annual financial statements and quarterly financial reports, including requests for clarification of some aspects; analysis of the annual reports and additional reports of the financial auditors and internal auditors, as well as of the audit committees in order to assess the fulfillment of the attributions regarding the observance of the prudential requirements incumbent on the companies and the verification of recommendations implementation. In 2020, reports were diversified and emphasis was placed on quarterly risk management reports and activity-specific reports, in order to identify new risks or potential vulnerabilities.

The specific supervisory activities carried out to monitor the risks of market institutions consisted of:

- monthly analysis, from the perspective of market liquidity, of the transactions volume and value and of net, gross and cross-border basis settlements, in order to identify potential risks to the efficient functioning of capital markets;
- weekly monitoring of reports on failed settlements submitted to ESMA and requesting information on the structure of settled values in the months with a value exceeding by 100% the average daily value recorded in the previous quarter;
- quarterly analysis of risk management reports and internal audit reports for the Bucharest Stock Exchange and the Central Depository, in order to identify new risks to which the two market institutions could be exposed; considering the context in which we are still, it was requested to inform FSA about any event/phenomenon that requires it;
- analysis of the settlement management measures, the method of ensuring the issues integrity and the settlement finality, as well as of the possible events that could affect the efficient and timely settlement of the securities;

- quarterly verification of the compliance with the prudential and capital adequacy legal requirements based on quarterly risk reports and capital adequacy models;
- analysis of upside risks, liquidity risk, market risk, credit risk and concentration risk.

Regarding the activity of the Central Depository, an institution re-authorized on December 19, 2019, FSA examined the agreements, strategies, processes and mechanisms implemented by the market infrastructure in order to verify compliance with the requirements of the *Regulation (EU) no. 909/2014* and of the delegated regulations and assessed the risks to which it is or could be exposed. Thus, it was concluded that the Central Depository's rules and procedures on the securities settlement system are adequate and comply with the requirements of European regulations. In 2020, the Central Depository successfully settled all transactions and ensured the integrity of issues. The Central Depository promotes measures to meet settlement obligations as early as possible and has procedures in place to ensure that the settlement system does not face blockages caused by participants that could delay settlement.

## FSA's participation in ESMA's Common Supervision Action on UCITS liquidity risk management

FSA carried out specific activities following the participation in the Common Supervisory Action (CSA) on UCITS liquidity risk management, launched by ESMA at the beginning of 2020, respectively, the completion of the first stage and the initiation of the second.

In the first stage of the CSA exercise, FSA requested information and quantitative data from UCITS managers in order to obtain an overview of the supervisory risks they face. The second stage questionnaire sent to the managers included 35 qualitative questions established by ESMA, regarding:

- liquidity forecasts and analyses before making the investment;
- continuous coherence of the redemption policy and liquidity profile;
- data existence, their reliability, sources and processes;
- governance and control mechanisms;
- information provided in the Key Investor Information Documents (KIID).

In addition, a new section with three questions on liquidity management adopted during financial market stress was added following the spread of COVID-19 in early spring. Quantitative information on managed portfolios was also collected.

Based on the analysis of the documents submitted during the year and from the practices and findings of other Member States, FSA will pursue the standardization of the practices of liquidity risk management at market level.

#### Sanctions resulting from the prudential supervision activity adopted in 2020

In 2020, no sanctions were applied to financial investment services companies for non-compliance with prudential requirements. However, the year was marked by the authorization withdrawal for the SSIF IEBA TRUST due to the non-fulfillment of own funds requirements. Also, in the case of 3 other companies, the activity was suspended, for the withdrawal of the authorization upon request or for the suspension requested by the financial investment services companies in order to recover. Proactively, the FSA intervened in the case of 8 FISCs by analyzing situations specific to each entity that could lead to the materialization of risks or failure to meet prudential requirements such as: identifying the causes of accelerated decline in own funds, preventing excessive exposure, the quality of the assets used to cover the liquidity needs, errors in the risk management process.

The prudential measures adopted by the FSA with regard to the collective investment undertakings concerned:

- warning some companies on aspects related to the activity carried out (evaluation of the financial instruments in the portfolio, exceeding investment limits, non-fulfillment of reporting obligations);
- actions taken to improve the liquidity management framework by investment management companies.

In order to implement measures to improve the functioning and risks management framework, taking into account the requirements of European regulations and the general context of this period, FSA recommended to the Central Depository:

- to review the main characteristics of the general business risk that may influence the activity of the Central Depository and to update the plausible adverse scenarios for the next period in order to allow the Central Depository to efficiently manage the general business risk;

- to analyze the risk management activity in order to decide whether, in accordance with the general operational framework, the Central Depository should implement changes in the risk management system or new risk management processes so as to reduce the operational risk resulting from changes in the operational processes, policies, procedures and controls applied;
- to improve some aspects regarding the risk management system by: continuous evaluation and treatment of the risks generated by the settlement activity, scenario stress testing and monitoring of the implementation plan of the new European requirements regarding the settlement discipline;
- a higher frequency assessment of the risks that the main participants in the settlement systems, service and utility providers, other central depositories in the European Union could encounter for the operations of the Central Depository, the modality of identifying, monitoring and managing risks, in order to comply with the European regulations provisions.

At the same time, FSA made a series of recommendations for the Bucharest Stock Exchange:

- to review the policies and the Regulation on risk management in order to better cover the risks that may influence the BVB activity;
- to improve some aspects regarding the risk management system by continuously evaluating and treating the risks posed by the trading activity, performing stress and sensitivity tests more frequently, continuous testing of IT procedures and processes;
- to review the Contingency Plan on ensuring the continuity of activities and recovery in case of disaster;
- to establish a tighter schedule for the periodic transmission of risk management reports to the company's management;
- to monitor the costs due to the review of the central counterparty authorization calendar.

Regarding the implementation of the risk management function, BVB and the Central Depository have an internal control system on the risk management process, which involves regular analyses, evaluations of system efficiency and, where necessary, ensuring the remediation of the found deficiencies. The results of such analyses shall be communicated directly to the Management Board, the Risk Management Committee and the Audit Committee. The compliance with the established limits of variation is continuously monitored.

**In conclusion, the measures adopted by the FSA following the supervision activity consisted of:**

- sanctioning a manager of an AIFM with a fine amounting to Lei 50,000;
- establishing a Measures Plan for an IMC/AIFM.

Also, as a result of the issues notified in the performance of supervision and inspection actions, for a IMC the necessity of a more frequent monitoring was found in order to pursue its compliance with the Measures Plan provided by the FSA, and to remedy the issues reported following the prudential and conduct supervision analyses.

**Sanctions applied in the process of monitoring compliance with the requirements for granting the authorization:**

- Sanctioning a financial investment services company with the suspension of the operation authorization for less than 180 days, for non-fulfillment of the conditions provided by the legislation in force for holding the operation authorization of the company.
- Sanctioning a financial investment services company with the suspension of the operation authorization for a period of 60 days due to the fact that:
  - the reports on the capital adequacy to risks for the reference date March 31, 2020 were no longer within the minimum capital requirements, respectively, the RON equivalent of EUR 125,000;
  - the company did not take the measures requested by FSA in order to restore the financial balance, respectively to meet the legal requirements on the minimum initial share capital.
- Sanctioning a financial investment services company with warning considering the found breaches and the situation in which the company was at that moment and the non-fulfillment of the conditions provided in art. 76 para. (1) of *Law no. 126/2018 on holding the operating license of the company*;
- Sanctioning a person as General Manager of a financial investment services company with a fine amounting to Lei 1,000, for the deficiency retained in his charge, based on the provisions of art. 27, art. 76 para. (1) and (2) of *Law no. 126/2018*, art. 13 para. (1) section c) and par. (6) of *Regulation no. 5/2019* and art. 22 para. (6) section b) of *Regulation no. 1/2019*.

- Sanctioning with warning and withdrawal of the operation authorization of a financial investment services company as a result of:
  - rejection of the acquisition project and of the request for approval of the significant shareholder;
  - rejection of the application for authorization of the change in the organization and functioning of the company regarding the reduction/increase of the company's share capital;
  - rejection of the request for the authorization of two members of the Board of Directors.
- Sanctioning with warning a financial investment services company for breaching the provisions of art. 76 para. (1) of *Law no. 126/2018* regarding the obligation to permanently observe the conditions imposed on the initial authorization regarding the composition of the Board of Directors;
- Sanctioning with written warning a person, as General Manager of a financial investment services company for breaching the provisions of art. 8 para. (1) of the FSA Authorization no. 167/Dec 12, 2019 and of art. 76 para. (1) and (2) of *Law no. 126/2018*.
- Sanctioning an alternative investment funds manager with a fine in the amount of Lei 33,314 for breaching the provisions of art. 12 para. (1) section a) of *Law no. 74/2015 on the alternative investment funds managers*;
- Sanctioning with a warning an investment management company in accordance with the provisions of 196 par. (1) section a), point (ii) of *GEO no. 32/2012*;
- Sanctioning two members of the Supervisory Board of an alternative investment fund with a fine in the amount of Lei 15,000 each for non-compliance with the provisions of art. 12 para. (1) section a) of *Law no. 74/2015 on the alternative investment funds managers*, taking into account the provisions of art. 21 section c) of the *Delegated Regulation (EU) 231/2013*;
- Sanctioning three members of the Supervisory Board of an alternative investment fund with a warning for non-compliance with the provisions of art. 12 para. (1) section a) of *Law no. 74/2015 on alternative investment funds managers*, taking into account the provisions of art. 21 section c) of the *Delegated Regulation (EU) 231/2013*;

- Sanctioning a member of the Supervisory Board of an alternative investment fund with a fine in the amount of Lei 15,000 for non-compliance with the provisions of art. 12 para. (1) section a) of *Law no. 74/2015 on alternative investment funds managers*.
- Sanctioning an investment management company with a warning in accordance with the provisions of art. 194, art. 196 para. 1 section a), point (ii) of *GEO no. 32/2012*, corroborated with the provisions of art. 37 para. (3) of the *FSA Regulation no. 1/2019*, respectively with the provisions of art. 51 of the *FSA Regulation no. 2/2016*.

#### **The total amount of the fines was Lei 79,314.**

Also, as a result of the monitoring activity, based on the provisions of art. 34 para. (4) of *Regulation no. 1/2019* and on a decision of the FSA Council, the re-evaluation of two members of the Supervisory Board of an alternative investment funds manager was ordered. Following the re-evaluation process, FSA withdrew the approval given to the two members of the supervisory board.

### **Inspection activities on the capital market entities**

The core activity for the development of inspection actions (periodic and ad hoc) at regulated and authorized entities in the financial instruments and investments sector is based on the principles of risk-based supervision, by focusing on the risk areas of each entity subject to periodic or ad hoc control.

Another essential component of the inspection activity in the field of financial instruments and investments is the monitoring of the operational risks generated by the IT systems used by the authorized/endorsed entities, in accordance with the provisions of *FSA Rule no. 4/2018 on the management of operational risks generated by the IT systems used by the entities authorized/endorsed/registered, regulated and/or supervised by the Financial Supervisory Authority*, with subsequent amendments and supplements.

For the proper development of the activity, the inspection actions are defined in two areas of activity, related to the main categories of inspected entities: intermediaries and market institutions (FISC, credit institutions, market operator, Central Depository, Investor Compensation Fund, legal entities investment consultants), respectively investment management (IMC/CIU/AIFM/AIF and funds' assets depositories).

The key dominants of the inspection activities in 2020 were the following:

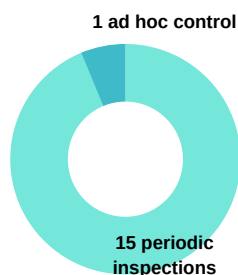
- COVID-19 pandemic;
- increasing cyber risks;
- remote access;
- reconfiguration of the inspection plan;
- modification of the control regulation and internal procedures;
- remote inspections.

The year 2020 was marked by the onset and spread of the COVID-19 pandemic, with implications and challenges for the capital markets and the normal development of the supervised entities' activities. In terms of inspection activities, taking into account the special situation inflicted by the COVID-19 pandemic, the following measures were adopted in 2020:

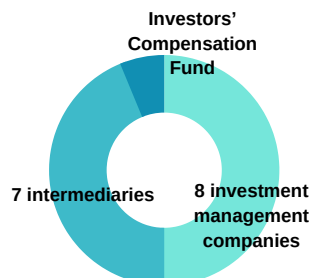
- until the moment of declaring the state of emergency, all the periodic inspection actions planned in the first quarter of 2020 were performed, not being necessary the suspension of any previously initiated onsite inspection action;
- as of the inspections scheduled to take place in the second quarter, according to the annual inspection plan approved for 2020, FSA understood to limit, as a preventive measure, the external activities that involve the physical meeting of a large number of people; consequently, in May 2020, the annual inspection plan was modified, through a new planning of inspections;
- simultaneously with the process of review of the annual inspection plan for 2020, proposals were proactively initiated to amend the FSA inspection regulation, in order to make it possible to carry out remote inspections exclusively;
- given the aggravation of the COVID-19 pandemic, all the inspections carried out in the fourth quarter of 2020 were performed remotely;
- considering the increasing trend of the cyber risk, the supervised entities that are subject to the requirements of the *FSA Rule no. 4/2018* were notified on the measures recommended by the FSA. Furthermore, FSA supervised the way they mitigated the risks provoked by the conduct of remote operations, including through requests for additional information on the implementation of the IT auditors recommendations through the audit reports submitted to the FSA in 2020, according to the *Rule no. 4/2018*.

The specific objectives of the inspection actions for 2020 were subsumed to the strategic oversight objective of the FSA regarding the improvement and strengthening of the supervisory function through a consistent process based on the identification, prevention and management of risks and on the adoption of the best practices in the field. As a result of this approach, the inclusion of entities in the inspection plan took into account the level of risk associated with them, the inspection theme at a particular entity was adapted to its risk profile, and the inspection acts emphasized special elements such as: business model evaluation, risk mapping, focus on remediation and follow-up processes.

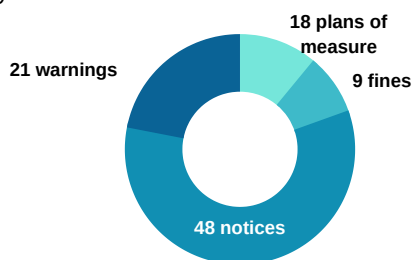
Types of controls performed in 2020



Types of entities controlled in 2020



In order to properly customize the measures adopted following the inspection actions carried out and/or completed in 2020, the appropriate assessment of the identified breaches and of the identified risks was followed, taking into account the impact, the real and material circumstances of the deed and the perpetrator's conduct. For the found breaches, sanctions, remedial measures were imposed, through plans of measures or recommendations for the optimization of some processes and internal mechanisms of the entities. During 2020, the following sanctioning/warning measures were applied, as a result of the inspection activity:



**By types of companies, the sanctions adopted by the FSA following the inspection activity are as follows:**

#### Intermediaries

- sanctioning a financial investment services company with a fine amounting to Lei 5,000;
- sanctioning 4 individuals from financial investment services companies with a fine in a total amount of Lei 11,000;

- sanctioning 4 financial investment services companies with warning;
- sanctioning 8 individuals from financial investment services companies with warning;
- ordering 8 measures plans for intermediaries (six financial investment services companies and two credit institutions);
- warning 8 intermediaries (seven financial investment services companies and one credit institution);
- warning 19 individuals from financial investment services companies.

#### Investment management companies/Alternative investment fund managers/Depositories

- sanctioning two IMCs/AIFMs with a fine in the total amount of Lei 60,000;
- sanctioning two individuals within the IMC/AIFM with a fine in the total amount of Lei 30,000;
- sanctioning three IMC/AIFM with warning;
- sanctioning 6 natural persons within IMC/AIFM with warning;
- ordering 9 plans of measures in charge of the IMC/AIFM and one plan of measures in charge of a depository;
- warning 5 IMC/AIFM;
- warning 15 natural persons within IMC/AIFM and one natural person within a depository.

Following the inspection actions, the implementation of the measures ordered by FSA was carefully monitored until the full implementation by the inspected entity.

In conclusion, in 2020, the inspections were carried out smoothly, through a continuous and proactive adjustment to the conditions imposed by the evolution of the COVID-19 pandemic, including by promoting automation/digitization, respectively by electronic collection of documents through a platform, including from colleagues in teleworking, thus reducing the risks related to the use of less secure devices. The inspection risk-based approach was also continued, as well as the guiding of entities to address deficiencies and reduce risks.



## Issuers and market abuse

### Monitoring the fulfillment of the obligations of transparency, observance of shareholders' rights and compliance of the financial statements with IFRS

From the perspective of transparency obligations and shareholders' rights, in the specific circumstances of 2020, the main objective was to ensure the necessary conditions for holding general meetings in good conditions. Thus, in exercising the active role of supervising the observance of the issuers' transparency obligations and those related to shareholders' rights, FSA adopted measures aimed at increasing the level of transparency and compliance.

In this sense, FSA had a continuous collaboration/correspondence with the issuers, which mainly focused on the manner of conducting the GSM in the context of COVID-19, ensuring compliance with reporting deadlines, adjusting the content of documents related to calling general meetings, so as to reduce as much as possible the occurrence of errors in establishing the reference date, the registration date, as well as regarding the proxy votes and the requests for convening the GSM/completing the agenda, etc.

In order to ensure the regulatory framework necessary for holding the general shareholders meetings under the special conditions imposed by the COVID-19 pandemic, FSA issued *Regulation no. 5/2020 for the adoption of measures regarding the conduct of general shareholders meetings during the existence of the state of emergency generated by COVID-19*. **Also, in order to ensure the protection of shareholders and investors, warnings and several decisions were issued by which the shares of some issuers were suspended/reintroduced to trading and the representatives of some companies were sanctioned.**

In what it concerns the compliance of the financial statements with IFRS, the key elements were the completion of the technical assistance project provided by the World Bank and the European Commission in order to strengthen the capital market supervision, respectively the risk-based supervision model, and the implementation of these principles of supervision within the specific analysis processes carried out at the level of the authority.

In this context, during 2020, FSA conducted extensive and focused analyses on compliance with the IFRS framework of the financial statements for a number of 10 companies. Both the selection process and the actual analyses were carried out with the proper application of the principles recommended by the World Bank and European Commission within the technical assistance.

At the same time, FSA verified the application of the International Financial Reporting Standards within the annual financial statements included in the prospectuses of 4 companies that are traded on the regulated market.

The monitoring of the periodic transparency obligations was performed by FSA through specific activities in order to ensure the compliance by the issuers with the reporting requirements (annual, quarterly and half-yearly), provided by the specific legislation in the field.

### Monitoring market abuse

The health crisis, along with the economic one, unfolded by the interruption of activities in several economic sectors, produced effects also on the Romanian capital market and affected issuers in various sectors of activity. Consequently FSA intensified verifications for the compliance of issuers with the provisions of *EU Regulation no. 596/2014 on Market Abuse Regulation (MAR)* and the delegated regulations.

Thus, in the first half of 2020, emphasis was placed on monitoring the information provided by issuers, any changes in the annual financial statements compared to the preliminary ones (already published before the pandemic), due to the economic difficulties of listed companies, and, at the same time, the analysis of the transactions performed around the key reporting data.

The existence of significant differences between the two financial reports generates, according to MAR, trading restrictions for a special category of subjects - the persons with management positions within the issuers - the exceptions brought by the European rule being of strict interpretation. The result of monitoring led to the identification of isolated cases in which steps were taken to clarify the differences found.

The publication of inside information by an issuer is essential in avoiding the misuse by persons who have access to such information, the issuer having the obligation to ensure that the inside information is published in a way that allows quick access to it. Providing interested shareholders and investors with accurate, reliable and legal information as soon as possible is one of the essential obligations of issuers and, at the same time, the central element in shaping investment decisions and protecting investors against abusive or deceptive practices.

Also, the dissemination of false or misleading information may have a material effect on the prices of financial instruments in a short period of time and may affect investors' confidence in the information provided by the issuer concerned.

For this purpose, the information/ reports/ communications published on the established information channels regarding the existing situation at the issuers, as well as the news, the statements that were identified in the mass media, by reference to the provisions on market abuse were monitored.

For the situations in which the inside information published by the issuers did not contain all the necessary elements in order to properly inform the investors and did not allow a correct assessment of the factual situation, sanctioning measures were ordered accordingly. The FSA seeks compliance by the appropriate subjects with the conduct and reporting requirements set out in the national and European legislation on market abuse. Mainly, these relate to: the publication or postponement of inside information, the preparation and updating of lists of persons having access to inside information, reporting of the transactions performed by the management persons, compliance with the restrictions from the trading in the closed periods, the modalities of carrying out the redemption programs and the stabilization measures.

The specific activity in the field of market abuse also aimed at the active involvement of FSA in clarifying the particular situations in the field of market abuse, that were brought to the attention of the Authority by issuers on the capital market, as well as by other entities involved in trading activity and which focused on topics such as inside information management, market research or closed periods.

In 2020, the FSA conducted a verification of the procedures developed by investment management companies in accordance with the appropriate legal obligations regarding the creation and maintenance of ways, systems and procedures for detecting and reporting suspicious orders and transactions, the result being that the entities are aware of the legal obligations incumbent on them. As an exception, recommendations were made for the conformity of the procedures established by the provisions of art. 16 para. 2 of the *EU Regulation no. 596/2014*.

### Prospects and public offerings for sale/buying

The operations approved by FSA during 2020 related to the issuers in Romania that targeted the securities issued by them, as well as the issues of structured products, consisted of:

- Prospectuses drawn up for admission to trading/related to the sale of shares/bonds;
- Purchase/takeover bid documents;
- Rejection of an application for the approval of a mandatory takeover bid document;
- Withdrawal from trading of the shares of some issuers;

- Registration in the FSA records of structured products and of shares or bonds that are intended to be traded on the regulated market/multilateral trading system, respectively of corporate operations (division/merger, increase or reduction of share capital, consolidation of nominal value, etc.), carried out by issuers, which have led to changes in the characteristics or number of financial instruments already admitted to trading on the regulated market or multilateral trading system;
- Cross-border operations.

In accordance with the legal provisions, harmonized with the European directives/regulations, as host state, FSA receives from the similar authorities from the EU, the prospectuses approved by them, the certificate and the summary in Romanian of the prospectuses. According to the legal rules, in these cases FSA does not initiate any procedure for prospectus approval but ensures their publication on the authority's page as provided by *Regulation (EU) 2017/1129*.

During 2020, the FSA was notified of the approval of 30 such prospectuses and 98 supplements (amendments) to the already approved prospectuses, and in turn, the FSA notified three authorities in the Member States (Hungary, Poland and Austria) in connection with the approval of the base prospectus prepared by SSIF BRK FINANCIAL GROUP SA Cluj Napoca.

In order to admit to trading some structured products issued based on base prospectuses approved by other EU authorities and notified to FSA, the certificates of registration of those financial instruments at FSA are also included among other documents required by BVB. For structured products issued by Erste Group Bank AG Austria and Raiffeisen Centrobank AG Austria, based on the prospectuses notified based on the European passport by the authority of the home Member State - FMA Austria - and the communicated final terms, 136 certificates of structured products registration were issued.

### Sanctions of issuers

Based on the specific analyses performed regarding the observance of the compliance obligations, transparency, shareholders' rights by the issuers, the requirements to carry out the mandatory takeover bid, 49 individual acts were issued.

Of these, 16 represented sanctioning decisions in the total amount of Lei 1,228,001.

## Electronic supervision

### Real-time monitoring of trading activity on regulated markets/multilateral trading systems to identify transactions/orders that generate an abnormal evolution of price and volume

Transactions with financial instruments carried out on the Romanian capital market experienced a significant rise in 2020 compared to 2019 (the number of transactions rose by 71% and the total traded value by 54%), within the area of the two trading systems managed by the Bucharest Stock Exchange.

Supervision and monitoring of trading activity involves, among others, the analysis of trading data received in real time from regulated markets and multilateral trading systems on shares, bonds, structured products, etc. The respective data are processed automatically in the light of market abuse indicators, generating a series of alerts. During 2020, 3,098 alerts were issued for monitored issuers.

Also, the supervision of the trading activity implies the analysis of the history of the data from the database regarding the trading activity, the monitoring of the short selling transactions and of the transactions performed outside the trading systems (OTC) reported electronically by intermediaries. Within this activity, 301 daily and weekly trading reports were monitored, 14 preliminary analyses of cases considered deviations from normality/possible cases of abuse on the market being drawn up.

From the perspective of supervising the observance of the legal provisions regarding the transactions carried out within the share repurchase programs, 12,566 transactions carried out within 15 repurchase programs were analyzed.

### Supervision of non - financial counterparties in accordance with the EU Regulation on European Market Infrastructures

During 2020, FSA ensured the monitoring of the reports of non-financial counterparties in accordance with the provisions of *Regulation (EU) no. 648/2012 on European Market Infrastructures* (EMIR) and assessed the compliance with legal requirements regarding the exemption of intragroup transactions from the obligations of reporting, compensation and exchange of collateral. Thus, 43 notifications were received regarding the intention to apply the reporting obligation exemption.

### Settlement of the requests for direct transfer of shares

In 2020, 8 requests regarding the operation of the direct transfer of ownership over some packages of shares issued by the companies listed on the BVB were analyzed and settled. Of these, 2 requests received the approval of the FSA, for the rest of the cases the Central Depository operated direct transfers of ownership over financial instruments as a result of legal operations concluded between the parties in accordance with legal provisions (e.g. successions, divisions, execution of court decisions, etc.).

### Other activities

The activity of supervision and monitoring of transactions implies access to complete and correct trading data. In this sense, the correctness and completeness of the data reported by intermediaries in the TREM system (*Transaction Reporting Exchange Mechanism*) and of the data reported by market/system operators in the FIRDS system (*Financial Instrument Reference Data System*) is constantly monitored.

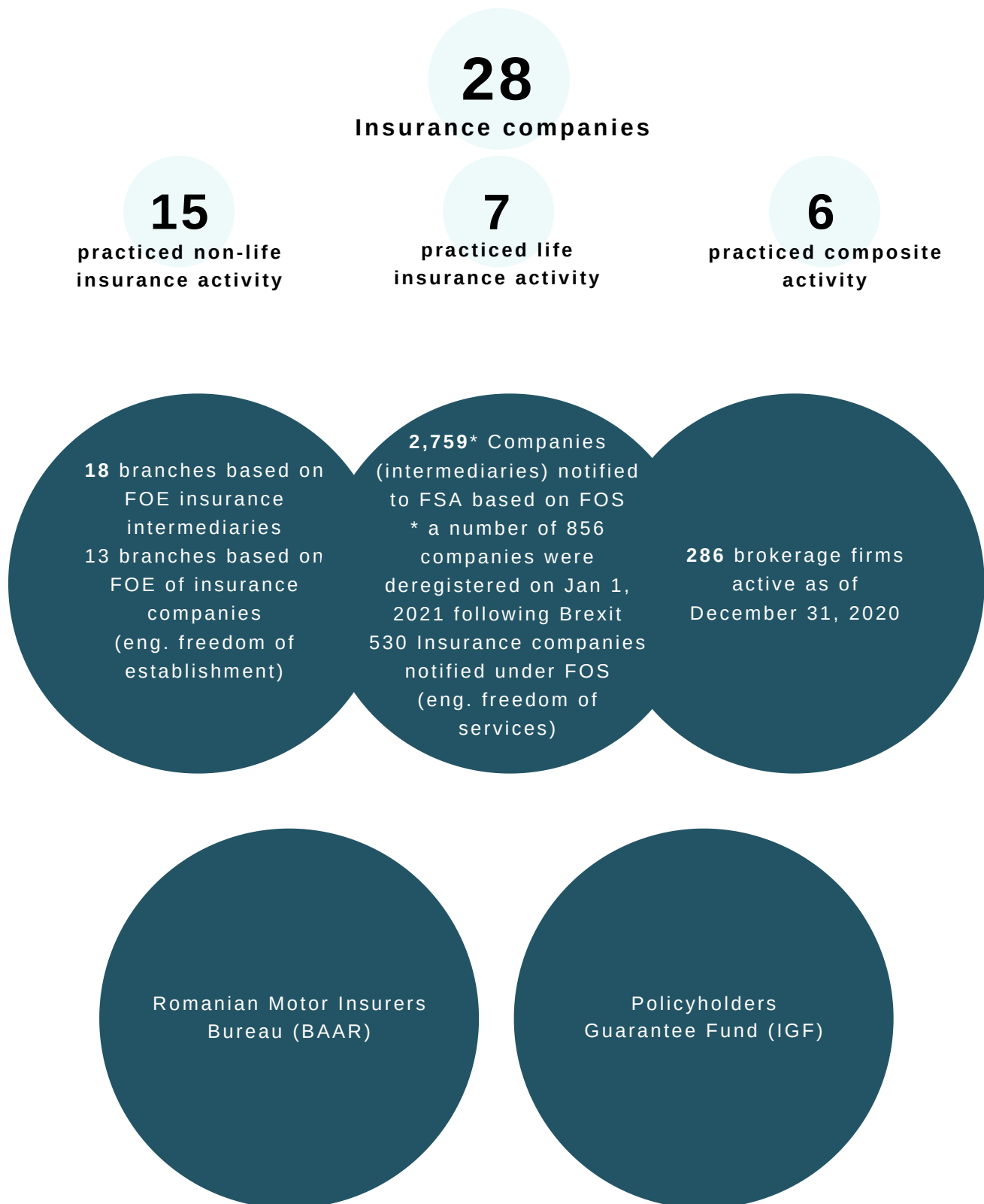
Also, following the monitoring of FITRS (*Financial Instruments Transparency System*), DVCAP (*Double Volume Cap Mechanism*) and TRACE (*ESMA's Trade Repository Data Reporting*) during 2020, 24 requests addressed to intermediaries for correcting erroneous reporting in TREM and 129 requests addressed to market/system operators, issuers and other competent authorities regarding the data reported in FIRDS, FITRS, DVCAP were transmitted.

Considering the priorities set across the European Union, regarding the data quality, within the process of analysis, correspondence and provision of results to the tests carried out by both ESMA and FSA, regarding the quality of data from TREM, FIRDS, FITRS, DVCAP and TRACE, FSA conducted a high volume of exchange of views with stakeholders and forwarded over 120 requests to non - financial counterparties to correct errors identified in TRACE system data.

The activity of managing the trading suspension and restoration notifications (*SARIS - Suspensions and Restorations Instruments System*) was carried out by sending 62 requests for suspension/restoration to system trading.

The management of short selling reports and notifications to the NBR/ESMA involved 6 reports of specific information to ESMA.

## Entities from the insurance-reinsurance sector supervised by the FSA that had activity in 2020





## Supervision of the insurance-reinsurance sector

The supervision of the insurance sector in Romania focused in 2020 on the intensification of the monitoring activities of the risks brought by the global uncertainty in the financial system in the context of the COVID-19 pandemic. The main risks were induced by capital market fluctuations with an impact on the investment portfolio of insurers and their liquidity, the decrease in consumer purchasing power generated by the large-scale closure of certain sectors of activity, as well as the increase of cyber risks and business adaptation of all operational flows to the teleworking regime. At the same time, the supervision activities established in the annual supervision plan of the insurance-reinsurance companies were continued, as well as the activities intended for the development of new supervision instruments based on risk assessment.

In 2020, FSA continued the intensive activities of supervising the MTPL insurance sector, that holds the majority share of the non-life insurance market and registered an increase in the number of complaints, materialized by increasing the number and value of sanctions imposed, as well as by measures to remedy the deficiencies found. A special emphasis was given to the method of instrumentation and settlement of the MTPL claims files, as well as to the verification of the method of calculation and constitution of the technical reserves.

At the end of 2020, two of the insurance companies (Societatea de Asigurare Reasigurare City Insurance SA and Euroins România Asigurare Reasigurare SA) had a cumulative market share of approximately 75% on the MTPL market, in terms of gross written premiums, increasing compared to 2019. Both insurance companies have had a policy of accelerated expansion over the last five years which has, however, been accompanied by a significant increase in the number of complaints and non – compliance notices submitted to FSA regarding the insurance market. Also, for the guarantee insurance market, Societatea de Asigurare Reasigurare City Insurance SA had a market share of over 45%.

In this context, the result of the internal analyses performed by the Financial Supervisory Authority on the market characteristics highlighted significant vulnerabilities, risks and structural issues, which apply to MTPL insurance and guarantee insurance.

Given the significant size of the Romanian MTPL market and the fact that MTPL insurance is a mandatory product, purchased by millions of customers, ensuring the financial stability of the MTPL market is a sine qua non condition for the stability of the entire Romanian insurance market. As of December 31, 2020, 6.37 million individuals and legal entities had MTPL policies in force.

Therefore, taking into account the identified risks, the monitoring and inspection processes at the level of the two companies have been intensified, several complementary measures to the sanctions applied for breaching with prudential or conduct requirements (recovery plans, financing plans for restoring solvency/liquidity indicators) being established. Also, taking into account the significant position and the high systemic relevance from a sectoral point of view for the two insurance companies mentioned above, the Financial Supervisory Authority performed several simulations on how to manage the risk and protect the insured, in the event of insolvency of the companies with a high market share in the MTPL segment. Assuming the materialization of this risk, a negative impact on the industry, consumers, the insurances policies offer and the financial stability of the Policyholders Guarantee Fund was identified. Therefore, the capital infusion solution either from its own shareholders or by identifying potential buyers (future shareholders) by companies could be the most appropriate for restoring prudential indicators.

In the context of the COVID-19 pandemic, FSA closely monitored the health insurance market, analyzing the way in which insurance companies adapted their health insurance products to the sanitary crisis. The conclusion of the evaluation shows that most insurance companies approached the risk of a pandemic through various methods: waiving pandemic exclusions, covering the risks caused by COVID-19 or creating new products to cover emerging risks.

Also in 2020, FSA, in cooperation with EIOPA, started an exercise to assess the assets and liabilities of insurance companies in Romania (*Balance Sheet Review*).

The assessment is performed by 5 audit firms, with a high professional reputation and international experience and is coordinated by a committee that includes FSA and EIOPA representatives. The assessment will be translated into a detailed and updated overview of the risks and vulnerabilities in the insurance sector, including from the perspective of the potential risk of contagion on the financial sector and the real economy.

During 2020, the FSA representatives prepared, in collaboration with EIOPA, the framework for the effective development of the exercise, which was started at the beginning of 2021:

- Elaboration of technical documentation (Terms of reference, including eligibility criteria for auditors and consultant, methodological guidelines for conducting the evaluation, monitoring measures to be applied to insurance companies after the end of the year);
- Selection of eligible auditors for the evaluation of participating companies, based on the criteria of independence, expertise and experience established in the Terms of Reference;
- Allocation of auditors to participating companies. During this procedure, the FSA representatives provided guidance and clarification to the auditors, in order to ensure compliance with the provisions regarding the conflict of interests and qualifications.

In order to uniformly apply the evaluation methodology by the auditors involved in the BSR exercise, as well as to ensure a similar treatment of the participating companies, FSA started in August 2020 the procurement procedure for contracting the services of a Consultant. Following the cancellation of the tender procedure, due to the non-fulfillment of the requirements from the award documentation, the FSA representatives took over, together with the EIOPA representatives, the role and activities of the Consultant for the BSR exercise.

One of these activities is the aggregation of the results of the evaluations performed by the auditors in a final report that will provide clarity on the financial situation and solvency of the participating insurance companies and on their risks. Based on this report, the FSA will decide on the conditions and criteria based on which the results of the assessment exercise of assets and liabilities will lead to supervisory actions, including the capital adequacy of the insurance companies.

## Prudential supervision of insurance companies

The prudential supervision of insurance companies in Romania consists in verifying the level of their solvency, the manner of establishing technical reserves, eligible assets and own funds, as well as the way in which they comply with the requirements of the regulations in force, depending on the solvency regime under which it falls.

Also, FSA aims at the observance of the prudential indicators by the insurance-reinsurance companies, as well as the compliance with the applicable legal provisions regarding the content and the term of transmission of the reports by the insurers, participates in the meetings of the colleges set up to supervise the groups to which the insurance-reinsurance companies belong and monitors the way in which the companies remedy the deficiencies that led to the imposition of measures.

The FSA's objectives for the prudential supervision of insurance companies during 2020 have been subsumed under the Authority's strategic supervision objective, included in the 2020 Program of Activities, on improving and strengthening the supervisory function through a consistent process of adopting the best practices in the field. Moreover, in recent years, FSA has adopted a series of changes in its operation, aimed at leading to the improvement and efficiency of the activity and, implicitly, to better results of the supervision activity, respectively ensuring the supervision of authorized insurance companies, based on risk identification, prevention and management.

### Risk - based supervision of insurance companies

With the transition to the new solvency regime - Solvency II, FSA has implemented an internal process of insurance companies risk assessment and supervision measures appropriate to the risk profile of companies. Part of this implemented process is the classification system of companies, which provides for their grouping into 4 categories of supervision, taking into account the nature, risk profile and complexity of the activity. The classification system is based on a two-dimensional matrix that uses on the one hand the impact at the level of the insurance market, and on the other hand the individual risks presented by the company, assessed according to the value and evolution of prudential indicators.

This first assessment takes place on a regular basis, using the data reported by companies in the annual reports, and is reviewed on a quarterly basis if the data presented in the quarterly reports show a deterioration in the value of prudential indicators. In addition, depending on the data available from the supervision and control activity (results from the inspections performed at the companies' premises, the measures implemented, the quality of governance, etc.), the classification can be revised by classifying the respective companies in another class of supervision.

Depending on the results of the evaluation, the insurance-reinsurance companies are classified in 4 categories of supervision, as follows:

- CATEGORY 1- BASIC SUPERVISION;
- CATEGORY 2 - STANDARD SUPERVISION;
- CATEGORY 3 - INCREASED SUPERVISION;
- CATEGORY 4 - INTENSIVE SUPERVISION.

Based on the last assessment, the classification of companies in the 4 categories of supervision is as follows, at the end of 2020:

Category of supervision		Number of companies
Category 1	Basic supervision	4
Category 2	Standard supervision	13
Category 3	Increased supervision	6
Category 4	Intensive supervision	4

During the period 2018-2019, FSA continued to develop sectoral risk indicators and the risk dashboard for the insurance market and benefited from technical assistance from EIOPA, funded by European Commission on strengthening the insurance market supervision function. The results of the project were the development of a supervision manual adapted to the structure of the Romanian supervisory authority, based on the supervision manual developed by EIOPA for the convergence of the supervision practices at European level, and the extension of the risk dashboard to the already implemented framework.

Thus, in 2020, at the level of prudential supervision structures, the internal procedural instruments were developed, which are to be implemented during 2021, with the aim of establishing the *Supervisory Review Process* of the authorized insurance and/or reinsurance companies in Romania, provided in Part I of *Law no. 237/2015 on the authorization and supervision of the insurance and reinsurance activity*, defining the *Risk Assessment Framework*, depending on their risks and impact on the insurance market and clearly establishing the working method and the responsibilities of the structures involved in the supervision process, in compliance with the specific competencies and responsibilities.

The new risk assessment framework (RAF) is based on an extensive set of quantitative and qualitative indicators (142 indicators) based on which companies are classified into the 4 categories of supervision.

The risk assessment framework (RAF) is developed so as to cover the main risks that may affect the activity of insurance-reinsurance companies, risk analysis focusing on distinct modules corresponding to risks related to the company's strategy/business model, macroeconomic indicators, the governance of the company, the investment activity, the counterparties to which the companies are exposed, the underwriting activity, the management of claims and technical reserves, capital and solvency, conduct and other operational risks.

Depending on the category of supervision in which the companies are classified, supervision activities appropriate to the category of supervision and the risk profile of the companies are established and the annual supervision plan is drawn up. The supervision plan establishes the frequency and intensity of the supervision activities for each company, thus expressing its risk profile. The supervision plan must be proportionate to the nature, scope and complexity of the company, the planned supervision activities aiming at various evaluations regarding the methodologies applied by the companies for calculating technical reserves/capital requirements, implementing the own risk and solvency assessment process (ORSA), investment activity, quality of governance, etc.

#### Calculation of the MTPL reference tariff

During 2020, the activities carried out in 2019 were continued in order to ensure the calculation of the MTPL reference tariff. In accordance with Art. 18 of *Law no. 132/2017 on the compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents*, the reference tariff is calculated every six months by a company with recognized expertise in the field, contracted by the FSA, according to the formula provided in article 2 point 24 and is published by the FSA.

Thus, on December 20, 2019, a new subsequent actuarial services contract was concluded between FSA and Ernst & Young Assurance Services SRL, with the scope to calculate a reference tariff for MTPL insurance. The actuarial report on the calculation of the MTPL reference tariff prepared by Ernst & Young Assurance Services SRL based on the information related to the MTPL insurance policies was sent to FSA on March 24, 2020, and FSA published a summary of the information contained in this report.

Considering the legal provisions in force, FSA carried out in 2020 a public procurement procedure in order to purchase actuarial services regarding the calculation of the reference tariff for MTPL insurance. Following the completion of the public procurement procedure, the following contracts were concluded between FSA and the Association of KPMG Advisory SRL with KPMG Audit SRL (hereinafter referred to as KPMG), on November 3, 2020:

- framework agreement for actuarial services whose purpose is to establish the essential elements and conditions that will govern the subsequent contracts (maximum 6) of services to be awarded during the framework agreement, as well as to establish the contractual conditions that will complete the subsequent contracts adequately,
- 1 subsequent contract for the provision of actuarial services, the object of which is the provision by KPMG of actuarial services for the calculation of a reference tariff for MTPL insurance.

### Evaluation of internal models

Also, a special activity specific to the new supervisory regime was performed in connection with the internal models practiced by certain insurance companies, meaning that FSA assesses the applications of three insurance companies belonging to certain groups to modify the partial internal model used in the calculation of the capital requirements. The authority analyzed the completeness and compliance with legal requirements and informing the group supervisor about the identified deficiencies.

### General activities of insurance companies' prudential supervision

During 2020, FSA's activity in the field of insurance company supervision focused on the following activities:

- Monitoring the plans of measures or the recommendations resulting from the inspection actions for 13 insurance companies: some of the measures plans were fulfilled in 2020, the others will be carried out during 2021. Sanctions were imposed for one of the companies for non-compliance with the plan of measures;
- Monitoring prudential indicators: verification and analysis of quantitative and qualitative reports and correspondence with insurance companies in order to remedy the identified inconsistencies, as well as the transmission of recommendations for improving the quality of their content;
- Preparation of the risks and vulnerabilities profiles of the supervised companies and their periodic updating as well as the update of the company profile with the information presented in the reports submitted both in Solvency II and statutory regime;

- Analysis of the changes in governance systems, business strategies, risk profiles and investment strategies for certain insurance companies: for an insurance company, steps were taken to start the process of revaluation of the company's management structure;
- Analysis of the information within the quarterly MTPL reportings and elaboration of analysis reports on the evolution of MTPL underwriting (number of issued policies, average premium underwritten by vehicle categories and duration) and on the evolution of MTPL claims, respectively internal and external material claims (variation of claim reserve and average paid claim). Additional analyses were performed for the first two companies in the MTPL insurance segment;
- Carrying out a stress test on the own funds of some insurance companies, according to the annual supervision plan, exercise within which the impact of the scenarios made by the insurance companies from the ORSA reports was analyzed. Following these stress tests, all the companies that had this action in their supervision plan registered sufficient own funds to cover the capital requirement;
- As a result of the inspections performed at two insurance companies, revaluations/adjustments of technical reserves and other elements were performed, including their impact on own funds. In the situation where it was found that the solvency indicators fell below the minimum legal threshold, measures have been taken to restore them through a short-term financing plan to cover MCR and a recovery plan to cover SCR.
- In the case of one insurance company (Societatea de Asigurare Reasigurare City Insurance SA\*), the adjustments of the technical reserves and their impact on own funds were made at the beginning of 2021, once an inspection action was completed. Following the serious aspects found in the entire supervision process, FSA applied in 2021 several sanctions to the company, namely: withdrawal of management authorization, suspension of voting rights of the majority shareholder, request for a financing and recovery plan meant to restore the level of eligible own funds, as well as the designation of the Policyholders Guarantee Fund in order to temporarily replace the insurer's management body.
- Carrying out interviews with a proactive supervisory role with the persons with management functions and/or with the holders of key positions, according to the activities established by the supervision plan of the insurance companies. During these interviews, FSA debated the issues identified following the analyses carried out regarding the business strategy, risk strategy, investment strategy and risk profile and the activities coordinated by the key functions. In addition, concrete aspects related to the development of activities within the insurance companies were clarified.



**Overall, as a result of the supervision activities carried out in 2020, FSA ordered as follows:**

- sanctioning two insurance companies with a fine in the total amount of Lei 2,450,000;
- sanctioning one insurance company with a fine amounting to Lei 1,500,000 and sanctioning two persons from the management of the insurance company with fines in a total amount of Lei 350,000 and withdrawing the approval granted by FSA, as well as the transmission by the company and approval of a recovery plan for SCR coverage and a short-term financing plan for MCR coverage;
- approving the short-term financing plan for restoring own funds eligible to cover MCR for one of the insurance companies;
- withdrawal of the operation authorization of the company CERTASIG SAR, ascertaining the state of insolvency and promoting the application regarding the opening of the bankruptcy procedure.

## **Conduct supervision of insurance companies**

### **Monitoring the civil liability insurance**

FSA carried out permanent monitoring activities in order to verify the compliance of insurance companies with the legal provisions applicable to motor third party liability insurance - MTPL, in the context of reporting a large number of complaints having as subject the processes of instrumentation and liquidation of MTPL claims. Thus, in the case of two insurance companies, which registered a significant number of deficiencies, these actions were completed by ordering sanctions and remedial measures. For the other insurance companies that were subject to permanent control actions and that registered insignificant deficiencies, FSA requested the analysis and remediation of the issues identified in the process of instrumentation and liquidation of MTPL claims.

### **Monitoring other insurance products**

#### **Health insurance**

In order to determine the extent to which insurance companies have adapted their health insurance products in the context of the COVID-19 pandemic, FSA conducted an analysis of these products at the market level.

The conclusion of the analysis revealed that most insurance companies addressed the risk of pandemic, either by waiving the application of exclusions in case of epidemic/pandemic, or by exceptionally including in coverage the risks caused by COVID-19, or by creating new insurance products to cover these risks. It is also worth mentioning that some insurance companies have launched telehealth services, so that the insured can receive medical help without having to travel to the medical offices.

In the context of the COVID-19 pandemic, the FSA sent recommendations to insurance companies to reduce the impact on consumers.

#### **International travel insurance**

FSA analyzed the insurance conditions for these types of products, in the context of identifying the imposition by most insurance companies of an age limit as an eligibility criterion for concluding travel insurance policies. The analysis was carried out from the perspective of compliance with the insurance and reinsurance legislation, respectively the insurance distribution legislation, especially regarding the information flow carried out between the insurance companies and the potential clients.

FSA found that there were insurance companies that would have agreed to take out travel insurance policies for people over the age limit set in the standard insurance conditions, but under certain conditions, in addition to the standard sale. These options have not been identified on the websites of the insurance companies in order for the potential client to be fully informed.

FSA issued recommendations to the insurance companies authorized to practice this type of insurance, in order to remedy the identified issues.

#### **Contractual guarantee insurance**

FSA has launched a thematic analysis on contractual guarantee insurance products at the level of the entire insurance market in Romania, which aims to identify risks and vulnerabilities in the internal processes of underwriting and instrumentation of the claims, to be completed during 2021. FSA continued the process of monitoring insurance products launched on the market and/or significantly modified by the insurance companies.

## The inspection activity on the insurance companies

The inspection of insurance companies involved carrying out annual periodic inspection actions, according to the integrated annual inspection plan approved by FSA, as well as carrying out ad hoc inspections resulting from risks identified during the year from the offsite prudential and conduct supervision.

In view of the special situation generated by the COVID-19 pandemic, the specific measures necessary to carry out the inspection activities set out in the annual plan have been taken, limiting to a minimum the periods of inspections at company premises and the organization of meetings with physical presence, using mainly the means of remote communication.

From the perspective of conduct rules, following the identification of potential incorrect practices in relation to the clients of an insurance company in the process of investigating MTPL claims, both from media sources and as a result of notifications received by FSA, an ad hoc inspection was performed at one of the insurance companies. The inspection was initiated at the end of 2019, having as purposes the verification of compliance with the legal provisions on handling and liquidation of MTPL claims and the evaluation of the company's internal processes and procedures from the perspective of compliance with the rights and interests of consumers and was finalized in January 2020 with the sanctioning of the company with a fine of Lei 100,000 and with the ordering of a plan of measures.

From a prudential perspective, during 2020, 15 inspection actions were conducted at the insurance-reinsurance companies, out of which 14 periodic controls and 1 ad hoc control.

The periodic control actions planned for 2020 targeted insurance companies that practice MTPL insurance. The main objective of the inspection theme consisted in verifying the instrumentation and settlement of MTPL claims files. For the companies from the top 4 MTPL, the inspection theme also included the secondary objective of verifying the internal control mechanisms established at the level of IT applications through which the process of management and instrumentation of MTPL claim files is performed. For two insurance companies, the inspection theme also included the verification of the technical reserves set up for the insurance activity in order to draw up the annual financial statements.

The main aspects found in the inspection actions capitalized in 2020, including inspections initiated in 2019 and completed in 2020, were the following:

- deficiencies and/or lack of internal control mechanisms within the governance system established at the level of companies;
- procedural deficiencies and/or faulty application of internal procedures;
- failure to identify potential conflicts of interest;
- improper valuation of assets and liabilities, including incorrect calculation of the best estimate of the reserve of premiums and damages and of recoverable amounts from reinsurance contained in the Solvency II balance sheet;
- insufficiency of eligible funds to cover the minimum capital requirement;
- deficiencies in the way of establishing the technical reserves calculated for the purpose of preparing the financial statements;
- deficiencies regarding the application of the provisions of *Law no. 132/2017 on the compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents*.

In order to remedy the deficiencies found, FSA ordered measures in charge of the insurance companies and made recommendations with a proactive role in order to improve the way of carrying out some activities/processes performed by them.

### At the level of the entire year 2020, as a result of the periodic and ad hoc inspection actions at the insurance-reinsurance companies, FSA ordered the following sanctions:

- withdrawal of the operating license, finding of insolvency and bankruptcy - 1 company (Asimed SA);
- fines applied to insurance companies in the total amount of Lei 1,345,000 - 6 companies;
- fines applied to the persons in the companies management Lei 150,000 - 4 persons
- written warnings applied to insurance companies - 6 companies;
- written warnings applied to the persons in charge/persons holding key positions - 5 persons;
- Prohibition of the right to hold positions that require the approval of FSA - 1 person.

### Intensification of the supervision activity for two insurance companies holding the largest market shares in insurance

The insurance companies with the largest number of complaints and non-compliance information uniquely analyzed in 2020 were Euroins Romania Asigurare Reasigurare SA (19,027) and SAR City Insurance SA (12,766), the insurers with the largest market shares in the MTPL insurance segment in Romania.

In the case of both insurance companies there is a significant increase in the number of complains and non-compliance information compared to 2019. Regarding Euroins Romania Asigurare Reasigurare SA, the number of complains in 2020 was 58% higher than the previous year, while the number of complains and non-compliance information against SAR City Insurance SA increased by 177% in the analyzed period, from 4,607 in 2019 to 12,766 in 2020.

Following the inspection actions performed at SAR City Insurance SA, one of the identified deficiencies was the late payment of the compensations related to the MTPL claims files. It was also found that the company did not provide offers of justified compensation within the proper legal term and did not draw up additional processes of finding within the appropriate legal term. As a result of the ascertained aspects, FSA decided to sanction the Insurance Company SAR City Insurance SA, according to the legal provisions, with a fine in the amount of Lei 500,000.

As the requested information was not provided to the FSA and the executive and collective management of the company did not ensure that the requested information was available within the prescribed period, FSA was thus prevented, without right, from the exercise of the powers conferred by law. Therefore, FSA decided to sanction the members of the Management Board and of the Supervisory Board of the Insurance Company Reinsurance City Insurance SA with fines in the total amount of Lei 3.78 million. The notification and sanctioning were made in 2021. Also in 2021, the company was sanctioned with: withdrawal of the approval granted to the management together with the application of fines totaling Lei 10.93 million (applied to the management and the company), suspension the voting rights of the majority shareholder, and the designation of the Policyholders Guarantee Fund as administrator for a determined period. The company will have to submit a financing and recovery plan for the restoration of eligible own funds to cover the capital requirement.

In January 2020, the ad hoc inspection of Euroins România Asigurare Reasigurare SA (initiated in December 2019) was completed, by sanctioning the company with a fine of Lei 100,000, for non-compliance with the legal provisions stipulated in *Law no. 132/2017* and with the *FSA Rule no. 20/2017* regarding: registration of the claim request filled in the claim file, the answer regarding the claim request and the formulation of the offer, the lack in the Finding Report of the mention that the prejudiced person has the right to address any car repair unit, without any restrictions or constraints on the part of the MTPL insurer, and the use of reference sources not provided for in the insurance legislation.

During July-September 2020, another ad hoc inspection took place at the company Euroins Romania Asigurare Reasigurare SA. As a result, a series of deficiencies were found regarding the calculation of technical provisions as of March 31, 2020, as well as the erroneous registration of certain operations for the recognition of reinsurance commissions. In consequence, FSA decided to sanction the company, according to the legal provisions, with a fine of Lei 600,000.

At the same time, following the supervision activity performed on the elements included in the reports submitted by the company for June 30, 2020, a series of deficiencies were found regarding the calculation of technical reserves, in accordance with the requirements of Solvency II framework (*Law No. 237/2015*), as well as on the method of determining and reporting the basic own funds items covering the solvency capital requirement and the minimum capital requirement. Thus, FSA applied the following measures sanction of the company with a fine in the amount of Lei 1.5 million, sanction of the General Manager and the Executive Director with a fine in the amount of Lei 100,000 each and withdrawal of the approvals granted by FSA. In addition, the company was required to submit to FSA a financing and recovery plan in order to restore solvency indicators, in accordance with the provisions of the law. The company also had to review the MTPL premium rates within 90 days from the date of communication of the decision.

Following the inspection actions performed at the company Euroins Romania Asigurare Reasigurare SA, one of the identified deficiencies was the late payment of the compensations related to the MTPL claims files. At the same time, it was found that the company did not make written notifications regarding the reasons for which it did not fully/partially approve the claims within the period provided by law and did not communicate the maximum amount of compensation within the period provided by law.

As a result of the aspects found, FSA decided to sanction the company Euroins Romania Asigurare Reasigurare SA, according to the legal provisions, with a fine in the amount of Lei 450,000.

Following the periodic inspection at Euroins România Asigurare Reasigurare SA, FSA decided to sanction the company with a fine in the amount of Lei 500,000 for not sending compensation offers or notifications regarding the reasons for which the compensation claims were not approved, as well as for delayed payment in certain claims files.

## Supervision of insurance intermediaries

FSA ensures the monitoring, continuous supervision and inspection of the insurance and/or reinsurance distribution activity, in order to comply with the rights of the insurance products customers and to apply their correct treatment.

At the end of 2020, FSA had 286 brokerage companies registered in the Public Register, of which:

- 1 company had the activity temporarily prohibited,
- 6 companies had their activity suspended upon request.

The inspection activity of the brokerage companies was reanalyzed as a result of the COVID-19 pandemic at the appropriate restrictions imposed by the authorities. Thus, in May, the annual inspection plan was reviewed, periodic inspection actions being planned at four brokerage companies. Also, at the request of professional organizations, the deadlines for submitting periodic reports were postponed.

### The inspection activity of brokerage companies

In 2020, 6 inspection actions were performed at brokerage companies, out of which 4 periodic controls and 2 ad hoc inspection actions. Due to the imposed traffic restrictions, as well as to the measures intended to prevent and limit the effects of the pandemic, 3 of the inspection actions were carried out remotely, which led to an increase in their duration.

In 2020, no sanctions were applied from the inspection activity.

### Monitoring/supervision activity of brokerage companies

The monitoring activity aims to provide a real-time picture of the evolution of the distribution activity through brokerage companies, regarding the market trends, which may be the premises for subsequent inspection activities and legislative changes. This activity is based in particular on the analysis and evaluation of the information contained in the reports, periodic and annual information and other documents submitted to the FSA.

The main deficiencies found in the supervision of brokerage companies were:

- lack of professional training of executives;
- changes in the conditions under which the operation authorization was granted, without the necessary approvals/authorizations issued by the FSA;
- non-compliance with the decisions issued by the FSA;
- non-compliance with the legal provisions regarding the transmission of reports to the FSA;
- failure to ensure continuity of management and administration.

### Following the process of supervising insurance intermediaries, the following sanctions were applied:

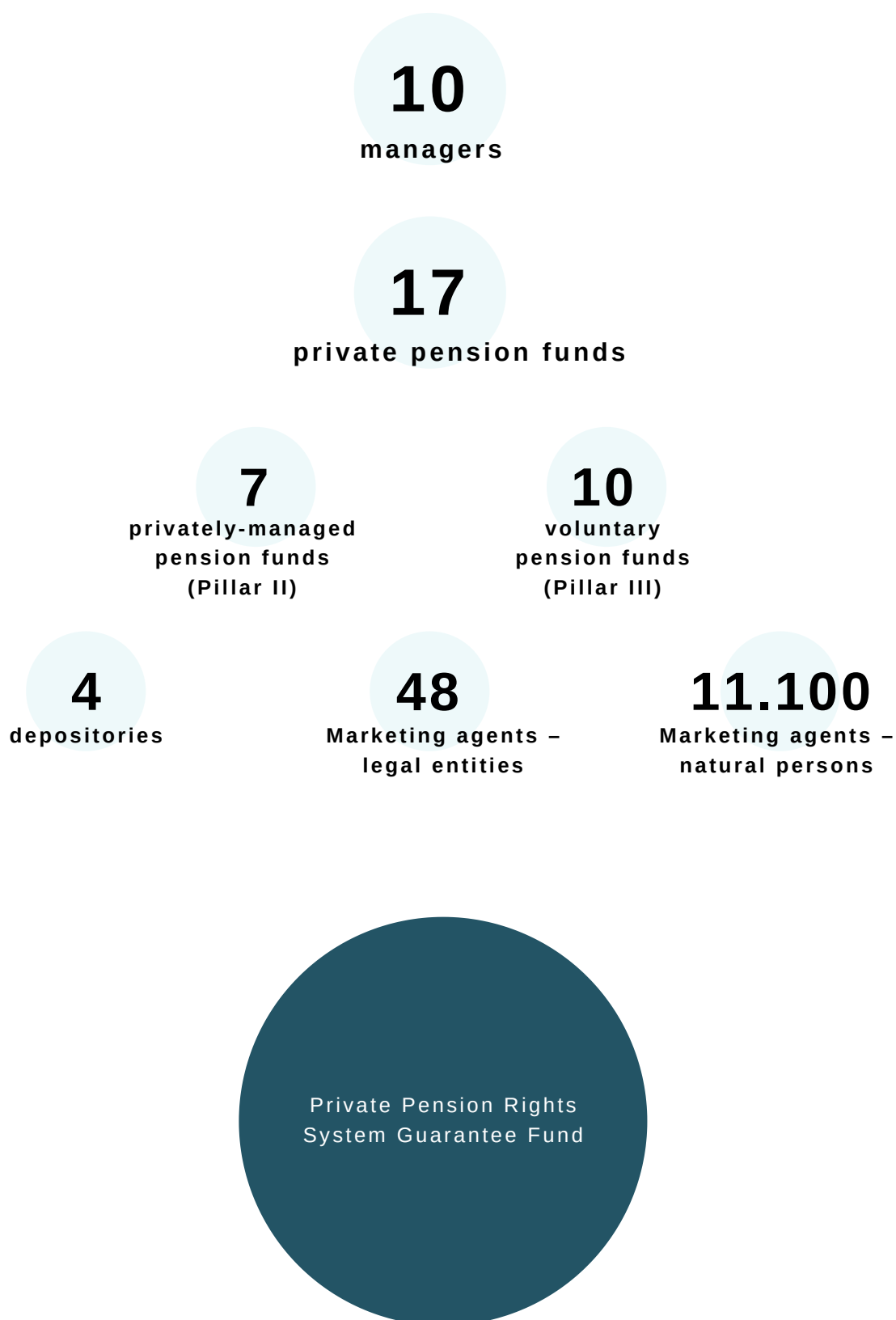
- fine - 11 brokerage companies in a total amount of Lei 68,000;
- written warning - 12 brokerage companies;
- withdrawal of the operating license - 10 brokerage companies.

At the same time, from the monitoring/supervision activity of the brokerage companies, the following were approved, upon request:

- suspension of activity for a brokerage company;
- withdrawal of the operating license for a brokerage company;
- withdrawal of the operating license for a supplier of professional training courses.



## Entities in the private pension system sector supervised by the FSA



## Supervision of the private pension system sector

The volatility of the capital markets in the spring of 2020 in the context of the COVID-19 pandemic with direct implications on the value of the portfolios of private pension funds have led FSA to monitor more closely the activity of private pension managers. Thus, FSA requested private pension managers to analyze and update internal procedures, such as: detailed analysis of the effects of containment measures imposed by the COVID-19 pandemic on workflows, updating business plans and reviewing and adapting all investment and risk procedures, so as to ensure the ability to react to economic shocks prudently and in a timely manner. At the same time, in 2020, the risk-based supervision of the private pensions sector continued, by establishing a Marginal Risk Assessment Methodology. In order to identify the risks to which the private pension system is exposed, FSA carried out risks and vulnerabilities analyses, focusing on the evolution of the degree of concentration, the profitability of private pension funds, liquidity risk, interest rate risk, the currency risk and on the evolution of the unitary NAV volatility.

### Private pension market supervision

The development of risk-based supervision mechanisms was materialized by updating the analysis of risks and vulnerabilities of the private pension system, materialized in the creation of a Marginal Risk Assessment Methodology that includes risk classes related to the private pension system and their management, in order to consolidate system robustness. Marginal risks are divided into the following risk classes: valuation risk, market risk, default risk, mismatch risk, managerial operational risk and regulatory risk.

The main activities carried out by FSA in the field of private pension system supervision in 2020, aimed at fulfilling the objectives regarding:

- verification of the fulfillment by the reporting entities of the transparency obligations;
- identifying, monitoring, evaluating and reducing the main risks to which the private pension system is exposed;
- supervising/monitoring the changes of documents, information and data with impact on the functioning of the managers and the managed funds.

FSA verified the fulfillment by the supervised entities (managers of private pension funds that submit reports both in their own name and for managed pension funds, depositories of private pension funds and FGDSPP (Private Pension Rights System Guarantee Fund) of the reporting and transparency obligations as it comes out from the appropriate legal provisions. This activity involves following the timely submission of reports by the supervised entities and verifying the information reported in order to ensure compliance with the legal provisions in force.

In order to identify the main risks to which the private pension system is exposed, analyses were developed on the risks and vulnerabilities of the private pension system in Romania, with emphasis on the evolution of the degree of concentration, the profitability of private pension funds, liquidity risk, interest rate risk, currency risk and the evolution of unitary NAV volatility.

FSA also assessed the new working procedures or the modifications brought to the current procedures of the managers and depositories in order to comply with the legal provisions in force and to observe the correctness of the information.

During the monitoring process of the private pensions market, reports, studies, analyses and forecasts on the evolution of private pensions were elaborated, the impact of legislative changes on the private pension system was analyzed (for example: contributions to privately managed pension funds, fiscal amendments, etc.) and notifications and proposals to amend and improve private pension legislation have been submitted. There was also a permanent correspondence with the regulated entities regarding the information communicated by them, providing, where appropriate, guidance on the application of legislative requirements.

At the same time, FSA ensured the analysis, management and provision of statistical data both for publication on the institution's website and for the notification of relevant information to other national and international institutions. The authority got also involved in the international activity by participating in working groups organized by The European Insurance and Occupational Pensions Authority (EIOPA) and the International Organization of Supervisors of Private Pension Systems (IOPS).

Moreover, the implementation of operations to streamline the processing of data reported by supervised entities is underway, having as purpose to release reports, early warnings and verifications (both in terms of format and material).

Considering the effects produced by the pandemic on the current activities of the managers and on the volatility of the private pension funds portfolios, FSA requested from the managers, analyses and updates of the internal procedures, respectively:

- detailed analysis of the effects on workflows, procedures and activity in general, so as to avoid future negative consequences by ensuring the correct, ethical and transparent use of data by establishing governance frameworks appropriate to the nature, size and dimension of the activity;
- updating business continuity plans taking into account the facts and circumstances specific to the activity of private pension funds management, as well as the risks and opportunities generated by new technologies and new business models;
- reviewing and adapting all investment and risk procedures so as to ensure the ability to react prudently and in a timely manner in order to deal with economic difficulties and thus with the volatility induced in managed portfolios with the inclusion of at least the following elements: implementation of an early warning system, the introduction of pre-established thresholds for drops at which the manager will take active measures to limit losses, the calculation and monitoring of the VaR (Value-at-Risk) indicator;
- periodically performing analyses on the depreciation of the assets value (stress tests) and their ability to recover them in the future;
- implementation of specific procedures regarding the substantiation of the voting method within the general shareholders meetings of the issuers in the portfolio, including the mandatory introduction of the voting exercise and implicitly the review of the procedures regarding the investment, risk activity and those related to the substantiation of the voting method.

## Inspection activity on the private pension entities

The periodic inspection actions performed annually by the Financial Supervisory Authority according to the provisions of the *Government Emergency Ordinance no. 50/2005*, have as objective the verification and evaluation of the activities carried out by the entities from the private pension system, taking into account the nature, cause, impact, mode of remedying and/or diminishing the related risks, in order to:

- prevent, identify and order remedial measures so as to protect the interests of participants and/or of their beneficiaries;
- ensure an efficient functioning of the private pension system in Romania;
- contribute to the consolidation and stability of the financial system as a whole.

Considering the main objectives, the inspection activity carried out is an activity developed on two components, compliance and risk, through which:

- deviations from the legislation in force are identified. However, the inspection activity carried out is not limited to a compliance verification activity, carried out strictly in order to identify the deficiencies, having in fact both a prevention and remedy component for the identified non-compliance situations;
- the processes that may constitute risk factors are identified and recommendations for the improvement of workflows and procedures are formulated in order to reduce risks;
- the aim is to ensure the stability of the private pension system in Romania and its efficient functioning, as well as to maintain a low risk on the market of private pension funds.

During 2020, regular inspection actions were planned for all private pension funds managers, 3 depositories of the assets of private pension funds and the Private Pension Rights System Guarantee Fund.

Raiffeisen Bank SA was approved for carrying out the activities of depository and custody of the assets of the privately managed pension funds through the *FSA Notice no. 213/Oct 9, 2020*, the company starting to carry out specific activities from February 12, 2021.

In 2020, 14 inspection actions were carried out, targeting the activity carried out by 31 entities involved in the private pension system, respectively:

- 5 companies for the management of private pension funds (having in administration 5 privately managed pension funds and 6 voluntary pension funds);
- 2 privately managed pension fund management companies (having 2 privately managed pension funds in administration);
- 3 companies for the management of voluntary pension funds (managing 4 voluntary pension funds);
- 3 depositories of the assets of private pension funds;
- Private Pension Rights System Guarantee Fund.

The inspection activity carried out involved a dynamic process, oriented towards the implementation and application of best practices, being continuously adapted to the volume and activities carried out by the players involved in the private pension system, in order to:

- identify the potential risks to which the entities are exposed and propose measures to improve the activity carried out, in order to reduce these risks and prevent non-compliance;
- identify possible deviations from the legislation in force and request their remediation;
- reasonably ensure that the overall activity of the managers of private pension funds and their depositories is carried out properly.

Although the inspection activity carried out in 2020 was adapted to the conditions and needs imposed by the sanitary crisis, the inspection plan approved for 2020 was fully implemented, all periodic inspection actions taking place according to the planning and being finalized (including by issuing and communicating the related Decisions) by February 16, 2021.

Area of activity	Identified risks	Factors contributing to the occurrence of risks
<ul style="list-style-type: none"> <li>• Corporate governance</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance risks</li> <li>• Operational risks</li> <li>• Reputational risks</li> </ul>	<ul style="list-style-type: none"> <li>• Human error, which occurred mainly as a result of the increase in the number of operations, corroborated with the manual performance of many of these</li> <li>• Insufficient development of information systems</li> <li>• Staff fluctuation</li> </ul>

In addition to the annual control plan, two ad hoc inspection actions were carried out during the second semester of 2020.

In 2020, the inspection actions had an active role in remedying the observed deficiencies, most of the issues identified being thus remedied during or as a result of the inspection.

For deficiencies that could not be remedied during the inspection action:

- remedial measures were established, with punctual or permanent implementation deadlines, through issuing Decisions;
- the managers of private pension funds have undertaken the necessary measures in order to correct them, establishing firm deadlines for the implementation of these measures.

Regarding the actuary activity in the field of private pensions, FSA has as main objective the protection of the rights and interests of the participants and of the beneficiaries and the assurance of a 'level playing field' in the private pension market.

The achievement of the main objective is based on the fulfillment of the following specific objectives:

- Development of risk-based supervision mechanisms materialized through the analysis of marginal risks of the private pension system;
- Solvency risk management of the private pension system by: analyzing the actuarial reports of the managers of the private pension funds, calculating and verifying the technical provisions necessary to compensate the risks, as well as elaborating the actuarial valuation reports.

#### Sanctions applied following regular inspections carried out in 2020

Following the inspection actions carried out in 2020 (periodic and ad hoc), the following sanctions and administrative measures were applied:

- 9 sanctions with written warning, of which: 4 sanctions with written warning were applied to the managers of private pension funds; 4 sanctions with written warning were applied to the natural persons exercising the function of General Manager; 1 sanction with written warning was applied to a natural person exercising the position of Investment Manager;
- 3 sanctions with a contravention fine, in a total amount of Lei 7,500, applied to the natural persons exercising the function of General Manager;
- 5 action plans.





2020

# Regulation of non-bank financial markets



# 2020

Integrated regulatory activity

Regulatory activity in the financial instruments and investments  
sector

Regulatory activity in the insurance-reinsurance sector

Regulatory activity in the private pension system sector

## Integrated regulatory activity

The integrated regulatory activity aims at harmonizing and consolidating in single normative acts the provisions applicable to certain activities, operations or processes common to the entities within the three supervised markets. The integrated regulatory framework ensures cross-sectoral convergence, harmonization of rules and implementation of the best practices existing across the three sectors of financial supervision.

The development and update of the legislative framework necessary to ensure convergence and the best practices, both at the level of the three financial sectors supervised by FSA and at the level of regulated entities, are carried out in full accordance with the actions, guidelines and recommendations undertaken by the Joint Committee of the three European supervisory authorities (ESMA, EIOPA and EBA).

### The most important normative acts issued at integrated level in 2020 are the following:

- **FSA Regulation no. 2/2020** for the amendment of the Regulation of the Financial Supervisory Authority no. 16/2014 on the revenues of the Financial Supervisory Authority published in the Official Gazette, Part I no. 72 of January 31, 2020;
- **FSA Regulation no. 3/2020** for the regulation of some measures regarding the application of the provisions of the FSA Regulation no. 16/2014 on FSA revenues during the state of emergency generated by the spread of Covid-19 published in the Official Gazette, Part I no. 256 of March 27, 2020;
- **FSA Regulation no. 6/2020** for the amendment and completion of the FSA Regulation no. 11/2016 regarding the periodic and ad hoc inspection activity carried out by FSA published in the Official Gazette, Part I no. 309 of April 13, 2020;
- **FSA Regulation no. 10/2020** on amending and supplementing some regulatory documents of the Financial Supervisory Authority for the implementation of Law no. 1/2020 on occupational pensions published in the Official Gazette, Part I no. 507 of June 15, 2020;
- **FSA Regulation no. 11/2020** for the amendment and completion of the Regulation of the Financial Supervisory Authority no. 16/2014 on the revenues of the Financial Supervisory Authority published in the Official Gazette, Part I no. 535 of June 23, 2020;
- **FSA Regulation no. 17/2020** for the amendment and completion of the FSA Regulation no. 11/2016 on the periodic and ad hoc inspection activity carried out by FSA published in the Official Gazette, Part I no. 727 of August 12, 2020;
- **FSA Regulation no. 25/2020** on the supervision of the implementation of international sanctions by the Financial Supervisory Authority and the regulated entities published in the Official Gazette, Part I no. 1169 of December 3, 2020;
- **FSA Regulation no. 27/2020** for the amendment and completion of the Financial Supervisory Authority Regulation no. 16/2014 on the revenues of the Financial Supervisory Authority published in the Official Gazette, Part I no. 1288 of December 24, 2020;
- **FSA Regulation no. 29/2020** for the amendment and completion of the FSA Regulation no. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorism financing within the financial sectors supervised by the Financial Supervisory Authority published in the Official Gazette, Part I no. 38 of January 13, 2021;
- **FSA Rule no. 43/2020** for the amendment and completion of the Financial Supervisory Authority Rule no. 33/2017 on the organization of the archive activity at the entities authorized/endorsed, regulated and supervised by the Financial Supervisory Authority published in the Official Gazette, Part I no. 1251 of December 17, 2020;
- **FSA Instruction no. 1/2020** on the submission of reports and other documents to the Financial Supervisory Authority during the application of exceptional measures generated by the COVID-19 crisis;
- **FSA Instruction no. 3/2020** on submitting reports and other documents in electronic format to the FSA - the consolidated version with subsequent amendments and supplements;
- **FSA Instruction no. 4/2020** regarding the extension of the deadline provided in art. 5 para. (2) of the FSA Instruction no. 3/2020 on sending reports and other documents in electronic format to the Financial Supervisory Authority;
- **FSA Instruction no. 6/2020** for the extension of the deadline provided in art. 5 para. (2) of the FSA Instruction no. 3/2020 on the transmission of reports and other documents in electronic format to the Financial Supervisory Authority.



## Regulatory activity in the financial instruments and investments sector

In 2020, the regulatory activity related to the capital market focused on the continuation of the process of modernization and improvement of the legislative framework in this field by revising the primary and secondary legislation.

In this approach, the main directions pursued in the regulatory activity in the field of capital market took into account the fulfillment of the following objectives:

- harmonization of specific national legislation with recent developments in European legislation in the field of investment services and activities and collective investment undertakings;
- continuing the efforts to support the process of consolidating the capital market infrastructure;
- reconfiguration of the applicable legal framework regarding issuers and shareholders' rights in order to transpose and/or adopt measures for the application of EU legislation.

### TECHNICAL OPINIONS ON PRIMARY LEGISLATION

**Law no. 158/2020**  
published in the Official  
Gazette of Romania,  
Part I, no. 673 of July  
29, 2020

The law mainly aims at aligning the legislation on issuers and market operations to the requirements of several European normative acts (*DIRECTIVE (EU) 2017/828 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 17 May 2017 amending Directive 2007/36/EC as regards encouraging the long-term shareholders involvement , 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 and 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 standardized securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU, as well as Regulations (EC) No. 1060/2009 and (EU) no. 648/2012*), as well as at drawing up some amendments and/or completions of this legislation in order to capture the dynamics and the recent evolutions of the capital market, respectively to allow the proper development of some activities or operations in the field of FSA supervision. Thus, the law mainly considers the amendment of *Law no. 24/2017 on issuers of financial instruments and market operations*, but also amends a number of nine other regulatory documents under the area of competence of the FSA, including in the context of the need to align with the requirements of European regulatory documents (*REGULATION (EU) 2019/2088 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on sustainability-related disclosures in the financial services sector , REGULATION (EU) 2019/2089 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 amending Regulation (EU) 2016/1011 as regards EU Climate Transition Benchmarks, EU Paris-aligned Benchmarks and sustainability-related disclosures for benchmarks*).

*Draft Law amending  
and supplementing  
Law no. 126/2018 on  
the financial  
instruments markets*

The legislative act ensures the transposition at national level of the provisions of: (i) *Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing*; (ii) *Directive (EU) 2020/1504 of the European Parliament and of the Council of 7 October 2020 amending Directive 2014/65/EU on markets in financial instruments*. At the same time, the draft law introduces amendments to *Law no. 126/2018 on the financial instruments markets*, with subsequent amendments and supplements, other than those required for the transposition of the aforementioned European directives, in order to settle some issues identified in the current monitoring and supervision of financial investment services companies.

*Draft Law amending and supplementing the Government Emergency Ordinance no. 32/2012 regarding the collective investment undertakings in securities and investment management companies, as well as for the amendment and completion of Law no. 297/2004 on the capital markets, for the amendment and completion of Law no. 74/2015 on the managers of alternative investment funds, as well as for the amendment and completion of Law no. 24/2017 on the issuers of financial instruments and market operations*

The elaboration of the draft law envisages the transposition of the provisions of *Directive (EU) 2019/1160 of the European Parliament and of the Council amending Directives 2009/65/EC and 2011/61/EU with regard to cross-border distribution of collective investment undertakings*. The main amendments and completions of *GEO no. 32/2012* and of *Law no. 74/2015*, introduced by this draft law aim at: (i) completing/updating the existing provisions within the two amended regulatory documents on the notification procedure of the competent authorities regarding the changes in the CIU documentation; (ii) the obligations of IMC/AIFM (in the latter only in the case of distribution to retail investors) to provide investors with mechanisms/structures to ensure the processing of unit funds subscription and redemption request, making payments, providing information and making the relevant documents available and functioning as a contact point in the communication with the competent authority, without the need for the physical presence of the IMC/AIFM or a third party in the territory of the host Member State where they distribute their units fund in order to comply with the respective obligations; (iii) the possibility of withdrawing the notification regarding the cross-border distribution of fund units, when the conditions provided by law are met; (iv) the possibility for AIFM to test investors' interest in a particular EU investment idea or strategy. This concept introduced by the CBDF (*Cross-border distribution of funds*) package has been called "pre-marketing", thus establishing a harmonized definition of it, including, as the case may be, certain classes of shares/fund units by the IMC /AIFM which have notified the distribution in certain Member States under the conditions under which an EU AIFM may carry out this activity. The draft law also envisages the introduction at the level of primary legislation, namely by *Law no. 24/2017*, of some provisions of *Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies, as subsequently amended and supplemented*, as well as provisions in view of the clarification of the way in which the position of "abstention" adopted in the conduct of voting operations regarding the items on the agenda of a general meeting of shareholders is to be framed in the application of the law.

*Proposals for revision of GEO no. 99/2006 on credit institutions and capital adequacy, with subsequent amendments and supplements*

In the context of the need to transpose *Directive (EU) 2019/878 amending Directive 2013/36/EU* as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures, one of the measures is the revision of the *Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy*.

*Draft Law on the prudential supervision of investment firms for the transposition of Directive (EU) 2019/2034 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU*

This process involved analyzing the provisions of the directive, taking into account the national options provided and assessing the opportunity to exercise them. At the same time, taking into account the amendments of *Directive 2013/36/EU*, *Directive 2014/59/EU* and *Directive 2002/87/EC* provided by the Directive, proposals were made in order to collaborate with the National Bank of Romania, as the competent authority for the supervision of credit institutions.

*Draft Law establishing measures for the implementation of Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European crowdfunding service providers for business and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937*

*Regulation (EU) 2020/1503* was published in the Official Gazette of the EU (L347/20.10.2020) on 20 October 2020 and became effective on the twentieth day following the publication (ie November 10, 2020), being to be applied directly in all Member States from November 10, 2021. It lays down uniform requirements for the provision of crowdfunding services at EU level, establishing rules on the organization, authorization and supervision of crowdfunding services providers, the operation of crowdfunding platforms, as well as on transparency and advertising in connection with the provision of crowdfunding services in the Union.

The European Regulation also sets out a number of obligations for Member States with regard to the designation of the competent authority at national level as well as with regard to the imposition of a sanctioning regime for non-compliance with the provisions of the Regulation. The competent national authorities designated by each Member State in accordance with Art. 29 of *Regulation (EU) 2020/1503 on crowdfunding services* will be responsible for granting authorization to crowdfunding services providers established in that Member State and for overseeing their activity.

In view of the obligations imposed on Member States by the European Regulation, the FSA has drafted a Law establishing measures to implement *Regulation (EU) 2020/1503*.

## REGULATIONS

**FSA Regulation no. 1/2020**, published in the Official Gazette of Romania, Part I, no. 63 from January 30, 2020

*FSA Regulation no. 1/2020 for the amendment and completion of the Regulation of the Financial Supervisory Authority no. 5/2018 on issuers of financial instruments and market operations* took into account the introduction at the level of secondary regulations of express references to the *Delegated Regulation (EU) 2018/815 of the Commission of 17 December 2018 supplementing Directive 2004/109/EC of the Parliament*, as well as the performance of some modifications in order to comply with the provisions of the Civil Decision no. 3734/July 3, 2019 pronounced by the High Court of Cassation and Justice in Case no. 521/64/2014\* by which the annulment of some provisions regarding the application of the cumulative voting method was ordered. Also, the regulation considered the introduction of express clarifications regarding the procedure for blocking the shares in case of withdrawal of the shareholders from the company, according to the legal provisions.

**FSA Regulation no. 5/2020**, published in the Official Gazette of Romania, Part I, no. 305 of April 10, 2020

*FSA Regulation no. 5/2020 for the adoption of measures regarding the conduct of general shareholders meetings during the state of emergency generated by COVID-19* considered the introduction of provisions to ensure the proper conduct of general shareholders meetings s, in the context of establishing the state of emergency generated by COVID-19. Issuance of *FSA Regulation no. 5/2020* was determined by the urgency nature of the measures to be adopted and, above all, by the imminence holding by the issuers of the annual ordinary general shareholders meetings for the approval of the financial statements on the agenda, as well as the eventuality of other general shareholders meetings that cannot be delayed.

**FSA Regulation no. 7/2020** on the authorization and operation of alternative investment funds, published in the Official Gazette of Romania, Part I, no. 335 of April 24, 2020

The Regulation mainly deals with the following aspects: detailing the rules established in the primary legislation regarding the organization and functioning of the AIF (under the conditions of repealing the provisions of the *NSC Regulation no. 15/2004*); updating the provisions regarding the documentation submitted within the AIF authorization process; protection of retail investors by detailing the new prudential rules regarding the investments allowed to the AIF categories destined for them and specified in *Law no. 243/2019*; the calculation of the net assets and of the issue/redemption prices of the AIF; AIF-specific valuation rules for retail and professional investors; the obligations of transparency, information and reporting on the administration and storage of AIF assets; merger, division, transformation and liquidation of the AIF; establishing the form and the minimum content of the incorporation documents of the AIF.

<p><b>FSA Regulation no. 8/2020</b>, published in the Official Gazette of Romania, Part I, no. 342 of April 28, 2020</p>	<p><i>FSA Regulation no. 8/2020 for the adoption of exceptional measures applicable to entities authorized, regulated and supervised by the FSA during the establishment in Romania of the state of emergency generated by the COVID-19 crisis</i> proactively introduced a series of legal measures to adjust and adapt the activity of entities supervised from the capital market in the context of the new crisis (postponement of periodic reports, exemptions granted to IMC/AIFM for the transmission of certain documents on paper, allowing the liquidation of IMC's investment portfolio by carrying out repo operations, etc.).</p>
<p><b>FSA Regulation no. 9/2020</b> for the amendment and completion of some normative acts of the Financial Supervisory Authority, published in the Official Gazette of Romania, Part I, no. 337 of April 27, 2020</p>	<p>The main changes operated by the regulation concern: the registration of new categories of AIF in the Public Register of the FSA, as well as the charging of appropriate commissions; correlation of the secondary legislation issued by the FSA regarding AIFM (<i>Regulation no. 10/2015</i>) with that regarding the AIF (<i>new Regulation no. 7/2020</i>); elimination of the subsections regarding the categories of CIU units distributors; adjusting the changes of the significant conditions taken into account at the date of AIFM authorization; elimination of the provisions regarding the distribution of AIF units based on <i>Directive 1160/2019/EU</i> (which will be taken over after the final transposition of the respective directive in the primary legislation); and adjusting the legal framework applicable to vacancies in key AIFM risk manager and compliance officer positions.</p>
<p><b>FSA/NBR Regulation no. 18/8/2020</b>, published in the Official Gazette of Romania, Part I, no. 775 of 25 August 2020</p>	<p>By the <i>FSA/NBR Regulation no. 18/8/2020 for the amendment and completion of the FSA/NBR Regulation no. 14/7/2018 on the provision of investment services and activities on behalf of financial investment services companies and credit institutions</i>, provisions are introduced regarding: the possibility that the documentation for FISC staff or credit institutions that provide consulting services or that provide information to be transmitted to the FSA in electronic format, the information and documents necessary to be kept by the regulated entities concerned to be stored by them in electronic form and the establishment of a reporting deadline for the information in Annex no. 6 of the regulation.</p>
<p><b>FSA Regulation no. 20/2020</b>, published in the Official Gazette of Romania, Part I, no. 789 of August 28, 2020</p>	<p><i>FSA Regulation no. 20/2020 for the amendment and completion of the Financial Supervisory Authority Regulation no. 9/2014 regarding the authorization and operation of the investment management companies, of the collective investment undertakings in securities and of the depositories of the collective investment undertakings in securities, as well as for the abrogation of par. (11) and (12) of art. 45 of the Regulation of the Financial Supervisory Authority no. 7/2020 on the authorization and operation of alternative investment funds</i> amends the relevant provisions of the <i>FSA Regulation no. 9/2014</i> regarding the valuation of UCITS assets, provisions applicable at the same time to the AIF according to art. 17 para. (7) of the <i>FSA Regulation no. 10/2015</i>, in order to accommodate the atypical situations of lack of liquidity of some issuers in their portfolio and in which the method of valuation of CIU holdings in such companies provided by the current legal framework is not relevant (e.g.: the method of market marking in normal conditions of stock market liquidity, provided for in Article 113 of <i>FSA Regulation No. 9/2014</i>).</p>
<p><b>FSA Regulation no. 22/2020</b>, published in the Official Gazette of Romania, Part I, no. 1057 of November 10, 2020</p>	<p><i>Regulation of the National Securities Commission no. 11/2006 on the debt securitization</i> was issued in application of the provisions of <i>Law no. 31/2006 on the debt securitization</i>, a law that at the date of entry into force of <i>Law no. 158/2020</i> was repealed. Following the abrogation of <i>Law no. 31/2006</i> the provisions of <i>Regulation no. 11/2006</i> have expired. Therefore, it was considered necessary to repeal <i>Regulation no. 11/2006 on the debt securitization</i> and the issuance of <i>FSA Regulation no. 22/2020 regarding the abrogation of the Order of the National Securities Commission no. 67/2006 for the approval of Regulation no. 11/2006 on the debt securitization</i>.</p>



**FSA/NBR Regulation no. 23/10/2020**, published in the Official Gazette of Romania, Part I, no. 1304 of December 29, 2020

*FSA/NBR Regulation no. 23/10/2020* for the amendment of par. (2) in art. 21 of the *FSA/NBR Regulation no. 10/4/2018 on the protection of financial instruments and funds belonging to customers, product governance obligations and rules applicable to the granting or receipt of fees, commissions or other types of pecuniary or non-pecuniary benefits* was issued in the context in which, after the occurrence of the *FSA/NBR Regulation no. 10/4/2018*, FSA received several requests from some audit firms regarding art. 21, in this case with the reporting method established by par. (2) in art. 21.

**FSA Regulation no. 24/2020**, published in the Official Gazette of Romania, Part I, no. 1143 of November 26, 2020

*FSA Regulation no. 24/2020* for the amendment of art. 2 para. (2) of the Regulation of the Financial Supervisory Authority no. 11/2018 regarding the application of some provisions of art. 104 of Law no. 126/2018 on financial instruments markets was issued in the context in which the existing provisions at the level of primary legislation that formed the basis for the issuance of the *FSA Regulation no. 11/2018* have been amended. In fact, by Law no. 158/2020, FSA repealed art. 104 para. (6) section e) of Law no. 126/2018 in order to allow the authority to have the same approach as ESMA regarding the phrase "margin close-out protection". In this sense, the new regulation amended art. 2 para. (2) for taking over the definition of "margin close-out protection" in accordance with the provisions of *Decision (EU) no. 2019/679*.

**FSA Regulation no. 28/2020** on training, preparation and professional development on the capital market, published in the Official Gazette of Romania, Part I, no. 16 of January 7, 2021

The Regulation repeals the *NSC Regulation no. 12/2010 on the professional training of operators and specialists for the capital market* and updates the applicable legal framework in the field of training and professional training specific to the capital market, in the sense of harmonizing it with the needs and particularities of the market in a continuous dynamic.

The main novelty brought by the regulation is the possibility of organization and development by vocational training bodies, certified by FSA, of online training and professional development programs.. Thus, the regulation responds to the current need regarding the development in optimal conditions of the training and professional development programs in the context in which, this year, special measures were instituted on the Romanian territory as a result of the crisis generated by COVID-19.

This regulation also took into account the cutting of the red tape and simplification of the documentation necessary for the certification as vocational training bodies, as well as the efficiency of the development of vocational training programs, by providing higher independence to vocational training bodies on how to organize and conduct these programs.

## RULES

**FSA Rule no. 2/2020**, published in the Official Gazette of Romania, Part I, no. 78 of February 4, 2020

*FSA Rule no. 2/2020 on the application of the Guidelines on STS criteria for non-ABCP securitization (EBA/GL/2018/09) and the Guidelines on STS criteria for ABCP securitization (EBA/GL/2018/08)* took over the provisions of the Guide on the STS (Simple, Transparent and Standardized Securitizations) criteria for non-ABCP securitization (EBA/GL/2018/09) and the Guidelines on STS criteria for ABCP securitization (EBA/GL/2018/08) in national legislation. The main objective of the EBA Guidelines on STS criteria in securitization is to ensure the consistent interpretation and application of STS criteria by originators, initial creditors, sponsors, special purpose entity (SSPE), investors involved in STS securitization, competent authorities designated to oversee entities' compliance with criteria and third parties verifying compliance with STS criteria in accordance with Article 28 of *Regulation (EU) 2017/2402*.

**FSA Rule no. 15/2020**, published in the Official Gazette of Romania, Part I, no. 253 of March 27, 2020

*FSA Rule no. 15/2020 for the amendments of some normative acts in the field of accounting regulations applicable to the entities authorized, regulated and supervised by the Financial Supervisory Authority - Financial Instruments and Investments Sector, modified the scope of Rule no. 39/2015 and of the Rule no. 40/2015 in the sense of eliminating the system operators and the clearing houses, respectively the traders as well as in the sense of introducing the new entities mentioned in art. 7 para. (1) of Law no. 126/2018 on the financial instruments markets.*

**FSA Rule no. 27/2020**, published in the Official Gazette of Romania, Part I, no. 469 of June 3, 2020

*FSA Rule no. 27/2020 regarding the amendment of the annex to the Rule of the Financial Supervisory Authority no. 13/2018 for the application of the ESMA Guidelines on stress test scenarios under the MMF Regulation pursuant to art. 28 of Regulation (EU) no. 1,131/2017 on money-market funds implements the ESMA Guidelines, in the context of the ESMA obligation to update the guidelines at least annually, based on the provisions of art. 28 para. (7) of Regulation (EU) no. 1131/2017 regarding the money market funds, by amending the Annex to the FSA Rule no. 13/2018.*

**FSA Rule no. 37/2020** for the application of the ESMA Guidelines on the reporting to competent authorities under Article 37 of the MMF of Regulation (EU) no. 1131/2017 on money market funds, published in the Official Gazette of Romania, Part I, no. 843 of September 15, 2020

The purpose of this Guidelines is to establish consistent supervisory practices through the uniform application of Article 37 of Regulation (EU) No 1131/2017 on money market funds, respectively to advise on the contents of the fields in the reporting model included in the Annex to the Regulation (EU) 2018/708 laying down implementing technical standards with regard to the template to be used by managers of money market funds when reporting to competent authorities.

**FSA Rule no. 39/2020**, published in the Official Gazette of Romania, Part I, no. 886 of September 29, 2020

*FSA Rule no. 39/2020 on the application of the ESMA Guidelines on liquidity stress testing in UCITS and AIFs implements the provisions of the ESMA Guidelines on liquidity stress testing in UCITS and AIFs in the national legislation and applies to national competent authorities, UCITS/AIF asset depositories, AIF and IMC (which includes exchange traded funds (ETFs), whether operating as UCITS or AIFs, as well as closed-end AIFs that use leverage).*

**FSA Rule no. 40/2020**, published in the Official Gazette of Romania, Part I, no. 1033 of November 5, 2020

As a result of the adoption and entry into force of Law no. 158/2020, a law that provides express provisions regarding the designation of the FSA as the competent authority for the situations expressly provided by Regulation (EU) 2017/2402, as well as the sanctioning regime under this regulation, the FSA Rule no. 40/2020 was issued for the amendment of the FSA Rule no. 2/2020 on the application of the Guidelines on STS criteria for non-ABCP securitization (EBA/GL/2018/09) and of the Guidelines on STS criteria for ABCP securitization (EBA/GL/2018/08).

## INSTRUCTIONS

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**FSA instruction no. 2/2020**, published in the Official Gazette of Romania, Part I, no. 249 of March 26, 2020

By the FSA Instruction no. 2/2020 for the amendment of the annexes no. 1-4 of the Instruction of the Financial Supervisory Authority no. 1/2016 regarding the preparation and submission of the annual financial statement and of the annual reporting by the entities authorized, regulated and supervised by the Financial Supervisory Authority - financial instruments and investments sector, annexes no. 1-4 of Instruction no. 1/2016 were modified in the sense of the amendments brought to the Rule no. 39/2015, taking into account the alignment to the information requirements provided in the forms issued by the MoF for economic operators, especially those contained in form 40 "Information data".

**FSA instruction no. 5/2020**, published in the Official Gazette of Romania, Part I, no. 749 of August 18, 2020

FSA instruction no. 5/2020 for the amendment of annex no. 1 to the Instruction of the Financial Supervision Authority no. 2/2016 regarding the preparation and submission of the half-yearly accounting report by the entities authorized, regulated and supervised by the Financial Supervisory Authority - Financial Instruments and Investments Sector amends annex no. 1 to Instruction no. 2/2016 in order to align with the new provisions related to leasing contracts, as are the requirements of IFRS 16 "Leases" which were also the basis for amending the FSA Rule no. 39/2015 by FSA Rule no. 2/2019.

**Analysis of regulations issued by capital market entities in Romania**

In 2020, the requests for amendment/completion of the regulations of the Bucharest Stock Exchange SA were analyzed, consisting of the BVB Code - Regulated Market Operator, the BVB Code - Multilateral Trading System and the BVB Regulation of Organization and Functioning, as a result of the amendments requested by it, the FSA Decision no. 898/July 22, 2020 and, respectively, FSA Decision no. 732/June 24, 2020 being issued. Also, during the reference period, proposals for amending and supplementing the Code of the Central Depository SA were analyzed, the FSA Decision no. 987/August 19, 2020 being issued.

## Regulatory activity in the insurance-reinsurance sector

The regulatory activity of the insurance-reinsurance sector aims to ensure a comprehensive, stable and coherent legal framework in the field of insurance-reinsurance by updating and consolidating secondary legislation, depending on the domestic and international context of the economic and financial environment.

In 2020, the improvement of the regulatory framework continued, in order to ensure sound and robust premises for the development of the insurance market, the main legislative amendments and supplements related to the insurance-reinsurance sector being the following:

### TECHNICAL OPINIONS ON PRIMARY LEGISLATION

**Law no. 158/2020** for the amendment, completion and abrogation of some normative acts amending Law no. 237/2015 on the authorization and supervision of the insurance and reinsurance activity

Amendments to Law no. 237/2015 aimed at: correlating the definition of the national motor office with its definition in Law no. 132/2017 on compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents; clarification of the definition of the National Protection Fund; correlation of provisions establishing obligations with the provisions on contraventions; amendments to paragraphs to transpose the amendment of the Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II) brought by Directive 2018/843/EU amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU, on the area of cooperation of the FSA with Romanian and EU authorities on the prevention of money laundering and terrorism financing; amendments to some paragraphs transposing the technical amendment of Directive 2009/138/EC brought by the Directive 2019/2177/EU amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing; changes to paragraphs for clarity of text and a better understanding of where the FSA should agree to a cross-border portfolio transfer and changes to paragraphs for clarity of text and a better understanding of the possibility of using eligible basic own fund items.

Amendments to Law no. 236/2018 on insurance distribution aimed at amending paragraphs to ensure compliance with Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector and updating certain definitions.

Draft Law amending Law no. 237/2015 and Law no. 236/2018

The legal provisions take into account: (i) the transposition of art. 2 points 2 - 6 of Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money-laundering or terrorist financing, of art. 2 of Directive (EU) 2018/843 of the European Parliament and of the Council of May 30, 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU and, in the context of creating the national framework on occupational pensions by Law no. 1/2020 and the issuance of the secondary application legislation, of art. 304 of the Solvency II Directive; (ii) the adoption of measures according to art. 14 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector and art. 21 and 22 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088; (iii) clarification of the transposition of art. 162 - 172 of Directive 2009/138/EC; (iv) the correlation with the provisions of art. 130 of Law no. 24/2017 on issuers of financial instruments and market operations and (v) requesting certain documents and including the basis for the FSA to issue recommendations to distributors. The draft law was sent to the Ministry of Finance and published by it in decisional transparency on February 12, 2021.

Draft Law amending  
**Law no. 213/2015** on  
the Policyholders  
Guarantee Fund

The main amendments and completions brought to *Law no. 213/2015 on the Policyholders Guarantee Fund* include:

- amending the definition of the guarantee threshold with express reference to the maximum level of guarantee on a contract, not on an insurance creditor as currently regulated; the change is necessary to ensure real protection for insurance creditors who have many insurance contracts concluded with the bankrupt company;
- increasing the amount of the guarantee ceiling from Lei 450,000 to Lei 500,000, for adjustment to the inflation rate in recent years;
- regulating the competence of the Fund to open claims files, at the request of the petitioners, in case of damages notified to insurers before the date of withdrawal of the operating authorization, but for which they did not open the claims files;
- regulating the competence to make additional findings for files already opened by insurers;
- the express specification of the Fund's right to have operational headquarters points, given the fact that its activity also includes actions to ascertain the occurrence of the insured event and to open the claims files, at national level;
- in order to facilitate the obtaining by the insurance creditors resident in other Member States of the compensations from the Fund, related to the claims files with external elements, it is proposed to expressly regulate the fact that the Fund may mandate BAAR or similar bodies from other Member States/external correspondents appointed to manage the claims files, taking into account the agreements signed within the Green Card System;
- the introduction of the possibility for the Fund to go directly against persons who have improperly received sums from the Fund, in order to recover them, being able to exercise such actions also against persons who perform services of public interest and who have improperly collected sums from the Fund in the exercise of these services; the proposal takes into account the judicial practice in the field of enforcement, as a result of numerous enforcement proceedings initiated by bailiffs.

The draft Emergency  
Ordinance for the  
amendment and  
completion of **Law no.  
132/2017** on the  
compulsory motor third  
party liability insurance  
for damages caused to  
third parties by vehicle  
and tram accidents

The proposed amendments seek to remedy the issues raised by the European Commission submitted at the time of opening the request for placement in default in Case 2018/4075. The project was sent to the Ministry of Finance for the exercise of the right of legislative initiative of the Government.

The draft Emergency  
Ordinance for the  
amendment and  
completion of **Law no.  
132/2017** on the  
compulsory motor third  
party liability insurance  
for damages caused to  
third parties by vehicle  
and tram accidents

The draft legislative act proposes the introduction of mandatory direct settlement in order to improve the functioning of the MTPL market, especially with regard to the selection criteria of the MTPL insurer and addresses a number of issues related to Brexit, namely the provision of a legislative framework to allow national offices of Member States and third countries to conclude reciprocity agreements subject to the applicability of European law, based on which resident natural and legal persons shall be compensated based on the guarantee given by them. The project was sent to the Ministry of Finance for the exercise of the right of legislative initiative.



## RULES

**FSA Rule no. 1/2020**  
on the application of  
measures in case of  
withdrawal of the  
United Kingdom of  
Great Britain and  
Northern Ireland from  
the European Union  
without an agreement,  
published in the Official  
Gazette, Part I no. 52  
of January 27, 2020

The general objective with regard to the treatment of cross - border activities of insurance companies in the United Kingdom is to minimize the damage caused to contractors and beneficiaries, on the basis of the applicable EU and national law.

Some of the most important elements provided in the normative act are: the prohibition of concluding new contracts, their renewal, the extension or increase of a coverage for the contracts in force, as long as the companies are not authorized; maintaining contractors' rights with regard to the exercise of an option or a right provided for in those contracts; conduct supervision, cooperation with the supervisory authorities of the United Kingdom so as to ensure proper supervision of the relevant prudential aspects, including the financial position of the companies concerned; application of the principle of proportionality and risk-based supervision; taking into account the fact that the Solvency II supervision regime was applied to these companies as they were authorized in the United Kingdom; limiting the authorization of branches to the management of contracts in order to liquidate portfolios, if this would reduce the time for granting the authorization; allowing the completion of the transfer of portfolios provided that they were initiated before the withdrawal date; the creation by EIOPA, if deemed necessary, of a cooperation platform, with the participation of the competent authorities concerned; the obligation of insurance companies to inform contractors and beneficiaries whose contracts are affected by Brexit; removal of UK companies from the national register after the date of withdrawal from the Union and informing the public of the legal framework applicable to the cross-border activities of UK companies; ensuring that UK intermediaries comply with the applicable legal framework.

**FSA Rule no. 9/2020**  
regarding the end of  
the financial year for  
the entities in the  
insurance field,  
published in the Official  
Gazette, Part I no. 237  
of March 24, 2020

The rule regulates the manner of preparation and submission of individual and consolidated annual financial statements and annual accounting reports related to the financial year (structure of financial statements, templates, intra and inter-templates correlations), the term and conditions of their transmission to the Financial Supervisory Authority, as well as to the Ministry of Finance.

**FSA Rule no. 33/2020**  
on outsourcing to cloud  
service providers,  
published in the Official  
Gazette, Part I no. 749  
of 18 August 2020

The rule addresses insurance and reinsurance companies and regulates how they should apply outsourcing requirements to cloud service providers. Acquisition of outsourcing cloud services is a type of outsourcing that falls within the wider scope of outsourcing services as provided by the *Solvency Directive II* and *Delegated Regulation no. 35/2015*, clarified by section 11 of the EIOPA Guidance on the system of governance.

**FSA Rule no. 34/2020**  
for the implementation  
of the Half-yearly  
Accounting Reporting  
System applicable to  
insurance entities,  
published in the Official  
Gazette, Part I no. 780  
of August 26, 2020

The rule establishes the manner of drawing up the half-yearly accounting reports (the structure of the reports, the templates, the intra and inter-templates correlations), the deadline and the conditions for their transmission both to the Financial Supervision Authority and to the Ministry of Finance. The rule has applicability for an indefinite period, similarly to the *FSA Rule no. 9/2020*.

**FSA Rule no. 36/2020**  
for the amendment of  
par. (11) in art. 10 of  
the Financial  
Supervisory Authority  
Rule no. 20/2017 on  
motor insurance in  
Romania, published in  
the Official Gazette,  
Part I no. 819 of  
September 7, 2020

The normative act amended the article that regulates the proof of the conclusion of the MTPL insurance in case of controls performed by the competent authorities. Thus, FSA introduced the possibility of verifying the validity of the MTPL contract in electronic format, as well as based on the information resulting from the query of the database with the compulsory motor third party liability insurance concluded on the Romanian territory.

**FSA Rule no. 46/2020**  
for the amendment and  
completion of the FSA  
Rule no. 21/2016 on  
the reports regarding  
the insurance and/or  
reinsurance activity  
and for the modification  
of the FSA Rule no.  
28/2015 on the  
operation of supervised  
insurers according to  
the national regime,  
published in the Official  
Gazette, Part I no.  
1304 of December 29,  
2020

FSA Rule no. 21/2016 on the reports on the insurance and/or reinsurance activity is applicable, mainly, to the insurance/reinsurance companies supervised according to the Solvency II regulatory framework and to the participating companies, insurance holding companies or mixed financial holding companies, provided in art. 160 para. (1) of Law no. 237/2015 on the authorization and supervision of the insurance and reinsurance activity, with subsequent amendments and completions. The normative act regulates requirements regarding the deadlines for submitting to the FSA the periodic supervision reports specific to the Solvency II regime in the 4-year transition period that has passed since the implementation of this regime at European level, the financial statement prepared by the insurance companies, as well as the implementation of additional periodic reports to support the supervisory process carried out by the authority.

The most important amendments/supplements that were brought to Rule no. 21/2016 by this rule refer to: the deadlines for the submission to the FSA of the periodic supervision reports specific to the Solvency II regulatory framework (at individual and group level); the introduction of additional liquidity reporting and the requirement for companies to hold liquid assets above the level of short-term liabilities and the introduction of new additional reporting templates, while making changes or clarifications to some of the existing templates.

## Regulatory activity in the private pension system sector

The development degree of the private pension fund market, the increase of the assets volume, the evolutions of European sectoral and intersectoral regulation, as well as the identification of the participants needs and expectations are the key elements that were the at basis for the development of the private pension regulatory framework.

During 2020, FSA carried out an intense activity to consolidate the legal framework applicable to the private pension system, both through contributions and points of view formulated for all draft primary legislation, as well as through the elaboration of secondary regulations necessary for the optimal development of the actions of all entities involved in the field. The process of harmonization of the Romanian legislative framework regarding private pensions with the European directives was continued, so that *Law no. 1/2020 on occupational pensions* was published in the Official Gazette of Romania, Part I no. 10 of January 8, 2020.

At the level of secondary legislation, the regulatory activity was outstanding, keeping the same high-quality standards and complying with the established deadlines. Thus, Numerous draft regulatory documents were elaborated, debated, adopted and sent for publication in the Official Gazette of Romania. These aimed not only at updating the secondary regulatory framework, as a result of legislative changes and of the need to align with the new requirements imposed by national legislation, but also at detailing the legal framework needed to regulate new situations and supplement secondary legislation in the field of private pensions.

FSA has collaborated with representatives of the Association for Privately Managed Pensions in Romania, with the scope to identify solutions problems encountered in practice and to change the primary legislative framework in the field of private pensions (*Law no. 411/2004 on privately managed pension funds, republished, with subsequent amendments and supplements* and *Law no. 204/2006 on voluntary pensions, with subsequent amendments and supplements*).

### TECHNICAL OPINIONS REGARDING PRIMARY LEGISLATION AND OTHER LEGISLATIVE INITIATIVES

**Completion of MMSS Order no. 64/2003 for the approval of the framework model of the individual employment contract,** published in the Official Gazette, Part I, no. 139 of March 4, 2003, with subsequent amendments.

The FSA has brought to the attention of the Ministry of Labor and Social Protection (MMPS), formerly MMSS (Ministry of Labor and Social Solidarity), a legislative initiative aimed at raising public awareness on the existence of the privately managed pension system, embodied in a proposal to supplement the *MMSS Order no. 64/2003* for the approval of the framework model of the individual employment contract. Thus, the FSA worked with MMPS representatives to identify the best solutions to change the current regulatory framework, in order to introduce the employer's obligation to inform eligible participants about the legal requirement to join a privately managed pension fund.

**Draft Law amending and supplementing Law no. 227/2015 regarding the Fiscal Code**

The FSA collaborated with the Ministry of Finance (MoF) on the draft law amending and supplementing *Law no. 227/2015* regarding the Fiscal Code. During the consultations with the MoF, the FSA highlighted the need to update the tax legislation with elements to stimulate employers and the employed workforce to contribute to occupational pension funds. FSA suggested the regulation of the tax regime applicable to amounts paid to occupational pension funds, according to *Law no. 1/2020 on occupational pensions*, with subsequent additions, of the one applicable to income from pensions paid from these funds, as well as of the deductibility of contributions to occupational pension funds. Regulatory proposals in the field of corporate taxation have also been formulated. The MoF sent to the FSA the draft Government Decision for amending and supplementing the Methodological Rules for the application of *Law no. 227/2015 on the Fiscal Code*, approved by *Government Decision no. 1/2016*, in order to be endorsed by the Authority. In the favorable opinion communicated, the FSA proposed to complete its provisions, in order to ensure the fiscal treatment consistency of the contributions paid by employers to the private and occupational pension funds. The MoF requested the FSA's opinion on the legislative proposal on the transfer of pension rights of European Union officials and agents. Through the formulated answer, the support was expressed towards the draft regulatory document presented, in the form submitted to the Romanian Senate, for debate. It was considered that the elaboration of *Law no. 1/2020 on occupational pensions*, makes it necessary to complete the draft regulatory document with this pension system.

**Legislative proposal  
on the transfer of  
pension rights of  
officials and servants  
of the European  
Union**

The FSA collaborated with the General Secretariat of the Government, which requested the opinion of our institution on the legislative proposal on the transfer of pension rights of officials and agents of the European Union. Through the formulated answer, the support for the draft regulatory document presented was expressed and the need to supplement it with provisions referring to the occupational pension system, introduced by Law no. 1/2020 on occupational pensions, was signaled.

**I. Implementation of the provisions of the Government Emergency Ordinance no. 1/2020 regarding some fiscal-budgetary measures and for the modification and completion of some regulatory documents, published in the Official Gazette of Romania, Part no. 11 of January 9, 2020 (GEO no. 1/2020)**

**FSA Rule no. 3/2020,**  
published in the Official  
Gazette, Part I, no. 72  
of January 31, 2020

*FSA Rule no. 3/2020 for the amendment of Rule no. 7/2010 on the rates of return of privately managed pension funds* includes new provisions regarding the modification of the period for which the rates of return of privately managed pension funds are calculated and published, from 24 months to 60 months.

**FSA Rule no. 4/2020,**  
published in the Official  
Gazette, Part I, no. 119  
of February 14, 2020

*FSA Rule no. 4/2020 for the amendment of the Financial Supervisory Authority Rule no. 3/2019 on the management fee for privately managed pension funds* includes provisions regarding the amount due to the National House of Public Pension from the contribution fee charged by managers of privately managed pension funds, as well as the introduction of a specification regarding the calendar month since when the commission from contributions will be charged to its new value, as established by the amendments to the primary legislation.

**FSA Rule no. 5/2020,**  
published in the Official  
Gazette, Part I, no. 143  
of February 24, 2020

*FSA Rule no. 5/2020 for the amendment of the Financial Supervisory Authority Rule no. 24/2015 regarding the reporting and transparency obligations in the privately managed pension system* includes provisions regarding: the amendment of par. (1) of art. 13, for the elimination of the specifications referring to the period for which the rate of return is reported on a quarterly basis, this specification being found in Rule no. 7/2010 on the rates of return of privately managed pension funds, with subsequent amendments and supplements; modification of point no. 23 of the Instructions for filling in the Annex no. 1C - The situation of "OUT" transfers and the use of participants' personal assets, which specifies that in case of transfer of a participant, the value in Lei of the amount transferred from the technical provision constituted by the manager of the current privately managed pension fund is made in the transfer account of the privately managed pension fund; modification of point no. 2 of the Instructions for filling in Annex no. 10 - Annual information of the participant, stating that, in the annual information letter of the participant, only the last 6 digits of Personal Number Code will be visible.

**FSA Rule no. 6/2020,**  
published in the Official  
Gazette, Part I, no. 150  
of February 25, 2020

*FSA Rule no. 6/2020 for the amendment of the Financial Supervisory Authority Rule no. 25/2015 regarding the reporting and transparency obligations in the voluntary pension system* includes new provisions regarding: the amendment of par. (1) of art. 13, for the elimination of the specifications referring to the period for which the rate of return is reported on a quarterly basis, this specification being found in Rule no. 10/2009 on the rates of return of voluntary pension funds; modification of point no. 23 of the Instructions for filling in the Annex no. 1C - The situation of "OUT" transfers and the use of participants' personal assets, which eliminates the detail of the transfer of the provision from the manager's account in case of participant transfer, this aspect being contained in another regulatory document issued by FSA; modification of point no. 2 of the Instructions for filling in the Annex no. 10 - Annual information of the participant, stating that, in the participant's annual information letter only the last 6 digits of the Personal Number Code will be visible.

**FSA Rule no. 7/2020**, published in the Official Gazette, Part I, no. 155 of February 26, 2020

Considering the provisions of GEO no. 1/2020 regarding some fiscal-budgetary measures and for the amendment and completion of some regulatory documents, which amends Law no. 411/2004 regarding the privately managed pension funds, republished, with subsequent amendments and supplements, it was necessary to correlate the content of Rule no. 11/2015 and of Rule no. 8/2010 with the latest amendments of art. 60 of Law no. 411/2004, by updating the provisions regarding the share capital. The provisions of the draft regulatory document apply to the managers of privately managed pension funds.

*FSA Rule no. 7/2020 for the amendment and completion of the Financial Supervisory Authority Rule no. 11/2015 regarding the share capital of the privately managed pension fund managers and for completing art. 33 of Rule no. 8/2010 regarding the authorization of the private pension funds managers*, the taking over of the voluntary pension funds managers and the organization of assets and liabilities at the level of the private pension funds managers has aimed at updating the the provisions regarding the share capital regulated by Rule no. 11/2015 and Rule no. 8/2010, in accordance with GEO no. 1/2020.

**FSA Rule no. 8/2020**, published in the Official Gazette, Part I, no. 159 of February 27, 2020

*FSA Rule no. 8/2020 for the amendment of Rule no. 1/2015 on the accession and registration of participants in privately managed pension funds* repealed: the provisions regarding the manner in which a participant requests the cessation of payment of the contribution to a privately managed pension fund; the provisions regarding the stages of information transmitted through the regulatory reports related to the relationship between the manager, the recording institution and the Authority; as well as those regarding the modification of the data of the participant who requested the withdrawal from a privately managed pension fund, in the Register of participants held by CNPP. It was also eliminate Annex no. 2 on the Framework Application on the cessation of the payment of the contribution to a privately managed pension fund.

## II. Implementation of the occupational pension system - Normative acts issued based on Law no. 1/2020 on occupational pensions

**FSA Rule no. 10/2020**, published in the Official Gazette, Part I, no. 228 of March 20, 2020

*FSA Rule no. 10/2020 on the prospectus of the occupational pension funds* includes provisions regarding the sections that make up the prospectus, their degree of applicability, depending on the structure of the fund, respectively a fund with one or several pension schemes, as well as the mandatory minimum content of these sections of the prospectus, the provisions applicable to the prospectus authorization process, as well as the amendment process, respectively the procedure for withdrawing the prospectus authorization and the manager's obligations regarding the presentation of the prospectus, including those regarding the communication of any changes to it.

**FSA Rule no. 11/2020**, published in the Official Gazette, Part I, no. 237 of March 24, 2020

*FSA Rule no. 11/2020 on the share capital of the occupational pension fund manager* includes provisions regarding the level of the minimum share capital necessary for carrying out the activity of managing occupational pension funds, the origin of funds to be used as participation in the administrator's share capital, the nature of the activity of founders/shareholders and information regarding the activity of the founders/shareholders.

**FSA Rule no. 12/2020**, published in the Official Gazette, Part I, no. 236 of March 23, 2020

*FSA Rule no. 12/2020 on the authorization of the occupational pension fund* includes provisions regarding the establishment of occupational pension funds, the company contract, the procedure for the amendment of the company contract and the authorization of the occupational pension fund.

**FSA Rule no. 13/2020**, published in the Official Gazette, Part I, no. 239 of March 24, 2020

*FSA Rule no. 13/2020 on the authorization of occupational pension funds managers* includes provisions regarding the procedure for the approval or rejection of the application for the authorization of a pension company establishment, the authorization of the pension company, of the investment management company and of the life insurance company as manager of occupational pension funds, the authorization procedure of the managers of voluntary pension funds and/or privately managed pension funds for the activity of management of occupational pension funds.



**FSA Rule no. 16/2020,**  
published in the Official  
Gazette, Part I, no. 295  
of April 8, 2020

*FSA Rule no. 16/2020 on the investment of occupational pension funds' assets* includes provisions on types of financial instruments and investment limits, allowed markets, asset quality standards, exposures by issuer and group, issues related to records on fund transactions, duties of the manager and of the director of investment regarding the investment activity; provisions regarding the internal procedures of the manager regarding the activity of the structure responsible for investment management, with the analysis of investment opportunities and assets placement; general and specific rules, as well as prohibitions regarding investments of occupational pension funds and calculation of the degree of risk for each occupational pension fund.

**FSA Rule no. 17/2020,**  
published in the Official  
Gazette, Part I, no. 295  
of April 8, 2020

*FSA Rule no. 17/2020 on the valuation of the occupational pension funds' assets* includes provisions regarding the rules for valuing the assets of occupational pension funds, for each class of financial instrument and the method of calculating the net asset and the value of the fund unit.

**FSA Rule no. 18/2020,**  
published in the Official  
Gazette, Part I, no. 261  
of March 30, 2020

*FSA Rule no. 18/2020 regarding the collection and payment operations performed through the bank accounts of the occupational pension fund* includes provisions regarding the collection of contributions, investment of assets, transfer and payment of personal assets.

**FSA Rule no. 19/2020,**  
published in the Official  
Gazette, Part I, no. 273  
of April 1, 2020

*FSA Rule no. 19/2020 on the transfer of participants from one occupational pension fund to another occupational or voluntary pension fund* includes provisions on the conditions of eligibility for transfer of the participant, the obligations of pension fund managers involved in the transfer of a participant between occupational and/or voluntary pension funds authorized by the FSA (internal transfer) and the type of pension schemes from other EU Member States or belonging to the EEA to which a participant may be transferred, as well as the conditions applicable to such transfer (external transfer).

**FSA Rule no. 20/2020,**  
published in the Official  
Gazette, Part I, no. 265  
of March 31, 2020

*FSA Rule no. 20/2020 for the amendment and completion of the Financial Supervisory Authority Rule no. 3/2014 on internal control, internal audit and risk management in the private pension system* includes provisions on operations on internal control, internal audit and risk management, applicable to managers in relation to occupational pension funds, the content of the internal control plan and the development and the content of the annual plan on risk management activities.

**FSA Rule no. 23/2020,**  
published in the Official  
Gazette, Part I, no. 300  
of April 9, 2020

*FSA Rule no. 23/2020 on the participants accession and registration in occupational pension funds* includes provisions regarding the acquisition and termination of the quality of participant in an occupational pension fund, the framework form and content of the individual act of accession to an occupational pension fund and the procedure for its amendment, the adhesion to an occupational pension fund and the updating by the managers of the information contained in the Participants' Register.

**FSA Rule no. 24/2020,**  
published in the Official  
Gazette, Part I, no. 299  
of April 9, 2020

*FSA Rule no. 24/2020 on the use of the participant personal assets in an occupational pension fund* includes provisions on the use of personal assets if the participant has reached the standard retirement age, the use of personal assets in case of disability and the use of personal assets in case of death.

**FSA Rule no. 26/2020,**  
published in the Official  
Gazette, Part I, no. 388  
of May 14, 2020

*FSA Rule no. 26/2020 on the activity of storage and custody of the assets of occupational pension funds* and amending some rules of the Financial Supervisory Authority includes provisions on the conditions for approving the depository, documents required for approval, deadlines for issuing or rejecting the application for approval, the procedure for the approval of the credit institution for the storage and custody activity, provisions regarding the development of the activity of storage and custody of the occupational pension funds, clauses of the storage and custody contract and notifications, obligations and prohibitions in carrying out the storage activity.

**FSA Rule no. 35/2020**, published in the Official Gazette, Part I, no. 805 of September 2, 2020

*FSA Rule no. 35/2020 on reporting and transparency obligations in the occupational pension system* includes provisions regarding the fact that the periodic reports to be completed by the reporting entities must be real, accurate and complete, according to the supporting documents, and the information must be submitted by nominated persons, the time limits within which each periodic report must be submitted to the FSA, as well as the time limits within which the information must be published on its website.

**FSA Rule no. 41/2020**, published in the Official Gazette, Part I, no. 1112 of November 20, 2020

*FSA Rule no. 41/2020 on the occupational pension funds rates of return* includes provisions on establishing calculation formulas for determining rates of return, detailing the responsibilities of the FSA on the calculation and publication of the rate of return and the rules for rounding the values obtained.

### III. Regulatory documents issued based on Law no. 411/2004 on privately managed pension funds, republished, with subsequent amendments and supplements and of Law no. 204/2006 on voluntary pension funds, with subsequent amendments and supplements

**FSA Rule no. 22/2020**, published in the Official Gazette, Part I, no. 302 of April 10, 2020

The *FSA Rule no. 22/2020* on the temporary change of the maximum threshold applicable to investments of private pension funds in government securities allows managers to invest the assets of private pension funds in government securities issued by the Romanian Ministry of Finance, by member states of the European Union or belonging to the European Economic Area, in a percentage that may exceed the limit of 70% established by regulations, for a period of one year from the entry into force of the rule. At the same time, the rule also provides exemptions from the obligation to maintain the minimum investment thresholds declared by prospectuses and from the degree of risk, only in case it is decided to apply the new provisions.

**FSA Rule no. 25/2020**, published in the Official Gazette, Part I, no. 307 of April 13, 2020

Thus, considering the establishment of the state of emergency regulated by *Decree no. 195 of March 16, 2020*, which led to significant changes in the normal activity of managers, by the *FSA Rule no. 25/2020* for the extension of the deadlines for submitting the annual financial statements from the *Financial Supervisory Authority Rule no. 7/2017 on the preparation and submission of individual annual financial statements of entities in the private pension system*, the reporting entities in the field of private pensions are offered the opportunity to submit to the FSA the annual financial statements for 2019, until May 15, 2020.

**FSA Rule no. 31/2020**, published in the Official Gazette, Part I, no. 733 of 13 August 2020

*FSA Rule no. 31/2020 for the amendment of the FSA Rule no. 24/2015 regarding the reporting and transparency obligations in the privately managed pension system* includes provisions regarding the modification of the method of transmitting the information and of the instructions for filling in and transmitting Annex no. 10, so that the annual information of the participants can be transmitted to all persons who have the quality of participant in a privately managed pension fund, in physical format or by electronic means.

**FSA Rule no. 32/2020**, published in the Official Gazette, Part I, no. 733 of 13 August 2020

*FSA Rule no. 32/2020 for the amendment of the FSA Rule no. 25/2015 regarding the reporting and transparency obligations in the voluntary pension system* includes provisions regarding the modification of the article containing the manner of transmitting the information and the instructions for filling in and transmitting Annex no. 10, so that the annual information of the participants can be transmitted to all the persons who have the quality of participant in a voluntary pension fund, in physical format or by electronic means.

**FSA Rule no. 38/2020**, published in the Official Gazette, Part I, no. 863 of September 22, 2020

*FSA Rule no. 38/2020 for the amendment of Rule no. 13/2012 on the actuarial calculation of the technical provision for privately managed pension funds* includes the elimination of the provisions on the method of transferring the provision in case of a participant who transfers to another privately managed pension fund and the elimination of the provisions on how to transfer the provision in the case of a participant who transfers to another voluntary pension fund.

**FSA Rule no. 42/2020**,  
published in the Official  
Gazette, Part I, no.  
1242 of December 16,  
2020

*FSA Rule no. 42/2020 for the amendment of art. 30 of the FSA Rule no. 24/2015 on reporting and transparency obligations in the privately managed pension system includes the amendment of article no. 30 of Rule no. 24/2015, with subsequent amendments and supplements, so that the structure of the investment portfolio provided in Annex no. 12, detailed, for each financial instrument and for each issuer to be published on the manager's website on a quarterly basis.*

**FSA Rule no. 44/2020**,  
published in the Official  
Gazette, Part I, no.  
1332 of December 31,  
2020

*FSA Rule no. 44/2020 for filling in the annex no. 1 to FSA Rule no. 1/2015 on the accession and record of participants in privately managed pension funds includes provisions regarding the completion of the secondary legislation framework, respectively Annex no. 1 to FSA Rule no. 1/2015, in order to inform the future participants in connection with the fact that the manager uses electronic means of communication for fulfilling its legal obligations to inform the participants, in correlation with the provisions of art. 27 para. (1) of the FSA Rule no. 24/2015 regarding the reporting and transparency obligations in the privately managed pension system, as amended by FSA Rule no. 31/2020 for the amendment of the FSA Rule no. 24/2015.*

#### IV. Updating the accounting regulations for the entities authorized, regulated and supervised by FSA in the field of private pensions

**FSA Rule no. 14/2020**,  
published in the Official  
Gazette, Part I, no. 247  
of March 25, 2020

*FSA Rule no. 14/2020 for the amendment of the FSA Rule no. 25/2016 on the inventory of the patrimonial elements of the private pension funds includes provisions regarding the occupational pension funds constituted under Law no. 1/2020 on occupational pensions, whose patrimonial elements must be subject to the inventory operation, regulated by the provisions of Rule no. 25/2016.*

**FSA Rule no. 28/2020**,  
published in the Official  
Gazette, Part I, no. 499  
of June 12, 2020

*FSA Rule no. 28/2020 regarding the amendment and completion of the Financial Supervisory Authority Rule no. 14/2015 on the accounting regulations compliant with the European directives applicable to the private pension system includes provisions regarding the manner of drawing up the financial statements within the private pension system, regulated by the text of Rule no. 14/2015, in accordance with Law no. 1/2020 on occupational pensions, the introduction of new accounting records used by the entities in the occupational pension system for recording the operations specific to occupational pensions in the accounting ledger and for completing the function of some accounting records in order to highlight the operations specific to occupational pensions.*

**FSA Rule no. 29/2020**,  
published in the Official  
Gazette, Part I, no. 684  
of July 31, 2020

*FSA Rule no. 29/2020 for the amendment and completion of the Financial Supervisory Authority Rule no. 34/2016 regarding the half-yearly accounting reporting system in the field of private pensions includes the updating of the provisions regarding the manner of drawing up the half-yearly accounting reports within the private pensions system, regulated by the FSA Rule no. 34/2016 on the half-yearly accounting reporting system in the field of private pensions, with subsequent amendments and supplements, in accordance with Law no. 1/2020 regarding occupational pensions and with Rule no. 28/2020 for the amendment and supplement of the Financial Supervisory Authority Rule no. 14/2015 on the accounting regulations compliant with the European directives applicable to the private pension system and detailing the manner of drawing up and submitting the half-yearly accounting reports for the entities in the field of occupational pensions.*

**FSA Rule no. 30/2020**,  
published in the Official  
Gazette, Part I, no. 671  
of July 29, 2020

*FSA Rule no. 30/2020 for the amendment and completion of the Financial Supervisory Authority Rule no. 7/2017 on the preparation and submission of annual individual financial statements of entities in the private pension system includes the updating of the provisions on how to prepare annual financial statements within the private pension system, regulated by FSA Rule no. 7/2017 on the preparation and submission of individual annual financial statements of entities in the private pension system, with subsequent amendments and supplements, in accordance with Law no. 1/2020 on occupational pensions and with Rule no. 28/2020 for the amendment and completion of the Financial Supervisory Authority Rule no. 14/2015 on the accounting regulations compliant with the European directives applicable to the private pension system and detailing the manner of drawing up and submitting the annual financial statements for the entities in the field of occupational pensions.*

2020

**Authorisation –  
endorsement activity**



2020

Authorisation – endorsement activity in the financial instrument and investment sector

Authorisation – endorsement activity in the insurance-reinsurance sector

Authorisation – endorsement activity in the private pension system sector



## Authorisation – endorsement activity in the financial instrument and investment sector

In order to permanently pursue the FSA strategic objectives on the preventive monitoring approach and once the entry into force of *Law no. 126/2018 on the markets of financial instruments* and the subsequent regulations, a new approach was imposed regarding the assessment process of the management structures within the regulated entities. Thus, a particularly important component in the authorization/endorsement process carried out at the level of the capital market consists in the individual and collective verification and evaluation of the adequacy of the collective and executive management bodies, as well as of the persons designated in key positions (risk compliance and management function) of regulated entities.

At the same time, in the area of collective investment undertakings, taking into account the legal regulations that imposed on the entities the obligation to align with their provisions, during 2020, FSA started the authorization process of non-UCITS (Other Collective Investment Undertakings) registered with the authority in one of the categories of AIF (Alternative Investment Funds) provided by *Law no. 243/2019 on the regulation of alternative investment funds* and for the amendment and completion of some regulatory documents and the secondary legislation issued in its application.

With reference to the market infrastructure institutions, during 2020:

a) Depozitarul Central SA aligned its provisions in the articles of incorporation with the terms provided by the European regulations, respectively *EU Regulation 909/2014 and the delegated regulations* issued in its application, as well as those contained in the *FSA Regulation no. 10/2017*. The relevant authorities in the process of monitoring the Central Depository are the National Bank of Romania and the European Central Bank for the settlement system in Lei, respectively in euro. FSA collaborated with the two authorities by exchanging information and documents, as well as by formulating answers to the requests received from them.

b) The Bucharest Stock Exchange was registered by FSA as an administrator of non-significant benchmarks, as a result of the compliance with the provisions of *Regulation (EU) no. 2016/1011* and European regulations issued in its application.

The main authorization/endorsement operations carried out by FSA during 2020 regarding the capital market entities were:

Type of requests	Number of applications granted
<b>A. Intermediaries (Financial Investment Services Companies and Credit Institutions)</b>	
• suspension, upon request, of the operation authorization for a financial investment services company from Romania;	1
<b>B. Personnel from capital market intermediaries and institutions</b>	
• authorization of members in the Board of Directors	38
• manager withdrawal	1
• authorization of managers	6
• compliance function authorizations	2
• compliance function withdrawals	3
• risk manager authorizations	4
• withdrawals of risk manager authorization	5
• ADEL registrations (tied agent)	4
• ADEL deregistrations	5
• PFSC (individual for advising services) deregistrations	22
• PFSC registrations	32
• registration of EU investment firms/credit institutions	45
• investment advisers removed from the FSA Register	17
• change of group composition	1

During 2020, the documentation related to a number of approximately 4,200 notifications made by the financial investment services companies/Credit institutions in Romania regarding personnel providing information on financial instruments, investment services or ancillary services on behalf of the FISC or of credit institutions in Romania were analyzed.

Type of requests	Number of applications granted
<b>C. Collective investment undertakings</b>	
• withdrawals of authorization of open-end investment funds	7
• withdrawals of AIF registration notice	2
• approval of the extension of the maximum audit period of 5 consecutive years for the current financial auditors	44
• approval of changes to the documents of some CIUs	59
• endorsing the changes in the depository contract	16
• endorsing the changes in the articles of incorporation of Fondul Proprietatea SA	2
• approving the decrease of the share capital of Fondul Proprietatea	1
• authorization of modifications of the articles of incorporation of the 5 FICs (decrease of the share capital, elimination of the 5% threshold and modification of the management composition).	14
• merger of open-end investment funds	3
<b>D. Investment management companies and alternative investment funds managers</b>	
• withdrawal of operating authorization	1
• increases/reductions of the share capital	5
• change of the composition of the board of directors/supervisory board	11
• change of the composition of the management/board members	4
• renewal of the mandate of the board of directors/supervisory board members	6
• renewal of the mandate of managers/board members	5
• rejection of the approval of the board members	3
• rejection of the approval of the board of directors/supervisory board	1
• name change	2
• approval of the extension of the maximum audit period of 5 consecutive years for the current financial auditors;	9
• withdrawal of the approval granted to some members of the management structure	2
• modification of the registered office	2
• establishment of registered office	1
• abolition of the registered office	2
• authorization of certain persons in the key position of the compliance officer	4
• withdrawal of the approval of certain persons from the key position of compliance officer	4
• authorizing certain persons in the key position of risk management	2
• withdrawal of the approval of some persons from the key risk management function	2
• withdrawal of the approval from the position of distribution agent	1
• approval for investments in third countries	3
<b>E. Investment advisers</b>	
• legal entity authorization	1
<b>F. Financial auditors</b>	
• financial audit company endorsement	1
• notices of extension by 2 years of the maximum audit periods of 5 consecutive years for regulated entities	6
<b>G. Professional training bodies</b>	
• authorizations for professional training bodies	2
<b>H. Investor Compensation Fund</b>	
• approval to amend the articles of incorporation	1

## Free movement of services

The capital market authorization activity on international aspects has generally maintained the same fluctuating trend which has been influenced by notifications sent to the FSA by the competent authorities of the Member States under the provisions of *Directive 65/2014/EU* (MiFID II), of *Regulation EU no. 2382/2017* and of the *Regulation EU no. 1018/2017*.

However, a notable issue is the significant decrease of capital market participants headquartered in the United Kingdom and Gibraltar, following the end of the UK transition period (December 31, 2020), which determined, starting with January 1, 2021, the entities from these states to no longer be able to carry out activities/distributions of participation units on the Romanian territory based on the free movement under the European legislation. In this context, at the end of 2020, all entities in the United Kingdom and Gibraltar that were notified to the FSA by the competent authority of the home Member State in order to carry out activities/distribute participation units in accordance with EU legislation applicable to the capital market were deregistered from the FSA Register.

Thus, on the whole, based on the documents notified by the competent authorities of the Member States in accordance with the related legislation in force, during 2020, FSA proceeded, on the one hand, to register in the Public Register a number of 45 FISMD (Investment firms from other Member States operating directly in Romania) and INCM (Credit institutions from other Member States), as well as three branches belonging to investment firms from other Member States, respectively a credit institution from another Member State. On the other hand, FSA proceeded to the deregistration of entities belonging to the categories of entities mentioned above as a result of the notifications sent, respectively as a result of the effects produced by Brexit (1,396 FISMD and INCM, and 4 SFIM – Branches of investment companies from other Member States).

Also, following the notifications sent by the competent authorities of other Member States in accordance with art. 34 para. (4) of *Directive 65/2014/EU*, FSA updated the information registered in the database regarding the changes in the contact data, as well as those regarding the legal representatives of the above-mentioned entities. In addition, the updated lists containing the services and investment activities that the tied agents of the investment companies carried out on the Romanian territory, based on the free movement of services, were published on the FSA website.

At the same time, as a result of the notifications sent by the competent authorities from other Member States in accordance with the provisions of art. 34 para. 7 of *Directive 65/2014/EU*, FSA registered in its Register a Multilateral Trading System (MTS), as well as an Organized Trading Facility (OTF) from other Member States, which operates in Romania, based on the free movement of services, the specific operations necessary to facilitate the Romanian intermediaries' access/connection and remote trading to the alternative trading systems managed by them.

In addition, 3 central depositories in the EU Member States (2 depositories in Belgium and 1 depository in France, all belonging to the Euroclear group) expressed their intention to provide services in Romania and were registered with the FSA.

From the point of view of cross-border activity, in 2020, FSA settled the requests of two Romanian investment firms to freely provide investment services and/or to freely carry out investment activities, as well as ancillary services on the territory of two Member States in accordance with applicable related legislation.

Thus, at the end of 2020, there were 8 investment firms in Romania that notified FSA of their intention to provide services and investment activities based on the free movement of services on the territories of other Member States.

Regarding the free movement of IMC/AIFM/OEIF/IC/AIF services, during 2020, the following were performed:

- 5 registrations and one removal from registry of IMC;
- 16 registrations and 3 removal from registry of OEIF;
- 5 registrations and one removal from registry of IC;
- 7 registrations and 33 removal from registry of AIFM;
- 15 registrations and 12 removal from registry of AIF.

Also, regarding cross-border operations, as a result of the end of the transition period related to Brexit (December 31, 2020), starting with January 1, 2021, the entities from Great Britain and Gibraltar can no longer carry out activities/distributions of participation units on the Romanian territory based on the free movement under the European legislation. In the same context, at the end of 2020, a number of 33 registrations of multilateral trading systems (MTS)/organized trading systems (OTF) were removed from the FSA Register, as market operators from the United Kingdom.

## Authorisation – endorsement activity in the insurance-reinsurance sector

The results of the authorisation–endorsement activity during 2020 show that, although difficulties and challenges were encountered due to the need to adapt to the new working conditions caused by the new coronavirus pandemic, the specific objectives could be achieved almost entirely, most deadlines for settling requests being met, and the specific reports were correctly drawn up and in due time.

During 2020, FSA carried out numerous activities related to the endorsement and approval of various aspects related to the operation of insurance companies and intermediaries.

Regarding cross-border activity, in 2020, it continued to be a dynamic one, FSA proceeding to the verification of the information provided by the authorities of the

Member States and to the insertion, respectively update, in the Public Register, of the data on the freedom to carry out insurance activity on the Romanian territory, based on the freedom to provide services and/or on the right of establishment.

At the same time, an important aspect is the systematic cessation of insurance activity in Romania of companies and intermediaries, headquartered in the UK and Gibraltar, following the end of the transition period related to Brexit (December 31, 2020). Thus, all entities notified by the authority of the home Member State in order to carry out the insurance activity were removed from the FSA Register.

The main activities carried out in 2020 are presented below, as follows:

### Insurance companies requests

### Number of applications

• approval for the establishment of new insurance companies in order to register with the National Trade Register Office	2
• approval of acquisition project/shareholders	7
• approval of share capital increase	6
• approval of share capital reduction	2
• approval of persons appointed in the management structure (an application may target one or several persons)	48 of which: 27 members of the BD, 3 members of the SB, 17 members of the directorate/executive management and 1 director general of the PGF
• expansion of activity in the EU (FOS)	4
• equivalence of the names of the insurance/reinsurance classes	1
• approval of registered office change	4
• approval of PGF's ROF amendment	1
• approval of an addendum to the Protocol concluded between PAID S.A. and insurance companies authorized to practice disaster risk	1
• approval of the modification of the investment strategy of the Policyholders Guarantee Fund	1
• approval of distribution keys	1
• approval of the new financial auditor	1
• notifications from EU member states (FOS/FOE) on the Romanian territory	51
• portfolio transfer notifications from member states on the Romanian territory	65
• notifications of key and critical functions	24
• persons notified as compliance officers and ML/FT designated persons	47
• outsourcing activities and functions	41
• extensions of the audit period of the companies with the auditors with whom they concluded contracts	12
• information on insurers' audit committees	7

**Insurance intermediaries requests****Number of applications**

• notices	14
• notifications of intermediaries from EU member states that have expressed their intention to carry out insurance activity on the Romanian territory	253
• decisions having as subject the following:	90
-approval of new broker setting up	1
-lecturer certification	15
-approvals regarding the change of managers	9
-approvals of executive managers	13
-approvals to change the registered office	15
-approvals to amend the articles of incorporation - identification data	7
-approvals for the transfer of shares, change of shareholders	9
-approvals for the increase of the share capital	2
-modification of articles from the articles of incorporation	1
-modification of the content of an article from the document of incorporation	1
-approval for the establishment of an operational headquarters	1
-modification approvals in the field of NACE code	3
-censor approvals	3
-approvals for the modification of the organizational structure	2
-approvals regarding the object of activity	6
-approvals for carrying out the activity of creating insurance products	2
• notifications regarding the compliance officers of the insurance brokers	

**262**, of which **215** were settled, and for **47** brokers additional documents were requested and submitted



## Authorisation – endorsement activity in the private pension system sector

The authorization-approval process includes the set of activities related to the verification of the fulfillment of the legal conditions regarding the authorization, endorsement or withdrawal of authorizations or approvals for the entities/persons operating in the private pension system. In addition, the analysis of notifications received from entities authorized to operate within the private pension system is also performed.

In 2020, the activity of authorization/endorsement in the private pension system materialized through the issuance by FSA of a total number of 515 decisions and endorsements, of which:

- 158 decisions and endorsements regarding the applications for authorization/ endorsement/ withdrawal, authorizations/endorsements of the managers, private pension funds within the private pension system, as well as the modification of the documents that were the basis of their authorization/ endorsement;
- 357 decisions and endorsements regarding the requests for authorization/ endorsement/ re-endorsement/withdrawal of authorizations/ endorsements of the marketing agents, as well as the modification of the documents that were the basis of their authorization/approval.

At the same time, a number of 582 notifications sent by the entities in the field of private pensions were processed, according to the legal regulations in force. Of these, 124 were notifications regarding managers/depositories internal working procedures.

A number of 423 notifications were sent by the entities operating on the private pensions market in 2020, out of which 299 were sent by managers/depositories/auditors and 124 notifications regarded the internal procedures of managers/depositories.

A number of 159 notifications were sent by the entities carrying out marketing activities for private pension funds, of which 6 concerned legal entities marketing agents, 7 having as topic the courses for natural persons marketing agents, 124 communications regarding the modification of data related to a number of 504 natural persons marketing agents and 22 various notifications sent by administrators/legal persons marketing agents.

The table below shows the number of individual documents issued by the FSA as a result of solving the requests made by the entities that carry out marketing activities for private pension funds:

Individual documents	Number of individual documents
<b>Total, of which:</b>	<b>357</b>
<b>A. Privately-Managed Pensions</b>	<b>100</b>
a) <i>Endorsement for:</i>	<b>44</b>
• natural persons marketing agents*	37
• re-endorsement of natural persons marketing agents**	7
b) <i>Decision to withdraw the authorization/endorsement and deregistration from the FSA Register:</i>	<b>56</b>
• withdrawal of operation authorization for a private pension broker	1
• withdrawal of the approval for natural persons marketing agents ***	55
<b>B. Voluntary Pensions</b>	<b>257</b>
a) <i>Endorsement for:</i>	<b>145</b>
• endorsement for private pensions intermediary	1
• endorsement for a specialized legal entity	1
• natural persons marketing agents*	96
• re-endorsement of natural persons marketing agents**	<b>47</b>
b) <i>Decision to reject the request for endorsement/re-endorsement of natural persons marketing agents***</i>	<b>8</b>
c) <i>Decision to withdraw and deregistrate from the FSA Register:</i>	<b>104</b>
• withdrawal of operation authorization for private pension broker	1
• withdrawal of approval for natural persons marketing agents****	<b>103</b>

\* through the 37 notices 176 natural persons marketing agents were approved

\*\* through the 7 opinions 9 natural persons marketing agents were re-approved

\*\*\* through the 55 decisions the approvals of a number of 1,322 natural persons marketing agents were withdrawn

\* through the 96 endorsement, 1997 natural persons marketing agents were approved

\*\* through the 47 endorsements, 653 natural persons marketing agents were re-approved

\*\*\* through the 8 decisions the requests for endorsement, of a number of 19 natural persons marketing agents were rejected

\*\*\*\* by the 103 decisions the endorsements of a number of 1,322 natural persons marketing agents were withdrawn

The table below shows the number of individual documents issued by the FSA as a result of settling the requests made by the entities operating on the private pension market for 2020:

Individual acts of authorization/endorsement	Number of individual documents
Decisions/endorsements issued, of which:	158
<b>A. Private Pension Fund Managers</b>	<b>71</b>
a) <i>Decision/notice of authorization/endorsement/rejection for:</i>	<b>25</b>
• Member of the Board of Directors/Supervisory Board	12
• General Manager/CEO/Board member	3
• Investment Manager	1
• Person who manages the risk management structure	3
• Person who manages the internal control structure	1
• Approval of the acquisition project and of the significant shareholder	1
• Approval of the extension of the maximum audit period, respectively:	4
*Decision to extend the maximum audit period issued by the SSPP	2
*Decision to extend the maximum audit period issued by SIIF, joint file	1
*Decision to extend the maximum audit period issued by the SAR, joint file	1
b) <i>Decision/notice of amendment for:</i>	<b>46</b>
• Amendment of the documents that were the basis for the authorization of the privately-managed pension funds (Articles of Incorporation/Increase of share capital/ROF/Management contract/Depositary contract/Custody contract)	46
<b>B. Privately Managed Pension Funds</b>	<b>31</b>
a) <i>Decision/notice of amendment for:</i>	
• Documents underlying the decisions of authorization for the privately managed pension funds (Investment Policy Statement)	7
• Amendment of the Prospectus of the private pension scheme	13
• Amendment of the Individual Act of Accession	11
<b>C. Voluntary Pension Funds</b>	<b>52</b>
a) <i>Decision/notice of amendment for:</i>	
• Documents underlying the decisions to authorize voluntary pension funds (Investment Policy Statement)	8
• Modification of the Prospectus of the voluntary pension scheme (prior and final approval)	30
• Amendment of the Individual Act of Accession	14
<b>D. Auditors</b>	<b>2</b>
a) <i>Decision/endorsement notice for:</i>	
• carrying out the activity of statutory audit of the annual financial statements for the voluntary pension funds and their managers	1
• carrying out the statutory audit activity of the annual financial statements for the occupational pension funds	1
<b>E. Depositories</b>	
a) <i>Decision/endorsement/authorization notice for:</i>	<b>2</b>
• carrying out the activity as depository of the assets of the privately managed pension funds	1
• carrying out the activity as depository of the assets of the occupational pension funds	1



2020

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



# 2020

**Consumer protection**  
**Complaints handling**  
**Financial education**



## Consumer protection

One of the main objectives of the FSA is to protect and defend the rights of consumers of non-bank financial services and products, participants and beneficiaries of private pension funds, investors, insured persons, insurance beneficiaries and victims, against incorrect and fraudulent practices, by pursuing legal provisions and by educating and promoting trust in the services, products and financial instruments specific to non-bank markets, as well as by organizing the activity of alternative dispute resolution, according to *GO no. 38/2015 on the alternative resolution of disputes between consumers and traders* (SAL-Fin Entity).

In 2020, in order to protect the rights and interests of policyholders, private pension fund participants and capital markets investors, FSA carried out both reactive activities, such as complain handlings and proactive activities, by identifying incorrect practices, by developing analyses and by assisting and supporting consumers. These activities have made it possible to meet the objectives of ensuring the protection of consumers of non-bank financial services and the proper functioning of financial markets.

FSA ensured the interaction with over 100,000 consumers through the call center, specific information applications, by handling complaints and through financial education campaigns. In this regard, some of the major objectives have been achieved, namely promoting and increasing consumer confidence in non-bank financial markets and FSA, ensuring non-discriminatory access to non-bank financial products, limiting financial exclusion and improving financial education.

The FSA activities, specific to consumer protection, covered all three non-bank financial markets, aiming at creating and maintaining an integrated, functional and efficient organizational framework of these markets.

The economic crisis generated by the COVID-19 pandemic was felt directly by consumers of non-bank financial services who needed a higher degree of assistance and protection.

In addition, the practical application of *Law no. 236/2018 on the insurance distribution*, with subsequent additions, which creates the effective mechanisms to allow and encourage the information reporting on cases of potential or actual non-compliance with legal provisions, led to the establishment of a mechanism for taking over information on potential violations of the legal framework, generically referred to as non-compliance information.

Thus, starting with the second quarter of 2020, FSA managed, separately from the complaints, the information regarding the non-compliance with the legal framework by the insurers, sent to FSA by the assignees or their proxies, based on debt assignment contracts concluded with the injured persons in the motor claims files, these being classified as non-compliance information.

FSA provided assistance to a number of 18,126 consumers through calls actually taken over and settled by the FSA Call Center, 33.42% more calls compared to 2019. During 2020, 96.4% of consumers said they were satisfied with the assistance provided by the FSA Call Center.

FSA provided assistance to 59,452 consumers to find out their membership in privately managed pension funds (Pillar II).

### The main actions taken to protect consumers

- Complaints handling and non-compliance information
- Identification of deficiencies and communication to the structures with inspection attributions
- Direct assistance provided to consumers through public relations
- Analyses and proposals on trends and non-compliance indicators from the perspective of consumer rights and interests
- Alternative dispute resolution - SAL-FIN
- Alternative dispute resolution - SAL-FIN

Overall, 15,133 non-compliant issues were identified in the activity of complaints settlement regarding the handling of MTPL claims by insurers authorized to practice this type of insurance.

In the context in which most of the complaints and non-compliance information concern the insurance-reinsurance sector, FSA carries out an extensive process of monitoring the insured-insurer relationship, as well as the degree of compliance of insurance products with the needs of insurance consumers. At the same time, FSA contributes to the collection of data on consumer trends at European level, reporting information to EIOPA and ESMA.

### Related actions taken to protect consumers

- Meetings with insurers to clarify issues in order to settle cases;
- Granting audiences to complainers;
- Cooperation with other national and international authorities or bodies for the settlement of certain cases.

FSA has permanently monitored the evolution of consumer trends and the conduct of entities by: preparing periodic statistical analyses based on information resulting from the activity of complaints handling and non-compliance information and based on reports received from insurance companies and main intermediaries and monitoring the insured-insurer relationship and the degree of compliance of insurance products with the needs of insurance consumers, a process complementary to the supervision activity, meant to add value both to the protection of insurance consumers and to the financial stability of the insurance-reinsurance market. These consist of:

- Quarterly analyses regarding the payment period and the settlement of the claim files opened with insurers based on the compulsory MTPL motor insurance contracts. Within these analyses, two indicators are followed, which highlight the period of time in which the insurers pay the compensations to the injured persons, respectively settle the claims files, namely:

1. the average payment duration of the claims files, related to the legal deadline of compensation payment, provided by the MTPL legislation;
2. the average duration of settling the claims files, reported as the case may be, depending on the applicable legislation.

- Periodic statistical analyses regarding complaints prepared based on the reports submitted by insurers/intermediaries, highlighting the measures taken by entities that led to a reduction in the number of complaints, but also the causes that led to an increase in their number, specifying the measures considered to remedy them;

- Periodic statistical analyses regarding complaints and non-compliance information, in which quantitative and qualitative aspects relevant to the consumer protection activity are highlighted, underlining the potential deficiencies identified in the activity for their settlement and instrumentation;

- Analysis of the indicators specific to the protection of insurance consumers, which, depending on the number of complaints and non-compliance information registered with the FSA, allow the analysis of the position of each entity in relation to the market level. The analysis of these indicators allows the entities to be classified in degrees of compliance, established compared to the reference level of the market, in terms of compliance of:

- products offered in relation to consumer needs;
- the conduct of the entities in the activity of instrumentation and liquidation of the claims files;
- the solutions adopted in the claims files in accordance with the legal/contractual provisions.

The representation of Romania's interests in European bodies related to consumer protection was ensured through active participation in the *Consumer Protection and Financial Innovation (CCPFI)* and *InsurTech Task Force (ITF)* Committees organized by EIOPA, and in the *IPISC Committee (Investor Protection and Intermediaries Standing Committee)* organized by ESMA.



## Complaints handling

### Data on the distribution of complaints registered with the FSA in 2020

In 2020, consumers of non-bank financial services and products submitted to FSA 42,774 complaints and non-compliance information.

Supervised market	Total number of complaints and non-compliance information recorded in 2020	Share of the total number recorded 2020 (%)
Insurance-reinsurance	41,544	97.12%
Private pensions	844	1.97%
Financial instruments and investments	169	0.40%
Various requests	217	0.51%
<b>Total</b>	<b>42,774</b>	<b>100.00%</b>

The following types of petitioners submitted complaints and non-compliance information in 2020:

- petitioners (natural or legal persons), who submitted complaints in their own name: 47.53%;
- proxies/law firms, service units, which submitted complaints and non-compliance information based on mandate contracts, assignment of debt and powers granted by the injured persons: 49.94%;
- other entities: 2.53%.

In 2020, 55.62% of the total number of complaints and non-compliance information were submitted by individuals and 44.38% were submitted by legal entities.

Out of the total number of complaints and non-compliance information received in 2020, a number of 36,152 were uniquely registered, analyzed and settled, whereas 6,405 were connected or classified, in accordance with the provisions of *Government Ordinance no. 27/2002 regarding the regulation of the complaint handling activity*.

Regarding the way of settling the complaints and non-compliance information uniquely analyzed in 2020, it results that 60.57% (21,898) were settled favorably, the issues notified by the consumer/petitioner being confirmed and 39.43% (14,254) were settled unfavorably or found to be unfoundedly formulated.

In 2020, for **the insurance-reinsurance market**, a number of 35,250 complaints were uniquely analyzed and settled.

The 35,250 complaints and non-compliance information uniquely analyzed and settled in 2020 represent only 2.55% of the total number of claims filed by insurers in 2020 and only 0.22% of the number of insurance contracts in force as of December 31, 2020.

The complaints and non-compliance information registered for class A10 - compulsory motor third party liability insurance (MTPL and Green Card) have the largest share, approximately 95% (33,446 complaints and non-compliance information), increasing by approximately 75% compared to the number of complaints registered on this class in 2019.

The share of the number of complaints and non-compliance information settled favorably in the total number of complaints and non-compliance information uniquely analyzed in 2020 was 59.78% (respectively 21,074 complaints). Of these, over 78% were completed with payment, the requests having legitimacy and legal framework for settlement.

The share of complaints and non-compliance information found to be unfoundedly formulated or settled unfavorably in the total number was 40.22% (14,176), increasing compared to 2019, representing: opening of a claim file, refunding, sending payment acceptance to service units, etc.

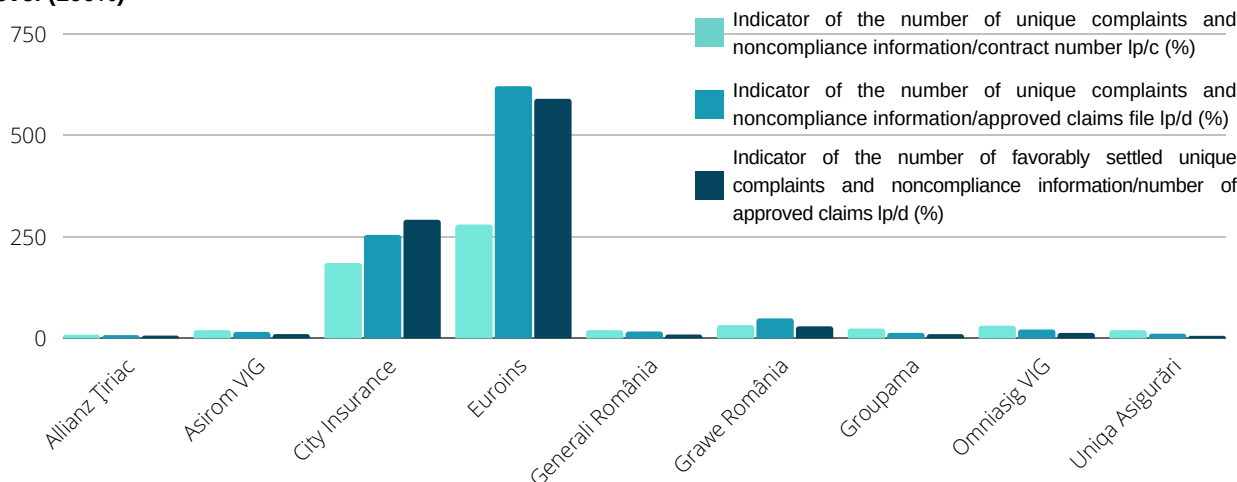
Regarding the risks and vulnerabilities related to the entities supervised by FSA, from the analysis of the values registered by the indicators specific to the consumer protection activity, performed on the statistical data for 2020, it was found that all the analyzed companies were in degrees of compliance similar to those in 2019.

The insurance companies Euroins Romania Asigurare-Reasigurare SA and SAR City Insurance SA maintained their classification in medium and/or low compliance degrees, for all the calculated indicators, as in 2019.

This situation highlights the persistence of deficiencies in the activity of the two companies, in particular as regards the instrumentation and settlement of damages,

and even their accentuation in the case of SAR City Insurance SA. This aspect is also confirmed by the large number of unique complaints and non-compliance information registered at FSA for the two companies in the analyzed period, these cumulating 90.20% of the total number registered at the level of the insurance market.

**Analysis of the values of the specific indicators performed for the insurance companies authorized by FSA that registered most of the complaints and non-compliance information in 2020, in relation to the market reference level (100%)**



Regarding the private pension system market, 844 complaints were registered in 2020, decreasing by 16.52% compared to the number of complaints registered in 2019, 782 complaints being analyzed and settled uniquely. 94.12% of the complaints were settled in favor of the petitioners - favorable, legally justified solutions could be determined for them, and 5.88% of the complaints were settled unfavorably or found to be unfounded.

For the financial instruments and investments market, in 2020, FSA received a total of 169 complaints, decreasing by 23.53% compared to the number of complaints registered in 2019, 120 complaints being analyzed and settled uniquely. 73.33% of the complaints were settled favorably - favorable, legally justified solutions could be determined for them, and 26.67% of the complaint were settled unfavorably or found to be unfounded.

**Data on FSA consumer assistance activity in 2020**

FSA, through the Tel Verde number 0800 825 627, ensures a significant and effective contribution to increasing the level of consumer information, both in relation to the functioning of regulated markets and products, but also in terms of FSA's role and involvement in their proper functioning. The Tel Verde line provides guidance on:

- the legal provisions and the effective steps necessary to be taken by a prejudiced or insured person in order to optimally and correctly benefit from the rights conferred by the signed contracts, in the concrete cases they indicate;

- the legal provisions regarding private pensions, especially those related to Pillar II, as well as regarding the concrete modalities and the necessary steps in order to verify the affiliation to a privately managed pension fund or in order to join such a fund;
- legal provisions and ways to protect the interests of investors in the capital market area;
- guiding those persons, who erroneously address FSA, to other entities of public or private law, as well as the professionals from the regulated markets who request specific information related to the development of their activity to the relevant sectors.

The total number of calls actually taken over and settled by the FSA Call Center during 2020 was 18,126, 33.42% more calls compared to 2019:

- The number of calls regarding Insurance-Reinsurance Sector was 8,834 (48.73% of the total calls received), increasing by 29.21% compared to 2019;
- The calls regarding the Private Pension System Sector were 5,521 (30.46% of the total calls received), increasing by 32.68% compared to 2019;
- The calls on Financial Instruments and Investments Sector were 507 (2.80% of the total) increasing by 61.98% compared to 2019;
- The total number of calls targeting the Alternative Dispute Resolution Entity (SAL-Fin) was 902 (4.98% of the total), increasing by 51.09% compared to 2019.

At the same time, during 2020, FSA made a number of 3,151 calls outside the institution. These calls support consumers where they are found to need additional telephone support, which is meant to facilitate their faster access to information, thus avoiding the paper/electronic format of a complaint, especially in situations where they exceed the powers of the FSA.

In parallel, the assistance activity was provided at the FSA headquarters for 1,092 consumers who requested information from the staff engaged in this activity, through direct, personal contact with the public that addresses the FSA in this way. In addition, the petitioners were logistically supported in order to submit a complaint on paper, by concretely verifying the documents they hold and, in some cases, providing the necessary material means.

FSA provides specialized assistance to consumers of non-bank financial products in terms of the status of applications for Pillar II pensions membership, in order to settle the issues presented by consumers, through the application: "Find out what pension fund you are in!", hosted by FSA on the main page of the website [www.asfromania.ro](http://www.asfromania.ro), in the Useful section. This allows consumers to interact directly with managers of privately managed pension personal accounts by filling out a form that automatically generates a message, depending on what is identified in the Pillar II Register of Participants, i.e. whether or not a pension account exists. The Register of Participants is managed by the National House of Public Pensions, the same entity that manages the Register of Social Insurance Contributions - CAS, the contribution related to Pillar II being part of the CAS due by the employee towards the State.

In 2020, FSA registered 59,452 separate requests, per consumer, regarding the affiliation to Pillar II pensions. The managers of the privately managed pension funds responded to the requests in approx. 4.24 days (out of the 10 days available). Thus, consumers' access to this information was very fast, the finding of the affiliation to the Pillar II system being a frequent concern of consumers, as can be seen based on the increase in calls for the Private Pension System.

### Alternative dispute resolution entity in the non-bank financial field

SAL-FIN is the only alternative dispute resolution entity (created based on *Government Ordinance no. 38/2015*) in the fields in which FSA has competence, which regulates the possibility of out-of-court settlement of a dispute arising in the contractual relationship between a consumer and a financial service provider who unjustifiably refuses or postpones the amicable settlement of a dispute. SAL-Fin intervention undoubtedly leads to the settlement of the dispute more quickly through one of the two possible procedures: proposing a solution (PPS), respectively imposing a solution (PIS), both free and carried out according to the consumer's choice.

In 2020, 1,168 applications were submitted for analysis, a level more than double compared to 2019, when a number of 521 applications were registered. Of the 1,168 requests, a number of 814 requests were sent to the conciliators for resolution.

During 2020, 678 disputes were settled through SAL procedures, increasing by approx. 215% compared to 2019, when a number of 315 disputes were resolved.

The structure of the disputes settled in 2020, according to the object of the requests, is presented as follows:

- 630 disputes settled, having MTPL as subject of the request,
- 20 disputes settled, having CASCO insurances as subject of the request,
- 26 disputes settled, having non-life insurances as subject of the request,
- a dispute, having life insurances as subject of the request,
- a dispute, having PAD as subject of the request.

As of September 8, 2020, **SAL-FIN became a member of the European Platform for Online Dispute Resolution (ODR)**, following the notification of our entity to the European Commission, pursuant to Article 20 of the Consumer SAL Directive (*Directive 2013/11/EU*), by the competent authority of Romania.



## Financial education

The year 2020 was marked by the COVID-19 pandemic and the financial education activity required a new approach, given the restrictions associated with the pandemic. The Authority continued, even in these conditions, to carry out financial education actions, in accordance with the FSA Strategy for the period 2019-2023, targeting different types of public (children, young people and adults). One of the main challenges of 2020 for FSA financial education programs has been the adapting to the online interaction environment.

In order to increase the level of financial education, including from the perspective of consumer protection, FSA considered both the development of new financial education papers, dedicated to different target groups, designed to support the accumulation of knowledge and skills training, as well as the development of new skills among current and future consumers. Over 50 educational papers have been developed, available online, of which we list:

- a set of 15 educational flyers for the information and education of adult consumers;
- a catalog with 18 courses within the Financial Wellness Program, addressed to adults and companies;
- development of a magazine dedicated to pre-university teachers and a new online Start2Teach course support for them;
- development of the Virtual Gallery within the FSA financial education site and of podcast videos on financial topics - MyEdu;
- a catalog with 21 presentations dedicated to students that are participating in the Academic Laboratory Program;
- development of a pedagogical textbook for games to support educators, teachers and parents and to provide them with the necessary support for children's financial education.

Also in 2020, FSA started a series of activities designed to contribute to the development of new financial education programs, compatible with the online environment, the process of resettlement and adaptation to the new context being one that required a sustained effort both in terms of logistics and organization of actions, as well as in terms of approaching FSA lecturers in the new context. Thus:

- The FSA programs that were in progress in February-March 2020 were suspended, the situation at that time requiring the cessation of any physical interactions, to protect the health of children and young people participating in actions and programs, but also of FSA employees;

- Prior to the outbreak of the pandemic, FSA was concerned with approaching the consumer from the perspective of his correct information, actively participating in the Tourism Fair of Romania, edition of February 2020. The action also involved the distribution of the guide "Travel Insurance Guide" and the "Green Card" guide, for information delivery directly to the consumer concerned;
- The Start2Teach program dedicated to pre-university teachers continued and developed rapidly during 2020, with 51 presentations for more than 2,190 teachers (compared to 409 teachers participating in the previous year in this program). This year, the teachers asked FSA to support the program, its importance becoming obvious in the context of introducing financial education as a new subject in the 8th grade school curriculum. The program is supported in partnership with the Institute of Financial Studies and was completed with the organization of a financial education contest, in which the best 10 teachers were awarded for their non-bank financial education lesson plans;
- A number of 27 new partnerships for education were concluded, of which 14 with teaching staff from different counties, 3 with school inspectorates (thus updating the list to 40), a university and the rest with school units that wanted to participate in the FSA financial education programs;
- One of the reference points was the program dedicated to companies for their employees - Financial Wellness. This program is based on the concept of on-the-job education, giving employers the opportunity to offer their employees easy access to selected and dedicated financial education programs, necessary for an informed consumer. Several companies have signed up for this program, launched in the fall of 2020, online presentations being accessed by over 2,600 people during the year;
- The seminars within the Academic Laboratory Program dedicated to students were attended by over 1,440 people, within 30 presentations. Within this program, FSA also supported the need for students to perform internships, the authority offering this possibility, in accordance with the conditions and restrictions imposed by the situation generated by the pandemic. Through this program, FSA met the needs of students and academia;

- A new component of FSA's collaboration with the university environment was opened this year - the research partnership. A first such study was conducted together with the Romanian-American University, finalizing and analyzing the results of a focus group, part of a broader research activity, which aims to better understand the need for financial education of some specific target groups;
- In addition to these activities, the area of financial education dedicated to children and young people was reached by organizing online seminars, conducted at the request of teachers for primary, secondary and high school education. The 2019-2020 school year included the participation of over 13,800 children from over 200 school units (most of these activities were physically organized in the first semester of the mentioned school year, later the program was canceled due to the COVID-19 pandemic) in the programs FSA dedicated to them, both in schools and online, supported throughout the country;
- In the second part of the year, with the start of the new school year 2020-2021, FSA launched the FinClub Program, a club dedicated to high school students passionate about the financial market. The program had an immediate impact, being very well received by the participants. By the end of 2020, there were 11 online presentations attended by the 80 students enrolled in this program. FinClub is carried out with the participation of FSA partners within the National Protocol for Financial Education - National Bank of Romania, Ministry of Finance, Ministry of Education and Romanian Association of Banks, agreeing to join the FSA initiative and support financial education together;
- Institutional partnerships have been an important item on the FSA agenda in the financial education activity. One of the programs that continued in 2020 was the one dedicated to the staff of the Ministry of National Defense, presentation attended by over 700 people being organized, the participants being given useful notions as consumers of non-bank financial services and products;
- The year 2020 was marked by the postponement of the international celebration of Global Money Week, which is annually marked in March by the organization of events by various authorities and organizations around the world. Romania has carried out certain online activities, which were promoted on the Facebook page of the OECD (Organization for Economic Cooperation and Development) - the international coordinator of Global Money Week;

- During October-November, under the auspices of World Investor Week, various educational activities were carried out such as those mentioned above, thus, FSA representing Romania in these events supported by international financial markets and coordinated by IOSCO, with the support of the World Bank, OECD and of other world organizations. The bell rang again for the opening of the Stock Exchange by the young people, a series of financial education events with international exposure being started. Along with FSA, the Bucharest Stock Exchange and the Central Depository participated.

A study conducted between April and May 2020, with the participation of people who accessed the FSA Call Center, revealed that over 35% of respondents used FSA communication channels to protect their consumer rights, as a result of interaction and information accessed through FSA financial education programs.

FSA represented Romania within the INFE (International Network on Financial Education) - a specialized working group set up by OECD, an annual international conference within the technical assistance project provided by the OECD and the Dutch Constituency to the countries of Southeast Europe being organized in 2020.

Through its activity, the authority joins Romania's policies to implement the European Parliament's resolution of 2012 which states that the EU needs sustained efforts to remove barriers to the functioning of the Single Market, in this context financial literacy being extremely important, including from the perspective of financial inclusion, as well as the 2015 provisions of the European Commission invoking art. 165 of the Treaty on the Functioning of the EU, which stipulates that Member States are responsible for regulating education, and consequently for financial education. Financial education is one of the objectives of the FSA, which is aware of its importance for the development of financial markets and ensuring stability, as well as for increasing the level of well-being of the population, this being a continuous and long-term process.

## Guaranteeing mechanisms (Guarantee Funds)

### Investors Compensation Fund (FCI)

The Investors Compensation Fund (FCI) is a joint stock company established in June 2005, authorized by the National Securities Commission based on the provisions of *Law no. 297/2004 on the capital markets*, with subsequent amendments and supplements, aiming to compensate investors in case of inability of FCI members to return the money and/or financial instruments owed or belonging to investors, which were held on their behalf, in connection with providing financial investment services or managing individual investment portfolios.

Intermediaries authorized to provide financial investment services (financial investment services companies and credit institutions) and investment management companies (IMCs) that manage individual investment portfolios must contribute, according to the legal provisions, to the Investor Compensation Fund.

The annual financial statements and financial auditor's reports, the strategy for the financial exposure of FCI financial resources, as well as the half-yearly financial reports are subject to FSA analysis. The supervisory activity also involved the analysis of the specific indicators included in the quarterly reports: the accounting reports, the execution of the revenue and expenditure budget, the reports on the FCI's investments and the situation of the financial resources available for compensation and own resources. We mention that in 2020, FCI did not register any compensation events.

The Investor Compensation Fund continuously informs market participants and investors about the specific indicators of the activity carried out and the calendar of events to be compensated, when they take place.

From a prudential perspective, the increase in liquidity risk drew attention. Liquidity risk has two components, one related to the company's own liquidity and the other related to the value of financial resources for compensation. For the first component, liquidity risk materializes when the FCI is unable to meet its current payment obligations, in particular because the company cannot take out loans to cover administration and operating expenses.

### Romanian Motor Insurers Bureau (BAAR)

The Romanian Motor Vehicles Insurers Bureau (BAAR) is the professional association whose members are all insurance companies authorized to practice the compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents (MTPL) on the Romanian territory.

The attributions of BAAR are established by *Law no. 132/2017 on the compulsory motor third party liability insurance for damages caused to third parties by vehicle and tram accidents* and concerns: (a) the role of the national car office, the claims payment body and the compensation body; (b) development and administration of the MTPL contracts database; (c) management of high-risk policyholders; (d) border insurance management and administration; (e) consumer information in the form of an information center.

FSA analyzed and approved the revenue and expenditure budget of BAAR for 2021, as well as the execution of the revenue and expenditure budget for 2019 and approved the level of contributions, fees and administration fee of the MTPL contracts database, in accordance with the provisions of the legislation in force. FSA analyzed BAAR's annual financial statements as well as the financial auditor's report.

Also, FSA permanently monitored the level of available financial resources within the National Protection Fund administered by BAAR, in order to verify its compliance with the legal limits, as well as the situation of the insurance companies' debts to BAAR as a result of its calls for collateral for Green Card compensations.

### Romanian Policyholders Guarantee Fund (PGF)

The Romanian Policyholders Guarantee Fund (PGF) is a guarantee scheme in the field of insurers established based on *Law no. 213/2015 and aims to protect insurance creditors against the consequences of the insolvency of an insurer*. The Fund makes payments of indemnities/compensations resulting from the optional and mandatory insurance contracts, in accordance with the law, in case of bankruptcy of an insurer, in compliance with the guarantee threshold provided by law. PGF can also carry out the activity of special administrator in the procedure of financial recovery of insurers and of liquidator in the procedure of voluntary liquidation of insurers. Insurers authorized by FSA, including their branches operating in the territory of another EU Member State, have the obligation to contribute to the PGF under *Law no. 213/2015*.

FSA analyzed in 2020 the following reports of the PGF:

- the situation regarding the payment of the indemnities/compensations made by the Fund to the insurance creditors of the bankrupt insurer;
- the situation of the Fund's financial resources;
- execution of the revenue and expenditure budget;
- the situation of the contributions due and transferred to the Fund by the insurers, distinct for non-life insurances and for life insurances;
- annual financial statements, annual activity report

FSA analyzed and approved the annual financial statements and the annual activity report of PGF for 2019. Considering the provisions of *Law no. 213/2015 on the Romanian Policyholders Guarantee Fund*, FSA approved the revised PGF Resource Investment Strategy.

In 2020, the implementation by the PGF of the plan of measures ordered following the periodic inspection of the FSA was completed.

### Private Pension System Rights Guarantee Fund

The institution of the Private Pension System Rights Guarantee Fund (FGDSPP) represents, together with the technical provision established by the administrators of private pension funds, a security element of the private pension system, which aims to guarantee the rights of participants and beneficiaries, as appropriate, by compensating for their losses, both during the period of accumulation of contributions and after the opening of the right to a pension.

The regulation of the manner of establishing the necessary Private Pension System Rights Guarantee Fund, during the period of accumulation of contributions, is made by the provisions of the *FSA Rule no. 2/2013 regarding the actuarial calculation of the annual contribution due by the managers of private pension funds to the Private Pension System Rights Guarantee Fund, with subsequent amendments*, drafted in the application of *Law no. 187/2011 on the establishment, organization and functioning of the Private Pension System Rights Guarantee Fund*.

In accordance with the legal provisions in force, FGDSPP reports to FSA information on:

- The internal audit plan approved by the Fund's board of directors;
- The annual actuarial report approved by the Fund's board of directors;
- The report with the internal audit missions and the report comprising the internal control activities - annually;

- The situation regarding the financial resources of the Fund, the situation of the invested assets and the obligations of the Fund, the situation of the amounts used to cover the payment of compensation towards participants and beneficiaries, the detailed situation of investments for the activity of guaranteeing the rights in the private pension system.

Annually, by May 31, the FGDSPP sends to the FSA an activity report which must include at least information on:

- Fund management;
- Activity environment;
- Investment strategy;
- The actuarial methods used in the calculation of the annual contribution, as well as the results of these calculations;
- Compensation for losses of participants and/or beneficiaries;
- Information on ensuring the payment of the participants and beneficiaries rights in case of managers' impossibility to ensure such payment;
- Information on risk management, financial resources, audit, internal control and financial auditor's report and annual financial statements.

At the same time, FGDSPP submits annually for the FSA approval the budget of revenues and expenditures for the following year, both in terms of own revenues and expenditures, as well as in terms of the revenues and expenditures related to the guarantee activity. Also annually, FGDSPP submits for the FSA approval the investment strategy of the financial resources related to the guarantee and management activity.

The budget and the investment strategy for 2021 have already been approved by the FSA.

Following the FSA Council's rejection of the proposal of the Private Pension System Rights Guarantee Fund (FGDSPP) for the approval of the Revenue and Expenditure Budget for 2021, the review of the FGDSPP budget in accordance with the FSA Decision was requested.

Thus, FGDSPP achieved the efficiency of the management and operation expenses by adjusting mainly the expenses with the highest shares, respectively the personnel expenses and the expenses with the service contracts with the collaborators, according to the provisions of the FSA Decision.

During 2020, no deviations from the objectives established by law regarding the activity of FGDSPP and from the documents that were subject to approval by the FSA were identified.





2020

**International Cooperation**



## International Cooperation

### FSA participation in the activity of European authorities (ESMA, EIOPA, ESRB)

The Financial Supervisory Authority, as a member of the European Securities and Markets Authority (ESMA) and of the European Insurance and Pensions Authority (EIOPA), is involved in the decision-making process of the two authorities, by participating in the Board of Supervisors and in the activity carried out at the technical level within the working groups and the standing committees.

At the level of the European Supervisory Authorities, the year 2020 was marked by the measures taken by the Member States to limit the spread of the COVID-19 pandemic and their impact on the financial system.

In this context, the activity at the level of the **European Securities and Market Authority (ESMA)** has intensified, organizing numerous extraordinary meetings of the Board of Supervisors in order to monitor market developments and discuss possible actions and coordinated measures to ensure capital market stability. The main discussion topics focused on issues related to the fund industry (liquidity, suspension of redemptions, efficient portfolio management, postponement of reporting deadlines) and issuers (correct investor information, annual financial statements preparation, dividend distribution policies), market infrastructure operation (central counterparties and central depositories) and the activity of direct supervision of credit rating agencies (CRAs). Some of the conclusions of these discussions materialized in ESMA statements, which were translated and published on our authority's website.

In parallel, ESMA continued the regular activities included in its Work Programme, the Financial Supervisory Authority actively contributing to the achievement of the proposed ESMA objectives for 2020, namely:

- Implementation of the new mandates according to the new provisions of the ESMA Founding Regulation;
- Elaboration of the Opinion on the review of Directive 2014/65/EU on markets in financial instruments (MiFID II);
- Consolidation and improvement of the information transparency on sustainable financial products;
- Improving convergence in terms of market abuse;
- Ensuring cooperation with UK authorities after the end of the transition period.

### The European Insurance and Occupational Pension Authority (EIOPA)

has dedicated some of its resources to mitigate the impact of the COVID-19 pandemic on the EU insurance and occupational pensions sector, to propose measures that should be taken by insurers and intermediaries to reduce the impact of the pandemic on consumers and to tackle issues related to dividend distribution. The results of the discussions on these topics were transposed into EIOPA statements which were translated and published on the FSA website.

FSA was also involved in the elaboration and approval of the documents related to the main topics on the work agenda of EIOPA, respectively:

- Opinion on the Review of the Solvency II Directive;
- Common framework for assessing insurers' liquidity in the context of the COVID-19 pandemic;
- Sustainable financing;
- Technical documentation for the stress test that EIOPA will perform in 2021 at the level of the insurance market, in order to assess the resilience of participants in adverse scenarios in the context of COVID-19;
- Analyses on the stage of implementation of contingency plans in view of the end of the transition period in the context of Brexit.

FSA cooperated closely in 2020 with EIOPA for the preparation and development of the most important project for the insurance market, respectively for the exercise of assessing assets and liabilities in the insurance sector in Romania (*Balance Sheet Review*).

The collaboration with EIOPA also materialized in the projects carried out by the authority through the Structural Reform Support Program (SRSS) of the European Commission:

1. The training program on insurance supervision in which EIOPA experts gave presentations structured on the three Pillars of requirements under the Solvency II regime;
2. The project to strengthen institutional capacity with regard to the insurance conduct supervision, which was completed by the provision by EIOPA in May 2020 of a Conduct Supervision Manual, currently under implementation at the authority level.

As a permanent non-voting member of the **European Systemic Risk Board (ESRB)**, the Financial Supervisory Authority contributes to the activity of the General Council as well as to the working groups.

ESRB's activity in 2020 focused on monitoring and analyzing the impact of the risks posed by the latest global developments, especially those arising from the COVID-19 pandemic and measures taken at the national level to protect the real economy. In this context, the ESRB issued in June and December 2020, respectively, a series of recommendations on the restriction on the granting of dividends by financial institutions, namely the conditions under which supervisors may allow such financial institutions to make such payments. The FSA took the necessary steps to implement this recommendation and communicated the measures to the ESRB.

#### International participation (IOSCO, IOPS, IAIS)

As a member, FSA contributes to the activity of international organizations, which was strongly influenced in 2020 by the COVID-19 pandemic, the international organizations allocating a large part of resources to monitor developments in international markets.

The **International Organization of Securities Commissions (IOSCO)** decided to redistribute resources in order to focus primarily on areas that are most exposed to increased volatility, constrained liquidity and potential for pro-cyclicality. Thus, special attention was paid to the monitoring of investment funds, as well as to the call margins and other aspects of risk management regarding the compensation for derivative financial instruments and other securities.

Also, in the case of the **International Association of Insurance Supervisors (IAIS)**, one of the priorities was to monitor developments in the COVID-19 pandemic and coordinate with other standards-setting bodies and the FSB (Financial Stability Board) to assess the impact of COVID 19 on the insurance sector at international level.

The **International Organization of Pension Supervisors (IOPS)** has also focused its attention on monitoring various developments in private pensions in the context of the COVID-19 pandemic, including their operations, investments and asset allocation, market behavior and financial, liquidity and solvency positions.

#### Cooperation with European and international bodies

FSA maintained the dialogue with the **European Commission (EC)** in the context of the European Semester, the references in the Country Report on the insurance sector being one of the arguments for initiating the assessment of assets and liabilities in the Romanian insurance sector (Balance Sheet Review).

The communication with the EC continued regarding the projects developed by our authority and financed by the Support Program for structural reforms, respectively the project on strengthening the supervisory function in the insurance sector and the project dedicated to solving the problem of inactive accounts in Romania.

The cooperation relationship with the **European Bank for Reconstruction and Development (EBRD)** in 2020 was closely linked to its involvement in the project on solving the problem of inactive accounts, resulting from the mass privatization process. The project was finalized by agreeing, in July 2020, a draft law that was communicated to the Ministry of Finance for promotion as a legislative initiator.

#### Participation in EU Council negotiation files

In 2020, in the context of the COVID-19 pandemic, FSA experts continued to provide comments and attend online meetings to finalize negotiations on the following issues:

1. Crowdfunding for Enterprises - the file was finalized by the publication in the *EU Official Journal of Directive (EU) 2020/1504 amending Directive 2014/65/EU on financial instruments markets and Regulation (EU) 2020/1503 on European crowdfunding service providers for business*;
2. Amendment of the *Motor Insurance Directive (MTPL)* - the file is still being negotiated at trilogue level (between the European Parliament, the EU Council and the European Commission).

In the second half of 2020, taking into account the proposals of the European Commission, FSA appointed experts to contribute to the negotiation of the following legislative packages:

- Legislative package on capital markets recovery (amendment of MIFID II, Prospectus and Securitization legislation);
- Modification of the legislation on benchmarks indices;
- Draft *Regulation on markets in crypto-asset (MiCA)*;
- Proposal for a *Regulation on digital operational resilience for the financial sector (DORA)*.

2020

**Strengthening institutional  
governance**





2020

**IT infrastructure development**

**Human resources management**

**Money laundering prevention function**

## IT infrastructure development

The activity of information technology management in 2020 was different from previous years, the COVID-19 pandemic and social distancing measures leading to a more difficult interaction of FSA employees and also a complicated relationship with supervised entities. At the same time, it was influenced by the new strategies that the Authority intended/intends to implement in order to digitize the internal and external flows.

The design of the information technology strategy and the updating of information systems taking into account the latest developments and trends in the field are priorities for FSA, not only to improve supervision, regulation and authorization, but also to ensure the latest standards of interconnectivity and keep up with IT progress.

The need to align the reporting framework of supervised entities with the reporting requirements of ESMA, EIOPA and ECB (European Central Bank), in order to standardize reporting processes, data flows and deadline coordination, has implicitly increased the complexity of data processing in order to identify early any risks and vulnerabilities posed to financial markets, financial stability and consumer protection of non-bank financial services.

In 2020, the possibilities of interaction in the digital environment were fully explored and, in addition, new ways of action that would lead to the achievement of organizational objectives were identified. Technologies such as AI (*Artificial Intelligence*), machine learning, RPA (*Robotic Process Automation*) or blockchain were taken into account for all projects related to processes digitization.

The activity of information technology management aimed at achieving **four general objectives**:

- ensuring the optimal development of the activities in the coordinated operational area in accordance with the FSA requirements of the functional processes;
- aligning the evolution of information systems to the functional requirements within the FSA, as well as to the advances in the field of information technology and ensuring the management of the FSA project portfolio in this regard;
- aligning the management of the FSA information and telecommunications systems in the parameters required by the FSA functional processes;
- ensuring the activity on the cyber security area in the FSA computer systems.

### Regular information technology management activity

The practice of teleworking by the FSA staff during the COVID-19 pandemic led to the adoption of new IT solutions for the continuous, efficient and safe development of daily activities. Thus, a series of internal projects were initiated:

- Microsoft Teams - implementation of the Microsoft Teams solution for remote collaboration and information sharing, in secure mode;
- RESTRICTED environment - secure access to FSA Council documents - extension of functionalities;
- MSSQL - consolidation of FSA databases based on Microsoft technologies: migration to MSSQL version 2016;
- SSL-VPN - system for remote access, in secure mode, of FSA's IT resources;
- Update of data communications infrastructure - replacement of active switch type equipment in the access and aggregation areas of the data network;
- Technical support for all events on cybersecurity: providing and developing the means, tools, technical and operational capabilities needed to deal with any type of event, incident and threat; internal detection and reporting, analysis and evaluation (including sorting and decision making), incident response and incident recovery, evaluation and updating of incident management measures; providing technical support for obtaining and using digital certificates by FSA employees;
- Education programs regarding the IT security training of FSA employees;
- Implementation of the DLP (Data Loss Prevention) solution;
- Implementation of the FSA secure videoconferencing solution, in collaboration with the Special Telecommunications Service.

Within the data management activities, FSA focused, in 2020, on a wide range of actions:

- implementation of reports/analyses, of Business Intelligence type, for data visualization using Tableau Software. The Business Intelligence solution aims to extend the analysis and data presentation system for the capital market;
- development of an incremental data mart loading solution, in order to obtain real-time results in the Business Intelligence solution;
- implementation of data analysis and visualization, of managerial type, for the Complaints Management System (General situation of complaints registered at FSA, Weekly Information Report);
- implementation of reports/analyses, for the solution of Personnel Management, Management of Professional Evaluations and Timekeeping;
- implementation of reports for the application of recording the requests for the verification of accessions to pension funds;
- implementation of reports for the Register of Secondary Intermediaries (RSI);
- analysis and implementation of the indicators in the manual for consolidating the supervisory function of the Romanian insurance market (EIOPA);
- updating the BazaSAR application (application for registration of participants on the insurance market) according to the requirements;
- updating the Private Pension Supervision/Inspection application;
- implementation of procedures for streamlining and automating the document management system;
- implementation of new annual financial models in the SIR-EWS application;
- implementation of a procedure for the automation of the archiving in the FIRDS application.

FSA is actively involved in the activities of the working groups of the European Supervisory Authorities on the application of IT in the non-bank financial field, namely ESMA-ITMG (*IT Management and Governance Technical Committee*) and EIOPA-ITDC (*The Information Technology and Data Committee*).

## Digitization within FSA

In the next period, the FSA will pay more attention to the digitization process and technological innovation in the field of financial services, particularly as the pandemic and physical distance measures have proved how important they are for the proper functioning and stability of financial markets. In this context and in accordance with the actions undertaken at the level of the European Commission, ESMA and EIOPA, FSA has two strategic directions, respectively:

- encouraging the digitization and development and implementation of new technological solutions on the financial markets;
- continuing the process of internal digitization and implementation of new innovative solutions.

Regarding the encouragement of digitization, development and implementation of new technological solutions on the financial markets, FSA will continue the development of FinTech Hub, a project launched in 2019 and which in 2020 proved its usefulness and gained a permanent nature at authority level.

FSA also wants to be an example for financial market players and to encourage the development and implementation of innovative technologies. In this regard, at the end of 2020, **FSA launched a tender for a pilot project to test the applicability of blockchain technology within the authority**, and by the end of 2021 to implement a functional prototype of computer system based on blockchain technology for a work process. Along with this functional prototype, the applicability of the use of blockchain technology within the authority, the benefits of technology implementation, as well as the identification of new work processes that may be eligible for the implementation of such technology will be analyzed.

In order to keep up with technological developments, but also to implement the necessary legislative and supervisory measures, FSA:

- closely monitors developments in technological innovation in the financial sector by participating in working groups within the European Commission, ESMA, EIOPA or other European or international bodies and analyzes the benefits and risks for consumers that they may generate;
- supports the efforts at European level to promote technological innovation in the field of financial services.

Undoubtedly, for the year 2021, digitization will be one of the main lines of action of the FSA, it will contribute to the organizational transformation of the authority and to the improvement of the degree of performance, in all its fields of activity. Digitization is evolving at an accelerated pace, modifying and influencing all internal and external activities but, at the same time, contributing to the increase of cyber risk exposures. For this reason, digitization at the level of the authority, becomes essential for the identification of risk mitigation measures as well as for global competitiveness.

**The finalization of the IT strategy on information technology and the modernization of information systems** taking into account the latest developments and trends in the field are priorities of the FSA and essential requirements, not only to improve supervision, regulation and authorization, but also to ensure high standards of professionalism and keep up with the progress of the markets.

In the next period, FSA will continue to work towards the identification and implementation of the best ways to process and analyze financial data in supervised markets, based on the latest technological developments and best practices in the field.

In the vision of FSA, a modern information management information system will have to be able to include:

- efficient collection of quantitative and qualitative indicators and their aggregation without human intervention in dynamic data structures;
- simulation of human expertise by using "machine learning" algorithms on large data sets;
- contextualizing and diversifying the information collected with the help of mechanisms for extracting information from unstructured data sources, such as the Internet.

At the same time, this system must benefit from a solid support infrastructure, its development being closely correlated with the planned migration of FSA IT systems to a cloud architecture. It is also important to prepare staff for the understanding and application of the new work model and therefore it is necessary to initiate internal/external courses, so that they adopt all these changes naturally. These courses will focus on the main skills needed, namely:

- digital competences;
- connectivity and use of online platforms;
- cyber security, data protection, online security and IT ethics;
- other topics subsequent to digitization.

Such an implementation should aim at real-time monitoring of digitized processes, which offers the possibility to make decisions based on data and not on the intuition of managers.

### Strengthening IT infrastructure

The establishment of an IT infrastructure adapted to the real needs, through the complete modernization of the existing hardware and software elements, as well as the rethinking of the existing IT services in order to streamline the entire activity at FSA level, represents an essential element of the authority's strategy.

The IT strategy for the next period is a natural and organic continuation for this field, especially since during 2020, important adjustments and improvements were made to the entire IT infrastructure at the level of the institution, especially in the context of COVID-19 pandemic.

Another important project in 2021 will be represented by the implementation of the information security policy at the level of the authority (part of the FSA Strategy for the period 2021 - 2023), which involves a smart approach in the mentioned area, on several areas of interest, especially by applying technical and non-technical measures in the priority security areas, respectively:

- implementation of a solution for the protection against cyber threats;
- implementation of a user identity management solution - IAM (*Identity and access management*);
- implementation of a solution for the investigation and analysis of security events - SIEM (*Security information and event management*);
- implementation of the solution for disaster recovery - DR (*Disaster recovery*).

Thus, the projects with IT component that FSA envisages support and converge towards digitization and towards a wider use of financial innovation and IT solutions in all fields of activity. One of the most eloquent examples is the adoption of *Instruction no. 3/2020 on how to send reports and other documents in electronic format to the FSA* in 2020. Thus, as a result of the adoption of this Instruction, at the FSA level, a project on the archiving of electronic documents will be initiated during 2021.

## Human Resources Management

**In 2020, the human resources activity focused on two major directions:**

**Institutional governance**

**Professional Development**

### Institutional governance

During 2020, the process of streamlining the activity of FSA continued, as follows:

#### ► Reorganization of the activity by:

- the abolition of some organizational structures with the taking over of the attributions by already existing or newly established organizational structures;
- reducing the number of hierarchical levels from 3 to 2 and redistributing some employees to the organizational structures deficient in human resources in order to streamline the ongoing operational processes;
- the abolition of the positions of counselor, numbering 26, the employees who occupied these positions being re-employed in the position of management expert and manager (executive positions), with a salary reduction of approximately 20%;
- the abolition of 4 cabinet manager positions, the employees being re-employed, also with a salary reduction of approximately 20%.

Also, at the beginning of the current year, the reorganization process continued by modifying the organizational chart, respectively by reducing the managers positions from 19 to 11 and by redistributing some functions and reorganizing some activities.

Regarding the impact of the previously mentioned reorganization measures, started in July 2020, it is highlighted that by eliminating the positions of counselors, the level of salary expenses in 2020 was reduced by the end of the year by approx. Lei 775,000. This reduction, to which other measures were added, such as the redistribution of some employees and the capping of salaries, led to staff costs by about 2.5% lower in 2020 compared to the final budgetary provisions, respectively an economy of approx. Lei 3,700,000.

By continuing the reorganization process in the first quarter of 2021 as well, respectively by reducing the number of managers positions and reducing their salaries by approx. 20%, as well as by redefining some execution functions, cuts by about Lei 4,400,000 of the personnel forecasted expenses were also produced in 2021.

**11 manager positions**

reduced from 19 manager positions

**abolition of adviser positions**

re-employed in executive positions

**-2.5% degree of realization of personnel expenses in 2020**

saving approx. Lei 3.7 million

**reductions in personnel expenses by Lei 4.4 million**

forecast for 2021



FSA analyzed the activity both from the perspective of its human resources component and from the perspective of the organizational structure, in order to identify ways to streamline and optimize it.

This analysis is part of a continuous process of organizational evaluation that aims to define a more efficient structure at the level of the authority, in order to improve the performance and optimize the activity and governance of FSA, with the following objectives:

- Ensuring the proper functioning of financial instruments markets, encouraging confidence in these markets and in financial instruments investments, providing stability and competitiveness within them, as well as ensuring the support of market operators and investors against unfair, abusive and fraudulent practices;
- Promoting the stability of the insurance activity and defending the rights of the insured;
- Ensuring the efficient functioning of the private pension system and protecting the interests of participants and beneficiaries.

► **Regulating the way of organizing and carrying out FSA activities from an operational point of view by aligning with the appropriate legislation in the field during the COVID-19 pandemic**, as well as the implementation of measures to protect the institution's employees. In order to reduce the risks of employees infection with the new coronavirus, the FSA management took the necessary measures to introduce telework, limit physical meetings and apply outdated work schedule, etc., while ensuring a Business Continuity Plan that also includes the Register of Critical Activities at the FSA level.

## Professional development

In the context of the COVID-19 pandemic, the training activity focused mainly on adapting to the new context by transferring the performance of courses from the traditional mode to the online environment. In accordance with the Annual Vocational Training Plan, a number of 298 participations were registered, structured according to the table below:

- 30 with external lecturer;
- 114 with internal FSA lecturer, in the hall;
- 119 with FSA lecturer, online;
- 35 on the e-learning platform.

Participations in training programs organized by external lecturers resulted mainly from participation in programs offered by ESMA, EIOPA, EBA, Joint Vienna Institute - 26 participations (included in those with external providers - 30 participations).

The professional training organized with internal resources consisted in designing 5 courses and 2 workshops ("Ethics and integrity", "Creative problem solving: individual skills - part I", "Creative problem solving: individual skills - part II - a", "Personal self-efficacy", "Time management", "Organizational understanding and tact", "Personal adaptability, "creativity and innovation"), of which three were delivered ("Ethics and integrity", "Creative problem solving: individual skills - part I", "Creative problem solving: individual skills - part II"). At the same time, the content and course support for two programs designed in previous years ("Interview Techniques", "Team Cohesion") were updated and improved.



## Money laundering prevention function

During 2020, FSA communicated to ESMA and EIOPA compliance with *JC 2019/81 Guide on cooperation and information exchange for the purpose of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions, the AML/CTF Colleges Guidelines* (Anti-Money Laundering/Combating the Financing of Terrorism). Thus, during this period, a mapping was made of the financial groups from Member States and third parties that have branches in Romania and in another Member State and of those from Romania that have branches in more than 2 Member States, for which it is necessary to create a AML/CTF Colleges according to *JC 2019/81 Guide on cooperation and information exchange for the purpose of Directive (EU) 2015/849 between competent authorities supervising credit and financial institutions, the Guide on AML/CTF Colleges*. FSA transposed this guide into the *FSA Regulation no. 29/2020, amending and supplementing the FSA Regulation no. 13/2019*.

During the reference period, the *FSA Regulation no. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorism financing through the financial sectors supervised by the Financial Supervisory Authority* became effective. As an element of novelty, we mention the notification of the compliance officers, whose notification obligation had as deadline the date of January 17, 2020. This obligation was implemented at the level of the entities with an appreciable delay, notifications of the compliance officers being still sent by the financial entities.

At the same time, during this year, the *FSA Regulation no. 25/2020 on the supervision of the implementation of international sanctions by the Financial Supervisory Authority and the entities regulated by it* was elaborated, approved and published in the Official Gazette, as well as the *FSA Regulation no. 29/2020 on the amendment and completion of the Regulation of the Financial Supervisory Authority no. 13/2019 on the establishment of measures to prevent and combat money laundering and terrorism financing through the financial sectors supervised by the Financial Supervisory Authority*.

In 2020, from the perspective of fit & proper assessments and specific risk analyses, processes and profile verifications were performed for the activity of authorization and access on supervised financial markets for 147 persons nominated in the management structure of the financial entities, for 608 persons notified as compliance officers and persons designated in the field of AML/CTF (*Anti-Money Laundering/Combating Terrorism Financing*), as well as 4 persons notified as persons designated as for international sanctions.

Also, the analytical activity targeted 14 significant capital increases, 7 acquisitions and 2 authorizations of legal entities.

At the same time, the draft Emergency Ordinance amending and supplementing Law no. 129/2019 for the prevention and combating of money laundering and terrorism financing, as well as amending and supplementing some regulatory documents, with subsequent amendments, the Government Emergency Ordinance no. 99/2006 approved with amendments and supplements by Law no. 227/2007, with the subsequent amendments and supplements and Law no. 207/2015 on the Fiscal Procedure Code, with subsequent amendments and supplements, was endorsed with comments by the FSA. During June, the amendments of the FSA were communicated to the Committee on Budget, Finance and Banking of the Chamber of Deputies on the draft law amending, supplementing and repealing some regulatory documents, as well as establishing measures for the implementation 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 transposing point 2 of Directive (EU) 2018/843 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, and amending Directives 2009/138/EC and 2013/36/EU, as well as amending Directives 2009/138/EC and 2013/36/EU (AMLD V).

Also, during this period, the amendments regarding the transposition of point 2 of AMLD V by Law no. 158/2020 amending, supplementing and repealing some regulatory documents, as well as establishing measures for the implementation 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 well as Regulations (EC) no. 1,060/2009 and (EU) no. 648/2012 published in the Official Gazette no. 673/July 29, 2020. In the first half of 2020, FSA appointed its representatives who are part of the Steering Committee of the "Money laundering and terrorism financing risk compliance" project together with NBR and ONPCSB (National Office for Preventing and Combating Money Laundering).

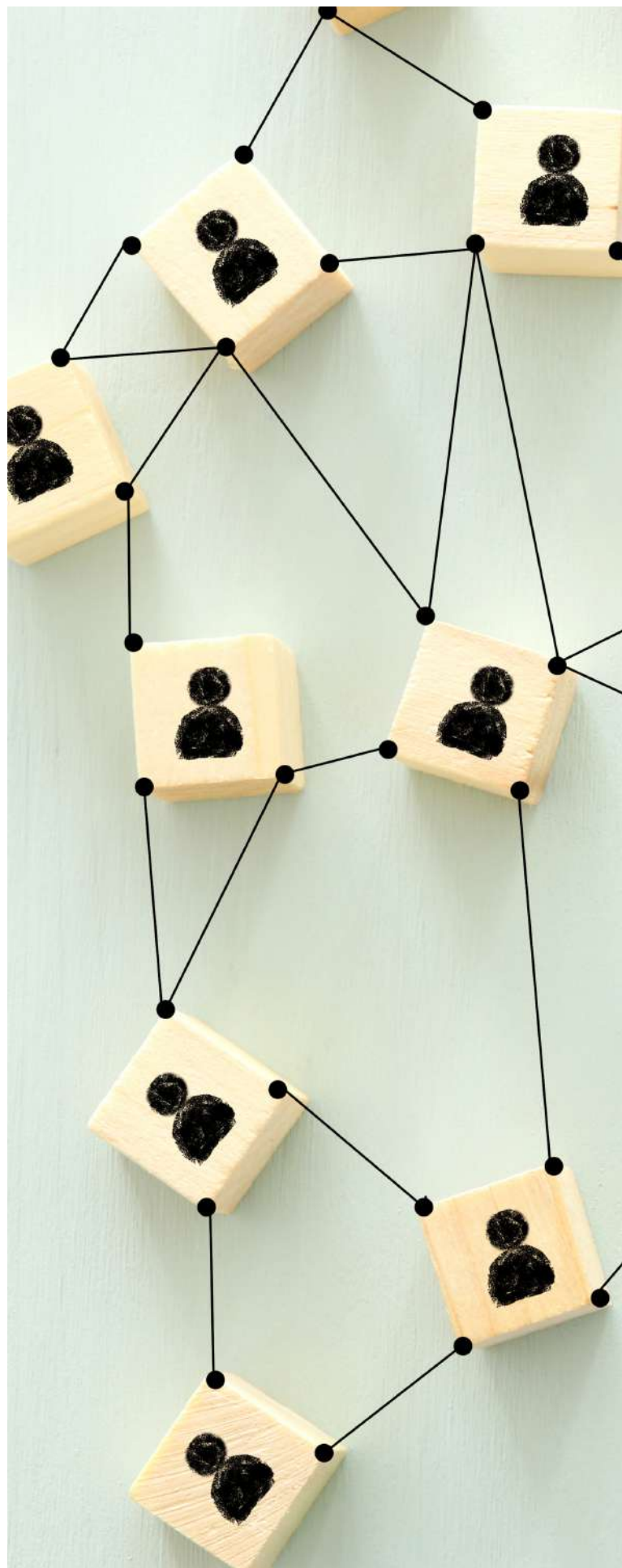


The objectives of this project are compliance with the criteria imposed by Recommendation 1 of the FATF (*Financial Action Task Force - National Risk Assessment ML/TF*) and the application of *Law no. 129/2019* and the preparation of the future Moneyval assessment exercise in the field of AML/CTF, related to the 5th mutual evaluation round, scheduled for the period 2021-2023. The first activities of this project took place in October-December 2020: the online training attended by FSA employees on the elements expected by the consultants of the European Commission and on the qualitative and quantitative elements of the national risk AML assessment (*The National Risk Assessment - NRA*), respectively the transmission of the template questionnaires to the institutions and authorities involved in the national ML/TF prevention and control framework.

FSA, as the supervisory authority of the non-bank financial sector in the field of preventing and combating money laundering and terrorism financing, responded to the request of the European Banking Authority and the European Commission to participate in the process of identifying situations and elements that need better adaptation of the profile oversight or of improving the European regulatory framework. Thus, FSA responded to 3 questionnaires with the objective of identifying gaps in supervision and on the method to effectively implement *Directive 2015/849*.

In the field of international sanctions, the project "Increasing the capacity of the Romanian Government to implement restrictive measures EU - 19 RO03" was completed, having as direct beneficiary the Office for the Implementation of International Sanctions (OISI), through the Ministry of Foreign Affairs and, indirectly, the Interinstitutional Council for the Implementation of International Sanctions (CIISI), of which FSA is a part. The objectives of this project are to obtain an overall agreement on the application of restrictive measures in Romania by the competent public authorities and institutions; the identification of the next steps to improve the current communication on the implementation of EU sanctions and the development of technical specifications for the creation of an electronic platform containing all national measures taken by all institutions relevant to the implementation of EU sanctions, etc.

Regarding the supervision of the international sanctions application for the supervised sectors, FSA provided the entities with alerts and guides of good practices in this field, in order to increase awareness and compliance, through the dedicated section of the FSA website, such as and updating the database with the 157 changes in the field of international sanctions regimes, taken at European level or at the level of the UN Security Council during this year.



## Development of the internal managerial control system of the FSA

The legal framework of the activity regarding the internal managerial control is ensured by the *Government Ordinance 119/1999 on the internal/managerial control and the preventive financial control, republished, with subsequent amendments and supplements and the Order no. 600/2018 of the General Secretariat of the Government for the approval of the Internal/Managerial Control Code of public entities*, in force since May 7, 2018. The legal provisions mentioned above are completed with the provisions of *Regulation no. 10/2016 regarding the organization and functioning of the FSA, with the subsequent amendments and supplements*, and with other operational and system procedures that regulate the internal/managerial control activity.

The implementation and monitoring of the development of the internal managerial control system at FSA level is performed by the **Commission for Monitoring, Coordination and Methodological Guidance of the development of the internal managerial control system of FSA (CM)**, as a functional structure of the institution composed of FSA directors and heads of organizational structures directly subordinated to the Chairman of the FSA, the First Vice-Chairman of the FSA or the Board of the FSA.

The functioning of the Monitoring Commission and the roles of some structures and functions at the FSA level are established by the **Organization and Functioning Regulation of the FSA Monitoring Commission**. The meetings of the Commission are organized, as a rule, on a quarterly basis, at the convocation of its Chairman (First Vice-Chairman of FSA) with the assistance of the Technical Secretariat or, whenever deemed necessary.

### Internal audit activity

The internal audit activity was carried out based on the Annual Plan and the Multiannual Public Internal Audit Plan approved by the FSA Council, the annual audit plan for 2020 being subsequently reviewed.

Assurance missions have been planned for some of the activities and processes carried out within the FSA. Also in 2020, the management of the authority requested by internal decision to carry out two ad-hoc audit missions. Following the completion of the audit missions, the audit teams formulated findings and recommendations for the improvement of the audited activities.

The audit missions carried out in 2020 aimed at evaluating and analyzing the activities within the authority, both missions regarding the activities in the support area (procurement, logistics, patrimony, human resources, legal) and missions regarding the specific activities of the institution (supervision and inspection of the entities regulated by the FSA, as well as their authorization and endorsement activities) being carried out.

The Chairman of the Commission is assisted in the specific activity by a Technical Secretariat composed of employees designated by the FSA who hold positions with specific responsibilities established on this component - compliance and internal control manager, risk control manager, integrity and internal control manager, management and internal control expert.

In accordance with the legal provisions in force and the internal procedural provisions of the FSA, the Monitoring Commission carries out its activity based on the Annual Program for reviewing, updating and developing the internal/managerial control system of the FSA. It includes the objectives, activities, actions, responsibilities, deadlines and stages as well as other components of the control measures aimed at implementing the internal/managerial control system.

The program for reviewing, updating and developing the internal managerial control system of the FSA for 2020 was designed to improve the functioning of internal managerial control mechanisms based on findings from previous years, proposing and agreeing flexible and efficient work processes.

At the same time, the internal audit structure within FSA performs activities of permanent monitoring of the fulfillment of the recommendations formulated by the internal auditors.

Reporting the results is another important component of the activity of the internal audit structure of FSA, this being performed on two levels: internally, through half-yearly/annual reports to the management of FSA and, according to the provisions of the internal public audit law, annually, to the Internal Audit Central Harmonization Unit within the Ministry of Finance, as well as to the Romanian Court of Accounts.

2020

**Decision-making  
transparency and public  
information**





2020

**Public communication**  
**FSA's legal activity**

## Public communication

During 2020, FSA's public communication activity focused on releasing information about the measures taken by the authority to ensure the stability and development of the three regulated and supervised markets, as well as to protect the rights and interests of consumers of non-bank financial services.

FSA has constantly developed, but especially in the second half of 2020, the area of editorial content and created a series of materials of wide public interest, which have been disseminated in the media, but also through social networks. At the same time, the authority elaborated a series of analyses, documentaries and retrospectives regarding the supervised markets, in order to inform both the general and the specialized public. These analysis products will continue to be an important component of the FSA's communication strategy and will be useful sources of informing the public about the evolutions of the three markets regulated and supervised by the FSA.

FSA developed the editorial concept of the online journal dedicated to pre-university teachers, drew up and edited its editorial content. The publication was distributed in March 2020 to pre-university teachers, within the financial education programs run by the FSA. This initiative has been appreciated internationally and promoted by the OECD - INFE (*Organization for Economic Co-operation and Development - International Network on Financial Education*), which coordinates the international celebration of Global Money Week.

Between September and December 2020, FSA implemented an editorial project to promote the activity of SAL-Fin and ISF, both in the media and on social networks, for a better knowledge of the activity of the two institutions.

### Relationship with the media

During the permanent dialogue with journalists, FSA responded to a number of about **200 requests for information/interviews/TV sync/radio interventions** from the media. The Authority prepared and released, in 2020, a number of **153 press releases**, through which it informed the media about the decisions of the Board of the Authority, the analyses and statistics on the evolution of the three supervised and regulated markets, as well as on the actions dedicated to financial education and consumer protection.

### FSA website

The official website of the FSA is one of the most important information channels on the current activity of the Authority. [www.asfromania.ro](http://www.asfromania.ro) hosts data and information on public consultations, legislative proposals, public communications, non-bank financial markets.

New sub-sections of current sections have been set up on the FSA website, which have been supplemented with information throughout the year - for example with the new editions of the electronic Capital Market Bulletin, which contain most of the documents issued by the FSA for this sector, or Lists of public offerings notifications submitted by EU and other international issuers, containing hundreds of documents, as well as reconfigurations of other sections, to update the content.

Also, within the International section, a new subsection was created, dedicated to Brexit.

### Social media

Social networks have acquired a new dimension in the communication strategy of the FSA, given the importance they have, especially in the context generated by the COVID-19 pandemic.

The communication structure managed the social media accounts of the FSA from an editorial point of view (including responses to comments, where appropriate).

- **LinkedIn** - 250 posts - infographics, announcements with links to the institution's website, teasers for press releases and market reports, FSA Board decisions relevant to the target audience, promotion of interviews and press articles that include statements from FSA representatives, announcements made by European authorities - ESMA or EIOPA;
- **Facebook** - 365 posts - infographics, announcements with reference to the institution's website, promotion for press releases and market reports, decisions of the FSA Council relevant to the target audience, promotion of interviews and press articles that include statements from FSA representatives, posting actions and information on financial education.

### Law no. 544/2001 on free access to information of public interest

FSA manages the requests formulated based on *Law no. 544/2001* by the general public and by the media representatives. During 2020, answers were drafted for a number of 44 requests for public information regarding the activity of the authority, the manner of fulfilling the attributions of the public institution, the activity of the supervised non-bank financial sectors, regulatory documents/regulations, etc. Evaluation report on the implementation of *Law no. 544/2001* for 2019 was also published on the FSA website.

### Attendance at public events

Between September and December 2020, FSA organized (in the case of ISF, it contributed to the organization) several events for the presentation of significant directions of action of the authority:

- **ISF 2020 International Conference** *New generations of consumers of financial services - how we train them, how we educate them* - 6th edition - November 24, 2020. The conference was organized online, on the Zoom platform, with a panel of 17 speakers from Romania and from abroad and an audience of over 200 people;
- **Launch of the Report on the stability of non-bank financial markets in the second semester**, within a public event, on the online platform Zoom, being broadcast live on the Facebook page of the authority. Representatives of authorities, partner financial institutions, professional associations and entities from regulated markets, as well as the media were invited to this event.

The main messages of FSA were also transmitted during **the events organized by third parties** - institutions, professional organizations and the media, through the direct participation of members of the authority's management or through the spokesperson, including the *UNSAR National Conference*, *Financial Intelligence Gala - 25 years*, *ISF 2020 International Conference*, *BVB Event - 25 years*, *OECD International Conference on Financial Education*, *ARIR 2020 Gala*, *Romanian Fund Managers Summit* and *"Emerging Romania" BVB Event*.



## FSA's legal activity

Among the fundamental values that guide legal activity are **responsibility, transparency, independence and performance**. By consistently promoting these values and applying best practices in the field, FSA has been able to effectively manage a number of complex legal issues it has faced in settling complaints, representing interests before the courts and formulating legal opinions.

### The objectives that lay the basis of the legal activity of the FSA in 2020 focused on:

- Ensuring a comprehensive, stable and coherent legal framework that meets the needs of efficient and sound functioning of non-bank financial markets;
- Ensuring the legality of FSA documents, by verifying their compliance with the applicable legislation;
- Protecting the rights of the FSA and preventing litigious situations, by representing the interests of the institution before the courts/arbitral tribunals, the criminal investigation bodies and the prosecutor's offices attached to the courts or in the mediation procedure.

During 2020, FSA administered or, as the case may be, elaborated/settled legal issues through:

- 521 court cases, of which 396 concerned administrative litigation and 15 criminal cases. FSA filed either criminal notifications or complaints against the dismissal settlement ordered by the criminal investigation bodies in the case of criminal notifications filed by FSA and SAL-FIN (110 files until September 1, 2020);
- 235 enforcement cases;
- 261 cases regarding claims;
- 49 preliminary complaints;
- 485 legal opinions;
- 287 legality notices on the draft regulatory documents;
- 3,327 approvals for legality;
- 2,313 other works/responses to various requests, including approval for compliance of documents subject to compliance control.

### Aspects regarding the analysis of preliminary complaints

The activity of settling the preliminary complaints consists both in the analysis of the signaled aspects and the formulation of the proposed measures, as well as in the elaboration and transmission of the official answers within the preliminary administrative procedure, provided by the *Law no. 554/2004 on administrative contentious*.

During 2020, FSA settled 49 preliminary complaints:

- 35 targeted the capital market;
- 12 the insurance-reinsurance field;
- 2 the private pension system.

Of the 49 preliminary complaints, 27 are also the subject of court litigation, filed against documents issued by the FSA, related to the capital market (18 actions) and the insurance-reinsurance field (9 actions).

Compared to 2019, when the FSA settled 30 preliminary complaints filed against administrative actions and measures ordered by the authority, it can be seen that the number of preliminary complaints settled increased by 61.22% in 2020.

### Aspects regarding the handling of court cases

Out of the total of 521 court cases handled by the FSA in 2020, 396 were court cases, 110 were managed through SAL-FIN and 15 consisted of criminal cases.

The 396 court files have been registered with the courts for several years:

- 70 files in 2019;
- 74 files in 2020;
- 252 files prior to 2019.

The court files registered in 2020 (74 in number) had as subject actions in administrative litigation in which the documents issued in the field of insurance-reinsurance (35 cases) and in the field of capital market (34 cases) were challenged, as well as the actions regarding labor disputes, public procurement, claims, free access to information, etc. (5 cases).

521 litigations were handled (excluded from this total are the cases having as subject the claims, the enforcement cases, the requests for issuing payment orders), of which:

- 506 litigation cases, labor and social insurance disputes, actions in claims and common law disputes (including SAL-Fin).
- 15 criminal cases.

Of the 506 litigation cases, labor and social insurance disputes, actions in claims and common law disputes (including SAL-Fin):

- 70 cases were definitely settled;
- 77 cases were settled in the procedural stage of the merits (in the first instance).

Of the 70 cases definitively settled, 53 cases were with favorable solutions (76% of all cases were definitely settled), and 17 cases had unfavorable solutions (24% of all cases definitely settled).

Of the 77 cases settled in the procedural stage of the merits, 65 were settled favorably (84% of the total cases settled on the merits) and 12 were settled unfavorably (16% of the total cases settled on the merits).

The average of the cases settled, on the merits or definitely, indicates the fact that there were 147 cases settled only on the merits (in the first instance) and definitely settled in 2020, of which:

- 118 cases with favorable solutions - 80% of the total settled cases;
- 29 cases with unfavorable solutions - 20% of the total settled cases.

At the level of 2020, the Legal Department approved a number of 287 draft regulatory documents, which were adopted by the FSA Council, in various procedural stages, respectively for their public consultation and transmission to the Official Gazette of Romania, for publication.

During 2020, FSA, through the steps taken by the Legal Department, published in the Official Gazette a number of 80 regulatory documents.





2010

# **FSA's Financial Statements and Audit Report**

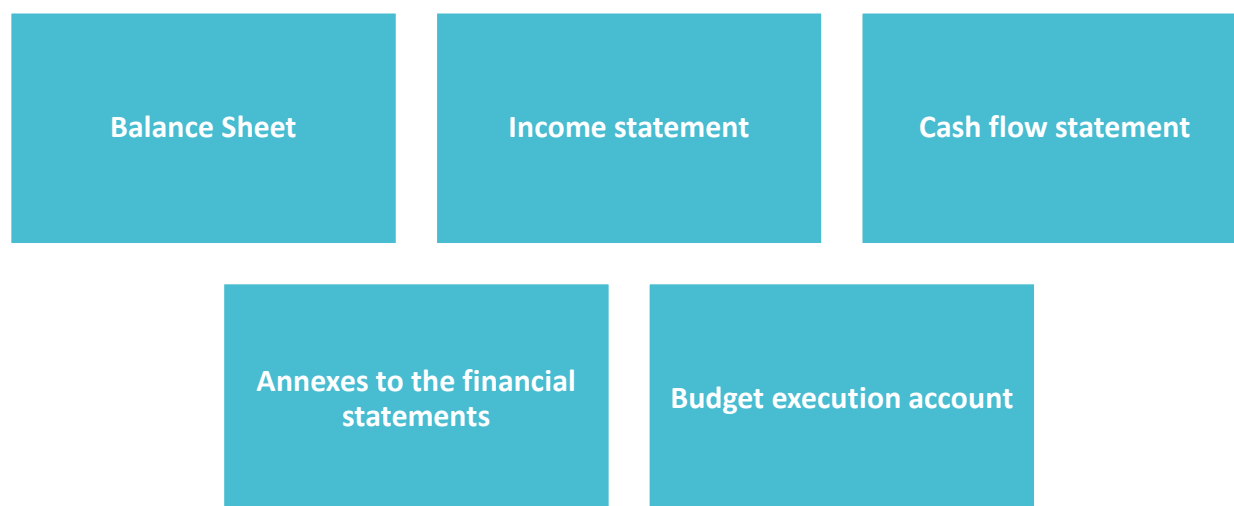


## The financial statements of the FSA and the audit report of the external auditor on the financial statements of the FSA

The financial statements as of December 31, 2020, were prepared according to the provisions of the *Accounting Law no. 82/1991, of the Order of the Minister of Public Finance no. 1917/2005, regarding the approval of the Methodological Rules regarding the organization and management of the accounting of public institutions, the Plan of accounts for public institutions and the instructions*

*for its application, with subsequent amendments and supplements and of the Order of the Minister of Public Finance no. 28/2021 on the transmission of centralized financial statements prepared by public institutions on December 31, 2020 and for the amendment and completion of some orders of the Minister of Public Finance in the field of accounting of public institutions.*

**The financial statements of the FSA are prepared according to the accounting principles and rules provided by the legislation in force and include:**



The financial statements are prepared in Lei, the monetary elements expressed in foreign currency, the receivables and liabilities in foreign currency,

the non-monetary elements purchased and paid in foreign currency are evaluated and reported at the NBR rate of exchange valid on December 31, 2020.

## FSA'S BALANCE SHEET AS AT DECEMBER 31, 2020

-lei-

Item no.	INDICATORS	Row code	Balance at the beginning of the year	Balance at the end of the period
A	B	C	1	2
1.	<b>ASSETS</b>	<b>01</b>	<b>X</b>	<b>X</b>
2.	<b>NON-CURRENT ASSETS</b>	<b>02</b>	<b>X</b>	<b>X</b>
3.	<b>Intangible fixed assets</b> (ct. 2030000+2050000+2060000+2080100+2080200+2330000-2800300-2800500-2800800-2900400-2900500-2900800-2930100*)	<b>03</b>	2,148,321	2,138,931
4.	<b>Technical installations, means of transport, animals, plantations, furniture, office equipment and other tangible assets</b> (ct. 2130100+2130200+2130300+2130400+2140000+ 2310000 -2810300-2810400-2910300-2910400-2930200*)	<b>04</b>	2,225,545	3,474,631
5.	<b>Lands and buildings</b> (ct. 2110100+2110200+2120101+2120102+2120201+2120301+2120401+2120501+2120601+2120901+2310000-2810100-2810200 -2910100-2910200-2930200)	<b>05</b>	13,812,589	13,589,291
6.	<b>Other non-financial assets</b> (ct. 2150000)	<b>06</b>	0	0
7.	<b>Non-current financial assets (long-term investments) over one year</b> (ct. 2600100+2600200+2600300+2650000+2670201+ 2670202+2670203+2670204+2670205+2670208-2960101-2960102-2960103-2960200), din care:	<b>07</b>	0	0
8.	Units (ct. 2600100+2600200+2600300-2960101-2960102-2960103)	<b>08</b>	0	0
9.	<b>Non-current receivables - amounts to be collected after a period of more than one year</b> (ct. 4110201+4110208+4130200+4280202+4610201+ 4610209- 4910200-4960200), din care:	<b>09</b>	0	0
10.	Non-current trade receivables - amounts to be collected after a period of more than one year (ct. 4110201+4110208+4130200+4610201-4910200-4960200)	<b>10</b>	0	0
11.	<b>TOTAL NON-CURRENT ASSETS (rd. 03+04+05+06+07+09)</b>	<b>15</b>	<b>18,186,455</b>	<b>19,202,853</b>
12.	<b>CURRENT ASSETS</b>	<b>18</b>	<b>x</b>	<b>x</b>
13.	<b>Inventories</b> (ct. 3010000+3020100+3020200+3020300+3020400+3020500+3020600+3020700+3020800+3020900+3030100+3030200+3040100+3040200+3050100+3050200+3070000+3090000+3310000+3320000+3410000+3450000+3460000+3470000+3490000+3510100+3510200+3540100+3540500+3540600+3560000+3570000+3580000+3590000+3610000+3710000+ 3810000+/-3480000+/-3780000-3910000-3920100-3920200-3930000-3940100-3940500-3940600-3950100- 3950200-3950300-3950400-3950600-3950700-3950800-3960000-3970000-3980000+4420803)	<b>19</b>	1,532,586	1,685,549
14.	<b>Current receivables - amounts to be collected in a period of less than one year</b>	<b>20</b>	<b>x</b>	<b>x</b>
15.	<b>Receivables from commercial operations, advances and other settlements</b> (ct. 2320000+2340000+4090101+4090102+4110101+4110108+4130100+4180000+4250000+4280102+4610101+4610109+4730109**+4810101+4810102+4810103+4810200+4810300+4810900+4820000+4830000+4890101+4890301-4910100-4960100+5120800), of which	<b>21</b>	19,861,850	16,821,012
16.	<b>Settlements regarding the conclusion of the execution of the state budget for the current year (ct. 4890101+4890301)</b>	<b>21.1</b>		
17.	<b>Trade receivables and advances</b> (ct. 2320000+2340000+4090101+4090102+4110101+ 4110108+4130100+4180000+4610101-4910100-4960100), of which :	<b>22</b>	19,861,850	16,821,012
18.	Advances granted (ct. 2320000+2340000+4090101+4090102)	<b>22.1</b>	0	0
19.	<b>Budget receivables</b> (ct. 4310100**+4310200**+4310300**+4310400**+4310500**+4310700**+4370100**+4370200**+4370300**+4420400+4420800**+4420802+4440000**+4460000**+4460100**+4460200**+4480200+4610102+4610104+4630000+4640000+4650100+4650200+4660401+4660402+4660500+4660900+ 4810101**+4810102**+ 4810103**+4810900**+4820000**+4970000), of which:	<b>23</b>	1,401,574	2,043,655
20.	Consolidated general budget receivables (ct. 4630000+4640000+4650100+4650200+4660401+ 4660402+ 4660500+4660900-4970000)	<b>24</b>	0	0
21.	<b>Receivables from operations with non-reimbursable external funds and funds from the budget</b> (ct. 4500100+4500300+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+)	<b>25</b>	0	0

	4570203+4570205+4570206+4570209+4570301+4570302+4570309+4580100+4580301+4580302+4610103+4730103**+4740000+4760000), of which:			
22.	Amounts receivable from European Commission/other donors (ct. 4500100+4500300+4500501+4500502+4500503+ 4500504+ 4500505+4500700)	26	0	0
23.	<b>Short-term loans granted</b> (ct. 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	156,541,977	225,960,214
24.	<b>Total current receivables</b> (rd. 21+23+25+27)	30	177,805,401	244,824,881
25.	<b>Short-term investments</b> (ct. 5050000-5950000)	31		
26.	<b>Accounts at treasuries and credit institutions:</b>	32	x	x
27.	<b>Treasury accounts, cash desk in RON</b> (ct. 5100000+5120101+5120501+5130101+5130301+5130302+5140101+5140301+5140302+5150101+5150103+5150301+5150500+5150600+5160101+5160301+5160302+5170101+5170301+5170302+5200100+5210100+5210300+5230000+5250101+5250102+5250301+5250302+5250400+5260000+5270000+5280000+5290101+5290201+5290301+5290400+5290901+5310101+5500101+5520000+5550101+5550400+5570101+5580101+5580201+5590101+5600101+5600300+5600401+5610101+5610300+5620101+5620300+5620401+5710100+5710300+5710400+5740101+5740102+5740301+5740302+5740400+5750100+5750300+5750400-7700000)	33	23,447,433	19,217,020
28.	Interest receivable, other values, cash advances (ct. 5180701+5320100+5320200+5320300+5320400+ 5320500+5320600+5320800+5420100)	33.1	1,764	1,764
29.	Deposits	34	x	x
30.	<b>Accounts at credit institutions, RNB, cash desk in foreign currency</b> (ct. 5110101+5110102+5120102+5120402+5120502+5130102+5130202+5140102+5140202+5150102+5150202+5150302+5160102+5160202+5170102+5170202+5290102+5290202+5290302+5290902+5310402+5410102+5410202+5500102+5550102+5550202+5570202+5580102+5580202+5580302+5580303+5590102+5590202+5600102+5600103+5600402+5610102+5610103+5620102+5620103+5620402)	35	80,849,442	28,012,181
31.	Interest receivable, cash advances (ct. 5180702+5420200)	35.1	812,711	383,963
32.	Deposits	36	X	X
33.	<b>Total available resources and other values (rd. 33+33.1+35+35.1)</b>	40	105,111,350	47,614,928
34.	<b>Central Treasury and territorial treasury cash accounts</b> (ct. 5120600+5120700+5120901+5120902+5121000+ 5240100+5240200+5240300+5550101+5550102+5550103 -7700000)	41	0	0
35.	Interest receivable, other values, cash advances (ct. 5320400+5180701+5180702)	41.1	0	0
36.	<b>Advance expenses (ct. 4710000 )</b>	42	31,479	48,010
37.	<b>TOTAL CURRENT ASSETS (rd. 19+30+31+40+41+41.1+42)</b>	45	284,480,816	294,173,368
38.	<b>TOTAL ASSETS (rd. 15+45)</b>	46	302,667,271	313,376,221
39.	<b>LIABILITIES</b>	50	x	x
40.	<b>NON-CURRENT DEBTS - amounts to be paid after a period of more than one year</b>	51	x	x
41.	<b>Non-current amounts - amounts to be paid after a period of more than one year</b> (ct. 2690200+4010200+4030200+4040200+4050200+ 4280201+4620201+4620209+5090000), of which:	52	0	0
42.	Trade payables (ct. 4010200+4030200+4040200+4050200+4620201)	53	0	0
43.	<b>Long-term loans</b> (ct. 1610200+1620200+1630200+1640200+1650200+1660201+1660202+1660203+1660204+1670201+1670202+1670203+1670208+1670209-1690200)	54	639,740	0
44.	<b>Provisions</b> (ct. 1510201+1510202+1510203+1510204+1510208)	55	35,993,414	31,095,667
45.	<b>TOTAL NON-CURRENT DEBT (rd. 52+54+55)</b>	58	36,633,154	31,095,667
46.	<b>CURRENT DEBT - amounts to be paid in a period of up to one year</b>	59	x	x
47.	<b>Trade payables, advances and other settlements</b> (ct. 2690100+4010100+4030100+4040100+4050100+4080000+4190000+4620101+4620109+4730109+4810101+4810102+4810103+4810200+4810300+4810900+4820000+4830000+4890201+5090000+5120800), din care:	60	1,121,962	599,340
48.	<b>Settlements regarding the conclusion of the execution of the state budget for the current year</b> (ct. 4890201)	60.1	0	0
49.	Trade payables and advances (ct. 4010100+4030100+4040100+4050100+4080000+ 4190000+ 4620101), of which:	61	1,031,515	264,557



50.	Advances received (ct.4190000)	<b>61.1</b>		
51.	<b>Debts to budgets</b> (ct. 4310100+4310200+4310300+4310400+4310500+4310700+4370100+4370200+4370300+4400000+4410000+4420300+4420801+4440000+4460000+4460100+4460200+ 4480100+4550501+4550502+4550503+4620109+4670100+ 4670200+4670300+4670400+4670500+4670900+ 4730109+4810900+4820000), of which:	<b>62</b>	4,468,366	9,245,524
52.	Debts of public institutions to budgets	<b>63</b>	x	x
53.	Social contributions (ct. 4310100+4310200+4310300+4310400+4310500+4310700+4370100+4370200+4370300)	<b>63.1</b>	3,769,505	7,779,123
54.	Amounts due to the budget from non-reimbursable external funds (ct.4550501+4550502+4550503)	<b>64</b>	0	0
55.	<b>Debts from operations with non-reimbursable external funds and funds from the budget, other debts to other international bodies</b> (ct. 4500200+4500400+4500600+4510200+4510401+4540402+4540409+4510601+4510602+4510603+4510605+4510606+4510609+4520100+4520200+4530200+4540200+4540401+4540402+4540601+4540602+4540603+4550200+4550401+4550402+4550403+4550404+4550409+4560400+4580401+4580402+4580501+4580502+4590000+4620103+ 4730103+ 4760000)	<b>65</b>	0	0
56.	of which: amounts due to the European Commission/other donors (ct.4500200+4500400+4500600+4590000+4620103)	<b>66</b>	0	0
57.	<b>Short-term loans - amounts to be paid in a period of up to one year</b> (ct. 5180601+5180603+5180604+5180605+5180606+5180608+5180609+5180800+5190101+5190102+5190103+5190104+5190105+5190106+5190107+5190108+5190109+ 5190110+5190180+5190190)	<b>70</b>	0	0
58.	<b>Long-term loans - amounts to be paid during the current financial year</b> (ct.1610100+1620100+1630100+1640100+1650100+1660101+1660102+1660103+1660104+1670101+1670102+1670103+1670108+1670109+1680100+1680200+1680300+1680400+1680500+1680701+1680702+1680703+1680708+ 1680709 -1690100)	<b>71</b>	0	0
59.	<b>Employee salaries</b> (ct.4210000+4230000+4260000+4270100+4270300+4280101)	<b>72</b>	6,099,750	6,434,189
60.	<b>Other rights due to other categories of persons (pensions, unemployment benefits, scholarships)</b> (ct. 4220100+4220200+4240000+4260000+4270200+4270300+ 4290000+4380000), of which:	<b>73</b>	0	0
61.	<b>Pensions, unemployment benefits, scholarships</b>	<b>73.1</b>	x	x
62.	<b>Advance income</b> (ct.4720000)	<b>74</b>	0	0
63.	<b>Provisions</b> (ct. 1510101+1510102+1510103+1510104+1510108)	<b>75</b>	17,062,420	12,329,435
64.	<b>TOTAL CURRENT DEBT (rd.60+62+65+70+71+72+73+74+75)</b>	<b>78</b>	28,752,498	28,608,488
65.	<b>TOTAL DEBT (rd.58+78)</b>	<b>79</b>	65,385,652	59,704,155
66.	<b>NET ASSETS = TOTAL ASSETS - TOTAL DEBT =EQUITY (rd.80= rd.46-79 = rd.90)</b>	<b>80</b>	<b>237,281,619</b>	<b>253,672,066</b>
67.	<b>EQUITY</b>	<b>83</b>	x	x
68.	<b>Reserves, funds</b> (ct.1000000+1010000+1020101+1020102+1020103+1030000+1040101+1040102+1040103+1050100+1050200+1050300+1050400+1050500+1060000+1320000+1330000+1390100)	<b>84</b>	5,361,017	5,361,017
69.	<b>Deferred result</b> (ct.1170000- credit balance)	<b>85</b>	200,779,775	232,156,042
70.	<b>Deferred result</b> (ct.1170000- debit balance)	<b>86</b>		
71.	<b>The patrimonial result of the exercise</b> (ct.1210000- credit balance)	<b>87</b>	31,140,827	16,155,007
72.	<b>The patrimonial result of the exercise</b> (ct.1210000- debit balance)	<b>88</b>		
73.	<b>TOTAL EQUITY (rd.84+85-86+87-88)</b>	<b>90</b>	<b>237,281,619</b>	<b>253,672,066</b>

## FSA'S ECONOMIC OUTTURN ACCOUNT AS AT DECEMBER 31, 2020

-lei-

Item no.	INDICATOR	Row code	Previous year	Current year
A	B	C	1	2
I.	<b>OPERATING REVENUE</b>	01		
1.	<b>Revenues from taxes, fees, insurance contributions and other budget revenues</b> (ct.7300100+7300200+7310100+7310200+7320100+7330000+7340000+7350100+7350200+7350300+7350400+7350500+7350600+7360100+7390000+7450100+7450200+7450300+7450400+7450500+7450900+7460100+7460200+7460300+7460900)	02	0	0
2.	<b>Income from economic activities</b> (ct.7210000+7220000+7510100+7510200+/-7090000)	03	0	0
3.	<b>Financing, subsidies, transfers</b> (ct.7510500+7710000+7720100+7720200+7740100+7740200+7750000+7760000+7780000+7790101+7790109)	04	188,776	71,400
4.	<b>Other operating income</b> (ct.7140000+7180000+7500000+7510300+7510400+7810200+7810300+7810401+7810402+7770000)	05	210,941,091	191,873,163
	<b>TOTAL OPERATING REVENUE (rd. 02+03+04+05)</b>	06	211,129,867	191,944,563
II.	<b>OPERATING EXPENDITURE</b>	07		
1.	<b>Salaries and social contributions related to employees</b> (ct.6410000+6420000+6450100+6450200+6450300+6450400+6450500+6450600+6450800+6460000+6470000)	08	148,931,452	152,693,594
2.	<b>Subsidies and transfers</b> (ct.6700000+6710000+6720000+6730000+6740000+6750000+6760000+6770000+6780000+6790000)	09	7,031,236	7,729,553
3.	<b>Stocks, consumables, works and services performed by third parties</b> (ct.6010000+6020100+6020200+6020300+6020400+6020500+6020600+6020700+6020800+6020900+6030000+6060000+6070000+6080000+6090000+6100000+6110000+6120000+6130000+6140000+6220000+6230000+6240100+6240200+6260000+6270000+6280000+6290100)	10	12,867,267	11,831,625
4.	<b>Capital expenditures, depreciation and provisions</b> (ct.6290200+6810100+6810200+6810300+6810401+6810402+6820101+6820109+6820200+6890100+6890200)	11	17,100,290	10,107,333
5.	<b>Other operating expenditure</b> (ct. 6350000+6350100+6540000+6580101+ 6580109)	12	1,317,108	859,329
6.	<b>TOTAL OPERATING EXPENDITURE (rd. 08+09+10+11+12)</b>	13	187,247,353	183,221,434
III.	<b>RESULT FROM OPERATIONAL ACTIVITY</b>	14		
	<b>- SURPLUS (rd.06 - rd.13)</b>	15	23,882,514	8,723,129
	<b>- DEFICIT (rd.13 - rd.06)</b>	16		
IV.	<b>FINANCIAL REVENUE</b> (ct.7630000+7640000+7650100+7650200+7660000+7670000+7680000+7690000+7860300+7860400)	17	7,333,669	7,497,239
V.	<b>FINANCIAL EXPENSES</b> (ct.6630000+6640000+6650100+6650200+6660000+6670000+6680000+6690000+6860300+6860400+6860800)	18	75,356	66,691
VI.	<b>RESULT FROM FINANCIAL ACTIVITY</b>	19		
	<b>- SURPLUS (rd.17 - rd.18)</b>	20	7,258,313	7,430,548
	<b>- DEFICIT (rd.18 - rd.17)</b>	21		
VII.	<b>RESULT FROM CURRENT ACTIVITY</b>	22		
	<b>- SURPLUS (rd.15+20-16-21)</b>	23	31,140,827	16,153,677
	<b>- DEFICIT (rd.16+21-15-20)</b>	24		
VIII.	<b>EXTRAORDINARY INCOME</b> (ct.7910000)	25		1,330
IX.	<b>EXTRAORDINARY EXPENDITURE</b> (ct.6900000+6910000)	26		0
X.	<b>RESULT FROM EXTRAORDINARY ACTIVITY</b>	27		
	<b>- SURPLUS (rd.25 - rd.26)</b>	28		1,330
	<b>- DEFICIT (rd.26 - rd.25)</b>	29		
XI.	<b>EQUITY RESULT FOR THE YEAR (GROSS)</b>	29.1		
	<b>- SURPLUS (rd. 23+28-24-29)</b>	29.2	31,140,827	16,155,007
	<b>- DEFICIT (rd. 24+29-23-28)</b>	29.3		
	<b>Income tax expenses (from ct. 635 *)</b>	29.4		

## CASH FLOW STATEMENT AS AT DECEMBER 31, 2020

-lei-

INDICATOR	Line code	TOTAL	5310101	5600101*, 770*	Other available resources (ct.5xx)
A	B	1	2	3	4
I. CASH FROM OPERATIONAL ACTIVITY	1				
1. Receipts	2	179,238,790	101,756	179,026,933	110,101
2. Payments	3	169,191,754	101,756	168,993,662	96,336
3. Net cash from operational activity (rd.02- rd.03)	4	10,047,036	0	10,033,271	13,765
II. CASH FROM INVESTMENT ACTIVITY	5				
1. Receipts	6	0	0	0	0
2. Payments	7	4,277,449	0	4,277,449	0
3. Net cash from investment activity (rd.06-07)	8	-4,277,449	0	-4,277,449	0
III. CASH FROM FINANCING ACTIVITY	9				
1. Receipts	10	-10,000,000	0	-10,000,000	0
2. Payments	11	0	0	0	0
3. Net cash from the financing activity (rd.10- rd.11)	12	-10,000,000	0	-10,000,000	0
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT (rd.04 + rd.08 + rd.12)	13	-4,230,413	0	-4,244,178	13,765
V. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	14	23,447,433	0	23,412,327	35,106
- Amounts recovered in excess of the previous year **)	14.1	15,000,000	x	15,000,000	x
- Amounts used from the previous year's surplus/amounts transferred from the surplus to the local budget/amounts transferred from the surplus for the establishment of treasury deposits ***)	14.2	15,000,000	x	15,000,000	x
Amounts transferred from unused cash at the end of the previous year ****)	14.3		x	x	x
VI. CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (rd.13 + rd.14 + rd.14.1 - rd.14.2 - rd.14.3)	15	19,217,020	0	19,168,149	48,871

## CASH FLOW STATEMENT AT COMMERCIAL BANKS AS AT DECEMBER 31, 2020

-lei-

INDICATOR	Line code	Total	5310402	5500102, 5600402, 5120402, 550
A	B	1	2	3
I. CASH FROM OPERATIONAL ACTIVITY	01			
1. Receipts	02	587,172,206	163,735	587,008,471
2. Payments	03	639,985,557	163,725	639,821,832
3. Net cash from operational activity (rd. 02- rd.03)	04	-52,813,351	10	-52,813,361
II. CASH FROM INVESTMENT ACTIVITY	05			
1. Receipts	06	0	0	0
2. Payments	07	0	0	0
3. Net cash from investment activity (rd.06-07)	08	0	0	0
III. CASH FROM FINANCING ACTIVITY	09			
1. Receipts	10	0	0	0
2. Payments	11	0	0	0
3. Net cash from the financing activity (rd.10-rd.11)	12	0	0	0
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT (rd.04 + rd.08 + rd.12)	13	-52,813,351	10	-52,813,361
V. CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE YEAR	14	80,849,442	0	80,849,442
1. Favorable course differences	15	3,495	1	3,494
2. Unfavorable course differences	16	27,405	11	27,394
VI. CASH AND CASH EQUIVALENT AT THE END OF THE PERIOD (rd.13 + 14 + 15-16)	17	28,012,181	0	28,012,181

## IMPLEMENTATION OF THE FSA REVENUE AND EXPENDITURE BUDGET FOR 2020

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Indicator	Budget code	Annual provisions 2020	Budget implementation December 31, 2020	% of achievement
1	2	3	4	5=4/3
<b>TOTAL OWN INCOME, of which:</b>	<b>00.01.10</b>	<b>183,616,138</b>	<b>186,674,288</b>	<b>101.7</b>
I. INTEREST INCOME	31.10	8,955,880	8,945,705	99.9
II. FINES, PENALTIES AND CONFISCATIONS	35.10	1,709,097	1,374,098	80.4
<b>III. CURRENT INCOME, of which:</b>		<b>172,951,161</b>	<b>176,354,485</b>	<b>102.0</b>
<b>1. Shares related to transactions in financial instruments and public offerings, of which:</b>	<b>36.10.50</b>	<b>15,221,151</b>	<b>17,302,261</b>	<b>113.7</b>
Share of the value of transactions with financial instruments carried out within the supervised trading systems, except for transactions with derivative financial instruments	36.10.50	6,471,754	6,316,876	97.6
Shares charged for monetizing transactions performed outside of turnaround systems	36.10.50	508,430	493,643	97.1
Share of the value of offerings for sale	36.10.50	110,260	102,240	92.7
Share of the value of public offerings for buying /takeover bids	36.10.50	8,130,707	10,389,502	127.8
<b>2. Shares and taxes applicable to the operation/administration/supervision of collective investment undertakings, private pension funds and insurance/reinsurance insurers/intermediaries, of which:</b>	<b>36.10.50</b>	<b>151,301,637</b>	<b>152,833,990</b>	<b>101.0</b>
Monthly share of the net asset value of investment funds (collective investment undertakings)	36.10.50	36,911,567	36,871,447	99.9
Monthly share of the total amount of the privately managed pension fund management fee (pillar II)	36.10.50	42,604,268	43,889,464	103.0
Monthly share of the net asset value of voluntary pension funds (pillar III)	36.10.50	3,047,324	3,024,998	99.3
Monthly fee from the amount of gross contributions received by voluntary pension funds (pillar III)	36.10.50	878,059	889,412	101.3
Operating fee applicable to privately managed pension fund depositories	36.10.50	536,095	544,013	101.5
Operating fee applicable to insurance intermediaries	36.10.50	1,611,515	1,342,921	83.3
Contribution for the exercise of supervision and inspection of the non-life insurance activity, less the activity of motor third party liability insurance	36.10.50	20,220,539	20,292,789	100.4
Contribution for the exercise of supervision and inspection of the life insurance activity	36.10.50	6,492,305	6,685,160	103.0
Contribution for the exercise of supervision and inspection of the activity of motor third party liability insurance	36.10.50	38,999,965	39,293,786	100.8
<b>3. Income from other activities</b>	<b>36.10.50</b>	<b>6,099,245</b>	<b>5,850,697</b>	<b>95.9</b>
Tariff/fee for settling the applications for authorization/endorsement/approval/attestation and withdrawal of authorization with regard to regulated entities	36.10.50	1,477,922	1,529,197	103.5
Registration/inscription/maintenance/deletion tariff /fee in/ from FSA records and registers	36.10.50	284,880	275,200	96.6
Quotas/tariffs/fees charged for monitoring the entities regulated by the FSA provided in art. 2 para. (1) section a) of the Government Emergency Ordinance no. 93/2012 regarding the establishment, organization and functioning of the Financial Supervisory Authority, approved with amendments and supplements by Law no. 113/2013, with subsequent amendments and supplements (GEO no. 93/2012), except for investment companies	36.10.50	3,747,993	3,469,350	92.6
Tariffs and fees from other activities carried out by the FSA	36.10.50	588,450	576,950	98.0
<b>Other income</b>		<b>329,128</b>	<b>367,537</b>	<b>111.7</b>

<b>TOTAL EXPENDITURE, of which:</b>	<b>80.01.30</b>	<b>182,533,387</b>	<b>173,275,221</b>	<b>94.93</b>
<b>CURRENT EXPENDITURE (10 + 20 + 30 + 55)</b>	<b>80.01.30</b>	<b>177,879,519</b>	<b>170,474,897</b>	<b>95.84</b>
<b>STAFF EXPENSES of which:</b>	<b>80.01.30.10</b>	<b>153,361,366</b>	<b>149,613,852</b>	<b>97.56</b>
Salary expenses in cash	80.01.30.10.01	146,332,726	143,303,961	97.93
Salary expenses in kind	80.01.30.10.02	3,759,700	3,212,753	85.45
Contributions	80.01.30.10.03	3,268,940	3,097,138	94.74
<b>GOODS AND SERVICES, of which:</b>	<b>80.01.30.20</b>	<b>16,718,153</b>	<b>13,128,944</b>	<b>78.53</b>
Goods and services	80.01.30.20.01	8,055,513	7,161,992	88.91
Current repairs	80.01.30.20.02	115,200	70,108	60.86
Goods of the nature of inventory items	80.01.30.20.05	390,000	332,263	85.20
Travelling	80.01.30.20.06	440,000	154,882	35.20
Books, publications and documentary materials	80.01.30.20.11	60,000	33,295	55.49
Consulting and expertise	80.01.30.20.12	1,722,872	240,375	13.95
Professional training	80.01.30.20.13	320,675	244,033	76.10
Labor protection	80.01.30.20.14	650,871	533,977	82.04
Judicial and extrajudicial expenses	80.01.30.20.25	30,000	8,888	29.63
Other expenses	80.01.30.20.30	4,933,022	4,349,131	88.16
<b>TRANSFERS - international bodies subscriptions</b>	<b>80.01.30.55</b>	<b>7,800,000</b>	<b>7,732,101</b>	<b>99.13</b>
<b>CAPITAL EXPENDITURE, of which:</b>	<b>80.01.30.70</b>	<b>6,103,410</b>	<b>4,277,450</b>	<b>70.08</b>
<b>TITLE X NON-FINANCIAL ASSETS, of which:</b>	<b>80.01.30.71</b>	<b>6,103,410</b>	<b>4,277,450</b>	<b>70.08</b>
Fixed assets	80.01.30.71.01	5,603,410	4,273,695	76.27
Capital repairs related to fixed assets	80.01.30.71.03	500,000	3,755	0.75
Payments made in previous years and recovered in the current year	80.01.30.85.01.03	-1,449,542	-1,477,126	101.90
<b>CURRENT SURPLUS</b>		<b>1,082,751</b>	<b>13,399,067</b>	<b>1,237.50</b>



## REPORT ON THE BALANCE SHEET AND ON THE ECONOMIC OUTTURN ACCOUNT PREPARED ON DECEMBER 31, 2020

The total assets of FSA as at December 31, 2020 amounted to Lei **313,376,221**, Lei 10,708,950 higher than their value on December 31, 2019, an increase generated mainly by the positive evolution of financial cash resources resulting from the income collection.

The total liabilities from the balance sheet as at December 31, 2020, amounting to Lei **59,704,155**, include, for the most part, provisions for litigation, retirement, payment of personnel rights for the financial year ended, rest leave not taken.

The estimated value of the provisions for risks and expenses recognized in the financial statements is

Lei **43,425,102**, of which the amount of provisions for labor disputes in which FSA is involved is Lei **27,117,545**. The other provisions for patrimonial litigations, as well as the provisions for rest leave not taken, the provisions for retirement, etc. were valued at Lei **16,307,557**.

The other liabilities represent, for the most part, personnel rights related to December 2020 paid in January 2021.

**The patrimonial result is a positive one**, decreasing compared to the previous year, a decrease generated mainly by lower operating income.

### BUDGET EXECUTION ACCOUNT

In accordance with Art. 18 of *GEO no. 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority approved with amendments by Law no. 113/2013*, FSA is financed entirely from own extra-budget revenues. The structure of revenues, as well as the level of shares, tariffs, fees and contributions are regulated in *Regulation no. 16/2014 on FSA revenues, republished, with subsequent amendments and supplements*.

The expenses are established by the annual budget of the FSA, in accordance with its objectives and responsibilities.

**The budget implementation account includes the revenue part - collected cash under revenues, and the expenditure part - incurred payments under expenditure. The budget surplus was established as the difference between the revenues collected and the payments made.**

The current surplus of the FSA budget implementation was Lei **13,399,067**.

### FSA's income statement in 2020

In accordance with the legal provisions mentioned above and with the structure of the Revenue and Expenditure Budget of the FSA approved for 2020, the structure of the forecast and collected revenues is presented as follows:

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Item	Annual provisions 2020	Budget implementation 2020	Degree of achievement compared to the provisions (%)
1	2	3	4=3/2
Income from interests	8.955.880	8.945.705	99,8
Income from fines	1.709.097	1.374.098	80,4
Operating income, of which:	172.951.161	176.354.485	102,0
Shares related to transactions with financial instruments and public offerings	15.221.151	17.302.261	113,7

Fees and charges applicable to the operation/administration/supervision of collective investment undertakings, private pension funds and insurance/reinsurance intermediaries	151.301.637	152.833.990	101,0
Revenue from other activities	6.099.245	5.850.697	95,9
Other incomes	329.128	367.537	111,6
<b>TOTAL INCOME</b>	<b>183.616.138</b>	<b>186.674.288</b>	<b>101,7</b>

**According to Regulation no. 16/2014 on FSA revenues, republished, with subsequent amendments and supplements, the revenues collected are as follows:**

**The revenues from shares related to transactions with financial instruments and public offerings registered a volume of revenues in 2020 of Lei 17,302,261, representing a degree of achievement of 113.7% of the forecasted value of the period.**

The most relevant shares within this income category are as follows:

- share of the value of transactions with financial instruments carried out within the supervised trading systems, except for transactions with derivative financial instruments (up to 0.06%): Lei 6,316,876, degree of achievement of 97.6% compared to the forecasted value of the period;
- share of the value of public offerings for sale (between 0.05% and 0.1%, but not more than Lei 500,000, respectively Lei 1,000,000): Lei 102,240, degree of achievement of 92.7% compared to the budgeted value;
- share of the value of public offerings for buying/ takeover bids (between 1% and 1.5%): Lei 10,389,502, degree of 127.8% compared to the budget provision.

**The revenues obtained from these sources generated, in 2020, approx. 9.3% of the total FSA revenues in the same period.**

**The revenues from shares and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurers/insurance/reinsurance intermediaries registered a collection volume in 2020 in the amount of Lei 152,833,990, representing a degree of achievement of 101.0% of the forecasted value of the period. The main sources of revenue for this category are as follows:**

- share of 0.0078% of the net assets value of investment funds (collective investment undertakings): Lei 36,871,447, degree of achievement of 99.9% compared to the budgeted value;
- share of 10% of the total value of the commission for the management of privately managed pension funds (pillar II): Lei 43,889,464, degree of achievement of 103.0%
- share of 0.01% of the net asset value of voluntary pension funds and monthly fee of 0.25% of the value of gross contributions received by voluntary pension funds (pillar III), as well as of the operating tax applicable to depositories: Lei 4,458,423, degree of achievement of 99.9% compared to the budgeted value;
- contributions applicable to insurers and insurance intermediaries: operating fee of 0.3% applicable to insurers/operating fee of 0.1% applicable to insurance intermediaries, contribution for the exercise of supervision and inspection of the non-life insurance activity (0.4%), respectively for life insurance (0.3%), contribution for the exercise of supervision and inspection of the activity of motor third party liability insurance (1%): Lei 67,614,656, degree of achievement of 100.4% compared to the budgeted value.

**The revenues obtained from these sources generated, in 2020, approx. 81.9% of the total FSA revenues in the same period.**

**Revenues from other activities**, including revenues related to fees, authorization / endorsement/ approval/ attestation /authorization withdrawal fees, registration /inscription /maintenance /deregistration fees, shares /charges /monitoring fees and other fees/tariffs as they are provided in Annex no. 3 to Regulation no. 16/2014, with subsequent amendments and supplements, registered a total value collected in 2020 in the

amount of Lei 5,850,697, 95.9% of the budgeted value.

The revenues from these sources generated, in 2020, approx. 3.1% of the total FSA revenues in the same period.

**Revenues from fines**, applied for entities belonging to the Insurance-Reinsurance Sector (50% share that is redirected to the authority's budget), raised during the reporting period to the amount of 1,374,098 lei.

**Financial revenues** obtained from the placement of FSA cash in deposits, government securities; Lei 8,945,705.

**Other income**, in the amount of Lei 367,537, represented imputations, penalties and other incomes.

#### Execution of FSA expenses in 2020

The total expenses in 2020 amounted to Lei 173,275,221, representing a degree of achievement of 94.9% compared to the provisions for the period. Expenditure incurred on December 31, 2020 has the following structure:

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Item	Annual provisions 2020	Budgetary execution	Degree of achievement compared to the provisions %
1	2	3	4=3/2
Staff expenses	153,361,366	149,613,852	97.6
Expenses on goods and services	16,718,153	13,128,944	78.5
International transfers	7,800,000	7,732,101	99.1
Capital expenses	6,103,410	4,277,450	70.1
Payments made in previous years and recovered in the current year	-1,449,542	-1,477,126	
<b>TOTAL EXPENSES</b>	<b>182,533,387</b>	<b>173,275,221</b>	<b>94.9</b>

**Personnel expenses**, in the total amount of Lei 149,613,852 (97.6% of the budgeted provisions), represent basic salaries and other rights, granted according to the Collective Labor Agreement in force, to which the contributions of the institution are added. Personnel expenses, in 2020, represented approx. 86.3% in the total expenses of the authority, respectively approx. 80.1% of total revenues.

**The degree of achievement of personnel expenses** in 2020, respectively by approximately 2.5% lower compared to the budgetary provisions of the year, led to savings in amount of approximately Lei 3,700,000. The justification for this trend lies in the fact that, starting with July 2020, a series of institutional reorganization measures have been applied at the level of the authority, namely the elimination of the positions of counsellors and cabinet managers or the capping of the salary level.

**Expenses on goods and services** registered a total amount of Lei 13,128,944, a value that represents

78.5% of the budgeted provisions. Among the most important expenses in this chapter we mention:

- purchases of office supplies, cleaning materials, fuel, utility services, telephony, internet, security services, car service, thermal power plant maintenance services, archiving services, news agencies (e.g. Bloomberg, Reuters): Lei 7,161,992, representing 88.9% of the amount provided for this period;
- internal and external trips: Lei 154,882, representing 35.2% of the amount allocated for this purpose (transport and other unforeseen expenses, excluding travel allowance), low degree of achievement as a result of the cessation of travel due to the pandemic caused by the new coronavirus;
- consultancy and expertise: Lei 240,375, representing 13.9% of the budgeted provisions and consisting of payments made based on MTPL tariff consultancy contracts, legal assistance, financial audit services. The relatively low degree of achievement was determined by the postponement in 2021 of

the BSR project for the Insurance-Reinsurance Sector.

- other expenses: Lei 4,349,131, representing, for the most part, payments related to the rent due by FSA to Eximbank: Lei 3,459,145 (79.5%), expenses for protocol and representation actions: Lei 224,197, other expenses with goods and services: Lei 574,512.

**Expenses on goods and services represented, in 2020, approx. 7.6% of the total expenses of FSA in the same period. The international transfers,** representing the payments to the international bodies to which FSA is a member (ESMA, EIOPA, IOSCO, IAIS, IOPS), amounted to Lei 7,772,101 (approx. 4.5% of the total expenses of FSA), being included within the approved budget limit. The increase registered compared to 2019 (+ 9.3%) was determined both by the rise of the value of some shares in the budgets of the international authorities, and by the evolution of the exchange rate.

**Capital expenses,** in a total amount of Lei 4,277,450, represent approx. 2.5% of the total expenses of the FSA, respectively a degree of involvement of 70.08% of the budgeted amount. This amount represents the total value paid in 2020 for the further implementation of centralized and

decentralized IT infrastructure development projects, but also for other acquisitions, and consists of:

- purchases of hardware and other IT equipment (laptops, tablets, switches, etc.) - Lei 1,507,609;
- acquisitions of licenses and software developments – Lei 1,887,003;
- purchase of cars – Lei 482,750;
- purchases of office equipment, furniture –Lei 311,075;
- capital repairs and modernization of constructions - works carried out at the building from Amiral Constantin Bălescu street, 1<sup>st</sup> district, Bucharest – Lei 89,013.

### Current surplus for 2020 (current revenues collected - expenses paid)

**The current surplus of 2020 amounts to Lei 13,399,067.**

The achievement of this surplus is mainly the result of ensuring an adequate collection of revenues (degree of achievement of 101.7%), against the background of recording a saving on total expenses (-3.4%), mainly on all components of forecasted expenses (ex.: degree of involvement of 70.1% of investment projects - capital expenses).

# 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 2020, 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, Situatiile activelor si datoriilor financiare ale institutiilor publice din Administratia centrala, Situatiile activelor fixe amortizabile, Situatiile activelor fixe neamortizabile) cat si un sumar al politicilor contabile semnificative si alte informatii explicative incluse in "Raportul privind situatiile financiare ale Autoritatii de Supraveghere Financiara incheiate la data de 31 decembrie 2020".

*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 2020, 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 31 December 2020”.*

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a ASF la data de 31 decembrie 2020, 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 2020”.

*In our opinion, the accompanying financial statements give a true and fair view of the financial position of ASF as at 31 December 2020, 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 31 December 2020”.*

Traducerea in limba engleza are doar scop informativ. Traducerea raportului trebuie citita impreuna cu situatiile financiare, luate in ansamblu. In situatiile in care informatiile, punctele de vedere si opiniile sunt susceptibile de interpretare, versiunea originala in limba romana a raportului nostru prevaleaza 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.





## 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 2020”, 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 27.367 mii lei la 31 decembrie 2020 (33.702 mii lei la 31 decembrie 2019). 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 2020”, 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 27,367 thousand RON as at 31 December 2020 (33,702 thousand RON as at 31 December 2019). 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 Societate conform Codului Internațional de etică al profesioniștilor contabili (inclusiv standardele internaționale de independență) 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 Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for 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.*

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 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.



### **Responsabilitatile conducerii si ale persoanelor responsabile cu guvernanta pentru situatiile financiare**

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

Conducerea ASF are responsabilitatea intocmirii si prezentarii fidele a situatiilor financiare in conformitate cu Ordinul Ministrului Finantelor Publice nr. 1917/2005, cu modificarile si clarificarile ulterioare, si pentru acel control intern pe care conducerea il considera necesar pentru a permite intocmirea de situatii financiare care sunt lipsite de denaturari semnificative, cauzate fie de fraudă, fie de eroare.

*Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1917/2005 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 intocmirea situatiilor financiare, conducerea este responsabila sa evalueze abilitatea ASF de a-si desfasura activitatea conform principiului continuitatii activitatii si sa prezinte, daca este cazul, aspectele referitoare la continuitatea activitatii si folosirea principiului continuitatii activitatii, mai putin in cazul in care conducerea intentioneaza sa lichideze ASF sau sa ii inceteze activitatea sau nu are nicio alternativa reala decat sa procedeze astfel.

*In preparing the financial statements, management is responsible for assessing 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 financiara a ASF.

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

### **Responsabilitatile auditorului pentru auditul situatiilor financiare**

#### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.*

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

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

- **Identificam si evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de fraudă fie de eroare, stabilim si efectuam proceduri de audit care sa raspunda acestor riscuri si obtinem probe de audit suficiente si adecvate pentru a constitui o baza pentru opinia noastra. Riscul de nedetectare a unei denaturari semnificative cauzate de fraudă este mai ridicat decat cel de nedetectare a unei denaturari semnificative cauzate de eroare, deoarece fraudă poate include complicitate, falsuri, omisiuni intentionate, declaratii false sau evitarea controlului intern.**
- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- **Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al ASF.**
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ASF's internal control.*
- **Evaluam gradul de adecvare a politicilor contabile utilizate si rezonabilitatea estimarilor contabile si a prezentarilor aferente de informatii realizate de catre conducere.**
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*

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- Concluzionam 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 îndoială semnificativă 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.*

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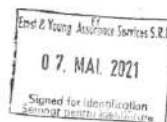
6

Comunicam persoanelor responsabile cu guvernanta, printre alte aspecte, obiectivele planificate si programarea in timp a auditului, precum si constatările semnificative ale auditului, inclusiv orice deficiente semnificative ale controlului intern, pe care le identificam 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, Bucuresti, Romania  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania  
Inregistrat in Registrul Public electronic cu nr. FA77  
*Registered in the electronic Public Register under No. FA77*



Nume Auditor / Partener: Alina Dimitriu  
*Name of the Auditor/ Partner: Alina Dimitriu*  
Inregistrat in Registrul Public electronic cu nr. AF1272  
*Registered in the electronic Public Register under No. AF1272*

Bucuresti, Romania  
*Bucharest, Romania*  
07 mai 2021  
*07 May 2021*

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2020

# FSA'S OBJECTIVES FOR 2021



## FSA's objectives for 2021

In 2021, FSA will continue to take the necessary measures to mitigate the risks posed by the COVID-19 pandemic on non-bank financial markets, complementary to pursuing the general objectives undertaken through the 2021-2023 FSA Program and, respectively, the fulfillment of specific annual objectives and activities related to each sector.

Given the context brought by the COVID-19 pandemic, but also the new organizational changes that occurred at the institutional level, it was necessary to reconstruct the FSA strategic objectives in order to meet the challenges of emerging risks and to apply the effective measures so as to ensure confidence among supervised financial markets.

Thus, the multi-annual strategic objectives were reanalyzed and updated, by drafting **FSA's strategic objectives for the period 2021-2023**. At the same time, the **Program of activities for 2021** was elaborated, with a punctual nature, detailing those activities that FSA intends to carry out in 2021, in order to fulfill the general multiannual strategic objectives undertaken.

The objectives and activities included in the annual activity programs of the FSA are subsumed to the responsibilities and prerogatives conferred by law to the Financial Supervisory Authority. They help to strengthen an integrated framework for the functioning, stability and integrity of the capital market, the insurance - reinsurance market and the private pension market, so that the interests of consumers and beneficiaries of non - bank financial products are protected.

The FSA is determined to consolidate a fair and transparent non-bank financial market



insurance



Diversified offers of insurance policies and a high degree of coverage

Protecting vulnerable consumers



A stable capital market infrastructure and fair and smart practices

Diversified offers for placing assets on the investment funds market



A solid and efficient alternative to investing in the private pension market

ENSURING THE STABILITY, COMPETITIVENESS AND PROPER FUNCTIONING OF FINANCIAL INSTRUMENTS MARKETS, PROMOTING CONFIDENCE IN THESE MARKETS AND IN INVESTMENTS IN FINANCIAL INSTRUMENTS, AS WELL AS ENSURING THE PROTECTION OF OPERATORS AND INVESTORS AGAINST UNFAIR, ABUSIVE AND FRAUDULENT PRACTICES

PROMOTING THE STABILITY OF THE INSURANCE ACTIVITY AND DEFENDING THE RIGHTS OF THE INSURED

ENSURING THE EFFICIENT FUNCTIONING OF THE PRIVATE PENSION SYSTEM AND PROTECTING THE INTERESTS OF THE PARTICIPANTS AND BENEFICIARIES

**PERMANENTLY  
OBJECTIVES  
CIRCUMSCRIBED  
TO THE  
COMPETENCES  
AND  
PREROGATIVES  
GIVEN BY LAW TO  
THE FINANCIAL  
SUPERVISORY  
AUTHORITY AIMS  
AT:**

**IN FULL  
CORRELATION  
WITH THE  
PERMANENT  
OBJECTIVES  
PREVIOUSLY  
MENTIONED,  
THROUGH THE  
SPECIFIC  
ACTIVITIES  
CARRIED OUT AT  
THE LEVEL OF  
EACH SECTOR OF  
ACTIVITY, AS WELL  
AS AT THE  
INTEGRATED  
LEVEL, THE FSA  
ENSURES THE  
FULFILLMENT OF  
THE FOLLOWING  
STRATEGIC  
OBJECTIVES:**

STRENGTHENING FINANCIAL STABILITY.  
SUSTAINABILITY AND RESILIENCE OF NON-BANK  
FINANCIAL MARKETS

UPDATING THE LEGISLATIVE FRAMEWORK

RISK ASSESSMENT, STRENGTHENING PRUDENTIAL  
SUPERVISION AND CONDUCT SUPERVISION  
PRACTICES

THE CONTRIBUTION OF THE FINANCIAL  
SUPERVISORY AUTHORITY TO THE EUROPEAN  
INSTITUTIONAL BUILDING

STRENGTHENING CONFIDENCE IN NON-BANK  
FINANCIAL PRODUCT MARKETS

## -Strategic objective 1-

### Strengthening financial stability. Sustainability and resilience of non-bank financial markets

#### Financial stability and macro-prudential policy - Risks and vulnerabilities in the context of the COVID-19 crisis

The Financial Supervisory Authority provides the appropriate framework necessary for the regulation, supervision and efficient functioning of financial markets in the financial instruments and investments sector, the insurance-reinsurance sector and the private pension system sector at the national level. The authority's mission has as essential landmarks the protection of the interests and rights of consumers of financial products specific to non-bank markets, the development of these markets, ensuring their transparency and systemic stability.

Undoubtedly, the COVID-19 health crisis has affected all business segments, including financial markets. The activity in the markets regulated and supervised by the FSA has been adapted, transformed, restricted or expanded, depending on specific circumstances, so that specific operations and activities in the field of non-bank financial services continue without interruptions and dysfunctions, pursuing performance, safety, but also the benefit and interest of the consumer.

Locally, the three financial sectors regulated and supervised by the FSA have shown good resilience since the beginning of the pandemic. However, from the perspective of financial stability, the Authority will intensify and further develop tools to identify, assess, analyze and mitigate risks and vulnerabilities, in the current context in which the COVID-19 pandemic can bring structural changes to the global societies and economies of which the financial markets are part, by:

- drafting periodic reports of trends and risks on financial markets and increasing the frequency of their publication;
- identifying systemically important institutions and structures of the non-bank financial system;
- development of risk metrics and monitoring methods, quantitative risk management tools, warning systems for major risks in the financial sector and testing methodologies at extreme market conditions (stress tests);
- performing assessments, simulations, stress tests on liquidity, solvency or the level of prudential financial requirements of supervised entities;
- cooperation with other relevant local or international authorities to develop principles/procedures for managing financial crises (including cross-border), as well as to develop a common analytical framework for assessing the systemic implications of potential crises, to facilitate decision-making and reduce negative impact;
- analysis of the local and international macroeconomic context, as well as the impact of macroeconomic factors on non-bank financial markets.

With regard to the macro-prudential policy, it aims to prevent the excessive accumulation of risks arising from external factors and market failures, to increase the resilience of the financial sector to shocks and to limit the effects of contagion, as well as to encourage the adoption of a broad perspective on financial regulation, in order to create the right incentives for market participants.

The main intermediate objectives of the FSA defined in the macroprudential policy are:

- Reducing and preventing excessive growth of lending and indebtedness - applies to capital market intermediaries;
- Reducing and preventing excessive mismatching and lack of liquidity on the market - applies to the insurance-reinsurance sector;
- Limiting the concentration of direct and indirect exposures - applies to some financial entities operating in the capital market and private pensions sector in Romania;
- Limiting the systemic impact of misaligned incentives in order to reduce moral hazard - applies to financial entities operating in the capital market sector;
- Strengthening the resilience of financial markets infrastructures;
- Protecting the insurance system from the consequences of insolvency of some insurers - applies to the insurance sector;
- Reducing the negative impact of operational risks generated by the use of information and communication technology - applies to the three supervised sectors.



### Digitization and technological innovation in the field of financial services

Digitization is a key resource for carrying out any activity globally, in the context in which the evolution of technology currently exceeds the human possibilities of inclusion and processing.

Therefore, finalizing the strategy on information technology and modernizing information systems taking into account the latest developments and trends in the field is a priority for FSA and an essential requirement, not only to improve supervision, regulation and authorization, but also to ensure high standards of professionalism and to keep up with the progress of supervised markets.

Digitization and financial innovation are evolving at an accelerated pace, changing and influencing business models, financial products and services offered, distribution channels and, implicitly, contributing to the increase of cyber risk exposures. For this reason, digitization is becoming essential for the identification of risk mitigation measures, as well as for ensuring global competitiveness.

In this context, the digital organization of the authority becomes extremely important, as well as the digital skills of employees. The time is right to make the most of the possibilities for interaction in the digital environment and, in addition, to identify new courses of action that will lead to the achievement of organizational objectives. Technologies such as AI (*artificial intelligence*), machine learning, RPA (*robotic process automation*) or blockchain must be considered for all projects related to process digitization.

### Stimulating and developing the infrastructure of non-bank financial markets

Consistent with its principles of supporting and stimulating the development of the three regulated and supervised non-bank financial markets, the Financial Supervisory Authority aims to promote and collaborate with the Romanian Government, Ministry of Finance and other public authorities for the initiation, adoption or implementation of a package of measures aimed at the following:

#### Capital market

- Supporting the initiatives for the drafting of a national strategy for the capital market and promoting the recommendations and actions stipulated in the strategy in order to be implemented;
- Adopting a strategy to promote the financing of state-owned companies through the capital market;
- Increasing the attractiveness of the Romanian capital market for foreign investors and issuers and financing the economy;
- Strengthening the legal framework on the organization and functioning of compensation schemes by finalizing the legislative process for approving the draft Law on Investor Compensation Fund.

#### Insurance market

- Supporting the development of several market segments: agricultural insurance, guarantee insurance;
- Increasing the coverage of compulsory home insurance;
- Development of the health insurance market;
- Potential legislative measures that the Romanian State could take to boost the insurance market.

#### Private pension market

- Promoting legislative solutions for the safe development of the pension fund market, including by digitizing the private pension system;
- Contributions to the completion of the legislative framework regarding the fiscal regime applicable to occupational pension funds, their managers, fund participants and employers;
- Supporting the adoption of the legal framework necessary for the introduction of pan-European personal pension products as a new saving vehicle for European investments, sustainable financing and capital market development;
- Promoting the legal framework aimed at the organization and functioning of the private pension payment system.

## -Strategic objective 2-

### Updating the legislative framework

An important share in the regulatory activity is represented by the legislative amendments and supplements, both in terms of primary legislation and in terms of secondary legislation, a constant and important activity for maintaining a healthy and coherent legislative framework.

According to the Capital Markets Union Action Plan, the EU legislative proposals for the next period that refer to acts for which FSA is the competent authority aim at reviewing some directives such as MiFID, UCITS, Solvency II or MiFIR PEPP, SME Regulations etc. Consequently, the FSA will continue to be involved in supporting and implementing these measures, mainly by appointing experts to ensure participation in the activities of EU Council working groups, as well as subsequently publishing these texts, for transposition or implementation in the national legislation.

The harmonization of primary and secondary legislation with EU regulations and technical standards is an extensive continuous process and involves the review, modification and completion of the legislative framework in order to consolidate, efficiently operate and integrate national financial markets into the European Single Market.

A relevant component of this objective is related to the simplification of the regulatory framework and to the provision of cross-sectoral convergence, following, where possible, a set of consistent rules applicable to all regulated and supervised entities.

#### Updating and harmonizing the sectoral legislative framework

- Updating the **capital market** legislation in order to adapt to the European legislation that is in continuous dynamics;
- The legislative process related to the **insurance-reinsurance market** for the next years is an ample and complex one, including both legislative amendments and supplements, but also the elaboration of new regulatory documents;
- In order to update the normative framework applicable to the **private pensions market**, the evolutions of European sectoral and cross-sectoral regulation are taken into account, as well as the identification of the needs and expectations of the participants.

#### Convergence in regulatory activity. Integrated regulatory documents

- The integrated regulatory process aims at harmonizing and consolidating the provisions in single normative acts applicable to certain activities, operations or processes common to the entities within the three supervised markets;
- An integrated legislative framework contributes to coherent and homogeneous practices and approaches across the three sectors, leading to consistency and credibility;
- In full accordance with the actions taken by the Joint Committee of the three European Supervisory Authorities (ESMA, EIOPA and EBA), the integrated regulatory activity for the coming years aims at developing and updating secondary legislation by ensuring convergence and unitary practices.



### -Strategic objective 3-

## Risk assessment, consolidation of prudential supervision practices and conduct supervision

The Financial Supervisory Authority ensures the monitoring, supervision and inspection of the regulated entities activity, both by verifying compliance with requirements, investment limits and prudential indicators, which focus on the financial "robustness" of the entity, and by monitoring compliance with the rules of conduct. Both areas are approached primarily from the perspective of identified risks, but also from the point of view of compliance.

For the supervision of the rules of conduct at the level of the entities operating within the non-bank financial markets, processes, procedures and tools have been developed and implemented, with the support of the European authorities, whose role is to verify that the entities supervised by the FSA carry out their activities in a fair, transparent and customer-oriented manner, and that the latter have the opportunity to make informed decisions and select the products that best suit their needs.

### Strengthening the risk-based supervision across the three non-bank financial sectors

The Financial Supervisory Authority will prioritize the implementation of robust processes for identifying and assessing risks at the entity level and understanding the impact that the materialization of risks may have on the entire market. On the other hand, a constant and effective dialogue with supervised market entities will be needed in order to understand and be aware of risks and of the concept of risk-based supervision. The new supervision approach will result in a mapping of markets in order to identify the relevant risks and vulnerabilities and take preventive or mitigation measures to limit them.

### Promoting the convergence of supervisory practices. Integrated supervision

Strengthening an integrated framework for supervising FSA regulated markets, developing an integrated supervisory framework based on risk and vulnerability analysis and harmonizing sectoral mechanisms for supervision, inspection, authorization/endorsement represent a new goal for the FSA, goal which aims to:

- ensure the efficient and effective application of supervisory, inspection and early intervention mechanisms, improving these mechanisms across the Financial Supervisory Authority, including from the perspective of macroprudential risks and best supervisory practices;
- improve sectoral and integrated supervisory and inspection policies, mechanisms and methodologies, including conduct and transparency, as well as those related to sectoral authorization/endorsement activities, including from the perspective of the impact on prudential and macroprudential risks, reputational risk, application of rules of conduct and transparency.



The priority objectives established for the supervision and inspection activity, from a prudential perspective and of the rules of conduct and for the purpose of the orderly functioning of the markets at the level of the **Financial Instruments and Investments Sector**, are summarized as follows:

- consolidation of the application of the supervision and inspection principles and techniques related to the RBS method (risk-based supervision), having as estimated implementation deadline the year 2023;
- contribution to increasing of the supervision convergence at European level, by participating in Common Supervision Actions organized and coordinated by ESMA, with the estimated implementation deadline at the end of 2021;
- improving the prudential supervision process by intensifying the activity of analyzing the risk management processes within the supervised entities, aiming to place a special emphasis on the models, scenarios and methodologies for performing stress tests at the level of collective investment undertakings;
- monitoring the observance of the rules of conduct by verifying the manner of implementation of the provisions of the new national regulations and of the European regulations, with direct applicability, by the supervised entities, including the aspects related to the intervention on the product.

The strategic priorities in the field of supervision of the activities carried out in the **Insurance-Reinsurance Sector** remain the ones related to:

- strengthening and developing mechanisms for early identification of emerging risks at individual and sector level and, implicitly, concentrating the supervision process on higher risk areas;
- supervision and inspection of insurance-reinsurance companies according to the undertaken risk profile, the principle of proportionality being constantly taken into account;
- improving the supervisory system, by developing supervisory tools based on assessment of risks induced by the insurance distribution activity and monitoring intermediaries according to the risk profile;
- development of an adequate and complete conduct supervision framework, which would allow the early identification of the factors generating conduct risks across the Romanian insurance market, as well as at the level of each entity operating in this market, during the insurance product life cycle.

Regarding the supervision activity in the **Private Pension System Sector** for the period 2021-2023, the permanent objectives related to the protection of the interests of participants and beneficiaries, the increase of the quality of the supervision action, as well as the level of transparency of the available information are maintained, as follows:

- protecting the interests of participants and beneficiaries by ensuring the efficient functioning of the private pension system and ensuring their access to adequate information;
- maintaining a low risk on the private pension funds market and protecting the stability of the private pension system;
- implementation of an adequate supervision system for occupational pension funds;
- improving the quality of supervision and inspection activities;
- ensuring an adequate level of transparency of information;
- updating the information reporting system and adapting the supervision and inspection activities as a result of the implementation of *Law no. 1/2020 on occupational pensions*;
- updating the IT reporting system and adapting supervisory and control activities as a result of the application of European legislation on PEPP (pan-European personal pension product).

## -Strategic objective 4-

### Strengthening confidence in non-bank financial product markets

According to an analysis by the European Securities and Markets Authority (ESMA), the proper diagnosis for the EU financial system shows that Member States' economies have relied heavily on banking systems for decades. In recent years, bank deposits have provided near-zero returns, while the net performance of equity funds has been 9%. However, only a limited number of investors have taken advantage of this, with studies showing that EU retail investment products are characterized by high costs that have a negative effect on long-term yields.

Based on this conclusion, the project related to the development of the Capital Markets Union (CMU) proposes a series of measures aimed at investor protection, transparency and trust, financial education and reform of pension systems.

#### Financial education

The approach of financial education, from the perspective of consumer protection, takes into account different objectives related to the development of skills and abilities, but also the development of current and future consumer behaviors, being important for the long-term financial stability.

In this sense, some measures already included in the Capital Markets Union Action Plan are to be applied also at European level, measures aiming to improve financial education by:

- developing a European framework of financial competences;
- providing incentives for Member States to promote financial education and responsible investment.

Financial education focuses on main objectives that can be implemented in different strategic directions of action, starting both from the need to increase the level of consumer protection and from the need to improve the level of financial capability and the degree of financial inclusion.

Therefore, FSA aims to build a learning environment for several types of consumers, from current to potential. In this sense, the following principles will be taken into account for the elaboration of financial education programs and actions:

- financial education is a common national interest of public authorities, organizations, private entities, population;
- financial education must be available and actively promoted throughout life;
- financial education programs must concretely address the needs of people and be available in a timely and easily accessible manner;

- financial education programs should include general tools that draw attention to the need to improve knowledge of financial problems and risks.

For the actions that the authority proposes in order to increase the level of financial awareness and education among the population, they will be supported by the Institute of Financial Studies, of which it is a founding member. Therefore, the Institute of Financial Studies will support the authority in the process of professional training of entities operating in the non-bank financial market, as well as in improving the level of knowledge and correct implementation of the latest legislative changes.

#### Consumer's protection

As stated in the Consumer Protection Policy, FSA aims to strengthen the integrated organizational framework necessary for the development of the Financial Supervisory Authority's programs in the field of consumer protection and financial education, through preventive monitoring and warning of possible violations of consumer rights and interests and through reactive actions following the supervision, inspection and settlement of complaints.

In this context, ensuring the protection of consumers of non-bank financial services, together with maintaining the stability of the 3 supervised markets, configures the entire FSA strategy, around which are circumscribed all the attributions and competencies conferred by the legal framework.

The protection of consumers and investors in non-bank financial products remains essential, being still at the heart of FSA's activities. To this end, the monitoring and evaluation of possible negative effects on consumers will continue and prudent mitigation measures and actions will be taken.

In order to meet the needs of consumers, the Financial Supervisory Authority will ensure that:

- the information about the financial products and services offered are correct, clear and do not mislead the consumers;
- the rules in force on consumer protection will be updated in accordance with the amendments agreed at European level;
- the prejudice of investors and consumers of non-bank financial products will be firmly sanctioned according to the provisions of the law;
- alerts will be issued in situations where deviations from the rules of conduct are found or major risks are revealed for potential consumers.



## -Strategic objective 5-

### The contribution of the Financial Supervisory Authority to the European institutional construction

#### Capital Markets Union (CMU)

The Capital Markets Union (CMU), the most important reform program for capital markets, is of particular interest to the European Union, being one of the main long-term goals, especially in order to resume economic growth and the transition to a "green" and digital economy.

The Financial Supervisory Authority intends to maintain its involvement in the implementation of the measures proposed in the CMU Action Plan developed by the European Commission in 2015. The Authority will focus on making the necessary changes to allow for a proper application of the legislative measures adopted at European level during 2019, such as: reviewing the prudential framework for investment firms, cross-border distribution of investment funds, crowdfunding, implementation of the Regulation on the Pan-European Personal Pension Product (PEPP).

Efforts to create a genuine single capital market to finance long-term economic recovery and growth have continued at EU level with the issuance in September 2020 of a new CMU Action Plan, which includes 16 legislative and non-legislative actions. The actions are mainly aimed at promoting the financing of SMEs through the capital market and increasing the number of retail investors. Most of the legislative measures refer to the areas of regulation and supervision in the non-bank financial field, having as main purpose the amendment of some legislative acts such as MiFID, UCITS, Solvency II, MiFIR, PEPP, SME.

The measures announced in this Action Plan will further transform the EU financial system, requiring support through the involvement of technical experts from the competent national authorities. In this context, the FSA will support the implementation of these measures by participating in the negotiation at the level of the EU Council of the regulatory proposals, as well as after the publication of these texts for transposition or implementation in the national legislation.

#### Involvement in the work of the European Securities and Markets Authority (ESMA)

FSA will continue to contribute to ESMA's activities in line with the strategic orientation for 2020-2022, with an important emphasis on strengthening supervisory convergence, ensuring a higher degree of investor protection and entrusting the direct supervision of certain benchmarks indices and data services suppliers to ESMA.

Also, an important priority remains the promotion and implementation of new initiatives resulting from the Capital Markets Union (CMU) Action Plan developed in September 2020, the sustainable financing strategy and the new digital financing strategy, FSA being further involved in developing and adopting ESMA documents aimed at assisting the European Commission.

ESMA's priority on supervisory convergence will be to build a common, risk-based and results-oriented supervisory culture. Given the importance of the exchange of expertise between national authorities, the FSA will cooperate closely with the other authorities as well as with ESMA with regard to best practices from ongoing supervision cases at national level and will contribute to the development of a Capital Market Supervision Manual. Still in the context of strengthening supervisory convergence, peer reviews will become more result-oriented, and the peer review methodology will include flexible evaluation alternatives such as rapid evaluations, thematic approaches.

The risk analysis activity will focus on the integration of new perspectives generated by financial innovation and of environmental, social and governance (ESG) factors. ESMA will also continue to monitor the impact of the COVID-19 pandemic on markets, as well as the UK's withdrawal from the EU, after the end of the UK transition period. These activities will be supported by the FSA by providing data and expertise to staff, given the interest they represent in our authority.

Another component will be the involvement in the elaboration of level II legislation for the legislative documents already adopted as part of the Capital Markets Union (CMU) initiative and will contribute to the planned revisions of major acts adopted as part of the post-financial crisis agenda.

### Involvement in the activity of the European Insurance and Occupational Pensions Authority (EIOPA)

FSA will contribute to EIOPA's activities on managing the impact of the COVID-19 crisis and the recovery of the European economy during the period 2021-2023.

The impact of the pandemic on European jurisdictions will be asymmetric, with a potential effect on the regulatory and supervisory framework for business conduct, so it is essential for the authority to be involved in strengthening a common supervisory culture, including effective monitoring and risk management, in order to benefit from the experience of other states.

As the COVID-19 pandemic continues to affect the financial markets, activities to support business continuity, revitalize the economy and increase the resilience of the insurance and pensions sectors are becoming increasingly important. Consumer protection will be a major issue in the coming years, and the FSA will continue to work with EIOPA and other national supervisory authorities to monitor and assess possible adverse effects on consumers and to establish prudent remedial action.

Activities to support the development of the Capital Markets Union will continue, through the development of initiatives aimed at a higher degree of product transparency, for the benefit of consumers and long-term depositors. An important element for the development of the Capital Markets Union will be the effective introduction of the Pan-European Personal Pension Product (PEPP) at EEA level - a new product to support European citizens who intend to make long-term savings.

In line with the European Union's sustainability program, EIOPA will focus its efforts on supporting the insurance and pensions sector in implementing the new requirements, without prejudice to the principles of governance, regulatory obligations and supervisory methods.

### Participation in the European Systemic Risk Board (ESRB)

Regarding the assessment of external risks to financial stability in the non-bank financial system in Romania, FSA focuses on the following activities:

- participation in General Board and technical committee meetings;
- reporting on financial stability at European level and assessing the impact of risk materialization at the level of supervised markets and entities;
- participation in defining the macroprudential framework regarding systemic risk in the insurance-reinsurance sector and the capital market sector.

The specific objectives are: to improve the assessment reports on trends, risks and vulnerabilities, to include new indicators for assessing and monitoring systemic risk, market, liquidity, credit, contagion, etc., as well as indicators on macroeconomic developments at international level, based on the technical recommendations of the ESRB working groups and the use of the ESRB riskdashboard, based on intermediate macro-prudential objectives in order to define an appropriate framework for monitoring financial stability at European level and identifying potential vulnerabilities of financial markets and non-bank financial institutions in Romania.

## Abbreviation List

A10	=	Motor Third Party Liability Insurance
A3	=	Insurance of Land Transport (other than rail)
A8	=	Fire and Other Natural Disaster Insurance
ABCP	=	Asset Backed Commercial Papers
ADEL		Tied Agents
AFIASMD	=	Managers of Alternative Investment Funds from other Member States Operating directly in Romania
AFIASMS	=	Branch of Alternative Investment Fund Managers from other Member States Operating in Romania
AIF	=	Alternative Investment Fund
AIFM	=	Alternative Investment Funds Manager
BAAR	=	Romanian Motor Insurers Office Bureau
BSR	=	Balance Sheet Review
BVB	=	Bucharest Stock Exchange
CASCO	=	Land Transport Insurance
CCP	=	Central Counterparty
CI	=	Credit Institutions
CIU	=	Collective Investment Undertaking
CMR	=	Carrier's insurance for the goods transported as a carrier
CNVM	=	National Securities Commission
CRD	=	Capital Requirements Directive
CRR	=	Capital Requirements Regulation
CSA	=	Insurance Supervisory Commission
CSSPP	=	Private Pension System Supervisory Commission
DVCAP	=	Double Volume Cap Mechanism
EC	=	European Commission
ECB	=	European Central Bank
EEA	=	European Economic Area
EIOPA	=	European Insurance and Occupational Pensions Authority
EMIR	=	Regulation (EU) no. 648/2012 on European Market Infrastructures
ESMA	=	European Securities and Markets Authority
ESRB	=	European Systemic Risk Board
ETF	=	Exchange Traded Funds
EU	=	European Union
FCI	=	Investor Compensation Fund
FDIA	=	Open-End Investment Funds from other Member States whose participation titles units are distributed in Romania
FGDSPP	=	Private Pension Rights System Guarantee Fund
FIAM	=	Alternative Investment Funds from other Member States whose participation units are distributed in Romania
FIRDS		Financial Instrument Reference Data System
FISC	=	Financial Investment Services Company
FISMD	=	Investment firms from other Member States that carry out their activity in Romania directly
FISMD	=	Investment firms from other Member States operating directly in Romania
FOE	=	Free of Establishment
FOS	=	Free of Services
FSA	=	Financial Supervisory Authority
GDP	=	Gross Domestic Product
GEO	=	Government Emergency Ordinance
GL	=	Guidelines
GO	=	Government Ordinance
GSM	=	General Shareholders Meeting
GWP	=	Gross Written Premiums
IAIS	=	International Association of Insurance Supervisors
IC	=	Investment Company

IMC	=	Investment Management Company
IMF	=	International Monetary Fund
INCM	=	Credit Institutions from other Member States
INCM	=	Credit Institutions from other Member States
INFE	=	International Network on Financial Education
IOPS	=	International Organization of Pension Supervisors
IOSCO	=	International Organization of Securities Commissions
ISF	=	Institute of Financial Studies
IT	=	Information Technology
MCR	=	Minimum Capital Requirement
MiFID	=	Markets in Financial Instruments Directive
MiFIR	=	Markets in Financial Instruments Regulation
ML/FT	=	Money Laundering/Financing Terrorism
MMPS	=	Ministry of Labor and Social Protection
MMSS	=	Ministry of Labor and Social Solidarity
MoF	=	Ministry of Finance
MTF	=	Multilateral Trading Facility
MTPL	=	Motor Third Party Liability
NAV	=	Net Asset Value
NBR	=	National Bank of Romania
NCMO	=	National Committee for Macroprudential Oversight
NCSP	=	National Commission for Strategy and Prognosis
NIS	=	National Institute of Statistics
non-ABCP	=	non-Asset Backed Commercial Papers
OECD	=	Organization for Economic Cooperation and Development
OEIF	=	Open End Investment Fund
OPCOM	=	Electricity and Natural Gas Market Operator
ORSA	=	Own Risk and Solvency Assessment
OTC	=	Over the Counter
OTF	=	Organized Trading Facility
PAD	=	Natural Disaster Insurance Policy
PEPP	=	Pan-European Personal Pension
PFSC	=	Investment Advisers
PGF	=	Policyholders Guarantee Fund
RAF	=	Risk Assessment Framework
RBS	=	Risk Based Supervision
ROF	=	Regulation of Organization and Functioning
SAIM	=	Investment Management Companies from other Member States
SAL-Fin Entity	=	Alternative Settlement Resolution of Disputes
SAR	=	Insurance-Reinsurance Sector
SARIS	=	Suspensions and Restorations Instruments System
SCR	=	Solvency Capital Requirement
SFIM	=	Branches of Investment Companies from other Member States
SIIF	=	Financial Instruments and Investments Sector
SISA	=	Investment Management Companies from other Member States whose participation titles units are
SME	=	distributed in Romania
SSAM	=	Small and Medium Enterprises
SSPP	=	Branch of Investment Management Companies in other Member States
STS	=	Private Pension System Sector
TRACE	=	Simple, Transparent and Standardized Securitisations
TREM	=	Trade Repository Data Reporting
UCITS	=	Transaction Reporting Exchange Mechanism
VAR	=	Undertakings for Collective Investment in Transferable Securities
		Value at Risk

#### Note

This annual report presents the events of the calendar year 2020 and reflects the data as at 31 December 2020. Some statistical data are provisional and will be reviewed in subsequent publications of the Financial Supervisory Authority. Due to rounding, the totals may not correspond exactly to the sum of the components or there may be small differences from the percentage variations indicated in the graphs or tables.

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