

# ANNUAL REPORT



2021

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# FOREWORD

The year 2021 was mainly characterised by a gradual return to normality, both socially and economically. The capacity to manage the pandemic and adapt to the structural changes brought about by the health crisis affected all segments of society, representing both challenges and opportunities for the entire business environment and public authorities.

In 2021, the Financial Supervisory Authority continued to strengthen its active supervisory policy and promote strategic activities, focusing on increased transparency and accelerating the process of digitalisation and innovation in the financial sector.

As a result, major new projects have been launched to improve the surveillance function, reduce vulnerabilities and develop critical infrastructure elements for cyber risk management. In line with European policies on climate change and the transition path to a green economy, the Financial Supervisory Authority has aligned itself with best practices, taking on new responsibilities amid the implementation of the European legislative package on sustainable finance.

On the other hand, the war in Ukraine has raised new international concerns, leading to a rapid deterioration of the global geopolitical context, resulting in higher energy prices and disruptions in large-scale supply chains. Against the backdrop of accommodative monetary and fiscal policies, the conditions for persistently high inflation have been created, with a long-lasting impact on industry, consumers and financial markets infrastructure.

Therefore, the current challenges reinforce the strategic objectives embedded in the Authority's projects and lines of action for supporting the sustainable development of the non-bank financial system, thus ensuring its proper functioning in line with the best practices promoted by national and European authorities.

At the same time, the institutional capacity-building goals aim to ensure that, by 2022, the Financial Supervisory Authority is recognised as a transparent and open to dialogue organisation, law enforcement, with proactive and efficient processes aimed at ensuring the financial stability of the supervised markets, as well as protecting the rights of investors, policyholders, participants and beneficiaries of the private pension system.

**Nicu MARCU, Professor Ph.D.**  
President  
The Financial Supervisory Authority

# 1. ASF in brief

## 1.1. Short presentation of ASF

The Financial Supervisory Authority (ASF) was established in 2013 as an autonomous, specialized, administrative authority with legal personality, independent, self-financed, exercising its powers in accordance with the provisions of *Government Emergency Ordinance no. 93/2012 on the establishment, organization, and functioning of the Financial Supervisory Authority*, approved with amendments and additions by *Law no. 113/2013, with subsequent amendments and additions*, by taking over and reorganising all the powers and prerogatives of the National Securities Commission (NSC), the Insurance Supervisory Commission (ISC) and the Private Pension System Supervisory Commission (PPSSC).

ASF contributes to the consolidation of an integrated framework for the functioning and supervision of markets, participants, and operations in these markets and aims to:

- ➔ ensure the stability, competitiveness, and proper functioning of the markets in financial instruments, promote confidence in these markets and in investments in financial instruments, and ensure the protection of operators and investors against unfair, abusive, and fraudulent practices;
- ➔ promote the stability of the insurance business and protect the rights of policyholders;
- ➔ ensure the efficient functioning of the private pension system, and protect the interests of participants and beneficiaries.

According to the law, ASF is responsible for authorising, regulating, supervising, and controlling entities, activities, services, and specific operations carried out within the three non-banking financial markets:

- ➔ Financial instruments and investments market;
- ➔ Insurance-reinsurance market;
- ➔ Private pensions market.

ASF is the competent authority at the national level for the application and monitoring of compliance with directly applicable regulatory acts issued at the European Union level, in the areas covered by GEO no. 93/2012, as well as for the transposition and implementation into national law of those provisions issued by the EU Council, the EU Parliament, the European Commission and other European authorities.

ASF represents Romania's interests within the International Organization of Securities Regulators (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 Pensions Supervisors (IOPS), being a full member of these international authorities.

Institutional cooperation between the Parliament and the Financial Supervisory Authority is ongoing and multi-dimensional, including the participation of the ASF President or members of the ASF Council, as well as ASF experts in committee meetings of the Romanian Chamber of Deputies or Senate.

Constant communication between ASF and the Romanian Parliament takes place in many forms, including:

- participation in the debates of the specialised committees of the two chambers of Parliament on draft legislation or legislative initiatives with an impact on ASF's field of competence;
- drafting opinions on draft legislative acts either at the request of parliamentary committees, at the request of some initiators or, at the request of the Department for Relations with Parliament, with a view to finalising the Government's position on those draft legislative acts;
- specific questions addressed to ASF by senators or members of parliament.

## 1.2. ASF Governance

According to the *Decisions of the Romanian Parliament no. 37/14.11.2018, no. 44/17.12.2018 and no. 9/24.06.2020*, the composition of the Financial Supervisory Authority Council in 2021 was composed of 9 members, of which: **5 executive members, respectively the President, First Vice-President, and 3 Vicepresidents 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, ASF Council deliberates in the presence of at least half plus one of its members, including the Chairman or, in his absence, the First Vice-Chairman, and decisions are adopted by a vote of 2/3 of the members present.

During **2021**, **68 meetings** of the ASF Council were held (**50 ordinary meetings and 18 extraordinary meetings**), during which a total of **1,324 Notes** were discussed and analysed (**1,294 in ordinary meetings and 30 in extraordinary meetings**), including draft regulatory acts, requests for the granting of certificates/authorisations/permits, results of supervisory and control actions together with the measures and sanctions proposed through the issuance of decisions, analyses on the evolution of the 3 markets and the risks identified to financial stability, analyses and proposals for solutions following requests submitted by entities regulated and supervised by ASF, by certain institutions or by other authorities.

In addition, **13 meetings of the ASF Executive Committee** were held in **2021**, during which **48 Notes** were discussed and analysed.

In **2021**, **48 normative acts (regulations, rules, instructions)** and **19 draft normative acts were issued**. At the same time, **97 decisions** were issued containing internal provisions and measures, **1,042 individual acts** (opinions, authorisations, certificates, and decisions), as well as **296 notices** issued as a result of Resolutions/Decisions taken at Council meetings.

#### Status of meetings of the Financial Supervisory Authority Council in 2021

<b>68 meetings, of which:</b>	<b>1,324 notes submitted, of which:</b>
→ 50 ordinary meetings	→ 1,103 for approval
→ 18 extraordinary meetings	→ 221 for information

Following the ASF Council meetings, resolutions were adopted approving or, where appropriate, ordering specific measures concerning:

- issuing individual administrative acts (decisions, authorisations, opinions, certificates) addressed to regulated and/or supervised entities, at their request;
- updating secondary legislation by issuing rules, regulations, and instructions in order to bring it into line with the latest developments in national primary legislation and European best practices;
- applying sanctions and action plans in order to prevent/correct identified deficiencies and/or manage risks appropriately;
- approval of recovery plans and financing plans to restore compliance with prudential indicators of supervised entities.

The actions taken and decisions adopted by the ASF Council in 2021 were the basis for most of the activities carried out within the institution and aimed at achieving the specific objectives and activities set out in ASF's programme of activities for 2021.

### 1.3. Calendar of significant events of the ASF Council in 2021

<b>JANUARY</b>	<p><b>7 January</b> - ASF has supported the diversification of insurance products, considering requests from brokers to become creators of insurance products, which may include niche products</p> <p><b>12 January</b> - ASF has drawn attention to the fact that trading in crypto-assets and investing in such instruments entails high risks in the absence of European or national legislation</p> <p><b>19 January</b> - ASF launched the Strategy for 2021-2023</p> <p><b>28 January</b> - ASF concluded a collaboration agreement with ASE-București, West University of Timisoara and Alexandru Ioan Cuza University of Iasi in order to carry out a project for the development of entrepreneurial skills for doctoral and post-doctoral students in the field of economics.</p> <p><b>29 January</b> - ASF and ISF have resumed, for the fourth consecutive year, the course sessions held within the framework of the national Start2Teach programme for teachers in pre-university education.</p>
<b>FEBRUARY</b>	<p><b>1 February</b> - ASF analysed the damage files related to compulsory motor third party liability policies (MTPL) endorsed by insurance companies in the third quarter of 2020</p> <p><b>17 February</b> - ASF drawn the attention of potential investors to be fully informed about the entity with which they wish to conclude intermediation contracts</p> <p><b>19 February</b> - ASF postponed by one year the mandatory application of ESEF for issuers listed on the regulated market in Romania</p> <p><b>20 February</b> - ASF, Ministry of Education, BNR, Ministry of Finance and Romanian Association of Banks announced the launch of the financial education platform <a href="http://www.edu-fin.ro">www.edu-fin.ro</a></p>
<b>MARCH</b>	<p><b>23 March</b> - ASF decided to approve <i>ASF Regulation no. 7/2021 on the obligation for issuers whose securities are admitted to trading on a regulated market to prepare annual financial reports in the single electronic reporting format</i></p>
<b>APRIL</b>	<p><b>1 April</b> - ASF published <i>the Analysis of claims and non-compliance reports registered with ASF in 2020, as well as the Analysis of specific indicators of consumer protection activity calculated for the insurance-reinsurance market for 2020</i></p> <p><b>6 April</b> – ASF, Ministry of Education, BNR, Romanian Association of Banks, Romanian Banking Institute and Institute of Financial Studies announced the accreditation of the only full course "Economic and Financial Education for Teachers"</p> <p><b>28 April</b> –ASF, in collaboration with the Ministry of Finance, carried out the project "<i>National Strategy for the Capital Market</i>", financed by European funds, with the Organisation for Economic Cooperation and Development as consultant</p>

<b>MAY</b>	<b>17 May</b> - ASF launched the <i>Academic Fin Hub Green Paper</i> , a document that brings together ideas and principles that bridge the gap between the academic community and the business environment, aiming at optimizing the needs of the labour market with the educational offer.
<b>AUGUST</b>	<p><b>4 August</b> - ASF approved a new regulatory framework in the field of registration and operating conditions of AIFMs benefiting from the exemption from authorisation provided for in Article 2 of <i>Law no. 74/2015 through ASF Regulation no. 11/03.08.2021 amending and supplementing ASF Regulation no. 10/2015</i></p> <p><b>25 August</b> – ASF, in partnership with the BNR, the Ministry of Finance and the Romanian Association of Banks, organized the second edition of the financial education program - FinClub - for high school students from 10th to 12th grades, passionate about the financial market</p> <p><b>26 August</b> - ASF launched an online tool to facilitate the authorisation process in the non-bank financial market</p>
<b>SEPTEMBER</b>	<b>17 September</b> - ASF announced the opening of bankruptcy proceedings against the insurance and reinsurance company City Insurance S.A.
<b>OCTOBER</b>	<p><b>11 October</b> - ASF launched the fourth edition of the PAD Caravan, a campaign to raise awareness of the importance of taking out compulsory home insurance</p> <p><b>15 October</b> - ASF resumes the Student Club financial education programme</p> <p><b>27 October</b> - Romania, through ASF, re-elected to the Executive Committee of the International Organization of Private Pension Supervisors</p> <p><b>28 October</b> - ASF completed the second phase of the implementation of the authorisation portal, an online tool that facilitates the authorisation process in the non-banking financial market</p>
<b>NOVEMBER</b>	<b>18 November</b> - ASF launched a new section dedicated to sustainable financing on its website
<b>DECEMBER</b>	<b>20 December</b> - ASF, in partnership with the BNR, the Ministry of Finance and the Romanian Association of Banks, organized the third edition of the financial education program - FinClub - for high school students from 10th to 12th grades, passionate about the financial market.

## 2. ASF's challenges and achievements in 2021

### 2.1. Challenges of 2021

#### Digitalisation and technological innovation in financial services

Digitalisation is a key resource for doing business globally, as the evolution of technology now outstrips human comprehension and processing capabilities.

The process of digitalisation is currently one of the most dynamic developments and has transformed all segments of society and the economy by 2021. The effects of the accelerated digitalisation process have also materialised through a paradigm shift in the activity of the Authority and the supervised and regulated non-bank financial markets.

Today's context emphasises value creation through digitalisation, innovation and digital technologies. The digital transformation of ASF and the development of digital skills among employees is thus becoming a necessity. The benefits of digital transformation (efficiency, transparency and simplicity) lead to much higher productivity of processes and increased performance in all areas of ASF's business (consumer, capital market, insurance and private pensions).

Digital technology has the potential to streamline processes and enhance the quality of activity, and so a number of issues have been identified within ASF as key pillars in addressing and managing the 2021 digitalisation process:

- ensuring a high-performance hardware and software infrastructure that can support existing and future processes;
- changes in the area of organisational management;
- the continued need for IT market development and constructive collaboration with partner institutions;
- redefining the strategies developed in previous years according to the new realities;
- increasing the efficiency of data management and business processes;
- digitalisation of processes both internally and in relation to the market;
- developing the IT skills of employees and partners.

All these opportunities, however, also present some risks which are treated with particular care. To this end, measures have been taken such as:

- proactively developing internal procedures to ensure that the obvious potential of digitalisation is exploited;
- gathering detailed information on market forecasts in order to effectively manage potential crisis scenarios;
- having robust measures in place for the protection of personal data;
- making permanent the transmission of reports and other documents in electronic format to ASF;

- defining information security policies that meet current IT requirements in order to ensure the integrity, confidentiality and availability of the information systems of ASF;
- updating firewall systems.

An important step taken by ASF in the area of digitalisation has been the development of the **IT Strategy for 2021-2023**, which aims to create a coherent IT function that proactively facilitates the implementation of ASF's strategic objectives, eliminates redundancies and creates added value.

Building an IT infrastructure adapted to the real needs, by completely upgrading the existing hardware and software elements, as well as rethinking the existing IT services, in order to make the whole activity more efficient both at ASF level and in relation to market entities and external organisations, is an essential element of ASF strategy.

The following factors have been considered in the development of this strategy:

- ASF institutional strategy - the main role of the IT function is to proactively facilitate the implementation of ASF institutional strategy;
- rapid IT developments and accelerating digitalisation in recent years - ASF's IT function must be prepared to make appropriate use of IT developments, either they are standards, methodologies, software or infrastructure platforms, in the implementation of the institutional strategy;
- integrating ASF into the information strategy at national and European level by collaborating with the relevant institutions.

The IT projects, part of the digital transformation of ASF, represent **the IT strategy for 2021-2023** put forward by the Authority as its **top priority**. At the same time, it is the main element, in fact the only path that can coherently link all three component sectors of ASF, which make up the whole, and which can be used to implement the organisation's mission in the medium and long term.

The IT Strategy 2021-2023 includes both the internal activity of the organisation (resources, processes, policies, communication, etc.) and the external activity (which includes all stakeholders such as consumers, supervised and regulated entities, peer institutions, etc.).

In the next stage of strategic information development, ASF aims to integrate all activities at sector level by exploring options to unify or centralise core activities within sectors or to integrate them vertically.

### Transformation through digitalisation in ASF

In the coming period, ASF will continue to pay increased attention to internal transformation by accelerating digitalisation and technological innovation in financial services. In this context and in line with the actions taken at the level of the European Commission, ESMA and EIOPA, ASF has two strategic directions, namely:

- continue the internal digitalisation process and implement new innovative solutions;
- encourage digital transformation and the development of digital capabilities of employees by initiating internal training sessions to make this process smooth and desired by all ASF staff.

In terms of encouraging the digitalisation, development and implementation of new technological solutions in the financial markets, ASF will continue the development of the **FinTech Hub**, a project launched in 2019 and which, in 2021, has fully proven its usefulness and has become permanent at the Authority level.

In order to keep pace with technological developments, but also to implement the necessary legislative and supervisory measures, ASF:

- closely follows developments in technological innovation in the financial sector by participating in working groups within the European Commission, ESMA, EIOPA or set up at the level of other European or international bodies and analyses the benefits and risks for consumers that these may generate;
- supports European-level efforts to promote technological innovation in financial services.

In the coming period, ASF will continue its efforts to identify and implement the best ways of processing and analysing financial data from supervised markets, based on the latest technological developments and best practices in the field.

In the view of ASF, a modern information management IT system will need to be able to incorporate:

- efficient collection of quantitative and qualitative indicators and their aggregation without human intervention into dynamic data structures;
- simulation of human expertise using machine learning algorithms on large datasets;
- contextualising and diversifying the information collected using mechanisms for extracting information from unstructured data sources such as the Internet.

At the same time, this system must have a solid supporting infrastructure, its development being closely linked to the planned migration of ASF's IT systems to a cloud architecture. It is also important to train staff to understand and apply the new working model and therefore internal/external training is needed so that they adopt all these changes naturally. These courses will focus on the main skills needed, namely:

- digital skills;
- connectivity and use of online platforms;
- cyber security, data protection, online safety and IT ethics;
- other topics related to digitalisation.

Such an implementation should aim at real-time monitoring of digitised processes, which offers the possibility to make decisions based on data and not on managers' intuition.

Undoubtedly, for 2022, the digital transformation of ASF is one of the main lines of action, contributing to the organisational transformation of the Authority and improving performance in all its areas of activity. Digitalisation is evolving at an accelerating pace, changing and influencing all internal and external activities but at the same time contributing to increased cyber risk exposures. For this reason, digitalisation at Authority level becomes essential for identifying risk mitigation measures as well as for ensuring global competitiveness.

It's time to make the most of the possibilities of interacting in the digital environment and, moreover, to identify new ways of action that will lead to the achievement of organisational goals.

### **Taking on new supervisory responsibilities amid the implementation of the EU green finance package**

Sustainable finance has been an important concern of the European Union in recent times and is seen as a type of finance that supports the sustainable development of the economy while reducing environmental pressures and considering social and governance aspects.

Given the complexity of the sustainable finance business area, the legislative changes, the need to change business models across all categories of regulated entities to integrate environmental, social and governance risks and, consequently, the adaptation of internal processes at ASF level to monitor compliance with the new requirements imposed by the green transition, ASF has set up a modular structure in the form of a working group, consisting of representatives of all relevant organisational structures.

Also, in this context, the Authority has been involved in providing technical support and formulating responses from a sectoral perspective to the Working Group on Supporting Green Financing of the National Committee for Macroprudential Supervision (NCMS), which aims to identify possible solutions to support green financing in line with the objectives assumed at country level and the principles in this area at European level. The group is formed by the representatives of the Government, the Financial Supervisory Authority and the National Bank of Romania, together with invited representatives of relevant public and private institutions and associations, and became operational at the end of November 2020. ASF also participated in meetings with the World Bank on green finance.

At the same time, on 3 June 2021, the National Committee for Macroprudential Oversight (NCMS) issued Recommendation no. R/6/2021 requesting ASF to communicate to the entities in its area of competence some recommendations on prudent approach to climate risk. The recommendations issued should cover at least the following areas: governance, strategy, risk management, scenario analysis and stress testing and transparency. These recommendations cover the disclosures that non-bank financial entities must make under the European regulations already adopted. In the context of this request by the NCMS, the working group has developed the document "Recommendations on a prudent approach to climate risk" whereby ASF supports entities by clarifying several elements in the context of green finance, including some proposals to take into account sustainability risks in their activities. In addition, a questionnaire (with a deadline for supervised entities to respond by 30 June 2022) on the applicability of, and action taken on, the above-mentioned recommendations was drafted and sent to non-bank financial entities within the working group.

### Ensuring the efficient conduct of non-bank financial market supervision activities in the context of the persistence of the COVID-19 pandemic in 2021

**In the context of global uncertainty about the consequences of the COVID-19 pandemic, ASF's capital market activity continued to be adapted to the existing situation,** mainly through the use of remote interactions both internally and with market entities (digital signature and electronic transmission of documents) and remote working for staff involved in ongoing supervision and oversight.

The supervisory process monitored entities' compliance with compliance and conduct rules, assessed and identified vulnerabilities/risks, impacts and the actual and material circumstances of the entity's conduct

**A number of surveillance actions were considered such as:**

- maintaining a consistent dialogue with the market to identify areas of risk (e.g. feedback on testing of business continuity plans, feedback and discussions with industry associations);
- deepen/understand the entity's business and establish risk profile (e.g. focus on groups, group buy-outs);
- holding the management of the entities accountable for their stewardship and awareness of the impact of inappropriate actions/demands as well as possible failures (e.g. honouring redemptions, how to carry out online transactions);
- developing a "picture" of the market highlighting vulnerable entities and weaknesses by

- ➔ establishing risk assessment principles based on integrated conduct risk assessment;
- ➔ implementing a risk matrix to identify and frame the main risks at market level, with the aim of capturing the risk profile of entities in a single picture for a given date;
- continue to deepen the key issues in the surveillance activity, in parallel with proactive action;
- verify compliance with the rules on valuation and presentation of own assets in the financial statements, in particular as regards own liquidity through confirmations requested from credit institutions;
- check the valuation of marketable financial instruments, which is the main category of assets held by companies;
- closely monitor companies that have encountered financial difficulties.

**In the context of the persistence of the COVID-19 pandemic, in 2021, ASF paid increased attention to the supervisory and control activities planned for the insurance sector,** to which were added some additional ones resulting from the changes that occurred during the year in the insurance market, in particular with regard to MTPL activity, security insurance and intensified supervision from the perspective of analysing the financial assets of insurance companies in the context of fluctuations in the financial markets and the increase in exchange rates. The monitoring of the level of liquidity of insurance companies, changes in the level of own funds and specific indicators with high sensitivity in the pandemic and economic context such as the rate of terminations/redemptions, changes in claims expenses and technical reserves, return on investments, etc. continued.

Challenges generated by the fluctuation of staff availability in the context of the COVID-19 pandemic both at the level of the supervisory authority and at the level of the supervised entities have been overcome by the sustained involvement of all parties involved, by continuing and improving the use of online communication media and by adapting activities according to the needs arising in the context of significant events in the Romanian insurance market. The exclusive transfer to the electronic transmission of correspondence and reports on the Authority's e-registration platform and the organisation of meetings via remote means was achieved and efforts were made to expand the capacity of the dedicated reporting applications to facilitate the upload of paper documents. Cyber risk has also been a challenge, especially for insurance companies.

A second set of recommendations for insurance and reinsurance companies on some measures to minimise the effects of the COVID-19 crisis for the year 2021 was submitted during the reporting period, which mainly concerned the distribution of dividends, a firm commitment on the distribution of dividends, the repurchase of ordinary shares, the payment of variable remuneration to persons who can assume risks on behalf of companies that have a significant impact on their risk profile, and the establishment of a conservative prudential threshold to be taken into account by companies when taking the above-mentioned decisions.

At the level of the supervisory colleges set up for the supervision of insurance groups within the European Union, the impact of COVID-19 on the business of insurance companies has been regularly analysed both from a local perspective and from the perspective of financial standing at group level.

**In the private pensions field,** given both the effects of the pandemic on the current activities of administrators and the possibility of increased cyber risk, administrators have maintained ASF's recommendations for mitigating this risk in 2021:

- setting up login accounts and setting strong passwords, preferably with two-factor authentication;



- identify additional risks and how to manage them if staff are allowed to use personal work devices (phone) - control and visibility of these devices is more limited and requires robust authentication solutions;
- training staff on phishing risks and detecting typical phishing email signals;
- regular training of staff on communicating/reporting, including the communication channel, cyber security issues or cyber threats as soon as possible;
- developing instructions/guides for using remote applications and testing them before use;
- enabling and configuring encryption of data used on computers/phones used for telecommuting to be protected in case of loss/theft of the working device;
- identification of tools that can be used to block unauthorised access to, delete or copy data stored on the device.

Due to the measures implemented at ASF level in order to ensure the continuity of specific activities in telemonitoring, in a state of alert/emergency in case of pandemic/epidemic, the workflows at SSAP have been adapted to work from home so that all assigned tasks can be carried out.

### The MTPL market in the aftermath of the bankruptcy of City Insurance

Regaining citizens' trust in insurance proved to be the continuing challenge for ASF in 2021, a year marked by the lingering effects of the COVID-19 pandemic and the withdrawal of City Insurance's licence.

The predominant issues were related to the organisation of the activity given the challenges generated by the situation of two of the insurance companies in Romania, namely City Insurance and Euroins, companies with predominant shares in the MTPL market.

Undoubtedly, ASF's decision regarding the withdrawal of the operating license, the finding of insolvency and the promotion of the request for the opening of bankruptcy proceedings at City Insurance, was an important event in 2021 for the insurance market. The level of involvement in managing the situation regarding this decision involved considerable and sustained efforts for staff resources, in addition to managing the supervision of the activity of other companies.

In the context of the withdrawal of City Insurance's operating licence, ASF held an ongoing dialogue with representatives of the Bureau of Motor Insurers in Romania (BAAR) on the analysis of the impact on the availability of the National Protection Fund (NPF), administered by BAAR, and endorsed the measures proposed by BAAR to maintain NPF's availability within legal limits. ASF is constantly monitoring the level of NPF's available funds to ensure that they remain within the legal limits, as well as the situation of the debts owed to BAAR by insurance companies as a result of its claims for Green Card compensation.

At the same time, ASF has held an ongoing dialogue with representatives of the Policyholder Guarantee Fund (PGF) on the impact on PGF's financial resources, on the measures proposed by PGF regarding changes in contribution rates, with a view to ensuring PGF's financial resources and protecting insurance creditors. ASF also approved the Fund's proposals to amend PGF's investment strategy.

At the same time, in order to support consumers/insurance creditors, ASF has developed a *Consumer Guide on the situation of City Insurance S.A.* explaining the existing protection measures. It also outlines, in a user-friendly manner, the steps required to recover the insurance claim from PGF or, where applicable, to refund the insurance premiums for the period during which the risk was no longer covered.

In this regard, as a result of the identification, from the activity of investigating and resolving claims, of non-compliant aspects in the activity of supervised entities related to the insurance-reinsurance market,

in order to remedy them and reduce potential risks, during 2021, ASF decided to carry out several controls on the entities in question, concluded by firm measures to sanction the responsible persons.

In the area of compulsory insurance legislation, discussions and negotiations continued on the finalisation of amendments to *Law No. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents*. The drafts mainly concerned the resolution of Case 2018/4075, but also included provisions on direct settlement and Brexit.

Also, the steps related to the amendment of *Law no. 213/2015 on the Policyholder Guarantee Fund* were continued, by analysing the documents received from the Ministry of Finance and submitting all the necessary documents to promote this project. The project mainly concerned: Considerable reduction of the period from which the Fund is entitled to make payments to insurance creditors, to 60 days from the date of publication in the Official Journal of the decision to withdraw the insurer's operating licence, compared to the situation where insurance creditors had to wait for a significant period of time, i.e. until the decision to open bankruptcy proceedings became final, implicitly until a possible appeal against the judgment to open bankruptcy proceedings was settled; modification of the definition of the guarantee ceiling with express reference to the maximum level of guarantee for an insurance claim due under a contract, not on an insurance creditor; increase of the amount of the guarantee ceiling from 450. 000 lei to 500.000 lei; but also, legislative adaptations in line with the provisions of *Law no. 237/2015*, *Law no. 246/2015*, *Law no. 503/2004* and *Law no. 85/2014*. The draft law was transformed into a draft Emergency Ordinance, which has already been published in the Official Journal.

In 2021, intensive surveillance activities continued in the MTPL insurance sector, which holds the majority share of the general insurance market and which continued to face significant challenges amplified by the bankruptcy of City Insurance and the intensification of pressures from all parties involved, with direct impact on prices - from car services through trade associations and claims re/directing, from carriers through trade associations, from other categories of policyholders and, last but not least, from insurers. In this context, ASF has exercised all the powers permitted by law in order to ensure market balance, taking into account that consumer protection is a priority for the Authority and it is necessary to ensure a balance between the general trend of rising insurance prices in line with the increase in claims and the amount of compensation claimed by motor vehicle services, on the one hand, and ensuring the financial stability of insurance companies in order to ensure the payment of compensation, on the other.

The challenges and problems in the motor insurance market are complex and there is a need for the responsible involvement of decision-makers to improve and develop primary and secondary legislation both in the insurance sector and in the regulation of reference prices for motor damage costs in order to provide the necessary prerequisites for effective supervision and control of insurance companies and for improving the claims settlement process to protect the beneficiaries of insurance contracts.

Monitoring and analysis of the MTPL insurance market has been stepped up, with regular analyses of average MTPL premiums charged by insurance companies and their comparison with MTPL reference tariffs. Analyses of the basis of MTPL premium rates - analyses of the reports of the actuaries' reports and of the basis of MTPL premium rates for companies that notified changes in MTPL premium rates to ASF during 2021 and comparative analyses of the premiums notified by those companies with the previous rates, as well as of the loading coefficients used - were also carried out. At the same time, regular checks/comparisons of the MTPL tariffs offered by the insurance companies with those notified to ASF, comparisons of the load factors for the period of validity of the policies used by the insurance companies with those notified to ASF are carried out.

ASF continues to administer the numerous court cases brought by City Insurance and Euroins which have challenged most of the decisions issued and measures instituted by ASF.

ASF is in permanent contact with EIOPA, including sending a letter including the challenges faced by ASF regarding reinsurance contracts concluded by certain Romanian companies with third country reinsurers and for which European legislation needs to be amended and improved in order to create the necessary legal instruments for Member States to impose measures/limitations/restrictions on the recognition of these contracts in the balance sheet of insurance companies. The subject is now being examined at EIOPA level and extensive consultations are to be carried out in order to further regulate reinsurance contracts concluded with third country reinsurers.

In addition, issues relating to reinsurance treaties involving reinsurers from third countries have also been brought to the attention of the European Commission, respectively Slovenia and France, the former holding the rotating Presidency of the Council of the European Union until the end of 2021, while France has taken over these tasks for a period of 6 months from 1 January 2022.

The issues will be discussed in the working group set up at EU Council level to amend the Solvency II Directive, a working group where ASF, through the specialists appointed to represent the authority, actively participates in the debates taking place both through specific interventions during the meetings and by submitting written proposals with possible solutions to amend/complete the compromise texts.

ASF responded to requests for information from all stakeholders, starting with policyholders and policy beneficiaries, insurance intermediary companies, state institutions (Romanian Parliament, Government, Competition Council, ministries, etc.), external supervisory institutions, the press, and organised meetings with professional associations of insurers, carriers, car services, actuaries to discuss and identify the best solutions to establish a balance in the MTPL insurance market. There are still many challenges and possible solutions to improve the functioning of the MTPL insurance market are disputed, as each solution affects stakeholders in different ways, positive or negative.

Following the initiation of the City Insurance bankruptcy, the active intervention of ASF through all legal prerogatives (regulatory, supervisory and control, communication and consultation) was sustained and led to the stabilization of the situation in the MTPL insurance market towards the end of 2021.

## 2.2. Important projects carried out by ASF in 2021

### **Project "National Capital Market Strategy" - funded by the European Commission**

The Financial Supervisory Authority has been running since October 2020, as beneficiary and in partnership with the Ministry of Finance, the project "National Capital Market Strategy", in which the Organisation for Economic Co-operation and Development (OECD) provides advice.

The project, funded by the European Commission, is being carried out in three phases. The first stage consisted of a report on the key characteristics of the corporate sector, access to finance and the current state of the Romanian capital market. The phase was completed in February 2021, and the Romanian corporate sector analysis report also included a detailed analysis of developments in the primary and secondary public offerings markets and the corporate bond and private equity markets.

In the next stage, the Diagnostic Report on structural problems and significant barriers to capital market development in Romania "Developing a Capital Market Strategy for Growth in Romania" was presented. Based on the report produced in the first phase of the project, the OECD built a diagnostic of the Romanian capital market, which included an assessment of the main problems identified and recommendations for

public institutions, professional associations and private entities to support the expansion of the Romanian capital market, so that it can play a central role in promoting economic growth in the context of the COVID-19 crisis, but also in the long term.

Based on the assessments and recommendations of the OECD Phase II diagnostic report, the final stage of this project is the development of the draft National Capital Market Strategy in Romania by ASF and the Ministry of Finance in consultation with the OECD and approval of the draft document by the end of June 2022.

#### **Continued efforts to support the establishment of a central counterparty**

The entity that will manage the CCP was established as a legal entity at the end of 2019 (CCP.RO Bucharest S.A.) and will host the infrastructure that will enable the relaunch of the derivatives market in Romania. After obtaining the necessary authorizations to operate, it will provide new mechanisms for risk mitigation and transfer for the markets operated by BVB and OPCOM (Electricity and Natural Gas Market Operator), contributing to increase confidence and activity in these markets.

An agreement governing the partnership between CCP.RO Bucharest S.A. (CCP) and the provider of consultancy and technology services, Cassa di Compensazione e Garanzia S.p.A. (CC&G), was signed for the preparation of the whole process. Thus, the Italian CCP provides consultancy and technology services for the preparation of the authorisation and operation of the Romanian CCP.

During 2021, extensive sets of draft procedures and rules that will form the basis of the operation of the CCP have been prepared and submitted in advance to ASF for review. Efforts also continued to support the CCP in finalising the documentation required for authorisation, by initiating meetings with CCP representatives, as well as with ESMA representatives, and conducting presentation sessions on how the CCP operates.

The volatility of the electricity market is the highest compared to other financial assets and commodities traded on exchanges. Electricity prices depend on periods of high demand, the climate of the region or the season, which leads to very high fluctuations because electricity is not storable. The seasonal component of electricity is therefore very important. In addition, because electricity is not storable, volatility is very high and is characterised by jumps.

As a result of the current geopolitical situation, international energy markets are currently and will continue to be characterised by high uncertainty. Thus, ASF pays high attention to the way margin requirements for energy derivative contracts are calculated.

Margins are collected from participants based on the trades they make in order to mitigate the Central Counterparty's exposure in the event of default and to ensure the smooth functioning of the energy markets. The margin calculation includes the margin range, the additional margin and the variation margin.

The margin system is composed of initial margin and variation margin. The initial margin is calculated to cover possible future exposures. Variation margin is collected to cover current exposures resulting from actual changes in market prices.

To calculate additional margin requirements, open positions are marked to market and funds are collected by the CCP to settle cash flows resulting from open positions.

The level of margin requirements is determined by marking to market participants' positions and is calculated according to the calculation described in the CCP's methodology.

ASF has been involved in discussions on the set of parameters and data considered in the simulation. ASF also provided comments on the methodology and results simulated in the risk scenarios, back-tests and stress tests carried out by the consultant CC&G (Euronext)<sup>1</sup> and provided by CCP.

Once the central counterparty becomes operational, derivatives for liquid shares in the BET and BET-FI<sup>2</sup>, index structure, energy futures and clearing services on the OPCOM market will be available for trading.

### **Conduct and completion of the asset and liability valuation exercise in the Romanian insurance market (BSR)**

In 2020, ASF, in cooperation with EIOPA, started an exercise to assess the assets and liabilities of the Romanian insurance sector (BSR - Balance Sheet Review), which targeted insurance companies operating and supervised by ASF under the Solvency II regime. The BSR exercise included a comprehensive assessment of compliance with the Solvency II framework, carried out by independent external assessors based on a defined methodology, including the adequacy of the governance system and the financial and solvency position of Romanian insurance companies. The exercise included 24 Romanian insurance companies and had a reference date of 30 June 2020.

The exercise resulted in a significant decrease in the eligible own funds coverage of the Solvency Capital Requirement (SCR) and the Minimum Capital Requirement (MCR) compared to the ratios reported by insurance companies at the reference date of the exercise. After the BSR exercise, the aggregate SCR solvency ratio is 99% (down from 179%) and the MCR ratio is 259% (down from 436%). These results include City Insurance, which was still active in the Romanian market at the reference date of the exercise. City Insurance's authorisation to conduct insurance business was withdrawn on 17 September 2021. Excluding City Insurance, the result for the year would indicate an aggregate SCR of 141% and an aggregate MCR of 351%, representing a decrease in SCR and MCR of 37.6 percentage points and 80 percentage points respectively, compared to the ratios reported at the reference date of the year.

### **Finalisation and implementation of internal procedures for the supervision of insurance companies based on EIOPA supervisory guidelines**

The most important objective from a supervisory point of view was the completion and implementation in 2021 of the existing specific internal procedures in order to implement the activities set out in the EIOPA Supervision Manual. Thus, ASF has developed a package of specific procedures and methodologies, which contains the main assessments necessary to be carried out in order to ensure effective supervision of insurance companies by detecting risks to which they may be exposed. This provides a uniform procedural framework for effective risk-based supervision, with quantitative and qualitative risk assessment translated into sets of indicators dedicated to each business segment of an insurance company, supported and developed also through the implementation of an in-house IT solution for automatic calculation of quantitative indicators. Further emphasis is being placed on the automation of supervisory processes and internal resources are being invested in the expansion of automation processes beyond those already implemented.

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<sup>1</sup> The document describes in detail how margins for energy derivative contracts are calculated:  
<https://www.euronext.com/sites/default/files/2021-05/4575EN%20202104%20v04.0%20Electricity%20Der%20-%20Margins%20Manual%20%28MMel%29.pdf>

<sup>2</sup> The document describes in detail how margins for equity derivative contracts are calculated:  
<https://www.euronext.com/sites/default/files/2021-04/4571EN%20202104%20v02.0%20Equity%20Der%20-%20Parameters%20methodologies%20used%20in%20margin%20calculations.pdf>

## **Development of new internal procedures for the supervision of the conduct of insurance companies in the Romanian insurance market**

In 2021, the internal procedural framework for the supervision of the conduct of insurance distributors was updated, a project started in 2020, funded by the European Commission through the SRSP programme and involving technical assistance from EIOPA. The project resulted in the development of a conceptual supervisory framework, i.e. the Insurance Distributor Conduct Supervision Handbook, structured according to the factors that generate conduct risks during the life cycle of insurance products. Thus, at the level of ASF, the necessary procedural framework was created for the supervision of specific conduct risks, namely: risks generated by the business model and management of the supervised entity; risks generated by the way insurance products are created and developed; risks generated in the distribution processes of insurance products and risks generated by the interaction of distributors with customers in the post-sale phases.

The conduct risk assessment process involves the identification and analysis of qualitative issues identified by ASF in the ongoing supervision process, as well as the analysis of a set of conduct risk indicators, at market and supervised entity level, in order to identify risks and vulnerabilities at an early stage and to plan the actions to be taken by ASF in order to mitigate and effectively manage these risks.

## **Twinning project to strengthen supervision, corporate governance and risk management system in the financial sector in the Republic of Moldova**

The project started at the end of 2021 and involves assisting the supervisory authority of the Republic of Moldova in implementing European insurance regulations and ensuring the development of supervisory capacity in the context of the EU-Republic of Moldova Association Agreement. Specialists from ASF will carry out a GCP analysis on the existing provisions of the insurance sector legislation in the Republic of Moldova compared to the European Solvency II Directive and the Motor Insurance Directive, as well as regulations and delegated acts that at EU level are directly applicable, but which for the Republic of Moldova market would require the issuance of secondary legislation. Training missions will focus on detailing and explaining the existing provisions of the above-mentioned EU Directives and how these provisions can be integrated into the regulatory framework of the insurance sector in the Republic of Moldova.

## **Project "Implementation of the Sustainable Financing Framework in Romania" - funded by the EC through IST**

In October 2021, ASF submitted a project proposal for funding from the European Commission (EC) under the Technical Support Instrument 2022 (TSI), namely "Implementation of the Sustainable Financing Framework in Romania"

The EC considered of interest the project on the implementation of a sustainable financing framework and proposed the approach as a multi-country project.

As the project falls within the area of bridging the climate change financing gap through public policy instruments, it has been approved for funding. The objectives of the original project were to develop a multi-pronged green transition awareness campaign, to assess and improve the existing regulatory framework to stimulate the transition to green investment and to strengthen the capacity to oversee sustainable finance reporting requirements based on the European legislative framework and EU best practices.

The multi-country project concept developed by the EC, following the same line with the basic objectives, details the technical aspects, otherwise that the expected results aim at:

- proposing recommendations for adjusting the regulatory framework regarding sustainability-related transparency and reporting;
- mapping of data needs, data collection and internal processes;
- development of internal guidance and tools to ensure effective oversight of sustainable financing requirements;
- awareness raising campaign for market participants and investors on the supervisory framework and recommendations issued;
- increase supervisory capacity through dissemination of best practices based on the experience of other authorities and training sessions.

## SECTION I – ASF’s activity in 2021



### 3. Financial stability and macro-prudential supervision of the non-bank financial system

#### 3.1. National Committee for Macroprudential Supervision (NCMS)

The National Committee for Macroprudential Supervision met four times during 2021, deliberating in written procedure. Members of ASF attended all NCMS meetings.

The National Committee for Macroprudential Supervision issued the following recommendations applicable to ASF in 2021:

[NCMS Recommendation no. R/2/2021 on how to implement Recommendation ESRB/2020/15 amending Recommendation ESRB/2020/7 on restrictions applicable to distributions during the COVID-19 pandemic](#) - recommending the National Bank of Romania and the Financial Supervisory Authority, as competent authorities, to request credit institutions, investment firms, insurance and reinsurance companies under their supervision, as appropriate, to avoid, at least until 30 September 2021, taking any of the following actions that have the effect of reducing the quantity or quality of own funds at consolidated and/or individual level:

- a) distribute dividends or give an irrevocable undertaking to distribute dividends;
- b) redeem ordinary shares;
- c) create an obligation to pay 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.

An exception shall be made where the financial institution demonstrates greater prudence in taking any of the actions concerned and the reduction does not exceed a conservative distribution threshold set by the competent authorities considering several aspects:

- the need for financial institutions to maintain a sufficient level of capital to reduce systemic risk and contribute to economic growth, considering the risk of deterioration of the solvency position of the real sector due to the pandemic context;
- ensuring that the level of distributions offered by financial institutions is significantly lower than in the years preceding the COVID-19 crisis;
- the particularities of each sector under the supervision of the respective competent authority.

In the insurance market, ASF has applied the ESRB 2020/15 recommendation, setting a conservative solvency ratio threshold of at least 130% determined as the minimum of the ratio of the eligible own funds level to cover SCR and SCR and the ratio of the eligible own funds level to cover MCR and MCR, after deducting from the own funds level the amounts planned to be distributed.

For financial investment services companies, ASF has applied the ESRB 2020/15 recommendation, setting a conservative threshold at a minimum of 14% of the total own funds ratio

The Financial Supervisory Authority has also issued a series of recommendations applicable to insurance companies and investment firms.

In total, 85% of insurance companies and 80% of financial investment services companies have notified ASF of compliance with the recommendations issued on distribution restrictions during the COVID-19 pandemic.

NCMS Recommendation no. R/3/2021 on compliance with the EBA Guidelines on the detailing and publication of systemically important indicators - EBA/GL/2020/14 - recommending the National Bank of Romania and the Financial Supervisory Authority, as sectoral supervisors, comply with the European Banking Authority's Guidance on the detailing and publication of systemically important indicators - EBA/GL/2020/14 from the date on which globally important systemic institutions (G-SII<sup>3</sup>) will exist within their jurisdiction and ensure the enforceability of its provisions against the institutions concerned. **There are currently no G-SIIs in ASF's jurisdiction.**

NCMS Recommendation no. R/5/2021 on how to implement Recommendation ESRB/2020/12 on the identification of legal entities - recommending the National Bank of Romania and the Financial Supervisory Authority, to the extent permitted by law and subject to the principle of proportionality:

1. require or, where appropriate, continue to require all legal entities involved in financial transactions within their supervisory competence to hold a standardised Legal Entity Identifier (LEI) code<sup>4</sup>;
2. when drafting, imposing or amending financial reporting obligations, include or, where appropriate, continue to include an obligation to identify through a LEI:
  - the legal entity that is subject to the reporting obligation; and
  - any other legal entity in respect of which information must be reported and which holds a LEI.
3. identify or, where appropriate, continue to identify, through the LEI, any legal entity about which they make public information and which holds a LEI.

The Financial Supervisory Authority has supported their widespread use by supervised entities since the advent of these standardised codes. In the **capital market**, all European legislative packages imposing reporting obligations on entities (MAR, MiFID II, MiFIR, EMIR, SFTR, MMFR, AIFMD, UCITS, etc.) require them to use the LEI code as an identifier. In the insurance market, all **insurance companies** have a LEI code. In the **private pension system**, both administrators and private pension funds are registered with LEI codes.

The entity in Romania that issues LEI codes is the Depozitarul Central.

NCMS Recommendation no. R/6/2021 on supporting green finance which is addressed to the Government, the National Bank of Romania and the Financial Supervisory Authority and includes several packages of proposed measures covering three areas:

- ➔ sustainably increasing access to finance for projects related to the climate change agenda;
- ➔ supporting structural change in the economy towards a higher value-added economy;
- ➔ improving transparency, reporting and availability of climate change related information and raising awareness of climate change impacts in society and within the financial system.

Thus, the NCMS has asked ASF and BNR to communicate to the entities in their area of competence some recommendations on a prudent approach to climate risk, covering at least the following areas: governance, strategy, risk management, scenario analysis and stress testing and transparency (implementation deadline 31 December 2021). ASF and BNR are also recommended to examine the opportunity to relax prudential requirements on green finance, in line with similar concerns at European

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<sup>3</sup> Global Systemically Important Institutions

<sup>4</sup> LEI stands for Legal Entity Identifier and consists of a 20-character reference code for the unique identification of legally distinct entities engaging in financial transactions plus associated reference data and is based on the ISO 17442 standard developed by the International Organization for Standardization.

level, from the perspective of stimulating this type of lending without affecting financial stability (implementation deadline 30 June 2022).

Due to the complexity of the sustainable finance activity area, which involves legislative changes and changing business models across all categories of regulated entities to integrate environmental, social and governance risks, the Financial Supervisory Authority has created a separate modular structure organised as a permanent Green Transition Working Group. ASF has also published a set of recommendations<sup>5</sup>, the aim of which is to support supervised entities by providing a first set of information on sustainable finance, in particular on the growing importance of sustainability risks, in a global, European and local context that is making every effort to support the financing of environmentally sustainable activities in order to transform real economies into long-term sustainable ones. Given the familiarity of some common phrases in the national and international public space, the terms "durable" and "sustainable" have been used synonymously.

The Financial Supervisory Authority intends for these recommendations to represent best practice principles to be applied by supervised entities, in the area of sustainability risks, to implement the legal requirements on the organisation of business and the establishment of an adequate risk management system. The recommendations are addressed to the entities supervised by ASF which are also covered by Article 2 of *Regulation (EU) 2019/2088 on sustainability disclosures in the financial services sector*, namely: insurance companies, insurance intermediaries, pension fund managers, investment fund managers, investment firms, issuers, financial advisors.

### 3.2. Identify and monitor risks, trends and vulnerabilities to financial stability

In order to increase the level of transparency and information for consumers of financial products, ASF has developed in 2021 a series of **periodic reports** published on ASF website



#### **Periodic reporting to increase market transparency**

- Report on the stability of non-bank financial markets 1/2021 and 2/2021
- Monthly monitoring report on trends in non-bank financial markets (in Romanian and English)
- Weekly report monitoring trends and risks in local and international financial markets
- Morning Call
- Quarterly report on capital market developments
- Quarterly report on insurance-reinsurance market developments
- Quarterly report on private pension market developments
- ASF Annual Report for 2020

**The report on the stability of non-bank financial markets** is a comprehensive analysis of the local and international macroeconomic and financial context of the long-term trends of the Romanian non-bank financial sector, the stability of the private pension market, the stability of the financial instruments and investment market, the stability of the insurance market, the interconnectedness of non-bank financial markets and macro-prudential policies. The conception of a financial stability report is in line with national

<sup>5</sup> <https://www.asfromania.ro/ro/a/2243/finan%C8%9Be-sustenabile-%C8%99i-tranzi%C8%9Bia-verde>

practices in many EU Member States that have an institutional architecture for micro and macro-prudential supervision of the financial system similar to that in Romania.

The report contributes to the institutional communication policy of ASF and to strengthening the image of the Authority in the field of macro-prudential policy, financial stability and sustainable development of the markets it supervises. The report also builds on the experience gained, methodologies developed and the practice of ASF in recent years in the area of analysis of trends, risks and vulnerabilities. The first edition of this report was prepared in 2019 and is published on ASF website every six months.

ASF publishes monthly a **report on the evolution of the non-bank financial markets in Romanian and English** with the aim of increasing international notoriety, visibility and transparency, while increasing the attractiveness of the financial markets in Romania. Similar to this report, but with a higher frequency, ASF publishes **weekly reports** containing analyses of the evolution of financial indicators, trends and risks recorded on the financial markets during the week under review, as well as the main events shaping the financial markets.

**Morning Call** is a daily report with a focus on short-term evolution of the financial stock markets indices, as well as the latest financial market news impacting the domestic capital market.

**The Capital Market Developments Report** provides an overview of the capital market for the quarter: primary market, issuer statistics, new issues of financial instruments and other corporate events); secondary market (BVB developments), intermediaries and collective investment undertakings

**The Insurance Market Development Report** presents the main indicators of the insurance market: insurance companies (gross written premiums, insurance contracts, gross claims paid, claims and expense ratio, technical reserves, liquidity of insurance/reinsurance companies, statistics under Solvency II, household insurance, MTPL market, etc.), branches (gross written premiums, gross claims paid) and insurance/reinsurance brokers (insurance intermediation activity, insurance intermediation income).

**The Report on The Evolution of The Private Pension Market** covers statistics related to the private pension system in Romania, both for mandatory and voluntary pension funds: net and total assets, number of participants, contributions paid to pension funds, net asset pay-out in case of retirement, disability or death, investment structure and rates of return.

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

### 3.3. Preventing and mitigating cyber risk to ensure the stability of the non-bank financial system

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

Under the provisions of this rule, **entities are classified into four risk categories**, each of which has established mandatory activities to assess the operational risks generated by IT systems.

**The distribution of entities supervised by ASF in each risk category at the end of 2021 was as follows**

**1. „Major risk" category:**

- 1 market operator;
- Depozitarul Central;
- Bureau of Motor Insurers of Romania;
- 4 private pension fund managers.

**2. „Important risk" category:**

- 4 significant FISCs in terms of size, internal organisation and the nature, scale and complexity of their business, in accordance with specific regulations;
- 15 intermediaries using internet trading facilities (ADP/AS) - platforms for taking and transmitting client orders;
- 1 intermediary (which is also a significant FISC) acting as market maker and/or liquidity provider;
- 27 insurance and reinsurance companies;
- 4 entities that are active in the safekeeping of assets of collective investment undertakings and private pension funds;
- 5 managers of private pension funds.

**3. „Medium risk" category:**

- 8 investment management companies (IMCs), alternative investment fund managers (AIFMs)
  - holding net assets under portfolio/management with a total aggregate value for all funds under management of more than 250 million EUR, lei equivalent;
- 1 intermediary providing related services of safekeeping and administration of financial instruments on behalf of clients, including custody and related services such as fund or collateral management
  - o the Investor Compensation Fund;
  - o the Policyholders Guarantee Fund;
  - o the Private Pension System Rights Guarantee Fund;
  - o 1 manager of private pension funds.

**4. „Low risk" category:**

- 14 investment management companies (IMCs), alternative investment fund managers (AIFMs) holding net assets under management with a total aggregate value for all funds under management of up to 250 million EUR, equivalent in lei;
- 273 intermediaries distributing insurance and reinsurance products.

### 3.4. Financial innovation

Given the objectives of the Financial Supervisory Authority with regard to digitalisation, activities related to this area have become a priority at institutional level and have been materialised through numerous initiatives and specific actions to support the overall objective of digitalisation.

In order to keep pace with technological developments and to implement the necessary legislative and supervisory measures, ASF has been closely monitoring developments in financial innovation in the financial sector, as well as the benefits and risks they may generate for consumers. At the level of ASF, the innovation process in the non-bank financial markets has been followed on several levels, through the work carried out in the FinTech Hub and InsurTech Hub, through participation in the various committees of the European authorities, through involvement in the debates on the draft regulations related to the digital finance package, as well as through the study and analysis of material issued on this subject at the level of the three European Supervisory Authorities (ESAs), but also at the level of international bodies

Technological innovation in the non-banking financial sector involves mentioning the two facilitators set up at the level of ASF - FinTech Hub and InsurTech Hub - the role of which is to lay the foundations for the development of an efficient communication and collaboration in the area of the use of technological innovation in the field of financial services between the Authority and companies developing Fintech. In this way, both the Authority and regulated entities and/or other interested firms better understand the opportunities and risks posed by Fintech, so that optimal solutions can be more easily translated into practice after testing and validation by stakeholders.

During 2021, the FinTech Hub responded to all the requests received from interested entities that concerned both the insurance and capital markets. Topics opened in previous years regarding changes in the legislation related to MTPL as well as other topics specific to financial innovation were reiterated. As regards the InsurTech Hub activity, two events were organised with the participation of representatives of insurance market entities, industry associations, academia and other stakeholders, where topics of interest were discussed and presentations were given by the Authority and industry associations.

At the same time, in support of the digitalisation objective, ASF has applied to the Technical Assistance Facility offered by the European Commission through DG REFORM, in order to ensure access of ASF experts to centralized know-how and training offered by the European Commission, with the aim of contributing to the improvement of the knowledge level of employees in the field of financial innovation.

Furthermore, a legislative package on digital finance is under discussion at European level, comprising three draft regulations, namely the draft regulation on crypto-asset markets (MiCA), the draft regulation on the pilot regime for DLT-based financial market infrastructures and the draft regulation on digital operational resilience (DORA). At ASF level, participation in the EU Council meetings was ensured together with representatives of the European Commission and Member States in the discussions on the three draft regulations.

The package of measures is designed to facilitate and support the potential of digital finance for innovation and competition, while reducing the risks arising from its use. The package includes a new digital finance strategy for the EU financial sector, with the aim of ensuring that the European Union embraces the digital revolution and stimulates it with the help of innovative European firms, so that European consumers and businesses can enjoy the benefits of digital finance and together become a competitive environment for the Asian and American markets.

In line with the steps taken at EU level on digital finance policy, the process of monitoring the evolution of the digital finance legislative package has been stepped up in 2021 to identify possible measures needed at Authority level to prepare for digital transformation and the implementation of the proposed new legal provisions.

### 3.5. Resolution mechanism for insurance companies and investment firms

According to the provisions of *Law no. 246/2015 on the recovery and resolution of insurers* and *Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms*, as well as for the amendment and completion of certain regulatory acts in the financial sector, ASF is the resolution authority for:

- insurance companies, Romanian legal entities, authorized by ASF according to *Law no. 237/2015 on the authorization and supervision of insurance and reinsurance activity*;
- investment firms, Romanian legal entities (financial investment services companies that are subject to an initial capital requirement representing the equivalent in lei of at least 730,000 EUR);
- branches in Romania of investment firms from third countries;
- subsidiaries of an investment firm or of a financial holding company/joint financial holding company which do not include a credit institution and which are part of a group subject to supervision on a consolidated basis (Art. 1 para. (1) (b), (c) or (d) of *Law no. 312/2015*).

The activities carried out by ASF in 2021 in the field of recovery and resolution of appropriate non-bank financial entities focused on identifying companies that meet the requirements for recovery and resolution planning, as well as developing and updating resolution plans.

During 2021, there were no situations in which the resolution mechanism was triggered for any insurance company with a significant stake in the national insurance system.

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

Financial investment services companies (investment firms) that have a significant share in the national system and are thus subject to the provisions of recovery and resolution planning provided for in *Law no. 312/2015* are identified in accordance with the provisions of Art. 9 para. (2) of the said law on the basis of the fulfilment of any of the following criteria:

- the total value of its assets exceeds 30 billion EUR;
- the share of total assets in Romania's gross domestic product exceeds 20%, unless the value of total assets is less than 5 billion EUR.

In relation to the types of entities referred to in Article 3 para. (2) of *Law no. 312/2015* for which ASF performs the function of resolution authority, at the end of 2021, ASF found that:

- ➔ 9 financial investment services companies were registered, from the category of financial investment services companies authorised to provide financial investment services and activities, which are subject to an initial capital requirement representing the equivalent in lei of 730,000 EUR
- ➔ there were no branches in Romania of third-country investment firms or groups subject to supervision on a consolidated basis whose parent company is an investment firm or which, if the parent company is a financial holding company or a mixed financial holding company, do not include a credit institution



Following the analysis carried out at ASF level, it was concluded that no financial investment services company has a significant share in the national financial system given the low level of assets under management and the insignificant share in Romania's gross domestic product

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

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

- a) the amount of the insurer's gross technical provisions exceeds 5% of the total amount of gross technical provisions at market level;
- b) it has a market share of at least 5%, as follows:
  - for life insurance, by reference to the value of the company's gross technical provisions as a proportion of the total gross technical provisions of all companies writing life insurance;
  - for non-life insurance, by reference to the value of the company's gross direct and reinsurance gross written premiums as a proportion of the total gross direct and reinsurance gross written premiums of all companies writing non-life insurance.

The above criteria are assessed on the basis of the financial results for the year ended. Thus, during 2021, 10 insurance companies have been 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 reserves above 5%, 5 insurance companies had market share for life insurance activity above 5% (for one of the companies this is the only criterion met, the rest also met the first criterion on technical reserves) and 7 insurance companies had market share for general insurance activity above 5% (all these companies also met the first criterion on technical reserves). During 2021, one of the 10 insurance companies with a significant share in the national system had its operating licence withdrawn by ASF.

### Legislative negotiations on recovery and resolution at EU level

On 22 September 2021, the European Commission published the proposal for a Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of insurance and reinsurance companies (IRRDR). ASF participates at the level of the technical expert group set up at the level of the Council of the European Union to negotiate the proposal for a Directive.

The new Directive aims to harmonise national legislation in the field of recovery and resolution of insurers or to introduce, where it does not already exist, a legislative framework to the minimum extent necessary to ensure that Member States have the same tools and procedures for dealing with distressed situations.

The proposal for a Directive has been drafted in full coherence with the Solvency II framework, in particular with the principles for intervention in the case of deteriorating financial conditions for insurers and with the recovery measures already available. The proposal also gives supervisors the power to impose preventive measures on insurers, additional to those already in place in the event of deterioration of financial positions or breaches of regulatory requirements, in order to avoid aggravating problems at an early stage of deterioration.



## 4. Micro-prudential supervision of the non-bank financial system

### 4.1. Supervision of regulated entities with cross-sectoral activities, identification and supplementary supervision of groups that are part of a financial conglomerate for which ASF is designated coordinating competent authority and integrated supervision

Integrated supervision is one of the key tools for ASF in the process of strengthening risk-based supervision. Supervision responsibilities at the level of the institution are segmented between the sector structures in charge of monitoring, supervision and control activities. Given that ASF is the competent supervisory authority for the three non-bank financial markets, integrated supervision is designed to promote a convergent approach at institutional level.

During 2021, the actions of ASF related to **integrated supervision** consisted of:

- participation in the supervisory and control activities carried out at the level of the three sectors within ASF, for those financial entities nominated by ASF Council;
- identification of financial groups/conglomerates;
- continuous monitoring of trends and risks related to the non-bank financial markets supervised by ASF in order to ensure financial stability and confidence of participants and consumers.

Regarding the implementation of supervisory measures for the most significant entities in terms of risk-based supervision or market share, integrated supervision was directly applied in the supervisory and control actions by participating in two supervisory actions for the insurance-reinsurance sector in 2021. At the same time, substantiated analyses and recommendations on the implementation of supervisory measures were prepared for the top two companies with the highest volume of claims in the insurance market.

Diagnostic reviews have been developed to assess the supervisory arrangements of ASF and identify improvements in both tactics and internal institutional processes. This involved:

- identification of risks and vulnerabilities through own analysis or when carrying out valuation exercises of the assets and liabilities of the Romanian insurance sector (*Balance Sheet Review* - BSR)
- developing information, opinions and recommendations on the improvement of sectoral and integrated supervisory and control policies, mechanisms and methodologies, following the development of analyses of weaknesses, risks and vulnerabilities identified in the supervisory activity.

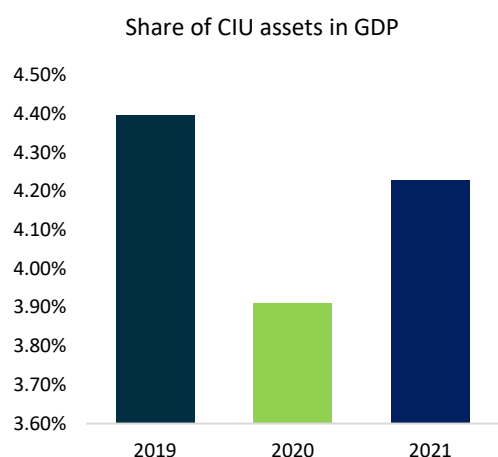
In terms of building and developing an integrated supervisory framework, the most eloquent examples can be: the project to revise the method of calculating the specific indicators of consumer protection activity for the insurance market, from the perspective of class A10; participation in the activity to develop methodologies for determining internal ratings; collaboration in the activities to amend *Law no. 246/2015* and, respectively, contributing to the steps to develop a unitary procedure for supervisory activity at ASF's level.

In 2021, the process of identifying the entities authorised and supervised by ASF that belong to a group operating in more than one financial sector or carrying out cross-sector activity, as well as those belonging to a financial conglomerate for which ASF is the competent authority, was carried out. Following the completion of this process, no entities regulated and authorised by ASF that are a parent company (group leader) and constitute a financial conglomerate have been identified, a process to build a framework for analysing entities with cross-sectoral activities has been started in the integrated supervision area.

In 2021 the integrated surveillance activity has been planned, organised and carried out in such a way that the activity was not affected by the effects of the COVID-19 pandemic.

### Entities in the financial instruments and investments sector supervised by ASF that were active in 2021

- ✓ 16 financial investment services companies
- ✓ 6 branches of investment firms from EU Member States
- ✓ 3 branches of credit institutions from EU Member States
- ✓ 8 investment advisors, of which 7 individuals and 1 legal entity
- ✓ 21 investment managers of the IMC/AIFM type
  - 9 entities have the dual status of an IMC and an authorised AIFM<sup>6</sup> or registered AIFM<sup>7</sup>;
  - 6 have only the status of IMC<sup>8</sup>;
  - 6 are authorised AIFMs only<sup>9</sup>;
- ✓ 113 collective placement bodies of which:
  - 82 contractual UCITS (open-ended investment funds - OEIFs) and
  - 31 OCIUs/AIFs of the contractual or corporate (investment) type.
    - 26 OCIUs/AIFs are set up as investment funds (contractual). Of these, fund units issued by FOA, STK EMERGENT and BET-FI INDEX are traded on the main market or MTF AeRo, administered by the BVB;
    - 6 OCIUs/AIFs are established as investment companies (by incorporation), with shares issued by them admitted to trading on the main market of the BVB;
    - of the 6 investment companies, 4 are authorised AIFs (RIs) and 4 are authorised AIFMs<sup>10</sup>.



No. of investors	2019	2020	2021
OEIF investors	336,343	341,598	444,352
AIF investors	88,709	88,562	88,454

#### 4.2.1. Supervision of capital market conduct

<sup>6</sup> BT Asset Management, SAI Atlas Asset Management

<sup>7</sup> SAI Globinvest SA, SAI Certinvest, SAI Muntenia Invest, SAI Star Asset Management, SAI Broker, SAI Swiss Capital Asset Management, SAI SIRA

<sup>8</sup> Amundi Asset Management SAI, BRD Asset Management S.A.I., SAI Raiffeisen Asset Management, OTP Asset Management Romania SAI, SAI Patria Asset Management, SAI Erste Asset Management

<sup>9</sup> SIF Banat Crişana SA, Evergent Investments (former SIF Moldova SA), SIF Transilvania SA, SIF Oltenia SA, Nova Vision Investments AFIA SA (former SAI SAFI Invest SA), STK FINANCIAL AFIA SA

<sup>10</sup> SIF Banat Crişana SA, Evergent Investments (former SIF Moldova SA), SIF Transilvania SA and SIF Oltenia SA

## Supervision of the conduct of financial investment services companies

In the supervision of financial investment services companies (FISCs), compliance with compliance and conduct of business rules was monitored, considering the risks associated with the business, including: **client relationship management, conflicts of interest, internal organisation and governance, value of client assets in the custody of the FISCs**. At the same time, vulnerabilities, risks and their impact on the company's business have been assessed and identified.

Also, at the level of off-site supervision, the risk classification of the FISCs was carried out based on the principles and techniques of the risk-based supervision approach.

The main steps taken in the supervision of financial investment services firms were:

- notifying entities of the adoption of measures to mitigate the risks identified in the supervisory activity;
- monitoring client assets (funds);
- analysis of the follow-up process of recommendations made by key persons and the financial auditor;
- requests to the FISCs on the application of the legal provisions in force.

During 2021, following proposals from ESMA's Investor Protection and Intermediaries Standing Committee, ASF carried out a thematic exercise on how the FISCs comply with product governance requirements for financial instrument manufacturers and/or distributors. The results of this exercise have been submitted to the European Supervisory Authority (ESMA) with a view to analysing, standardising and implementing a uniform European supervision by all competent authorities.

## Supervision of the conduct of credit institutions

For the purpose of supervising the activity of credit institutions providing investment services and activities with financial instruments other than those referred to in Article 2 para. (3) of *Law no. 126/2018*, it was envisaged to carry out inspections, which mainly concerned the deficiencies noted by the person responsible for the compliance function in the activity carried out on the capital market and the remedial measures adopted in this regard.

The main steps taken in the monitoring activities concerned:

- analysis of the follow-up process of the recommendations made by the person responsible for the compliance function;
- clarifications requested from entities on the application of the legal provisions in force.

## Supervision of the conduct of branches of investment firms and credit institutions from Member States registered with ASF

In accordance with the applicable legal provisions, branches of investment firms/credit institutions from other Member States shall submit to ASF a half-yearly report on their activities, including information on their compliance with the legal provisions applicable to the branch, within 30 days of the end of each half-year.

The main issues enquired by ASF on the activity carried out by the abovementioned branches concerned the services and activities actually provided at branch level, the trading platforms used/made available to clients, the type of financial instruments offered to clients and the markets on which they are traded, the complaints received in the branches, their subject matter and the way they were dealt with, etc.

During 2021, as a result of the supervisory activity carried out by the branches, ASF adopted, within the limits of the powers conferred by the legal regulations in force, as host Member State, measures to remedy the situations identified.

Given the limited competences of ASF as a host Member State, the Authority has collaborated with both ESMA and other authorities in EU Member States as competent authorities in the home Member States of branches of investment firms/credit institutions.

### **Supervision of IMC/UCITS/AIFM/AIF conduct of business**

The main tasks of the investment management segment of ASF are to supervise, monitor and investigate regulated entities, ensuring compliance with conduct of business rules and acting to ensure their recovery in order to protect investors' interests

In order to ensure the effectiveness of the supervisory process, all measures and actions put in place/taken must be proportionate to the nature, scale and complexity of the risks inherent in the business, irrespective of the impact on the financial stability of the capital market (proportionality principle).

The main steps taken in the supervisory activity consisted of:

- implementation of certain internal procedures;
- analysis of the follow-up process of the recommendations made by key persons and the financial auditor;
- increase the frequency of internal monitoring;
- avoid situations giving rise to conflicts of interest;
- monitoring compliance with legal provisions on compliance and conduct of supervised entities in relation to risk classification;
- monitoring compliance with transparency, information and reporting rules;
- standardisation of certain reports/situations.

As a result of the issues raised in the supervision and control activity, in the case of one IMC, administrative sanctions and monitoring were applied with increased frequency in order to remedy the issues raised in the prudential supervision and conduct reviews, in order to protect the interests of investors and to prevent the deterioration of the company's financial situation.

Also, as other supervisory-related activities, ASF participated in ESMA's exercise on fees and charges levied on investors of undertakings for collective investment in transferable securities by submitting the questionnaire with the information analysed on the basis of the sample established, i.e. a banking group investment management company representing a market share of assets under management of about 90%, as well as some of the independent investment management companies

### **Supervision of the conduct of market institutions (BVB and Depozitarul Central)**

In order to supervise compliance by market institutions with the provisions of the legal regulations in force, ASF has considered carrying out checks, which mainly concerned:

- ✓ the activity performed by the persons responsible for the compliance function;
- ✓ the conduct of market institutions on the basis of the deficient aspects identified at the level of the entities from the control activity or from the complaints received;
- ✓ verification of incidents arising in the clearing and settlement activity carried out by Depozitarul Central;
- ✓ compliance by shareholders with the holding thresholds imposed by the legal provisions in force;

- ✓ compliance of the reports submitted by market institutions required by the legislation in force, i.e. the identification of deficiencies reported by them, from the perspective of compliance and conduct of entities;
- ✓ complaints received, their subject matter and the method of resolution.

Moreover, ASF as the competent authority conducted the annual examination and evaluation of the Depozitarul Central S.A. and the settlement system it administers, in accordance with the provisions of Article 22 para. (1) of *Regulation (EU) no. 909/2014 on improving securities settlement in the European Union and on central securities depositories (CSDR)*. The annual assessment, conducted by ASF, was carried out with the involvement of the relevant authorities, namely the National Bank of Romania and the European Central Bank, authorities consulted in accordance with the provisions of Art. 22 para. (6) of the CSDR.

As a result of the joint assessment carried out on the information received, ASF has assessed that during the period covered for the assessment of the Depozitarul Central no significant changes have occurred in the overall regulatory framework affecting the Depozitarul Central's compliance with the requirements of the CSDR and the delegated regulations issued in application thereof.

Given the volumes and values of instructions settled and the fact that there have been no reported operational incidents, the Depozitarul Central's settlement activity, and the IT systems supporting this activity, exhibit an adequate degree of operational reliability and sufficient capacity to support the increased settlement volumes

However, there are a number of issues where the Depozitarul Central has been asked to take further action to fully implement the requirements of the CSDR package and to improve certain processes or mechanisms to streamline settlement and registry activities.

#### **Supervision of the conduct of investment advisors authorised by ASF**

In 2021, the main checks carried out as part of the supervision of investment advisors authorised by ASF focused on the activity carried out by entities authorised in this capacity and the compliance of the reports submitted by them.

### **4.2.2. Capital market prudential supervision**

#### **Prudential supervision of financial investment services companies**

In 2021, the prudential supervisory activity of the FISCs focused on the following activities: risk classification of financial investment services companies; monitoring of liquidity and market risk; implementation of the *ESRB/2020/15 Recommendations* on review of certain policies, dividend distribution, redemption of ordinary shares and payment of variable remuneration; development of the methodology for determining ratings for financial investment services companies and preventive measures adopted on the basis of vulnerabilities identified in 2021. Preventive measures include: requesting high frequency reporting, warning some companies for errors identified in the reports submitted to ASF, preparing ongoing monitoring reports in view of breaches of the applicable prudential regime, requesting action plans for the prudential and financial recovery of the company and granting exemptions from the applicable prudential regime.

#### **Prudential supervision of collective investment undertakings**

The supervisory activity of entities in the CIU segment during 2021 focused on the following aspects:

- processing, centralising and analysing reports submitted by regulated entities;
- conducting monthly general analyses of risks and vulnerabilities at the level of CIUs, thus being considered:
  - ➔ liquidity risk, i.e. the monitoring of underwriting and redemption of investment funds;
  - ➔ market risk, materialised by UNAV volatility;
  - ➔ contagion or systemic risk, given the complex links in the financial markets to which collective investment undertakings are party.
- conducting timely risk management reviews of investment funds under supervision;
- participating in ESMA's Joint Supervisory Exercise with national competent authorities on costs and fees of collective investment undertakings;
- taking steps to improve the liquidity management framework for supervised CIUs by requiring managers to conduct analyses of the liquidity risk of the funds under their management and to take measures to modify the frequency of redemption operations;
- monitoring ongoing compliance with the legal provisions applicable to investment limits for supervised investment funds;
- analysis of the capital adequacy of investment management companies and the development of the risk matrix for the activity of investment management companies;
- alerting certain companies to issues relating to their activities;
- participation in the development of the rating methodology for investment management companies;
- conducting the *Liquidity Risk Stress Test Exercise for UCITS and AIFs*.

## Prudential supervision of capital market institutions

### ➔ Bursa de Valori Bucureşti (Bucharest Stock Exchange)

At the end of 2021, Bursa de Valori Bucureşti S.A., as the parent company of the BVB Group, held the following stakes in affiliated companies: Depozitarul Central (DC) - 69.04%, CCP.RO Bucharest - 59.52% and Institutul de Guvernare Corporativă (ICG) 100% owned by BVB. As of August 2021, BVB S.A. no longer holds the 62.45% stake in Fondul de Compensare a Investitorilor (ICF).

During the period under review, ASF carried out a series of analyses of operational and economic-financial indicators of significant risk management, aimed at establishing and maintaining an effective risk management framework. Following the analysis of the relevant aspects of the market operator's risk management, ASF considers at least the following activities as requiring further attention:

- reviewing internal procedures, such as those relating to incident management, so that they also address pandemic risks;
- identifying and handling incidents in a centralised way across the organisation;
- inclusion in the test scenarios used in Business Continuity Plan (BCP) testing of operations that test the company's response to pandemic risks.

BVB has optimal values for liquidity and solvency indicators, with the company's liquid assets being able to cover the obligations due, while debt remains at a marginal level (BVB has no long-term debt).

The consolidated financial indicators at BVB Group level were influenced by the transformation of the Investor Clearing Fund from a joint-stock company to a legal entity under public law on 15 September

2021, but also by the fact that one of the affiliated companies, CCP.RO, did not record operating income as it was not yet authorised under EMIR.

Market operators are not subject to uniform prudential and capital requirements across Europe. However, *Directive 2014/65/EU on markets in financial instruments* (MiFID II) requires a market operator to have at the time of authorisation and at all times thereafter sufficient financial resources to facilitate its orderly functioning, taking into account the nature and scale of transactions concluded in the market and the range and level of risks to which it is exposed.

### ➔ Depozitarul Central

The Depozitarul Central S.A.'s prudential supervisory activity consisted mainly of ongoing analyses of operational and economic-financial indicators, capital requirements, and the general risk management framework.

The performance and efficiency of the post-trading processes was continuously monitored by carrying out analysis and evaluation activities of the infrastructure regulations, agreements with other central depositories, functions and mechanisms implemented, in order to reduce the risks to which Depozitarul Central S.A. is exposed. With a view to implementing measures to improve the operational and risk management framework, ASF requested additional information on:

- reviewing procedures, policies and strategies to identify issues of potential risk and vulnerabilities of the entity and managed systems;
- reviewing scenarios of variation of process weights recorded in the risk matrix, risk tolerance limit applicable during 2021 following reviews and updates of the centralised risk register and key performance indicators;
- reviewing the main characteristics of the general business risk that may influence the business and updating the plausible adverse scenarios for the coming period to enable the Depozitarul Central to effectively manage the general business risk;
- review risk management activity to decide whether, in line with the overall operational framework, Depozitarul Central should implement changes to the risk management system or new risk management processes to mitigate operational risk resulting from changes to operational processes, policies, procedures and controls in place;
- assessment of the risks that the main participants in settlement systems, service and utility providers, other central depositories may present for the operations of Depozitarul Central, how to identify, monitor and manage the risks in order to comply with the European regulations.

Following ASF's requests regarding the measures adopted by Depozitarul Central to limit risks, Depozitarul Central has taken a number of measures, including: implementation of technical mechanisms and systems to streamline and simplify processes in order to reduce the associated risks, continuous monitoring of systems in terms of information security in order to protect against unauthorised access through reliable and efficient IT mechanisms, conducting impact analyses on the processes associated with the activities carried out within the company's operational departments and monitoring the implementation plan for the requirements on settlement discipline.

Bursa de Valori București S.A. and Depozitarul Central S.A. have an internal control system over the risk management process, which involves regular reviews, assessments of the effectiveness of the system and, where necessary, ensuring that any deficiencies found are rectified. The results of such reviews are communicated directly to the administrative management, the risk management committee and the



audit committee. Compliance with the variation limits of the established indicators shall be continuously monitored.

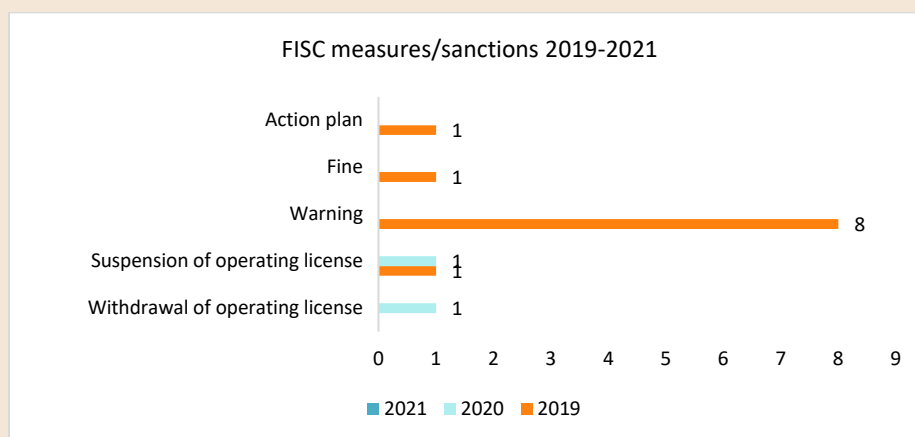
### Sanctions applied as a result of prudential capital market supervision

For the collective investment undertakings segment, during 2021, ASF sanctioned two investment management companies as a result of the activity carried out, in both cases both the legal representatives/persons responsible were fined and action plans were issued to remedy the deficiencies found.

In the segment of financial investment services companies, during 2021, ASF did not apply sanctions. During 2019-2020, two sanctions with a warning, two sanctions with the suspension of the operating licence and one sanction with the withdrawal of the operating licence were applied.

In the last 3 years (2019-2021), the centralised situation of sanctions/measures imposed on financial investment services firms as a result of off-site supervisory activity is as follows:

#### Measures/sanctions 2019-2021



ASF did not have any action plans or remedial measures ordered as a result of the prudential supervision of the Bursa de Valori București and the Depozitarul Central.

### 4.2.3. Capital market supervisory activity

#### Planning control actions

In 2021, at the level of capital market supervision, the aim was to **strengthen the process of implementing the principles and techniques of risk-based supervision** by incorporating best practices in the field. Thus, the annual control plan was based on these principles and the control actions were carried out in accordance with these principles, **with 17 controls being planned and carried out in 2021** for the following types of entities:

Investment Management Companies (IMCs)/ Alternative Investment Fund Managers (AIFMs)	5
Depositories/Credit institutions	3
Market operators	1
Branches of investment firms in an EU Member State	1
Financial investment services companies (FISCs)	7



## Adapting to the context of the COVID-19 pandemic and digitising control processes

As the year 2021 was marked by the continuation and intensification of the COVID-19 pandemic, with implications and challenges of rapid adaptation on the capital markets and the normal conduct of business of entities, measures were adopted at the level of the control structure of the Financial Instruments and Investments Sector to ensure and strengthen the continuity of control activity.

The adaptation of the control activity to the constantly changing epidemiological context was achieved by promoting and strengthening the digitalisation of specific processes in relation to the controlled entities, ensuring a continuous flow of information by proactively adapting to the restrictive and constantly changing conditions imposed by the evolution of the COVID-19 pandemic.

Thus, the controls were carried out smoothly, according to the schedule approved by ASF and in full compliance with the deadlines set by the regulatory/procedural framework in force, predominantly through electronic means of communication (video-conferencing, electronic platforms made available to entities for the collection of relevant documents and information), with widespread use of electronic signatures and remote access to all information necessary for the proper conduct of the control activity.

## Objectives of the control activity

From an **overall perspective**, the periodic monitoring objectives at the level of the supervised entities covered topics such as corporate governance, business model assessment, financial stability of the entity, IT environment, operational activity, internal control policies and mechanisms, internal audit, risk management, prevention and combating money laundering/terrorist financing and administration of international sanctions

The **specific control objectives** at each entity (control themes) focused on significant compliance and risk elements, depending on the range and complexity of the business and services provided, the level of prudential indicators/economic and financial stability, risks identified in the supervisory process, conduct in relation to clients, the market and ASF. At the same time, in the controls carried out and/or completed in 2021, an appropriate assessment of the non-compliances found/risks identified was sought, taking into account the probability, impact, real and material circumstances of the commission of the act and the conduct of the perpetrator, for appropriate individualization and adoption of effective measures to remedy the deficiencies and manage the risks.

## Results of control activity

The sanctions/administrative measures ordered by ASF as a result of the controls carried out by the Financial Instruments and Investments Sector in 2021, structured by type of entity, are as follows:

There were 55 measures/sanctions in 2021 for intermediaries and market institutions as follows:

- the warning of 8 FISCs, one market institution, 8 individuals within the FISC and one individual within a market institution;
- 7 action plans to be imposed on the FISC and 1 action plan to be imposed on a market institution;
- sanction with a warning 4 FISCs, the branch of an investment firm and 14 individuals within the FISC;

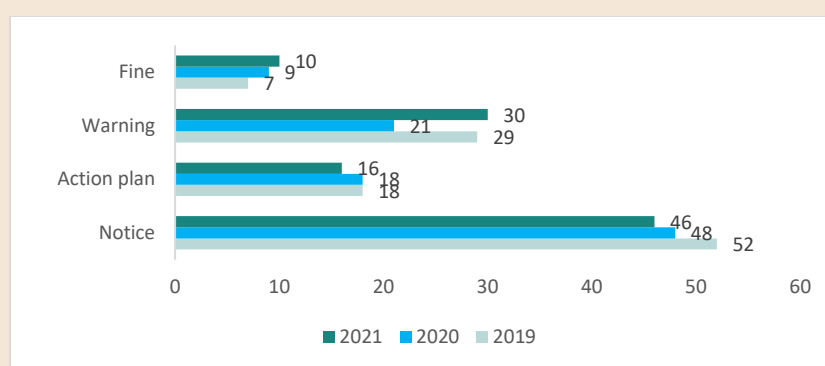
- ➔ a fine of 10,700 lei imposed on one FISC and a fine totalling 18,700 lei imposed on 9 individuals within the FISC.

*In 2021, 47 measures/sanctions were ordered for IMC/AFIM and depositories:*

- ➔ warning of 4 IMCs/AFIMs and 1 depository, 17 individuals within IMCs/AFIMs and 6 individuals within depositories;
- ➔ 6 action plans for IMCs/AFIMs and 2 action plans for depositories;
- ➔ sanctioning 4 IMCs/AFIMs and 7 natural persons within the IMC/AFIM with a warning.

In the last 3 years (2019-2021), the centralised situation of sanctions/measures imposed as a result of on-site control activity is as follows:

*Measures/sanctions 2019 - 2021*



Other control activities carried out in 2021 were aimed at identifying, preventing and reducing the potential negative impact of operational risks arising from the use of information and communication technology by controlled entities.

Main steps taken:

- Notification of entities on the adoption of measures to mitigate the risks generated by cybersecurity incidents and the need to audit IT voting systems and those impacting the governance system;
- monitoring of IT security incidents;
- analysis of the follow-up process of the recommendations made by the IT auditors;
- clarifications sent to entities on the application of the provisions of *ASF Rule no. 4/2018*.

#### **4.2.4. Monitoring the provision of investment services and activities by entities not authorised for this purpose**

In view of the objective of ASF as stated in Article 5 letter a) of *Emergency Ordinance no. 93/2012 on the establishment, organisation and functioning of ASF*, to ensure the stability, competitiveness and proper functioning of the financial instruments markets, to promote confidence in these markets and in investments in financial instruments, as well as to ensure the protection of operators and investors against unfair, abusive and fraudulent practices, a specialised organisational structure operates at the level of the authority, whose main activity is to monitor the provision on the territory of Romania of investment services and activities referred to in Section A of Annex no. 1 of *Law no. 126/2018 on markets in financial*

*instruments, as amended*, by entities that are not authorized to provide such services and activities, under the conditions expressly stipulated by *Law no. 126/2018*.

In the first half of 2021, ASF has created a section on its website dedicated to the issue of activities carried out by unauthorised entities ("*BEWARE OF UNAUTHORIZED ENTITIES!*"), providing forms and an email address (*Entități.Neautorizate@asfromania.ro*) through which any person can send to ASF information/feedback on the activity of suspicious entities.

Considering the fact that, at international level, there has been a sharp growth trend of the *Forex* phenomenon, efforts have continued to identify possible options to amend the legal framework in order to combat aggressive advertising and persuasive communication techniques of unauthorised/unregistered entities or brokers promoting and selling online speculative derivative products with active support in the *Forex* market.

During 2021, as a result of analyses and investigations carried out as a result of ongoing monitoring activity or the receipt of referrals, ASF published 127 information notices on its website, through which potential investors were alerted to 87 websites and 132 entities that are not authorised by ASF to provide investment services and activities in accordance with the provisions of *Law no. 126/2018 on markets in financial instruments*. A number of 24 of these alerts were also reported, on a voluntary basis, to IOSCO as they targeted entities that were not licensed in a particular jurisdiction.

Also, given that the investigations carried out also resulted in suspicions regarding the commission of offences, as provided for in Article 262 letter a) of *Law no. 126/2018*, as subsequently amended and supplemented, in connection with the provision of investment services and activities, ASF prepared, substantiated and forwarded 9 complaints to the competent investigative bodies.

#### 4.2.5. Issuers and market abuse

The operations approved by ASF during 2021 relating to issuers in Romania which concerned securities issued by them, as well as issues of structured products, consisted of:

- **Prospectuses prepared for admission to trading/offer for sale of shares**

The year was marked by the approval of four initial public offerings of shares, three of which were carried out with a view to the admission to trading of shares on the regulated market administered by the BVB, the fourth being carried out with a view to admission to trading on the multilateral trading facility administered by the BVB, all of which were successfully concluded and with the approval of the prospectus drawn up with a view to the admission to trading on the regulated market of shares issued by Chimcomplex S.A., the issuer whose shares were traded on the multilateral trading facility.

There was also an increase<sup>11</sup> in the number of issuers that chose to increase their share capital by granting pre-emptive rights to the company's shareholders, some of which also approved the trading of the pre-emptive/allotment rights issued, with a total of 21 prospectuses for primary share offers approved.

- **Prospectuses prepared for admission to trading/offer for sale of bonds**

During the year, four prospectuses were approved for the admission to trading of bonds issued by Agricover Holding S.A., Impact Developer & Contractor S.A., SSIF BRK Financial Group S.A. Cluj Napoca and Libra Internet Bank S.A.. The amount of the bond loan of Agricover Holding S.A. and Libra Internet Bank S.A. is 40,000,000 EUR each. Impact Developer & Contractor S.A. prepared the prospectus for the admission to trading of 13,163 bonds, the bond loan having a value of 6,581,500 EUR, and SSIF BRK Financial Group S.A. issued 250,000 bonds, the loan having a value of 25,000,000 lei. A prospectus was also approved for an offer for the sale of bonds convertible into shares, issued by Life is Hard S.A., a company whose shares are traded on the multilateral trading system managed by BVB S.A., the value of the offer being 4,510,100 lei (the offer was addressed in a first stage to shareholders of the company who purchased bonds worth 393,500 lei, and in the second stage to a smaller number of 150 investors).

- **Tender offer/takeover documents**

The number of approved takeover bid/takeover offer documents was broadly in line with the trend of the last two years, reaching 12 takeover bid documents and two mandatory takeover bid documents as in 2020 15 takeover bid documents and one mandatory takeover bid document were approved and in 2019 13 takeover bid documents and one mandatory takeover bid document were approved. After more than 10 years since the last operation of this kind, in 2021 there was a competing takeover bid for shares issued by SIF Muntenia S.A..

- **The delisting of some issuers' shares continued as in the previous years**

ASF withdrew from trading shares issued by 14 companies as a result of the completion of the compulsory shareholder withdrawal procedure/following a shareholders' resolution, after the repurchase of shares held by shareholders who did not agree with the adoption of this resolution/the decision to delist the company from the ONRC/the decision to file for bankruptcy.

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<sup>11</sup> During 2019, 9 prospectuses for primary offerings of shares were approved and 14 such prospectuses were approved in 2020.

- **Registration in ASF's records of structured products and of shares or bonds intended to be traded on the regulated market/MTF system**

Essentially, ASF has recorded corporate transactions (split/merger, increase or reduction of share capital, consolidation of nominal value etc.) carried out by issuers, which resulted in a change in the characteristics or number of financial instruments, already admitted to trading on the regulated market or MTF.

- **Cross-border operations**

In accordance with the legal provisions, harmonised with the European directives/regulations, as host state, ASF receives from similar authorities in the EU the prospectuses approved by them, the certificate and the summary in Romanian of the prospectuses, this notification being recently made through the ESMA platform.

According to the legal rules, in these cases ASF does not initiate any approval procedure for the prospectus, but ensures their publication on the Authority's website as required by *Regulation (EU) 2017/1129*.

In 2021, ASF was notified of the approval of 37 such prospectuses (single document or separate documents) and 84 supplements (amendments) to already approved prospectuses and, in turn, ASF notified three Member State authorities (Austria, Hungary and Poland) of the approval of the base prospectus prepared by SSIF BRK Financial Group S.A. Cluj Napoca.

Based on the notified prospectus, 8 Registration Certificates for structured products were issued for admission to trading on the Vienna regulated market.

For the admission to trading of structured products issued on the basis of base prospectuses approved by other EU authorities and notified to ASF, among other documents required by the BVB are the certificates of registration of those financial instruments with ASF.

For structured products issued by Erste Group Bank GI Austria, based on the prospectus passport from the home Member State authority - FMA Austria and the final terms communicated, 51 structured product registration certificates were issued as a result of the analysis conducted, and 24 structured product registration certificates were issued for those issued by Raiffeisen Centrobank GI Vienna.

#### **Participation of ASF in working groups related to corporate operations of issuers**

At the same time, ASF actively participated in regular meetings of ESMA working groups, as well as with representatives of the Romanian Association for Investor Relations, professional organisations such as the Authority for Public Oversight of Statutory Audit Activity, the Romanian Chamber of Financial Auditors, the Ministry of Finance, the National Bank of Romania, BIG 4 consultancy firms, IT consultancy firms to discuss issues related to the regulation of securities issuers (implementation of the ESEF project).

## Sanctions applied

Based on the specific analyses carried out regarding the obligation to carry out the mandatory takeover bid, in the period 2020-2021, 5 individual acts of sanctioning with fines were issued, the total amount being 485,001 lei.

From this perspective, in the period 2019-2021, sanctions were applied with a warning (2) and a fine (26) in the amount of 1,094,800 lei for: failure to comply with the current/periodic reporting obligation and for failure to comply with the rights of shareholders, failure to comply with the provisions of art. 62 of *Law no. 24/2017* (now art. 64 after renumbering and republishing), failure to comply with the provisions of art. 62 of *Law no. 24/2017* (now art. 64 after renumbering and republishing), failure to comply with the provisions of art. 90 para. (1) of *Law no. 24/2017*, affecting the legal right of shareholders with qualified shareholding provided for by law to request and obtain the convening/holding of the General Meeting of Shareholders with the inclusion on the agenda of the resolutions proposed by them.

In addition, 141 individual acts were issued during the period in question, ordering authority measures in order to:

- ➔ suspension of voting rights for shareholders who do not fall under the provisions of Article 2861 of *Law no. 297/2004*;
- ➔ non-exercise of voting rights related to the position held in breach of Art. 2861 para. (1) of *Law no. 297/2004 as amended and supplemented* in general meetings;
- ➔ disposal of shares which were acquired in breach of Article 2861 of *Law no. 297/2004*;
- ➔ compliance with the obligations arising from being an issuer (compliance of the financial statements with International Financial Reporting Standards/appointment of the financial auditor/compliance with the request to convene/complete the agenda of the general meeting made by the entitled shareholders/compliance with current and periodic reporting obligations, etc.)

Throughout 2021, there was constant activity with regard to the General Meetings of Shareholders convened by the issuers, which involved constant monitoring in order to comply with the relevant legal provisions, and also to adapt to the new conditions generated by the COVID-19 pandemic. As a result of the situation generated by the COVID-19 pandemic, ASF has continued to identify and analyse risks at the level of issuers, which has meant stepping up its supervisory actions. With regard to the supervision of compliance by issuers with transparency obligations and those related to shareholders' rights, following the results of the specific checks carried out, reminders and compliance letters were sent.

During 2021, as a result of the analyses carried out in the context of the specific activity of supervising the fulfilment of regular reporting obligations, approximately 500 reminders were sent and 30 permanent control reports were drawn up.

Also, in continuation of the specific activities resulting from the amendment and completion of *ASF Regulation no. 27/2010 on electronic supervision through reporting*, information/reminder letters were sent to issuing companies on the obligation to comply with the legal provisions regarding electronic reporting.

From the perspective of periodic transparency obligations, compliance by all issuers (whose securities are traded on the regulated market and the alternative trading system) with the reporting requirements (annual, quarterly and half-yearly) set out in *Law no. 24/2017* and *ASF Regulation no. 5/2018 on issuers of financial instruments and market operations* was verified.

From the point of view of compliance with non-financial reporting regulations, 38 reports were analysed from the point of view of existence and 11 from the point of view of existence and content for issuers listed on regulated markets within the scope of supervisory activities within the meaning of Article 19a (non-financial statement) or Article 29a (consolidated non-financial statement) of the Accounting Directive.

At the same time, from the point of view of verifying compliance with International Financial Reporting Standards of the financial statements contained in the prospectuses for companies traded on a regulated market, the annual financial statements of 6 issuers were verified.

Another aspect that was a specific objective was the need to have in place all the measures to implement the technical requirements whereby all annual financial reports of issuers listed on regulated markets will be prepared in a single structured electronic format, the European Single Electronic Format (ESEF), from 1 January 2020, approved by the European Commission through *Delegated Regulation (EU) 2018/815*.

### Preventing and identifying market abuse

During 2021, ASF carried out activities to monitor the degree of compliance by the subjects concerned with the conduct and reporting requirements laid down in the relevant legislation on market abuse, including, but not limited to, the publication or deferral of the publication of inside information, the drawing up and updating of lists of persons with access to inside information, the reporting of transactions carried out by senior persons, the establishment of closed periods and restrictions on trading during these periods or the methods of carrying out buyback programmes and stabilisation measures.

Thus, the monitoring of conduct and reporting requirements resulted in:

- identification of 23 ongoing buyback programmes, 12 issuers need to be informed of their legal obligations in the context of these operations;
- identification of 108 issuers that did not publish the financial calendar within the legal deadline or did not complete the financial calendar correctly. In its role as Capital Market Authority, ASF issued 128 warnings on the obligation to comply with the relevant legal framework;
- 20 information letters on market abuse requirements sent to new issuers;
- identification of 7 situations where it was necessary to request additional information from the issuers concerned or to provide clarifications from the Authority, so that they were able to fully and accurately assess the information concerned against the criteria applicable to inside information;
- verification of a sample of issuers in order to identify their compliance with the form and content requirements imposed by the legislation in force for the drawing up of the lists referred to in Article 18(1). (1) - (2) and 19 of *EU Regulation no. 596/2014 on market abuse*. In the case of a number of 45 issuers, a request was made to reassess the information communicated and to retransmit it to ASF;

- verification of 492 initial/amended notifications submitted to ASF pursuant to Article 19(2) of the Directive. (1) of *EU Regulation no. 596/2014*, in terms of their compliance with the notification procedures and deadlines

In view of the shortcomings in the implementation of the relevant rules identified in the course of supervisory activity, in addition to the specific clarifications provided to issuers, ASF has produced, in support of listed companies, a clarifying material which was published in 2021 on its website.

As regards the possible impact of the obligation to disclose inside information, the assistance to issuers represented also during 2021 a constant exercise of ASF. The main purpose was to assist issuers in correctly assessing information/events from the perspective of the criteria defining inside information and, ultimately, to correctly and fully inform investors about the events that were the subject of news/press articles.

At the same time, ASF has contributed to clarifying how to apply the legal framework on market abuse by providing expert views to securities issuers and capital market intermediaries on topics such as redemption operations, closed periods or reporting and conduct obligations, both through written addresses and online thematic meetings.

#### 4.2.6. Electronic surveillance

##### ➔ **Real-time monitoring of trading activity on regulated markets/MTFs to identify trades/orders generating abnormal price and volume developments**

The value of transactions with financial instruments on the Romanian capital market increased in 2021 compared to 2020, both on the regulated market (+9.52%) and especially on the MTF (+253.37%). The increase is reported for all types of listed instruments (shares, bonds, fund units, rights, structured products).

Surveillance and monitoring of trading activity involve the analysis of trading data received in real time from regulated markets and multilateral trading facilities on equities, bonds, structured products, etc. This data is processed automatically through the prism of market abuse indicators, generating a series of alerts. During 2021, 3,636 price and volume alerts were monitored.

The surveillance of trading activity also involves analysing the history of data in the database relating to trading activity, monitoring short sale transactions and transactions outside the trading systems (OTC) reported electronically by intermediaries. As part of this activity, 304 daily and weekly trading reports were monitored and 20 preliminary analyses of cases considered as deviations from normality/possible cases of market abuse were prepared. From the perspective of monitoring compliance with the legal provisions relating to transactions under share buy-back programmes, 13,825 such transactions were analysed.

##### ➔ **Supervision of non-financial counterparties under the EU Market Infrastructure Regulation**

During 2021, ASF monitored the reporting of non-financial counterparties in accordance with the provisions of *Regulation (EU) no. 648/2012 on European Market Infrastructures* (EMIR) and assessed compliance with the legal requirements regarding the exemption of intra-group transactions from



reporting, clearing and collateral exchange obligations. As a result, 42 notifications of intention to apply the reporting exemption were received.

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

In 2021, ASF analysed and settled 3 requests for the direct transfer of ownership of blocks of shares issued by companies listed on the BVB. Of these, one request received ASF's approval, for the remaining cases the Depozitarul Central operated direct transfers of ownership of financial instruments as a result of legal transactions concluded between the parties in accordance with the legal provisions (e.g. The direct transfers of ownership of the securities are carried out by means of legal transactions between the parties, in accordance with legal provisions (succession, exit from joint ownership, enforcement of court decisions, etc.).

#### ➔ Other activities

The activity of supervising and monitoring transactions requires access to complete and accurate transaction data. To this end, the correctness and completeness of the data reported by intermediaries in TREM (Transaction Reporting Exchange Mechanism) and the data reported by market/system operators in FIRDS (Financial Instrument Reference Data System) is continuously monitored. Also, as a result of the monitoring of the data reporting systems FITRS (Financial Instruments Transparency System), DVCAP (Double Volume Cap Mechanism) and TRACE (ESMA's Trade Repository Data Reporting) during 2021, 28 requests were sent to intermediaries to correct erroneous reporting in TREM and 144 requests were sent to market/system operators, issuers and other competent authorities regarding data reported in FIRDS, FITRS, DVCAP.

Regarding the reporting activity and data quality assurance operations submitted to trade repositories, as required by EMIR and SFTR, ASF held discussions with about 40 reporting entities, providing clarifications and guidance on the correction of identified errors.

The Suspensions and Restorations Instruments System (SARIS) activity was carried out by submitting 19 suspension/restart requests to the system.

The management of short selling reports and notifications to BNR/ESMA involved 8 specific information reports to ESMA.

#### Aggregate sanctions applied by the Financial Instruments and Investments Sector in 2019-2021

Sanctions and administrative measures applied		2019	2020	2021
Contravention fine	Number	20	29	27
	value	228,856 lei	1,368,315 lei	320,300 lei
Written warning		33	30	33
Warning		69	57	61
Solvency capital increase		-	-	-
Financing/recovery plans		-	1	2
Appointment of temporary administrator		-	-	-
Suspension of activity		2	2	-

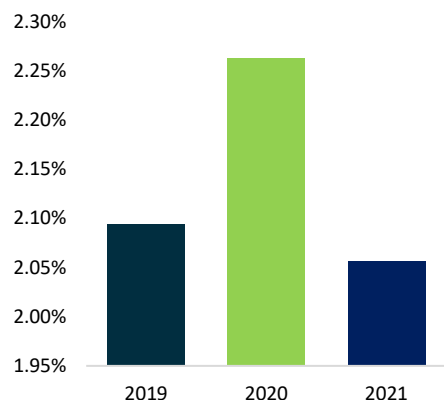
Suspension of shareholder voting rights/measures related to the provisions of Article 286 <sup>1</sup> of <i>Law no. 297/2004</i>	23	23	-
Other types of measures (obligation to do with regard to shareholders' rights, ensuring compliance of financial statements with IFRS, compliance with withdrawal procedure)	4	9	6
Plans of measures ordered against companies	20	18	16
Withdrawal of approval/ban on occupying posts as a complementary sanction	2	3	1
Withdrawal of authorisation as an additional sanction and initiation of bankruptcy	1	1	-
Extension of suspension of authorisation	-	-	2
<b>Total sanctions and administrative measures applied</b>	<b>174</b>	<b>173</b>	<b>148</b>

#### 4.3. Supervision of the insurance-reinsurance sector

##### Entities in the insurance-reinsurance sector supervised by ASF that were active in 2021

- ➔ 27 insurance-reinsurance companies
- ➔ 273 brokers
- ➔ 1,037 claims specialists
- ➔ 175 lecturers
- ➔ 24 educational programme providers
- ➔ Bureau of Motor Insurers of Romania (BAAR)
- ➔ Policyholder Guarantee Fund (PGF)

**Share of insurance companies' assets in GDP**



No. of insurance contracts in force at the end of the year	2019	2020	2021*
GI contracts	13,861,989	14,745,280	13,359,876
LI contracts	1,618,694	1,474,971	1,450,551

\* exclusive City Insurance

#### 4.3.1 Supervision and control of the conduct of insurance companies

##### Motor third party liability insurance

ASF carried out permanent control activities aimed at verifying the compliance of insurance companies with the legal provisions applicable to motor third party liability insurance - MTPL

These actions have been intensified against the backdrop of deficiencies in the processes for processing and settling MTPL claims, as well as the significant and growing number of claims and reports of non-compliance received by ASF.

As a result of the permanent control actions, the main deficiencies identified were late payment of compensation for MTPL claims, failure to comply with the legal deadlines for the submission of compensation offers, as well as for making findings/recognitions of the damage claims.

Thus, as a result of the supervision and control actions carried out at the insurance-reinsurance companies, which focused on the way of processing and settlement of MTPL claims, the Authority ordered in 2021 the application of fines in the cumulative amount of 2,236,600 lei, as well as their obligation to submit plans of measures to remedy the situations found.

##### Health insurance

In view of the existing situation where the COVID-19 pandemic is severely affecting economic activities both at European and global level, national supervisory authorities have put in place a series of economic and social measures to counter the effects of the pandemic, impacting on the insurance industry and thus on insurance customers. The upward trend in such insurance may also be a consequence of increased awareness and concern about these risks. In this context, health insurance products are of significant importance and the way in which insurance companies adapt their products to respond as effectively as possible to the real needs and requirements of customers is a priority for conduct oversight.

Thus, ASF has included in its annual control plan for 2021 the topic of health insurance and has carried out regular checks on two insurance companies that have seen significant increases in underwriting for

these types of insurance. The issues of non-compliance identified from the perspective of the processes of distribution of health insurance products were not significant, therefore some recommendations were made aimed at ensuring the improvement of the internal procedural framework and processes specific to this activity and, at the same time, the two companies were sanctioned with a written warning.

ASF also analysed the actions that insurance companies have taken to mitigate the negative effects of the pandemic on consumers, from the perspective of compliance with the EIOPA recommendations issued in April and July 2020. The analysis showed that insurance companies have communicated in the media and published on their websites the measures taken, which mainly consisted in granting derogations from the insurance conditions, by taking over the events caused by the infection with the new coronavirus, modifying certain existing products (e.g. health insurance, travel insurance) or creating new insurance products. It is also worth mentioning that insurance companies have launched remote medical consultation services, as well as digital solutions in the distribution, underwriting and claims processes.

### **Contractual guarantee insurance**

In the previous year, ASF started an extensive thematic analysis of contractual guarantee insurance products throughout the Romanian insurance market, aimed at identifying risks and vulnerabilities in insurance companies' internal underwriting and claims handling processes, which was completed in 2021.

Based on the conclusions of the Report on the analysis of contractual guarantee insurance products distributed by insurance companies, in a first stage, ad hoc meetings were held with representatives of the companies, during which ASF made recommendations for revising the underwriting processes of these insurances. Subsequently, the conclusions of the analysis on guarantee insurance were considered in the drafting of *ASF Rule no. 32/2021 on security insurance*, which requires companies underwriting these risks to update, within 90 days of publication, the policies and procedures for underwriting guarantee insurance risks, general and special insurance conditions and other documents used in the guarantee insurance underwriting process.

### **Travel insurance abroad**

These insurance products were also under the attention of ASF in 2021, with a view to monitoring the implementation of the recommendations issued in 2020 by ASF to companies that underwrite such risks, including by carrying out mystery shopping. The companies have implemented ASF recommendations and have proceeded to update the information available on their websites, review internal flows, train staff with distribution duties and review underwriting conditions.

### **Thematic analysis on the distribution of insurance products through the bancassurance distribution channel, in collaboration with EIOPA**

EIOPA has launched a thematic review of insurance products distributed through the bancassurance channel within Member States, with the aim of identifying issues that could have a negative impact on consumers.

The thematic review, in which ASF is also participating, is ongoing and covers personal credit protection and asset purchase insurance products (life and general insurance products), with a particular focus on mortgage insurance products, and focuses on product distribution and business models.

#### **4.3.2. Prudential supervision of insurance companies**

The supervision of the Romanian insurance sector in 2021 was characterized by structural changes at the Authority level, namely the realignment of the internal organizational framework, the reorganization of supervisory processes through the implementation of a new risk assessment framework for insurance companies and the implementation of specific supervisory methodologies aligned with EIOPA's recommendations on the harmonization of the European supervisory framework, as well as the intensification of supervisory actions/activities dedicated to the monitoring of additional risks generated by the COVID-19 pandemic, the management of the supervisory process of the two top MTPL underwriters (City Insurance and Euroins) which led to the declaration of bankruptcy of City Insurance and to multiple measures and sanctions for Euroins and, by implication, the ensuing challenges for the supervision of the compulsory motor insurance market, and, last but not least, the conduct at insurance market level of the asset and liability valuation exercise of Romanian insurance companies.

The main risks that have been monitored as a priority in 2021 as part of the off-site supervision of insurance companies are: risks arising from capital market fluctuations impacting insurers' investment portfolio and liquidity, risks related to capital and business model sustainability in the context of declining consumer purchasing power and rising inflation, and cyber risks that have seen a significant increase in the context of rapid digitalisation driven by the pandemic context.

#### **Developing the internal risk assessment process of insurance companies**

In 2021, the development of the internal risk assessment process for insurance companies was implemented, based on which the classification of insurance companies is carried out. Thus, the system of classification of companies, which provides for their grouping into 4 supervisory categories, was developed considering the nature, risk profile and complexity of the business.

The rating system is based on a two-dimensional matrix using, on the one hand, the impact at insurance market level and, on the other hand, the individual risks presented by the company, the risk analysis model is now developed at the analytical level, with sections covering each main activity of an insurance company defined and implemented, the score awarded being based on a set of 144 indicators, of which 105 quantitative indicators and 39 qualitative indicators. The reassessment of the company's risk score (RAF score) is carried out every six months. A *Risk Assessment Framework* (RAF) is prepared for each company, which identifies the level of risk for each section of the business, on the basis of which supervisory resources and activities can be effectively targeted. With internal resources, the IT solution allowing the automatic calculation of quantitative indicators has also been completed.

Moreover, in recent years, ASF has adopted a number of changes to its functioning, aimed at improving and streamlining its activity and, implicitly, at achieving better supervisory results based on the identification, prevention and management of risks for authorised insurance companies.

The first assessment based on the new risk matrix was carried out for the reference date 30 June 2021 and led to the classification of companies supervised under the Solvency II<sup>12</sup> regime into the 4 supervisory categories as follows:

Supervision category		Number of insurance companies supervised under the Solvency II regime - 2021 assessment -
Category 1	basic supervision	6
Category 2	standard supervision	14
Category 3	increased supervision	4
Category 4	intensive supervision	1

Apart from the rated insurance companies in the table below, the only insurance company supervised under the national regime falls into supervision category 2.

In addition to the indicators included in the RAF score, new supervisory procedures have been implemented that develop specific methodologies for the supervision of the main activities that have a significant impact on the business of insurers, i.e. technical provisions, own funds and solvency requirements of insurance companies and investment activity. For each section, additional sets of indicators have been developed which are monitored on a quarterly basis and allow for better monitoring of changes in the structure and value of technical provisions, investments and own funds and solvency requirements of companies in order to identify risks at an early stage. These indicators are also calculated automatically by the internally developed IT solution.

The completion and implementation of all these tools will make room for a more efficient management of resources and a better targeting of supervisory measures appropriate to the risk profile of companies.

### The MTPL reference tariff

In 2021, the activity continued to ensure the calculation of the MTPL reference tariff. In accordance with the provisions of Article 18 of *Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents*, the reference tariff is calculated every six months by a company with recognised expertise in the field, contracted by ASF, according to the formula set out in Article 2, item 24 of the aforementioned regulatory act and is published by ASF.

In the second half of 2020, ASF carried out a procurement procedure for actuarial services for the calculation of the reference rate for MTPL insurance. Following the completion of the public procurement procedures, on 3 November 2020, a framework agreement was concluded between ASF and the Association KPMG Advisory SRL with KPMG Audit SRL and subcontractor KPMG Advisory Spółka z Ograniczoną Odpowiedzialnością Spółka Komandytowa, the purpose of which is to establish the essential elements and conditions that will govern subsequent contracts (maximum 6) for the provision of services to be awarded during the term of the - framework agreement, as well as the establishment of the contractual conditions that will duly complement the subsequent contracts for the provision of actuarial services for the calculation of a reference rate for MTPL insurance in favour of ASF. ASF provided the

<sup>12</sup> Exclusive City Insurance

provider with technical support during the calculation of the reference rates for MTPL insurance, namely checking and analysing the quality of the data received from the companies, preparing the databases relating to policies and claims, participating in meetings with the provider, providing data/information to the provider, ensuring timely publication on ASF website of the reference rates calculated by KPMG.

In 2021, with the technical support of actuarial specialists, the case pending before the Bucharest Court of Appeal, Administrative and Fiscal Litigation Section VIII, was favorably finalized, with the object of annulling *G.D. no. 826/2016 regarding the establishment of the maximum premium rates applicable by insurance companies that practice compulsory civil liability insurance*. In addition, a significant amount of highly expert resources from the prudential supervision and actuarial departments were involved in providing the technical support necessary for the formulation of the **court pleadings relating to the numerous disputes initiated by City Insurance and Euroins against ASF decisions**.

As a result of changes in the economic environment, as well as structural changes in the MTPL market caused by the bankruptcy of City Insurance, there has been a significant increase in the workload for analysing **notifications of changes in MTPL tariffs**, i.e. technical documentation submitted by insurance companies in 2021, and comparative analyses of tariffs notified by companies have been carried out. The documentation submitted by an insurance company in order to obtain authorisation to conduct insurance business in Romania, based on the right of establishment, for classes 3 and 10 (MTPL) was also analysed.

In this context, 2021 was characterised by an increase in the number and complexity of **analyses specific to MTPL activity**, namely analyses of average MTPL premiums charged by insurance companies were carried out in order to monitor the monthly evolution of average MTPL premiums and their comparison with MTPL reference tariffs, monthly analyses of the maturities of MTPL policies in force at market level, analyses of the direct settlement clause, analyses of the basis for MTPL premium rates, comparative analyses of the MTPL rates offered by insurance companies compared with those notified to ASF, comparisons of the load factors for the period of validity of policies applied by insurance companies compared with those notified to ASF, analyses of the evolution of the average MTPL claims, etc.

In the context of the change in the way the liquidity ratio is determined (amendment of *ASF Rule no. 21/2015*), simulations were carried out on the liquidity ratio in the light of the legislative changes.

### Other prudential supervision of insurance companies

During 2021, ASF's prudential supervision of insurance companies also involved:

- monitoring of the action plans ordered or recommendations resulting from control actions for 10 insurance companies; part of the action plans was fulfilled in 2021, the others will be fulfilled during 2022. Sanctions for non-compliance with the action plan were imposed on two companies;
- review of changes in governance systems, business strategies, risk profiles and investment strategies for certain insurance companies; for one insurance company, steps were taken to start the process of reassessing the management structure of the company;
- monitoring prudential indicators; checking and analysing quantitative and qualitative reports and corresponding with insurance companies in order to remedy identified inconsistencies, as well as making recommendations to improve the quality of their content;

- the preparation of risk and vulnerability sheets on the risks and vulnerabilities identified in the supervised companies (RAFs) and the continuous updating of the company sheets with the information submitted in the Solvency II and statutory reports;
- analysing information related to the quarterly MTPL reports and producing analysis reports on the evolution of MTPL underwriting (number of policies issued, average premium written by vehicle category and duration) and on the evolution of MTPL claims, i.e. internal and external property damage (change in the claims reserve and average claim paid); additional analyses were carried out for the first two companies in the MTPL insurance segment;
- conducting pro-active supervisory interviews with the persons in the management of the companies and/or key function holders according to the activities set out in the supervisory plan of the insurance companies, as well as with the auditors, during which the issues identified by the analyses carried out on the business strategy, risk strategy, investment strategy and risk profile, the activities coordinated by the key functions were discussed and concrete issues related to the conduct of business in the companies were clarified;
- reviewing documentation related to shareholder change/merger/portfolio transfer requests;
- participation in checks carried out at the premises of insurance companies.

### Monitoring internal models

A separate activity specific to the new supervisory regime was carried out in relation to the **Internal Models** applied by certain insurance companies, whereby a company's application to modify the partial internal model used in the calculation of the capital requirement in terms of completeness and compliance with legal requirements was assessed and the group supervisor was informed of the results of the assessment.

#### Asset and liability valuation exercise in the Romanian insurance market (BSR)

The results of the asset and liability valuation exercise in the Romanian insurance market showed that in the case of three companies - City Insurance, Asito Kapital and Euroins - the total own funds available to cover the MCR were insufficient. As regards SCR, two companies - City Insurance and Euroins - had insufficient total own funds available to cover SCR. It should be noted that in all 3 companies there have been subsequent relevant events, as described in the auditor's report, i.e. in the case of City Insurance the operating licence was withdrawn and in the case of Euroins there were subsequent ASF controls leading to the imposition of measures resulting in capital increases as well as changes in the asset structure and reinsurance contracts. In the case of Asito Kapital, there was a capital increase after the reference date.

All other companies had sufficient own funds to cover their solvency capital requirements, and the auditors made recommendations in their individual reports to remedy identified deficiencies or to improve certain processes/operations. Overall, a significant part of the adjustments made by the auditors reflect weaknesses in the governance system. Vulnerabilities were identified in several companies in relation to the IT environment and the internal control framework related to claims and technical reserves, reinsurance, impairment and the calculation of capital requirements. There is a general need to improve the formal documentation framework, in particular in relation to the calculation of technical reserves,



including related to the definition of assumptions and business judgment, simplifications, recognition of contract limits, segregation of contracts, segmentation and definition of homogeneous risk groups (HRGs), as well as the assessment of the best estimate of ceded reserves and available audit evidence related to controls to be performed on data in accordance with SII requirements.

The exercise provided ASF and all stakeholders with a picture of the risks and vulnerabilities of the Romanian insurance sector, including from the perspective of the potential for contagion to the financial sector and the real economy. The main risks and vulnerabilities identified for the reference date 30.06.2020 and detailed in the BSR Report were:

- *High degree of concentration of top companies* - The Romanian insurance market is characterised by a significant degree of concentration - approximately 64% of total gross written premiums were concentrated in 5 companies, while 89% of total gross premiums were written by 10 companies. In the event of major financial difficulties for any of the top companies, the whole market would suffer in terms of consumer confidence and ultimately performance.
- *High degree of concentration in MTPL insurance* - The insurance market, and in particular the general insurance market, is characterised by a high degree of concentration on motor insurance (MTPL and CASCO insurance), which accounts for approximately 57% of total gross premiums written in 2020 by insurance companies and 71% of total gross premiums written for general insurance respectively. Moreover, most companies writing motor insurance achieved a combined loss ratio of more than 100% in 2020 (the market average in 2020 was almost 114% for CASCO and 113.5% for MTPL).
- *Market pressure on MTPL rates, accompanied by a significant degree of concentration and a large number of disputes* - MTPL insurance is mandatory and represents a stable source of cash for any insurance company. There are 9 insurance companies in the market offering MTPL insurance and competition between them is mainly based on price. However, concentration is very high, with two companies having a combined market share of almost 75%. At the same time, this product is characterised by long claims settlement periods and high claims rates, which puts pressure on the profitability and solvency of these companies and on the insurance sector as a whole. The combined loss ratio exceeded 100% in 2020 for all companies writing MTPL insurance. In addition, there has been a steady increase in claims balances for insurers offering CASCO compared to the top two MTPL insurers. Moreover, for a significant part of these claims, settlement occurs only after the creditor insurer takes legal action against the debtor insurer. This situation leads to a very high number of disputes, resulting in additional costs for motor insurers, financial burdens and bottlenecks for creditor insurers, amid significant delays in the collection of claims.
- *High claims ratio for credit and surety insurance* - For credit and security insurance, some companies are generally limited to a portfolio with a small number of high claims policies. In addition, the historical data available from these portfolios is not entirely relevant to the assessment of current risks due to their limited volume and also, in some cases, due to changes in the underwriting process that have altered the composition of the portfolio. Companies have, on average, high loss ratios, with high loss ratios expected in the near future. Analyses performed during underwriting procedures may not be sufficient to capture each client's loss risk.
- *Exposure of health insurance providers* - In the case of one company providing health insurance, limited information was available on the actual settlement of policyholder claims by the external

financial services provider, which settles the majority of claims. There was also no explicit assessment of risks, such as the risk that the external health service provider may not be able to meet its obligations to end customers. There is a need to monitor data from third parties providing services on behalf of the company and to properly assess all risks inherent in this type of insurance.

- *Low insurance coverage* - from the perspective of European positioning, the share of life insurance in the total insurance market in Romania is at a low level compared to other EU countries. Romania ranks second to last in the EU (based on 2019 data published by EIOPA) in terms of the share of life insurance in total gross written premiums for the entire insurance sector. Moreover, Romania ranks last in terms of gross life insurance premiums written per capita.
- *The COVID-19 pandemic and the macroeconomic environment* characterised by uncertainty and low interest in investment. The persistence of the impact of this crisis on economic activities and the uncertainties about future developments in the national economy and beyond keep macroeconomic risks at the level of attention. At the same time, low investment returns in 2020 continue into 2021, leading to a reduction in investment income and creating pressure on the profitability of insurance companies. To manage this low level of profitability, some companies are planning to cut costs and adjust their business models, which may jeopardise the sustainability of their business models. Furthermore, a prolonged period of low investment income for companies with a significant life insurance portfolio may be a factor limiting growth in life insurance coverage.
- *Low liquidity of financial instruments and low investment universe in local equities.*
- *Exchange rate movements, which expose companies to increased currency risk.*
- *High degree of concentration on bancassurance distribution* - In some cases there is a significant concentration on distribution channels with potential contagion risk.
- *Cyber Risks* - Technology has become a major driver of business transformation and growth in recent years. In this digital age, and increasingly since the COVID-19 pandemic, technology has become a significant enabler, but has also introduced entirely new types of cyber threats. Cyber risks in the form of data theft, compromised accounts, destroyed documents, disabled or degraded systems are at the forefront these days. To thrive in a digital future, organisations need a robust cyber risk management strategy to help them become secure, vigilant and resilient. Strengthening cyber risk resilience in financial institutions is a rapidly growing priority for regulators too. Insurance companies should expect an increased level of scrutiny from regulators on how they manage cyber risk and greater pressure to demonstrate that they are managing regulatory concerns in a timely manner.

#### 4.3.3. Control of insurance companies

The control of insurance companies involved carrying out periodic control actions, in accordance with ASF's Annual Integrated Control Plan, as well as unannounced controls resulting from risks identified during the year from the conduct of supervisory activities from a prudential and conduct perspective.

In view of the special situation generated by the COVID-19 pandemic, specific measures have been taken to carry out the control activities set out in the annual plan, with the periods for carrying out controls at companies' premises and for organising meetings with physical presence being kept to a minimum, with remote means of communication being used predominantly.

From a prudential perspective, during 2021, **a total of 24 inspections were carried out at insurers' premises, 7 periodic and 17 unannounced, of which:**

- between 22 September 2021 and 24 September 2021, ASF ordered unannounced inspections of the 8 insurers that practice MTPL, with a view to verifying compliance with the provisions of Article 13 para. (5), para. (7), para. (8) and para. (11) of *ASF Regulation no. 20/2017 on motor insurance in Romania*;
- between 02 November 2021 and 02 December 2021, ASF carried out unannounced inspections at the 8 insurers that provide MTPL insurance, in order to verify, as part of the daily processing of MTPL claims, the compliance of insurers with the obligations established by *Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents* and *ASF Rule no. 20/2017 on motor insurance in Romania*;
- an unannounced inspection was carried out at another insurance company to verify the processing and payment of claims files relating to guarantee policies in the balance of the claims reserve approved on 31.03.2021

The regular control actions planned for 2021 have targeted in particular insurance companies operating MTPL insurance, but also companies operating health insurance.

The main objective of the control theme was to verify the way in which claims files are processed and settled and the way in which technical reserves are established.

The main findings of the inspections were as follows:

- shortcomings in the way the technical reserves calculated for the purposes of drawing up the financial statements were constituted;
- procedural deficiencies and/or defective application of internal procedures;
- incorrect valuation of assets and liabilities, including incorrect calculation of the best estimate of the reserve for premiums and claims and reinsurance recoverables included in the Solvency II balance sheet;
- insufficiency of eligible funds to cover the Minimum Capital Requirement and/or the Solvency Capital Requirement;
- shortcomings in the implementation of the provisions of *Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents*;
- shortcomings in the implementation of the provisions of *Law no. 236/2018 on insurance distribution*.

In order to remedy the deficiencies found, ASF ordered measures to be taken by the insurance companies and made proactive recommendations to improve the way some of their activities/processes are carried out.

Also, for the periodic and unannounced control actions assessed in ASF, in 2021, sanctions were applied to insurance companies consisting of 7 written warnings and 6 fines, for a total amount of 9,312,925 lei.

Thus, as a result of all supervisory actions (off-site) and control (on-site) valued in ASF, during 2021, at insurance-reinsurance companies, ASF applied a number of 36 sanctions, both to companies and to persons in their management, as follows:

- ➔ 8 sanctions with a written warning imposed on 8 insurance companies;
- ➔ 11 sanctions with fines for a total amount of 13,900,791 lei, applied to 3 companies, of which, in the case of one company, the complementary sanction of withdrawal of the operating license was applied, and in other cases, plans of measures were imposed;
- ➔ 17 sanctions with fines for a total amount of 11,814,000 lei, imposed on members of the management structure of two companies, of which, for 8 members of the management of an insurance company, the additional sanction of withdrawal of the approval granted by ASF was imposed.

#### 4.3.4. Supervision and control of the insurance companies City Insurance and Euroins

The main challenges of 2021 were the intensive permanent supervision activities carried out for the insurance companies City Insurance and Euroins.

Bearing in mind the fact that they ranked first and second in the top of the MTPL insurance underwriting, this class of insurance being predominant in total underwriting at City Insurance and the majority (96%) in the case of Euroins, during the year, for both companies, the way in which technical reserves were constituted, compliance with the legal provisions relating to the terms of payment of claims and cession in reinsurance was monitored, both from off-site supervision and by carrying out regular and unannounced on-site controls.

Following the measures imposed by the Authority in the previous year, recovery plans for Euroins and City were reviewed during 2021. As a result of the ongoing supervision conducted during 2021, it was found that City Insurance does not have sufficient eligible own funds to cover the MCR and SCR and as a result the Authority required the submission of both a short-term financing plan and a recovery plan. For Euroins, following an inspection at its premises, it was found that the company did not have sufficient eligible own funds to cover the SCR and was therefore required to submit a recovery plan.

#### Supervisory actions concerning City Insurance

As regards City Insurance, as a result of:

- ➔ investigations carried out and information obtained on the basis of cooperation agreements on the exchange of information with supervisors or authorities and bodies of third countries,
- ➔ suspicions of ASF regarding the authenticity of statements of account issued by a banking company and submitted by City Insurance to ASF,
- ➔ lack of account movements and non-access to cash from account opening and
- ➔ the fact that the supervisory authority in the home State had informed ASF that the account mentioned in the documents submitted by the insurer had not been identified in the records of the banking company and that there was no contractual relationship between the banking company and City Insurance,

ASF used the information obtained to verify whether the insurer met the legal requirements regarding SCR and MCR and the liquidity ratio and found that it did not.

In the permanent supervision activity, the insurance company was requested a series of punctual information related to the reinsurance activity, to which the management of the company refused to respond, and, consequently, the Authority ordered the sanctioning of all members of the administrative and executive management of the company (8 persons) with a cumulative amount of 3.780,000 lei. At the same time, given the refusal of the company's management to transmit the information, ASF contacted the competent authorities in other countries to verify the solvency of some of the company's reinsurers. All 8 members of the company's management appealed the decisions in court, and the supervisory structure of ASF received requests to intervene in the construction of defences during all stages of the proceedings.

In March 2021, the results of the inspection carried out at the company in the second half of 2020 were evaluated, and the company was fined 2,600,000 lei for failure to properly build up technical reserves, with the own funds eligible for SCR coverage being affected, which led to the company being required to draw up a recovery plan.

Also, in March 2021, the court gave a final ruling on the Authority's decisions of 2020, initially suspended, imposing on the company a series of measures following the periodic inspection carried out in 2019, in order to establish them as enforceable.

In May 2021, ASF sent three permanent control reports notifying the company and its management of the issues found in the analyses carried out, as follows:

- In the first permanent supervision report, the Authority found that, as at 31 December 2020, the company did not comply with the legal requirements regarding the holding of own funds eligible to cover SCR and MCR;
- In the second permanent supervision report, the Authority noted that the supplementary reports required by ASF Rule no. 21/2016 on reporting on insurance and/or reinsurance activity were not submitted within the legal deadlines and no action plan, approved by the company's management, was submitted, containing concrete measures and deadlines to be undertaken by the company to restore the legal level of the liquidity ratio, although according to the supplementary liquidity report, submitted late, the liquidity ratio was sub-unit;
- In the third permanent supervision report, taking into account the requirements of the decisions issued by ASF in 2020 that have become enforceable, as well as the one of 2021 with reference to the recovery plan, and the information obtained under the cooperation agreements on the exchange of information with supervisors or authorities and bodies of third countries, The Authority noted that the measures ordered with regard to reinsurance and the calculation of technical provisions under Solvency II were not properly complied with and that the construction of the recovery plan submitted by the company was based on the liquid assets held in an account which ASF was aware did not exist, thus all transactions in relation to these liquid assets were recognised and the eligible own funds were significantly negatively affected.

The accumulation of deficiencies found and their seriousness led to the application of the most severe sanctions to the entire executive management (3 persons, members of the company's management board) and the entire administrative management (5 persons, members of the supervisory board), as well as to the insurance company, as follows:

- ➔ sanctioning the members of the Management Board and the Supervisory Board of City Insurance with the principal sanction of a fine of 1,000,000 lei each and the additional sanction of withdrawal of the approval granted by ASF;
- ➔ a fine of 2,930,766 lei on City Insurance and to require the company to submit to ASF, for approval, a short-term financing plan to restore the level of eligible core own funds covering the MCR or to modify the risk profile so that, within 3 months, the MCR is again respected. A further obligation imposed was to submit for approval a revised recovery plan with measures to restore the level of eligible own funds covering the Solvency Capital Requirement or to modify the risk profile so that the SCR level is restored within the legal deadline
- ➔ establish the company's obligation to recover interest paid to the majority shareholder arising from loan agreements granted to the company, loans reported to the authority as being available in the account which ASF found not to exist;
- ➔ suspension of the voting rights attached to the shares held by the main shareholder of the company

In order to protect the interests of policyholders, ASF has appointed PGF as temporary administrator to replace the management of City Insurance and ensure the implementation of the measures ordered against it.

From the analysis of the short-term financing and recovery plans, at the end of the 3 months in which the MCR level should have been restored, it was found that the MCR had not been complied with and, as such, taking into account these elements, as well as the results of the periodic control (on-site) carried out at City Insurance between May and August 2021, in accordance with the legal provisions, **on 17 September 2021 the company's operating licence was withdrawn, the state of insolvency was established and a petition for the opening of bankruptcy proceedings was filed against it.**

Also, as a result of permanent control actions regarding the processing and settlement of MTPL claims, the company was sanctioned during 2021 with two fines in the total amount of 910,900 lei for failure to comply with the legal provisions regarding the processing and payment terms of claims.

### **Supervisory actions concerning the insurance company Euroins**

As far as Euroins is concerned, during the permanent supervision activity, it was found that the company was late in submitting reports or did not submit reports in accordance with the legal framework in force, which is why the general manager of the company was fined 34,000 lei.

In January 2021, as a result of a permanent control action concerning the processing and settlement of MTPL claims, the company was fined 450,000 lei for failure to comply with the legal provisions on the processing and payment terms of claims.

In February 2021, the results of the inspection of the company carried out in the second half of 2020 were finalized and the company was fined 500,000 lei for failure to comply with the legal provisions on the processing of damage claims and the deadlines for payment of compensation.

The monitoring of the company's compliance with the legal provisions on the payment deadlines for MTPL claims continued in the context of the identification of repeated shortcomings, and detailed information was requested from the company on the claim reserves established and payments made. In this respect,

two permanent control reports were drawn up, which revealed non-compliance with the payment deadlines laid down in the specific legislation on MTPL insurance, for which the company was fined 296,200 lei.

Also, in December 2021, the results of the periodic inspection carried out at the company were finalised, during which it was found that the technical reserves valued in accordance with Solvency II principles were not adequately constituted, the claims reserve endorsed was not adequately constituted, and the processing of MTPL claims files was defective, leading to a decrease in eligible own funds under the SCR. The negative impact on the own funds held by the company led to the observation that the company did not hold eligible own funds to cover the SCR, thus the company was required to submit a recovery plan to the Authority for approval, with measures to restore the level of eligible own funds to cover the SCR or to change the risk profile so that within 6 months the SCR would be respected again.

The company was fined 3,546,000 lei for the offences. The company was also fined 2,314,425 lei for failing to provide ASF inspection team with a series of information requested during the inspection of the company's premises.

Euroins is classified in risk category 4, therefore, as part of the permanent supervision process, in 2021, regular meetings were held with the executive and/or administrative management of the company to discuss all issues arising in the permanent supervision of the company, as well as multiple and complex monitoring and analysis activities, among which we mention:

- analysis of transactions affecting the cash on hand in the current account of a bank with which the company holds accounts from the perspective of affecting compliance with the requirements for classification as an own funds item;
- analysis of liquid assets included by the company in the various reports submitted to the authority;
- analysis and monitoring of the action plan submitted by Euroins in order to comply with the legal requirements concerning the liquidity ratio with all the elements included in its calculation;
- monitoring and analysing the daily receipts and payments made by the company, including the nature and origin of certain amounts;
- constant reporting to the Bulgarian supervisory authority on the measures imposed on the company, both as a result of off-site supervision, on-site controls and following the completion of the BSR exercise. ASF participated in the meetings of the Euroins Group's Colleges of Supervisors, organised both ad hoc and annually;
- responding to requests from the Romanian Senate and the Chamber of Deputies on issues relating to Euroins' activities or on claims against the company.

As a result of the measures ordered by the Authority during 2021 and the previous year, the company has taken a number of measures, including increasing/changing the equity structure with the support of shareholders, among which we mention:

- in March-April 2021, the majority shareholder made a capital injection in the amount of 50 million lei, of which 45 million lei in share premiums and, at the same time, two subordinated loans in the amount of 76.64 million lei were converted into share capital, so that the share capital reached 545.5 million lei;

- in the period July-September 2021, own funds were increased by two further subordinated loans in the amount of 39.4 million lei and 5.25 million lei.
- in the period September - October 2021, the amount of 120.22 million lei was transferred to the company's accounts for a new capital increase;
- in June 2021, the company liquidated an asset by selling a property in Bulgaria for 24.66 million lei;
- in April 2021, the company sold the balance of the receivables with recourse as at 30 June 2020. The sale price, equivalent to 53.95 million lei, represents approximately 92% of the gross value of the receivables with recourse as per the balance sheet as at 30 June 2020. In December 2020, the company sold, under certain conditions, the balance of the receivables with recourse as per the balance sheet as at 30 June 2020 for 4.4 million lei;
- in October 2020, the company entered into a new reinsurance contract, which was subsequently amended in December 2020. This was entered into following the findings of ASF which led to the imposition of a recovery plan following the audit carried out in 2020. The company submitted the results of a risk transfer analysis related to this contract to justify its treatment in the solvency context and amended the contract in December 2020.

The company remains under intensive supervision and the action plans ordered as a result of the completion of ASF audit conducted at the company in 2021 and the completion of the independent valuation report from the BSR exercise, as well as the fruition of the permanent control report on the company's assets are under review and monitoring.

**The sanctions and administrative measures applied to insurance companies\* in 2019-2021 are as follows:**

Sanctions and administrative measures applied		2019	2020	2021
Contravention fine	Number	6	16	28
	Amount	265,000 lei	3,395,000 lei	25,714,791 lei
Written warning		14	11	8
Solvency capital increase		0	1	0
Financing/recovery plans		3	2	2
Appointment of temporary administrator		0	1	1
Suspension of shareholder voting rights		0	0	1
Action plans for companies		7	8	4
Withdrawal of approval/ban on holding office as an additional sanction		0	3	8
Withdrawal of authorisation as a complementary sanction and initiation of bankruptcy		0	1	1
<b>Total sanctions and administrative measures applied*</b>		<b>30</b>	<b>43</b>	<b>53</b>

*\* all sanctions and measures imposed by ASF are included, regardless of whether they were ordered by a single administrative act or by separate acts*



#### 4.3.5. Supervision and control of insurance intermediaries

ASF monitors, continuously supervises and controls the insurance and/or reinsurance distribution business in order to respect the rights of insurance customers and to treat them fairly.

##### Off-site monitoring/supervision of brokerage companies

The monitoring activity aims to provide a real-time picture of the development of distribution activity through brokerage companies, with regard to market trends, which can be the basis for further control 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 reports and other documents submitted and/or referrals received by the Authority.

The situation of sanctions issued in 2019-2021 is as follows:

Sanctions applied		2019	2020	2021
Contravention fine	Number	1	11	6
	Amount	5,000 lei	68,000 lei	30,000 lei
Written warning		17	15	17
Withdrawal of operating license		33	10	3
Temporary prohibition to carry out the activity		0	0	2
Temporary suspension of activity for programme providers		0	0	3
Withdrawal of operating licence for programme providers		0	0	2
Total sanctions		51	36	33

The main deficiencies found in the supervision of brokerage firms in 2021 were:

- non-compliance with the legal provisions on the payment of the annual fee by providers of training programmes;
- non-compliance with the legal provisions on professional training;
- non-compliance with the plan of measures established by the Authority's decision;
- amendment of the constituent act without the approval of the authority;
- failure to comply with the legal provisions on ensuring the continuity of the management of the brokerage business.

At the same time, from the supervisory activity, 9 requests for withdrawal of the operating license were approved for brokerage companies.

Since June and November, the distribution of MTPL and guarantee insurance contracts by brokerage companies has been monitored on a weekly basis.

Subsequent to the withdrawal of City Insurance's operating licence, the brokerage companies were warned of the cessation of insurance distribution for this insurance company. At the same time, brokerage companies were told to consider informing their clients/potential high-risk clients of the BAAR procedure to be followed in such situations.

Also, in 2021, an assessment was carried out on the collaboration of brokerage companies with other entities accredited to conclude guarantee contracts, in the context of the decrease in intermediation in the guarantee insurance class due to the bankruptcy of City Insurance.

As in previous years, an assessment of the distribution of insurance products by brokerage companies through the online environment was carried out and a slight increase was observed (also given the context induced by the COVID-19 pandemic).

At the same time, in order to protect the interests of clients/potential insurance clients, brokerage companies were requested to comply with the legal framework and to include in their policies provisions on the recruitment and selection of staff involved in the distribution activity.

### Control activity (on-site supervision) of brokerage companies

The control activity of brokerage companies was reviewed and adapted throughout the year following the maintenance of the alert status generated by the COVID-19 pandemic. Thus, regular control actions have been planned for six brokerage companies for 2021. Due to the measures imposed in order to prevent and limit the effects of the pandemic, control actions were carried out both at the brokerage companies' premises and remotely, with a longer duration of control actions being considered.

The situation of sanctions issued in 2019-2021 is as follows:

Sanctions applied		2019	2020*	2021
Contravention fine	Number	3	0	5
	Amount	20,000 lei	0	125,740 lei
Written warning		2	0	1
<b>Total sanctions</b>		<b>5</b>	<b>0</b>	<b>6</b>

*\* For 3 brokerage companies, periodic control actions were carried out in 2020, but the decisions to impose fines were issued in 2021, the amount being 110,000 lei. Thus, their amount was included in the amount reported for 2021.*

At the same time, for 4 brokerage companies (3 in 2019 and one in 2020), in addition to sanctioning them with fines, action plans were also established for them, which were fully met.

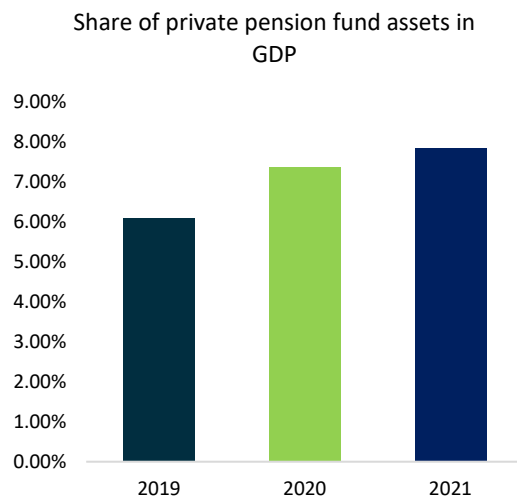
The main deficiencies found in the control activity were:

- failure to comply with the legal provisions on maintaining/updating the register of staff responsible for insurance distribution activity;
- failure to comply with the legal provisions on pre-contractual information, consultancy and conflicts of interest;
- failure to comply with legal provisions on professional training;
- failure to comply with the legal provisions on bookkeeping.

#### 4.4. Supervision of the private pension sector

##### Entities in the private pension sector supervised by ASF in 2021

- 10 managers
- 17 private pension funds, of which:
  - a. 7 privately managed pension funds (Pillar II);
  - b. 10 voluntary pension funds (Pillar III);
- 4 depositaries (2 depositaries approved for occupational pension funds);
- 45 legal entity marketers;
- 9,551 marketing agents individuals;
- 9 specialised legal entities;
- Private Pension Rights Guarantee Fund (PPRGF).



No. of participants	2019	2020	2021
Pillar II participants (million people)	7.46	7.63	7.79
Pillar III participants	501,124	527,336	546,497

#### 4.4.1. Supervision of the private pension system

The main activities carried out by ASF in the field of supervision of the private pension system sector in 2021 were aimed at achieving the objective of verifying the compliance of reporting entities with transparency obligations, the objective of identifying, monitoring, assessing and mitigating the main risks to which the private pension system is exposed and the objective of supervising/monitoring changes in acts, information and data having an impact on the functioning of administrators and managed funds.

These activities mainly involved:

- verification of compliance by reporting entities<sup>13</sup> with reporting and transparency obligations as required by the legal provisions applicable to the private pension scheme. This activity involves monitoring the timely submission of reports by reporting entities, verifying the information reported to ensure compliance with the legal provisions in force;
- identification of the main risks to which the private pension system is exposed, by carrying out a monthly analysis on the evolution of the concentration ratio, the evolution of the private pension funds' returns, the liquidity risk, the interest rate risk, the currency risk and the evolution of the UNAV volatility of the private pension funds. In order to prepare this analysis, the corresponding calculations are carried out on a monthly basis and the results are centralised in order to identify the evolution of these risks;
- preparation of the administrator's file (xls., ppt., doc. format) by centralising for each administrator the information relating to shareholders, share capital, total assets, staff involved in the activity, number of participants, net transfers of participants, contributions paid to the PPRGF, assets covering the technical provision, liquidity, profitability, country and currency exposure, investment structure, management fees, etc.;
- assessment of the administrator's internal control system, which involves analysis of internal control reports, risk management reports, internal audit reports and the letter to management from the external auditor. The analysis of these reports shall include the quantitative and qualitative factors, the degree of coverage of the activities audited, the deficiencies identified and the impact on the administrator's own activities and on the pension fund administered, the manner of their correction/remediation and the extent to which they are within the deadline for their correction. A review of the financial auditors' reports is carried out annually;
- supervision/monitoring of changes in documents, information and data having an impact on the operation of the administrator and the managed funds, which involves the analysis of changes in documents, information and data, e.g. pension scheme prospectuses, membership documents, share capital, shareholding structure, etc;
- assessment of the working procedures of administrators and depositaries, in particular of new working procedures or changes to existing procedures of administrators/depositaries in order to comply with the legal provisions in force and to ensure the accuracy of the information provided;

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<sup>13</sup> Private pension fund managers reporting both on their own behalf and on behalf of managed pension funds, private pension fund custodians and the PPRGF

- analysing cases received from supervised entities in order to provide timely solutions and proposals in accordance with the legal provisions in force, as well as analysing the main implications at the level of the private pension scheme;
- draft of other reports, notifications, information on the activity of private pension funds, which involves: carrying out studies, analyses on the development of private pension funds, drafting proposals for amendments and improvements to the legislation in the field of private pensions; correspondence with the regulated entities on the information provided by them, monitoring and analysing the influence of legislative changes on the private pension system (e.g. contributions to privately managed pension funds, tax changes, etc.);
- aggregation of the data needed for the analysis of the main statistical data of the pension sector for publication on ASF website.

Optimisation of activities involves increasing the degree of automation of the processing of the information reported in the IT system in order to detect errors and risks in an optimised time and to provide easy processing of data. In this way, the analysis and drawing of preliminary conclusions based on the reports of supervised entities can be improved and made more efficient. Moreover, the risk of operational errors will be considerably reduced.

In view of the entry into force, from 1 January 2022, of *ASF Rule no. 19/2021 on reporting and transparency obligations in the private pension system*, from November until the end of 2021, IT systems for receiving new reports were developed and 119 test reports were submitted during this period.

#### 4.4.2. Risk-based supervision of the Romanian pension system

The application of risk-based supervision to the Romanian pension system involved the following activities in 2021:

- **Analysis, verification and monitoring of the solvency of private pension funds - core risks**

Core risks are risks whose materialization generates a loss affecting the guaranteed value of the participant and require compensation by reserves calculated according to the standard models provided by *ASF Rule no. 13/2012 on the actuarial calculation of the technical provision for privately managed pension funds, as amended*, issued in application of *Law no. 411/2004 on privately administered pension funds, republished, as amended and supplemented*, and *ASF Rule no. 26/2015 on the actuarial calculation of the technical provision for voluntary pension funds, as amended*, issued in application of *Law no. 204/2006 on voluntary pension funds, as amended and supplemented*, as well as actuarial principles and practices.

Thus, in order to ensure the efficient functioning of the private pension system, ASF has carried out the following activities:

- a) Analysis of actuarial reports submitted by private pension fund managers;
- b) Calculation of the technical provision according to the standard models provided by *ASF Rule no. 13/2012* and *ASF Rule no. 26/2015*;

- c) Calculation, analysis and annual monitoring of the main solvency and output indicators of the private pension system:
- the funding ratio;
  - contribution density;
  - the guaranteed value of the member's personal assets, the evolution of the probability value of expected future payments;
  - the probabilistic future value of the member's personal retirement assets;
  - the evolution of the future value of the fees received by private pension fund managers based on the participant portfolios;
  - the evolution of the probabilistic future value of the private pension fund;
  - the probabilistic future value of the pension;
  - evolution of the future value of the number of pensioners;
  - the probabilistic value of the pension replacement rate.
- d) The preparation of *Actuarial Valuation Reports* which represent an accurate and adequate assessment of the payment obligations of privately managed pension funds/voluntary pension funds which provide for guarantees in the pension scheme prospectus and of the technical provisions required by the administrators in order to cover the risks related to these payment obligations;
- e) Monitoring the situation of the accumulation of assets corresponding to the technical provision, i.e. monitoring and analysing the reports of the depositories and managers of private pension funds on the value of the assets held in the technical provision account.
- **Analysis, verification and monitoring of the solvency of private pension funds - residual core risks**

*Residual core risks* are the risks that remain after the core risks have been dealt with and represent the risks whose materialisation generates a loss that affects the guaranteed value of the participant and requires compensation by the reserves calculated in accordance with the standard model provided for in *ASF Rule no. 2/2013 on the actuarial calculation of the annual contribution due by the administrators of private pension funds to the Guarantee Fund for Rights in the Private Pension System, issued in application of Law no. 187/2011 on the establishment, organisation and operation of the Guarantee Fund for Rights in the Private Pension System.*

Thus, in order to ensure an efficient functioning of the private pension system, the following activities were carried out:

- Analysis of the *Actuarial Report* prepared by the Private Pension Rights Guarantee Fund (PPRGF) on the fund's needs and the annual contributions of private pension fund managers;
- preparation of the expert opinion on the minimum amount of the PPRGF's requirements and the minimum annual contributions of the private pension fund managers.

#### ▪ Calculation and verification of private pension fund rates of return

financial performance of each private pension fund. It is calculated and published monthly on the website of the Financial Supervisory Authority in order to inform participants in private pension funds and ensure transparency.

At the same time, it is both a comparative element of appreciation of private pension funds in terms of investment performance and an element of safety, given that the annualised rate of return is above the minimum rate of return of all private pension funds.

The Financial Supervisory Authority, as supervisor, also verifies the annualised rate of return calculated and reported quarterly by each private pension fund manager to ensure continuous monitoring.

Over the last three years, in the context of the supervision of the private pension system, ASF has imposed the following sanctions with a written warning:

- a sanction to a depositary authorised to carry out the activity of storage and custody of pension fund assets;
- a sanction to an administrator of privately managed pension funds;
- 3 sanctions were imposed on persons in the management structure of private pension fund managers.

**The sanctions and administrative measures applied in 2019-2021 are as follows:**

<b>Sanctions and administrative measures applied</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Plan of measures	-	-	-
Written warning	-	1	4
Contravention fine	-	-	-
<b>Total sanctions and administrative measures applied</b>	<b>-</b>	<b>1</b>	<b>4</b>

#### 4.4.3. Private pension market supervision activity

The periodic control actions, carried out annually by the Supervisory Authority in accordance with the provisions of the *Government Emergency Ordinance no. 50/2005 on the establishment, organization and functioning of the Private Pension System Supervisory Commission*, aim at verifying and evaluating the activities carried out by the entities in the private pension system, taking into account the nature, cause, impact, remediation and/or mitigation of the related risks, in order to:

- protecting the interests of participants and beneficiaries of private pension funds (by ensuring the efficient functioning of the private pension system and ensuring that participants/beneficiaries have access to information);
- ensuring the sustainability and stability of the private pension system, by keeping the private pension fund market low risk.

In view of the main objectives, the control activity carried out is an activity developed on two components, compliance and risk, whereby:

- deviations from the legislation in force are identified. However, the control activity carried out is not limited to compliance checks carried out strictly for the purpose of identifying shortcomings, but has both a preventive and a remedial component;
- processes that may constitute risk factors are identified and recommendations to improve workflows and procedures in order to mitigate risks are made;
- the stability and efficient functioning of the Romanian private pension system is ensured and a low risk in the private pension fund market is maintained.

Potential risks and vulnerabilities, both individual and global, are thus detected early, carefully monitored and mitigated to an acceptable level.

In 2021, **17 inspection actions** were carried out, covering the activity carried out by:

- 5 private pension fund management companies (managing 5 privately managed pension funds and 6 voluntary pension funds);
- 2 privately managed pension fund management companies (managing 2 privately managed pension funds);
- 3 voluntary pension fund management companies (managing 4 voluntary pension funds);
- 4 depositaries of private pension fund assets (performing custody and safekeeping activities for 17 private pension funds);
- 2 intermediaries of private pension funds (covering the marketing activity carried out for 2 voluntary pension funds);
- Private Pension Rights Guarantee Fund.

The control 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, with a view to reducing these risks and preventing situations of non-compliance;
- identify possible deviations from the legislation in force and to request their correction;
- ensure, in a reasonable manner, that the overall activity of the entities involved in the private pension scheme is carried out properly.

Although the control activity carried out in 2021 was adapted to the conditions and needs imposed by the health crisis generated by the SARS-CoV-2 virus infection, the approved control plan for 2021 was fully implemented, with all regular control actions being carried out as planned and completed (including the issuance and communication of related Decisions) by 09.02.2022.



As a result of the checks and assessments carried out in 2021, no significant risks were identified in the activity of the entities involved in the private pension scheme, the main risk areas identified being the following:

Area of activity	Identified risks	Factors contributing to risks
<b>Corporate governance</b>		✓ human error, due to the large number of operations carried out, combined with staff turnover and the new way of working - teleworking;
<b>Participant operations</b>	Compliance risks	
	Operational risks	
<b>Reporting and transparency obligations</b>	Reputational risks	✓ incorrect implementation of processes and workflows;

**The control actions played an active role in remedying the deficiencies observed**, and most of the issues identified during the control actions were thus remedied during and as a result of the control actions.

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

- remedial measures were established by Decisions issued by ASF, with deadlines for implementation on a one-off or permanent basis;
- Private pension fund managers have undertaken to take the necessary corrective measures, setting firm deadlines for the implementation of these measures.

The following sanctions and administrative measures were applied as a result of control actions carried out in 2021:

- ➔ 9 action plans, including decisions issued to set deadlines for the measures taken by the controlled entities;
- ➔ 9 written warnings, of which 2 for the audited private pension intermediaries and 7 for persons in the management structure of private pension fund managers;
- ➔ a fine of 2,200 lei for a person in the management structure of a private pension fund manager.

No.	Entity category	Action plan	Written warning		Contravention fine	
			Company	Person in the management structure	Company	Person in the management structure
1.	Private pension fund management companies	5	-	3	-	-
2.	Privately managed pension fund management companies	2		2		1
3.	Voluntary pension fund management companies	2	-	2	-	-
4.	Depositories of private pension fund assets	-	-	-	-	-

5.	Private pension intermediaries	-	2	-	-	-
6.	Private Pension Rights Guarantee Fund	-	-	-	-	-
<b>Total sanctions and administrative measures applied</b>		<b>9</b>	<b>9</b>	<b>-</b>	<b>1</b>	

Note: The above situation includes sanctions and administrative measures applied in 2022 as a result of control actions carried out in 2021.

The sanctions and administrative measures applied in 2021 concern deficiencies mainly related to the process of updating the data of participants in the private pension scheme, including the annual information to participants. Isolated operational errors were also identified in relation to operational flows on the use of personal assets, but these were promptly remedied.

**The sanctions and administrative measures applied in 2019-2021 are as follows:**

<b>Sanctions and administrative measures applied</b>		<b>2019</b>	<b>2020</b>	<b>2021</b>
Action plan		6	5	9
Written warning		7	9	9
Contravention fine	number	1	3	1
	value	6,000 lei	7,500 lei	2,200 lei
<b>Total sanctions and administrative measures applied</b>		<b>14</b>	<b>17</b>	<b>19</b>

## 5. Regulation of non-bank financial markets

### 5.1. Integrated regulatory activity

Integrated regulation is the essence of collaboration and a strategic and unified approach to regulation at institutional level to achieve the objective of ensuring the stability of non-bank financial markets. Integrated regulation is ASF's attribute to contribute to the building and development of stable, orderly and safe non-bank financial markets for consumers by ensuring regulatory convergence in these markets, while also ensuring institutional capacity building through cross-sectoral regulatory convergence actions.

Integrated regulatory activity takes the form of the issuance of integrated regulatory acts resulting in the harmonisation of legislation relating to non-bank financial markets. Its scope also includes the analysis of draft regulatory acts issued by other authorities, institutions, which have an impact on the activity of ASF and regulated entities, as well as those that may influence financial strategy and stability.

Through the integrated regulatory activity carried out, which has a significant weight in ASF, the strategic objectives of ASF contained in the strategic documents are constantly pursued.

In 2021, in order to achieve the objective of ensuring cross-sectoral convergence and updating the integrated regulatory framework, 6 regulatory acts of an integrated nature were submitted for public consultation and subsequently published in the Official Journal of Romania.

The integrated regulations, impacting on the proper functioning of regulated entities, issued in 2021, covered important activities at the level of ASF, such as:

- ✓ Issuance of new regulations on updating the legal framework for the conduct of supervisory activity carried out at the level of the authority, in terms of periodic and unannounced control actions, as well as continuous monitoring and supervision activities (permanent control);
- ✓ completion/amendment of the regulatory acts governing the management of operational risks generated by the IT systems used;
- ✓ update and strengthen the regulatory framework applicable to revenues that constitute ASF's own sources of funding;
- ✓ amend/complete the legal framework on the assessment and approval of members of the management structure and key persons in entities regulated by ASF;
- ✓ issuing a regulation on how to submit reports and other documents electronically to the Authority.

In addition to the activity on the issuance of integrated legislation that is subject to internal and public consultation, activity is also carried out at the integrated level on the analysis of EU directives and guidelines issued by the European Supervisory Authorities (ESMA, EIOPA, EBA), as well as analysis and views on sectoral legislative proposals. In this context, during 2021, the guidelines issued by the European supervisory authorities with a bearing on integrated regulation were followed up, thus contributing to ensuring the strengthening of the integrated legal framework at the level of ASF.

At the same time, due to its specificity, the integrated regulatory activity also contributes to the monitoring of the European regulatory framework with regard to the strategic priorities of the European Commission and to the issues related to the important European-level directions in the area of digital finance.

## 5.2. Regulatory activity in the financial instruments and investment sector

The alignment of national legislation relating to non-bank financial markets with European legislation and standards, with the aim of simplifying and harmonising primary and secondary legislation so that they lead to the proper and sound functioning of the markets for the purposes of financial stability, is a broad, ongoing process of reviewing, amending and supplementing legislative provisions in order to strengthen and create a harmonised regulatory framework and to eliminate deficiencies in the functioning and transparency of financial markets.

A relevant component within this objective is related to simplifying the regulatory framework and ensuring cross-sectoral convergence by aiming, where possible, at a single set of rules applicable to all entities regulated and supervised by ASF.

Supervisory and legislative convergence work is a collective effort of all supervisory sectors to achieve a high, efficient and consistent level of performance across the institution.

In 2021, ASF continued its strategy to update and revise the capital market legislation in order to adapt it to the European legislation, which is also in a continuous dynamic process, as well as to regulate aspects related to the promotion of confidence in the Romanian capital market and in investments in financial instruments, to ensure the stability of competitiveness and the proper functioning of the capital market, including the protection of operators and investors against unfair, abusive and fraudulent practices.

### TECHNICAL OPINIONS ON PRIMARY LEGISLATION

<b><i>Law no. 88/2021 on the Investor Compensation Fund</i></b> , published in the Official Gazette of Romania, Part I, no. 420 of 21 April 2021	The law aims to amend the regulatory framework and change the legal status of the Investor Compensation Fund by transforming it from a joint-stock company into a legal person governed by public law, similar to the organisation and functioning of the Policyholders' Guarantee Fund, the Private Pension Rights Guarantee Fund and the Bank Deposit Guarantee Fund.
<b><i>Law no. 319/2021 amending and supplementing Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy</i></b> was published in the Official Gazette of Romania, Part I, no. 1247 of 30 December 2021.	<i>Law no. 319/2021</i> was drafted by the BNR and supplemented by ASF with provisions applicable to investment firms, in the context of the transposition process of <i>Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 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</i> .
<b><i>Law no. 320/2021 amending and supplementing Law no. 312/2015 on the recovery and resolution of credit institutions and investment firms, as well as amending and supplementing certain</i></b>	<i>Law no. 320/2021</i> was drafted by the BNR and supplemented by ASF with provisions applicable to investment firms, in the context of the transposition of <i>Directive (EU) 2019/879 amending Directive 2014/59/EU as regards the loss-absorbency and recapitalisation</i>

<p><b>regulatory acts in the financial sector, and amending and supplementing certain regulatory acts in the financial sector</b> was published in the Official Gazette of Romania, Part I, no. 1256 of 31 December 2021.</p>	<p><i>capacity of credit institutions and investment firms and Directive 98/26/EC.</i></p>
<p><b>Draft law amending and supplementing Law no. 126/2018 on markets in financial instruments to transpose the provisions of European directives amending Directive 2014/65/EU - MiFID II (Directive (EU) 2019/2177, Directive (EU) 2020/1504 and Directive (EU) 2021/338)</b></p>	<p>In 2021, the draft law amending and supplementing Law no. 126/2018 on markets in financial instruments was amended and revised following comments from the Ministry of Foreign Affairs and the Ministry of Justice.</p>
<p><b>Draft law implementing Regulation (EU) 2020/1503 on European providers of business equity finance and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937</b></p>	<p><i>Regulation (EU) 2020/1503 on European business equity providers and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937</i> is part of the Capital Markets and Fintech Union Action Plans, aiming to create a single European regulatory framework allowing equity providers access to the entire single market through a single authorisation based on a single set of rules.</p> <p>The draft law aims to establish the measures to be adopted at national level to ensure the legal and institutional framework necessary for the implementation of <i>Regulation (EU) 2020/1503 on European providers of business equity finance and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937</i>.</p> <p>During 2021, the draft law prepared for the implementation of <i>Regulation (EU) 2019/1129</i> was amended and revised as a result of comments made on it during the inter-ministerial endorsement process and duly forwarded to the Ministry of Finance.</p>
<p><b>Draft law amending and supplementing Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as amending and supplementing Law no. 297/2004 on the capital market, amending and supplementing Law no. 74/2015 on alternative investment fund managers, as well as amending and supplementing Law no. 24/2017 on issuers of financial instruments and market operations</b></p>	<p>As the competent authority for the regulation, authorisation and supervision of UCIs and their managers, ASF has initiated the preparation of the draft law transposing into national law the provisions of <i>Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU as regards the cross-border distribution of investment undertakings (CBDF Directive)</i>.</p> <p>By transposing the provisions of the Directive, the draft law aims at regulating the cross-border distribution process of UCI (UCITS/AIFs) by eliminating or relaxing certain requirements for managers so as to make cross-border distribution of investment funds simpler and faster. Also new are the concepts of <i>withdrawal of notification for cross-border distribution of UCIs and pre-marketing for AIFs</i>.</p>

	<p>In addition to the transposition of the CBDF Directive, the draft law also introduces a series of amendments and additions to some regulatory acts affecting UCIs and issuers of securities (<i>GEO no. 32/2012, Law no. 74/2015 and Law no. 24/2017</i>), generated on the one hand by the need to include in the legislation provisions to regulate relevant dysfunctional aspects of the practice of authorisation and supervision by ASF of UCIs or issuers, and on the other hand by the dynamics and recent developments in the capital market.</p> <p>Following analysis of the proposals and comments received during the inter-institutional promotion and endorsement process carried out between September 2020 and December 2021, ASF sent a revised form of the draft law to the Ministry of Finance for further inter-institutional endorsement.</p>
<p><b><i>Draft law amending and supplementing Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, and amending and supplementing Law no. 297/2004 on the capital market</i></b></p>	<p>The draft law aims to transpose into national law the provisions of <i>Commission Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards sustainability risks and sustainability factors to be taken into account by undertakings for collective investment in transferable securities (UCITS)</i>, following its publication in the Official Journal of the EU (OJ L 277/141) on 2 August 2021.</p> <p><i>Directive (EU) 2021/1270</i> ensures consistency between <i>Regulation (EU) 2019/2088</i> and <i>Directive 2010/43/EU</i> in terms of sustainability risks and sustainability factors to be taken into account by undertakings for collective investment in transferable securities (UCITS), as well as to maintain a high standard of investor protection when identifying the types of conflicts of interest the existence of which may harm the interests of a UCITS.</p> <p>The draft law together with the explanatory memorandum was submitted by ASF to the Ministry of Finance on 02.12.2021 for assumption and initiation of the inter-ministerial approval process, and the draft law was published on the Ministry of Finance website for decision-making transparency on 08.02.2022. The draft law is currently undergoing the inter-ministerial endorsement process.</p>
<p><b><i>Draft law on the prudential supervision of financial investment services companies, as well as on the amendment and supplementation of certain regulatory acts</i></b></p>	<p>The draft law aims to transpose <i>Directive 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</i>. During 2021, the draft law was revised following comments submitted by the Ministry of Finance, the Ministry of Justice, the National Authority for the Supervision of Personal Data Processing, the Superior Council of Magistracy, the Ministry of</p>

	<p>Foreign Affairs, as well as comments received during the public consultation conducted by the Ministry of Finance, as legislative initiator.</p> <p>At the end of 2021 the draft law goes through the inter-institutional endorsement procedure</p>
<p><b><i>Draft law on the establishment of implementing measures for Regulation (EU) no. 2021/23, which aims to create the regulatory framework for the designation of the central counterparty resolution authority (CCP) and the competent ministry at national level, as well as to establish the sanctioning regime in case of infringement of Regulation (EU) no. 23/2021</i></b></p>	<p>In the context of the publication of <i>Regulation (EU) no. 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) 648/2012, (EU) no. 600/2014, (EU) no. 806/2014 and (EU) no. 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132</i>, the draft law on laying down implementing measures for <i>Regulation (EU) no. 2021/23</i> has been prepared.</p> <p>The draft law aims to create the regulatory framework for the designation of the resolution authority for central counterparties and the competent ministry at national level, as well as to establish the sanctioning regime in case of breach of <i>Regulation (EU) no. 23/2021</i>.</p> <p>The bill was submitted in December 2021 for promotion to the Ministry of Finance as the legislative initiator.</p>
<p><b><i>Draft law on covered bonds, as well as for the modification and completion of some normative acts in the financial field</i></b></p>	<p>This draft law aims to transpose at national level the provisions of <i>Directive (EU) 2019/2162 on covered bond issuance and public oversight of covered bonds and amending Directives 2009/65/EC and 2014/59/EU</i>.</p> <p>Thus, the draft law includes a number of aspects that are mainly related to the field of competence of the BNR, but it also includes provisions aimed at properly transposing the provisions of an article of <i>Directive (EU) 2019/2162 amending provisions of Directive 2009/65/EC (UCITS)</i>, transposed in <i>GEO 32/2012</i>, which are within the competence of ASF.</p> <p>During 2021, ASF made a number of comments on the provisions of the draft law related to its area of competence, which were forwarded to the Ministry of Finance for consideration in the interministerial approval process.</p>

## Secondary legislation

### a. Regulation

<p><b>ASF Regulation no. 5/2021</b> amending and supplementing Regulation no. 27/2010 on electronic supervision through reporting, approved by Order of the President of the National Securities Commission no. 100/2010, published in the Official Gazette of Romania, Part I no. 283 of 22 March 2021</p>	<p>The main amendments made by <i>ASF Regulation no. 5/2021</i> took into account:</p> <ul style="list-style-type: none"> <li>• the need to update <i>Regulation no. 27/2010</i>, taking into account new legislative changes, and the need to implement the ESEF reporting format for the annual reports of issuers whose securities are admitted to trading on a regulated market;</li> <li>• update the list of reports to be transmitted via the electronic reporting systems covered by <i>Regulation no. 27/2010</i> (e.g. SIR, SSER or ReSE);</li> <li>• inclusion of new categories of entities that have emerged in the legislation (e.g. AIFMs) for electronic reporting, in compliance with the provisions of <i>Regulation no. 27/2010</i>;</li> <li>• the obligation for issuers whose securities are admitted to trading or are traded, with their consent, on a multilateral trading facility or, where applicable, on an organised trading facility to submit reports to ASF electronically (via the CRS application);</li> <li>• details of the types of reports to be transmitted through each of the transmission channels covered by <i>Regulation no. 27/2010</i> (e.g. CRS, SRAS, ReSE, mailbox).</li> </ul>
<p><b>ASF Regulation no. 6/2021</b> amending and supplementing the Financial Supervisory Authority Regulation no. 7/2020 on the authorisation and operation of alternative investment funds, published in the Official Gazette, Part I no. 294 of 24 March 2021</p>	<p>The Regulation mainly addresses the following issues:</p> <ul style="list-style-type: none"> <li>• clarifications related to the inclusion of provisions in total liabilities for the calculation of the monthly net asset value (NAV) (how to calculate the NAV in the case of collective investment undertakings of the AIFIR type established by instruments of incorporation);</li> <li>• amendment of Annex no. 10 to <i>ASF Regulation no. 7/2020</i>;</li> <li>• Clarifying additions for the application of the requirements of Article 32 para. (1) of Law no. 243/2019 on the regulation of alternative investment funds and for the amendment and completion of certain regulatory acts, in the case of CIUs established prior to the entry into force of this law.</li> </ul>
<p><b>ASF Regulation no. 7/2021</b> on the obligation for issuers whose securities are admitted to trading on a regulated market to prepare annual financial reports in the single electronic reporting</p>	<p><i>ASF Regulation no. 7/2021</i> has been developed in the context of the adoption at European level of Regulation (EU) 2021/337 of the European Parliament and of the Council of 16 February 2021 amending Regulation (EU) 2017/1129 as regards the EU recovery prospectus and specific adjustments for financial intermediaries and Directive 2004/109/EC as regards the use of the single</p>



<p><i>format</i>, published in the Official Gazette, Part I no. 295 of 24 March 2021</p>	<p><i>electronic reporting format for annual financial reports to support the recovery from the COVID-19 crisis.</i></p> <p>Under the amendments made to <i>Directive 2004/109/EC</i> by <i>Regulation (EU) no. 2021/337</i>, Member States were given the possibility to allow issuers to postpone the application of the requirement to prepare annual financial reports in the single electronic reporting format (ESEF).</p> <p>Thus, <i>ASF Regulation no. 7/2021</i> established that issuers whose securities are admitted to trading on a regulated market are required to prepare and publish annual financial reports in the single electronic reporting format, starting with reports for financial years beginning on or after 1 January 2021, and that they may prepare and publish annual financial reports in this format for the financial year 2020.</p>
<p><b><i>ASF Regulation no. 9/2021</i></b> amending and supplementing <i>Regulation no. 3/2006 on the authorisation, organisation and operation of the Investor Compensation Fund</i>, published in the Official Gazette, Part I no. 457 of 29 April 2021</p>	<p>In view of the need to ensure a balance between the resources required to achieve the Fund's purpose of providing compensation to investors in situations regulated by law, on the one hand, and the ability of its members to pay contributions, on the other, ASF has identified the need to amend the provisions of Article 22 of <i>Regulation no. 3/2006</i>, in conjunction with the introduction of additional measures in Article 23, leading to the collection of sufficient financial resources in the event that the intervention of the Compensation Fund is necessary, taking into account the need to ensure sustainability and financial stability at the level of market participants.</p>
<p><b><i>ASF Regulation no. 11/2021</i></b> amending and supplementing the <i>Financial Supervisory Authority Regulation no. 10/2015 on the management of alternative investment funds</i>, published in the Official Gazette, Part I no. 780 of 12 August 2021</p>	<p>The main amendments and additions to <i>ASF Regulation no. 10/2015</i> made by <i>ASF Regulation no. 11/2021</i> concern:</p> <ul style="list-style-type: none"> <li>■ clarification of the authorisation process for self-administered AIF;</li> <li>■ removal of the obligation for registered AIFMs to prepare and submit to ASF procedures, similar to AIFMs authorised under the provisions of <i>Law no. 74/2015</i>;</li> <li>■ removal of the obligation for registered AIFMs to have a compliance officer and a risk manager;</li> <li>■ the documents and information required to be submitted to ASF for registration in accordance with the provisions of Art. 2 para. (3) of <i>Law no. 74/2015</i>;</li> <li>■ the possibility of submitting the necessary documentation in electronic format.</li> </ul>
<p><b><i>ASF Regulation no. 13/2021</i></b> amending and supplementing the <i>Financial Supervisory Authority Regulation no. 5/2018</i></p>	<p>This regulation was mainly aimed at:</p> <ul style="list-style-type: none"> <li>■ harmonising and correlating the provisions of <i>ASF Regulation no. 5/2018</i> on public offers for sale and admission to trading on a</li> </ul>

<p><i>on issuers of financial instruments and market operations</i>, published in the Official Gazette, Part I no. 915 of 24 September 2021</p>	<p>regulated market as well as public takeover bids with the relevant provisions of <i>Law no. 24/2017</i>, as amended by <i>Law no. 158/2020</i>, respectively with the provisions of <i>Regulation (EU) no. 2017/1129</i><sup>14</sup> and the European regulations issued in connection with <i>Regulation (EU) no. 2017/1129</i>.</p> <ul style="list-style-type: none"> <li>■ harmonising and correlating the provisions of <i>ASF Regulation no. 5/2018</i> with the provisions of <i>Law no. 24/2017</i>, as amended by <i>Law no. 158/2020</i>, in the context of the transposition into national law of the provisions of <i>Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder involvement</i>.</li> </ul>
<p><b>ASF Regulation no. 14/2021</b> amending the <i>Financial Supervisory Authority Regulation no. 7/2020 on the authorisation and operation of alternative investment funds</i>, published in the Official Gazette, Part I no. 975 of 13 October 2021</p>	<p>The main purpose of the amendments was to better harmonise the provisions of Article 43(2) and (3). (1) with those of art. 179<sup>1</sup> of <i>ASF Regulation no. 9/2014 on the authorisation and operation of investment management companies, undertakings for collective investment in transferable securities and depositories of undertakings for collective investment in transferable securities</i>, the addition of art. 50 para. (1) with references related to Annexes 9 and 10 containing the reports on NAV and UNAV and the amendment to better standardise the deadlines for reporting and publication by entities of certain statements, as well as to streamline the supervisory process of Art. 50.</p>
<p><b>ASF Regulation no. 15/2021</b> on the use of the system of global accounts and the application of mechanisms without pre-emption of financial instruments, published in the Official Gazette, Part I no. 1057 of 4 November 2021</p>	<p>This Regulation finalised the amendment of the regulations on the use of the system of global accounts and the application of mechanisms without the prevalidation of financial instruments.</p>
<p><b>ASF Regulation no. 16/2021</b> on the creation, disclosure and enforcement of collateral, published in the Official Gazette, Part I no. 1057 of 4 November 2021</p>	<p>The Regulation is issued pursuant to the provisions of Articles 183-186 of <i>Law no. 126/2018</i> on markets in financial instruments, as amended and supplemented, and sets out how to create and enforce collateral over the relevant financial instruments or portfolios, as well as how to make public the collateral.</p> <p>The main issues covered by <i>ASF Regulation no. 16/2021</i> are the following:</p> <ul style="list-style-type: none"> <li>• the possibility to create collateral security both on the relevant financial instruments and on financial instruments constituted in a de</li> </ul>

<sup>14</sup> Regulation (EU) no. 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

	<p>facto universality deposited by their holder in a specific account opened with a FISC/credit institution (portfolios);</p> <ul style="list-style-type: none"> <li>• the minimum terms to be included by the parties in the security agreement;</li> <li>• indication of the rules governing the operation of a security interest and how it is to be evidenced by the transfer of financial instruments to the relevant accounts;</li> <li>• setting out the disclosure formalities to be carried out for the publicity of the security interest;</li> <li>• the manner in which the entry/registration of the mention of the security interest in the central publicity register shall be carried out by the operator of the central publicity register.</li> </ul>
<p><b>ASF Regulation no. 18/2021</b> on the procedure for the withdrawal of notifications made by undertakings for collective investment in transferable securities or managers of alternative investment funds in Romania or other Member States regarding the distribution of units, as well as on the procedure for the notification by managers of alternative investment funds in Romania or other Member States of pre-marketing activity, published in the Official Gazette, Part I, no. 1150 of 3 December 2021</p>	<p>This regulation has been drafted as a transitional rule, until the entry into force of the Draft Law amending and supplementing the <i>Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as amending and supplementing Law no. 297/2004 on the capital market, amending and supplementing Law no. 74/2015 on alternative investment fund managers, as well as amending and supplementing Law no. 24/2017 on issuers of financial instruments and market operations (CBDF Law)</i>, in order to regulate issues related to:</p> <ul style="list-style-type: none"> <li>• the procedure for withdrawing the notification made by UCITS and/or AIFMs from Romania and/or other Member States regarding the distribution of units;</li> <li>• the obligation to provide Romanian/other Member State investors with structures to ensure the performance of certain tasks;</li> <li>• the procedure for notification by AIFMs in Romania and/or other Member States of pre-marketing activity under the CBDF Directive.</li> </ul> <p>The provisions of <i>ASF Regulation no. 18/16.11.2021</i> ensured a partial transposition of the provisions of <i>Directive (EU) 2019/1160 of the European Parliament and of the Council of 20 June 2019 amending Directives 2009/65/EC and 2011/61/EU as regards the cross-border distribution of placement undertakings</i> (CBDF Directive) until the entry into force of the CBDF Law. After the entry into force of the CBDF Law, <i>ASF Regulation no. 18/2021</i> will be repealed.</p>

## b. Rules

<p><b>ASF Rule no. 7/2021</b> for the application of the <i>Guidelines on performance fees of UCITS and certain types of AIF</i>, published in the Official Gazette, Part I no. 346 of 5 April 2021</p>	<p>ESMA guidance on performance fees for UCITS and certain types of AIF (ESMA 34-39-992) implemented by this rule applies:</p> <ul style="list-style-type: none"> <li>■ competent authorities;</li> <li>■ investment management companies (IMCs);</li> <li>■ alternative investment fund managers (AIFMs) distributing units of the alternative investment funds (AIFs) they manage to retail investors in accordance with Article 43 of Directive 2011/61/EU on Alternative Investment Fund Managers and amending <i>Directives 2003/41/EC and 2009/65/EC and Regulations (EC) no. 1060/2009 and (EU) no. 1095/2010</i>, with the exception of closed-end AIFs or open-end AIFs which are European Venture Capital Funds (EuVECA) (or other types of venture capital AIFs), European Social Entrepreneurship Funds (EuSEF), private equity AIFs or real estate AIFs.</li> </ul> <p>The Guide contains provisions on performance fees for UCITS as well as for certain types of AIF.</p>
<p><b>ASF Rule no. 9/2021</b> for the application of the <i>Guidelines on disclosure requirements under the Prospectus Regulation</i>, published in the Official Gazette, Part I no. 578 of 8 June 2021</p>	<p><i>ASF Rule no. 9/2021</i> has taken over the provisions of the <i>ESMA Guidelines on disclosure requirements under the Prospectus Regulation</i> into national law.</p> <p>The purpose of the guide is to provide guidance to market participants on the assessment of the information to be provided under the Annexes to <i>Commission Delegated Regulation no. 2019/980</i> and to promote consistency across the European Union in how these Annexes are applied. The guidelines are addressed in particular to persons responsible for the prospectus and contain guidance to be followed by such persons when drawing up prospectuses.</p>
<p><b>ASF Rule no. 20/2021</b> for the application of the <i>ESMA Guideline on standardised procedures and messaging protocols pursuant to Article 6(2) of Regulation (EU) no. 909/2014</i>, published in the Official Journal, Part I no. 806 of 23 August 2021</p>	<p><i>ASF Rule no. 20/2021</i> has taken over the provisions of the <i>ESMA Guideline on standardised procedures and messaging protocols</i> in accordance with Article 6(2) of <i>Regulation (EU) no. 909/2014</i>.</p> <p>The guide applies to investment firms and the competent authorities of investment firms and details, in particular, the standardised procedures and messaging standards to be used to ensure compliance with the second subparagraph of Article 6(2) of</p>

	<i>Regulation (EU) no. 909/2014</i> , which refers to measures to prevent settlement fails. The Guidance requires investment firms authorised under Article 5 of <i>Directive 2014/65/EU</i> to put in place, where appropriate, measures to limit the number of settlement fails.
<b>ASF Rule no. 21/2021</b> for the application of the Guidelines on outsourcing to cloud service providers, published in the Official Gazette, Part I no. 869 of 10 September 2021	<i>ASF Rule no. 21/2021</i> requires entities falling within ASF - Financial Instruments and Investments Sector's scope of authorisation/approval/approval, regulation, supervision and oversight to review and amend existing commitments to outsource critical or important functions to the cloud in accordance with the ESMA Guidelines by 31 December 2022. If the review of cloud outsourcing commitments for critical or important functions is not completed by 31 December 2022, the rule proposes that entities should inform the ESMA of this, including the steps envisaged to complete the review or possible exit strategy as set out in Guideline 5 of the ESMA Guideline. Within five working days of the deadline (31 December 2022), entities should inform ASF of the issues.
<b>ASF Rule no. 27/2021</b> on the application of ESMA Guidance on reporting in accordance with Articles 4 and 12 of Regulation (EU) 2015/2365 on transparency of financial instrument financing transactions and on transparency of re-use, published in the Official Journal, Part I no. 908 of 22 September 2021.	The rule aims at clarifying some provisions of <i>Regulation (EU) no. 2365/2015</i> on transparency of financial instrument transactions and transparency of re-use (SFTR) in order to provide practical guidance on its implementation.
<b>ASF Rule no. 29/2021</b> on the amendment of the Financial Supervisory Authority Rule no. 13/2018 on the application of the European Securities and Markets Authority (ESMA) Guidelines on stress testing scenarios under Article 28 of Regulation (EU) No. 1.131/2017 on money-market funds, published in the Official Gazette, Part I, no. 1000 of 20 October 2021, and in the Official Gazette, Part I, no. 1000 Bis of 20.10.2021, the Annex to ASF Rule no. 29 of 7 October 2021 was published	<i>ASF Rule no. 29/2021</i> amends Article 1 and replaces the <i>Annex to ASF Rule no. 13/2018</i> .
<b>ASF Rule no. 30/2021</b> on the amendment of the Financial Supervisory Authority Rule	<i>ASF Rule no. 30/2021</i> amends <i>ASF Rule no. 39/2015</i> to remove the Investor Clearing Fund (ICF) from the category of entities

no. 39/2015 on the approval of the Accounting Regulations in compliance with International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector, published in the Official Gazette, Part I no. 1187 of 15 December 2021	authorised, regulated and supervised by ASF and to include separate references to the application of the provisions of ASF Rule no. 39/2015 also by the ICF as a legal person under public law. The amendments made were made as a result of Law no. 88/2021
<b>ASF Rule no. 31/2021</b> for the application of ESMA Guidance on Article 25 of Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) no. 1060/2009 and (EU) no. 1095/2010, published in the Official Journal, Part I no. 1079 of 11 November 2021	ASF Rule no. 31/2021 covers obligations for ASF to assess systemic leverage risk to the financial stability of AIFs and includes: a set of common minimum indicators to be considered by ASF when assessing systemic leverage risk, instructions for calculating these indicators based on the reporting data set out in Article 24 of the AIFMD and qualitative and quantitative descriptions on how to interpret the indicators.

### Analysis of regulations issued by capital market entities

During the reporting period, the requests for amendments/completions to the regulations of the Bursa de Valori București S.A., consisting of the BVB Code - Regulated Market Operator and the BVB Code - Multilateral Trading System, were analysed following the amendments requested by the latter.

As regards the BVB Code - Regulated Market Operator, the amendments were approved by *ASF Decision no. 279/01.03.2021*.

With regard to the BVB Code - MTF, the amendments were approved by issuing *ASF Decision no. 841/01.07.2021*.

Also, during the reporting period, following the analysis of the proposals to amend and supplement the Code of the Depozitarul Central S.A., the following decisions were issued:

- a) *ASF Decision no. 179/08.02.2021;*
- b) *ASF Decision no. 485/06.04.2021;*
- c) *ASF Decision no. 1418/10.11.2021.*

### 5.3. Regulatory activity in the insurance-reinsurance sector

The draft legislation developed, both secondary and primary legislation, and the guidelines and recommendations addressed to insurance and/or reinsurance companies and distributors are the main deliverables in the area of insurance regulation. At the same time, the regulatory activity also includes the provision of various views to individuals or legal entities or authorities addressing ASF on regulatory issues, as well as other actions to support supervisory activity.

In order to ensure firm and solid prerequisites for the development of the insurance market, the improvement of the regulatory framework continued in 2021, supporting the work to strengthen the applicable legal framework by approving contributions and views formulated for draft primary legislation throughout their legislative process.

At the same time, in order to ensure a comprehensive, stable and coherent legal framework in the field of insurance - reinsurance, by updating and consolidating primary and secondary legislation, as a result of the experience gained, according to the domestic and international context of the economic and financial environment, the regulatory activity included the development of draft secondary legislation, both according to the objectives and activities planned for 2021, and unplanned ones arising either as a result of changes at European level (legislation / EIOPA guidelines) or as a result of domestic requests.

Regulatory activity in 2021 was marked in particular by a number of important pieces of primary and secondary legislation drafted to improve the business of the insurance sector, but also as a result of the context created by Brexit, the City Insurance situation and the COVID-19 pandemic.

#### TECHNICAL OPINIONS ON PRIMARY LEGISLATION

<i>Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents</i>	ASF continued discussions to finalise amendments to the law. The drafts were mainly aimed at resolving Case 2018/4075, but also included provisions on direct settlement and Brexit.
<i>Law no. 260/2008 on compulsory insurance of dwellings against earthquakes, landslides and floods</i>	The draft law mainly aims at modifying the definition of natural disaster by introducing storms and referring to the establishment of a degree of severity, the possibility to issue co-insurance of PAD contracts, the possibility to issue multiannual contracts, the modification of the insurance premium by converting it from EUR to Lei, allowing local authorities' staff to issue PAD contracts, opening the PAID shareholding and other provisions to clarify the insurance obligation, the way of granting compensation and sanctions.

<p><i>Law no. 237/2015 on the authorisation and supervision of insurance and reinsurance activity and Law no. 236/2018 on insurance distribution</i></p>	<p>ASF has taken all the necessary steps to submit to the Ministry of Finance all the documents to promote this project and ensure full transposition of European legislation. The project mainly aims at transposing Art. 2 pt. 2 to 6 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)</i>, <i>Directive 2014/65/EU on markets in financial instruments</i> and <i>Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing</i>, Art. 2 of <i>Directive (EU) 2018/843 of the European Parliament and of the Council of 30 May 2018 amending Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing</i> and amending <i>Directives 2009/138/EC and 2013/36/EU</i>.</p>
<p><i>Law no. 213/2015 on the Guarantee Fund for Policyholders</i></p>	<p>ASF continued its activity on the draft law amending Law no. 213/2015 by analysing the documents received via the Ministry of Finance and submitting all the documents necessary to promote this project. The draft mainly aims at modifying the definition of the guarantee ceiling with express reference to the maximum level of guarantee for an insurance claim due under a contract, not on an insurance creditor, increasing the amount of the guarantee ceiling from 450.000 lei to 500.000 lei, as well as legislative adaptations with the provisions of <i>Law no. 237/2015</i>, <i>Law no. 246/2015</i>, <i>Law no. 503/2004</i> and <i>Law no. 85/2014</i>. The draft law has been transformed into a draft Emergency Ordinance, which has already been published in the Official Gazette.</p>

## Rules and regulations

<p><i>ASF Rule no. 1/2021 supplementing Article 3 of the Financial Supervisory Authority Rule no. 19/2015 on the application of International Financial Reporting Standards by insurance, insurance-reinsurance and reinsurance companies</i>, published in the Official Gazette, Part I no. 51 of 18 January 2021</p>	<p>The rule aims to exempt companies from preparing for disclosure purposes and filing individual annual financial statements in accordance with IFRS for the financial year 2020.</p>
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<p><i>ASF Rule no. 3/2021 amending the Financial Supervisory Authority Rule no. 28/2015 on the operation of supervised insurers under the national regime</i>, published in the Official Gazette, Part I no. 179 of 22 February 2021</p>	<p>The main purpose of the rule is to ensure a uniform approach to monitoring the liquidity of insurance companies authorised by ASF and, by implication, the same level of protection of the rights of policyholders and beneficiaries to the payment of compensation due under insurance contracts, regardless of the applicable supervisory regime.</p>
<p><i>ASF Rule no. 6/2021 amending the Financial Supervisory Authority Rule no. 21/2016 on reporting on insurance and/or reinsurance activity</i>, published in the Official Gazette, Part I no. 322 of 30 March 2021</p>	<p>Mainly, this rule deals with the calculation method for the liquidity indicator determined by taking into account the claims reserve at the level of the advised claims reserve and the extension by 3 months, i.e. until 30 September 2021, of the date by which compliance with the indicator has to be ensured in case of non-compliance with the requirement at the first reporting date.</p>
<p><i>ASF Rule no. 11/2021 approving the allocation keys for assets and liabilities, income and expenses that cannot be directly booked to the general insurance or life insurance business</i>, published in the Official Gazette, Part I no. 695 of 14 July 2021</p>	<p>The rule mainly covers the conditions for approving allocation keys, the documents that companies submit to ASF for approval, the deadlines for submission, the conditions for maintaining allocation keys.</p>
<p><i>ASF Rule no. 22/2021 on insurance distribution</i>, published in the Official Gazette, Part I no. 835 of 1 September 2021</p>	<p>The rule mainly aims to establish a proper way of receiving documents accompanying the application for registration for secondary intermediaries, within the framework of the companies' and prime intermediaries' own policies and procedures; replacing the requirement for a high school diploma with a graduation document; removing the requirement to submit an affidavit for secondary intermediaries; reducing the minimum period for proving professional experience for the chief executives of prime intermediaries; removing ASF approval for activities allowed for brokerage companies in addition to insurance distribution, except for the creation of insurance products in association with insurers; inclusion of insurance marketed electronically in the list of those for which advice is not mandatory; deletion of the proposal in the draft submitted for public consultation on the exemption of entities supervised by BNR and ASF, auxiliary agents, from the distribution of insurance products which are not in competition, for several insurers, in different classes; specific provisions for situations of simultaneous</p>

	vacancy of executive management and directors, approval of the memorandum of association of the main intermediaries and retention of approval for changes in share capital and shareholder structure.
<i>ASF Rule no. 23/2021 on the professional training of insurance and/or reinsurance distributors</i> , published in the Official Gazette, Part I no. 816 of 26 August 2021	The rule mainly concerns: introduction of concepts such as final examination, training certificate, ISF platform, continuous training cycle, delegation of new tasks to ISF, provision of training programmes, choice of programme provider by secondary intermediaries and employees of main intermediaries; possibility for companies to outsource the organisation of training programmes; introduction of the third type of examination, the final examination; introduction of the possibility for persons directly involved in the distribution business to change the category of distributor; carrying out training of persons holding executive management positions; adapting the continuing vocational training of agents and auxiliary assistants by means of programmes specific to the insurance products they distribute; structuring the continuing vocational training in modules and setting the duration of the modules at a minimum of 5 hours; allowing distributors to sit the final examination or to remain in the second cycle of vocational training; introduction of the possibility for vocational training programmes to be followed also in national minority languages; use of the e-Learning platform developed both internally and by other entities; certificates issued by the ISF, certificates of competence assessment remain valid until their expiry date, legislative adaptations.
<i>ASF Rule no. 25/2021 on the governance and security of information and communication technology systems</i> , published in the Official Gazette, Part I no. 877 of 13 September 2021	The rule mainly covers, in this context, management accountability, governance of ICT systems including outsourcing, risk management and ICT operations, cyber, technical, physical and ICT operations security, business continuity plans, cyber security monitoring and business continuity plans, and internal ICT systems development or procurement.
<i>ASF Rule no. 26/2021 on the activity carried out on the territory of Romania by insurers from third countries through branches</i> , published in the Official Gazette, Part I no. 892 of 17 September 2021	The rule is based, especially in terms of quantitative and reporting requirements, on the EIOPA Guideline on the supervision of branches of insurance companies in third countries and mainly addresses the conditions for authorisation and conduct of insurance business in Romania through branches, quantitative and qualitative requirements, reporting to ASF and transmission of information to contractors (Pillar I, Pillar II and Pillar III respectively of the Solvency II regulatory framework), detailing specific situations for withdrawal of

	authorisation, specific requirements in case of withdrawal of a Member State from the European Union.
<i>ASF Rule no. 32/2021 on security insurance</i> , published in the Official Gazette, Part I no. 1203 of 20 December 2021	The rule provides for the definition of the types of collateral, conditional and unconditional, and the conditions under which this activity may be carried out.
<i>ASF Regulation no. 17/2021 amending and supplementing the Financial Supervisory Authority Regulation no. 6/2017 on the National Protection Fund</i> , published in the Official Gazette of Romania, Part I no. 1006 of 21 October 2021	The Regulation provides for the possibility of reducing the National Protection Fund below the reference level in exceptional circumstances.

During the reporting period, the second set of Recommendations for insurance and reinsurance companies on certain measures to minimise the effects of the COVID-19 crisis for the year 2021 was prepared and submitted. The Recommendations, based on the recommendations issued by the ESRB, focused mainly on dividend distributions, firm commitments on dividend distributions, repurchases of common shares, payment of variable remuneration to persons who can assume risks on behalf of companies that have a significant impact on their risk profile, and the establishment of a conservative prudential threshold to be taken into account by companies when making the above decisions.

Also, during the reporting period, a questionnaire on critical functions identified by companies was developed and sent to companies in order to identify market practices on how to address the issue of identification and management of critical functions, with a view to issuing recommendations to ensure uniform implementation of the regulations in force.

At the same time, regarding the situation generated by the Brexit context, at the beginning of 2021, ASF approved the completion of the Romanian version of the Consumer Guide in the context of Brexit, developed by EIOPA, in order to bring clarifications regarding the notions of *cold call* and *British Overseas Territories*, both so that the Romanian consumers' warning regarding possible frauds can be fully understood by them, and for an easier identification of the respective territories.

**ASF actively participates in the European Commission/EIOPA Working Groups dealing with regulatory changes at European level. The main proposals for legislative changes are:**

➔ **Legislative proposal amending the Solvency II Directive (Directive 2009/138/EC)**

The objective of the review is to strengthen the contribution of European insurers to the financing of the recovery, making progress on the Capital Markets Union and channelling funds to the European Green

Pact. In the short term, up to around 90 billion EUR of capital could be released in the EU. This significant release of capital will help (re)insurers to step up their contribution as private investors to Europe's recovery from the COVID-19 pandemic. The amendments to the Solvency II Directive will be complemented later by delegated acts. Some key points of the revision package:

- The proposed changes will better protect consumers and ensure that insurance companies remain strong, even in difficult economic times;
- consumers ("policyholders") will be better informed about their insurer's financial situation;
- consumers will be better protected when buying insurance products in other Member States, thanks to improved cooperation between supervisory authorities;
- insurers will have an incentive to invest more in long-term capital for the benefit of the economy;
- insurers' financial soundness will take better account of certain risks, including climate-related risks, and be less sensitive to short-term market fluctuations;
- greater control will be exercised over the whole sector to prevent any threat to its stability.

➔ **Proposal for a Directive on the recovery and resolution of insurance companies**

The objective of the Directive on the recovery and resolution of insurance companies is to ensure better preparedness of insurers and the relevant EU authorities in the event of significant financial difficulties, i.e.:

- introduce a new orderly resolution process, which will better protect policyholders as well as the real economy, the financial system and ultimately taxpayers;
- ensure that national authorities are better prepared to deal with the insolvency of an insurance company;
- ensure coordination of actions between Member States - by setting up resolution colleges, supervisors and relevant resolution authorities will be able to take coordinated, prompt and decisive action to address problems arising in cross-border (re)insurance groups, ensuring the best possible outcome for policyholders and the economy at large.

The establishment of a unified framework on recovery and resolution at EU level bodes well, given that ASF has been applying a resolution framework since 2015, namely *Law no. 246/2015 on the recovery and resolution of insurers*, Romania being one of the first countries in the EU to adopt such a framework.

#### 5.4. Regulatory activity in the private pension sector

The state of development of the private pension fund market, the growth in the volume of assets, sectoral and cross-sectoral European regulatory developments, and the identification of participants' needs and expectations are the elements that have underpinned the development of the regulatory framework for private pensions.

During 2021, ASF has been working intensively to strengthen the legal framework applicable to the private pension system, both by contributing to all draft primary legislation and by drafting secondary regulations necessary for the smooth operation of all entities involved in the field.

The regulatory activity was aimed not only at updating the secondary regulatory framework as a result of legislative changes and the need to align it with the new requirements imposed by national legislation, but also at detailing the legal framework needed to regulate newly emerging situations and supplementing secondary legislation in the field of private pensions.

In 2021 ASF continued the series of contacts with representatives of the Association for Privately Administered Pensions in Romania (APAPR), aimed at identifying solutions to address the problems encountered in practice, with a view to amending the primary legislative framework in the field of private pensions, namely *Law no. 411/2004 on privately administered pension funds, republished, with subsequent amendments and additions*, and *Law no. 204/2006 on voluntary pensions, with subsequent amendments and additions*.

The information technology strategy and the modernisation of IT systems, taking into account the latest developments and trends in the field, is a priority for ASF and an essential requirement, not only to improve regulatory activities, but also to ensure high standards of professionalism and to keep pace with the technological advances benefiting the financial markets.

Digitalisation and financial innovation are evolving at an accelerating pace, changing and influencing business models, services offered, diversifying distribution channels, etc. For this reason, digitalisation, both at the level of ASF, supervised entities and consumers, becomes essential. At the level of financial institutions, an increasing number of entities are stepping up their efforts towards digital transformation and allocating considerable human and financial resources to this end, in order to adapt quickly to new challenges and to protect their business, employees and customers.

In this context, an important concern of ASF has been the **digitalisation of the private pension system in Romania**, by regulating the secondary level legal framework, which allows the implementation of digital technology, thus streamlining the entire activity of the system.

The accelerated development of technology in recent years and its impact on the financial market has led to the need to identify new communication alternatives within the Romanian private pension system. The process of digitalisation of the private pension system has aimed both at optimising the relationship of participants in privately managed pension funds (Pillar II) and voluntary pension funds (Pillar III) with fund administrators, in order to ensure faster communication and easier access to the private pension account, and between ASF and administrators.

Thus, in order for administrators of privately administered pension funds to have a legal basis for using the IT application that was developed at ASF level, through which it is facilitated to find out the membership of beneficiaries in a privately administered pension fund, ASF Rule no. 4/2021 was issued to amend the Financial Supervisory Authority Rule no. 27/2017 on the use of the net personal assets of the participant in a privately administered pension fund. This has facilitated the fulfilment of the obligations of administrators to verify the membership of beneficiaries in a privately administered pension fund, namely that of mutual transmission of information and by electronic means made available by ASF.

The next step is to initiate a wide-ranging process of amending and supplementing the rules governing the activities of joining participants in private pension funds, the use of net personal assets, the transfer of participants and marketing related to Pillar II and Pillar III, in order to introduce the use of qualified electronic signatures and to speed up the process of digitalisation of operations between administrators and participants.

ASF Rule no. 13/2021 for the amendment of the Financial Supervisory Authority Rule no. 1/2015 on the membership and record keeping of participants in privately managed pension funds and ASF Rule no. 14/2021 for the amendment and completion of the Financial Supervisory Authority Rule no. 18/2018 on the membership and record keeping of participants in voluntary pension funds, rules which contain provisions on allowing eligible persons to sign an individual act of membership also by means of a qualified electronic signature and the possibility of transmitting, in certain cases, documents also by electronic means of communication have been prepared, approved by ASF Council and published in the Official Gazette of Romania

Also, ASF Rule no. 12/2021 amending and supplementing the Financial Supervisory Authority Rule no. 28/2017 on the use of the net personal asset of the participant in a voluntary pension fund provides that participants who have reached the age of 60 years have the possibility, depending on their option, to submit the documentation required for the use of the net personal asset by electronic means, including through applications made available by the administrator, as well as a new way of signing the request for payment of the net personal asset, namely by means of *qualified electronic signature*.

ASF Rule no. 15/2021 amending and supplementing ASF Rule no. 14/2006 on the transfer of participants between voluntary pension funds and ASF Rule no. 16/2021 amending ASF Rule no. 26/2014 on the transfer of participants between privately administered pension funds provide for the possibility for participants wishing to transfer from one privately administered pension fund to another privately administered pension fund or from one voluntary pension fund to another voluntary pension fund to sign the individual membership act by means of a *qualified electronic signature*.

ASF Rule no. 17/2021 amending and supplementing the Financial Supervisory Authority's Rule no. 16/2013 on the marketing activity of the voluntary pension fund, approved by the Financial Supervisory Authority's Council Decision no. 64/2013 and ASF Rule no. 18/2021 amending and supplementing ASF's Rule no. 3/2013 on the marketing activity of the privately administered pension fund, approved by the Decision of the Private Pension System Supervisory Commission Council no. 5/2013 contain provisions on allowing eligible persons to sign an individual act of membership and by means of *qualified electronic signature*. At the same time, additions have been made to the deadlines for submitting documents in electronic format.

Also, through *ASF Rule no. 19/2021 on reporting and transparency obligations in the private pension system*, the reporting system applicable to administrators has been fully digitized, thus creating a solid and unified regulatory framework with the aim of strengthening supervisory mechanisms, for the effective protection of participants and for the provision of sufficient, adequate and relevant information to ASF and to the participants and beneficiaries of a private pension fund. This rule contains provisions for the introduction of new annexes to eliminate the transmission of documents in paper format (annual financial statements, half-yearly accounting reports, annual report, etc.), to be transmitted via the computerised reporting system (CRS).

By adopting these regulations applicable to Pillar II and Pillar III, ASF aimed to improve regulatory activity by creating the legal framework necessary to adapt the Romanian private pension system to the technological realities that characterise the financial markets.

Also, in order to provide useful information to all those interested in the concept, mechanism and benefits of occupational pensions, ASF has developed, in 2021, the material „Employer's Guide - Occupational Pension Schemes", to be published on its website. The employer is an important part in the construction of the occupational pension scheme, which requires guidance in the process of setting up an occupational pension scheme. The *Employer's Guide - Occupational Pension Schemes* contains a range of information on types of occupational pension schemes, occupational pension funds, their administrators, participants in a fund, their rights and obligations, issues relating to contributions, transfer of personal assets or termination of payments, and the role of ASF in regulating, authorising, supervising and controlling entities operating in this field.

## TECHNICAL OPINIONS ON PRIMARY LEGISLATION AND OTHER LEGISLATIVE INITIATIVES

<p><b><i>Order of the Ministry of Labour and Social Protection no. 585/2021 amending and supplementing the framework model of the individual employment contract set out in the Annex to Order of the Minister of Labour and Social Solidarity no. 64/2003</i></b></p>	<p>ASF collaborated with the Ministry of Labour and Social Protection (MMPS) with a view to introducing into the individual employment contract the employer's obligation to inform the employee of the obligation to join a privately administered pension fund, as provided for in <i>MMPS Order no. 585/2021 on the amendment and completion of the framework model of the individual employment contract</i>, set out in the Annex to the <i>Order of the Minister of Labour and Social Solidarity no. 64/2003</i>, published in the Official Gazette, Part I no. 712 of 19 July 2021. The aim is thus to increase the number of eligible persons who join a privately administered pension fund on their own initiative, while reducing the degree of random allocation.</p>
<p><b><i>Draft law implementing Regulation (EU) 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European personal pension product (PEPP)</i></b></p>	<p>ASF worked with the MMPS on the draft Law on the implementation of <i>Regulation (EU) no. 2019/1238 of the European Parliament and of the Council of 20 June 2019 on a pan-European personal pension product (PEPP)</i>, of certain provisions of <i>Regulation (EU) no. 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investments and amending Regulation (EU) 2019/2088, as well as amending and supplementing certain acts</i>.</p>
<p><b><i>Legislative proposal on the transfer of pension rights of officials and other servants of the European Union</i></b></p>	<p>ASF collaborated with the MMPS on the legislative proposal on the transfer of pension rights which is established by the provisions of the Staff Regulations of Officials of the European Communities and the Conditions of Employment of Other Servants of the European Communities established by <i>Council Regulation (EEC, Euratom, ECSC) no. 259/68 (OJ L 56, 4.3.1968)</i>, respectively <i>Government Emergency Ordinance no. 86/2021 on the transfer of pension rights of officials and other servants of the European Union</i>.</p>
<p><b><i>Proposal for a Directive on the reporting of sustainability information by companies</i></b></p>	<p>ASF has been working with the Ministry of Finance on the proposed Corporate Sustainability Reporting Directive (CSRD).</p>
<p><b><i>Legislative proposal to amend and supplement Law no. 227/2015 on the Tax Code</i></b></p>	<p>ASF collaborated with the General Secretariat of the Government on the legislative proposal to amend and supplement <i>Law no. 227/2015 on the Tax Code</i>, which aimed to grant tax incentives to occupational pension funds, similar to those granted to privately managed pension funds and voluntary pension funds.</p>



**I. Implementation of the occupational pension scheme - Legislative acts issued on the basis of Law no. 1/2020 on occupational pensions, as amended**

<p><b>ASF Rule no. 28/2021 supplementing Article 45 of the Financial Supervisory Authority Rule no. 13/2020 on the authorisation of occupational pension fund managers</b>, published in the Official Gazette of Romania, Part I no. 969 of 11 October 2021</p>	<p>ASF Rule no. 28/2021 includes provisions to the effect that, where persons have a valid authorisation for the functions they perform in private pension administrators, the decision authorising the management of occupational pension funds also authorises the conduct of occupational pension business by persons in the management structure and by those holding key positions, without the need for further individual assessment and authorisation.</p>
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**II. Legislation issued on the basis of Law no. 411/2004 on privately administered pension funds, republished, as amended and supplemented, and Law no. 204/2006 on voluntary pension funds, as amended and supplemented**

<p><b>ASF Rule no. 2/2021 amending and supplementing Rule no. 11/2011 on the investment and valuation of private pension fund assets</b>, published in the Official Gazette of Romania, Part I no. 130 of 08 February 2021</p>	<p>ASF Rule no. 2/2021 includes provisions on the amendment and completion of the definitions of investment grade, non-investment grade and passive deviation from rating requirements, the completion of the provisions of Art. 17 with the introduction of the possibility of investing in unrated corporate bonds and non-investment grade corporate bonds of Romanian issuers, the change of the date for determining the most relevant market in terms of liquidity and currency from 1 February to 1 April of the current year, the addition of Article 51 with the risk weight applicable to unrated corporate bonds of Romanian issuers.</p>
<p><b>ASF Rule no. 4/2021 amending the Financial Supervisory Authority Rule no. 27/2017 on the use of the net personal assets of the participant in a privately administered pension fund</b>, published in the Official Gazette of Romania, Part I no. 279 of 19 March 2021</p>	<p>ASF Rule no. 4/2021 contains provisions on supplementing the provisions of ASF Rule no. 27/2017, so that administrators have a legal basis for using the IT application that facilitates the determination of beneficiaries' membership of a pension fund via the IT application.</p>
<p><b>ASF Rule no. 8/2021 amending the Financial Supervisory Authority Rule no. 22/2020 on the temporary amendment of the maximum limit</b></p>	<p>ASF Rule no. 8/2021 extended the one-year period, established by ASF Rule no. 22/2020, allowing administrators to invest the assets of the private pension funds they manage in government bonds issued by the Romanian Ministry of Finance, by Member States of the European Union or belonging to the</p>

<p><b><i>applicable to investments of private pension funds in government bonds</i></b>, published in the Official Gazette of Romania, Part I no. 347 of 6 April 2021</p>	<p>European Economic Area, in a percentage that may exceed the 70% limit established by the regulations, <i>for another year</i>, with the conditions and exemptions established by ASF Rule no. 22/2020 remaining valid.</p>
<p><b><i>ASF Rule no. 12/2021 amending and supplementing the Financial Supervisory Authority Rule no. 28/2017 on the use of the net personal assets of the participant in an optional pension fund</i></b>, published in the Official Gazette of Romania, Part I no. 721 of 22 July 2021</p>	<p>ASF Rule no. 12/2021 contains provisions on completing the framework of secondary legislation, i.e. for a participant in a voluntary pension fund who has reached the age of 60 but does not meet one or both of the conditions laid down in Article 93(2) of ASF Regulation. (2) (b) and (c) of <i>Law no. 204/2006</i>, by introducing new ways of submitting documents related to the use of the net assets, which can be submitted to the administrator's office, sent to the administrator by postal services, including electronic mail addresses or by electronic means, including applications provided by the administrator, respectively introducing a new way of signing the request for payment of the net assets, by means of qualified electronic signature.</p>
<p><b><i>ASF Rule no. 13/2021 amending the Financial Supervisory Authority Rule no. 1/2015 on the membership and records of participants in privately managed pension funds</i></b>, published in the Official Gazette of Romania, Part I no. 711 of 19 July 2021</p>	<p>ASF Rule no. 13/2021 includes provisions on allowing eligible persons to sign an individual deed of membership also by means of a qualified electronic signature and the possibility for the participant to send a copy of the identity document to the employer and the administrator also by electronic means of communication.</p>
<p><b><i>ASF Rule no. 14/2021 amending and supplementing the Financial Supervisory Authority's Rule no. 18/2018 on the membership and registration of participants in voluntary pension funds</i></b>, published in the Official Gazette of Romania, Part I no. 710 of 19 July 2021</p>	<p>ASF Rule no. 14/2021 includes provisions on allowing eligible persons to sign an individual deed of membership also by means of a qualified electronic signature, as well as the possibility for the participant to send a copy of the identity document to the employer and administrator also by electronic means of communication.</p>
<p><b><i>ASF Rule no. 15/2021 amending and supplementing Rule no. 14/2006 on the transfer of participants between voluntary pension funds, approved by the Decision of the Private Pension Supervisory Commission no.</i></b></p>	<p>ASF Rule no. 15/2021 includes provisions on allowing participants wishing to transfer to another voluntary pension fund to sign the individual membership deed also by means of a qualified electronic signature and amending certain provisions on the deadlines for carrying out certain activities in the transfer process in order to harmonise them with the deadlines for the same types of activities laid down in the provisions on the transfer of participants in the privately administered pension scheme.</p>

<b>26/2006</b> , published in the Official Gazette of Romania, Part I no. 695 of 14 July 2021	
<b>ASF Rule no. 16/2021 amending the Financial Supervisory Authority Rule no. 26/2014 on the transfer of participants between privately administered pension funds</b> , published in the Official Gazette of Romania, Part I no. 695 of 14 July 2021	ASF Rule no. 16/2021 includes provisions on allowing participants wishing to transfer to another privately administered pension fund to sign the individual membership deed also by means of a qualified electronic signature, i.e. amending certain provisions on the deadlines for carrying out certain activities in the transfer process in order to harmonise them with the deadlines for the same types of activities laid down in the provisions on the transfer of participants in the voluntary pension scheme.
<b>ASF Rule no. 17/2021 amending and supplementing the Financial Supervisory Authority Rule no. 16/2013 on the marketing activity of the voluntary pension fund, approved by the Financial Supervisory Authority Council Decision no. 64/2013</b> , published in the Official Gazette of Romania, Part I no. 697 of 14 July 2021	ASF Rule no. 17/2021 includes provisions on allowing eligible persons to sign an individual deed of membership also by means of a qualified electronic signature and additions regarding the deadlines for submitting documents electronically, as well as changes to the re-registration process for individual marketers.
<b>ASF Rule no. 18/2021 amending and supplementing Rule no. 3/2013 on the marketing activity of the privately administered pension fund, approved by the Decision of the Council of the Private Pension Supervisory Commission no. 5/2013</b> , published in the Official Gazette of Romania, Part I no. 730 of 26 July 2021	ASF Rule no. 18/2021 includes provisions on allowing eligible persons to sign an individual deed of accession also by means of a qualified electronic signature, additions regarding the deadlines for submitting documents in electronic format, as well as changes to the re-registration process for individual marketers.
<b>ASF Rule no. 19/2021 on reporting and transparency obligations in the private pension system</b> , published in the Official Gazette of Romania, Part I no. 880 of 14 September 2021	ASF Rule no. 19/2021 contains provisions on the detailing of reporting and transparency obligations defined by primary and secondary legislation in the field of privately managed pension funds and voluntary pension funds by introducing new asset codes following the amendment of <i>Rule no. 11/2011 on the investment and valuation of private pension fund assets, as amended and supplemented</i> , the introduction of new annexes in order to maintain the unity of reporting and to eliminate the transmission of some documents in printed

	format, i.e. annual financial statements and half-yearly accounting reports, as well as the annual report, the implementation of a standard format for the naming of files transmitted via the computerised reporting system (CRS) for all annexes and a simplified form of all completion instructions.
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### III. Update of accounting regulations for entities authorised, regulated and supervised by ASF in the field of private pensions

<p><b><i>ASF Rule no. 5/2021 supplementing the Financial Supervisory Authority's Rule no. 14/2015 on accounting regulations in compliance with European directives applicable to the private pension scheme,</i></b> published in the Official Gazette of Romania, Part I no. 324 of 31 March 2021</p>	<p><i>ASF Rule no. 5/2021</i> contains provisions on updating the provisions on depreciation expenses in the private pension scheme, regulated by <i>ASF Rule no. 14/2015</i> in accordance with <i>MFP Order no. 2206/2020</i>. Thus, entities that decide to switch from the revaluation method to the cost method for tangible fixed assets will determine the depreciation expense on the basis of the value of the asset, corrected by the adjustments required by the change in that accounting policy, and the depreciation of fixed assets is neither interrupted nor reduced during the period of non-use.</p>
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## 6. Authorisation - approval activity

### 6.1. Authorisation/Approval in the financial instruments and investment sector

A notable aspect of the activity of the licensing segment in the field of financial instruments and investments is the move to digitalisation. Thus, in the course of 2021, a portal dedicated to the authorisation area <https://autorizari.asfromania.ro>. This portal was initiated and became operational in order to facilitate the operation of submitting applications for authorisation/withdrawal of authorisation as well as notifications. In this way, the Authority has come to the support of authorised, regulated and supervised entities in order to deal swiftly, efficiently and transparently with the requests received, while facilitating the document submission flows required by the legal framework in force and, implicitly, shortening the time for the processing of applications.

During 2021, ASF carried out numerous activities related to the endorsement and approval of various aspects related to the operation of entities operating within the Financial Instruments and Investments Sector.

Continuously pursuing the strategic objectives of ASF regarding the prevention-based approach, in accordance with the legal provisions in force, the Authority has attached particular importance to the assessment process of the management structures of regulated entities. Thus, an important component in the authorisation process carried out at the capital market level is based on the individual and collective verification and assessment of the suitability of the management structures as well as of the persons appointed in the key functions (compliance and risk management function) of the regulated entities.

With regard to the sphere of collective investment undertakings, in view of the legal regulations that established the obligation for entities to align with their provisions, during 2021 the process of authorisation as alternative investment funds (AIFs) of some CIUs continued, following the alignment of their documents with the provisions of *Law no. 243/2019 on the regulation of alternative investment funds and for the amendment and completion of certain regulatory acts, as well as ASF Regulation no. 7/2020 on the authorisation and operation of alternative investment funds*.

During 2021, an activity with an impact on the collective investment undertaking sector was the implementation of the provisions of the *EU Regulation no. 2088/2019 on sustainability disclosures in the financial services sector*, whereby the process of compliance of investment management companies/managers of alternative investment funds with the new legislative requirements was started, including the appropriate adaptation by ASF of the documents of managed collective investment undertakings and their authorisation.

At the same time, in view of the entry into force of *ASF Rule no. 7/2021 for the application of the ESMA Guidelines on performance fees of UCITS and certain types of AIFs*, the entities' requests to align the documentation with these legal provisions were resolved.

Also during this year, relevant for the activity of alternative investment fund managers (AIFMs) were issues related to the amendment and completion of the provisions of *ASF Regulation no. 10/2015* on the registration procedure and operating conditions of registered AIFMs, in order to simplify the rules

applicable to AIFMs benefiting from the exemption from authorisation provided for by *Law no. 74/2015*. In this context, a marked increase in interest in registering such entities with ASF was noted, which is beneficial both for the development of the collective investment undertakings segment and the capital market in general.

With regard to institutions representing market infrastructure, the following events were recorded during 2021:

- *Investor Compensation Fund*: Following the entry into force of *Law no. 88/2021 on the Investor Compensation Fund*, the following were approved: the Articles of Association, the Rules of Organization and Operation, the non-executive and executive management structure, as well as the salary policy of the Fund's staff. The former company Fondul de compensare a investitorilor S.A. was also deregistered;
- *Bursa de Valori București* has registered 3 new benchmarks based on the provisions of *Regulation (EU) no. 2016/1011* and the European regulations issued in its application;
- *Central Counterparty CCP.RO*: The Authority provided the operational framework for the ex-ante discussion and review of the documentation required for the authorisation of a National Central Counterparty as required by EMIR.

The main authorisation operations carried out by ASF during 2021 relating to capital market entities were:

Operations carried out by ASF in the field of authorisation/approval	Number of applications granted
<b>Intermediaries in Romania (Financial Investment Service Companies - FISC - and Credit Institutions)</b>	
suspension, on request, of the operating license of a FISC	1
suspension, as a sanction, of the operating license of a FISC	1
approval of the establishment and management of an OTS	1
withdrawal of the operating license of a FISC	1
updating the scope of activity of the FISC	1
authorisation to increase/reduce share capital	2
restriction of the scope of activity of the FISC	1
extension of the suspension of the operating license	1
change of registered office	3
rejection of a request for approval of an acquisition project	1
<b>B. Staff of intermediaries in Romania</b>	
authorisation of administrators	24
authorisation of directors	10
authorisation of key compliance position	2
withdrawal of key compliance position authorisation	3
authorisation of key position risk manager	7
withdrawal of authorisation of key risk manager position	4
registration of authorised agents	147
deletion of delegated agents	22
deregistration of natural persons providing consultancy services	27
registration of natural persons providing consultancy services	9

<b>C. Other entities</b>	
<b>Registration of legal entity appraiser</b>	1
<b>Authorisation of investment consultants</b>	5
During 2021, the documentation related to 3,134 notifications made by the FISCs/Credit Institutions regarding staff providing information on financial instruments, investment services or ancillary services on behalf of the FISCs or credit institutions, in accordance with the provisions of Article 87 para. (1) of Law no. 126/2018 on markets in financial instruments and ASF/BNR Regulation no. 14/7/2018 on the provision of investment services and activities on behalf of financial services companies and credit institutions.	
<b>D. Collective investment schemes (undertakings for collective investment in transferable securities - UCITS - and alternative investment funds - AIF)</b>	
UCITS authorisations	2
withdrawals of UCITS authorisations	2
AIF authorisations	28
withdrawal of OCIU (other collective investment undertakings) registration	1
approval of amendments to UCITS documents	112
approval of amendments to AIF documents	1
UCITS merger	2
approval of amendments to Fondul Proprietatea S.A. custody agreement	1
approval of amendments to the memorandum of association of Fondul Proprietatea S.A.	3
approval of changes to the registered office of Fondul Proprietatea S.A.	1
authorisation of amendments to the articles of association of financial investment companies (FICs) - decrease in share capital, change of name, other	5
<b>E. Investment management companies (IMCs) and alternative investment fund managers (AIFMs)</b>	
authorisations as AIFMs	1
approvals for registration as an AIFM	2
withdrawals of AIF operating license	2
withdrawals of AIFM operating license	1
deregistration of registered AIFMs	1
share capital increases AIF	2
authorisation of administrators (change of composition and renewal of mandates)	36
authorisation of directors (change of composition and renewal of mandates)	16
rejection of approval of members of the management structure	1
withdrawal of approval granted to members of the management structure	1
approval of change of registered office	1
approval of the closure of a secondary office	1
authorisation of persons in the key position of compliance officer	2
withdrawal of approval of persons in key compliance function	4
authorisation of persons in the key risk management function	2
withdrawal of approval of persons in the key risk management function	2
endorsement of investments in third countries	6
endorsement of replacement of a UCITS management company	1
withdrawal of a distributor of units	1
<b>F. Financial auditors</b>	

opinions extending by 2 years the maximum audit periods of 5 consecutive years for regulated entities	25
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### Free movement of services

Capital market activity conducted at European level has generally maintained the same fluctuating trend which has been influenced by the notifications submitted to ASF by the competent authorities of the Member States under the provisions of *Directive 65/2014/EU (MiFID II)*, *EU Regulation no. 2382/2017* and *EU Regulation no. 1018/2017*, respectively the provisions of *Directive 2011/61/EU*, *Directive 2009/65/EU* and *Regulation (EU) no. 584/2010*, *Regulation (EU) no. 231/2013*, *Regulation (EU) no. 345/2013* and *Regulation (EU) no. 346/2013*.

One noteworthy aspect is the registration in ASF Register of a number of 139 delegated agents established on the territory of Romania by ING BANK N.V., based on the notification submitted by the competent authority of the Netherlands (AFM) pursuant to the provisions of Article 35 of *Directive 65/2014/EU on markets in financial instruments*.

In addition, following notifications by the competent authorities of other Member States in accordance with Article 34 (4) of *Directive 65/2014/EU*, ASF has updated the information recorded in the database on changes in contact details, as well as those relating to the legal representatives of the notified entities.

With regard to the free movement of services, during 2021, a number of individual acts (certificates and decisions) were issued concerning the entry/removal from the Public Register of entities in the Member States providing services under the free movement, i.e. the modification of the information initially notified, thus the following operations were carried out in ASF Register:

Entities	Registrations	Deregistrations	Amendments
Alternative investment fund managers from other Member States operating directly in Romania (AIFMS)	5	-	1
Alternative investment funds from other Member States whose units are distributed in Romania (AIFMS)	68	9	-
Investment management companies from other Member States (IMCMS)	3		
Investment companies from other Member States whose units are distributed in Romania (ICMS)	1		
Open-ended investment funds from other Member States whose units are distributed in Romania (OIFMD)	1	2	-
Sub-funds	7	3	2
Branches of alternative investment fund managers from other Member States operating in Romania (AIFMMS)	-	-	1
Investment firms from other Member States (ICMS)	46	24	5
Credit institutions from other Member States (CIMS)	3	1	5
Organised Trading System (OTF)	1	-	-

*Note: Please note that some sub-funds have also been renamed*



## 6.2. Authorisation/Approval in the insurance-reinsurance sector

In the activity carried out during 2021, the specific analysis for the prudential assessment of projects for the acquisition of holdings in insurance companies is predominantly highlighted, being noteworthy both their complexity and their significant number compared to other periods. It should also be noted that the insurance market has strengthened significantly as a result of numerous capital increases by insurance companies, which has allowed for an increase in business volume and an improvement in their indicators, particularly at the equity level.

The launch of the authorisation platform by ASF was a major step towards the digitalisation of operational processes across the board, allowing all authorised entities to submit any kind of application for approval online. In addition to the possibility of submission, the platform supports entities by structuring any potential requests, and contains the documents established by the current legal regulations, which allows them to submit requests much easier and faster.

During 2021, a total of 162 decisions and 29 opinions were issued as a result of the analyses and decisions of ASF management, of which we mention:

Operations carried out by ASF in the field of authorisation - Insurance companies	No. of decisions /approvals
significant shareholder approvals	2
director approval - member of the Council	1
approval of distribution keys	1
executive director approval	1
approval of deputy managing director for a new mandate	3
approvals of newly appointed or reappointed CEO	3
approval of share capital increase	10
approval of member or Chairman of the Council for a new term of office	17
approvals of member of the Supervisory Board, newly appointed or for a new mandate	7
approvals of member of the Executive Board, newly appointed or for a new term of office	2
member approvals - Chairman of the Supervisory Board for a new term of office	6
Member approvals - Chairman of the Executive Board	5
member approval - Vice-Chairman of the Supervisory Board for a new term of office	1
Member approvals - Vice-Chairman of the Executive Board, newly appointed or for a new term of office	2
approvals of the acquisition project	3
approvals rejection of acquisition project	2
approval of capital reduction	2
approvals for change of registered office	3
approvals for interviews	31
notifications from Member States for FOS/FOE activities on Romanian territory	32
notifications for key and critical functions (of which 8 key and 8 critical functions)	16

persons notified as compliance officers and SB/FT appointees (of which 3 notifications of appointment and revocation)	6
outsourcing of activities and functions	26
information on audit committees of insurers	3
approval of amendment to the Organisational and Operational Regulation of the Policyholder Guarantee Fund	1
approval of the amendment to the Matrix of management posts within the Policyholder Guarantee Fund	1
rejection of the request for approval of the draft Additional Act to the Collaboration Protocol	1
withdrawals of permission to carry out the activity of financial auditor for insurance and/or reinsurance companies regulated and supervised by ASF - IRS	2
withdrawal on request of the practice of MTPL	1

Operations carried out by ASF in the field of authorisation - Intermediaries	No. of decisions /approvals
opinions (damage surveyors, product developers)	29
notifications of intermediaries from EU member countries who have expressed their intention to conduct insurance business in Romania	225
approvals to complete the object of activity	3
approvals as lecturer	6
approvals to amend the articles of association	9
approval of amendment of secondary activity	1
approval to change identification data	1
approvals modification of the structure of associates	14
approvals of executive directors	15
approvals of administrator and executive officer	4
approvals concerning change of directors	16
approvals change of company name	3
approvals change of registered office	15
approvals as principal intermediary - brokerage company	2
rectification of material error	1
approvals of change in the field of CAEN code	3
approval of insurance education provider	1

### 6.3. Authorisation/Approval in the private pension sector

The authorisation - approval process comprises all the activities related to the verification of the fulfilment of the legal conditions relating to the authorisation, endorsement or withdrawal of authorisations or endorsements for entities/persons operating in the private pension system. It includes the analysis of notifications received from entities authorised to operate in the private pension scheme.

In 2021, the authorization/approval activity in the private pension system resulted in a total of 718 decisions and approvals issued by ASF, of which:

- 127 decisions and opinions on applications for authorisation/approval/withdrawal of authorisations/approvals of administrators, private pension funds within the private pension system, as well as amendments to the documents on which their authorisation/approval was based;
- 591 decisions and opinions on applications for authorisation/approval/renewal/withdrawal of authorisations/permissions of marketing agents, as well as amendments to the documents on which their authorisation/approval was based.

At the same time, a total of 581 notifications from private pension entities were processed in accordance with the legal regulations in force. Of these, 110 were notifications related to internal working procedures of administrators/depositaries.

The table below shows the number of individual acts issued as a result of the settlement of requests made by entities operating in the private pension market for 2021:

Operations carried out by ASF in the field of authorisation	Number of individual acts
<b>Decisions/permissions issued, of which:</b>	<b>127</b>
<b>A. Private Pension Fund Administrators</b>	<b>43</b>
<b>a) Authorisation/approval/rejection decision/notice for:</b>	<b>17</b>
- Member of the Council/Supervisory Board, respectively:	7
- <i>authorisation decision Member of the Council issued by the Private Pension Supervisory System;</i>	4
- <i>Decision on authorisation of the Member of the Council issued by the Reinsurance Insurance Sector, joint file;</i>	1
- <i>Decision authorising the Member of the Council issued by the Financial Investment Services Companies, joint file.</i>	2
- Managing Director/CEO/Member of the Executive Board	6
- person in charge of the internal control structure	2
- person in charge of the risk management structure	2
<b>b) Decision/amendment notice for:</b>	<b>26</b>
- amendment of the documents on the basis of which the private pension fund administrators were authorised (Memorandum and Articles of Association/Amendment of the share capital/ROF/Custody contract/Administration contract)	25
- extension of the period of 5 consecutive years of audit of the company by the financial auditor	1
<b>B. Private Managed Pension Funds</b>	<b>30</b>
<b>a) Amendment decision/notification for:</b>	

Operations carried out by ASF in the field of authorisation	Number of individual acts
- the documents on which the decisions to authorise privately managed pension funds were based (Investment Policy Statement)	8
- amendment of the private pension scheme prospectus	9
- amendment of the Individual Membership Deed	13
<b>C. Voluntary Pension Funds</b>	<b>52</b>
<b>a) Amendment decision/notification for:</b>	
- the documents on the basis of which the decisions authorising voluntary pension funds were obtained (Investment Policy Statement)	10
- amendment of the Prospectus of the voluntary pension scheme (prior and final approval)	28
- amendment of the Individual Membership Deed	14
<b>D. Depositories</b>	<b>1</b>
<b>a) Authorisation/approval decision/approval for:</b>	
- acting as depository of occupational pension fund assets	1
<b>E. Auditors</b>	<b>1</b>
<b>a) Authorisation/approval decision/approval for:</b>	
- carrying out the statutory audit of the annual financial statements for occupational pension funds	1

The table below shows the number of individual acts issued as a result of the settlement of applications made by entities carrying out **marketing activities for private pension funds**:

Operations carried out by ASF in the field of authorisation	Number of individual acts
<b>Total, of which:</b>	<b>591</b>
<b>A. Privately Administered Pensions</b>	<b>177</b>
<b>a) Notice for:</b>	<b>76</b>
- marketing agents individuals*	57
- re-registration of marketing agents individuals**	19
<b>b) Decision to withdraw authorisation/approval and removal from ASF Register:</b>	<b>101</b>
- Withdrawal of the marketing agent's authorisation	2
- Withdrawal of marketing agent's licence for individuals***	99

Note:

\* through the 57 approvals, 155 natural person marketers were endorsed

\*\* 45 natural person marketers were re-approved through the 19 opinions

\*\*\* through the 99 decisions, 1,396 natural person marketers had their approvals withdrawn

Operations carried out by ASF in the field of authorisation	Number of individual acts
<b>B. Voluntary funds</b>	<b>414</b>
<b>a) Approval for:</b>	<b>248</b>
- marketing agents legal entities	1
- amendment of the memorandum of association of the private pension broker	1
- marketing agents natural persons*	163
- re-registration of marketing agents natural persons**	83
<b>b) Decision rejecting the application for endorsement/reapproval of natural persons marketing agents***</b>	<b>5</b>
<b>c) Decision to rectify a clerical error</b>	<b>1</b>
<b>d) Decision of withdrawal and removal from ASF Register:</b>	<b>160</b>
- withdrawal of the marketing agent's licence - legal entity	1

Operations carried out by ASF in the field of authorisation	Number of individual acts
- Withdrawal of marketing agents notice for individuals****	159

Note:

- \* 1,781 natural person marketers were approved through the 163 approvals
- \*\* 457 natural person marketers were re-approved through 83 approvals
- \*\*\* through the 5 decisions, the applications for approval of 6 natural person marketers were rejected
- \*\*\*\* in 159 decisions, 2 056 natural person marketers had their approval withdrawn

#### 6.4. Inclusion of external IT auditors in ASF List

At the level of ASF, a series of requirements are established at the level of entities authorised/approved/registered, regulated and/or supervised by the Authority to identify, prevent and reduce the potential negative impact of operational risks generated by the use of information and communication technology at the level of people, processes, systems and external environment, activities that require IT audit missions. In this context, external IT auditors, natural and legal persons, who intend to provide IT audit services to entities regulated by ASF are required to register in the List of External IT Auditors maintained by ASF.

The activity carried out at ASF level with regard to external IT auditors during 2021 included, in addition to processing applications for the registration of external IT auditors and their inclusion in the list maintained by ASF, monitoring the validity periods of documents with expiry dates, notifying external IT auditors whose validity periods of documents submitted to ASF have expired, as well as responding to requests for clarification on the conditions for inclusion in the List of IT auditors maintained by ASF received from interested entities.

## 7. Consumer protection, complaints handling and financial education

A primary objective for ASF is to ensure the protection and defence of the rights of consumers of non-bank financial services and products, participants and beneficiaries of private pension funds, investors, policyholders, insurance beneficiaries and policyholders against unfair and fraudulent practices, by ensuring compliance with legal provisions and to educate and promote confidence in financial services, products and instruments specific to non-bank markets.

The activities of ASF, specific to consumer protection, covered all three non-bank financial markets, aiming to create and maintain an integrated, functional and efficient organisational framework for these markets. The economic crisis generated by the COVID-19 pandemic was felt directly by consumers of non-bank financial services who needed an increased degree of assistance and protection.

### 7.1. Investor protection in the capital market

In 2021, a total of 161 claims were registered in the Financial Instruments and Investments Sector, a decrease of 4.73% compared to the number of claims registered in 2020. Of these, 48 claims were closed or connected, in accordance with the provisions of *Government Ordinance no. 27/2002 on the regulation of claims* and internal procedures.

Thus, in 2021, **113 unique claims were registered**, down by 5.83% compared to 2020.

The breakdown of unique claims by type of entity complained about shows that 31 claims (27%) complained about issuers, 11 claims (9.7%) complained about unauthorised entities, 8 claims (7.1%) complained about investment management companies/funds and 8 claims (7.1%) complained about UCITS/credit institutions/investment firms.

In terms of the types of operations complained about by claimers in 2021, it was found that most claims related to requests for miscellaneous information (47%), followed by those relating to the verification of transactions on the Forex market/services provided by unauthorised entities (19%).

Other operations complained about concerned: granting of dividends, respect of shareholders' rights, verification of shareholdings/payment of dividends, conduct of the UCITS/investment firms, convening and conduct of AGMs, transparency obligations, activities of investment management companies/investment funds, etc.

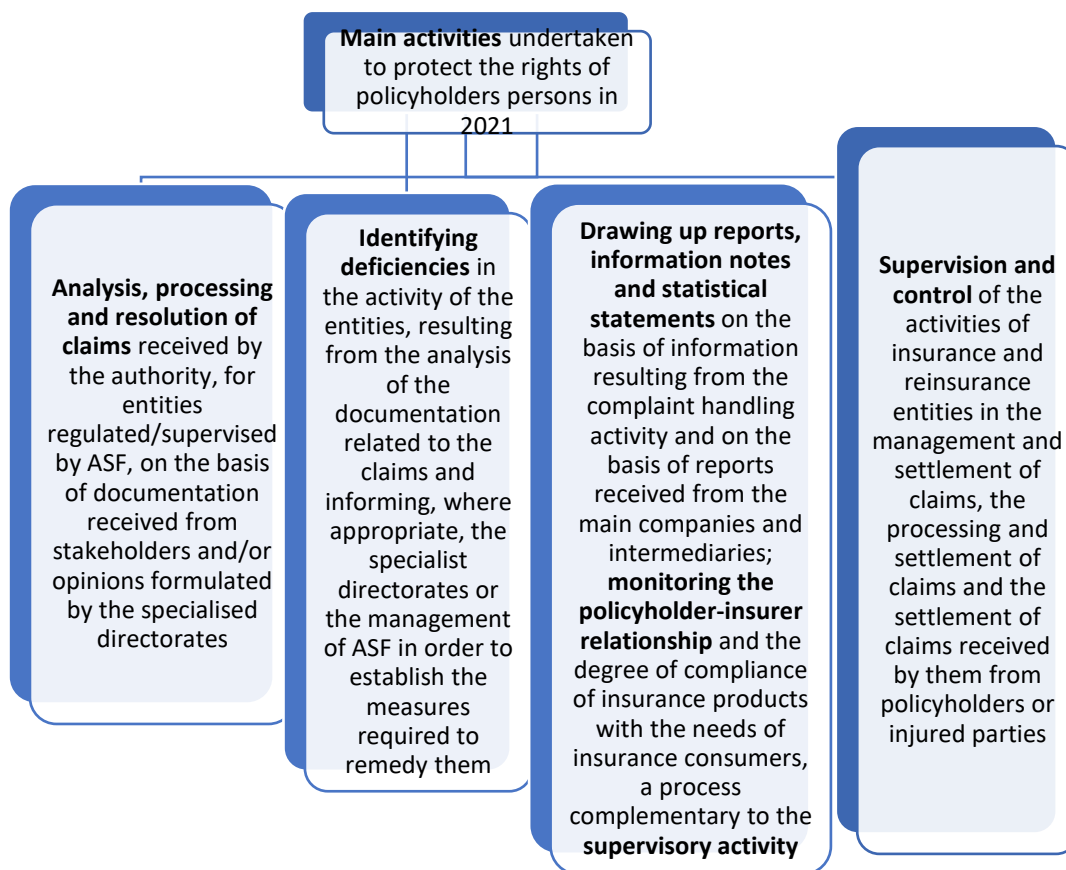
Out of the total number of claims examined uniquely in 2021, 85 claims (75%) were resolved in favour of the claimers, who received the requested information, and 28 claims (25%) were unfounded or resolved unfavourably.

## 7.2. Consumer protection for insurance products

In order to achieve the objective of protecting the rights of the insured/injured persons, both reactive activities, by resolving claims, and proactive activities, by making recommendations to the supervised entities, in cases where non-compliance has been identified, by assisting and supporting the insured/injured persons, have been carried out, so as to avoid the emergence of risks additional to those inherent to the activities of the supervised entities or, when they arise from independent causes, to manage and mitigate them.

In addition to the actual resolution of the issues complained of by the complainants, the objectives of the claim resolution activity are the identification of non-compliant issues, their permanent monitoring at the level of the entity supervised and/or regulated by ASF, as well as the analysis of the repetitive nature at market level, in order to establish the measures required to remedy them.

In this regard, as a result of the identification, from the activity of investigating and resolving claims, of non-compliant aspects in the activity of supervised entities related to the insurance-reinsurance market, in order to remedy them and reduce potential risks, during 2021, ASF decided to carry out several controls on the entities in question, concluded by firm measures to sanction the responsible persons.



In the context of the fact that most of the claims and information of non-compliance concerned the insurance-reinsurance sector, ASF carried out an extensive process of monitoring the insured-insurer relationship and the degree of compliance of insurance products with the needs of insurance consumers.

Related actions have been taken to protect the rights of policyholders:

- **meetings with insurers** to clarify issues with a view to settling cases. In 2021, taking into account the risks presented by Euroins Romania Asigurare Reasigurare S.A. with a direct impact both on the protection of the rights of the insured/injured persons and in terms of ensuring the stability of the insurance-reinsurance market, regular meetings were organised with the insurer's representatives in order to establish at a principle level how to deal with certain types of cases that are very common in claims, respectively with a view to settling specific cases;
- **granting hearings to claimers** at their request;
- participation in meetings of the working group set up at ASF level, with the aim of reviewing the method of calculating the specific indicators of consumer protection activity for the insurance market, from the perspective of class 10 - motor third party liability, for the use of land motor vehicles, including carrier's liability;
- cooperation with other national and international authorities or bodies to resolve cases.

ASF has continuously monitored the evolution of consumer trends and the conduct of entities through the preparation of periodic statistical analyses based on information resulting from the activity of settling claims and reports of non-compliance, as well as on reports received from insurance and reinsurance companies and main intermediaries, respectively by monitoring the insured-insurer relationship and the degree of compliance of insurance products with the needs of insurance consumers, a complementary process to the supervisory activity, aimed at adding value both to the protection of insurance consumers and to the financial stability of the insurance and reinsurance market.

For the insurance-reinsurance market, **43,143 unique claims and non-compliance reports** were analysed and resolved in 2021.

Also, **57.56%** of the total number of unique claims and non-compliance reports were submitted by **individuals** and **42.44%** were submitted by legal entities.

The significant decrease in the number of claims and non-compliance reports recorded in the last quarter of 2021 is the result of the sustained efforts made in a correlative manner by all the organisational structures of ASF involved in monitoring the various levels of activity of insurance-reinsurance companies, from the activity of resolving claims and identifying non-compliances to specific supervisory and control activities.

For a fair overview, the number of claims and non-compliance reports should be considered in relation to the size of the market and not as an absolute figure. Thus, the 43,143 claims and non-compliance reports analysed and settled in 2021 alone represent 2.56% of the total number of claims files endorsed by insurers in 2021 and 0.26% of the number of insurance contracts in force on 31.12.2021.

The most common aspect complained about in 2021 was non-payment or partial payment of the compensation/reinsurance amount, which was found in 55% of cases, followed by non-compliance with the relevant legislation and ASF rules/contract conditions, which was found in 43% of cases.

Petitions and reports of non-conformity analysed in a unique way registered in the general insurance class had the highest share, i.e. 99.71% of the total number registered with ASF for the insurance-reinsurance market.



Petitions and non-compliance reports registered and analysed uniquely by class of motor third party liability insurance, including carrier liability (class A10), held the largest share, i.e. 95.42% of the total number registered with ASF for the insurance-reinsurance market (41,167 unique claims and non-compliance reports), up by 23.08% compared to the number of claims registered in this class in 2020.

In 2021, 25,795 unique claims and non-conformity reports were resolved favourably, their share in the total number of claims and non-conformity reports analysed in 2021 being 59.79%. Of these, more than 82% were completed by payment, the requests having legitimacy and legal framework for resolution.

17,348 unique claims and information of non-compliance (40.21% of the total number registered with ASF for the insurance-reinsurance market) were found to be unfounded or unfavourably resolved, representing cases on which ASF does not have the capacity to intervene in the application of current legislation and/or for which ASF cannot impose insurers to pay the claims made. Clarification of these cases can be achieved through the courts or through the Alternative Dispute Resolution Entity in the non-banking financial sector (SAL-Fin), which can also rule on commercial issues.

The analysis of the handling of single claims and non-conformity reports **for class A10 - motor third party liability insurance, including carrier's liability**, shows that 24,982 (60.68% of the total of 41,167) were resolved favourably and 16,185 claims (39.32%) were resolved unfavourably or found to be unfounded.

In 2021, 22,062 non-conformities were identified in the activity of handling claims **regarding the handling of MTPL claims by insurers authorized to practice this type of insurance**, of which 99.12% referred to Euroins Romania Asigurare Reasigurare S.A. and SAR City Insurance S.A.. Of these we list:

**1. the exceeding by the aforementioned insurance companies of the legal deadline concerning:**

- - the making of the statement of claims and/or the supplementary statement;
- - the making of findings/recoveries;
- - notification of the insurer's intention to investigate;
- - communication of the result of the investigations;
- - notification of the maximum amount of compensation;
- - communication of the offer of compensation;
- - notification of rejection of the claim;
- - payment of compensation in respect of damage claims under MTPL contracts;
- - payment of penalties for late payment;

**2. failure to communicate to the injured parties:**

- the notification of the insurer's intention to investigate;
- the offer of compensation/notification of partial rejection as required by law;

It should be noted that these deficiencies have been continuously monitored with a view to their correction and have been subject to permanent or unannounced control actions.

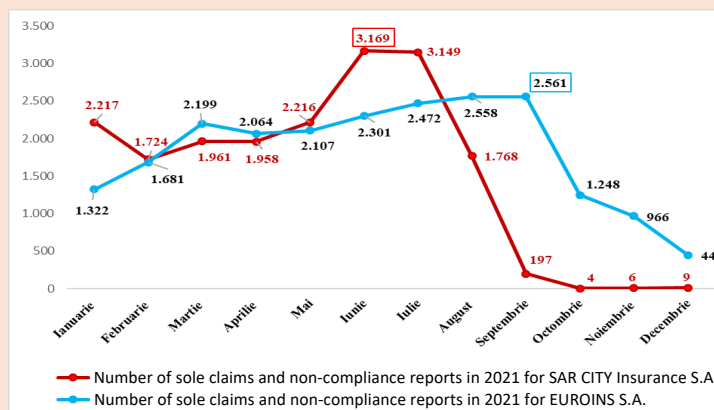
As regards the insurance companies complained about in 2021, **93.42%** of the number of claims and non-compliance reports analysed were directed against **Euroins Romania Asigurare Reasigurare S.A.** (50.82%) and **SAR City Insurance S.A.** (42.60%). They mainly concerned the following:

➔ complaints about non-payment, exceeding the legal payment deadline or partial payment of compensation claimed by injured parties;

➔ failure by insurers to comply with ASF rules on compulsory motor liability insurance and the contractual conditions for optional insurance.

The measures ordered by ASF, during 2021, for the two insurance companies had a direct impact on the number of claims and non-compliance reports, in the sense of reducing them from August 2021. In the period October-December 2021, 19 claims were analysed uniquely in relation to City Insurance, given that the Authority withdrew the company's operating licence on 17 September, the date from which the Policyholder Guarantee Fund took over the administration of City Insurance, including the management of payments due to policyholders. As regards Euroins Romania Asigurare Reasigurare S.A., there was a major decrease in the number of unique claims and non-compliance reports in the fourth quarter of 2021 (2,662), i.e. a 64.93% decrease compared to the third quarter of 2021 (7,591), reaching 448 unique claims analysed in December.

*Monthly evolution of the number of claims and non-compliance reports analysed in a unique way at ASF in 2021 for SAR City Insurance S.A. compared to Euroins S.A.*



### 7.3. Protection of private pension participants

In 2021, a total of 1,694 claims were registered in the private pension system sector, an increase of 101% compared to the number of claims registered in 2020. Of these, 172 claims were closed or connected, in accordance with the provisions of *Government Ordinance no. 27/2002* and internal procedures.

Thus, in 2021, **1,522 unique claims per claimer were processed/solved**, an increase of 95% compared to 2020.

In 2021, 1,298 claims (85.28%) were registered concerning Pillar II, an increase of 83.33% compared to 2020, while claims submitted by participants who joined a voluntary pension fund (Pillar III) represent 1.97% of the total, also an increase of 328.57% compared to 2020. The difference of 12.75% represents claims for which no type of pension fund was selected.

Out of the total number of claims examined in 2021, **1,474 claims (96.85%) were resolved in favour of the claimers** - favourable, legally founded solutions could be determined. Forty-eight claims (3.15%) were found to have been unfoundedly formulated or resolved unfavourably.

#### 7.4. ASF consumer assistance activity in 2021

In 2021, in order to protect the rights and interests of policyholders, participants in private pension funds and investors, ASF has been proactive in assisting and supporting consumers. These activities have enabled the achievement of the objectives of ensuring the protection of consumers of non-banking financial services and the proper functioning of financial markets.

ASF, through its Call-Center system (*Tel Verde 0800 825 627*), makes a significant contribution to increasing the level of consumer information on how the three regulated non-bank financial sectors operate, in relation to the role and involvement of ASF in their proper functioning.

The total number of calls actually handled and resolved by ASF **Call-Center** during 2021 was **26,003**, 43.46% more calls compared to 2020:

- The number of calls regarding the insurance-reinsurance market was 11,475 (44% of all calls received), up 30% compared to 2020;
- Calls on the private pension market were 9,840 (38% of all calls received), up 78% compared to 2020;
- Calls concerning the financial instruments and investments market were 477 (2% of the total), down 6% compared to 2020;
- Total calls involving the Alternative Dispute Resolution entity (SAL-Fin) were 1,030 calls (4% of total), up 14% from 2020;
- The number of calls concerning other information was 12% of the total.

During 2021, approximately 91% of consumers were satisfied with the assistance provided through ASF Call-Center.

At the same time, during 2021, a total of 2,059 calls were made outside the institution. These calls support consumers where they are found to need additional telephone assistance, support that is designed to facilitate faster access to information. In parallel, expert assistance at ASF's headquarters was provided to 813 consumers who requested information through direct contact at the Authority's headquarters.

ASF provides expert assistance to consumers of non-bank financial products regarding their Pillar II membership, including through the application: *"Find out which pension fund you are in"*, which can be found on the main page of the website [www.asfromania.ro](http://www.asfromania.ro), under the Useful section. During 2021, ASF recorded 130,149 separate requests per consumer regarding Pillar II membership, an increase of 117.35% compared to 2020.

#### 7.5. Developing financial education

One of the strategic lines of action of ASF is the promotion of financial education, a concept that we adapt and improve every year to support the needs of the population. A developed and mature financial market relies on educated and informed consumers and participants. ASF has strategically developed programmes targeted and appropriate for all age groups and learning environments. Financial education starting from an early age is a concept implemented in the educational programmes carried out by ASF.

Financial education is one of the priorities of the European Union, as it is a necessary support for the creation of an integrated financial services market at EU level, accessible to all citizens of the EU Member

States. The European Commission therefore places particular emphasis on stepping up and accelerating the process of financial education, which must be accessible to different categories of consumers, in order to ensure their protection and increase their level of financial inclusion. The complexity of achieving financial education is of national importance. Since 2015, ASF has developed financial education campaigns, programmes and actions, following the recommendations of the Commission and the European Parliament.

The financial education programmes carried out by ASF have general lines established by the *Authority's Financial Education Strategy*, the approach taking into account:

- ➔ tailor-made programmes and actions according to the target groups, taking into account the level of knowledge of concepts, knowledge needs, communication channels specific to each audience category, communication modality, etc.;
- ➔ Flexibility of approach in the construction of financial education programmes and actions; trying to respond to the beneficiaries who have formulated a request for a programme or action, directly or indirectly, through or with the support of partners, blended learning education activities have been included, thus providing not only diversified information, but also addressing vulnerable target groups (including new vulnerable target groups - pre-university teachers);
- ➔ Adaptability of programmes and actions, inspired by international experience in the field, appropriate to the national reality; programmes and actions are carried out within a specific pattern of financial education, addressed by different authorities and organisations; adaptability took into account the organisational constraints of the period, caused by the COVID-19 pandemic, which led to the development of actions both using online materials and a hybrid mix of resources;
- ➔ training an active, responsible consumer; knowledge of financial concepts was complemented by awareness of the role and powers of ASF and consumer protection mechanisms;
- ➔ the need for financial education to be available and actively promoted throughout life; financial education programmes are specifically targeted to people's needs and are timely, easily accessible, delivered directly;
- ➔ cooperation in sustainable partnerships, formal or informal, with different entities and attracting new partners, with the aim of addressing the different, specific education and information needs of different typological categories of beneficiaries.

The definition of the target groups of the actions and programmes of ASF takes into account different objectives related to the formation of competences and skills, but also to the formation of behaviours of current and future consumers, being an approach that involves development and financial stability and long-term consumer protection. The financial education objectives of ASF have as priorities to increase the financial education level of the working population and to prepare the future generation of consumers. Financial fragility, resilience and low levels of financial inclusion are indirectly addressed by financial education through the way information is chosen and communicated.

In 2021, several program lines and campaigns were continued and implemented by ASF.

**Programmes and actions aimed at pre-school and primary school children (Start2Play)** were built on a series of learning through play activities, taking into account the specific age and receptivity to sensory experiences. In 2021, the aim was to implement digital tools within the programme that can be used by

parents, educators and teachers, who can further provide children, using modern teaching tools, with the necessary information for a healthy financial education. This year ASF has produced a series of six financial education stories, created around the character FinPitic, already familiar to children from previous years. On 1 June, International Children's Day, ASF launched the stories in audiobook format on its website and in the media, with the support of Itsy-Bitsy.

In the largest online workshop for educators and teachers as a lesson in financial education and pedagogy, which was attended by over 500 teachers, different options for financial education games, applicable in the classroom, outdoors or at home, were presented. The games presented are part of a manual of financial education games, produced by ASF on a unique teaching aid in Romania. Also, for children, educational materials were distributed during the second semester of the 2020-2021 school year, with the support of the county school inspectorates of Ilfov, Neamt and Harghita counties.

**Since its launch in 2015, the programmes and actions aimed at children and young people in secondary and high school education (*Start2Learn*)** have registered more than 160,000 pupils from all over the country as participants in the various specific activities. The continuity of the programmes during this period has been based on a hybrid approach, focused on providing complementary support to the school curriculum for Economic and Financial Education classes in 8th grade and Economics in 11th grade. In addition, a number of online learning resources have been made available to teachers and students.

*The bell rings at the BVB!*, a traditional event marking the opening of Global Money Week and World Investor Week in Romania, was organised online in 2021, with the participation of over 2,000 students from all over the country. Such educational actions are designed to familiarize young people with the mechanisms of the stock market and prepare them for life. ASF's financial education actions were complemented by the distribution of educational materials with the support of the Ilfov, Neamt and Harghita county school inspectorates, respectively the MAPN for high school students from schools under the Ministry's administration.

On 1 June 2021, ASF launched the first virtual escape room on financial topics in Romania, which is available on the Authority's website and popularized online. With modern and original graphics, this digital learning tool applies the principles of edutainment (*education through entertainment*) and is aimed at children and teenagers. The aim of the game is to engage the target group in learning simple financial market concepts.

A new financial education programme for high schools has been organised as a separate component, dedicated to educational establishments with an economic profile or which have classes with an economic profile. This gives young high school students from 212 economics schools across the country the opportunity to participate and learn about financial markets as a complement to the curriculum.

The FinClub program for young high school students passionate about finance was initiated by ASF and is organized together with the National Bank of Romania (BNR), the Romanian Association of Banks (ARB) and the Ministry of Finance (MF). Two editions of this program were completed in 2021, with a total of over 280 young people enrolled. Also, in the context of a good national collaboration to support financial education of young people, at the proposal of ASF and with the participation of BNR, ARB and MF and with the support of the School Inspectorate of the Municipality of Bucharest, three editions of the Urban

Financial Education Camp were organized in the summer of 2021 in Bucharest. The Urban Camp provides young people with the elementary financial education needed to define, pursue and achieve their medium and long-term financial goals. The teaching methodology used in Urban Camp is a non-formal one, called *edutainment*. The activities carried out are based on a multi-sensory teaching technique that leads to accelerated learning so that children are constantly engaged in the education process.

**The programmes and actions addressed to the university environment (Academic Lab)** are aimed at students, master's students, doctoral students, post-doctoral students and university teachers. The main activity is the holding of seminars, tailored to both economic and financial and non-economic education. In 2021 these seminars were attended by more than 4,800 students, three times more than the previous year, which shows a high interest in the programme. In total, more than 18,000 young people have participated in the programme's activities since its inception. In 2021, seven new major university centres in Romania joined ASF programme: the University of Bucharest, the University of Oradea, the Nicolae Titulescu University of Bucharest, the Technical University of Construction of Bucharest, the Danube University of Galati, the Polytechnic University of Bucharest and the Stefan cel Mare University of Suceava.

The Academic Lab financial education program has several components, one of which will be available to students in 2021. Through this the participants got in touch with an intermediary (financial investment services company) that provided them with learning support and access to the demo trading platform of the Bursa de Valori București, thus being able to experiment with making stock market investments and creating portfolios.

In 2021 the Academic FinHub was also opened, a component of the program addressed to the academic environment, a meeting point between the major university centers in Romania and representatives of the financial market, the aim of ASF being to facilitate dialogue in order to increase the level of education and specific training and to create the premises for the development of both parties. By facilitating communication between academia (provider of manpower) and companies (demand for skilled manpower, technology, etc.), ASF becomes a catalyst for both sides to share their challenges, expectations and identify opportunities for collaboration in order to balance the supply and demand of knowledge, skills and experience and to facilitate the transition of young people from the education system to the labour market. Two editions of Academic FinHub were organised in 2021, one in March under the auspices of Global Money Week and one in October under the auspices of World Investor Week, both of which culminated in the publication of a Green Paper to stimulate discussion on the topics covered.

In order to offer students new educational programs and projects, ASF launched in 2021 the Student Club, a new activity aimed at students passionate about the world of finance. Registration was open to all interested parties, regardless of university, year or major of study, with over 270 students from all over the country participating in the two 2021 editions.

**The programmes and actions aimed at adults** have had two strands of action. In order to inform and raise public awareness of the various financial products and services, with a view to increasing the level of consumer protection, in 2021 ASF carried out a national campaign to distribute materials from ASF Guide Collection, as well as educational materials. With the support of local authorities and consumer or professional associations, more than 130,000 educational and information materials developed by ASF were distributed. This type of direct consumer information was complemented by face-to-face campaigns

where representatives of the Authority distributed information materials and answered questions from the public. One such initiative, the Consumer Caravan, took place in July 2021 and travelled a route through the cities of Ploiesti, Brasov, Sighisoara, Targu Mures, Sibiu. The theme of this action was the compulsory home insurance policy (PAD).

For the second consecutive year in 2021, the information action at Henri Coandă Airport was carried out, its main objectives being to inform consumers about travel insurance and to increase consumer confidence in such insurance. The education train on the Bucharest-Constanta route and the information actions in Constanta and Mangalia are also actions that are carried out annually during the summer season.

The PAD caravan continued the programme started in 2017 and in October 2021, together with PAID, the fourth edition of the road-show caravan was organised, aimed at financial education on the risks covered by the PAD policy. As part of this national campaign, carried out in 2021 on two national routes simultaneously, there were both meetings with representatives of local authorities in the county (with the support of the County Councils) and public meetings with citizens. More than 100,000 information materials were distributed in this campaign and more than 2,000 homeowners' associations across the country received online information.

In order to support consumers, ASF has produced and distributed information material on the situation of City Insurance S.A., when the company's operating licence was withdrawn. ASF guide produced on this occasion contains useful advice and information, explaining key terms and procedures to be followed by the company's customers or by injured third parties/beneficiaries of insurance.

**Programmes and actions aimed at companies (Financial Wellness)** provide companies with access to various financial education workshops for their employees in the workplace. According to research, employers' interest in offering financial education programmes to employees is driven by the importance of encouraging participation in pension funds, awareness of the need to help increase overall well-being, the importance of overcoming barriers to financial inclusion, the need to reduce daily stress levels and increase productivity. The programme takes the form of online workshops delivered by ASF lecturers, with topics chosen from a catalogue, each focusing on a financial product or service, the choice being up to companies. The programme is constantly evolving and is tailored to the requirements and needs of participants.

In 2021 more companies and socio-professional groups accessed this ASF programme, with over 13,000 people participating. Large companies and organisations have offered their employees this programme, including CECCAR, Dacia Renault, Romgaz, Starr Assembly-Daimler, Nuclearelectrica, Alro S.A.. The Financial Wellness Programme is a tailor-made programme, tailor-made programmes are programmes that are tailored to the typological characteristics of the audience, bringing for each interaction with a specific audience (in each action/seminar) an added value specific to the typology of that audience.

Concerned about helping to train pre-school teachers in financial education, ASF initiated the *Start2Teach* programme in 2021, dedicated to pre-school teachers who are interested in this subject and/or who will teach subjects related to financial education. More than 800 teachers participated in the online course sessions, the seminars being organised with the support of the school inspectorates of Constanța, Satu

Mare, Alba, Buzău, Bucharest, Braşov counties. Also, in 2021, the second edition of the annual competition conducted by ASF and ISF for teachers in pre-university education took place, with 10 prizes being awarded, as well as the production of two editions of the EduFin magazine dedicated to teachers, with specific didactic and pedagogical content.

As of May 2021, ASF has made available to pre-university teachers two courses accredited by the Ministry of Education, for which the Authority is the content provider: the comprehensive financial education course conducted by the IBR, ARB, BNR, ASF and FSI and the non-banking financial education course organised by FSI and ASF (for which the lecturers are also ASF specialists).

Between 2015 and 2021, more than 3,600 teachers participated in financial education courses organised by or with the support of ASF.

**The financial education section of ASF** website has performed well in 2021, with new content and a new interface in preparation for 2022 to support the learning process specific to each target group established by ASF education strategy. All types of learning materials are produced by ASF with internal resources.

Last but not least, under the international coordination of OECD, ASF has been the national coordinator for the actions celebrating **Global Money Week 2021** (GMW) in Romania, promoting this initiative to the whole society. Romania was selected and included by OECD-INFE in a video production with international exposure, promoting the importance of financial education. Several of the Authority's own actions were carried out within the framework of GMW 2021, with the support of more than 300 voluntary entities, the most important of which are: the Bursa de Valori Bucureşti (BVB), Radio Romania Actualităţi (RRA), Profit.Ro, EM360, the Institute of Financial Studies (ISF), the Romanian Bankers Association (ARB), the National Union of Insurance and Reinsurance Companies (UNSAR), school inspectorates, school units, universities, associations and companies.

**World Investor Week (WIW)** is a celebration supported by IOSCO and IOSCO members every year from October to November. For the fifth consecutive year in 2021, ASF has been actively involved in organising financial education activities to mark this campaign and to support Romania's international participation in this field.

Changing financial markets, driven by financial innovation, the redefinition of educational flows imposed by the COVID-19 pandemic, the long-term economic effects of this pandemic, and many other geopolitical conditions require financial education to be as flexible as possible in its approach. Improving the level of financial education in today's European societies has become a fundamental task of strategic importance for authorities, companies and academia alike, and a key pillar for the development of financial markets.

The Financial Supervisory Authority aims to continue its financial education programmes, contributing permanently to the improvement of the partnership with the pre-university environment and the academic environment, with pupils and students as beneficiaries of this multi-year collaboration. ASF also intends to continue supporting campaigns, events and activities to raise awareness and inform the adult population, given the importance of these in ensuring consumer protection. The financial education programmes and campaigns that ASF develops support the strategic objectives of the Authority and contribute to the development, consolidation and stability of the non-bank financial markets for the future.



## 7.6. Guarantee mechanisms

### Investor Compensation Fund (ICF)

In the course of 2021, *Law no. 88/2021 on the Investor Compensation Fund* entered into force, setting out how the new structure will be organised and operate.

The Investor Compensation Fund (ICF) is established as a legal person under public law, with the purpose of compensating investors, under the terms of *Law no. 88/2021* and ASF regulations for the application of the law, in the event of the inability of the Fund's participants to return funds and/or financial instruments due to or belonging to investors, which were held on their behalf in connection with the provision of investment services and activities.

Financial services and investment companies authorised by ASF, investment management companies authorised by ASF that manage individual investment portfolios, and alternative investment fund managers authorised to manage individual investment portfolios, credit institutions registered in ASF Register that provide investment services and activities and branches of companies from third countries authorised by ASF to provide investment services and activities on the territory of Romania must contribute, according to legal provisions, to the Investor Compensation Fund.

The analysis of the Fund's activity in 2021 involved the analysis of the reports on financial indicators and the evolution of indicators specific to the compensation activity and requests for clarification of certain issues arising from the change in the legal framework as of 20 June 2021, the date of entry into force of *Law no. 88/2021* and, subsequently, the transformation of the Fund from a joint-stock company into a legal person under private law.

Following the analysis of the documents received, the following conclusions have been drawn:

- The ICF has complied with the stages laid down by *Law no. 88/2021* with regard to the transformation of the Fund;
- in application of the provisions of art. 34 paragraph (3) of *Law no. 88/2021*, the Fund returned on 27.08.2021 the total amount of 297,210 lei to 32 out of 38 shareholders;
- ICF has made significant progress in risk management;
- Resources for compensation, amounting to 23.311 million lei, are prudently invested, according to the strategy approved by ASF.

## Bureau of Motor Insurers of Romania

The Romanian Motor Insurers' Bureau (BAAR) is the professional association whose members are all the insurance companies authorized to practice, on the Romanian territory, the compulsory motor third party liability insurance (MTPL).

BAAR's duties are set out in *Law no. 132/2017 on compulsory motor third party liability insurance for vehicle and tram accidents* and cover: (a) the role of national motor bureau, claims payment body and compensation body; (b) the development and administration of the database on the record of MTPL contracts; (c) the management of high-risk policyholders; (d) the management and administration of frontier insurance; and (e) consumer information in the form of an information centre.

ASF reviewed and approved BAAR's income and expenditure budget for 2021, as well as the execution of the income and expenditure budget for 2020, and approved the level of contributions, dues and administration fee for the MTPL database, in accordance with the provisions of the legislation in force. ASF reviewed BAAR's annual financial statements and the financial auditor's report.

Also, in the context of the withdrawal of City Insurance's operating licence, ASF held an ongoing dialogue with BAAR representatives on the analysis of the impact on the availability of the National Protection Fund (NPF), administered by BAAR, and endorsed the measures proposed by BAAR to maintain the availability of the NPF within legal limits.

ASF continuously monitors the level of available NPF to verify that it is within the legal limits, as well as the situation of debts owed by insurance companies to BAAR following its guarantee calls for Green Card claims.

## The Romanian Policyholder Guarantee Fund

The Policyholder Guarantee Fund (PGF) is an insurers' guarantee scheme set up under *Law no. 213/2015 on the Policyholder Guarantee Fund, as amended*, and aims to protect insurance creditors from the consequences of an insurer's insolvency. The Fund makes payments of indemnities/compensation resulting from voluntary and compulsory insurance contracts, in accordance with the law, in the event of the bankruptcy of an insurer, subject to the guarantee ceiling provided for by law. The PGF may also act as special administrator in the financial recovery procedure of insurers and as liquidator in the voluntary liquidation procedure of insurers. Insurers authorised by ASF, including their branches operating on the territory of another EU Member State, are obliged to contribute to the PGF under the terms of *Law no. 213/2015*.

By ASF *Decision no. 724/03.06.2021*, PGF was appointed as temporary administrator of City Insurance S.A., and by ASF *Decision no. 1148/17.09.2021* its mandate was extended. According to the provisions of Art. 21 para. (4) of *Law no. 213/2015*, as amended and supplemented by *GEO no. 102/22.09.2021*, on the date on which ASF withdraws the operating license of an insurer and finds the existence of indications of its insolvency, ASF may appoint the PGF as interim administrator of the insurer in question. At the same time, according to Art. 21 para. (9) of *Law no. 213/2015*, if the insurer has been subject to *Law no. 246/2015* and the temporary administrator or resolution administrator is the Fund, the Fund shall continue to perform the duties of the interim administrator.

Thus, by *ASF Decision no. 1266/05.10.2021*, it was ordered to replace the mandate of PGF as temporary administrator of the insurance-reinsurance company City Insurance S.A. with the mandate of interim administrator of the company, with the following duties:

- a) ensuring the administration and management of the insurer;
- b) adopting the necessary measures to prevent the decrease of the assets and the increase of the liabilities of the insurer;
- c) taking the necessary measures to preserve the assets of the insurer;
- d) ensuring that the Policyholder Guarantee Fund takes over the complete records of the damage files, technical and accounting records related to these files, in order for the Policyholder Guarantee Fund to perform the duties provided for by *Law no. 213/2015 on the Policyholder Guarantee Fund, as subsequently amended and supplemented*.

ASF has analysed the following PGF reports in 2021:

- the situation regarding the payment of indemnities/compensations made by the Fund to the insurance creditors of the bankrupt insurer;
- the situation of the Fund's financial resources;
- the execution of the income and expenditure budget;
- statement of contributions due and paid to the Fund by insurers, separately for general and life insurance.

ASF reviewed and approved the Annual Financial Statements and the Annual Activity Report of the PGF for 2020.

In the context of the withdrawal of the operating licence of the insurance-reinsurance company City Insurance S.A., ASF has held an ongoing dialogue with representatives of the PGF on the impact on the financial resources of the PGF, on the measures proposed by the PGF regarding the modification of the contribution rates, in order to ensure its financial resources and to protect insurance creditors. ASF also approved the Fund's proposals to amend the PGF's investment strategy.

In 2021, ASF conducted a regular inspection of the PGF and no non-compliance with the applicable legal framework was identified. Proactively, certain recommendations were made and implemented by the PGF during 2021.

### Private Pension Rights Guarantee Fund (PPRGF)

The institution of the Guarantee Fund for Entitlements in the Private Pension System represents, together with the technical provision set up by private pension fund managers, an element of security for the private pension system, the purpose of which is to guarantee the rights of participants and beneficiaries, as the case may be, by compensating for their losses, both during the period of accumulation of contributions and after entitlement to a pension, arising from the inability of private pension fund managers or private pension providers to meet their obligations, as the case may be.

In accordance with the legal provisions in force, the PPRGF is obliged to report the following information to ASF:

- a) The internal audit plan approved by the Fund's Council;
- b) The annual actuarial report approved by the Fund's Council;
- c) Report on internal audit missions and report on internal control activities - annually;
- d) Analytical trial balance - half-yearly;
- e) Half-yearly accounting reports - half-yearly;
- f) Statement of the Fund's financial resources, statement of the Fund's invested assets and liabilities, statement of the amounts used to cover compensation payments to participants and beneficiaries, detailed statement of investments for the activity of guaranteeing rights in the private pension system - quarterly.

Annually, by 31 May, PPRGF shall send to ASF an activity report containing at least information on:

- a) Management of the Fund;
- b) The business environment;
- c) Investment strategy;
- d) The actuarial methods used in the calculation of the annual contribution and the results of these calculations;
- e) Compensation of losses to participants and/or beneficiaries;
- f) Information on the insurance of the payment of participants' and beneficiaries' entitlements in the event of their inability to be insured by the administrators;
- g) Information on risk management, financial resources, audit and internal control, financial auditor's report and annual financial statements.

At the same time, the PPRGF submits annually to ASF for approval the income and expenditure budget for the following year, both in terms of own income and expenditure and income and expenditure related to the guarantee activity. The PPRGF also submits annually to ASF for approval the investment strategy of the resources related to the guarantee and administration activity.

The budget and investment strategy for 2022 have already been approved by ASF.

During 2021, no deviations from the objectives set by law regarding PPRGF's activity and from the documents that were subject to approval by ASF were identified.

## 8. International cooperation

In the European and international bodies in which it is represented, the Financial Supervisory Authority has collaborated with representatives of similar supervisory authorities to shape policies, strategies and guidance in order to respond to current global challenges (the COVID-19 pandemic, financial market integration, sustainable finance, digitalisation and technological innovation in the financial services sector) and to strengthen confidence in the financial markets.

### I. European cooperation

#### ➤ ***ASF's activity within the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA)***

The Financial Supervisory Authority has contributed both at the decision-making level of the two authorities, in the meetings of the Board of Supervisors, and at the technical level, through the 73 experts appointed to the working groups and standing committees of the two authorities. These structures are mandated to address issues related to consumer protection and financial innovation, financial sustainability, corporate reporting, corporate finance, investor and intermediary protection, information and data technology.

The contribution of ASF has been reflected in the documents drafted by the two European authorities in line with the concern for the main topics on the European agenda, in particular regarding the transition to digital finance and the promotion of green finance:

- Joint Opinion on Digital Finance, which includes an analysis of market developments, risks and opportunities created by these developments as well as a series of cross-sectoral recommendations aimed at a holistic approach to the regulation/supervision of fragmented value chains and the assessment of potential risks arising from financial institutions' reliance on certain information and communication technology service providers.
- Joint final report on regulatory technical standards on transparency under the *Financial Services Sustainability Reporting Regulation (SFDR)*, submitted in October 2021 to the European Commission. These standards aim to refine the framework for providing comparable information to end-investors on investments in green products in order to make the most appropriate choice, while developing a single set of rules for ensuring transparency on sustainability.
- Opinion on the supervision of insurers' integration of climate change risk scenarios in ORSA reports. Published by EIOPA in April 2021, it is addressed to national authorities and specifies that these risks should be assessed not only in the short term but also in the long term, and scenario analysis should be integrated into strategic planning and business strategy.

#### ➤ ***ASF's activity within the European Systemic Risk Board (ESRB)***

The high-level representatives of ASF in the General Board as well as the 5 experts involved in the ESRB working structures contributed to the work of the Committee which, in 2021, had as main elements of discussion a series of communications and recommendations targeting the activity of financial

institutions, such as the use of liquidity management tools, distribution of dividends, downgrading of ratings on all components of the financial sector. The ESRB also assessed the key systemic risks to the EU financial system and policy priorities for managing them, and considered options for addressing money fund and central counterparty risks, i.e. the review of the regulatory framework for money funds and clearing services in the EU in the context of Brexit.

## **II. International cooperation**

### **➤ Network of Central Banks and Supervisors for Greening the Financial System (NGFS)**

In view of its ongoing concerns about the transition to a green economy and its sustainable financing objectives for financial institutions operating in non-bank financial markets, the Financial Supervisory Authority joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS), hosted by the Bank of France, in 2021. ASF has thus joined other supervisors and central banks to share experience and best practices on environmental and climate risk management in the financial sector, i.e. mobilising capital for sustainable finance. The 9 experts nominated by ASF in the four working groups of the network will be involved in the activity and projects designed under the NGFS, bringing considerable benefits to promote the greening of the financial sector: the Micro-prudential and Supervisory Working Group, the Macro-financial Working Group, the Green Finance Extension Working Group, the Research Working Group.

### **➤ Participation of ASF within the International Organization of Securities Regulators (IOSCO)**

IOSCO's activity has been focused in particular on issues of financial stability and retail investor behaviour in the context of the COVID-19 pandemic, investor protection and strengthening investor confidence in market integrity, setting global regulatory standards, challenges in regulating global and digitised capital markets, sustainable finance in emerging markets, use of innovation enablers in growth and developing markets. These topics were addressed at the decision-making level at the Annual Meeting and Conference, as well as at the technical level in the European Regional Committee, the Growth and Emerging Markets Committee, the Secondary Markets Committee and the Investment Management Committee, with the participation of ASF experts nominated for this purpose.

### **➤ Participation of ASF within the International Organisation of Insurance Supervisors (IOPS)**

ASF's contribution to the IOPS took the form of participation in the meetings of the Working Group on Private Pensions and the Technical Committee, as well as the Annual General Meeting in October 2021. The meetings covered a wide range of topics, from setting the activity programme for the coming years and updating the status of projects, to identifying the challenges faced by competent authorities in risk-based supervision.

In line with the proposed strategy, IOPS continued its activity in 2021 on the established strategic priorities of expanding, updating and developing supervisory knowledge, guidelines and best practices in investment and risk management, risk-based supervision (RBS) in private pensions, and Fintech and Digitalisation.

➤ **Participation of ASF within the International Association of Insurance Supervisors (IAIS)**

Climate change risks are a key theme in the IAIS strategic plan. In 2021, the IAIS addressed this topic across multiple layers of its activity: assessing risks to financial stability, developing tools and guidance for supervisory activities, and institutional strengthening. At the same time, the IAIS continued to monitor and analyse global insurance market developments as part of the Global Monitoring Exercise (GME), including climate change and its impact on insurance markets and global financial stability. IAIS work also focused in 2021 on the implementation of international capital standards and the review of supervisory materials (Insurance Principles and the Common Framework for the Supervision of Internationally Active Insurance Groups). Representatives of ASF attended both IAIS events, the Annual Members' Meeting, the Global Seminar, the Annual Conference, as well as regular meetings of the Policy Development Committee (PDC). ASF also participated in the process of assessing compliance with the IAIS Core Principles by providing input on the status of implementation of the Principles on Supervision and Reporting, Preventive Measures, Corrective Measures and Sanctions, and Supervision of Insurance Market Conduct.

**III. Continuation of the process of institutional capacity building in line with strategic measures, practices and priorities promoted at the level of European authorities**

➤ **Projects funded by the Technical Assistance Instrument 2022**

In continuation of the concerns and activities related to green finance and in addition to the enforcement of legislation in the field of sustainable finance, ASF proposed in 2021 to engage in projects funded by the Technical Assistance Instrument 2022 managed by the European Commission, namely "Implementation of the Sustainable Finance Framework in Romania".

The aim of the project "Implementing the Sustainable Finance Framework in Romania" is to establish a set of tools for a better awareness of the importance of green investments in stimulating sustainable economic growth and an improved supervision of sustainable finance issues in non-bank financial markets. Objectives include identifying measures to adjust the framework for sustainability-related transparency and reporting; effective oversight of sustainable finance requirements; strengthening oversight capacity and developing an internal manual for oversight of sustainable finance reporting, including building on the experience of other authorities; dissemination of best practices, training sessions for staff and an awareness-raising campaign for market participants and investors. The benefits of the authority project are alignment with the EU objectives on promoting the green transition and the European regulatory framework on sustainable finance.

In view of the topics related to digitalisation, ASF has proposed to apply for EC funding for the project "EU Digital Supervision Academy" in order to strengthen institutional capacity in this area and to develop skills in innovative finance through participation in training sessions at the EU Academy. The knowledge gained will enable the adjustment of internal procedures and workflows, the streamlining of supervision of new financial market technologies and tools, as well as familiarisation with best practices in the field of digitalisation.

➤ **Developing a capital market strategy with OECD support**

Since October 2020, ASF has been implementing in partnership with the Ministry of Finance the project "National Capital Market Strategy", in which the consultancy is provided by the Organisation for Economic Cooperation and Development (OECD), with funding from the European Commission through the Structural Reform Support Programme (SRSP). During the project, an analysis of the regulatory framework and infrastructure of the Romanian capital market and derivatives market was carried out, identifying the main barriers to capital market development and priorities for reform.

The diagnostic report on the development of the national strategy for capital market growth in Romania proposes a series of recommendations to improve the conditions for capital market financing and increase investor confidence, recommendations addressed to public institutions, professional associations and private entities.

Based on the assessments and recommendations of the diagnostic report, a national capital market strategy for Romania will be developed with OECD support.

➤ **Romania's accession to OECD liberalisation codes**

ASF is involved in the process of Romania's accession to the OECD's Codes of Liberalisation of Capital Movements and Invisible Current Transactions, a process initiated by the Romanian Government. The OECD Codes of Liberalisation are multilateral instruments that promote the free cross-border movement of capital flows and financial services, protecting participating countries from the disruptive effects of financial crises. The underlying principles of the Codes are to liberalise within a multilateral framework, at a pace that takes account of individual country circumstances and by ensuring dialogue and cooperation on capital flow measures. Preliminary results have shown that the requirements of the Codes are being met, in the sense that Romania's restrictions on foreign direct investment are very low compared to OECD members.

The first actions in view of the accession to the Liberalisation Codes were initiated in the second part of 2021, namely the dialogue with OECD representatives to clarify and correctly reflect the situation in Romania in the accession report and the participation in the videoconference organised with the team for an overview of the Codes and their main provisions. At the same time, internal steps have been taken to ensure the smooth running of the accession process, i.e. the establishment of the project governance (composition of the project team and the steering committee) and the preparation of the seminars to be organised in the coming period.

#### **IV. Support for strengthening supervision, corporate governance and risk management in the financial sector in the Republic of Moldova**

In 2021, the Technical Assistance Project for the Financial Supervisory Authority of the Republic of Moldova (NFCM) was launched, which aims to support the Moldovan authorities in implementing financial sector reforms. Following the award of the twinning project to the consortium formed by Romania, the Netherlands and Lithuania, ASF participated in the implementation of this project together with the BNR, ANPC, the National Bank of the Netherlands (DNB) and the Central Bank of Lithuania (LB).



ASF's involvement is aimed at developing and implementing a new legal framework for the supervision of the insurance sector and MTPL insurance, aligned with EU provisions. ASF experts provide expertise through specific actions in the beneficiary country, including workshops, seminars, training sessions, joint legislative drafting sessions.

## **V. Updating and harmonising the sectoral legislative framework - capital market, insurance-reinsurance market and private pension market**

### **➤ Participation of ASF in the activity of the EU Council and European Commission working groups**

The challenges faced by financial markets in recent times have led to increased concerns at European level about ensuring the stability of financial markets and, as a result, numerous pieces of legislation have been proposed in the context of the reform programmes in this area and in the context of the new Capital Markets Union (CMU) Action Plan. The 24 representatives of ASF nominated in the working groups organised for the purpose of negotiating the legislative dossiers under preparation participated in the meetings and contributed to the drafting and adjustment of the documents debated in them for:

- *The legislative package on the revision of EU insurance rules, i.e. the revision of the Solvency II Directive (Directive 2009/138/EC) and a proposal for a new Directive on the recovery and resolution of insurance institutions;*
- *Amend legislation on delegation arrangements, liquidity risk management, supervisory reporting, provision of custody and depositary services and lending by alternative investment funds (Directive 2011/61/EU (AIFMD) and Directive 2009/65/EC (UCITS);*
- *Package amending Directive 2014/65/EU on Markets in Financial Instruments Directive (MiFID) and Regulation no. 600/2014 on Markets in Financial Instruments (MiFIR);*
- *Amendment of Regulation (EU) 2015/760 (ELTIF) as regards the scope of eligible assets and investments, portfolio composition and diversification requirements, cash lending and other fund rules and related authorisation requirements, investment policies and operating conditions of European long-term investment funds;*
- *ESAP legislative package - amendment of certain provisions regarding the establishment and operation of the single European access point;*
- *Draft (EU) Regulation on European Green Bonds;*
- *PRIIP-UCITS fast track legislative package, including amendments to Directive 2009/65/EC as regards the use of key information documents by management companies of undertakings for collective investment in transferable securities (UCITS) and to Regulation (EU) no. 1286/2014 as regards the extension of transitional arrangements for management companies, investment firms and persons advising on or selling units of undertakings for collective investment in transferable securities (UCITS) and units of non-UCITS.*

### **➤ Transposition and implementation of EU legislation**

ASF has contributed to the transposition and implementation of European provisions into national legislation and, in this respect, has ensured the drafting of numerous legislative acts in its field of competence. At the same time, ASF constantly monitors the state of transposition of European directives,

takes all steps to adopt draft legislation and communicate information on the transposition process to the institutions responsible for adopting and monitoring national legislation.

In the process of transposing European directives, a permanent dialogue has been maintained in the inter-institutional collaboration process, mainly with the MFA and MF, both in relation to the infringement procedures that the European Commission has initiated and in relation to the directives to be transposed in the coming period, so that ASF takes part in the work of the structures of the MFA, by participating in the meetings organised periodically and by drafting and sending contributions.

Also, for this purpose, ASF ensures the notification of legislative acts, by transmitting the texts and related correlation tables via the EC database.

The Directives for which the transposition process has been undertaken mainly concern the prudential supervision of financial investment services companies, changes to the taking up and pursuit of the business of insurance and reinsurance (Solvency II), changes to the provisions on markets in financial instruments, cross-border distribution of collective investment undertakings, sustainability risks and sustainability factors to be taken into account by undertakings for collective investment in transferable securities.

In order to ensure compliance with directly applicable EU legislation, i.e. EU regulations affecting financial markets, ASF has drafted a series of proposals consisting of adjustments to national legislation regarding the designation of the competent authority and the imposition of sanctions, with a view to ensuring the legislative framework for the application of these provisions.

## 9. Strengthening institutional governance

### 9.1. IT infrastructure development

Activity in the area of information technology management in 2021 continued the direction and pace set in 2020, taking into account the COVID-19 pandemic and the social distancing measures that led to both different interaction of ASF employees and to the relationship through alternative channels with supervised entities. At the same time, it was also influenced by the new strategies that the Authority started to implement in order to digitise internal and external flows.

All of the IT-related work undertaken by ASF during 2021 was aimed at achieving **four general objectives**:

- Ensuring that the activities in the coordinated operational area are carried out in optimal conditions in accordance with the requirements of the functional processes of ASF;
- aligning the evolution of IT systems with the functional requirements of ASF, as well as with the developments in the field of information technology, and ensuring the management of ASF's project portfolio in this regard;
- aligning the management of ASF's IT and telecommunications systems with the parameters required by ASF's functional processes;
- ensuring the activity in the area of cybersecurity in the information systems of ASF.

#### Current information technology management activity

The predominantly remote working of ASF employees during the COVID-19 pandemic led to the adoption of new IT solutions and the development of those initiated in 2020 for the continuous, efficient and secure running of daily activities. Thus, a number of internal projects were continued:

- Microsoft Teams - implementation of the Microsoft Teams solution for secure remote collaboration and information sharing;
- RESTRICTED environment - secure access to ASF Council documents - extension of functionalities;
- MSSQL - consolidation of ASF databases based on Microsoft technologies: migration to MSSQL 2016 version;
- SSL-VPN - system for secure remote access to ASF's IT resources;
- Upgrade of data communications infrastructure - replacement of active switch equipment in the access and aggregation areas of the data network;
- Technical support for all cyber security events: provision and development of means, tools, technical and operational capabilities to deal with all types of events, incidents and threats; internal detection and reporting, analysis and assessment (including triage and decision), incident response and recovery, assessment and update of incident management measures; provision of technical support to obtain and use digital certificates by ASF employees;

- IT security culture education programmes for ASF employees;
- Implementation of DLP (Data Loss Prevention) solution and related policies;
- Permanence of the secure videoconferencing solution of ASF in collaboration with STS.

In the area of **data management**, ASF's activity in 2021 focused on a wide range of actions:

- development of a solution that highlights and visualises at management level the stages of management of an authorisation file (throughout its life);
- implementation of alerts on the expiry dates of the mandates of persons authorised by ASF;
- implementation of Business Intelligence reports/analyses for data visualisation using Tableau Software. The Business Intelligence solution aims to extend the analysis and data presentation system for the capital market;
- implementation of analysis and data visualisation, of managerial type, for the Petition Management System (General situation of claims registered at the implementation of reports for the application for the registration of applications for the verification of pension fund memberships);
- implementation of reports for the Register of Secondary Intermediaries (RIS);
- analysis and implementation of the indicators in the manual for strengthening the insurance market supervision function in Romania (EIOPA);
- continuous updating of the BazaSAR application (application for the registration of participants in the insurance market) as required;
- updating of the Private Pension Supervision/Control application;
- implementation of the new annual financial layouts in the SIR-EWS application.

ASF is actively involved in the activities of the working groups of the European Supervisory Authorities on the application of IT in the non-banking financial sector, namely ESMA-ITMG (IT Management and Governance Group) and EIOPA-ITDC (IT and Data Committee).

### **Strengthening the IT infrastructure**

ASF's IT strategy for the period 2021-2023 is a natural and organic continuation for this area, all the more so as during 2021 important adjustments and improvements were made to the entire IT infrastructure at the level of the institution, especially in the context of the COVID-19 pandemic.

Another important project in 2021 was the implementation of the Information Security Policy at Authority level (part of ASF IT Strategy for 2021-2023), which involves a smart approach in the aforementioned area across several focus areas, in particular through the implementation of technical and non-technical measures in priority security areas, respectively:

- implementing a solution to protect against cyber threats;
- implementation of an Identity and Access Management (IAM) solution;
- implementation of a solution for the investigation and analysis of security events - SIEM (Security Information and Event Management);

- implementation of a Disaster Recovery (DR) solution.

Thus, the projects with an IT component that ASF is considering are moving towards digitalisation and the widest possible use of financial innovation and IT solutions in all areas of activity. One of the most eloquent examples is the permanent way of submitting reports, through a new instruction.

### Other IT projects

During 2021, ASF also managed to develop **new IT tools**, some required by the COVID-19 pandemic, others created as a continuation of the digitalisation and development of the external markets activity:

- Providing hardware infrastructure for data/information storage, through SAN (Storage Area Network) acquisition;
- implementation of an application for digital signature of documents;
- implementation of an online electronic platform for collecting, processing and analysing authorisation applications and related operations: <https://autorizari.asfromania.ro/>;
- the start of the project to implement an infrastructure platform with hyper-converged architecture and cloud computing capabilities;
- implementation of an XBRL validation engine in line with ESMA/ESEF (European Single Electronic Format) requirements;
- ensuring qualified electronic signatures for all employees of the institution;
- provision of laptop terminals for each ASF employee;
- use of the Microsoft Teams collaborative working platform by all employees;
- implementation of a visitor management application;
- implementation of an application for daily activity reports, used by all employees of ASF, initially used by teleworking employees, then generalised across the Authority;
- Migration to Office 365 (Microsoft Teams, Sharepoint) - full integration of the Microsoft Office 365 solution into the work of the Authority's employees to provide a secure environment for remote collaboration and information sharing.

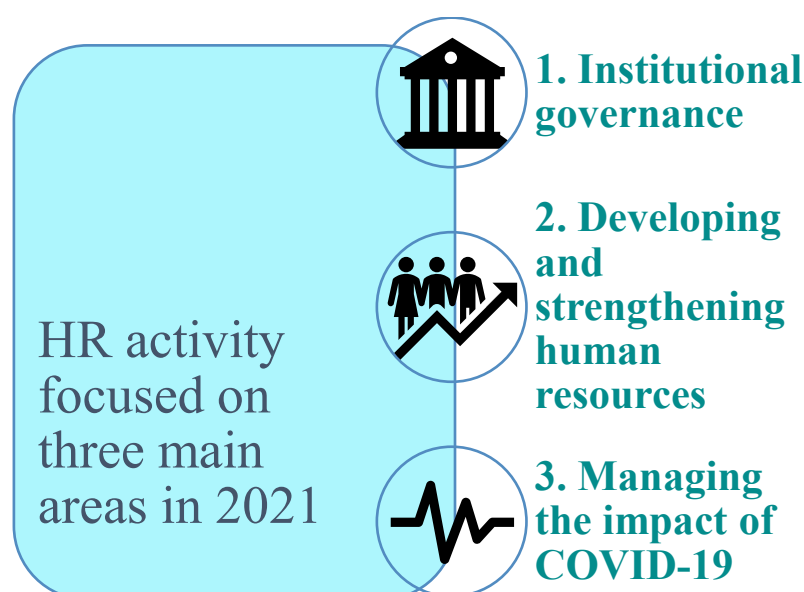
The need to align the reporting framework of supervised entities with the reporting requirements of ESMA, EIOPA and the ECB, in order to standardise reporting processes, data flows and coordinate deadlines, has implicitly entailed **increasing the complexity of data processing** in order to identify early potential risks and vulnerabilities to financial markets, financial stability and the protection of consumers of non-bank financial services.

ASF encourages the development and implementation of innovative technologies. In 2021, the development of how to interact in the digital environment continued and, in addition, new avenues of action were identified that will lead to the achievement of organisational objectives.

Thus, in 2021 the successful **testing of a working prototype of a blockchain technology-based IT system for a work process was completed**. The aim of this project was to develop a solution for the collection

and management of data/information based on blockchain technology, in order to streamline the flows of collection, systematization and analysis of data/data or information received by the Authority for a category of entities. At the same time, the applicability of the use of blockchain technology across the Authority, the benefits of implementing the technology, as well as the identification of new work processes that may be eligible for the implementation of such technology were also analysed. The testing of blockchain technology demonstrated the need to implement new methods of information development and management that the Authority can consider for future projects related to the digitalisation of processes.

## 9.2. Human Resources Management



**1** The human resources component of ASF provides specialist expertise in the field, contributing alongside the other support structures to the achievement of the general and specific objectives of the Authority. The human resources mission consists of ensuring the day-to-day management of human resources by planning them, managing posts and monitoring staff movements, recruiting and selecting human resources, drawing up and managing professional files and the employee register, as well as providing support for the evaluation of individual professional performance and for the professional development of staff.

In 2021, the process of implementing human resources specific measures continued at the level of ASF with the aim of developing and strengthening the institutional capacity of the Authority. Thus, in order to facilitate the achievement of these goals, particular attention was paid to the planning and coordination of changes in the staff structure. The proactive approach to human resources management has resulted in the identification of risk areas in ASF's activity and counteracting their effect through internal mobility solutions or the recruitment of external specialists.

At the same time, the aim was to promote an organisational culture that contributes to improving the professional and behavioural skills of all staff and, implicitly, the relationship between ASF and the market it supervises and regulates.

**During 2021, the activity of ASF was reorganised by abolishing some organisational structures with the assumption of tasks by existing or newly established organisational structures. Thus, the number of directorates has been reduced, which has contributed to improved coordination at the level of ASF, as well as to a more efficient running of key processes.**

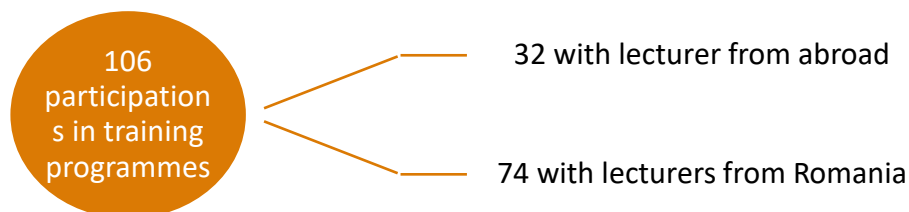
**2** In order to be effective, ASF relies on the knowledge, skills, experience and motivation of its employees. The professional training and personal development of employees is essential to create an appropriate working environment and an organisational culture conducive to achieving high levels of professionalism and quality.

At ASF level, the human resources development process is continuously carried out by providing development and training opportunities to its own staff in order to increase individual, team and institutional performance.

Continuous professional training of specialist staff is a primary condition for strengthening the professionalism, efficiency, credibility and reputation of ASF as a supervisory institution for the non-banking market in Romania.

During 2021, ASF's activity in this area focused on:

- a. Attracting the best specialists in the market by organising external competitions
- b. Continuous professional training of employees



In order to strengthen the organisational culture, ASF aims to continue to pay particular attention to the development and strengthening of its human resources by identifying ways to increase opportunities for the promotion of employees with outstanding professional skills and by stimulating the development of open and transparent reward systems.

**3** In the context of the situation caused by the COVID-19 pandemic, the heads of the human resources structure of ASF had to take decisions with an immediate impact on the organisation in order to ensure the functioning of all critical activities. Thus, since its onset, a series of measures have been implemented at the level of the Authority, aimed on the one hand at ensuring the safety of employees and on the other at ensuring the continuity of all key positions within the Authority.

The prolongation of the pandemic period required continuous adaptation to the evolution of the pandemic and a significant change in the way the activity was organised. The measures adopted were continuously adjusted according to the information provided by the competent authorities on the number of cases of infection.

As a preventive protective measure, the organisation of activity on a telecommuting basis was maintained, as well as the staggered working hours for the organisation of work on the premises, in compliance with the legal provisions.

During 2021, procedures, policies and IT infrastructure were improved in order to effectively manage the working hours and activity management of teleworking employees.

### 9.3. The money laundering prevention function

#### **Activities to prevent money laundering and terrorist financing in the non-bank financial sector**

During 2021, a series of projects in the field of preventing and combating money laundering, as well as the international sanctions regime, were started and continued at the level of ASF, carried out in a marked dynamic, generated by changes in this field within the European Union, as well as at national level.

Thus, the actions taken at the level of ASF were proactive and reactive, namely regulatory, on and off-site supervision and cooperation with other national authorities and with supervisory authorities in other Member States of the European Union.

#### **ASF legislative technical opinions on the prevention of money laundering and terrorist financing**

An important strand of this area is represented by the legislative process where ASF, as an advisor on primary legislation, respectively as a consultant in the parliamentary legislative process in the case of draft amendments to legislation in the field of supervision of the Authority, has initiated or advised on amendments to improve the national legal framework or to transpose legislative changes from the *acquis communautaire*. The most important draft regulations that were subject to the expert analysis and endorsement of ASF were:

- draft Law on amending and supplementing *Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as amended and supplemented, now Law no. 102/2021 on supplementing Article 49 of Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing some normative acts;*
- draft Government Ordinance on establishing measures to facilitate the use of financial and other information for the prevention, detection, investigation or prosecution of certain offences for transmission to the Ministry of the Interior, now *Government Ordinance no. 9/2021 on establishing measures to facilitate the use of financial information and financial analysis for the prevention, detection, investigation or prosecution of certain offences.*

They have also been subject to profile assessment and the issuance of amendments by ASF during parliamentary approval procedures:



- draft Law for the rejection of *Government Emergency Ordinance no. 111/2020 on amending and supplementing Law no. 129/2019 on preventing and combating money laundering and terrorist financing PLx 466/2020*;
- the amendment proposed by the Committee on Budget, Finance and Banks to Article 2 (g) (2) of *Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing certain legislative acts (Plx. 463/2021)* - now *Law no. 315/2021 on amending and supplementing Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing certain legislative acts*.

In the context of the implementation of secondary legislation in the field of preventing and combating money laundering, ASF has communicated an analysis on the appropriateness of a legislative intervention regulating the manner of dissemination of data and information obtained by the ONPCSB in the context of Article 36 of *Law no. 129/2019*.

### **Legislative steps at European Union level on the prevention of money laundering and terrorist financing**

In July 2020, the European Commission presented the Money Laundering Prevention Package, consisting of 4 draft pieces of EU legislation, as follows:

- New Directive on the prevention of money laundering and terrorist financing, which will repeal *Directive 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing (AMLD IV)*;
- a regulation on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, which takes over some of the provisions of AMLD IV, in particular those on the obligations of financial entities;
- a regulation for the establishment and operation of an anti-money laundering and anti-terrorist financing authority, the AMLA (Anti-Money Laundering Authority);
- a regulation on information accompanying transfers of funds and certain electronic money, repealing *Regulation (EU) no. 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) no. 1781/2006*.

With a view to formulating a common position for Romania, ASF actively participated in the process of defining the national position on the package on the prevention of money laundering submitted by the European Commission.

During 2021, as part of this process of amending and transposing draft European regulations, ASF, through its representatives, actively participated, by supporting positions and technical opinions, in the 21 meetings of the Council of Europe's Group of Experts.

### **Supervision of the implementation of primary and secondary legislation in the field of combating money laundering and terrorist financing**

ASF is the supervisor of the reporting entities referred to in Article 2(g)(2) to (5) of *Law no. 129/2019* and cooperates with the national authorities that are members of the national framework for preventing and combating money laundering and terrorist financing and with the supervisory authorities of other countries. In this capacity, information has been sent to the National Office for the Prevention and

Combating of Money Laundering (ONPCSB) on the issues identified by the profile analyses in relation to the activities carried out by entities, in particular for the insurance market, as well as the transmission of profile analyses, data and information to complement other similar institutional approaches on the same subject.

The internal assessment of these referrals was a process that resulted in both sanctions being applied at the level of ASF and being taken into consideration by other competent authorities, once again highlighting the quality of the assessment carried out by ASF.

Also, as the supervisor of branches of financial groups based in a Member State with more than 2 branches in Member States, or with more than 3 branches in Member States if the financial group's head office is outside the European Union, experts in the field within ASF have been working in the Money Laundering Prevention Supervision Colleges for 16 financial groups. To this end, significant work was carried out in gathering important supervisory information, analysing and making available profile analyses specific to the framework of the colleges' activities.

As a supervisor, from the perspective of the activity carried out in the field of prevention and fight against money laundering, ASF analysed, processed and issued expert opinions/profile feedback (assessment of adequacy, beneficial owner, source of funds, contractual clauses concerning the financial circuit) to the sectoral structures for:

- 10 capital increases, of which 3 in the Financial Instruments and Investments Sector and 7 in the Insurance-Reinsurance Sector;
- one capital decrease in the Financial Instruments and Investments Sector;
- 5 entry-market valuations of which 2 in the Financial Instruments and Investments Sector and 3 in the Insurance-Reinsurance Sector;
- 7 purchases in the Insurance-Reinsurance Sector both intra-group and between entities other than the financial group.

ASF's analytical activity also focused on operational profile processes for 159 persons proposed to the management structure of financial entities at the request of 122 entities (51 in the Insurance-Reinsurance Sector, 62 in the Financial Instruments and Investments Sector and 9 in the Private Pension System Sector).

ASF assessed the suitability of 39 nominees for the position of Compliance Officer for the Prevention and Combating of Money Laundering and Terrorist Financing at the request of 30 entities (13 from the Financial Instruments and Investments Sector, 13 from the Insurance-Reinsurance Sector and 4 from the Private Pension System Sector) and 14 nominees for the position of Designated Person for the Implementation of International Sanctions (6 from the Financial Instruments and Investments Sector, 6 from the Insurance-Reinsurance Sector and 2 from the Private Pension System Sector).

Financial institutions voluntarily submitted 21 internal procedures to prevent and combat money laundering and terrorist financing (9 from the Financial Instruments and Investments Sector, 2 from the Insurance-Reinsurance Sector and 10 from the Private Pension System Sector) and guidance was provided where deemed necessary.

In the supervision and control activity, the specialists in the area of prevention and combating money laundering and terrorist financing of ASF provided expert support in the case of 6 requests for profile assessments during on-site controls (2 in the Financial Instruments and Investments Sector and 4 in the Private Pension System Sector). Support was also provided for pre-control information for the risk profiling of the entity (13 from the Financial Instruments and Investments Sector and 7 from the Private Pension System Sector) and for post-control/follow-up information (23 from the Financial Instruments and Investments Sector).

During 2021, ASF issued 37 points of view interpreting the relevant legal provisions communicated through the sectoral directorates, namely 22 to entities in the Financial Instruments and Investments Sector, 3 to entities in the Insurance-Reinsurance Sector, 1 in the Private Pension System Sector and 11 representing ASF's internal correspondence.

### **Coordination of the activities of ASF as a member of the National Framework for the Prevention and Combating of Money Laundering and Terrorist Financing**

#### **→ Participating in the development of the National Risk Assessment on the Prevention of Money Laundering and Terrorist Financing and the National Plan of Measures on the Prevention of Money Laundering and Terrorist Financing**

During 2021, in the context of the implementation of the project Money Laundering and terrorism financing risks compliance: implementing a National Mechanism to Assess and Manage Money Laundering and Terrorism Financing Risks in Romania, a project which aims to carry out the assessment of money laundering and terrorism financing (ML/TF) risks at national level in accordance with the provisions of Art. (1)-(8) of Law no. 129/2019 *on preventing and combating money laundering and terrorist financing, as well as amending and supplementing some normative acts, with subsequent amendments and additions*, ASF has exchanged information and data with the BNR and ONPCSB on how to implement this project, at the level of the presidents of authorities.

There was constant communication with the supervised entities both directly and through professional associations. The questionnaires of the Council of Europe's National SB/FT Risk Assessment methodology were submitted, centralised and processed, and the sectoral risk analysis was based on the threats and vulnerabilities identified by the questionnaires completed by the financial entities and the persons involved in the supervisory activities.

#### **→ Fifth round of mutual evaluation of Romania**

The evaluation of the effectiveness of the system for the prevention of money laundering and terrorist financing, implemented at the level of ASF, will actually take place during the on-site visit of MONEYVAL experts that will take place between September and October 2022. In view of the MONEYVAL mutual evaluation during 2022, and in preparation for it, briefings and questionnaires in advance of the on-site evaluation were also held during 2021 at the level of Heads of Authorities.

The evaluation of the effectiveness of the AML/CFT system implemented at the level of ASF will be carried out in accordance with the criteria under Immediate Outcome 3 and indirectly by interviewing representatives of the non-bank financial market under Immediate Outcome 4 as set out in the FATF

evaluation methodology. Thus, prior to the on-site visit, ASF specialists will be asked to provide concrete information and documents as required by the efficiency questionnaire, which will allow the MONEYVAL evaluators to build an overview before the actual interviews, which will take place during the on-site visit in Romania.

The importance of this rating lies in the way the Romanian financial system is subsequently reported to the global financial system, a country with deficiencies in the area of money laundering and terrorist financing. Romania is considered a risk area, with financial entities based in such a jurisdiction being included in an enhanced due diligence area or being excluded from business relationships by certain financial entities, which have a stricter customer acceptance policy. Thus, the preparatory measures for this assessment are systemic, covering all levels of sectoral activity of ASF. On this level of activity, a large number of preliminary analyses have been carried out, with an in-depth/punctual or general scope, and the elements to be followed up in the 5th Round of the mutual evaluation of Romania led by the Council of Europe through the MONEYVAL Committee of Experts have been established, especially those concerning the technical and effective implementation of the international standards issued by FATF, as well as the effectiveness of their activity within the national system to combat money laundering and terrorist financing.

The atypical situation in the period 2020-2021 caused by the COVID-19 pandemic has prompted the relevant anti-money laundering and anti-terrorist financing fora to prepare various impact assessments. Thus, ASF participated in the exercises proposed by MONEYVAL on the impact of the COVID-19 pandemic, by responding to a thematic questionnaire. Also, at MONEYVAL's request, a report on cooperation with the countries/jurisdictions assessed by MONEYVAL in 2021 was provided.

### **ASF as the competent national authority for the application of restrictive measures decided by the European Union and international sanctions decided by the UN Security Council**

In the field of international sanctions, ASF is the supervisory authority for compliance with the legal framework of international sanctions by entities obliged under *Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing certain regulatory acts* and is a member of the Interinstitutional Council on the Implementation of International Sanctions.

During 2021, work took place on ongoing dossiers at EU level, with updates on 139 international sanctions regimes targeting Taliban, serious human rights violations, cyber security, financing of proliferation of weapons of mass destruction or jurisdictions and states under international sanctions regimes. Updates were made to ASF website in this area, with information on new developments.

At the same time, during 2021, ASF appointed technical experts to the Working Group at European Council level on the development of the regulatory framework necessary for the implementation of *Regulation (EC) no. 2271/96 protecting against the effects of the extraterritorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom, in order to protect EU economic operators from the extraterritorial effects, not in conformity with international law, of unilateral sanctions adopted by third countries*.

ASF communicated proposals on the amendment of the EU Best Practice Guide on International Sanctions and on the position at the RELEX/Sanctions meeting on 17 November 2021. The report of the ASF's activity on international sanctions was also presented to the Interinstitutional Council on the Implementation of International Sanctions for 2021 for inclusion in its annual report to be submitted to the Supreme Council of National Defence.

## 10. Decision-making transparency and public information

### 10.1. Institutional communication and transparency

The public communication activity of the Financial Supervisory Authority aimed throughout 2021 to promote the measures adopted by the Authority to ensure the stability and development of non-bank financial markets. An important component of the communication also focused on the need to inform consumers about how these markets operate, as well as about the financial products and services to which they have access.

Through its communication strategy, the Authority has sought a comprehensive and equally relevant approach, in relation to all its stakeholders, to the major issues of interest to society regarding the functioning of the three markets - capital market, insurance, private pensions. In order to make them as accessible as possible, **in a period strongly marked by the restrictions generated by the COVID-19 pandemic**, the Authority's messages have been conveyed on various platforms, from media, public events, social media to virtual meetings, in the spirit of accurate and complete information to all those interested in topics such as the role and activity of the Authority, financial education or developments in the regulated markets.

ASF has continuously developed new editorial approaches that genuinely respond to the need for information, both at consumer and specialist level. These have been added to the take-up and promotion, in the most accessible way possible, of information from the Authority's analytical reports - the Non-Banking Financial Markets Stability Report and the Reports on developments in the three regulated and supervised markets (capital market, insurance, private pensions). At the same time, as part of the **actions dedicated to the development of inter-institutional relations**, ASF has made available to its partners (authorities, institutions, universities, diplomatic representations, etc.), in print and electronic format, monthly reports on trends in the non-bank financial markets.

In addition, at the end of 2021, ASF carried out an extensive national campaign focused on the development of content relevant to financial education, carried out through large-scale editorial projects, which included information organised in the form of guides, "pills" and financial education programmes, as well as expert opinions.

#### **Law no. 544/2001 on free access to information of public interest**

The Authority's communication structure handled, **in the spirit of ensuring transparency on the decisions and activities of ASF**, requests made under *Law no. 544/2001* by the general public and media representatives.

During 2021, replies were sent for a total of 44 requests for public information on the Authority's activity, how the public institution performs its duties, the activity of ASF sectors - FIIS, IRS and PPSS, normative acts/regulations, etc.

The assessment report on the implementation of *Law no. 544/2001* for 2021 was also published on ASF website.

## Attendance at public events

Over the past year, the Financial Supervisory Authority presented the main messages regarding its activity and the functioning of the non-bank financial markets at more than 20 public events on economic and financial issues.

The presentation of information and topical issues has been done through the Authority's representation vectors - the Chairperson of ASF, the members of ASF Board, the Directors and the Spokesperson, both at events organised by ASF together with the Institute for Financial Studies (FSI) and at other conferences supported as an institutional partner, which have addressed topics related to non-bank financial markets:

- *Quo Vadis! - Digitalisation of insurance - ZERO priority*, event organised by ISF;
- *European Conference on Financial Services - ECFS2021*, event organised by ISF;
- *Financial Banking Year 2021*, event organised by FinMedia and Piața Financiară magazine;
- *"Ideas with lions" debate*, organised by ASF as part of Global Money Week 2021;
- *#2021 Business Summit - All about financing for SMEs*, event organised by Newsweek Romania;
- *Financial Forum*, event organised by Diplomat Media Events;
- *SMART INVESTMENT 2021, Capital Market in Romania - next level*, event organised by Gândul Financiar;
- *BVB - emerging market in Central and Eastern Europe. Debate on the state of development and perspectives of our capital market*, event organised by Ziarul Bursa;
- *Capital Market Forum*, event organised by Financial Intelligence;
- *Private pensions - the solution for the future*, financial education event organised by Gândul;
- *Personal investments in the capital market*, financial education event organised by Newsweek Romania;
- *The Tranzit Gala*, event organised by Tranzit Magazine;
- *ISF 2021 International Conference*, event organised by the Institute of Financial Studies together with DIGI 24;
- *Insurance in business*, debate organised by Newsweek Romania;
- *Financial Forum Finanțăm repornirea Economiei*, event organised by Profit.ro;
- *Capital Market: Where are we and what's next?*, event organised by FinMedia and Piața Financiară magazine.

## 10.2. Relationship with the media and online environment

The media remained one of the most important vehicles for conveying the Authority's messages to the public over the past year. The FSB has developed a **collaboration based on a permanent, open and transparent dialogue with journalists**, in which it responded, through its press office, to around 230 requests for information, statements, interviews, TV synchro or radio interventions from the media. In 2021, the Authority produced and issued more than 120 press releases informing the media about the Authority's Board decisions, data, analyses and statistics on developments in the three supervised and regulated markets, as well as actions dedicated to financial education and consumer protection.

During the year, ASF also addressed other media segments than financial publications, which mainly cover its activities. The dialogue with the local press, which has shown a high interest in the activity of ASF, has also intensified, resulting in increased dissemination of information at national level to the general public, less familiar with economic issues, with beneficial results in terms of financial inclusion for society as a whole.

### A new ASF website

**In line with its strategy dedicated to digitalisation**, the Financial Supervisory Authority also launched in 2021 the new version of its official website [www.asfromania.ro](http://www.asfromania.ro), a modern platform with a new design and an intuitive structure. Information on the Authority's activity and public communications, projects under public consultation, legislative changes and news, analyses on the evolution of non-banking financial markets, made available in over 1.500 pages of content, has been organised more efficiently, by relevant functions and categories, to be easily accessible by users, both on desktop and mobile platforms.

Given the growing interest of users in interacting with the Authority online during the pandemic and the large amount of information published on the website, the implementation of a new website was considered a priority. **The Authority's digital transformation for the benefit of market participants** is eloquently illustrated by the new authorisation portal at [www.asfromania.ro](http://www.asfromania.ro), which simplifies and streamlines the authorisation process for natural and legal persons by eliminating the need to travel to the Authority's premises to submit documentation, reducing the volume of documentation and the time spent on this operation, which is now carried out exclusively online.

The new platform also allows for further developments in structure and content, with relevant pages newly created last year including the *Sustainable Finance and Green Transition* section and the *Cross border distribution of funds* section under International. The content of the new site is also available in English.

### Social media

The Financial Supervisory Authority has had a consistent presence on social networks, in order to make known, in as accessible a format as possible, information that can be equally useful to entities operating in the non-banking financial market and consumers of financial products and services.

The communication structure managed ASF's social media accounts, both editorially and in terms of interactivity with users. More than 60 posts on the LinkedIn account and more than 250 posts on the Facebook page published information on decisions of ASF Board, infographics with relevant figures on developments in the regulated markets, press releases, market reports and analysis, interviews and statements of ASF representatives, announcements of European authorities (ESMA/EIOPA) or actions and information on financial education.



### 10.3. ASF's legal activity

The core values underpinning legal activity are **accountability, transparency, independence and performance**. By continuously promoting these values and applying best practices in the field, ASF has been able to effectively manage a number of complex legal issues it has faced in representing interests before the courts, providing legal opinions and endorsing ASF's administrative, individual and regulatory acts.

The objectives underlying the legal activity of ASF in 2021 focused mainly on



#### Legal activity in the field of litigation, injunctions and debt recovery

The legal activity of ASF in the field of litigation, summonses and debt recovery involves the following:

- The specific activity of carrying out the **preliminary administrative procedure**, according to the provisions of the *Administrative Litigation Law no. 554/2004, with subsequent amendments and additions*, related to the three non-banking financial markets supervised by ASF, aimed at resolving the preliminary complaints lodged, pursuant to this law, against administrative acts and measures adopted by ASF.
- **Specific activity in the field of litigation**, aimed at representing the patrimonial and non-patrimonial interests of ASF before the courts, arbitration or mediation, related to civil and administrative litigation.
- Legal activity specific to the **recovery of ASF claims**.

## Dispute resolution issues against ASF

**Disputes**, concerning administrative acts and measures ordered by ASF, are of particular importance as they are the occasion for the courts to verify their legality and their merits, in the context of a divergence of arguments between the parties involved. In many cases, the pecuniary stakes of these disputes are in fact the effects on the assets of the party concerned by the individual administrative act or the need to comply with the requirements of the regulatory acts issued by ASF.

One category of litigation with financial impact is the **administrative litigation aimed at the annulment of acts imposing fines related to the Insurance - Reinsurance Sector of ASF**.

Another category of litigation concerns **actions for damages** in which ASF is called upon, alone or together with other defendants, to cover damages suffered by the plaintiffs as a result of acts/facts causing damage (as assessed by the plaintiffs). Generally, in such cases, ASF invokes, first of all, the lack of passive legal standing of the authority.

In 2021, ASF handled **378** disputes (excluding from this total the cases concerning claims, enforcement cases, requests for the issuance of payment orders), of which:

- ✓ **318 court files** (administrative disputes/labour disputes/claims/other cases);
- ✓ **60 criminal cases** in which ASF has either lodged criminal complaints or complaints against the decisions of the prosecution authorities to close the case in the case of criminal complaints lodged by the specialist structures of ASF.

**Out of 318 cases in litigation, labour disputes, actions for claims and common law disputes**, the courts have rendered decisions in 219 cases, as follows:

- ✓ **134** favourable decisions;
- ✓ **32** unfavourable decisions;
- ✓ **38** interim decisions;
- ✓ **4** decisions on costs;
- ✓ **11** decisions in criminal matters.

The court decisions (favourable and unfavourable) were 166 (on the merits or final), as follows:

- **66** capital market decisions, of which 56 favourable and 10 unfavourable;
- **73** decisions in the insurance-reinsurance field, of which 55 favourable and 18 unfavourable;
- **3** decisions in the field of private pension schemes, of which 3 favourable and none unfavourable;
- **24** decisions in labour disputes/claims/other cases, of which 20 favourable and 4 unfavourable.

**Total judgments rendered by the courts in 2021 - 166 judgments**, of which:

- **134** favourable – 81 %;
- **32** unfavourable – 19 %.

**In 2020**, there were **147 judgments rendered** (substantive and final), of which:

- **118** favourable – 80% of all cases decided;
- **29** unfavourable – 20% of all cases decided.

As can be seen, the percentage of cases won by ASF in 2021 compared to 2020 increased slightly, by one percent (from 80% to 81%), and the number of decisions rendered increased from 147 decisions - in 2020 to 166 decisions - in 2021. Thus, the number of judgments rendered by courts in 2021 increased by more than 11% compared to those rendered in 2020.

### Issues related to the analysis of prior complaints and their resolution by ASF decisions

In 2021, **34 preliminary complaints** against administrative acts and measures ordered by the authority were registered and resolved, as follows:

- ✓ **23** prior complaints - in the field of capital market;
- ✓ **4** prior complaints - in the field of insurance-reinsurance;
- ✓ **1** (one) prior complaint - in the field of private pensions;
- ✓ **6** prior complaints - concerning administrative acts in the field of labour relations (acts concerning the reorganisation of specialised directorates)

Of these, **26 are**, by 31 January 2022, the **subject of court litigation**, as follows:

- ✓ **18 legal actions** brought against acts issued by ASF relating to the Financial Instruments and Investments Sector;
- ✓ **2 legal actions** brought against acts issued by ASF, relating to the Insurance-Reinsurance Sector;
- ✓ **one legal action** brought against acts issued by ASF, relating to the Private Pension System Sector;
- ✓ **5 actions** - in the field of labour disputes.

### Issues related to the regulatory activity of ASF in relation to other institutions

In 2021, the Legal Department has approved a total of 232 draft regulatory acts, which were adopted by ASF Council in various procedural phases, namely for public consultation and for submission to the Official Gazette of Romania for publication. During 2021, ASF published 48 regulatory acts in the Official Gazette.

The Legal Directorate has prepared opinions on draft legislation with an impact on the field of competence of ASF, initiated by ministries and other authorities within the Romanian Government or under debate in the Romanian Parliament.

At the same time, the Legal Directorate provided legal assistance, which took the form of representation of the Authority at the work of the specialized committees of the Senate or the Chamber of Deputies, at the debate of draft legislation affecting the capital market, insurance and private pension system:

- Participation in the Legal, Appointments, Discipline, Immunities and Validations Committee - Senate and the European Affairs Committee - Senate to support the amendments of the Financial Supervisory Authority on the *Draft Law for the approval of Government Emergency Ordinance no. 111/2020 on the modification and completion of Law no. 129/2019 for the prevention and combating of money*

*laundering and terrorist financing, as well as for the amendment and completion of some normative acts, for the completion of art. 218 of the Government Emergency Ordinance no. 99/2006 on credit institutions and capital adequacy, for the amendment and completion of Law no. 207/2015 on the Fiscal Procedure Code, as well as for the completion of art. 12 para. (5) of Law no. 237/2015 on the authorisation and supervision of insurance and reinsurance activity - L444/2020;*

- Participation in the meetings of the committees of the Senate and the Chamber of Deputies for the debate of the *Draft Law amending and supplementing Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents - PL-x no. 165/2020;*
- Participation in the Committee for Economic Policy, Reform and Privatization of the Chamber of Deputies, to support the amendments formulated by ASF on PI-x 141/2021 - *Draft law on the approval of Government Emergency Ordinance no. 13/2021 to amend and supplement Law no. 227/2015 on the Tax Code and Accounting Law no. 82/1991;*
- *Participation in the committees of the Senate and the Chamber of Deputies to support the amendments of ASF on the Legislative Proposal to amend and supplement the Government Emergency Ordinance no. 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority (PI-x 619/2020, L641/2020;*
- Participation in the meeting of the working group of the Ministry of Foreign Affairs to develop the regulatory framework for the implementation of the *Blocking Regulation (Council Regulation (EC) no. 2271/96 of 22 November 1996 protecting against the effects of the extraterritorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom);*
- Participation in the Committee for Budget, Finance and Banks and in the Legal, Discipline and Immunities Committee of the Chamber of Deputies on PI-x 463/2021 - *Draft Law on amending Law no. 129/2019 on preventing and combating money laundering and terrorist financing, as well as on amending and supplementing some normative acts;*
- Participation in the committees of the Senate and the Chamber of Deputies to support ASF amendments on the *Draft Law on the approval of Government Emergency Ordinance No. 102/2021 to amend and supplement Law no. 213/2015 on the Policyholders Guarantee Fund and to amend other regulations - PL-x 511/2021;*

The Legal Department was also effectively involved by proposing legislative solutions on several draft legislative acts, including: *the draft law for the approval of Government Emergency Ordinance no. 111/2020 on the modification and completion of Law no. 129/2019 on preventing and combating money laundering and terrorist financing and the draft law for the approval of Government Emergency Ordinance no. 13/2021 on the modification and completion of Law no. 227/2015 on the Tax Code and Accounting Law no. 82/1991;*

#### 10.4. SAL-FIN activity

The Alternative Dispute Resolution Entity in the non-banking financial sector - SAL-FIN was established by ASF on the basis of the *EU Directive no. 11/2013 on alternative dispute resolution in consumer matters*, transposed into national law by *Government Ordinance no. 38/2015*, which regulates the alternative dispute resolution between consumers and traders and proposes the creation of alternative mechanisms to the judicial system. Thus, SAL-FIN started its activity on 19 May 2016 and operates under *ASF Regulation no. 4 of 27 April 2016 on the organisation and functioning of the Alternative Dispute Resolution Entity in the non-banking financial sector, as amended and supplemented*.

Through SAL-FIN, two main activities are carried out, namely:

- **the specific activity of providing expert assistance to consumers** with regard to the submission of applications for alternative dispute resolution in the non-banking financial sector, their analysis/verification of compliance, as well as the subsequent management of the applications (registration, processing, settlement of applications within the deadline, sending replies to consumers, etc.).
- **specific litigation activity**, aimed at representing SAL-FIN's interests before the courts, in arbitration or in mediation proceedings, in the civil, criminal, etc. fields.

#### Number of disputes handled by SAL-FIN and areas covered

During 2021, a total of **2,022 conciliation requests** were recorded, almost double the number of requests recorded in 2020 when **1,168** requests were recorded. Of the total number of applications registered, **1,277** applications were accepted, the legal eligibility conditions having been met, of which:

- ✓ **24 applications** were closed;
- ✓ **11 applications** were sent to traders for settlement;
- ✓ **4 applications** were suspended;
- ✓ **182 applications** are in the conciliation procedure;
- ✓ **1,056 applications** were finalised.

### How disputes are handled via SAL-FIN

For a total of **1,135 claims (88.9%)**, consumers chose the **procedure for imposing a solution (PIS)**, the rest opted for the **procedure for proposing a solution (PPS)**.

A significant proportion of the consumer requests taken into consideration during 2021 concerned the insurance-reinsurance sector, but there were also three requests concerning the private pension sector.

Structure of requests by subject of requests	Number of successful applications	Percentage in total
Third Party Liability Insurance (MTPL)	1,209	94.7%
CASCO insurance	26	2.0%
General insurance	27	2.1%
Life insurance	4	0.3%
PAD	8	0.7%
Private pensions	3	0.2%
Total	1,277	100.0%

During 2021, **1,056 disputes** were settled through SAL-FIN procedures, **an increase of approx. 56% compared to 2020**, when **678** disputes were settled

The structure of disputes settled in 2021, by subject matter of claims, is as follows:

Structure of settled disputes in relation to the subject matter of claims	Number of disputes settled	Percentage in total
Third Party Liability Insurance (MTPL)	1,008	95.4%
CASCO insurance	20	1.9%
General insurance	21	2.0%
Life insurance	2	0.2%
PAD	5	0.5%
Total	1,056	100.0%

### Average dispute resolution time

In accordance with the provisions of *ASF Regulation no. 4/2016, as amended*, for claims registered in 2021, **an average duration of approx. 39 days for the dispute resolution procedure by proposing a solution and approx. 60 days for the dispute resolution procedure by imposing a solution.**

### Proportion of compliance with the results of ADR procedures, if known

In 2021, a total of 52 judgments were challenged in the courts, of which **49 judgments were challenged by traders** (9 insurance companies) **and 3 judgments were challenged by consumers.** Under these circumstances, **the proportion of compliance with the outcome of ADR proceedings is approx. 96%.**

### Significant issues that frequently arise and lead to disputes between consumers and traders

The most common disputes subject to alternative dispute resolution in 2021 were generated by the following issues:

- ➔ Exceeding the legal time limit for payment of claims related to damage files opened under MTPL contracts; claiming penalties due to consumers for late payment of claims/claims under MTPL contracts;
- ➔ the large difference between the amounts proposed by insurers in claims files and the calculations that consumers receive following assessments or findings in service units (in the case of MTPL) or, in the case of other insurances, the large difference between the amounts proposed by insurers and the maximum amounts laid down in insurance contracts; the establishment of the market value by insurers, in the case of total claims, without taking into account all the equipment of the vehicles concerned;
- ➔ lack of transparent communication of the calculations that insurers make in determining the amount of damages;
- ➔ claiming sums deemed due by consumers for car hire or non-use under MTPL contracts.

### SAL-FIN participation in networks of ADR entities facilitating cross-border dispute resolution

As of September 2020, **SAL-FIN is a member of the European Online Dispute Resolution Platform (ODR)**, a digital tool created by the European Commission to facilitate the independent, impartial, transparent, effective, rapid and fair out-of-court settlement of disputes concerning contractual obligations arising from online sales or service contracts between a consumer residing in the EU and a trader established in the EU under the provisions of *Regulation (EU) no. 524/2013 of the European Parliament and of the Council of 21 May 2013 on online dispute resolution for consumer disputes and amending Regulation (EU) no. 2006/2004 and Directive 2009/22/EC* (the Regulation on consumer ODR).

## 11. ASF's financial statements of and audit report

The financial statements as of 31.12.2021 were prepared in accordance with the provisions of the *Accounting Law no. 82/1991, the Order of the Minister of Public Finance no. 1917/2005, on the approval of the Methodological Norms on the organisation and management of the accounting of public institutions, the Chart of Accounts for public institutions and the instructions for its application, with subsequent amendments and additions, and the Order of the Minister of Public Finance no. 6/04.01.2022 on the submission of centralised financial statements prepared by public institutions as of 31 December 2021 and amending and supplementing certain orders of the Minister of Public Finance in the field of accounting of public institutions.*

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

### **Balance Sheet**



### **The balance sheet and income statement**



### **Cash flow statement**



### **Annexes to financial statements**



### **Budget implementation account**



The financial statements are prepared in lei, monetary items denominated in foreign currency, receivables and payables in foreign currency, non-monetary items purchased with payment in foreign currency are valued and reported at the exchange rate of the National Bank of Romania valid on 31.12.2021.



**ASF BALANCE SHEET as at 31.12.2021**

lei

No.	NAME OF ITEMS	Row code	Balance at the beginning of the year	Balance at end of period
<b>A</b>	<b>B</b>	<b>C</b>	<b>1</b>	<b>2</b>
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> (acc.2030000+2050000+2060000+2080100+2080200+ 2330000-2800300-2800500-2800800-2900400-2900500-2900800-2930100*)	<b>03</b>	<b>2,138,931</b>	<b>1,860,052</b>
4.	<b>Technical installations, means of transport, livestock, plantations, furniture, office equipment and other tangible assets</b> (acc.2130100+2130200+2130300+2130400+2140000+ 2310000 -2810300-2810400-2910300-2910400-2930200*)	<b>04</b>	<b>3,474,631</b>	<b>3,441,920</b>
5.	<b>Land and buildings</b> (acc.2110100+2110200+2120101+2120102+2120201+2120301+2120401+2120501+2120601+2120901+2310000-2810100-2810200 -2910100-2910200-2930200)	<b>05</b>	<b>13,589,291</b>	<b>13,275,129</b>
6.	<b>Other non-financial assets (acc.2150000)</b>	<b>06</b>	<b>0</b>	<b>0</b>
7.	<b>Non-current financial assets (long-term investments) over one year</b> (acc. 2600100+2600200+2600300+2650000+2670201+ 2670202+2670203+2670204+2670205+2670208-2960101-2960102-2960103-2960200), of which:	<b>07</b>	<b>0</b>	<b>0</b>
8.	Participating interests (acc. 2600100+2600200+2600300-2960101-2960102-2960103)	<b>08</b>	<b>0</b>	<b>0</b>
9.	<b>Non-current receivables - amounts to be collected after more than one year</b> (acc. 4110201+4110208+4130200+4280202+4610201+ 4610209- 4910200-4960200), of which:	<b>09</b>	<b>0</b>	<b>0</b>
10.	Non-current trade receivables - amounts to be collected after more than one year (acc. 4110201+4110208+4130200+4610201-4910200-4960200)	<b>10</b>	<b>0</b>	<b>0</b>
11.	<b>TOTAL NON-CURRENT ASSETS (row 03+04+05+06+07+09)</b>	<b>15</b>	<b>19,202,853</b>	<b>18,577,101</b>
12.	<b>CURRENT ASSETS</b>	<b>18</b>	<b>X</b>	<b>X</b>
13.	<b>Inventories</b> (acc. 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>	<b>1,685,549</b>	<b>1,690,207</b>
14.	<b>Current receivables - amounts to be collected in less than one year</b>	<b>20</b>	<b>X</b>	<b>X</b>
15.	<b>Trade receivables, advances and other settlements</b> (acc. 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>	<b>16,821,012</b>	<b>25,725,206</b>
16.	Settlements on the closure of the current year's state budget execution (acc. 4890101+4890301)	<b>21.1</b>	<b>X</b>	<b>X</b>
17.	<b>Trade receivables and advances</b> (acc.2320000+2340000+4090101+4090102+4110101+ 4110108+4130100+4180000+4610101-4910100-4960100), of which:	<b>22</b>	<b>16,821,012</b>	<b>25,725,206</b>

18.	Advances granted (acc.2320000+2340000+4090101+4090102)	22.1	0	2,900
19.	<b>Budget claims</b> (acc.4310100**+4310200**+4310300**+4310400**+4310500**+ 4310700**+4370100**+4370200**+4370300**+4420400+ 4420800**+4420802+4440000**+4460000**+4460100**+ 4460200**+4480200+4610102+4610104+4630000+4640000+4650100+465 0200+4660401+4660402+4660500+4660900+ 4810101**+4810102**+ 4810103**+ 4810900**+4820000**-4970000), of which:	23	2,043,655	2,163,019
20.	Receivables from the general consolidated budget (acc.4630000+4640000+4650100+4650200+4660401+ 4660402+ 4660500+4660900-4970000)	24	0	0
21.	<b>Claims from operations with non-reimbursable external funds and budget funds</b> (acc. 4500100+4500300+4500501+4500502+4500503+ 4500504+4500505+4500700+4510100+4510300+4510500+ 4530100+4540100+4540301+4540302+4540501+4540502+ 4540503+4540504+4550100+4550301+4550302+4550303+ 4560100+4560303+4560309+4570100+4570201+4570202+ 4570203+4570205+4570206+4570209+4570301+4570302+ 4570309+4580100+4580301+4580302+4610103+4730103**+ 4740000+4760000), of which:	25	0	0
22.	Amounts to be received from the European Commission / other donors (acc.4500100+4500300+4500501+4500502+4500503+ 4500504+ 4500505+4500700)	26	0	0
23.	<b>Short-term loans granted</b> (acc. 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	225,960,214	237,434,184
24.	<b>Total current receivables (row 21+23+25+27)</b>	30	244,824,881	265,322,409
25.	<b>Short-term investments (acc.5050000-5950000)</b>	31	x	x
26.	<b>Accounts with treasuries and credit institutions</b>	32	x	x
27.	<b>Accounts with treasuries, cash in lei</b> (acc. 5100000+5120101+5120501+5130101+5130301+5130302+ 5140101+5140301+5140302+5150101+5150103+5150301+ 5150500+5150600+5160101+5160301+5160302+5170101+ 5170301+5170302+5200100+5210100+5210300+5230000+ 5250101+5250102+5250301+5250302+5250400+5260000+ 5270000+5280000+5290101+5290201+5290301+5290400+ 5290901+5310101+5500101+5520000+5550101+5550400+ 5570101+5580101+5580201+5590101+5600101+5600300+ 5600401+5610101+5610300+5620101+5620300+5620401+ 5710100+5710300+5710400+5740101+5740102+5740301+ 5740302+5740400+5750100+5750300+5750400-7700000)	33	19,217,020	20,631,607
28.	Interest receivable, other amounts, treasury advances (acc. 5180701+5320100+5320200+5320300+5320400+ 5320500+ 5320600+5320800+5420100)	33.1	1,764	1,764
29.	Deposits	34	x	x
30.	<b>Accounts with credit institutions, BNR, cash in foreign currency</b> (acc. 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	28,012,181	52,949,116

31.	Interest receivable, treasury advances (acc.5180702+5420200)	35.1	383,963	514,256
32.	Deposits	36	x	x
33.	<b>Total cash and other assets (row 33+33.1+35+35.1)</b>	<b>40</b>	<b>47,614,928</b>	<b>74,096,743</b>
34.	<b>Cash accounts of the Central Treasury and territorial treasuries</b> (acc. 5120600+5120700+5120901+5120902+5121000+ 5240100+ 5240200+5240300+5550101+5550102+5550103 -7700000)	41	0	0
35.	Interest receivable, other amounts, treasury advances (acc.5320400+5180701+5180702)	41.1	0	0
36.	<b>Advance expenses</b> (acc. 4710000)	42	48,010	48,917
37.	<b>TOTAL CURRENT ASSETS (row 19+30+31+40+41+41.1+42)</b>	<b>45</b>	<b>294,173,368</b>	<b>341,158,276</b>
38.	<b>TOTAL ASSETS (row 15+45)</b>	<b>46</b>	<b>313,376,221</b>	<b>359,735,377</b>
39.	<b>LIABILITIES</b>	<b>50</b>	x	x
40.	<b>NON-CURRENT LIABILITIES - amounts to be paid after more than one year</b>	<b>51</b>	x	x
41.	<b>Non-current amounts - amounts to be paid after more than one year</b> (acc. 2690200+4010200+4030200+4040200+4050200+ 4280201+ 4620201+4620209+5090000), of which:	52	0	0
42.	Trade debts (acc.4010200+4030200+4040200+4050200+4620201)	53	0	0
43.	<b>Long-term loans</b> (acc. 1610200+1620200+1630200+1640200+1650200+ 1660201+1660202+1660203+1660204+1670201+1670202+ 1670203+1670208+1670209-1690200)	54	0	0
44.	<b>Provisions</b> (acc. 1510201+1510202+1510203+1510204+1510208)	55	31,095,667	29,399,760
45.	<b>TOTAL NON-CURRENT LIABILITIES (row 52+54+55)</b>	<b>58</b>	<b>31,095,667</b>	<b>29,399,760</b>
46.	<b>CURRENT LIABILITIES - amounts to be paid over a period of up to one year</b>	<b>59</b>	x	x
47.	<b>Trade liabilities, advances and other settlements</b> (acc. 2690100+4010100+4030100+4040100+4050100+ 4080000+4190000+4620101+4620109+4730109+4810101+ 4810102+4810103+4810200+4810300+4810900+4820000+ 4830000+4890201+5090000+5120800), of which:	60	599,340	891,755
48.	<b>Settlements on the closure of the current year's state budget execution</b> (acc. 4890201)	60.1	0	0
49.	Trade liabilities and advances (acc. 4010100+4030100+4040100+4050100+ 4080000+ 4190000+ 4620101), of which:	61	264,557	293,349
50.	Advances received (acc.4190000)	61.1	0	0
51.	<b>Liabilities to budgets</b> (acc. 4310100+4310200+4310300+4310400+4310500+ 4310700+4370100+4370200+4370300+4400000+4410000+ 4420300+4420801+4440000+4460000+4460100+4460200+ 4480100+4550501+ 4550502+4550503+4620109+4670100+ 4670200+4670300+ 4670400+4670500+4670900+ 4730109+4810900+4820000). of which:	62	9,245,524	4,535,172
52.	Liabilities of public institutions to budgets	63	x	x
53.	Social contributions (acc. 4310100+4310200+4310300+4310400+4310500+ 4310700+4370100+4370200+4370300)	63.1	7,779,123	3,837,450
54.	Amounts due to the budget from non-reimbursable external funds (acc.4550501+4550502+4550503)	64	0	0
55.	Liabilities from operations with non-reimbursable external funds and budget funds, other debts to other international bodies (acc. 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+)	65	0	0

	4580401+4580402+4580501+4580502+4590000+4620103+ 4730103+ 4760000)			
56.	of which: amounts due to the European Commission / other donors (acc.4500200+4500400+4500600+4590000+4620103)	66	0	0
57.	<b>Short-term loans - amounts to be repaid over a period of up to one year</b> (acc. 5180601+5180603+5180604+5180605+5180606+ 5180608+5180609+5180800+5190101+5190102+5190103+ 5190104+5190105+5190106+5190107+5190108+5190109+ 5190110+ 5190180+5190190)	70	0	0
58.	<b>Long-term loans - amounts to be paid during the current year</b> (acc. 1610100+1620100+1630100+1640100+1650100+ 1660101+1660102+1660103+1660104+1670101+1670102+ 1670103+1670108+1670109+1680100+1680200+1680300+ 1680400+1680500+1680701+1680702+1680703+1680708+ 1680709 - 1690100)	71	0	0
59.	<b>Employee salaries</b> (acc. 4210000+4230000+4260000+4270100+4270300+4280101)	72	6,434,189	6,245,411
60.	<b>Other entitlements due to other categories of persons (pensions, unemployment benefits, scholarships)</b> (acc. 4220100+4220200+4240000+4260000+4270200+ 4270300+ 4290000+4380000), of which:	73	0	0
61.	<b>Pensions, unemployment benefits, scholarships</b>	73.1	x	x
62.	<b>Income in advance</b> (acc.4720000)	74	0	0
63.	<b>Provisions</b> (acc.1510101+1510102+1510103+1510104+1510108)	75	12,329,435	21,821,204
64.	<b>TOTAL CURRENT LIABILITIES (row 60+62+65+70+71+72+73+74+75)</b>	78	28,608,488	33,493,542
65.	<b>TOTAL LIABILITIES (row 58+78)</b>	79	59,704,155	62,893,302
66.	<b>NET ASSETS = TOTAL ASSETS – TOTAL LIABILITIES = EQUITY (row 80= row 46-79 = row 90)</b>	80	253,672,066	296,842,075
67.	<b>EQUITY</b>	83	x	X
68.	<b>Reserves, funds</b> (acc.1000000+1010000+1020101+1020102+1020103+1030000+1040101+1 040102+1040103+1050100+1050200+1050300+1050400+1050500+106000 0+1320000+1330000+1390100)	84	5,361,017	5,361,017
69.	<b>Reported revenues</b> (acc.1170000- credit balance)	85	232,156,042	247,473,546
70.	<b>Reported revenues</b> (acc.1170000- debit balance)	86	0	0
71.	<b>Net result for the year</b> (acc.1210000- credit balance)	87	16,155,007	44,007,512
72.	<b>Net result for the year</b> (acc.1210000- debit balance)	88		
73.	<b>TOTAL EQUITY (row 84+85-86+87-88)</b>	90	253,72,066	296,842,075

#### ASF's EQUITY INCOME STATEMENT as at 31.12.2021

lei

No.	NAME OF ITEMS	Row code	Balance at the beginning of the year	Balance at end of period
A	B	C	1	2
I.	<b>OPERATING INCOME</b>	01		
1.	<b>Revenue from taxes, duties, insurance contributions and other budget revenue</b> (acc.7300100+7300200+7310100+7310200+7320100+7330000+7340000+735 0100+7350200+7350300+7350400+7350500+7350600+7360100+7390000+74 50100+7450200+7450300+7450400+7450500+7450900+7460100+7460200+7 460300+7460900)	02	0	0

2.	<b>Income from economic activities</b> (acc.7210000+7220000+7510100+7510200+/-7090000)	03	0	0
3.	<b>Funding, grants, transfers</b> (acc.7510500+7710000+7720100+7720200+7740100+7740200+7750000+7760000+7780000+7790101+7790109)	04	71,400	213,106
4.	<b>Other operating income</b> (acc.7140000+7180000+7500000+7510300+7510400+7810200+7810300+7810401+7810402+7770000)	05	191,873,163	229,065,955
	<b>TOTAL OPERATING REVENUE (row 02+03+04+05)</b>	06	191,944,563	229,279,061
II.	<b>OPERATIONAL EXPENDITURE</b>	07		
1.	<b>Salaries and social contributions of employees</b> (acc. 6410000+6420000+6450100+6450200+6450300+6450400+6450500+6450600+6450800+6460000+6470000)	08	152,693,594	149,560,244
2.	<b>Grants and transfers</b> (acc.7000000+6710000+6720000+6730000+6740000+6750000+6760000+6770000+6780000+6790000)	09	7,729,553	9,442,351
3.	<b>Inventories, supplies, works and services performed by third parties</b> (acc. 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	11,831,625	12,415,484
4.	<b>Capital expenditure, depreciation and provisions</b> (acc.6290200+6810100+6810200+6810300+6810401+6810402+6820101+6820109+6820200+6890100+6890200)	11	10,107,333	18,848,101
5.	<b>OTHER OPERATIONAL EXPENDITURE</b> (acc.6350000+6350100+6540000+6580101+ 6580109)	12	859,329	1,537,535
6.	<b>TOTAL OPERATIONAL EXPENDITURE (row 08+09+10+11+12)</b>	13	183,221,434	191,803,715
III.	<b>RESULT FROM OPERATIONAL ACTIVITY</b>	14		
	<b>- SURPLUS (row 06- row 13)</b>	15	8,723,129	37,475,346
	<b>- DEFICIT (row 13- row 06)</b>	16		
IV.	<b>FINANCIAL INCOME</b> (acc.7630000+7640000+7650100+7650200+7660000+7670000+7680000+7690000+7860300+7860400)	17	7,497,239	6,630,128
V.	<b>FINANCIAL EXPENSES</b> (acc. 6630000+6640000+6650100+6650200+6660000+6670000+6680000+6690000+6860300+6860400+6860800)	18	66,691	97,962
VI.	<b>RESULT FROM FINANCIAL ACTIVITY</b>	19		
	<b>- SURPLUS (row 17- row 18)</b>	20	7,430,548	6,532,166
	<b>- DEFICIT (row 18- row 17)</b>	21		
VII.	<b>RESULT FROM CURRENT ACTIVITY</b>	22		
	<b>- SURPLUS (row 15+20-16-21)</b>	23	16,153,677	44,007,512
	<b>- DEFICIT (row 16+21-15-20)</b>	24		
VIII.	<b>EXTRAORDINARY INCOME (acc.7910000)</b>	25	1,330	
IX.	<b>EXTRAORDINARY EXPENSES (acc.6900000+6910000)</b>	26	0	
X.	<b>RESULT OF EXTRAORDINARY ACTIVITY</b>	27		
	<b>- SURPLUS (row 25-row 26)</b>	28	1,330	
	<b>- DEFICIT (row 26-row 25)</b>	29		
XI.	<b>NET RESULT FOR THE YEAR (GROSS)</b>	29.1		
	<b>- SURPLUS (row 23+28-24-29)</b>	29.2	16,155,007	44,007,512
	<b>- DEFICIT (row 24+29-23-28)</b>	29.3		
	<b>Income tax expenses (from acc. 635 *)</b>	29.4		

## CASH FLOW STATEMENT as at 31.12.2021

lei

NAME OF ITEMS	Row code	TOTAL	5310101	5600101* . 770*	Other cash (acc.5xx)
A	B	1	2	3	4
I. CASH FROM OPERATING ACTIVITY	1				
1. Revenues	2	211,576,280	72,391	211,357,592	146,297
2. Payments	3	177,580,682	72,391	177,385,633	122,658
3. Net cash from operating activity (row 02- row 03)	4	33,995,598	0	33,971,959	23,639
II. CASH FROM INVESTMENT ACTIVITY	5				
1. Revenues	6	0	0	0	0
2. Payments	7	2,581,011	0	2,581,011	0
3. Net cash from investing activity (row 06-07)	8	-2,581,011	0	-2,581,011	0
III. CASH FROM FINANCING ACTIVITY	9				
1. Revenues	10	-30,000,000	0	-30,000,000	0
2. Payments	11	0	0	0	0
3. Net cash from financing activity (row 10-row 11)	12	-30,000,000	0	-30,000,000	0
IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (row 04+row 08+row 12)	13	1,414,587	0	1,390,948	23,639
V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14	19,217,020	0	19,168,149	48,871
- Amounts recovered in the previous year's surplus **)	14.1	7,000,000	x	7,000,000	x
- Amounts used from previous year's surplus/amounts transferred from surplus to local budget/amounts transferred from surplus to build up treasury deposits***)	14.2	7,000,000	x	7,000,000	x
Amounts transferred from unused cash at the end of the previous year****)	14.3		x	x	x
VI. CASH AND CASH EQUIVALENTS AT END OF PERIOD (row 13+row 14+row 14.1 - row 14.2 - row 14.3)	15	20,631,607	0	20,559,097	72,510

### STATEMENT OF CASH FLOWS with commercial banks as at 31.12.2021

lei

NAME OF ITEM	Row code	Total	5310402	5500102. 5600402. 5120402. 550
A	B	1	2	3
I. CASH FROM OPERATING ACTIVITY	01			
1. Revenues	02	553,195,439	0	553,195,439
2. Payments	03	528,246,849	0	528,246,849
3. Net cash from operating activity (row 02- row 03)	04	24,948,590	0	24,948,590
II. CASH FROM INVESTMENT ACTIVITY	05			
1. Revenues	06	0	0	0
2. Payments	07	0	0	0
3. Net cash from investing activity (row 06-07)	08	0	0	0
III. CASH FROM FINANCING ACTIVITY	09			
1. Revenues	10	0	0	0

<b>2. Payments</b>	<b>11</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>3. Net cash from financing activity (row 10-row 11)</b>	<b>12</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (row 04+row 08+row 12)</b>	<b>13</b>	<b>24,948,590</b>	<b>0</b>	<b>24,948,590</b>
<b>V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>14</b>	<b>28,012,181</b>	<b>0</b>	<b>28,012,181</b>
1. Favourable exchange rate differences	15	216	0	216
2. Unfavourable exchange rate differences	16	11,871	0	11,871
<b>VI. cash and cash equivalents at the end of the period (row 13+14 +15-16)</b>	<b>17</b>	<b>52,949,116</b>	<b>0</b>	<b>52,949,116</b>

## EXECUTION OF THE REVENUE AND EXPENDITURE BUDGET OF ASF FOR 2021

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Name of items	Budget code	Annual forecast 2021	Budget execution 31.12.2021	% achievement
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5=4/3</b>
<b>TOTAL OWN EARNINGS, of which:</b>	<b>00.01.10</b>	<b>205,783,477</b>	<b>218,269,607</b>	<b>106.07</b>
I. INTEREST INCOME	31.10	6,850,032	6,983,583	101.95
II. FINES, PENALTIES AND FORFEITURES	35.10	5,448,446	4,891,054	89.77
<b>III. CURRENT INCOME, of which:</b>		<b>193,484,999</b>	<b>206,394,970</b>	<b>106.67</b>
<b>1. Fees relating to transactions in financial instruments and public offerings, of which:</b>	<b>36.10.50</b>	<b>7,793,607</b>	<b>9,145,366</b>	<b>117.34</b>
Quota of the value of transactions in financial instruments carried out under supervised trading systems. excluding transactions in derivatives	36.10.50	6,020,041	6,507,421	108.10
Fees charged for monetising transactions executed outside trading systems (turnaround)	36.10.50	442,195	489,008	110.59
Share value of public offerings	36.10.50	757,042	1,066,615	140.89
Share value of takeover bids	36.10.50	574,329	1,082,322	188.45
<b>2. Fees and charges applicable to the operation/administration/supervision of collective investment undertakings/private pension funds and insurers/insurance/reinsurance intermediaries, of which:</b>	<b>36.10.50</b>	<b>178,196,085</b>	<b>189,674,096</b>	<b>106.44</b>
Monthly share of net asset value of investment funds (collective investment undertakings)	36.10.50	41,271,856	42,120,265	102.06
Monthly share of the total value of the management fee of the privately managed pension fund (pillar II)	36.10.50	57,782,907	57,330,701	99.22
Monthly share of net assets of voluntary pension funds (pillar III)	36.10.50	3,712,795	3,801,409	102.39
Monthly fee on the value of gross contributions received by voluntary pension funds (pillar III)	36.10.50	984,252	1,035,128	105.17
Operating fee applicable to depositaries of privately managed pension funds	36.10.50	645,749	660,337	102.26
Operating fee applicable to insurance intermediaries	36.10.50	1,503,675	1,585,978	105.47

Contribution for the exercise of supervision and control of the general insurance business, except motor third party liability insurance business	36.10.50	22,681,083	22,516,854	99.28
Contribution for the supervision and control of life insurance business	36.10.50	7,654,788	7,628,145	99.65
Contribution for the supervision and control of motor third party liability insurance business	36.10.50	41,958,980	52,995,279	126.30
<b>3. Income from other activities, of which:</b>	<b>36.10.50</b>	<b>7,163,691</b>	<b>7,262,748</b>	<b>101.38</b>
Tariff/ fee for processing applications for authorisation/ endorsement/ approval/ attestation and withdrawal of authorisation of regulated entities	36.10.50	1,946,673	1,782,298	91.56
Tariff/ fee for entry/ registration/ maintenance/ deletion in/ from ASF records and registers	36.10.50	261,240	289,890	110.97
Fees/rates/charges levied for the monitoring of entities regulated by ASF referred to in Art. 2 para. (1) letter a) of the Government Emergency Ordinance no. 93/2012 on the establishment, organisation and functioning of the Financial Supervisory Authority. approved with amendments and additions by Law no. 113/2013. with subsequent amendments and additions (GEO no. 93/2012). with the exception of investment companies	36.10.50	4,322,245	4,629,510	107.11
Fees and charges from other activities carried out by ASF	36.10.50	633,533	561,050	88.56
<b>Other income</b>		<b>331,616</b>	<b>312,760</b>	<b>94.31</b>
<b>TOTAL EXPENDITURE, of which</b>	<b>80.01.30</b>	<b>194,390,091</b>	<b>179,966,644</b>	<b>92.58</b>
<b>CURRENT EXPENDITURE (10 + 20 +30+ 55), of which:</b>	<b>80.01.30</b>	<b>187,269,747</b>	<b>179,480,711</b>	<b>95.84</b>
<b>STAFF EXPENDITURE, of which:</b>	<b>80.01.30.10</b>	<b>159,843,405</b>	<b>157,027,801</b>	<b>98.24</b>
Wage expenditure	80.01.30.10.01	153,710,741	151,060,541	98.28
Wages and salaries in kind	80.01.30.10.02	2,454,185	2,421,528	98.67
Contributions	80.01.30.10.03	3,678,479	3,545,732	96.39
<b>GOODS AND SERVICES, of which:</b>	<b>80.01.30.20</b>	<b>17,796,353</b>	<b>12,929,971</b>	<b>72.66</b>
Goods and services	80.01.30.20.01	9,608,500	6,986,448	72.71
Current repairs	80.01.30.20.02	121,160	0	0.00
Goods in the nature of inventories	80.01.30.20.05	569,533	250,974	44.07
Business trips	80.01.30.20.06	99,528	36,425	36.60
Books, publications and documentary material	80.01.30.20.11	71,400	22,459	31.46
Consultancy and expertise	80.01.30.20.12	810,619	495,244	61.09
Professional training	80.01.30.20.13	113,766	71,430	62.79
Labour protection	80.01.30.20.14	814,536	471,708	57.91
Judicial and extrajudicial expenses	80.01.30.20.25	30,000	14,356	47.85
Other expenses	80.01.30.20.30	5,557,311	4,580,927	82.43
<b>TRANSFERS - membership fees international bodies</b>	<b>80.01.30.55</b>	<b>9,579,989</b>	<b>9,522,939</b>	<b>99.40</b>
<b>INTERNSHIP ALLOWANCES</b>	<b>80.01.30.59.02</b>	<b>50,000</b>	<b>0</b>	<b>0.00</b>
<b>CAPITAL EXPENDITURE, of which:</b>	<b>80.01.30.70</b>	<b>9,022,501</b>	<b>2,581,011</b>	<b>28.61</b>
<b>TITLE X NON-FINANCIAL ASSETS, of which:</b>	<b>80.01.30.71</b>	<b>9,022,501</b>	<b>2,581,011</b>	<b>28.61</b>
Fixed asset	80.01.30.71.01	8,622,501	2,581,011	29.93
Capital repairs related to fixed assets	80.01.30.71.03	400,000	0	0.00



Payments made in previous years and recovered in the current year	80.01.30.85.01.03	-1,902,157	-2,095,078	110.14
<b>CURRENT SURPLUS</b>		<b>11,393,386</b>	<b>38,302,963</b>	<b>336.19</b>

## REPORT ON THE BALANCE SHEET AND STATEMENT OF FINANCIAL POSITION AS AT 31.12.2021

**The total assets** of ASF as at 31 December 2021 amounted to **359,735,377 lei**, 46,359,156 lei higher than their value as at 31.12.2020, an increase generated mainly by the positive evolution of the financial availabilities resulting from revenue collection.

**The total liabilities** in the balance sheet as at 31.12.2021, amounting to **62,893,302 lei**, comprise, for the most part, provisions for litigation, retirement, payment of staff entitlements for the financial year ended, unused holiday leave.

The estimated amount of provisions for risks and charges recognised in the financial statements is **51,220,964 lei**, of which the amount of provisions for labour disputes in which ASF is involved is **25,310,609 lei**. The other provisions for litigation of a patrimonial nature, as well as provisions for untaken leave, provisions for retirement, etc. were valued at **25,910,355 lei**.

The other liabilities represent, for the most part, **staff entitlements relating to December 2021 paid in January 2022**.

**The net result is positive**, up on the previous year, mainly due to higher operating income.

## BUDGET IMPLEMENTATION ACCOUNT

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

Expenditure is determined by ASF's annual budget in accordance with its objectives and responsibilities.

**The budget outturn account comprises on the revenue side - receipts made and on the expenditure side - payments made. The budget surplus is established as the difference between revenue received and payments made.**

The current surplus of the execution of ASF budget for 2021 was **38,302,963 lei**.

### ASF revenue statement in 2021

In accordance with the above-mentioned legal provisions and with the structure of the approved Revenue and Expenditure Budget of ASF for the year 2021, the structure of the expected and received revenues is as follows:

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Item	Annual forecast 2021	Budget execution 2021	Degree of achievement against provisions (%)
1	2	3	4=3/2
Interest income	6,850,032	6,983,583	101.95
Income from fines	5,448,446	4,891,054	89.77
Operating income, of which:	193,484,999	206,394,970	106.67
allowances related to transactions in financial instruments and public offerings	7,793,607	9,145,366	117.34
fees and charges applicable to the operation/administration/supervision of collective investment undertakings/private pension funds and insurers/insurance/reinsurance intermediaries	178,196,085	189,674,096	106.44
Income from other activities	7,163,691	7,262,748	101.38
Other income	331,616	312,760	94.31
TOTAL REVENUE	205,783,477	218,269,607	106.07

According to *ASF Regulation no. 16/2014, republished, as amended*, the income received is presented as follows:

**Revenues from allowances** related to transactions with financial instruments and public offerings recorded a volume of receipts in 2021 of **9,145,366 lei**, representing a realization rate of 117.3% of the forecast value for the period. The most relevant shares within this revenue category are as follows:

- share of the value of transactions with financial instruments carried out within supervised trading systems, excluding transactions with derivative financial instruments (up to 0.06%): **6,507,421 lei**, a 108.1% achievement rate compared to the forecast value for the period;
- share of the value of public offers for sale (between 0.05% and 0.1%, but not more than 500,000 lei and 1,000,000 lei respectively): **1,066,615 lei**, a 140.9% achievement rate compared to the forecast value for the period;
- share value of takeover bids (between 1% and 1.5%): **1,082,322 lei**, a 188.5% achievement rate compared to the forecast for the period

**Revenues from these sources** generated, in 2021, **4.19%** of ASF's total receipts for the same period.

**Revenues from fees and charges applicable for the operation/administration/supervision of collective investment schemes, private pension funds and insurance/reinsurance insurers/brokers** recorded a volume of receipts in 2021 in the amount of **189,674,096 lei**, representing a realization rate of 106.4% of the forecast value for the period. The main sources of receipts in this category are as follows:

- share of 0.0078% of the net asset value of investment funds (collective investment undertakings): **42,120,265 lei**, a rate of achievement of 102.1% of the budgeted amount;
- 10% of the total value of the management fee of privately managed pension funds (pillar II): **57,330,701 lei**, 99.2% of the budgeted amount;
- 0.01% share of the net assets of voluntary pension funds and 0.25% monthly fee of the gross contributions received by voluntary pension funds (pillar III) and of the operating fee applicable to depositories: **5,496,874 lei**, a realisation rate of 102.8% of the budgeted amount;
- contributions applicable to insurers and insurance intermediaries: operating tax of 0.3% applicable to insurers/operating tax of 0.1% applicable to insurance intermediaries/ contribution for the exercise of supervision and control of general insurance activity (0.4%)/for life insurance (0.3%)/for motor third party liability insurance (1%): **84,726,256 lei**, 114.8% of the budgeted amount.

**Revenue from these sources generated**, in 2021, **3.33%** of ASF's total revenue for the same period.

**Revenue from other activities**, which includes revenue from fees, authorisation/approval/registration/maintenance/withdrawal fees, monitoring fees/charges/fees and other fees/charges, as set out in Annex No. 3 of *ASF Regulation no. 16/2014, republished, as amended*, recorded a total amount collected in 2021 in the amount of 7,262,748 lei, i.e. a 101.4% achievement rate compared to the budgeted amount.

In 2021, **revenues from these sources** generated approx. **3.3%** of ASF's total revenue for the same period.

**Revenue from fines**, collected from entities belonging to the Insurance Reinsurance Sector, amounted to **4,891,054 lei** during the period under review.

**Financial revenue**, obtained from the placement of ASF's liquid assets in deposits, government bonds: **6,983,583 lei**.

**Other revenue: 312,760 lei** (representing imputations, penalties, other income).

## Execution of ASF expenditure in 2021

**Total expenditure in 2021 amounted to 179,966,644 lei**, representing an achievement rate of **92.58%** compared to the provisions for the period. The cumulative expenditure incurred as at 31 December 2021 is structured as follows:

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Item	Annual forecast 2021	Budget execution 2021	Degree of achievement compared to forecasts %
1	2	3	4=3/2
Staff expenditure	159,843,405	157,027,801	98.24
Expenditure on goods and services	17,796,353	12,929,971	72.66
International transfers	9,579,989	9,522,939	99.40
Internship allowance	50,000	0	0
Capital expenditure	9,022,501	2,581,011	28.61
Payments made in previous years and recovered in the current year	-1,902,157	-2,095,078	
<b>TOTAL EXPENDITURE</b>	<b>194,390,091</b>	<b>179,966,644</b>	<b>92.58</b>

**Staff costs**, totalling **157,027,801 lei** (98.2% of budgeted provisions), represent basic salaries and other rights, granted according to the Collective Labour Contract in force, plus the institution's contributions.

Staff costs in 2021 accounted for 87.25% of the Authority's total expenditure and 71.94% of total revenue in 2021.

**Expenditure on goods and services** totalled **12,929,971 lei**, which represents 72.6% of budgeted provisions. Among the most important expenditures in this chapter we mention:

- purchases of office supplies, cleaning materials, fuel, the cost of utilities, telephone, internet, security services, car service, heating plant maintenance services, archiving services, press agencies (e.g. Bloomberg, Reuters): **6,986,448 lei**, representing 72.7% of the amount budgeted for this period;
- expenditure on goods of an inventory nature: **250,974 lei**, representing 44.1% of the amount allocated for this purpose and consisting of purchases of low-value furniture, various IT equipment, office equipment;
- consultancy and expertise: **495,244 lei**, representing 61.1% of the budgeted provisions and consisting of payments made under consultancy contracts for MTPL tariffs, legal assistance, financial audit services;
- other expenditure: **4,580,927 lei**, mostly representing payments related to rent due by ASF to Eximbank: 3,530,391 lei (77.1%), expenditure for protocol and representation actions: 341,305 lei, other expenditure on goods and services: 595,529 lei.

**Expenditure on goods and services** accounted for 7.18% of ASF's total expenditure in 2021 over the same period.

**International transfers**, representing membership fees to international bodies of which ASF is a member (ESMA, EIOPA, IOSCO, IAIS, IOPS), amounted to **9,522,939 lei**, i.e. **5.29%** of ASF's total expenses.

**Capital expenditure**, totalling **2,581,011 lei**, represents **1.43%** of ASF's total expenditure, i.e. a commitment rate of 28.6% of the budgeted amount. This amount represents the total amount paid in 2021 for the continued implementation of centralized and decentralized IT infrastructure development projects and consisted of:

- purchases of hardware and other IT equipment (laptops, MFPs, firewall equipment, SAN system): **1,491,634 lei**;
- purchases of licences and software development: **1,039,564 lei**;
- purchases of office equipment, furniture: **49,813 lei**.

In the context of the analysis of the level of commitment of capital expenditure, it should be noted that its level was determined by at least 3 factors, namely:

- Lack of bidders in the public procurement procedures, even in the case of rerun procedures;
- Long lead times for delivery of products, which led to the carry-over of part of the payments for 2021 to 2022;
- The launch of some procurement procedures was carried out in the last period of 2021, therefore the payments related to them will be charged to the 2022 budget.

#### **Current surplus for 2021 (current revenue received - expenses paid)**

The current surplus of the year 2021 amounts to **38,302,963 lei**.

The achievement of this surplus is mainly the result of ensuring higher revenue collection (106.1% achievement rate), against the background of a saving on total expenditure (-7.42%), resulting from savings on all the forecast expenditure components.

# 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 2021, contul de rezultat patrimonial, situatia modificarilor in structura activelor nete/capitalurilor, situatia fluxurilor de trezorerie, contul de executie a bugetului pentru exercitiul financiar incheiat la aceasta data si anexe (Disponibili din mijloace cu destinatie speciala, 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 2021".

*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 2021, and the income statement, statement of changes in the structure of net assets/equity, the cash flow statement, budget execution account for the year then ended and appendices (Special purpose amounts, Statement of assets and liabilities of public institutions from Central Administration, Statement of fixed assets to be depreciated, Statement of fixed assets not to be depreciated) and a summary of significant accounting policies and other explanatory notes included in the "Report regarding financial statements of Financial Supervisory Authority as at as at 31 December 2021".*

In opinia noastra, situatiile financiare anexate ofera o imagine fidela si justa a pozitiei financiare a ASF la data de 31 decembrie 2021, ca si a performantelor financiare si a fluxurilor de trezorerie ale acestora 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 2021".

*In our opinion, the accompanying financial statements give a true and fair view of the financial position of ASF as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1917/2005 with all subsequent modifications and clarifications and the accounting policies described in the "Report regarding financial statements of Financial Supervisory Authority as at as at 31 December 2021".*

Traducerea in limba engleza are doar scop informativ. Traducerea raportului include o imagine fidelă și justă a poziției financiare, la data de încheiere, în situațiile în care informațiile, punctele de vedere și opiniile sunt susținute de informații corecte, veridice și complete în limba română a raportului nostru prevăzute de actele în vigoare.  
English translation only for informational purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretation 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 2021”, 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 25.879 mii lei la 31 decembrie 2021 (27.367 mii lei la 31 decembrie 2020). De asemenea atragem atenția asupra Notei 5.2.2 „Ajustări pentru deprecierea creanțelor curente” din cadrul aceleiași raport cu privire la creanțele din amenzi de încasat pentru care conducerea a înregistrat anumite ajustări de depreciere detaliate în nota, considerând estimările conducerii cu privire la gradul de recuperare luând în calcul durata mare de timp a recuperării acestora și istoricul soluționării acestor executări silit.

Date fiind complexitatea și incertitudinile privind rezultatul acestor litigii și a acțiunilor legale, estimarea conducerii ar putea să difere de obligațiile efective rezultate în urma finalizării acestor dispute legale. 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 2021", 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 25,879 thousand RON as at 31 December 2021 (27,367 thousand RON as at 31 December 2020). We also draw attention to note 5.2.2. "Adjustments for the depreciation of current receivables", from the same report, regarding the receivables related to fines to be collected for which the management recorded certain impairment adjustments as detailed in the note, considering the management's estimation regarding the degree of recovery taking into account the long duration of their recovery and the history of the forced execution legal outcome.*

*Given the complexity and uncertainties related to the outcome of these litigations and legal actions, the management 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 ca 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.*

#### **Responsabilitățile conducerii și ale persoanelor responsabile cu guvernanta pentru situațiile financiare**

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

Conducerea ASF are responsabilitatea întocmirii și prezentării fidele a situațiilor financiare în conformitate cu Ordinul Ministrului Finanțelor Publice nr. 1917/2005, cu modificările și clarificările ulterioare, și pentru acel control intern pe care conducerea îl considera necesar pentru a permite întocmirea de situații financiare care sunt lipsite de denaturări semnificative, cauzate fie de fraudă, fie de eroare.

*Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 1917/2005 with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.*

La întocmirea situațiilor financiare, conducerea este responsabilă să evalueze abilitatea ASF de a-și desfășura activitatea conform principiului continuității activității și să prezinte, dacă este cazul, aspectele referitoare la continuitatea activității și folosirea principiului continuității activității, mai puțin în cazul în care conducerea intenționează să lichideze ASF sau să îl înceteze activitatea sau nu are nicio alternativă reală decât să procedeze astfel.

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

Traducerea în limba engleză are caracter informativ. Traducerea raportului trimestrial al companiei nu este o traducere financiară, ci este o traducere a informațiilor. În situațiile în care informațiile, punctele de vedere și opiniile sunt contradictorii de interpretare, versiunea originală în limba română a raportului nostru prevalează asupra acestei traduceri.  
English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.



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 și 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 și sunt considerate semnificative daca se poate preconiza, in mod rezonabil, ca acestea, atat la nivel individual sau luate in ansamblu, vor influenta deciziile economice ale utilizatorilor, luate in baza acestor situatii financiare.

*Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.*

Ca parte a unui audit in conformitate cu standardele ISA, ne exercitam rationamentul profesional și 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 și evaluam riscurile de denaturare semnificativa a situatiilor financiare, cauzate fie de fraudă fie de eroare, stabilim și efectuam proceduri de audit care sa raspunda acestor riscuri și obtinem probe de audit suficiente și 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.*

Traducerea în limba engleză are doar scop informativ. Traducerea raportului include informații esențiale în limba română, care sunt esențiale în stabilirea în care informațiile, punctele de vedere și opiniile sunt susceptibile de interpretări, menținem atenția în limba română a raportului și nu promovăm această traducere.  
English translation only for information purposes. The Romanian version of the report should be read with the financial statements, as a whole. In all matters of interpretation of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

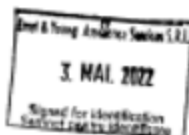
- ▶ Intelegem controlul intern relevant pentru audit pentru a stabili procedurile de audit adecvate in circumstantele date, dar nu si in scopul exprimarii unei opinii asupra eficacitatii controlului intern al ASF.
- ▶ *Obtain an understanding of internal control relevant to the audit in order to design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

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

*We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.*

In numele,  
On behalf of,

**Ernst & Young Assurance Services SRL**  
Bd. Ion Mihalache 15-17, etaj 21, București, Romania  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania  
Inregistrat în 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 în Registrul Public electronic cu nr. AF1272  
Registered in the electronic Public Register under No. AF1272

București, Romania  
Bucharest, Romania  
3 mai 2022  
3 May 2022

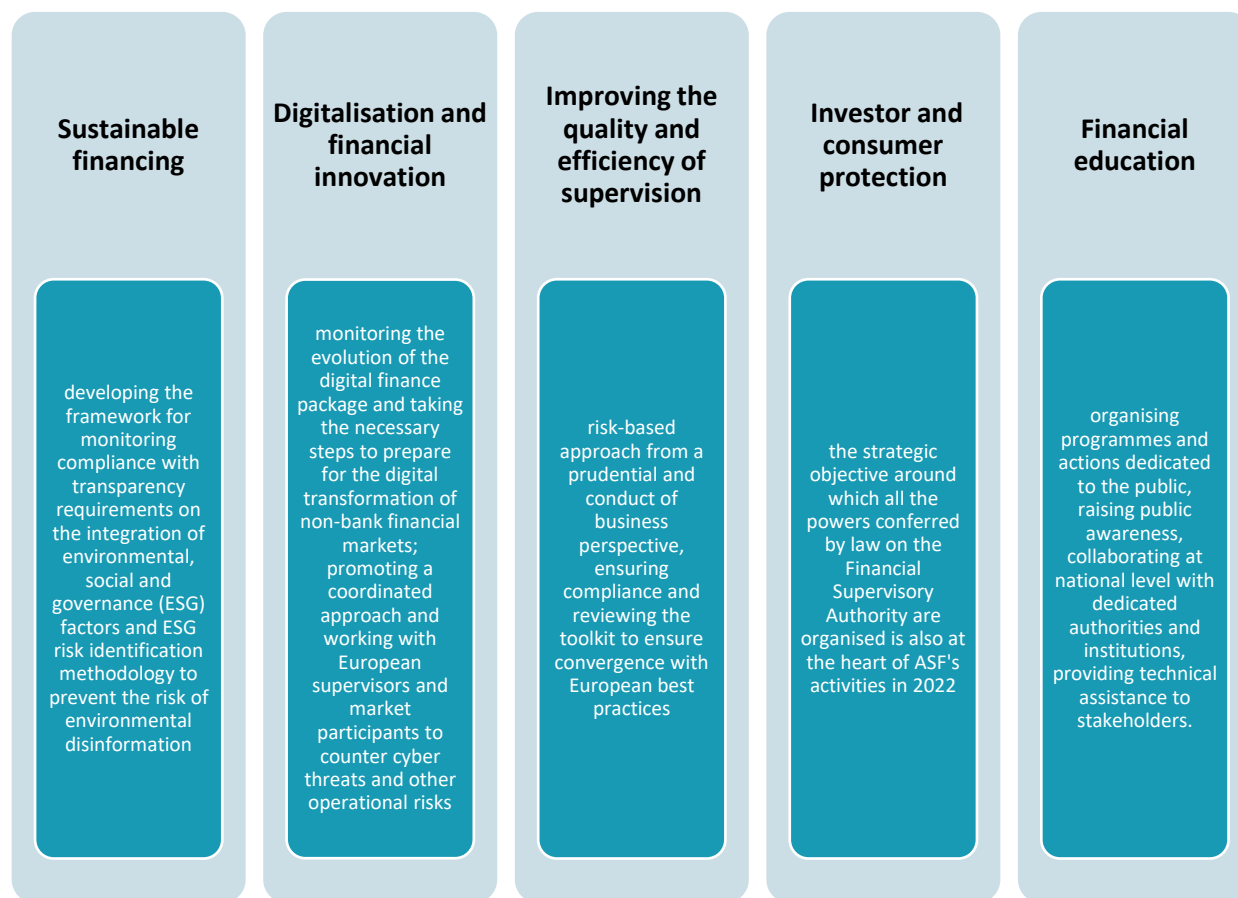
## 12. ASF's programme of activities for 2022

ASF's programme of activities for 2022 has been developed against the backdrop of paradigm shifts at European and global level to implement necessary reforms in all business sectors to support digitalisation, green transition and sustainable development. Recently, a new global concern affecting all economies has become the accumulation of geopolitical tensions that have escalated as a result of Russia's aggression against Ukraine.

The previous years have been governed by unprecedented challenges and developments that have brought about changes in the framework for the functioning of the non-bank financial markets, but also in the entire existing social and economic environment. Uncertainties remain high also in the perspective of 2022, so the ability to adapt to rapid structural changes is a real challenge for both supervised market entities and supervisors in general.

In this context, attention needs to be directed towards progress in supervision for all three sectors, but also towards adapting workflows to obtain and manage quality data for regulated entities. Thus, digital transformation at the level of the Authority is a challenge, both to improve and simplify workflows and to increase the level of performance in licensing, regulation and supervision.

Key priorities on ASF agenda for the year:



Complementary to these objectives, some of the projects already started at ASF level will continue in 2022 and aim to accelerate the design and implementation of an integrated business intelligence solution, based on blockchain technology, to meet ASF Strategy in terms of reporting and data analysis requirements.

At the same time, the institutional capacity-building goals aim to ensure that, by 2022, ASF is recognised as a transparent and open to dialogue organisation, firm in its enforcement of the law, with proactive and efficient processes aimed at ensuring the financial stability of the supervised markets, as well as protecting the rights of investors, policyholders, participants and beneficiaries of the private pension system.

The programme of activities is in line with the strategic objectives of ASF for the period 2021-2023 and at the same time creates the conditions for the implementation at the level of the Authority of the measures proposed in the EU Action Plan to support the Capital Markets Union, as well as the legislative package on digital finance and the promotion of sustainable financing.

The Authority's objectives can be categorised into **cross-cutting** (cross-sectoral) **priorities**, which are addressed in an integrated manner as they cut across the three sectors of financial supervision, and **sectoral priorities**, depending on the specificities of each of the three non-bank financial markets, i.e. the market for financial instruments and investments, the insurance-reinsurance market and the private pensions market.

## Cross-cutting (cross-sectoral) priorities

Based on the objective of promoting financial stability and with a view to ensuring convergence and harmonisation of rules and practices across the three financial sectors, cross-sectoral activities have become an important part of the Authority's activities and their main purpose is to build and develop an integrated framework for the functioning of the financial markets supervised by ASF.

The current context puts a strong emphasis on adding value through digitalisation and technological innovation. The digital transformation of ASF and the development of digital skills among employees is thus becoming a necessity. The benefits of digital transformation (efficiency, transparency and simplicity) lead to high productivity of processes that contribute to increased performance in all areas of ASF's activities.

### 1

#### Sustainability and resilience of non-bank financial markets

**Supervisory convergence** is a challenge for the Financial Supervisory Authority and also a theme that constantly generates the need for improvement and adaptation, taking into account existing trends at European level and beyond. Strengthening supervisory convergence is also an important objective on the European agenda and ESMA and EIOPA's priority in this respect will be to maintain a common, convergent

supervisory culture that is risk-based and results-oriented. Thus, the Common European Supervisory Handbook will be continuously updated with additional guidance, recommendations, guidelines and opinions, to which the ESMA will contribute, together with EU national competent authorities.

**Sustainable finance** is a topical concern in the European Union, seen as a type of financing to support the sustainable development of the economy in general, while reducing environmental pressures and taking into account social and governance aspects.

Due to the complexity of the sustainable finance business area, which involves legislative changes and changing business models across all categories of regulated entities to integrate sustainability risks, ASF has created a separate internal structure, organised as a cross-sector Green Transition Working Group, which includes among its responsibilities: monitoring the European legislation on sustainable finance and drafting the regulatory acts for transposition into national legislation; developing a framework for identifying and monitoring green transition risks from the perspective of regulated entities, in accordance with the applicable legal provisions; regularly preparing analyses on the evolution of green finance on the Romanian non-banking financial market; preparing analyses on the way the regulations in this field are applied and the prospects for long-term sustainable finance.

The steps taken by the entities to which the recommendations issued by ASF at the end of 2021 are addressed, will be communicated at the end of the first half of 2022 with a view to assessing and, where appropriate, initiating further action to develop the necessary framework for compliance with transparency requirements regarding the integration of environmental, social and governance (ESG) factors and ESG risk identification methodology, as well as to prevent the risk of greenwashing.

The objectives we have in mind with regard to digitalisation are coupled with the activity being carried out at Authority level in line with the new action guidelines and the existing European regulatory and supervisory instruments on digitalisation. In order to achieve the digitalisation objectives, ASF will analyse and implement the new regulatory framework proposed at EU level through the **Digital Finance Package**, which is currently in the final stages of negotiation. The package is designed to facilitate and support the potential of digital finance in terms of innovation and competition, while reducing the risks arising from its use. The package includes a new digital finance strategy for the EU financial sector, with the aim of ensuring that the European Union embraces the digital revolution and stimulates it with the help of innovative European firms, so that European consumers and businesses can enjoy the benefits of digital finance and together become a competitive environment for the Asian and American markets.

The EU digital finance package includes a digital finance strategy, as well as legislative proposals on crypto-assets markets and digital operational resilience. The EU's objective is to create a competitive financial sector that offers consumers access to innovative financial products, while ensuring the standards necessary to ensure consumer protection and financial stability.

The three legislative projects in support of financial innovation and digitalisation that will be considered for implementation from 2022 are the following:

- ➔ **MiCA** (*Markets in Crypto Assets Regulation*) – regulates the issuance and trading of crypto-assets, in a context of increasing volumes of crypto-asset trading in recent times, aiming at a harmonised

approach at EU level and limiting fraudulent and manipulative activities in the crypto-asset market.

- ➔ **DORA** (*Digital Operational Resilience Act*) – will establish a detailed and comprehensive **digital operational resilience** framework for financial entities in the EU that will deepen the digital dimension of risk management.
- ➔ **DLT pilot regime** (*Distributed Ledger Technology*) –the draft Regulation concerns a **pilot regime for market infrastructures based on Distributed Ledger Technology (DLT)** and aims to implement four general and related objectives: *legal certainty, supporting innovation, consumer and investor protection, as well as market integrity and ensuring financial stability*

## 2

### Strengthening confidence in non-bank financial product markets

One of the strategic lines of action to strengthen confidence in the financial markets is the ***promotion of financial education***, a concept we adapt and improve every year to support the needs of financial consumers, market professionals and academics. A developed and mature financial market relies on educated and informed consumers and participants.

In 2022, ASF will continue its programmes, continuously contributing to the improvement of its partnership with the pre-university and academic environment, with students and pupils being the beneficiaries of multi-year collaborations. The financial education programmes and campaigns that ASF develops support the strategic objectives of the Authority and contribute to strengthening the non-bank financial markets for the future. In 2022, we will place particular emphasis on the implementation of integrated programmes and campaigns, in which ASF is a catalyst for the participation of the non-bank financial markets to pursue the common goal of contributing to increasing financial education and awareness among the population in this regard.

The following lines of action have been identified to be addressed in the coming period in the Authority's financial education programmes:

- ➔ New educational resources will be developed for all target audiences;
- ➔ Financial education activity in 2022 will support the European Commission's initiative recommending Member States to organise activities to support the Year of Young People as declared this year;
- ➔ Another line of action for 2022 is financial education in the context of the construction of the single capital market, involving the development of educational programmes, the identification of educational needs and the creation of measurement and evaluation tools;
- ➔ The information needs of the adult population will be addressed through information, awareness and financial education campaigns, tailored to financial products or to the needs of adult consumers, in a hybrid format.

In 2022, we aim to increase consumer confidence in the role of the authority, and in this respect, in addition to the firm measures that will be ordered in case of identification of practices that do not comply with legal requirements. We will also continue to ensure good representation in the conduct of ASF's relations with the public, in safe conditions for both the external public and ASF's staff, in the context of maintaining some restrictions generated by the health crisis.

We will therefore keep open and operational a two-way, interactive communication channel, through which the Authority will also be informed of the views of consumers with whom it interacts directly.

The free telephone line - *Telverde* - will continue to provide information, at the request of the public, on the characteristics of the non-banking financial products and services in which consumers are interested, in relation to the related legal framework and the legal conditions and procedures that must be fulfilled in order to achieve their interests.

For the same purpose, the mechanisms for protection and alternative dispute resolution will be maintained, aiming, in addition to identifying the solution to the issues complained of by the complainants, to identify and continuously monitor the deficiencies found in the activity of the supervised entities, in order to establish the measures required to remedy them.

### 3

#### Cooperation with European supervisory authorities and international relations

For 2022, the Financial Supervisory Authority's programme of activities is in line with the strategic documents drawn up by the supervisory authorities at European level and aims to contribute on an ongoing basis to the activities of these authorities, by being actively involved in the drafting and adoption of documents issued by ESMA and EIOPA, which aim to support the activities of the European Commission.

With regard to the Union Strategic Supervisory Priorities (USSPs), the European authorities have identified the following relevant priorities which they will assess in relation to the competent national authorities:

- ➔ **EIOPA** – business model sustainability and appropriate product design;
- ➔ **ESMA** – costs and performance for retail investment products and quality of market data.

Another long-term joint strategic priority for ESMA and EIOPA is related to the **Capital Markets Union** (CMU) project. As regards measures in the context of the CMU, the specific activities of ASF will include, among others, a number of measures covering: investor protection, financial education, transparency, etc. In this context, ASF will be involved in the drafting of Level II legislation for acts already adopted as part of the CMU initiative and will contribute to planned reviews of major acts adopted as part of the post-financial crisis agenda.

European authorities ESMA and EIOPA will continue to monitor the impact of the COVID-19 pandemic on financial markets. This activity will be supported by ASF, both through the provision of data and staff



expertise, given ASF's interest in effectively managing the impact of the crisis and recovering the economy at European level.

Also, with a view to a unified approach to regulation and supervision at European level, working groups organised within the EU Council provide technical support for the negotiation of European provisions applicable throughout the Union. In this respect, ASF will be involved in the discussions on the drafting of European legislation and will subsequently contribute to the transposition and implementation into national legislation of provisions affecting the non-banking financial sector.

In 2022, ASF is involved together with other authorities from Romania, the Netherlands and Lithuania in the implementation of the project started at the end of 2021 - *the Technical Assistance Project for the National Financial Market Commission (NFCM) of the Republic of Moldova*, within the European Commission Twinning Programme "Strengthening supervision, corporate governance and risk management in the financial sector" - dedicated to strengthening supervision, corporate governance and risk management system in the financial sector of the Republic of Moldova. ASF experts will assist in the component "Development and implementation of a new legal framework for the supervision of the insurance and MTPL insurance sector in line with EU provisions".

## Sectoral priorities

### Updating the regulatory framework

Current regulatory trends are shifting regulatory development towards principle-based regulation so that the paradigm of rule-based regulation is overtaken.

Through the integrated regulations we will develop during 2022, we aim to develop and update existing secondary legislation, but also to harmonise the regulatory framework with the European initiatives we will implement in the coming years. Here we are looking at the digital finance package, legislation on sustainability in the financial investment sector, green finance, but also the revision of the regulations on the legal framework related to measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by ASF.

The new legal provisions on sustainable finance create a number of disclosure responsibilities for supervised entities, which is why ASF issued a series of recommendations at the end of 2021 on a prudent approach to climate risk.

For 2022, ASF proposes to examine the opportunity to relax prudential requirements on green finance, in line with similar concerns at European level. The actions undertaken so far have focused on the transposition of legal provisions relevant to sustainable finance, as well as the supervision of mandatory measures in European regulations in this area.

The measures taken by the European Commission on sustainable financing have led to the adoption of legislation to be complemented by technical standards and delegated acts. The legislative package on digital finance is also at an advanced stage of negotiation. Both legislative packages - green finance and digital finance - have an impact both on the activities of non-bank financial entities supervised by ASF and

on the responsibilities and powers of ASF. In this context, in the course of 2022, depending on the evolution of the adoption of the regulatory acts at European level, as well as on the analyses carried out on their impact, we will issue, as appropriate, integrated or sectoral regulations.

Also, in 2022, ASF will develop or, where appropriate, update the integrated regulatory acts in order to apply the European directives, technical standards and guidelines developed at the level of the European authorities ESMA, EIOPA, EBA.

In 2022, **regulatory activities in the financial instruments and investment sector** will mainly focus on:

- finalisation of the draft joint ASF/BNR regulation amending *ASF/BNR Regulation no. 10/4/2018 on the protection of financial instruments and client funds, product governance obligations and rules applicable to the granting or receiving of fees, commissions or other pecuniary or non-pecuniary benefits*, with a view to transposing *Commission Delegated Directive (EU) 2021/1269 of 21 April 2021 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into product governance obligations*, with transposition deadline 21.08.2022 and application deadline 22.11.2022;
- updating of some regulatory acts to ensure the adaptation of existing secondary legislation to changes occurring in specific primary legislation (the provisions of *ASF Regulation no. 13/2018 on trading venues* and *ASF Regulation no. 5/2019 on the regulation of certain provisions relating to the provision of investment services and activities under Law no. 126/2018 on markets in financial instruments* will be analysed in view of the amendments to be made to *Law no. 126/2018*);
- strengthening and harmonising the regulatory framework applicable to collective investment undertakings and operations with financial instruments;
- continue to take the necessary steps with a view to the swift adoption of the draft law on the establishment of implementing measures for *Regulation (EU) 2020/1503 on European business equity providers* and amending *Regulation (EU) 2017/1129 and Directive (EU) 2019/1937* - this draft law mainly contains provisions on the competent authority, sanctioning regime and cooperation between competent authorities at EU level in order to properly implement the European Regulation;
- continue the necessary steps for the swift adoption of the draft law amending and supplementing the *Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in securities and investment management companies*, as well as amending and supplementing *Law no. 297/2004 on the capital market* and amending and supplementing *Law no. 74/2015 on alternative investment fund managers*, as well as amending and supplementing *Law no. 24/2017 on issuers of financial instruments and market operations*;
- pursue the necessary steps for the swift adoption of the draft law amending and supplementing *Government Emergency Ordinance no. 32/2012 on undertakings for collective investment in transferable securities and investment management companies* and amending and supplementing *Law no. 297/2004 on the capital market*, which aims to transpose at national level the provisions of *Commission Directive (EU) 2021/1270 of 21 April 2021 amending Directive 2010/43/EU as regards*

*sustainability risks and sustainability factors to be taken into account by undertakings for collective investment in transferable securities (UCITS);*

- making amendments and additions to the primary legislation applicable to issuers of financial instruments, in line with recent developments in the capital market and taking into account proposals submitted by market participants, in the context of the ongoing dialogue conducted by ASF with representative industry entities;
- continuation of the review process of primary and secondary legislation in the field of UCIs/IMCs/AFIAs (e.g. *Law no. 243/2019, Regulation no. 9/2014, Regulation no. 7/2020*) with the aim of simplifying, standardising and de-bureaucratising the authorisation/registration process of these entities, with the ultimate goal of implementing measures for the proper development of this sector, in line with EU best practices, recommendations and guidelines issued by European bodies, but also with the substantiated requests of market participants;
- revision of the applicable legislation in the accounting field (*ASF Rule no. 39/2015 for the approval of Accounting Regulations in line with International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector, as well as the Investor Compensation Fund*), by ensuring the transposition into this legislation of the provisions of *Directive 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU with regard to the disclosure of information on income taxes by certain undertakings and branches*;
- revision of the legal framework on the determination of capital gains tax on the transfer of securities, following the amendments and additions to the Tax Code in this respect.

In 2022, **regulatory activity in the insurance-reinsurance sector** is expected to focus on the following draft primary and secondary legislation:

- amendment/completion of legislation on compulsory insurance of dwellings against earthquakes, landslides and floods;
- amendment/completion of the legislation on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents;
- amendment/completion of legislation on authorisation and supervision of insurance and reinsurance activity;
- amendment/completion of legislation on insurance distribution;
- amendment of primary legislation on financial recovery, bankruptcy, dissolution and voluntary winding-up in insurance business and development of corresponding secondary legislation;
- updating regulations on the authorisation of companies and the conduct of insurance and reinsurance business;
- updating the regulations on the operation of supervised insurers under the national regime;

- drafting regulations on the application of the Solvency II regime at company level - unification and development of EIOPA guidelines - quantitative and qualitative requirements;
- development of regulations on the application of the Solvency II regime at group level - unification of EIOPA guidelines - quantitative and qualitative requirements;
- finalisation of the arrangements for guarantee insurance regulations;
- amendment of the regulations on the Policyholders Guarantee Fund;
- update regulations on international financial reporting standards;
- reassessment of the standard formula for capital requirements for natural catastrophe risk;
- assessing the prudential treatment of assets and liabilities substantially associated with environmental and/or social objectives;
- assessing the appropriateness of the risk-based prudential treatment of insurance products involving climate change adaptation measures and considering the possibility of risk-based climate change mitigation and adaptation through (re)insurance measures;
- underwriting practices and innovative product design;
- recommendations on monitoring the use of climate change risk scenarios in ORSA;
- integration of the Taxonomy Regulation into the requirements for insurers;
- developing further recommendations on key performance indicators for the environmentally sustainable activities of insurers under Article 8 of the Taxonomy Regulation.

In order to update the regulatory framework applicable to the **private pension sector** in 2022, the information and conclusions drawn from the following aspects will be analysed and processed:

- the state of development of the private pension fund market;
- growth in the volume of assets;
- European sectoral and cross-sectoral regulatory developments, as well as identification of participants' needs and expectations;
- stakeholder dialogue, best practices, guidance, studies and research by bodies with expertise in the field (e.g. G20, IMF, World Bank, EBRD, IOPS, EIOPA);
- continue work on the adoption of Law on the Payment of Private Pensions, which will aim at a fundamental completion of the legal framework for private pensions.

### **Strengthening prudential supervisory functions and conduct of business**

The priority objectives for 2022, subsequent to supervisory and control activities, are primarily aimed at ensuring the orderly and proper functioning of the financial instruments, insurance and reinsurance markets and the private pension system, identifying and managing risks specific to certain categories of

entities and/or operations and ensuring the protection of investors and consumers of financial products and services.

In this respect, supervisory and control actions will be approached from both a prudential and an entity conduct perspective, with both compliance and risk components being addressed for both approaches. In order to capitalise on the results of these supervisory and control actions, in addition to implementing the necessary corrective measures, where appropriate, we intend to intensify dialogue with regulated entities with a view to adopting preventive measures and conduct that is fair and in line with best practices.

The supervisory and oversight actions to be addressed in the **financial instruments and investment sector** will cover the following:

- strengthening the application of the principles and techniques of the risk-based supervision (RBS) approach and enhancing supervisory and control actions in entities in high-risk categories and profiles;
- continue to apply stress tests to identify trends, risks or practices that deviate from legal requirements;
- conducting thematic exercises at the level of certain categories of entities or by establishing a representative sample to assess certain principles or rules set out in the regulatory framework in force;
- assessing approaches to integrating sustainability risks into the business and operations of regulated entities;
- assessment of risks arising from the use of technology-based innovations;
- adapting supervisory and control techniques to new trends driven by the promotion and adoption of digital and green finance
- developing and emphasising the use of early intervention mechanisms and tools, by integrating macro-prudential risks into the analyses carried out;
- ensuring that documents relating to the initiation, approval and conduct of takeover bids, takeovers and sales of corporate transactions are in line with legal provisions;
- ensuring the rights deriving from the status of shareholder and monitoring compliance with the obligations relating to the initiation and implementation of mandatory takeover bids;
- compliance of issuers' financial statements with International Financial Reporting Standards (IFRS);
- implementation of ESEF reporting requirements;
- ensuring that shareholders/investors are adequately informed of transactions carried out in relation to and by issuers of securities from the perspective of current/periodic reporting obligations;
- monitoring compliance with disclosure, transparency and reporting obligations.

Among the specific supervisory and control actions to be undertaken by the **insurance-reinsurance sector** in 2022 are:

- monitoring the implementation of the measures and auditors' recommendations in the SRB reports which will lead to the improvement of the internal control framework of the activity carried out by insurance companies and the quality of compliance with the Solvency II legislative framework;
- Continue prudential supervision activities based on the new supervisory framework based on risk assessment, also taking into account the strategic objectives set at European level (USSP), i.e. focus on the analysis of insurance companies' activity from the perspective of the sustainability of the business model;
- development/revision of the annual risk-based supervisory plan and the implementation of the established supervisory actions/activities taking into account the strategic priorities at European level, the results of the SRB and the classification of companies allowing a better allocation of resources;
- periodic assessment of insurance and/or reinsurance companies according to the risks and impact they might have on policyholders and/or beneficiaries of insurance contracts, in the Romanian insurance market;
- specific supervisory activities dedicated to the development of the MTPL insurance business, a significant part of the Romanian insurance market;
- continued monitoring of the impact of the COVID-19 crisis and the additional risks generated by the pandemic;
- active participation in projects at European level and in the supervisory colleges of the insurance groups of which ASF is a member;
- regular assessment of insurance companies according to the identified conduct risks and the impact that they and the products they create and distribute could have on insurance customers in the Romanian insurance market;
- checking how insurance companies comply with the requirements regarding their conduct of business in relation to customers of insurance products, as well as the requirements regarding the supervision and governance of insurance products, as laid down in the legislation in force, with a view to applying sound policies and practices in the conduct of their business;
- checking the implementation by insurance companies of the new reporting formats applicable as of the third quarter of 2021, in accordance with *ASF Rule No. 22/2021 on insurance distribution*;
- conducting and submitting assessments on the area of conduct requested at the level of supervisory colleges, submitting information and attending meetings of supervisory colleges in which ASF is a member;
- providing information and participating in working committees set up at EIOPA level;
- checking how insurance companies comply with the applicable legal framework in the settlement of claims and damage files to ensure fair practices in their business so that the rights of insured/injured persons are respected;
- making recommendations to the management of the supervised entities in order to remedy deficiencies identified in the claims handling activity;

- ordering/proposing measures and remedying situations of non-compliance in the event of identifying violations of the provisions of the legislation in force.

The supervision and control actions **at the level of the private pension system** planned for 2022 are primarily aimed at carrying out regular control actions on an annual basis, in accordance with the legislation in force.

The approach to supervision and control activities is developed on the two components of risk and compliance and, in case of identification of deviations from the legislation in force, either the non-compliance situations will be remedied or measures and recommendations will be issued to improve workflows and procedures and mitigate risks.

An important aspect of the supervisory activity is to check how each entity's corporate governance system and internal control system is functioning, in order to identify whether the policies and procedures developed by them are appropriate to the volume and complexity of the business and are applied at all times.

Actions in 2022 will also assess the steps taken by private pension fund managers to integrate sustainability risks in line with ASF recommendations for a prudent approach to climate risk.

At the same time, in terms of supervisory activity, checking how participants and beneficiaries are informed about the evolution of pension fund assets and the value of personal assets is an important element in protecting the interests of participants and beneficiaries and increasing confidence in the private pension system as a whole.

## SECTION II – Evolution of the non-bank financial markets in 2021



## **13. Macroeconomic and international context**

### 13.1. The macroeconomic context

The start of 2022 has brought new economic, social and political uncertainties and challenges to the fore, due to the emergence of the new variant of the coronavirus, Omicron, but also amid escalating geopolitical tensions and the military conflict between Russia and Ukraine. In this context, the restrictions imposed by states in January-February and, subsequently, the launch of the military operation by the Russian Federation in Ukraine represent risks to the prospects for the recovery and consolidation of states' economies in 2022.

**The International Monetary Fund** in January this year **revised downwards its global economic growth forecast for 2022 to 4.4%** (from 4.9% previously, World Economic Outlook, October 2021), amid changes in forecasts for gross domestic product growth in the two largest economies. As for the US, economic growth has been revised downwards (-1.2 pp) to 4% in 2022, also indicating a softening of the pace of growth compared to the previous year - the estimate for US economic growth in 2021 is 5.6%. In the case of China, estimates for GDP growth in 2022 have been revised downwards, by 0.8 pp down from the IMF's autumn forecast (October 2021). According to the IMF, for China's economy, the concerns leading to the lower estimates were pandemic-induced disruptions related to the zero-tolerance policy on COVID-19 and prolonged financial stress among real estate developers.

According to the winter 2022 economic forecast, the European Commission expects both the euro area and EU economies to grow by 4.0% this year, a slight downward revision (-0.3 pp) from the previous forecast. According to the European Commission, Romania's gross domestic product will grow by 4.2% in 2022, also a downward revision (from 5.1%: autumn 2021 economic forecast).

Locally, the National Commission for Strategy and Forecasting has revised downwards its economic forecast for GDP growth for 2022 to 4.3% (from 4.6% in the NCSF autumn 2021 forecast). Estimates of the GDP growth rate for the previous year have also been revised downwards by 0.8 percentage points from 7% (NCSF autumn forecast) to 6.2%.

According to data published by Eurostat, seasonally adjusted GDP grew by 0.3% in the euro area and by 0.4% in the EU in the fourth quarter of 2021 compared to the previous quarter. Compared with the same period of the previous year, seasonally adjusted GDP increased by 4.6% in the euro area and by 4.8% in the EU in Q4 2021. For 2021, seasonally adjusted GDP increased by 5.3% in both the euro area and the EU, after a decrease of 6.4% in the euro area and 5.9% in the EU in 2020.

According to data published by the NSI, locally, gross domestic product increased by 5.9% (gross series) in 2021 compared to 2020. Compared to the same period of the previous year, in the fourth quarter of 2021, Romania's gross domestic product increased by 2.4% in the gross series and by 3.9% in the seasonally adjusted series.

Table 1 Evolution of GDP (%) and GDP forecast (%) from 2019 to 2022

Region/ country	2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021	European Commission		FMI*	
												2021	2022	2021	2022
												f	f	f	f
Eurozone	1.6	-3.2	-14.6	-4.0	-4.3	-6.4	-0.9	14.6	4.0	4.6	5.3	5.3	4.0	5.2	3.9
Germany	1.1	-1.9	-11.3	-3.7	-2.9	-4.6	-2.8	10.4	2.9	1.8	2.9	2.8	3.6	2.7	3.8
Spain	2.1	-4.3	-21.5	-8.7	-8.8	-10.8	-4.1	17.8	3.5	5.5	5.0	5.0	5.6	4.9	5.8
France	1.8	-5.5	-18.6	-3.6	-4.3	-7.9	1.7	19.0	3.5	5.4	7.0	7.0	3.6	6.7	3.5
Italy	0.5	-6.4	-18.5	-5.4	-6.1	-9.0	0.1	17.6	3.9	6.2	6.6	6.5	4.1	6.2	3.8
Bulgaria	4.0	-0.8	-7.9	-4.4	-3.3	-4.4	-1.4	7.4	5.0	4.7	4.2	4.0	3.7	4.5	4.4
Croatia	3.5	1.0	-14.1	-10.7	-7.3	-8.1	-0.4	16.9	15.3	9.9	10.4	10.5	4.8	6.3	5.8
Hungary	4.6	1.6	-13.2	-4.4	-3.5	-4.7	-1.3	17.7	6.5	7.0	7.1	6.5	5.0	7.6	5.1
Poland	4.7	2.2	-7.8	-1.9	-2.6	-2.5	-1.1	10.9	5.5	7.6	5.7	5.7	5.5	5.1	5.1
Romania	4.2	2.6	-8.7	-5.1	-2.2	-3.7	-0.5	12.7	8.0	3.9	5.9	6.3	4.2	7.0	4.8

Source: Eurostat, seasonally adjusted series, change compared to the same period of the previous year, EC winter forecast 2022, World Economic Outlook - October 2021, IMF, \*ref. euro area, Germany, Spain, France and Italy have been updated according to the World Economic Outlook – January 2022.

## Inflation on the rise

Higher energy prices, disruptions in global supply chains coupled with sustained growth on the demand side (with consumption predominantly goods-oriented) and accommodative monetary and fiscal policies have induced global inflationary pressures during 2021.

On the inflation front, expectations are for persistently high annual rates over a longer period than initially anticipated, as supply chain disruptions and high energy prices continue globally. However, as the effects of the pandemic fade, with a reduction in supply chain disruptions and a shift in demand from consumption of goods to services, reinforced by tighter monetary policies, high inflation rates are expected to fall further.

In February 2022, the annual inflation rate (HICP) for the euro area stood at 5.9%, a significant increase compared to the same period of the previous year (February 2021: 0.9%). The largest contributions came from energy (+3.12 percentage points, pp), followed by services (+1.04 pp), food, alcohol and tobacco (+0.90 pp) and non-energy industrial goods (+0.81 pp).

At EU level, the annual inflation rate was 6.2%, up from 5.6% in the previous month. The lowest annual inflation rates in the EU were recorded in Malta, France (both 4.2%), Portugal, Finland and Sweden (all 4.4%), while the opposite was true for Lithuania (+14.0%), Estonia (+11.6%) and the Czech Republic (+10.0%).

According to data published by the NSI, the **annual CPI inflation rate** in Romania stood at 8.53% in February 2022, which is higher than in January (+8.35%). Significant contributions to the annual inflation rate were made by increases in prices of non-food goods (+9.33%), food (+8.84%) and services (+6.08%). The annual inflation rate in February 2022 compared to February 2021 calculated on the basis of the **Harmonized Index of Consumer Prices (HICP)** is 7.9%. The overall effects on inflation and the economy are significant and are not expected to diminish soon.

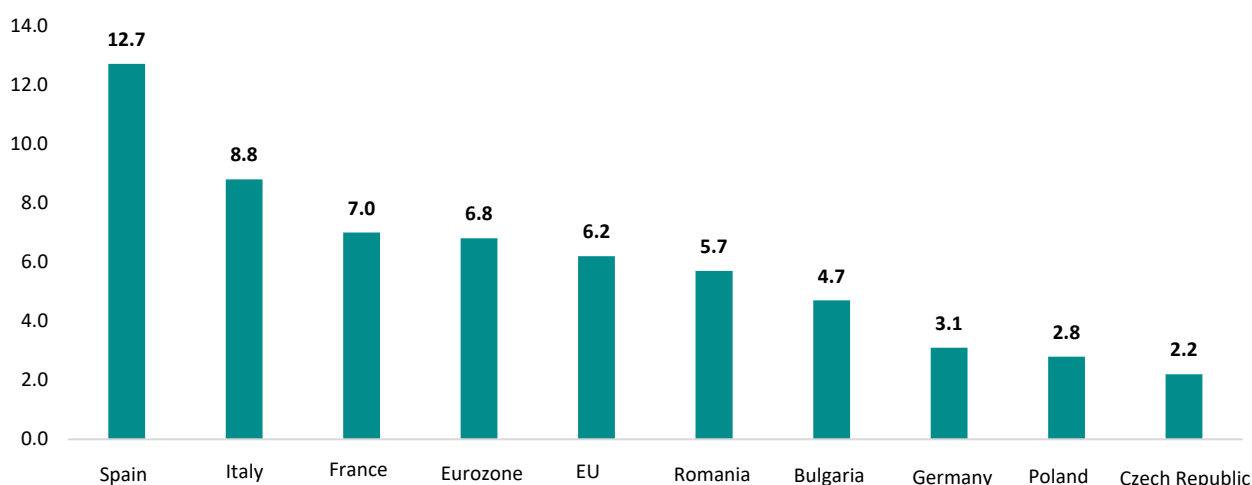
Table 2 Annual inflation rate (measured as the harmonised index of consumer prices)

	Feb 2021	Sep 2021	Oct 2021	Nov 2021	Dec 2021	Ian 2022	Feb 2022
Italy	1.0	2.9	3.2	3.9	4.2	5.1	6.2
France	0.8	2.7	3.2	3.4	3.4	3.3	4.2
Spain	-0.1	4.0	5.4	5.5	6.6	6.2	7.6
Eurozone	0.9	3.4	4.1	4.9	5.0	5.1	5.9
EU	1.3	3.6	4.4	5.2	5.3	5.6	6.2
Hungary	3.3	5.5	6.6	7.5	7.4	7.9	8.4
Germany	1.6	4.1	4.6	6.0	5.7	5.1	5.5
Poland	3.6	5.6	6.4	7.4	8.0	8.7	8.1
Romania	2.5	5.2	6.5	6.7	6.7	7.2	7.9
Bulgaria	0.2	4.0	5.2	6.3	6.6	7.7	8.4

Source: Eurostat

The seasonally adjusted **unemployment rate** in the euro area stood at 6.8% in January 2022, down 0.2 pp from the previous month. At EU level, the unemployment rate stood at 6.2%. The seasonally adjusted unemployment rate in Romania stood at 5.7% in January 2022, remaining at the same level compared to the previous month, according to data published by INS. Locally, the unemployment rate among men (5.6%) is lower than the unemployment rate among women (5.8%).

Chart 1 Unemployment rate (seasonally adjusted, %) in January 2022



Source: Eurostat

The **government debt-to-GDP ratio** is 97.7% in the euro area for the third quarter of 2021, up from 83.6% in the fourth quarter of 2019 before the COVID-19 crisis. At EU Member State level, there is considerable heterogeneity in the level of indebtedness, with the share of government debt to GDP ranging from 19.6% (Estonia) to 200.7% (Greece). Romania is among the EU Member States with the lowest level of indebtedness (48.5%), below the EU Member State average of 90.1% of GDP. In December 2021, Romania's general government debt stood at around 576.6 billion lei, up from the end of 2020 (499.9 billion lei), increasing to a level of around 48.9% of GDP.

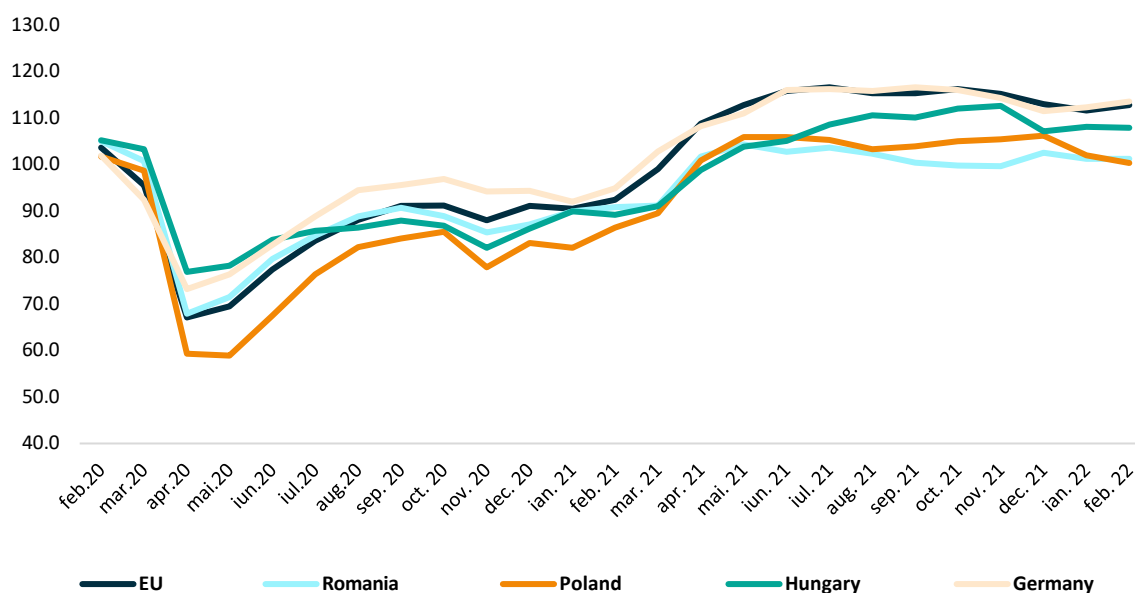
Table 3 Evolution of government debt (% GDP)

	2019- Q1	2019- Q2	2019- Q3	2019- Q4	2020- Q1	2020- Q2	2020- Q3	2020- Q4	2021- Q1	2021- Q2	2021- Q3
Italy	136.0	137.3	136.5	134.3	137.5	149.2	154.2	155.6	159.6	156.4	155.3
France	98.7	98.5	99.3	97.5	100.7	113.0	115.4	115.0	117.9	114.5	116.0
Spain	98.4	98.5	97.5	95.5	99.2	110.3	114.1	120.0	125.3	122.7	121.8
Eurozone	86.0	85.8	85.4	83.6	85.7	94.4	96.6	97.3	100.0	98.3	97.7
EU	79.6	79.4	78.8	77.2	78.9	87.2	89.2	90.1	92.4	90.9	90.1
Hungary	68.3	67.1	67.1	65.5	65.8	70.2	73.8	80.1	80.8	77.4	80.3
Germany	61.1	60.5	60.4	58.9	60.1	66.4	69.1	68.7	69.9	69.7	69.4
Poland	48.9	47.7	46.9	45.6	47.5	54.6	56.5	57.4	59.0	57.4	56.6
Romania	33.8	33.8	35.1	35.3	37.4	40.7	43.1	47.4	47.7	47.5	48.5

Source: Eurostat

**The Economic Sentiment Indicator (ESI)** reached 112.8 points in the European Union in February 2022, above pre-crisis levels. In February 2022, confidence in the services sector recovered by 3.5 points from the previous month. In Romania, the economic sentiment indicator is lower than the EU average, standing at 101.2 points in February 2022, unchanged from January 2022. In Romania, confidence in the retail sector decreased by 4.0 points compared to the previous month.

Chart 2 Evolution of the economic sentiment indicator (ESI)



Source: Eurostat

## 13.2. International capital market context

According to data published by EFAMA, in Q4 2021 compared to Q4 2020, there were increases in net assets for both collective investment schemes (+19.29%) and alternative investment funds (+12.47%).

According to EFAMA statistics, in Q4 2021, the cumulative value of UCITS net sales was around 238 billion EUR compared to Q4 2020, when the European UCITS market recorded net sales of 226 billion lei. Alternative investment funds in Europe recorded net outflows of 5 billion EUR, compared to net inflows of 64 billion EUR in Q4 2020. These net outflows were due to the decision of a large Dutch pension fund to withdraw its investments from AIFs.

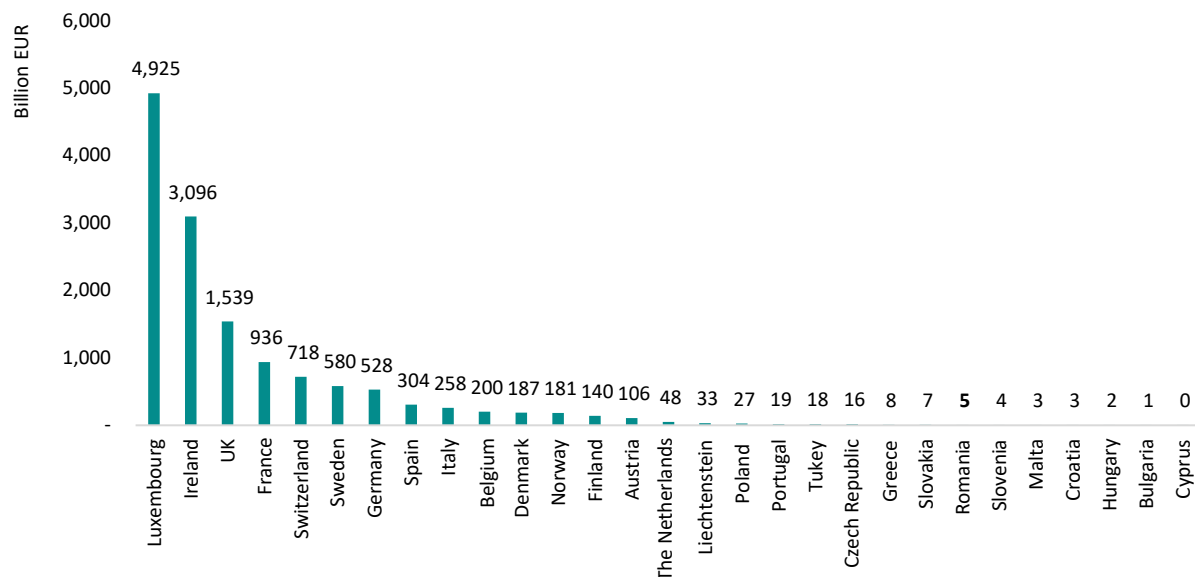
The largest increases in net sales were seen in UCITS of money market funds, which recorded net inflows of 91 billion EUR in Q4 2021, while at the other end of the spectrum were ARIS funds, with net outflows of around 2 billion EUR. In the case of AIFs, the largest net inflows were seen in the category of other funds (+72 billion EUR), while bond funds recorded net outflows of 59 billion EUR.

In Q4 2021, 23 of the 29 European countries recorded net inflows into UCITS, among them Ireland (95 billion EUR), Luxembourg (78 billion EUR) and France (20 billion EUR), in terms of highest net inflows in Q4 2021. In terms of UCITS net assets, there was an increase of 19.29% at the end of Q4 2021 compared to Q4 2020.

At the end of Q4 2021, 18 countries recorded net inflows into AIFs, of which the largest were Ireland (32 billion EUR), Germany (26 billion EUR) and Luxembourg (15 billion EUR). The net assets of AIFs stood at 8,009 billion EUR at 31 December 2021, up 12.47% compared to the end of Q4 2020.

As at 31 December 2021, the investment fund market in Europe comprised 65,212 investment funds (up 1.90% from 63,999 at the end of 2020), including 35,040 undertakings for collective investment in transferable securities (UCITS) and 30,172 alternative investment funds (AIFs).

Chart 3 Net assets (billion EUR) of undertakings for collective investment in transferable securities in Europe as at 31 December 2021



Source: EFAMA

The net assets of undertakings for collective investment in transferable securities (UCITS) stood at around 13,890 billion EUR at the end of December 2021, up 19.29% compared to the end of 2020.

Table 4 UCITS net assets (million EUR) by country of domicile

Country	31.12.2020			31.12.2021		Change Q4 2021 compared to Q4 2020 (%)
	Number of UCITS	Net asset	Market share	Number of UCITS	Net asset	
Austria	901	89,947	0.77%	898	105,957	17.80%
Czech Republic	166	13,541	0.12%	179	16,176	19.46%
France	3,012	884,296	7.59%	2,984	936,043	5.85%
Germany	2,481	418,145	3.59%	2,606	527,629	26.18%
Hungary	34	1,336	0.01%	34	1,548	15.87%
Poland	302	27,005	0.23%	303	27,296	1.08%
Romania	81	4,037	0.03%	86	4,546	12.60%
Total countries analysed	6,977	1,438,307	12.35%	7,090	1,619,195	12.58%
Total UCITS	34,351	11,644,513	100%	35,040	13,890,285	19.29%

Source: EFAMA

According to EFAMA statistics, cumulative net inflows of undertakings for collective investment in transferable securities (UCITS) in Q4 2021 amounted to around 238 billion EUR. At the level of the European UCITS market, guaranteed funds and ARIS funds recorded net outflows. The highest value of net inflows was recorded by money market funds (+91 billion EUR).

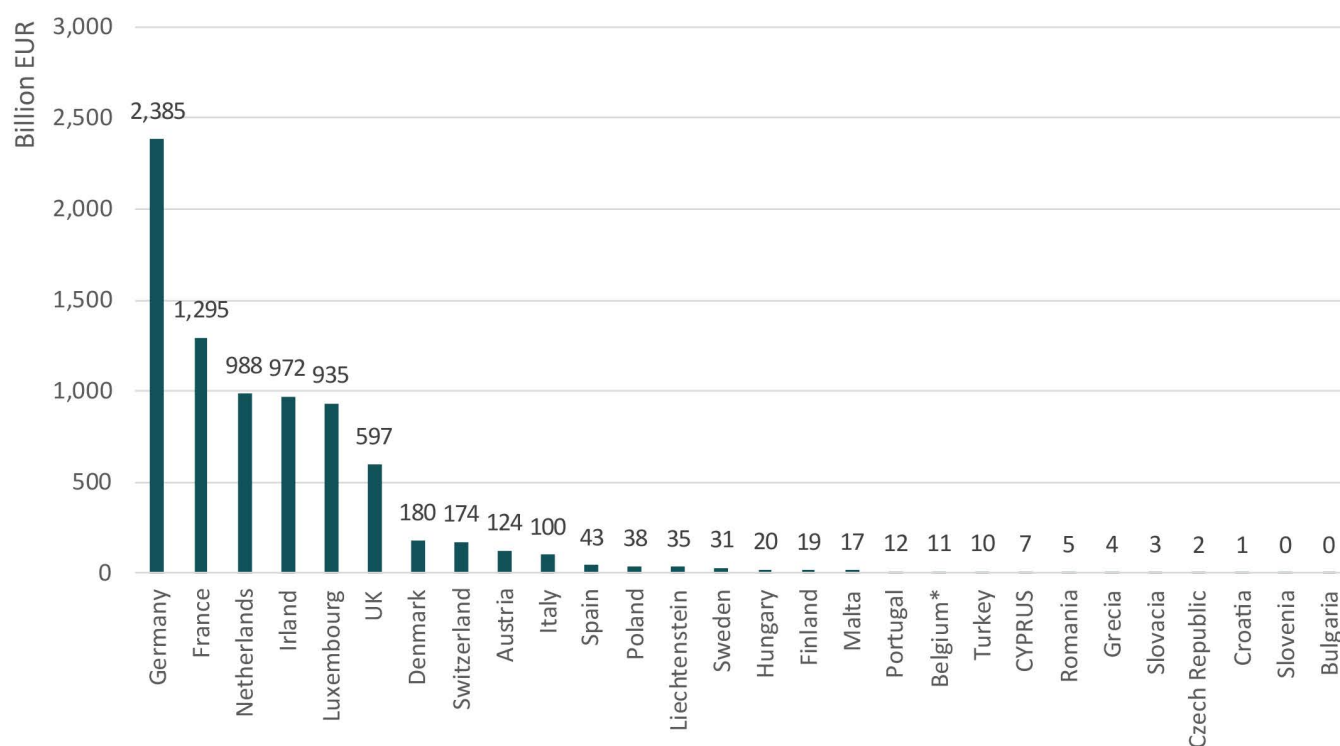
Table 5 UCITS net sales (million EUR) by fund category and country of domicile in Q4 2021

Country	Equity funds	Bond funds	Diversified funds	Money market funds	Guaranteed	ARIS funds	Other funds	Total
Austria	414	596	2,041		(0)	44	(4)	3,089
Czech Republic	82	163	224		(0)			469
France	(1,100)	300	1,000	19,600				19,800
Germany	2,467	1,068	3,556	50	(0)	7	(5)	7,143
Hungary	16	(20)	10	(0)		7	2	15
Poland	208	(1,820)	(112)			(2)	32	(1,696)
Romania	39	(171)	54			13	(1)	(67)
Total countries analysed	2,125	115	6,772	19,650	(1)	68	23	28,753
Total UCITS	57,092	31,494	50,263	91,395	(14)	(1,857)	9,240	237,614

Source: EFAMA

The net assets of alternative investment funds (AIFs) in Europe stood at 8,009 billion EUR at the end of Q4 2021, up 12.47% compared to the situation at the end of 2020. Germany is the country with the highest AIF net assets (2,385 billion EUR), with Bulgaria at the other end of the scale (72 million EUR).

Chart 4 Net assets (billion EUR) of alternative investment funds in Europe as at 31 December 2021



Source: EFAMA



Table 6 Net assets of alternative investment funds (million EUR) by country of domicile

Country	31.12.2020			31.12.2021		Change Q4 2021 compared to Q4 2020 (%)
	AIF number	Net asset	Market share	AIF number	Net asset	
Austria	1,057	111,643	1.57%	1,081	123,543	10.66%
Czech Republic	11	1,692	0.02%	11	2,102	24.20%
France	7,790	1,182,700	16.61%	7,931	1,295,444	9.53%
Germany	4,656	2,093,240	29.40%	4,832	2,384,982	13.94%
Hungary	521	17,616	0.25%	525	19,741	12.06%
Poland	813	34,512	0.48%	818	38,333	11.07%
Romania	33	4,372	0.06%	34	5,307	21.38%
Total analysed countries	14,881	3,445,775	48.39%	15,232	3,869,453	12.30%
Total AIF	29,648	7,120,707	100%	30,172	8,008,578	12.47%

Source: EFAMA

At the European level, AIF net outflows were around 5 billion EUR in Q4 2021. The highest net inflows were recorded for other funds (around 72 billion EUR), while bond funds recorded the highest cumulative net outflows (59 billion EUR).

Table 7 Alternative investment fund net sales (million EUR) in Q4 2021 by fund category and country of domicile

Country	Equity funds	Bond funds	Diversified funds	Money market fund	Guaranteed	ARIS funds	Real estate funds	Other funds	Total
Austria	(197)	138	275		(7)	(68)	308	3	453
Czech Republic							81		81
France		2,700	2,100	1,800	(500)				6,100
Germany	3,585	(5,196)	10,087	(61)		2	330	17,112	25,859
Hungary	193	172	350	(14)	43	(5)	112	3	854
Poland	165	(655)	220		(1)	14	(1)	(26)	(285)
Romania			1			>-0,1		(2)	(1)
Total AIF	(17,785)	(59,256)	6,660	1,136	(1,722)	(159)	(5,687)	71,519	(5,294)

Source: EFAMA

### 13.3. International insurance market context

According to EIOPA data for the third quarter of 2021 published in the Risk Scoreboard, macroeconomic risk remains at a high level from the perspective of the European insurance market, while all other risk categories, including profitability and solvency risks, remain at medium levels. As a result, inflation forecasts have been revised upwards and 10-year swap rates have increased in major currencies.

After six quarters in which the upward trend continued, the groups' solvency position declined but remained above the level at the end of 2020. The SCR ratio for life insurance improved slightly. Profitability indicators reported a slight deterioration, with an increase in the net combined ratio for general insurance.

The risks of interconnections and imbalances remain at a medium level. As regards the exposure of insurance groups to banks, it decreased, while investments in insurance and other financial institutions increased slightly.

As regards environmental, social and governance (ESG) risks, they are at a medium level. The disaster damage rate has decreased slightly compared to Q2 2021, although it may not yet fully reflect the potential negative impact of the floods in Europe in summer 2021.

Digitalisation and cyber risks are at a medium level. The frequency of cyber incidents, affecting all business sectors, has decreased compared to the same quarter last year, but is still high compared to the long-term average.

From the perspective of the aggregate investment structure of insurance companies, it can be seen that, both at European and local level, the most significant share is held by bonds. European insurers have oriented around 58% of their investments towards bond investments, while Romanian insurers have an 84% share of bond investments.

Chart 5 Aggregate investment structure of insurance companies in Europe (Q3 2021, 30 countries)

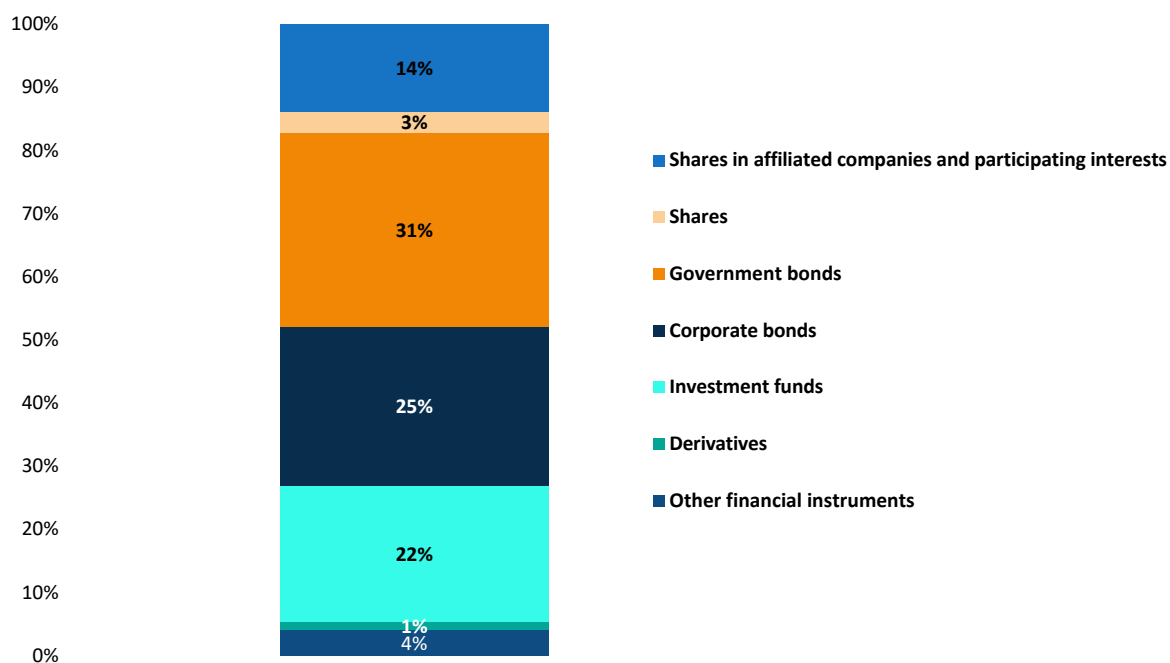
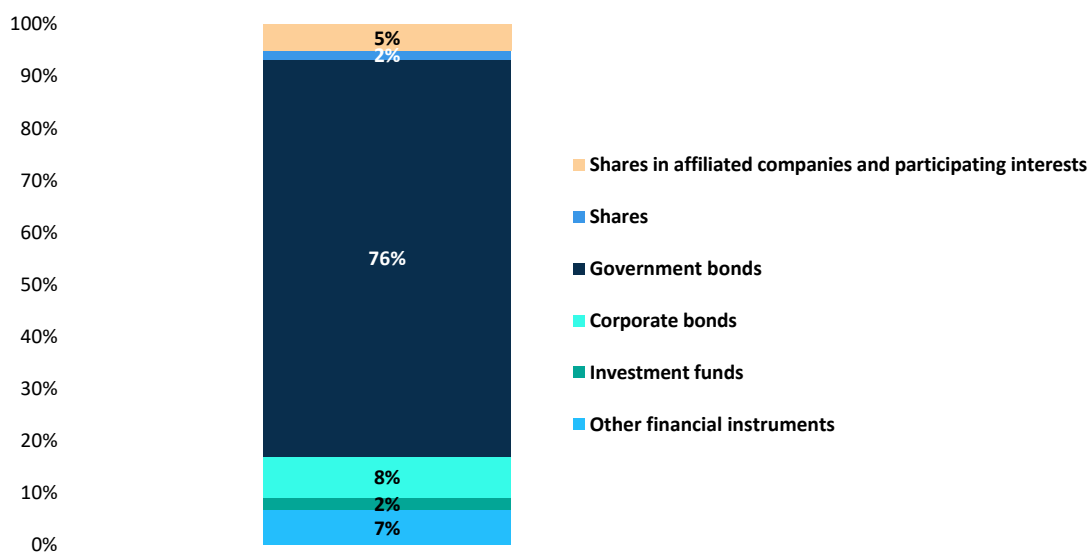
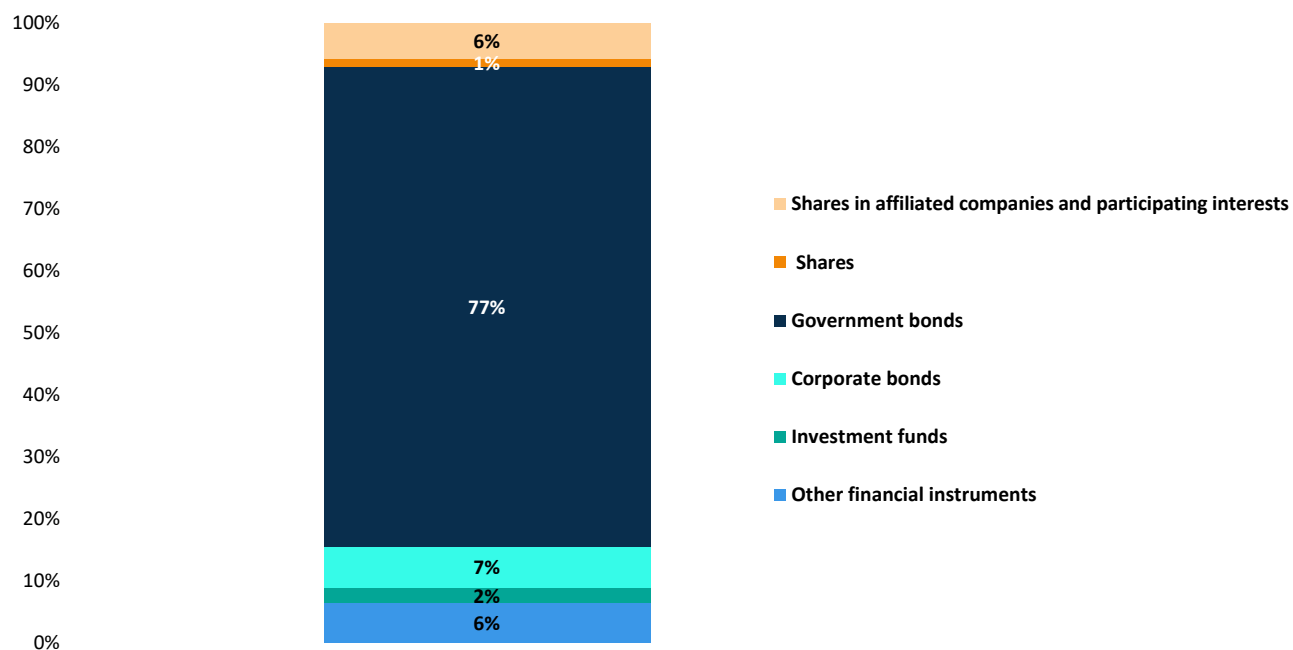


Chart 6 Aggregate investment structure of Romanian insurance companies (Q3 2021)



Source: EIOPA, ASF calculations

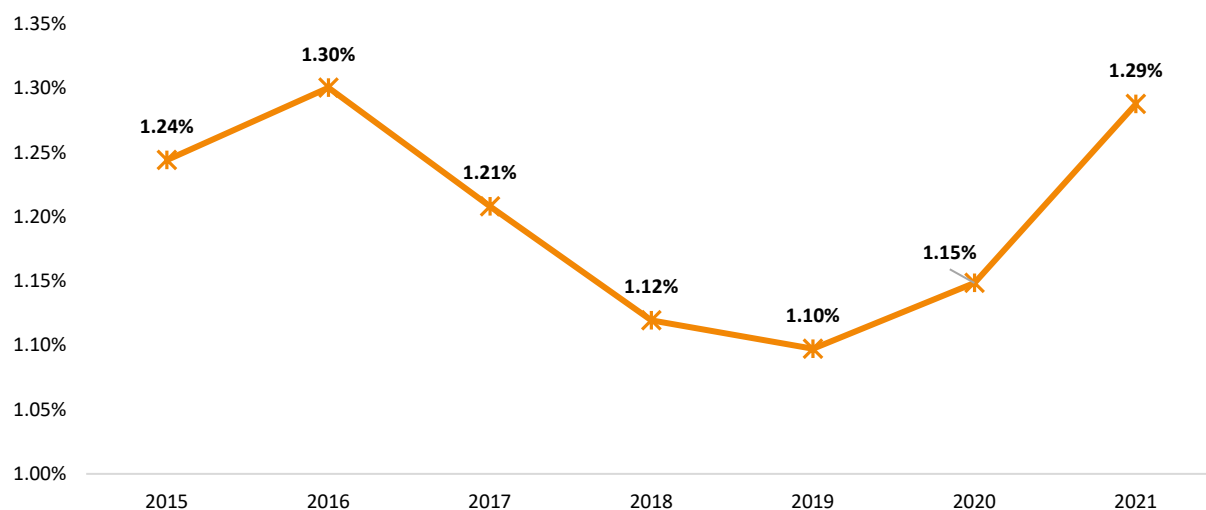
Chart 7 Aggregate investment structure of Romanian insurance companies (Q4 2021)



Source: ASF calculations

Insurance penetration of GDP, an indicator calculated as the ratio of the value of gross premiums written (excluding reinsurance business and gross premiums written in other countries) by locally authorised and supervised entities and branches (authorised in other EU Member States underwriting under the freedom of establishment, FOE) to gross domestic product, was 1.29% in 2021, up from 1.15% in 2020.

Chart 8 Insurance penetration of GDP in Romania

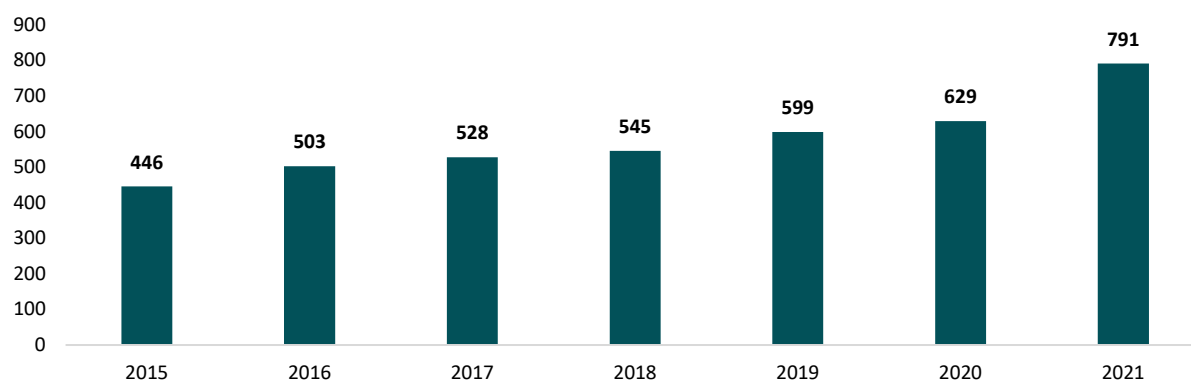


Source: INS, ASF, ASF calculations

Insurance density, calculated as the ratio of the value of gross written premiums (excluding reinsurance business and gross written premiums in other countries) in Romania (including GWP of branches under the right of establishment, FOE) to the number of inhabitants<sup>15</sup>, is an indicator of how much a country's average inhabitant spends on insurance products.

In 2021, the insurance density in Romania will be 791 lei/inhabitant, an increase of about 26% compared to the previous year.

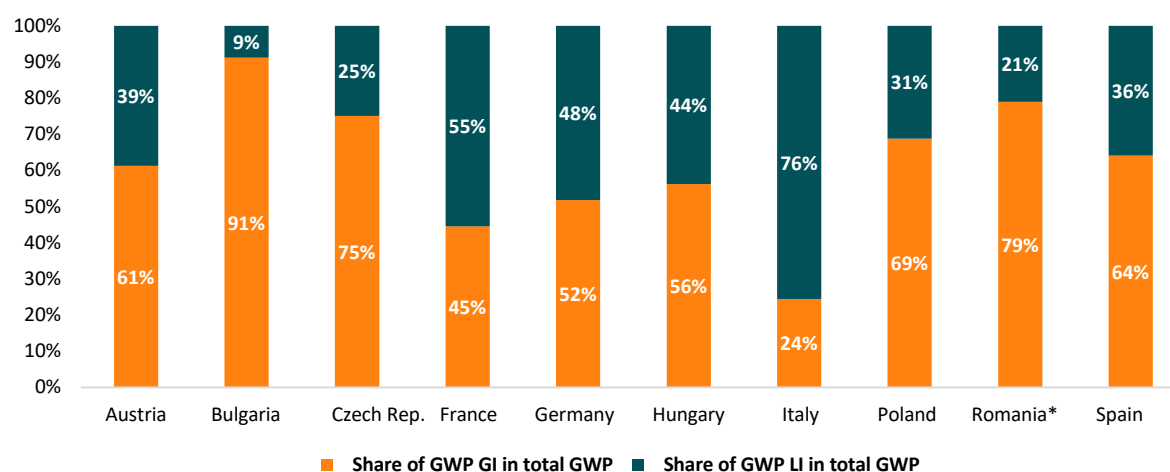
*Chart 9 Insurance density in Romania*



Source: INS, ASF, ASF calculations

The share of life insurance business in the total insurance sector in Romania in terms of the volume of gross written premiums is at a low level compared to the other EU countries analysed. In the third quarter of 2021, the share of the life insurance segment stood at 21% of total underwriting, while the share of the general insurance segment reached 79% of total underwriting.

*Chart 10 Insurance market structure by gross written premiums for general and life insurance business respectively (Q3 2021)*

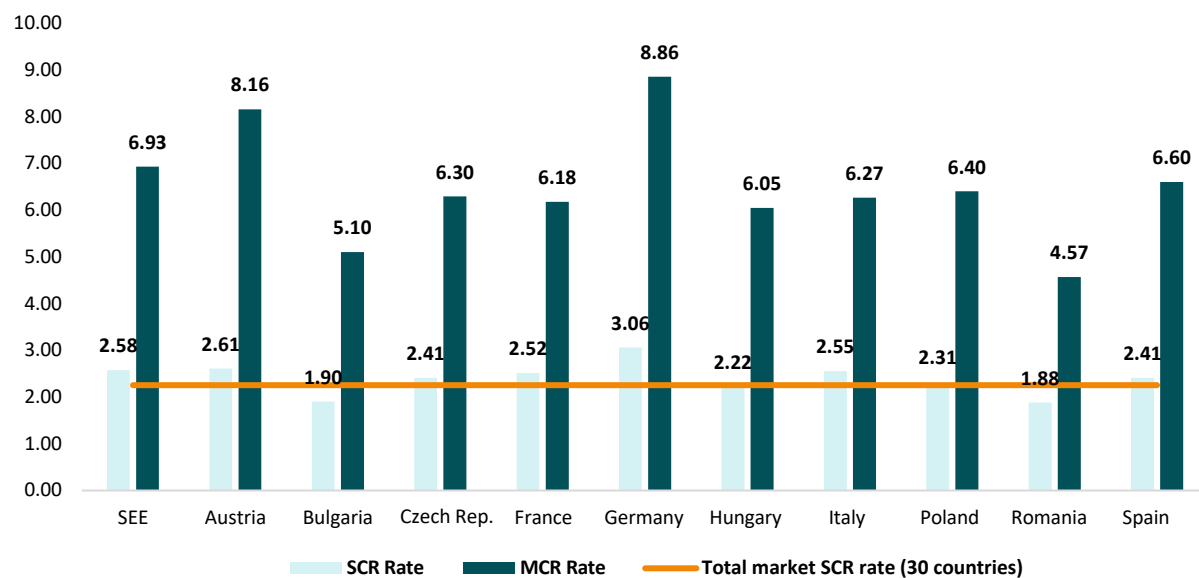


Source: EIOPA, ASF calculations, \*ASF data

<sup>15</sup> Resident population as at 1 January 2021

As regards the solvency of the European insurance system, according to published statistics, the SCR rate in the insurance market of the 30 countries reporting to EIOPA stood at 2.25 in the third quarter of 2021 and the median SCR rate was 2.20.

*Chart 11 Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) ratios (Q3 2021)*



Source: EIOPA

Although Romania has lower levels of these indicators compared to the European average, the outlook for the insurance sector remains favourable. Therefore, increasing consumer confidence in the insurance industry, launching new insurance products and adapting them to the needs of the population, as well as developing financial education remain appropriate ways to strengthen the insurance sector in Romania.

## 13.4. The international context of the private pension market

Pension schemes can be defined benefit (DB) or defined contribution (DC) schemes, so in DC schemes the participants bear most of the risk, whereas in DB schemes employers sponsoring employees' pension plans bear some of the risk if the assets do not cover pension rights.

Through various types of pension plans, individuals can accumulate significant savings for retirement age.

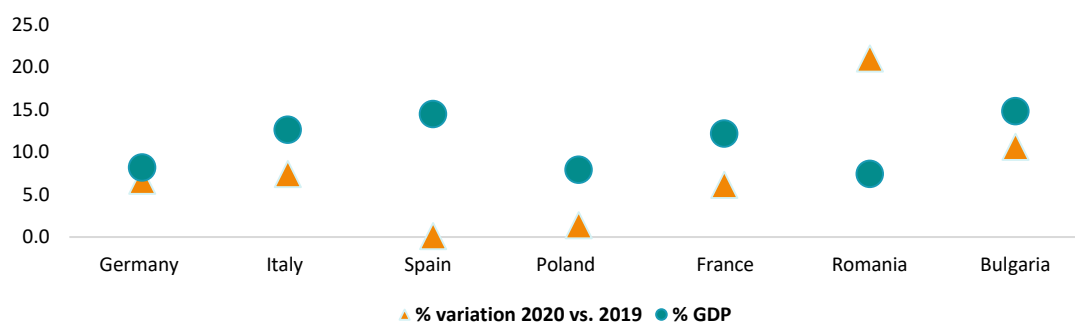
At the European level, it can be noted that in general, Central and Eastern countries rely on defined contribution (DC) schemes, while in Western countries defined benefit (DB) schemes are the norm, with only four countries also opting for hybrid schemes (Belgium, Liechtenstein, Luxembourg and Spain). In Romania, the private pension system consists of Pillar II (privately administered pensions) and Pillar III (voluntary pensions), both of which are of the defined contribution (DC) type. In 2020, a fourth pension pillar, the occupational pension scheme (DC), has been established in Romania, for which no occupational pension funds have yet been set up.

Thanks to developments in recent years, the private pension system has proved to be a successful way of long-term saving.

According to data published by the OECD, pension fund assets maintained their growth trend in 2020 in almost all countries. Substantial assets have been accumulated in retirement savings plans to fund future retirement benefits worldwide. **Pension plan assets exceeded 56 trillion USD globally at the end of 2020**, an increase of 11% compared to the end of 2019 (50.6 trillion USD). Pension savings plan assets were accumulated mainly in pension funds, accounting for more than 35 trillion USD at the end of 2020. Almost all countries saw increases in pension savings plan assets at the end of 2020 compared to the previous year, despite an initial decline in assets in early 2020 due to COVID-19. Financial markets collapsed at the start of the pandemic as governments decided to shut down certain branches of the economy to limit the spread of COVID-19, leading to a decline in pension plan asset values in Q1 2020 in many regions. However, in subsequent quarters, financial markets recovered losses, with the increase also reflected in pension savings plan assets.

For the most part, states have seen annual increases in pension fund assets. In terms of the value of pension fund assets, the UK has the highest at 3.59 trillion USD, followed by the Netherlands (2.09 trillion USD) and Switzerland (1.33 trillion USD), while Germany has over 338 billion USD.

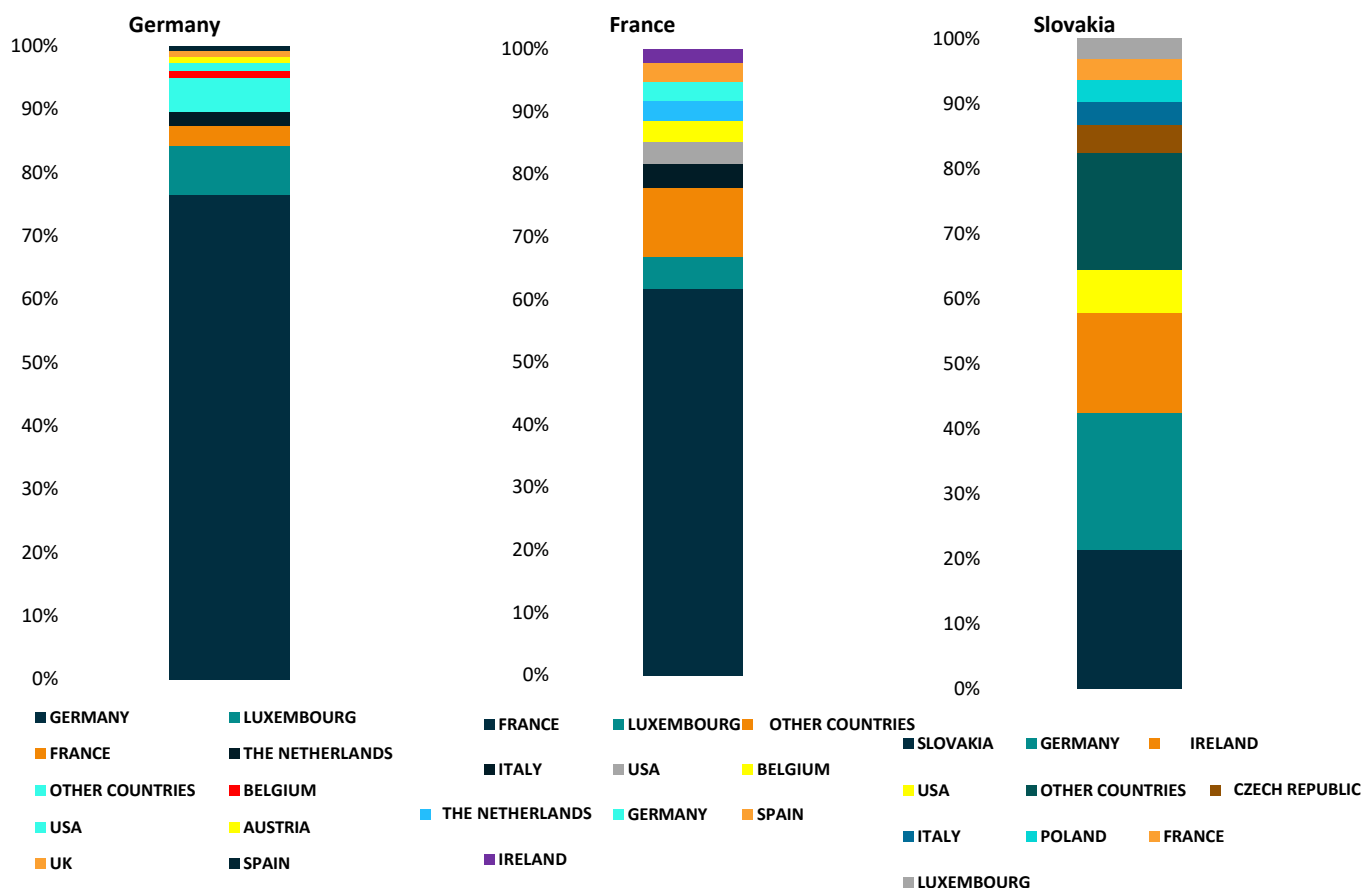
Chart 12 Pension fund assets in European countries, % GDP, year 2020



Source: OECD, Pension Markets in Focus 2021

In terms of country exposure of pension fund assets, Germany has a share of around 76% in German assets, 8% in Luxembourg assets and 16% in other countries. France has a share of around 62% in French assets, 5% in Luxembourg assets and 33% in other countries. Slovakia has a share of 21% in Slovak assets, 21% in German assets and 57% in other countries. **Romania holds 89% of Romanian assets, 2% of US assets and 9% in other countries.**

Chart 13 Country exposure of occupational pension fund assets as at 30 June 2021



Source: EIOPA



The penetration of private pensions differs from country to country, with the highest level for 2020 being recorded by Denmark (229.4%). **In the case of Romania, the penetration of private pensions reached 7.4%.**

Table 8 Private pension penetration in 2020 (total assets of retirement savings vehicles % GDP)

<b>Denmark</b>	<b>The Netherlands</b>	<b>Iceland</b>	<b>Switzerland</b>	<b>UK</b>	<b>Sweden</b>	<b>Liechtenstein</b>
229.4	212.7	206.9	167.0	126.8	108.9	106.5
<b>Finland</b>	<b>Malta</b>	<b>Belgium</b>	<b>Ireland</b>	<b>Croatia</b>	<b>Portugal</b>	<b>Estonia</b>
64.1	55.4	40.4	35.5	34.6	22.0	21.8
<b>Latvia</b>	<b>Bulgaria</b>	<b>Spain</b>	<b>Slovakia</b>	<b>Macedonia de Nord</b>	<b>Italy</b>	<b>Norway</b>
19.5	14.8	14.5	14.4	13.5	12.7	12.3
<b>France</b>	<b>Lithuania</b>	<b>Czech Republic</b>	<b>Germany</b>	<b>Slovenia</b>	<b>Poland</b>	<b>Romania</b>
12.2	9.5	9.5	8.2	8.0	7.9	7.4
<b>Austria</b>	<b>Hungary</b>	<b>Turkey</b>	<b>Luxemburg</b>	<b>Greece</b>	<b>Serbia</b>	<b>Albania</b>
6.6	5.6	3.4	2.9	1.0	0.9	0.2

Source: OECD Global Pension Statistics

Chart 14 Investment structure of occupational pension funds in European countries in Q1 2021 (%)

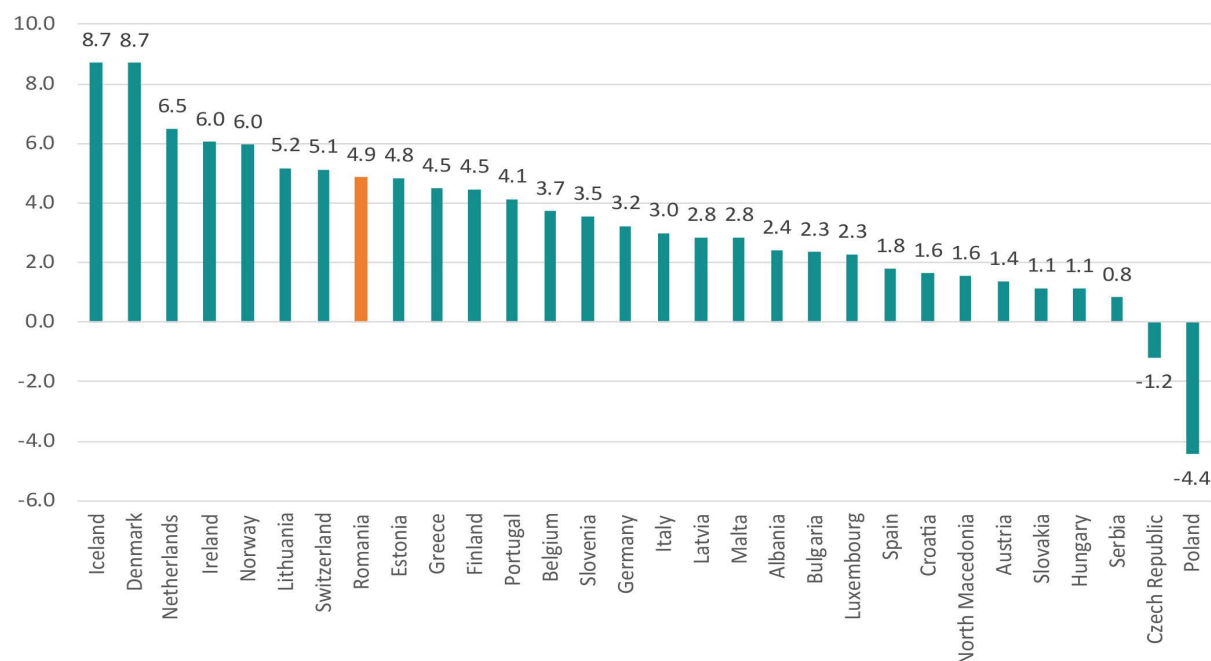


Source: EIOPA Financial Stability Report - December 2021

Note: The category "Other countries" comprises 4 Member States (Bulgaria, Denmark, Liechtenstein and Poland) with a small number of IORPs in at least one scheme (DC/DB). The category "Other investments" comprises investment funds, direct investments and disposed reserves. EEA (w) is the weighted average for the European Economic Area. EEA (un-w) is the unweighted average for the European Economic Area.

Occupational pension funds in European countries have invested predominantly in bonds and equities. Of the countries analysed, Slovenia had the highest percentage of investments in bonds (71%), followed by France (65%) and Croatia (53%). Austria was at the other end of the scale with 2%.

*Chart 15 Rate of return on investments, Dec 2019-Dec. 2020, in European countries (%)*



According to data published by the OECD, most European countries for which information is available achieved real rates of return on investment above 4% in 2020, with the exception of Germany (3.2%), Italy (3.0%), Latvia (2.8%), Luxembourg (2.3%), Spain (1.8%), Austria (1.4%), Slovakia and Hungary (1.1%), the Czech Republic (-1.2%) and Poland (-4.4%). As shown in the graph below, pension funds in Romania recorded a real return of 4.9%, with Iceland and Denmark (8.7%) recording the highest level.

The negative investment performance of pension funds in Poland can be explained by the fact that while the S&P 500 index increased by 16% in 2020, the stock index of the 20 largest companies on the Warsaw Stock Exchange decreased by 8% at the end of 2020 compared to the end of 2019.

So, most pension funds achieved positive investment returns, despite the fact that there were sharp falls in share prices in Q1 2020 in most financial markets, increases in unemployment and falls in GDP. The recovery of financial markets after the first quarter of 2020 has supported pension funds in many countries to recover financial losses. This rebound has been boosted by sectors that thrived during the pandemic (e.g. technology companies), central banks' incentives to keep borrowing costs low (e.g. lower interest rates) and positive prospects (development of vaccines and their approval by health authorities, expansion of vaccination campaigns).

Preliminary forecasts based on financial market developments suggest a positive outlook for pension fund assets. However, a certain degree of uncertainty remains about future macroeconomic developments in the context of the current geopolitical, economic and social situations. The COVID-19 pandemic and related measures could have an impact on trends in financial markets and pension fund assets. Some experts consider that equity prices could be overvalued, leading to a possible price correction in the future. In addition, the materialisation of higher inflation could pose a risk to the investment performance of pension funds in real terms, depending on the extent to which their portfolios are invested in inflation-linked securities or hedged against inflation risk.

## 14. Systemically relevant entities supervised by ASF

Systemically important non-bank financial institutions are those institutions or infrastructures whose temporary or long-term inability to meet obligations or perform critical activities could lead to disruptions in the financial system with negative effects on financial stability and indirectly on the real economy.

Although the trend in recent years for the non-bank financial sectors supervised by ASF has been an increase in their size (measured by the value of assets or financial flows), both in absolute terms and as a share of GDP (which shows a more accelerated dynamic than that of the economy on average), they remain at a significantly lower level than the banking sector.

Systemic risk is often analysed from two perspectives: as an effect on the economy (most often measured as an effect on GDP) and as an effect on financial intermediation.

Estimating systemic risk requires several differentiated perspectives depending on:

- 1) type of financial institution
- 2) impact on asset prices
- 3) impact on market perceptions of sovereign risk
- 4) cyclical developments in the economy
- 5) potential cross-border spillovers
- 6) the possibility of a financial crisis

Systemic risk can also be broken down by type of risk: credit risk, liquidity risk, market risk, etc.

Financial stability is broadly defined as the ability of the financial system to allocate resources efficiently, to assess and manage risk factors and to absorb shocks.

According to international fora with a role in analysing and monitoring systemic risks (Financial Stability Board, European Systemic Risk Board, Basel Committee on Banking Supervision, International Association of Insurance Supervisors, International Monetary Fund, etc.), a Systemically Important Financial Institution (SIFI) can be a bank, insurance company, investment fund management company or other financial institution that could trigger a financial crisis/financial distress for the financial system if it goes out of business.

According to the analyses of the above-mentioned institutions, a number of risk categories have been identified according to which systemic risks can be classified:

### **Categories of systemic risks by type of risk causing difficulties for the financial system**

- Insolvency risk
- Liquidity risk
- Risk arising from inconsistencies between asset and liability maturities
- Accumulation/concentration risk

### Categories of systemic risks by type of risk causing difficulties for the financial system

- Contagion risk
- Risk of correlation with activity of other market participants

Accumulation/concentration risk occurs when an external shock has a negative impact on several financial institutions and, as a result, they are no longer able to provide some financial services/products.

Contagion risk manifests itself as a domino effect, caused by one financial institution and its interdependencies with other financial institutions. Financial default creates difficulties for counterparties. Contagion can manifest itself directly or indirectly (reputational effect). The analysis of contagion risk must also take into account the speed at which contagion spreads. If contagion spreads slowly, then regulators have time to limit the damage.

Market, credit or liquidity risk does not create systemic risk to the extent that it affects only a few financial institutions.

The international bodies with a role in ensuring financial stability mentioned above have highlighted the main criteria for analysing the financial stability of an entity and for classifying a financial institution as systemically important:

- size;
- degree of interconnectedness;
- complexity;
- substitution of functions;
- leverage;
- impact on systemic liquidity;
- possible systemic impact of reputational risk.

The Financial Supervisory Authority regularly conducts internal analyses to identify systemically important non-bank financial entities or their market segment, using 3 main criteria: size, degree of interconnectedness and degree of substitution. **Stricter supervision is recommended for non-bank financial entities identified in these reviews, given their significant size or market position.**

I. According to the criterion on the size of non-bank financial entities supervised by ASF, the most likely to fall within the definition of systemically important entities is a pension fund (NN Private Managed Pension Fund). An alternative investment fund also holds assets of around 1.05% of GDP, but below the signal threshold considered by ASF as 2% of GDP.

In the case of private pension funds, the main indicator for assessing the size of entities is the value of total assets. Three Pillar II funds have total assets above 1% of GDP, of which only one is above 2%, i.e. NN (2.64%). This can be considered systemically relevant from the perspective of the size criterion. At the same time, the assets of the AZT Viitorul Tău privately managed pension fund are close to the 2% signal threshold in terms of GDP (1.62%).

However, it is important to reiterate that, as far as the Romanian private pension system is concerned, the risks to the stability and proper functioning of the pension funds remain at low levels, given the implementation and functioning mechanism of the Romanian private pension system of the defined contribution type with absolute and relative guarantees. Moreover, one of the mechanisms for protecting the rights of participants, which contributes to the stability of the private pension system, is also the **separation of assets between administrators and private pension funds**, which shows the impossibility of a private pension fund going bankrupt. In the event that an administrator should run into financial difficulties, the fund under administration is transferred, through the special administration procedure, to other administrators.

The cumulative total assets of collective investment undertakings represented 4.24% of GDP at the end of 2021. Fondul Proprietatea (alternative investment fund) is the entity identified with the largest share in GDP, at around 1.05%, but it is below the signal threshold considered by ASF as 2% of GDP.

Strictly from a size perspective, Fondul Proprietatea is the only entity supervised by ASF in the capital market that comes close to a size that can be considered systemically relevant, but the fact that its portfolio structure is dominated by unlisted equities (and bank deposits, government bonds have extremely low shares) makes it less likely that it could be at the origin of shocks transmitted to other parts of the financial system.

Because of their key position in the settlement process, securities settlement systems operated by CSDs are of systemic importance for the functioning of securities markets. Playing an important role in the securities holding systems through which securities participants report securities held by investors, securities settlement systems operated by CSDs also function as an essential tool for controlling the integrity of a particular issue, preventing the undue creation or reduction of securities issued and thus playing an important role in maintaining investor confidence. In addition, securities settlement systems operated by CSDs are closely involved in the collateralisation of monetary policy operations as well as in the collateralisation process between credit institutions and are therefore important actors in the collateralisation process. Thus, the Depozitarul Central can be considered a systemically important financial entity both in terms of its *size* and the *low degree of substitution of its functions* (high risk).

According to ASF reports based on data published by the BNR on SAFIR settlements and weekly reports made by the Depozitarul Central, during the period under review, in 2021, there were no instances of failed settlements in the system managed by the Depozitarul Central.

II. With regard to the interconnectedness criterion, the exposure network shows that for all three non-bank financial sectors supervised by ASF, the main risk exposure is to the Romanian State, through the government bonds held in the portfolio. This finding is valid for all three sectors supervised by ASF (insurance companies, investment funds and private pension funds). In the opposite direction, from the sectors supervised by ASF to other parts of the financial system, the probability of an interconnectedness shock is so far low, due to the long-term investor nature of all the entities mentioned. In the unlikely event of a forced liquidation of assets by non-bank financial entities, the most affected would be the stock market (fall in stock prices and stock index quotes), followed to a lesser extent by the government bonds market (rise in government bond yields) which is more liquid and has a greater capacity to absorb excess supply.

III. From the perspective of the degree of substitution of functions, a particular situation is related to the market of custody services for investment funds and private pension funds, which presents a very high degree of concentration, and the complexity and importance of custody mechanisms for the proper functioning of these markets make the risk of substitution high for the entity with the largest market share in this segment, namely BRD - Groupe Societe Generale. However, it is not subject to prudential supervision by ASF but by the National Bank of Romania and is already included in the category of other systemically important institutions in Romania (an additional capital buffer being imposed on it as a result of its inclusion in this category based on the score calculated according to the methodology harmonised with the European Banking Authority guidelines).

In the case of the Depozitarul Central there is a *low degree of substitution* (high risk), as it is currently the only entity authorised in Romania to perform these functions. Although *EU Regulation 909/2014* provides for the possibility for all authorised CSDs to be free to provide services in the Union, including by setting up a branch, so far, no other CSD has notified ASF of its intention to operate in Romania.

In terms of the degree of function substitution, the global insurance market is characterised by strong competition in many classes of insurance, which is also one of the reasons why this market is considered to have a high degree of substitution. *A lower degree of substitution may occur, according to the IAIS<sup>16</sup>, in certain niche segments where a single insurer (monopoly) or a small number of insurers are active (oligopoly markets).* In such cases, the failure of an insurer can lead to price increases and sometimes to consumers being temporarily unable to insure themselves against that class of risk.

*Function substitution risk is not the same as concentration risk*, but sometimes highly concentrated markets have additional characteristics of the entities operating in these markets that associate increased substitution risk. The Romanian insurance market is characterised by a medium to high degree of concentration both by class of insurance (motor insurance has a 62% share of the total GWP of companies authorised and regulated by ASF) and by insurance company (the top 5 companies by volume of gross written premiums have a combined market share of around 65%).

In particular, the analysis of the characteristics of the MTPL market and the indicators of the companies present on this market highlights the significant market position and high relevance, at least from a sectoral perspective, of Euroins.

Given the small number of insurers authorised and regulated by ASF and the high degree of concentration in the MTPL insurance market, we considered it important to intensify the supervision and control process, all the more so in the case of insurance companies with significant market shares.

From this perspective, the Financial Supervisory Authority also pays particular attention to risks in terms of the conduct of insurance companies, i.e. the existence of ambiguous or abusive contractual conditions that could lead to companies refusing to pay compensation in the event of insured risks.

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<sup>16</sup> International Association of Insurance Supervisors

## **15. Evolution of the capital market in 2021**



## 15.1. Primary market and issuer statistics

During 2021, the total value of primary public offers was approximately 210 million lei. For 10 of the issues, shareholders also approved the trading of preference rights, and for one issuer, shareholders also approved the trading of allotment rights.

The year was also marked by the approval of the prospectus prepared for the admission to trading on the regulated market of shares issued by Chimcomplex S.A., an issuer whose shares were traded on the multilateral trading system administered by the Bursa de Valori București S.A. (BVB), and by the approval of four initial public offerings of shares (issuers being TRANSPORT TRADE SERVICES S.A. - stock symbol TTS, One United Properties S.A., Aquila Part Prod Com S.A. and ABN Systems International S.A.). Three of them were carried out with a view to admitting the shares to trading on the regulated market administered by the BVB, the fourth was carried out with a view to admitting the shares to trading on the multilateral trading facility administered by the BVB. All offers were successfully concluded.

The offer for TTS shares was a secondary one, amounting to 288,000,000 lei, with 14 shareholders bidding. The offer for the shares of One United Properties S.A. was a primary offer, amounting to 259,112,477 lei, with the issuer as bidder. Aquila Part Prod Com S.A.'s offer was also a primary offer, with a value of over 360 million lei.

The initial primary offer, made for the admission of ABN Systems International S.A. shares on the multilateral trading system, was for 5,487,868 lei.

As regards the admission of shares to trading on the multilateral trading system administered by the BVB, without prior approval of a prospectus by ASF, the number of issuers that made use of this form of admission amounted to 20.

*Table 9 Primary public offerings in 2021*

Issuer	Volume (shares sold)	Value (lei)	BVB Segment
CHIMCOMPLEX S.A.	499,455 shares	629,313	MTF
BITTNET SYSTEMS S.A.	17,359,142 shares	10,241,894	Principal
NOROFERT S.A.	531,389 shares	6,969,751	MTF
2PERFORMANT NETWORK S.A.	149,099 shares	4,215,983	MTF
HOLDE AGRI INVEST S.A.	14,445,010 shares	19,934,114	MTF
METALICA S.A.	164,021 shares	410,052	MTF
MAGAZIN UNIVERSAL MARAMUREȘ S.A.	139,828,142 shares	13,982,814	MTF
AURORA S.A.	280,292 shares	700,730	MTF
PRODLACTA S.A.	3,238,546 shares	3,588,203	MTF
AVIOANE CRAIOVA S.A.	18,331,683 shares	45,829,208	MTF
STAR RESIDENCE INVEST S.A.	14,253,236 shares	5,701,294	MTF
BONAS IMPORT EXPORT S.A.	6,907,276 shares	6,907,276	MTF
MARTENS S.A.	12,290,365 shares	30,725,913	MTF
VRANCART S.A.	171,701,967 shares	17,213,541	Principal
ASCENDIA S.A.	40,848 shares	474,486	MTF
SAFETECH INNOVATION S.A.	522,191 shares	5,439,716	MTF
BRAICONF S.A.	17,976,433 shares	1,797,643	MTF
AGROLAND BUSINESS SYSTEM S.A.	3,990,956 shares	12,252,235	MTF
iHunt Technology Import Export	4,479,698 shares	4,202,853	MTF

S.A.			
PATRIA BANK S.A.	163,483,801 shares	16,348,380	Principal
GRÎUL S.A.	24,850,102 shares	2,485,010	MTF

Source: ASF

Also, in 2021, a prospectus was approved for an offer for the sale of bonds convertible into shares, issued by Life is Hard S.A., a company whose shares are traded on the multilateral trading system administered by the BVB, the value of the offer being 4,510,100 lei (the offer was addressed in a first stage to shareholders of the company who purchased bonds worth 393,500 lei, and in the second stage to 150 investors).

*Table 10 Prospectuses approved by ASF for admission to trading of bonds in 2021*

Issuer	No. of issued bonds	Loan amount	BVB Segment
Agricover Holding S.A.	800	40,000,000 EUR	Principal
Impact Developer & Contractor S.A.	13,163	6,581,500 EUR	Principal
SSIF BRK Financial Group S.A.	250,000	25,000,000 lei	Principal
Libra Internet Bank S.A.	400	40,000,000 EUR	Principal

*Table 11 Takeover bids made in 2021 (according to documents approved by ASF)*

Company	Volume (shares purchased)	Value (lei)
EVERGENT INVESTMENTS S.A.	8,266,125	13,225,800
RETRASIB S.A.	5,150	61.800
FORAJ SONDE S.A. VIDELE	300,000	1,680,000
ICSIM S.A.	244,049	2,806,563.5
IFMA S.A.	0	0
SIF MUNTENIA S.A.	revoked	-
SIF MUNTENIA S.A.	12,287,145	19,659,432
EVERGENT INVESTMENTS S.A.	19,459,459	35,999,999.15
SIF BANAT CRIȘANA S.A.	8,792,307	23,739,228.9
SIF TRANSILVANIA S.A.	10,443,797	4,522,164.1
TRAMECO S.A.	0	0
UNIREA SHOPPING CENTER S.A.	21,921	1,381,023

During 2021, the following approaches for other corporate events were approved:

- - 12 documents related to public takeover bids amounting to 103,076,011 lei, 7 of the bids having the issuer itself as bidder, being offers to buy back shares in order to reduce the share capital, by cancelling the shares/for the purpose of distributing them to employees and directors. A novelty this year was the competing offer to purchase shares issued by SIF Muntenia S.A.. After the auction of this operation at ASF headquarters, as the price of the competing bidder remained the highest, the decision to approve the public bid whose bidder was the company itself was revoked;
- 2 mandatory takeover bids as a result of which the bidder did not acquire any shares;
- 2 base prospectuses, one of them being the prospectus, filed annually for the approval of the authority, for the issue of structured products issued by SSIF BRK Financial Group S.A. valid for 12

months. Based on the prospectus and the final terms, structured products are issued for admission to trading on the BVB. Thus 76 certificates of registration of structured products were issued;

- a universal registration document for Bittnet Systems S.A.;

For the second consecutive year, ASF has approved such a universal registration document for the same issuer, which qualifies it as a frequent issuer, according to the provisions of Article 9 para. (11) of *Regulation (EU) 2017/1129 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, as amended*.

According to the same European Regulation, once approved, the universal registration document may form part of a prospectus for an issue of securities to the public, in which case the issuer will submit only the securities note and the summary of the prospectus for approval by ASF, and the operation will benefit from accelerated approval (it will have to be dealt with within 5 working days from the submission of the application, instead of the traditional 10 working days).

Moreover, in the first half of 2021, a share offer prospectus consisting of separate documents was approved for that issuer, the universal registration document approved in 2020 being part of it.

- 5 notices relating to the initiation of the squeeze-out procedure initiated by shareholders holding shares representing at least 95% of the total number of shares in the share capital carrying voting rights and at least 95% of the voting rights which may actually be exercised;
- 14 withdrawals from trading on the BVB/Multilateral Trading System administered by the BVB, in view of the completion of the compulsory withdrawal procedure of the shareholders/following the shareholders' resolution, after the repurchase of the shares held by the shareholders who did not agree with the adoption of this resolution/the decision to delist the company from the CRO/bankruptcy.

*Table 12 Number of Financial Instrument Registration Certificates by type of operations issued in 2021*

Operation type	Number of Financial Instruments Registration Certificates
Increase of share capital	41
Pre-emptive rights	10
Decrease in share capital	16
Bonds	33
Companies newly admitted to trading on the MTF	20
Structured products	159
Allocation rights	1
Government bonds	17
Merger/Split	2
Companies newly admitted to trading on the regulated market, main segment	3
Other	3
<b>Total</b>	<b>305</b>

## Cross-border operations

In accordance with legal provisions, harmonised with European directives/regulations, as host state, ASF receives from similar authorities in the EU the prospectuses approved by them, the certificate and the summary in Romanian of the prospectuses, this notification, more recently, being carried out via the ESMA platform.

According to the legal rules, in these cases ASF does not initiate any approval procedure for the prospectus, but ensures their publication on the Authority's website as required by *Regulation (EU) no. 2017/1129*.

During the four quarters, ASF was notified about the approval of 37 such prospectuses (single document or separate documents) and 84 supplements (amendments) to already approved prospectuses, and ASF, in turn, notified three authorities in Member States (Austria, Hungary and Poland) about the approval of the base prospectus prepared by SSIF BRK FINANCIAL GROUP S.A. Cluj Napoca.

For the structured products, on the basis of the prospectuses filed by the home Member State authority - FMA Austria and the final terms communicated, the following have been issued:

- 51 certificates of registration of structured products issued by Erste Group Bank GI Austria;
- 24 certificates of registration of structured products issued by Raiffeisen Centrobank GI Vienna.

***According to the BVB monthly reports, the following issues of bonds listed on the BVB regulated market took place in 2021:***

- **The only real estate developer listed on the main market of the BVB, Impact Developer & Contractor (IMP)**, listed on the BVB, in March 2021, a EUR-denominated bond issue of approximately 6.6 million EUR. The bond issue, which took place in December 2020 following a private placement, comprises 13,163 euro-denominated bonds with a nominal value of 500 EUR per bond and a maturity of 6 years.
- **Agricover Holding** listed for the first time on the BVB a 40 million EUR bond issue with a maturity of 5 years, the nominal value of a bond being 50,000 EUR. The issue was carried out, in January 2021, through a private placement on the BVB which was oversubscribed, being considered the largest corporate bond issue of a Romanian entrepreneurial company on the BVB.
- **The first primary offering of government bonds to the public (FIDELIS)** this year, in March, brought the Ministry of Finance an additional 709.5 million lei and 140.5 million EUR. The FIDELIS programme's government bonds offer included government bonds in lei with a maturity of 1 and 3 years, and in EUR with a maturity of 5 years.
- **The first green bonds issued by Raiffeisen Bank**, entered trading on the regulated market of the BVB in May 2021. In April 2021, Raiffeisen Bank attracted 400.5 million lei through the bond issue. The bonds have a maturity of 5 years and a fixed coupon of 3.086%. With a demand of almost 650 million lei, the issue was oversubscribed by almost 1.6 times.
- **In May 2021, BCR listed its largest bond issue on the BVB**, amounting to 1 billion lei. The 2,000 bonds traded on the BVB regulated market have a nominal value of 500,000 lei, a maturity of 7 years and an annual interest rate of 3.9%. Fitch rating agency has given the bond issue a BBB+ rating.
- **Raiffeisen Bank's second green bond issue** was listed on the regulated market of the Romanian Stock Exchange (BVB) in July 2021, under the stock symbol RBRO28. Raiffeisen Bank attracted more than

1.2 billion lei in June 2021, at the time of the bond issue, making it the largest corporate bond issue in lei by a Romanian issuer and the bank's first issue of senior non-preferred bonds. The bonds have a maturity of 7 years and a fixed coupon of 3.793%. With high demand, the issue was oversubscribed by 1.35 times the original amount.

- **One United Properties** was listed on the BVB in July 2021 and its shares are traded on the main market under the symbol ONE. The company carried out an initial public offering, raising 260 million lei.
- In July 2021, the **Ministry of Finance** attracted 614.5 million lei and 59 million EUR respectively (values totalling 905 million lei - 183.5 million EUR), through the fourth primary offering of government bonds for the public (FIDELIS) conducted in the last 12 months through the BVB systems. Thus, the value of the four financing rounds carried out in the last 12 months on the BVB by the Ministry of Finance exceeded 7 billion lei (over 1.4 billion EUR).
- In October 2021, the **Ministry of Finance** attracted 650.5 million lei and 59 million EUR through an issue of government bonds for the population with three different maturities (1, 3 and 5 years). Through the five offerings in the last two years, MF has attracted more than 8 billion lei.
- **Banca Comercială Română (BCR)** debuted in October its first green bonds on the BVB regulated market, worth 500 million lei. BCR senior preference bonds have a maturity of 7 years, annual interest of 5% and a nominal value of 500,000 lei.
- In October 2021, **BRD Financial Group** debuted its first bond issue on the BVB under the stock symbol BRK26. The bonds are denominated in lei, have a nominal value of 100 lei and mature in 2026. The company has raised 25 million lei in the private placement.
- **Aquila** was listed on the BVB in November 2021 under the stock symbol AQ. The listing comes after the successful completion of a 367 million lei (74 million EUR) Initial Public Offering, the largest IPO ever conducted by an entrepreneurial company on the Romanian capital market. The purpose of the public offering was to increase the share capital, with 66,666,800 new shares being offered for sale between 8 and 16 November at a price of 5.5 lei/share.
- **Autonom Services** lists the issue of sustainability-linked bonds on the regulated market of the BVB, under the symbol AUT26E, in December 2021, in the amount of more than 48 million EUR. The company has sold a total of 4,803 registered, non-convertible and unsecured bonds with a nominal value of 10,000 EUR and maturing on 23 November 2026.
- **BCR** listed its third bond issue of 2021 on the regulated market of the BVB in December 2021. The bank attracted 600 million lei through the sale of 1,200 corporate bonds with a nominal value of 500,000 lei and maturing in 2028. The interest rate is 5.98% per annum.
- **The Ministry of Finance** has listed new FIDELIS government bonds worth more than 1 billion lei on the Stock Exchange. The public offering of FIDELIS government bonds covered government bonds with maturities of 1, 3 and 5 years.

*Source: BVB*

*The bond and equity issues of MTF in 2021 were as follows:*

- **The building materials retailer MAMBricolaj (MAM)** debuted on the BVB in January 2021 on the AeRO market within the MTF of the BVB. The company attracted approximately 8.5 million lei following a private placement, whereby 744,418 shares were subscribed, resulting in an oversubscription of the number of shares offered for sale (423,000).
- **The shares of the Romanian cybersecurity company Safetech Innovations (SAFE)** started trading on the BVB in January 2021, on the AeRO market of the MTF of the BVB, following the completion of a private placement for the sale of shares in October 2020. Thus, the company attracted 2.5 million lei from capital market investors. 625,000 shares were put up for sale at a price of 4 lei per share, with subscription orders placed by investors totalling 21.4 million lei.
- **Online retailer and manufacturer of mobile phones and gadgets iHUNT (HUNT)** has listed its first bond issue on the BVB under the MTF. The issue has a nominal value of 7 million lei and comprises 70,000 bonds with a maturity of 3 years and a nominal value of 100 lei per share. Investors have placed subscription orders worth more than 10 million lei.
- **Golden Foods Snacks** listed its second corporate bond issue on the BVB in February 2021, under the MTF, with a nominal value of 4 million lei and comprising 40,000 bonds with a maturity of three years and a nominal value of 100 lei per bond. The bonds were issued in October 2020 and bear a fixed annual interest rate of 9%, payable quarterly.
- In February 2021, **Utilitech Services** listed its first bond issue on the MTF on the BVB for approximately 4.9 million lei. In March 2020, the company conducted a private placement in which it sold 48,835 unsecured bonds denominated in lei with a nominal value of 100 lei per bond. The bonds were subscribed by 102 investors and have a maturity of 3 years and an annual interest rate of 8.5%, payable annually.
- **Agroland Business System (AG)** listed on the AeRO market of the MTF in March 2021. The company raised 7.9 million lei through a private placement in November the previous year, in which 1.7 million shares were put up for sale. Investors placed subscription orders for 8.5 million shares, totalling 38.5 million lei.
- **Star Residence Invest (REIT)** was listed on the AeRO market of the MTF in March 2020. In December 2020, the company carried out a secondary offering of shares through a private placement in which it raised 8.1 million lei. 37.2 million shares were subscribed at a price of 0.218 lei/share.
- **iHUNT (HUNT)** listed its second corporate bond issue on the BVB in April 2021 under the MTF. The issue has a nominal value of 7 million lei and comprises 70,000 bonds with a maturity of four years and a nominal value of 100 lei per bond. The bonds were issued in January 2021 and have a fixed annual interest rate of 8.75%, payable semi-annually. Investors have placed subscription orders worth over 8.6 million lei.
- **Firebyte Games (FRB)** was listed on the BVB in April 2021, following a private placement in February 2021, which raised 4.9 million lei from investors. The company sold 8.8 million shares to investors at a price of 0.56 lei per share.

- **Raiko Transilvania** (RKOT) was listed in April 2021 on the AeRO market of the BVB. The company conducted two private placements (July 2019 and February 2020), attracting 1.9 million lei from capital market investors.
- **The real estate developer Qualis Properties** has listed its first bond issue on the BVB, on the MTF, with the bonds trading from April 2021 under the symbol QUAL24E. In January, the company carried out a private placement to attract almost 2.1 million EUR from investors through the sale of bonds with a 3-year maturity, a fixed annual interest rate of 9% payable quarterly and a nominal value of 100 EUR/bond.
- **Alive Capital** listed in April 2021 its first corporate bond issue on the BVB, on the MTF, under the symbol ALV23, following the private placement at the end of 2020. The issue comprises 100,000 bonds, with a nominal value of 100 lei/bond, a maturity of 3 years and an annual interest rate of 8%, payable semi-annually.
- **The electricity and natural gas provider Restart Energy One** listed its first corporate bond issue on the MTF in April 2021. The REO26 bond issue, with a total value of 16.36 million lei, comprises 163,612 bonds, which have a nominal value of 100 lei per bond, with a maturity of 5 years and an annual coupon rate of 9% payable semi-annually. The bonds are convertible from 2024 and can be redeemed in advance from the third year of the bond loan.
- **The organic wine producer Vifrana** listed on the AeRO market of the BVB in May 2021, under the symbol BLOW. The company's listing follows a private placement at the end of last year, through which the company raised 9.5 million lei. Under the private placement in December 2020, a total of 21.2 million newly issued shares were purchased at a price of 0.45 lei per share.
- **Agroserv Măriuța** debuted in May 2021 on the AeRO market of the BVB, with shares traded under the symbol MILK. Through the private placement, which closed in April 2021, the company sold 431,020 shares at a price of 45 lei per share. The placement was oversubscribed by 3.6 times, with total subscriptions of approximately 70 million lei.
- **Agroland Agribusiness** debuted in June 2021 on the AeRO market of the BVB, after the private placement for the sale of shares through which it attracted 6.07 million lei. The private placement involved the sale of 225,000 newly issued shares, with a minimum subscription in the offering of 5,000 shares (115,000 lei). The placement was oversubscribed 15 times on the first day and the final price was set at 27 lei/share.
- **Bonas Import Export** was listed on the AeRO market of the BVB in June 2021, following a private placement of shares through which it attracted about 10 million lei from investors. Through the private placement, 40.76% of the company's shares were sold at a price of 5 lei per share.
- **Nemo Expres Logistic** was listed on the BVB, under the MTF, in June 2021, following a private placement of bonds through which it attracted 1.57 EUR million from investors. The bonds are traded under the stock symbol NEMO23E. The bond issue included 15,765 unsecured bonds, denominated in EUR, with a nominal value of 100 EUR and a fixed interest rate of 7% per annum, maturing on 29 June 2023.
- **Alser Forest's** bonds were listed in June 2021 on the MTF of the BVB, following the completion of a private placement of bonds in the amount of 1.5 million EUR. The offering includes 15,000 corporate bonds with a nominal value of 100 EUR each and an interest rate of 8% per annum, payable semi-



annually, maturing on 30 April 2024. The bonds are traded on the Bursa de Valori București under the symbol ALS24E.

- **Simtel Team (SMTL)** debuted on the AeRO market of the BVB in July 2021, after conducting a private placement of shares in May 2021, attracting 13.7 million lei from investors. Thus, Simtel Team sold 15% of the share capital, i.e. 1,055,000 shares at a price of 13 lei/share.
- **Vivre Deco** is trading its second bond issue, amounting to 7 million EUR, on the MTF of the BVB, starting in July 2021 under the stock symbol VIV26E. The issue includes 14,000 bonds, with a nominal value of 500 EUR and annual interest of 5.5%, payable semi-annually, maturing on 21 April 2026. The company has attracted 10.45 million EUR through the capital market in the two private placements.
- **Air Claim** was listed in July 2021 on the AeRO market of the BVB, with the company's shares traded under the stock symbol CLAIM. The private placement of shares took place at the end of May, whereby Air Claim raised 2.4 million lei by selling 400,000 new shares at a price of 6.21/share lei.
- **Visual Fan** listed in July 2021 on the AeRO market of the BVB, with the company's shares trading under the symbol ALW. Through the previously completed private placement of shares, the company raised 15.5 million lei by selling 111,100 shares at a price of 140 lei/share.
- **Zebra Pay** listed in July 2021 bonds worth 3 million EUR, being traded on the MTF of the BVB. Under the private placement, the company issued a number of 30,000 bonds with a nominal value of 100 EUR and an interest rate of 5.5%, with a maturity date of 16 June 2026.
- **BestJobs'** bond listing took place in July 2021 on the MTF of the BVB, following a private placement through which the company raised 3.3 million EUR. The company issued 6,742 euro-denominated corporate bonds with a nominal value of 500 EUR, bearing an annual interest rate of 5.8% and a maturity date of 20 May 2026.
- **Arctic Stream** was listed on the AeRO market of the BVB in July 2021 under the stock symbol AST. In the private placement, the company sold 838,260 shares at a price of 25 lei/share.
- **Bit Soft's** bonds were listed for trading in August 2021 on the MTF of the BVB. Through the private placement of bonds, 15,000 unconditional, unsecured, non-convertible bonds were sold at a nominal value of 100 EUR/bond. The bonds were issued on 9 July 2021, maturing on 9 July 2025. The interest rate is fixed at 5.5% p.a., payable quarterly.
- **MW Green Power Export** listed its second bond issue on the MTF on the BVB in August. The company issued 43,958 corporate bonds, with a nominal value of 100 lei and an annual coupon rate of 8%, maturing on September 7, 2024. The company has attracted an amount of 4,395,800 lei.
- The company **Appraisal and Valuation** listed on the AeRO market of the BVB in September 2021, after the completion of a private placement of shares. In the placement, the company issued a number of 387,000 shares at a price of 11.5 lei/share and attracted from investors the amount of 4.45 million lei.
- **Adiss** was listed on the AeRO market of the BVB in September 2021 under the stock symbol ADISS. The listing came after the completion of a private placement of shares in June 2021. The company issued 4.24 million new shares with a par value of 0.5 lei per share. The company thus managed to attract 6.3 million lei.
- **Agroland Agribusiness** listed in September 2021 its first bond issue on the BVB, on the MTF. The company sold 100,000 unsecured corporate bonds with a nominal value of 100 lei in a private



placement of bonds. The company attracted from investors the amount of 10 million lei, with maturity on 2 August 2026 and a fixed annual coupon rate of 9%, payable semi-annually.

- The bonds of **Prefera Foods** were listed for trading in September 2021 on the MTF on the BVB. The company sold in a private placement of bonds, a number of 10,000 unsecured corporate bonds, denominated in EUR, with a nominal value of 500 EUR, maturing on 23 July 2026 and a fixed annual coupon rate of 7.5% payable semi-annually. The company has attracted 5 million EUR from investors.
- **Ansett Logistics** listed its bonds on the BVB, on the MTF, in September 2021. The company sold in a private placement a number of 5,000 corporate, secured, non-convertible, dematerialised bonds with a nominal value of 100 EUR. Ansett Logistics attracted a total amount of 500,000 EUR. The bonds mature on 29 April 2026 and have a fixed annual coupon rate of 8%, payable quarterly.
- **Connections Consult** debuted on the AeRO market of the BVB in September 2021. Its listing comes after the completion in July 2021 of a private placement of shares to increase share capital. The company issued 144,928 new shares with a par value of 0.10 lei. The shares were offered in the private placement at a price of 69 lei/share, with the company managing to attract funds worth 10 million lei.
- The Polish company **Aforti Holding** was listed in October 2021 on the MTF segment of the BVB. The funds attracted through this bond issue are intended to finance Aforti's activity in Romania. In the private placement, which took place in September 2020, 20,000 unsecured, unsubordinated corporate bonds with a nominal value of 100 lei were sold. The bonds mature on 4 September 2025 and have an annual interest rate of 10%, payable semi-annually. Thus, the company has attracted from investors the amount of 2 million lei.
- The bond issue of the international company **Chronostyle International**, which operates Cellini stores (CELL25), debuted on the BVB in November 2021 on the MTF. A total of 16,000 corporate bonds, secured and non-convertible, totalling 1.6 million EUR were sold in the private placement in May 2020. The bonds have a nominal value of 100 EUR, a maturity of 5 years and a coupon of 7% per annum payable quarterly.
- **Ocean Credit** debuted in November 2021 on the MTF with bonds worth 1.86 million EUR. The company sold in a private placement conducted in July 2021 a total of 18,668 unsecured subordinated corporate bonds with a total value of 1.86 million EUR. The bonds have a nominal value of 100 EUR, a 5-year maturity and a fixed coupon rate of 8.75% per annum, payable quarterly.
- **Libra Internet Bank** has listed its second bond issue in December 2021 in the MTF segment for 40 million EUR. The LIBRA28E bonds have a nominal value of 100,000 EUR, a 7-year maturity on 28 September 2028 and a fixed coupon rate of 4.25% per annum.
- **AROBS Transilvania Software**, debuted on the MTF market of the BVB, with shares traded under the stock symbol AROBS. The listing took place as a result of the private placement carried out in October 2021, through which the company sold 54,697,494 new registered, ordinary, dematerialized shares and attracted the amount of 74.2 million lei from investors. The shares were subscribed at a price of 1.357 lei per share.
- **GoCab** debuted on the AeRO market of the BVB in December 2021, under the stock symbol CAB. The listing follows the completion of a private placement through which 7.4 million lei was attracted from investors. 17,278,220 shares were subscribed for at a subscription price of 0.43 lei.

- **Softbinator Technologies** (CODE) debuted on the BVB on the AeRO market in December 2021. The company attracted, through the private placement for the sale of 100,000 shares, the amount of 6 million lei.
- **Teilor Holding** debuted in December 2021 with its first bonds worth 45 million lei. The company sold 140.034 lei bonds with a nominal value of 100 lei and 62,700 EUR bonds with a nominal value of 100 EUR in a private placement in November 2021. The lei issue has a fixed interest rate of 8.25% and the euro issue has a fixed interest rate of 5.75%. Both issues mature on 3 December 2026.

*Source: BVB*

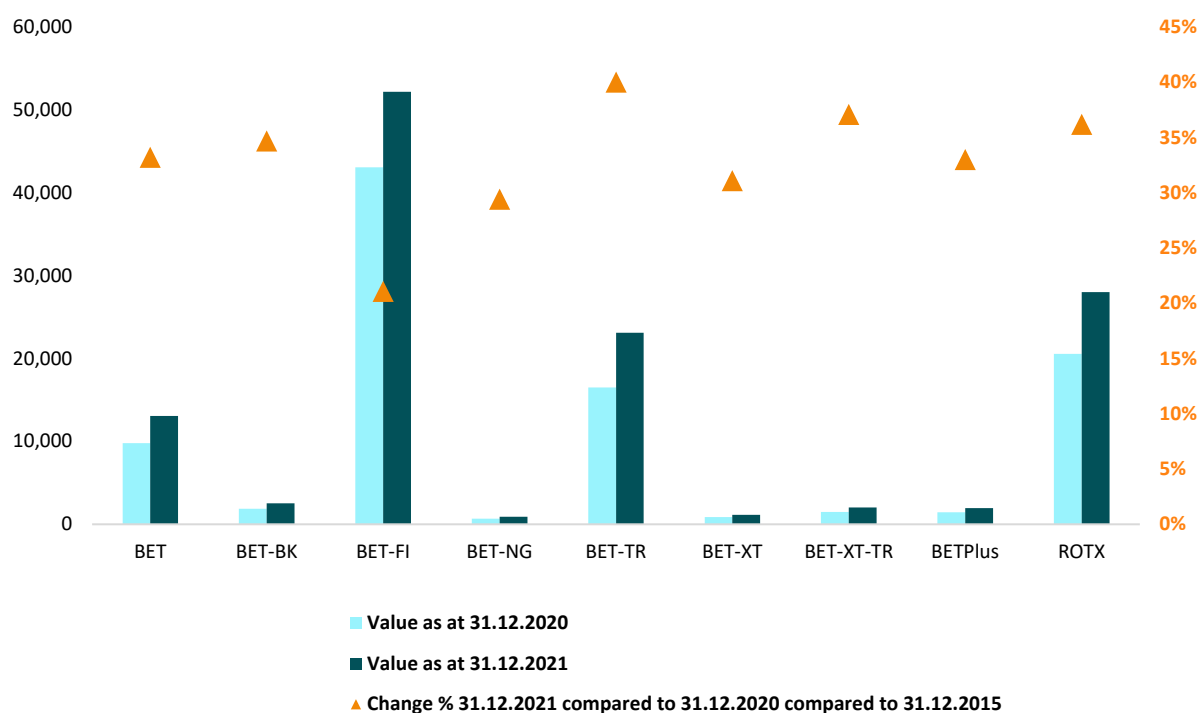
In the last year, 23 companies were listed on the BVB, another 27 companies issued bonds, and the Romanian state attracted more than 875 million EUR through primary offerings of Fidelis government bonds. In total, the 23 companies attracted 234 million EUR from investors, and the 45 issues of fixed-income instruments attracted funding of more than 1.8 billion EUR.

## 15.2. Secondary market

### Spot markets managed by BVB

All Romanian stock market indices recorded positive developments in the fourth quarter of 2021 compared to the end of 2020, with increases of over 21%. The BET benchmark index, which includes the developments of the most traded companies on the regulated market of the BVB, had an increase of 33.20% on 31 December 2021 compared to the end of 2020. The BET-TR index, which captures, in addition to BET, the dividends granted by the companies included in it, also reached a level of 23,114 points, thus increasing by 40.00% and being the best performing index. The BET-FI index, which reflects the performance of financial investment companies (FICs) and other entities similar to them, recorded the lowest performance on 31 December 2021, at around 21.08%.

Chart 16 Evolution of the Bursa de Valori București indices on 31.12.2021



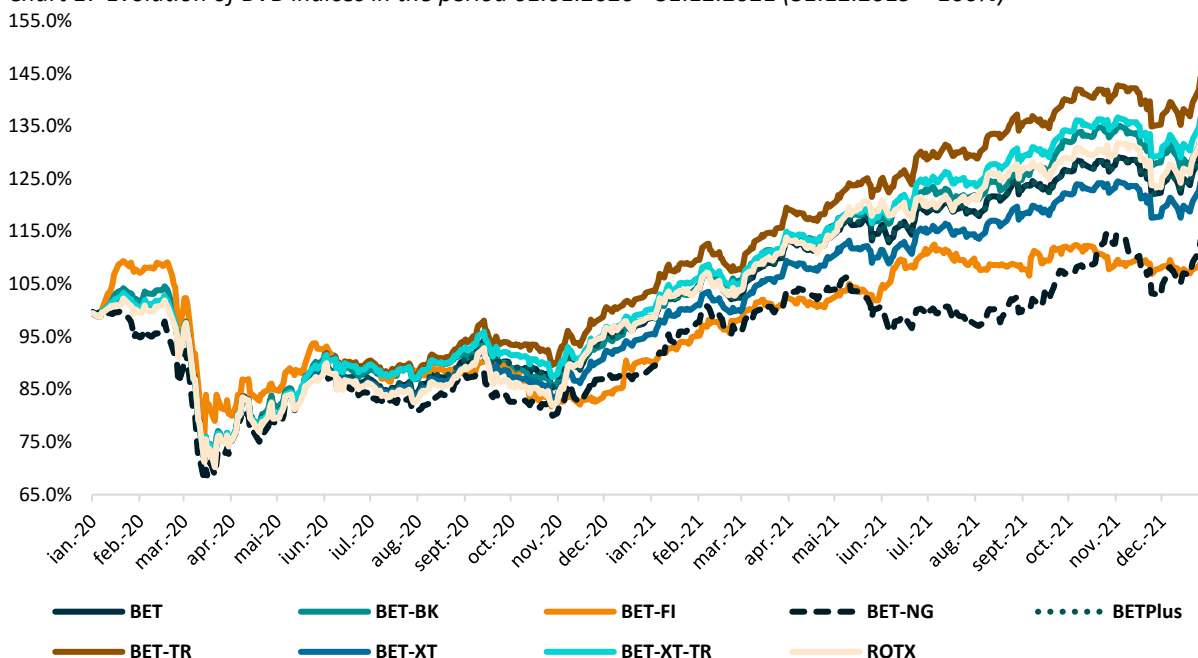
Source: BVB, ASF calculations

The BET and BET-TR indices include the share performance of 20 companies: Banca Transilvania, BRD - Groupe Societe Generale, Bursa de Valori București, CONPET, Alro, Digi Communications, Electrica, Fondul Proprietatea, MedLife, OMV Petrom, Nuclearelectrica, Romgaz, Transgaz, Transelectrica, PuMTPLri, Sphera Franchise Group, Teraplast, One United Properties, Transport Trade Services and Aquila Part Prod COM.

All stock indices recovered their losses in 2021, with the BET index reaching a new all-time high of over 13,000 points, after the outbreak of the health crisis caused significant fluctuations in the local stock

market during 2020. The most drastic declines were recorded in March 2020, after which the Romanian stock market indices began to evolve on an upward trend, still having values lower than pre-crisis ones.

Chart 17 Evolution of BVB indices in the period 01.01.2020 - 31.12.2021 (31.12.2019 = 100%)



Source: BVB, ASF calculations

The total value traded on the Regulated and MTF market reached 21.63 billion lei in 2021, up 16% compared to 2020. The number of transactions carried out on the BVB increased by 55% in 2021 compared to the previous year.

The value of bond transactions as of 31 December 2021 increased significantly compared to 2020, recording a level of approximately 5 billion lei. Equities remain the dominant class of financial assets, accounting for 57% of the total value traded on the BVB by 31 December 2021.

Table 13 Structure of transactions carried out on the BVB (Regulated Market and MTF), according to the value corresponding to each type of instrument

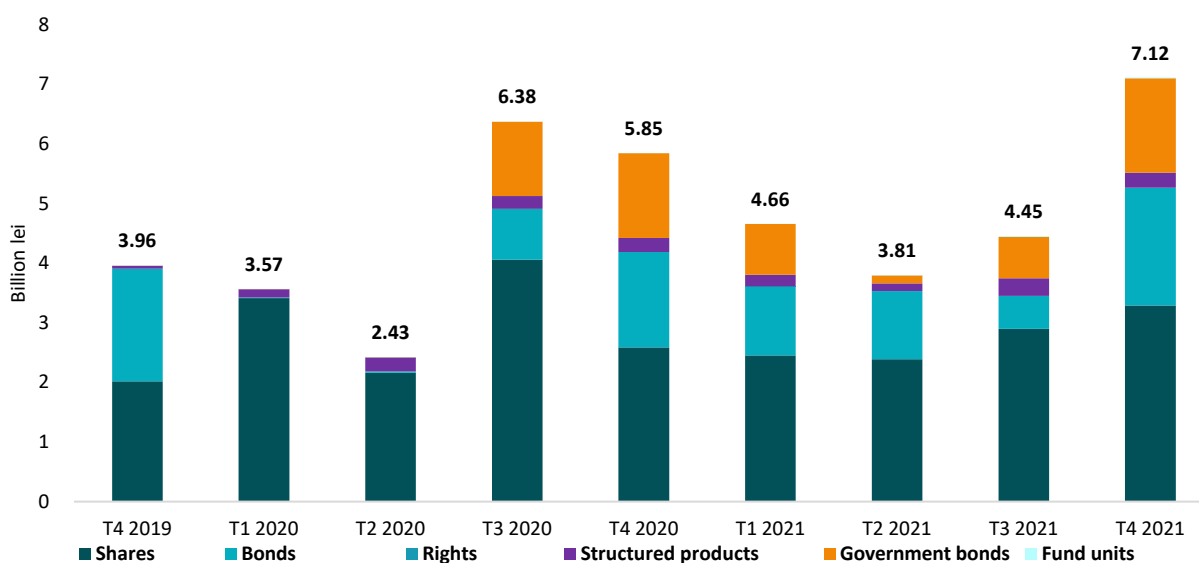
Type of instrument	No. of transactions	31.12.2020			31.12.2021	
		Value (lei)	%	No. of transactions	Value (lei)	%
Shares, including rights	836,141	12,572,185,291	67.14%	1,333,986	12,279,089,682	56.76%
Bonds	18,722	2,632,525,706	14.06%	35,437	5,174,540,866	23.92%
Structured products	108,992	828,795,845	4.43%	107,295	870,785,681	4.03%
Government bonds	19,435	2,677,927,575	14.30%	35,094	3,262,144,134	15.08%
Fund units	6,195	14,439,761	0.08%	19,875	46,204,978	0.21%
<b>Total</b>	<b>989,485</b>	<b>18,725,874,178</b>	<b>100%</b>	<b>1,531,687</b>	<b>21,632,765,341</b>	<b>100%</b>

Source: BVB

The total value traded on the Regulated Market in 2021 increased compared to the same period of 2020 and represented 20.04 billion lei. Approximately 93% of the total value of transactions took place on the

regulated market of the BVB, with the remainder on the MTF. In addition to equities, transactions in government bonds and EUR-denominated bonds had significant shares in the value traded on the BVB in recent quarters.

Chart 18 Quarterly structure of trades on the Regulated Market from Q4 2019 to Q4 2021

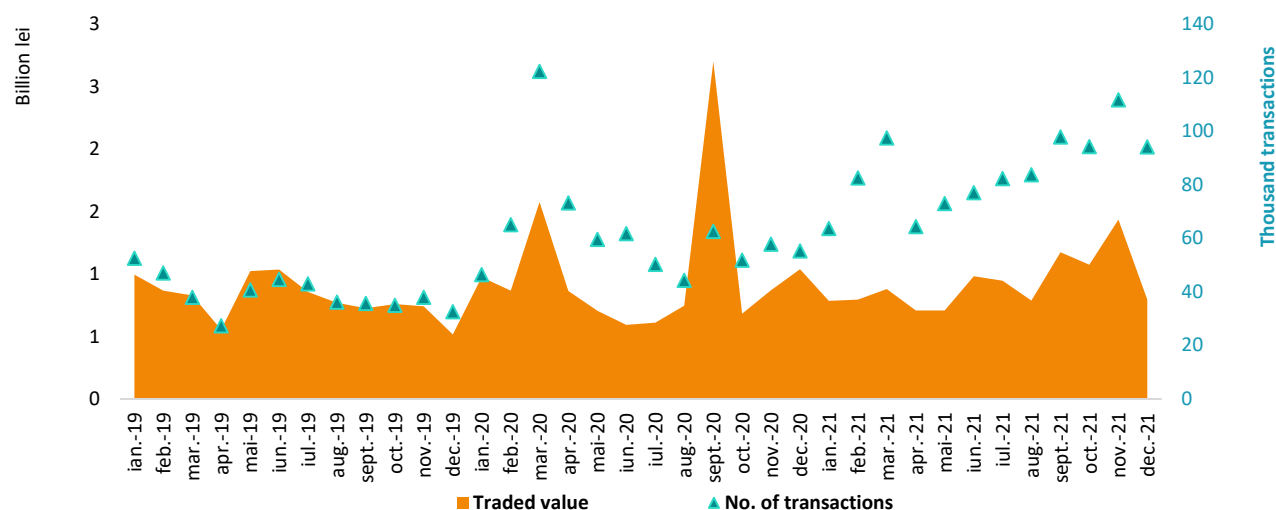


Source: BVB

## Regulated Market

The total value traded in shares (including fund units and rights) was 11.08 billion lei in 2021, down by about 9%, with the number of transactions increasing by about 36%. The average value of each transaction with shares on the Regulated Market was about 11 thousand lei in 2021.

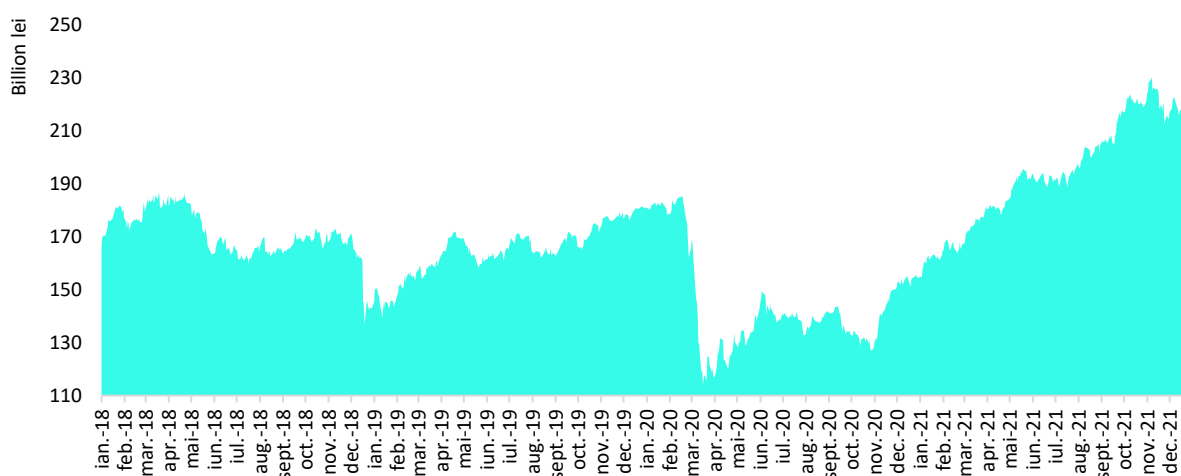
Chart 19 Monthly evolution of the value and number of share trades on the BVB Regulated Market



Source: BVB

At the end of 2021, the market capitalization on the Regulated Market reached 229.08 billion lei, an increase of approximately 48% compared to 31 December 2020. The lowest market capitalization level of 113.85 billion lei was recorded on 18 March 2020. 2021 marks the return of the market capitalization to an upward trend.

Chart 20 Evolution of BVB capitalization (shares)



Source: BVB

On 31 December 2021, Banca Transilvania (TLV) ranked first in the ranking of the most liquid companies whose shares were traded on the BVB on the main (*Regulated*) market, with a share of about 21% of the total value traded. OMV Petrom (SNP), Fondul Proprietatea (FP), Teraplast (TRP) and S.N.G.N. ROMGAZ S.A. (SNG) ranked next in this top list. Three of the five financial investment companies are included in the ranking, while the banking and energy sectors remain the best represented in the stock market liquidity ranking.

Table 14 Top 20 issuers by value traded as at 31 December 2021 on the Regulated Market (shares only)

Symbols	Value in lei	% of total value	No. of transactions	% of total number of transactions
TLV	1,946,096,650	21.36%	110,386	11.13%
SNP	1,172,354,417	12.87%	74,136	7.48%
FP	901,160,767	9.89%	41,146	4.15%
TRP	709,596,329	7.79%	106,869	10.78%
SNG	582,630,578	6.40%	45,312	4.57%
BRD	558,650,279	6.13%	36,174	3.65%
SNN	492,196,605	5.40%	70,771	7.14%
M	350,759,068	3.85%	50,899	5.13%
ONE	219,050,678	2.40%	25,893	2.61%
EL	214,039,570	2.35%	33,486	3.38%
TGN	191,093,431	2.10%	22,790	2.30%
DIGI	154,500,377	1.70%	12,065	1.22%
WINE	141,342,063	1.55%	24,420	2.46%
TTS	136,158,691	1.49%	14,215	1.43%

EBS	127,636,847	1.40%	8,679	0.88%
BRK	120,734,474	1.33%	41,131	4.15%
SFG	103,356,695	1.13%	11,122	1.12%
TEL	86,664,390	0.95%	17,668	1.78%
COTE	82,577,241	0.91%	15,062	1.52%
SIF1	68,025,257	0.75%	7,185	0.72%
<b>TOTAL cumulated</b>	<b>8,358,624,407</b>	<b>91.75%</b>	<b>769,409</b>	<b>77.61%</b>
<b>TOTAL traded</b>	<b>9,109,827,265</b>	<b>100%</b>	<b>991,349</b>	<b>100%</b>

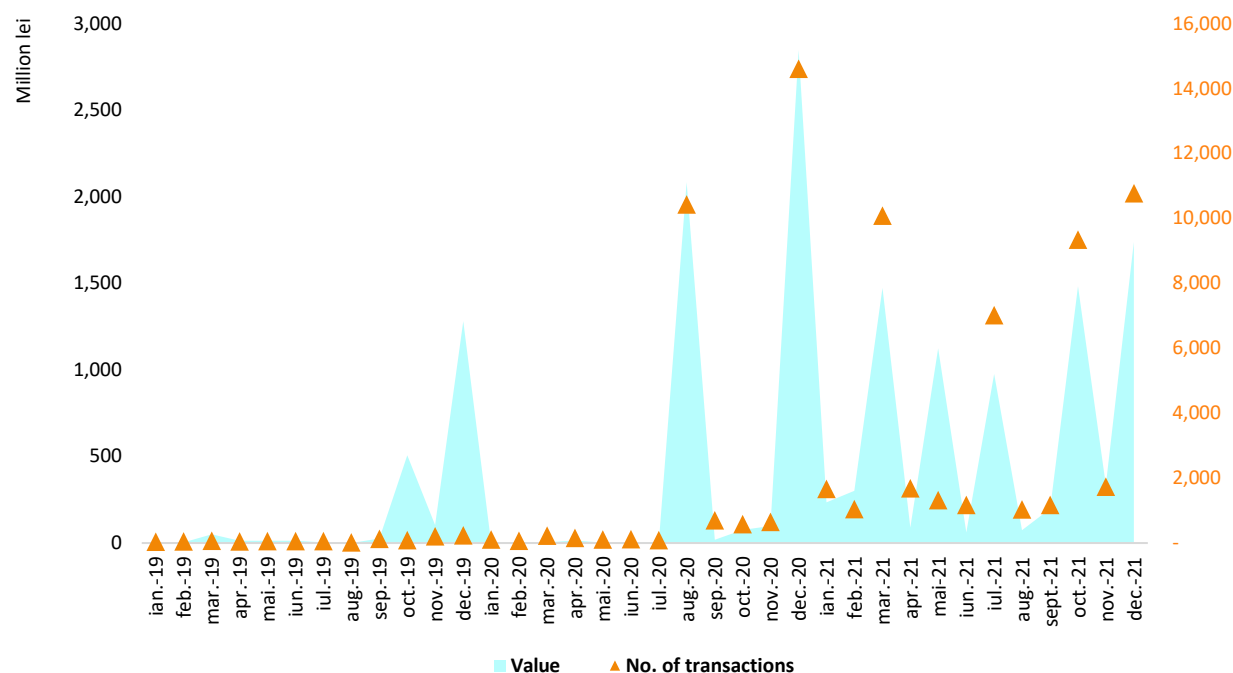
Source: BVB

A total of 20 of the 84 issuers that traded on the BVB Regulated Market in 2021 accounted for a total of 92% of the value of trades (shares only)

During 2021, 48,093 transactions with fixed-income instruments (other bonds, EUR-BOND, EUR-TBILLS, EUR-TBONDS and government bonds) worth about 8.09 billion lei were carried out on the Regulated Market of the BVB, up from 2020. The number of transactions with this type of instruments was also up in 2021 compared to the previous year. The average value traded in 2021 (168 thousand lei) showed a slight decrease compared to the level in 2020 (185 thousand lei).

In December 2021, the highest total value of trading in fixed income instruments was recorded on the Regulated Market of the BVB. All EUR-BONDS traded on the Regulated Market of the BVB in 2021 had as issuers Agricovert Holding S.A., Ansett Logistics, Autonom Services, Impact Developer & Contractor, Libra Internet Bank, BIT SOFT, BT Leasing Transilvania IFN, INOX S.A. MAGURELE, OCEAN CREDIT IFN, Patria Bank and Crama la Salina.

*Chart 21 Monthly evolution of the value and number of transactions in fixed income instruments on the Regulated Market*

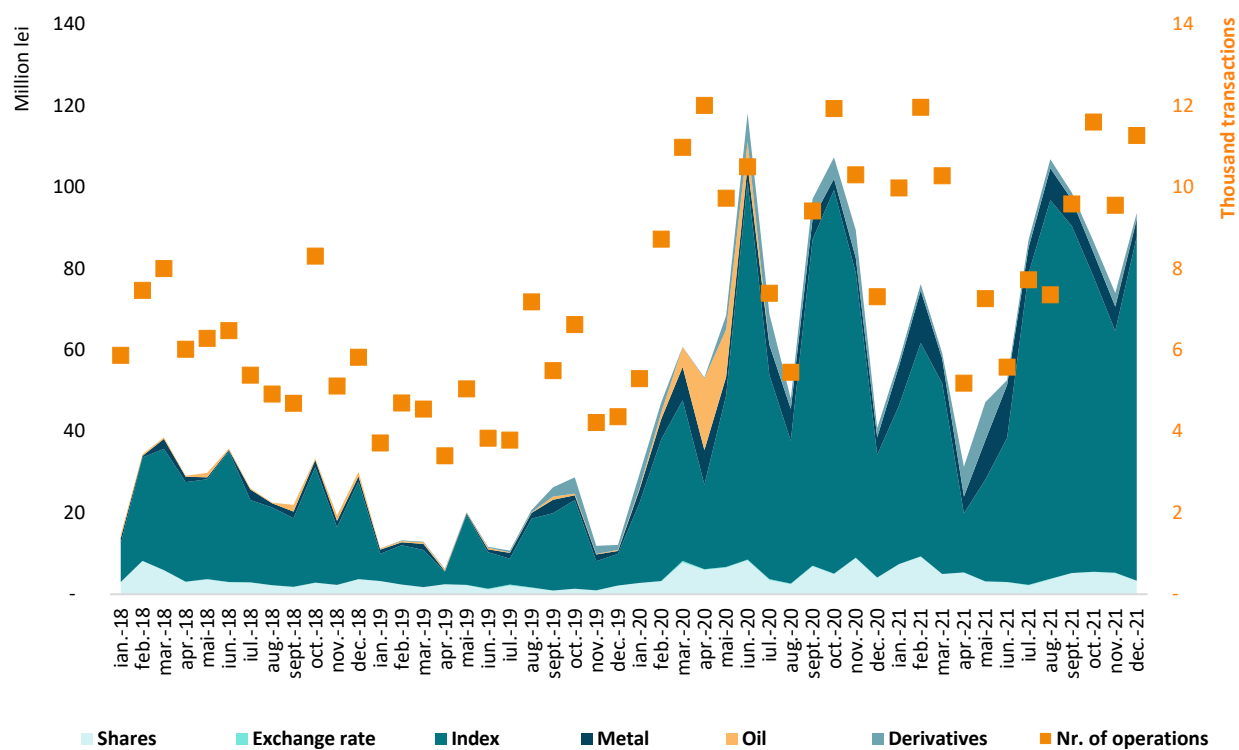


Source: BVB

In 2021, the value of transactions in structured products increased by 5% compared to the same period last year. The number of transactions in structured products also decreased by 2%. The average value traded with such financial assets recorded a level of 8,116 lei/transaction in 2021, up from 7,604 lei per transaction in 2020.

The largest share in the total value traded with such products is held by structured products having as underlying asset a stock market index, whose value was about 1.29 billion lei, representing 76% of total transactions.

Chart 22 Monthly evolution of transactions with structured products from January 2018 to December 2021



Source: ASF

## Multilateral Trading Facility (MTF)

At the end of 2021, there were 299 instruments available for trading on the MTF: 284 tradable instruments on the XRS1 market and 15 tradable instruments on the XRSI market. The number of instruments available for trading increased slightly compared to the end of 2020.

Table 15 Variation in the number of instruments available for trading on the MTF by market segment

Market segment	No. of instruments as at 31.12.2019	No. of instruments as at 31.12.2020	No. of instruments as at 31.12.2021
XRS1	284	274	284
XRSI	15	15	15
<b>Total</b>	<b>299</b>	<b>289</b>	<b>299</b>

Source: ASF



During 2021, 353 thousand transactions were carried out on the MTF for a total value of about 1.59 billion lei, an increase of 217% compared to the previous year.

In 2021, the instruments preferred by investors on the MTF were equities, whose value represents about 77% of the total value traded.

*Table 16 Quarterly evolution of transactions carried out on the MTF from 2018 to 2021*

Type of instrument/ Period	Shares*		Bonds**	
	Value in lei	No. of transactions	Value in lei	No. of transactions
Q1 2019	71,847,742	7,054	4,784,858	1.342
Q2 2019	40,503,087	10,642	3,704,471	1.030
Q3 2019	68,944,521	16,040	5,065,146	1.271
Q4 2019	51,428,200	10,880	20,753,567	1.581
Q1 2020	51,409,603	19,367	73,980,670	2.356
Q2 2020	99,042,141	25,448	9,505,135	2.238
Q3 2020	74,578,988	23,435	8,259,004	2.429
Q4 2020	120,191,100	23,192	64,637,931	3.266
Q1 2021	264,921,079	91,250	55,354,668	5.227
Q2 2021	294,305,119	71,433	106,281,310	5.107
Q3 2021	283,550,557	89,718	85,306,658	6.165
Q4 2021	400,411,160	78,660	101,668,197	5.939

Source: ASF

\* Shares include shares, rights and fund units

\*\* Bonds category includes all bonds, including EUR-BOND, EUR-TBILLS and EUR-TBONDS

2021 was marked by 320 thousand transactions with shares on MTF worth about 1.22 billion lei, an increase compared to the previous year.

AROBS TRANSILVANIA SOFTWARE (AROBS) ranks first among issuers by value traded with a share of 9% of the total value traded on the MTF, and in second and third place are SAFETECH INNOVATIONS (SAFE) and IHUNT Technology Import-Export (HUNT) with shares of 7.42% and 6.58% respectively of the total value of share transactions on the MTF. Thus, the top three issuers aggregate 23% of the value traded on the MTF and about 24% of the number of trades in 2021.

Out of the total 266 companies that traded on the MTF in 2021, the top 20 traded with 74% of the total value traded.

*Table 17 Top issuers by value traded on MTF (equities only, all markets) as of 31 December 2021*

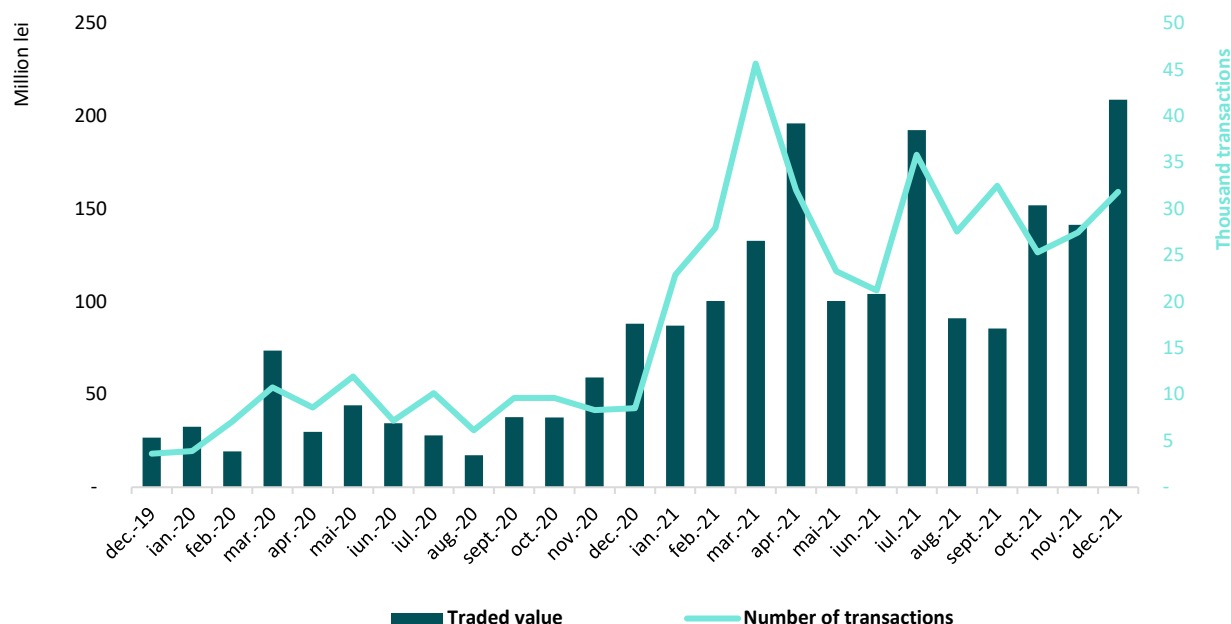
Symbols	Value in lei	% of total value	No. of transactions	% of the total number of transactions
AROBS	104,115,989	8.52%	4,515	1.41%
SAFE	90,744,366	7.42%	37,697	11.76%
HUNT	80,436,767	6.58%	35,440	11.06%
NRF	77,224,746	6.32%	36,316	11.33%
AG	70,120,195	5.74%	25,550	7.97%
MILK	49,418,971	4.04%	6,473	2.02%
SMTL	48,101,098	3.93%	10,655	3.33%
ROC1	45,000,000	3.68%	124	0.04%
AST	37,788,278	3.09%	5,468	1.71%

LHA	37,118,626	3.04%	6,221	1.94%
HAI	35,873,733	2.93%	12,703	3.96%
FRB	35,381,336	2.89%	13,230	4.13%
CHOB	31,738,810	2.60%	11,369	3.55%
MET	29,900,704	2.45%	60	0.02%
MAM	29,689,262	2.43%	11,878	3.71%
DN	24,672,848	2.02%	131	0.04%
ALW	24,578,294	2.01%	3,255	1.02%
REIT	19,007,583	1.55%	9,101	2.84%
CLAIM	17,519,467	1.43%	5,527	1.72%
BONA	17,117,479	1.40%	3,697	1.15%
<b>TOTAL cumulative</b>	<b>905,548,552</b>	<b>74.08%</b>	<b>239,410</b>	<b>74.71%</b>
<b>TOTAL traded</b>	<b>1,222,461,303</b>	<b>100%</b>	<b>320,446</b>	<b>100%</b>

Source: ASF

2021 stands out for the increase in both the value traded on MTF and the number of transactions on this section. The upward trend is mainly due to new listings appearing on the MTF in 2021.

Chart 23 Monthly evolution of the value and number of transactions carried out on the MTF



Source: ASF

## Securities settlement systems

In 2021, Depozitarul Central S.A., an entity authorised under European Union regulations, carried out clearing and settlement operations for transactions in financial instruments, depository operations for financial instruments issued by issuing companies and registry operations for issuers of financial instruments.

At the end of 2021, the number of issues for which the Depozitarul Central is the issuer's depository was 548, and the total value of holdings of financial instruments was 177.44 billion lei (35.85 billion EUR), of which equities accounted for 158.83 billion lei (32.09 billion EUR).

Table 18 Total holdings of financial instruments by type of financial instrument

Type of financial instrument	Number of issues on 31.12.2021 for which DC is the issuer's depository	Value as at 31.12.2021 (lei)	Value as at 31.12.2021 (EUR)
Joint shares	364	158,827,397,525	32,095,420,427
Corporate bonds	65	7,299,389,287	1,475,041,282
Municipal bonds	34	2,165,930,203	437,685,447
Government bonds	17	8,490,188,743	1,715,674,886
Fund units	5	122,926,585	24,840,679
Structured products	45	479,240,000	96,843,552
ETFs	1	46,935,980	9,484,699
Preferred shares	1	904,400	182,759
Pre-emptive rights	16	5,420,541	1,095,369

The financial instruments were valued at the reference price communicated by the BVB on 31.12.2021, except for financial instruments for which there is no reference price, which were valued at nominal value. The lei/EUR exchange rate of 4.9486 was used to value the financial instruments. Non-marketable fund units were valued at the net asset value per unit provided by the issuer.

The total value of holdings of financial instruments for which the Depozitarul Central is not the issuer's depository was 427.83 million lei (84.45 million EUR).

As at 31.12.2021, 8 issues of government bonds for which the Depozitarul Central is not the issuer depository were registered with the Depozitarul Central, amounting to 64.45 million lei (13.03 million EUR).

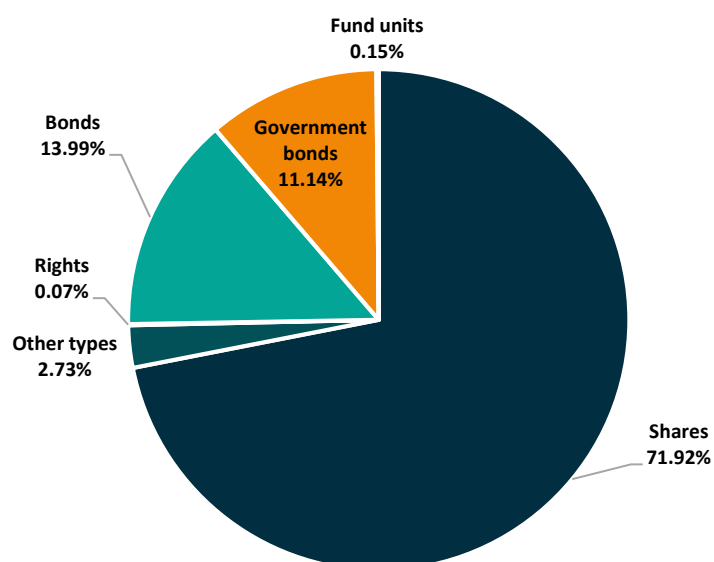
In 2021, the total number of transactions settled on a net basis was 1,532,335, up by 53.51% compared to the number recorded in 2020. Despite the significant increase in the number of transactions settled on a net basis, their value amounted to 31.90 billion lei, only 7.02% more than the value recorded in 2020.

Table 18 Distribution of the number of settled transactions and net settlement value

Month	Net settlement value 2020		Net settlement value 2021		Variation (%)	
	No. of transactions settled	Settled amount (thousand lei)	No. of transactions settled	Settled value (thousand lei)	No. of transactions settles	Value settled
January	54,867	1,890,296	96,716	1,641,244	76.27%	-13.18%
February	71,467	1,770,245	124,192	1,815,636	73.78%	2.56%
March	159,491	3,674,146	163,730	2,629,571	2.66%	-28.43%
April	90,960	1,815,216	105,273	1,829,936	15.74%	0.81%
May	86,482	1,653,359	106,786	3,694,458	23.48%	123.45%
June	83,711	1,306,120	106,171	2,007,457	26.83%	53.70%
July	66,193	1,447,237	132,140	2,573,687	99.63%	77.83%
August	66,420	3,001,468	116,280	1,807,709	75.07%	-39.77%
September	85,763	5,516,046	144,023	2,579,726	67.93%	-53.23%
October	70,801	1,541,097	135,490	4,144,419	91.37%	168.93%
November	82,489	2,105,403	142,116	2,938,292	72.28%	39.56%
December	79,525	4,087,061	159,418	4,238,354	100.46%	3.70%
<b>TOTAL</b>	<b>998,169</b>	<b>29,807,694</b>	<b>1,532,335</b>	<b>31,900,489</b>	<b>53.51%</b>	<b>7.02%</b>

Of the total amount settled on a net basis, 58.45% came from transactions in the markets administered by the BVB (18.64 billion lei) and 41.55% (13.26 billion lei) from the settlement of allocation transactions.

Chart 24 Value of settlements on net basis, by types of financial instruments in 2021, in thousands of lei



In 2021, the total number of transactions settled on a gross basis was 2,337, with a total value of 2.37 billion lei, down 24% (2020: 3,058). The value of transactions settled on a gross basis also decreased by 24% (2020: 3,109,401 thousand lei).

Table 19 Distribution of the number of transactions and the value settled concluded outside trading venues

Month	Gross settlement value 2020		Gross settlement value 2021		Change (%)	
	No. of transactions outside trading venues	Settled value of transactions outside of trading places. (thousand lei)	No. of transactions outside trading venues	Settled value of transactions outside of trading places. (thousand lei)	No. of transactions settled	Value settled
January	246	244,550	191	211,076	-22.36%	-13.69%
February	202	173,672	246	143,303	21.78%	-17.49%
March	258	192,566	196	154,751	-24.03%	-19.64%
April	270	190,135	235	169,467	-12.96%	-10.87%
May	348	205,013	176	180,324	-49.43%	-12.04%
June	228	137,749	175	120,289	-23.25%	-12.68%
July	234	138,359	197	176,503	-15.81%	27.57%
August	212	176,585	139	177,570	-34.43%	0.56%
September	308	1,027,566	161	284,744	-47.73%	-72.29%
October	212	182,984	256	281,407	20.75%	53.79%
November	228	183,077	240	271,949	5.26%	48.54%
December	312	257,145	125	201,425	-59.94%	-21.67%
<b>TOTAL</b>	<b>3,058</b>	<b>3,109,401</b>	<b>2,337</b>	<b>2,372,808</b>	<b>-23.58%</b>	<b>-23.69%</b>

In terms of gross settlement on the T2S platform, the total value of transactions settled was 738,259 thousand EUR, of which 64.07% (473,016 thousand EUR) were settlements of transactions in euro-denominated government bonds.

Regarding cross-border activity, 1,269 DvP and RvP instructions for financial instruments such as shares, fund units and certificates were settled through the direct link with Clearstream during the period under review, for a total value of 232 million lei. The amounts represent the lei equivalent at the BNR exchange rate valid on the settlement instruction settlement date.

### 15.3. Intermediaries

According to the latest legislative definitions in force, the term "intermediaries" will be used in this chapter when referring to Financial Investment Services Companies (FISCs)/credit institutions or investment firms providing investment services and activities.

At the end of 2021, a total of 26 intermediaries were active on the BVB market, of which 16 Financial Investment Service Companies (FISCs), 3 local credit institutions and 7 entities authorised in other EU Member States.

*Table 20 Categories of intermediaries on the regulated market administered by the BVB*

Categories	BVB-market at sight
Financial Investment Services Companies (FISC)	16
Local credit institutions	3
Investment firms from other EU Member States	4
Credit institutions from other EU Member States	2
Branch of a credit institution from other EU Member States	1
<b>TOTAL</b>	<b>26</b>

Source: BVB, ASF calculations

A total of 19 intermediaries were active in the MTF at the end of 2021, including 15 Financial Investment Service Companies (FISCs), 3 local credit institutions and one investment firm authorised in another EU Member State.

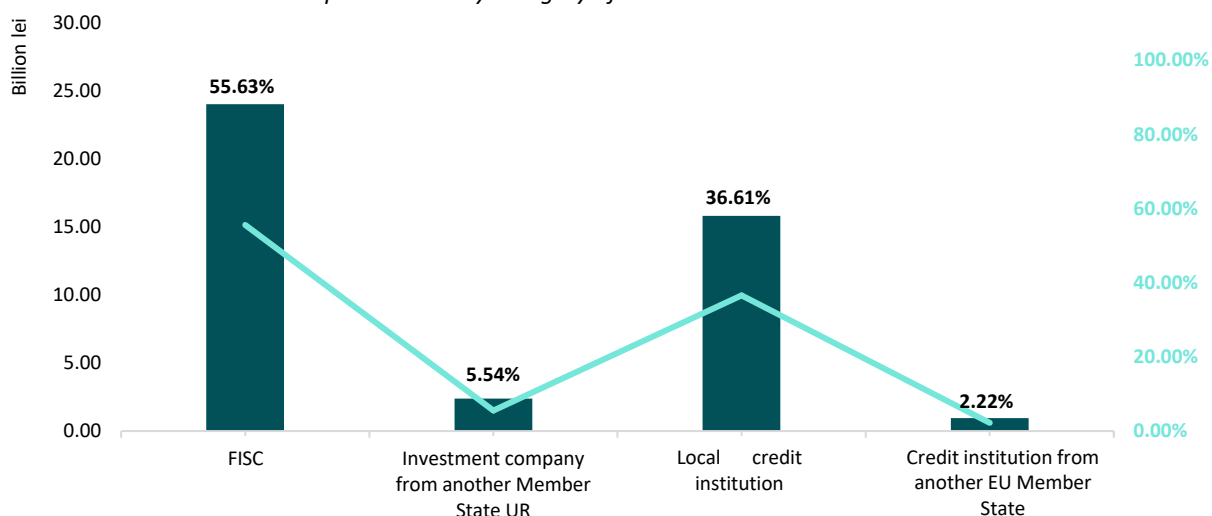
*Table 21 Categories of intermediaries on the multilateral trading system administered by the BVB*

Category	BVB - MTF
Financial Investment Services Companies (FISC)	15
Local credit institutions	3
Investment firms from other EU Member States	1
<b>TOTAL</b>	<b>19</b>

Source: BVB, ASF calculations

At the end of 2021, the most active intermediaries on the BVB (regulated market and MTF) were the FISCs, the value brokered by them was about 24.07 billion lei. Local intermediaries (FISCs and credit institutions) accounted for about 92% of the total intermediated value. Of the intermediaries authorised in other EU Member States that traded on the spot markets, the most active were investment firms, with a market share of 5.54%.

Chart 25 Amount brokered on spot markets by category of intermediaries as at 31 December 2021



Source: BVB, ASF calculations

At the end of 2021, Banca Comercială Română ranked first in the ranking of participants on regulated markets, with a brokered value of 8,837,813,595 lei and a market share of 20.43%. BT CAPITAL PARTNERS ranks next, with a share of 16.43% of the total intermediated value.

The top 10 companies account for approximately 93% of the total value brokered in 2021. Of these, 6 are Financial Investment Services Companies (FISC), three are local credit institutions and one is an investment firm authorised in another EU Member State.

Table 22 Ranking of intermediaries on the spot markets administered by the BVB on 31 December 2021

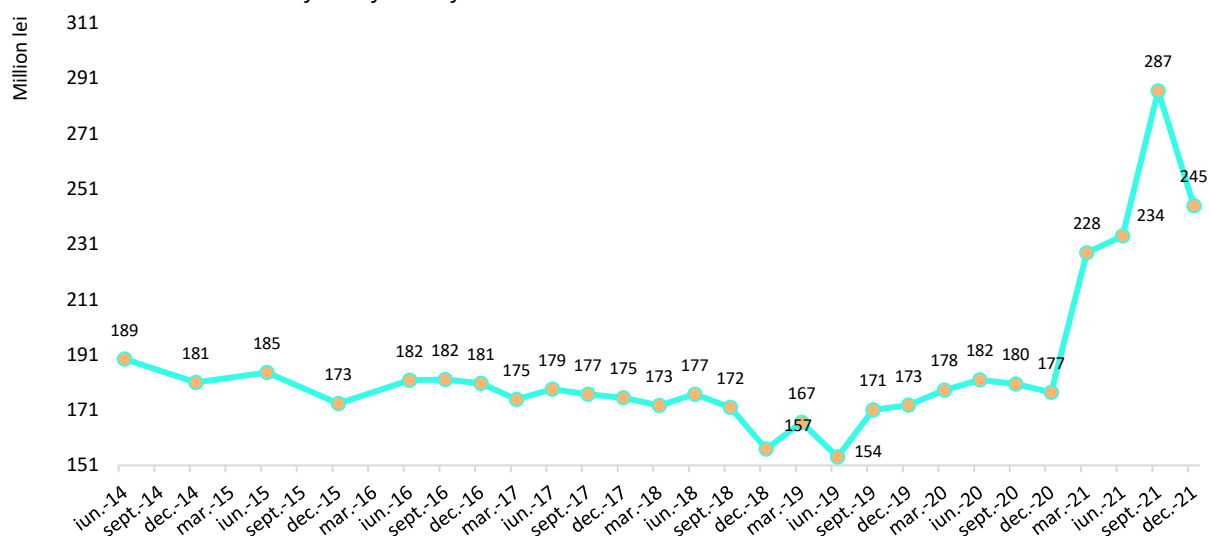
Position (year)	Intermediary name	Brokered value (lei)	Weight
1	BANCA COMERCIALA ROMANA	8,837,813,595	20.43%
2	BT CAPITAL PARTNERS	7,110,110,863	16.43%
3	BRD Groupe Societe Generale	6,113,280,641	14.13%
4	SWISS CAPITAL S.A.	5,362,021,543	12.39%
5	TRADEVILLE	4,184,662,208	9.67%
6	SSIF BRK FINANCIAL GROUP S.A.	3,764,772,048	8.70%
7	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	2,137,333,140	4.94%
8	GOLDRING	995,465,858	2.30%
9	Alpha Bank Romania S.A.	889,588,026	2.06%
10	IFB FINWEST	859,042,069	1.99%
11	RAIFFEISEN CENTROBANK AG	751,896,338	1.74%
12	PRIME TRANSACTION	708,484,728	1.64%
13	ESTINVEST	531,832,674	1.23%
14	INTERFINBROK CORPORATION	267,867,339	0.62%
15	CONCORDE SECURITIES LTD	260,305,931	0.60%
16	ERSTE GROUP BANK AG	207,988,532	0.48%
17	S.S.I.F. BLUE ROCK FINANCIAL SERVICES S.A.	85,933,418	0.20%
18	MUNTENIA GLOBAL INVEST	70,907,128	0.16%
19	VOLTINVEST	42,392,613	0.10%
20	Bursa Romana de Marfuri (BRM)	40,274,380	0.09%

21	INTERDEALER CAPITAL INVEST	23,472,602	0.05%
22	S.S.I.F. VIENNA INVESTMENT TRUST	18,822,867	0.04%
23	FINACO SECURITIES	1,249,968	0.00%
<b>Total brokered value as at 31 December 2021</b>		<b>43,265,518,512</b>	<b>100%</b>

Source: BVB

In December 2021, the cumulative value of own funds of the FISCs increased by about 38% compared to December 2020, reaching the level of 245 million lei.

Chart 26 Cumulative value of own funds of the FISC

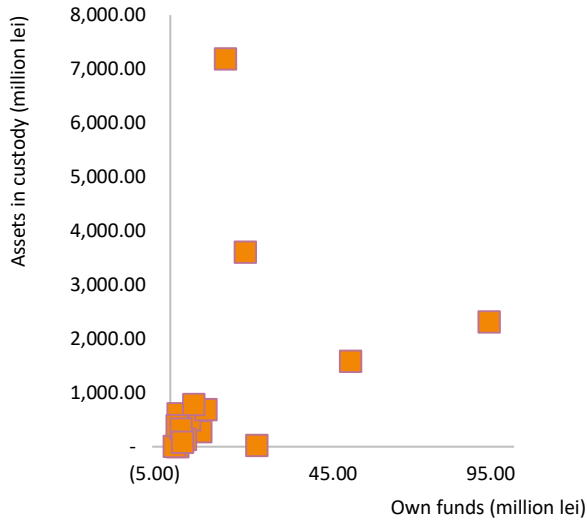


Source: ASF

At the end of December 2021, the FISCs had in custody a cumulative value of assets of 18.60 billion lei (approximately 3.78 billion EUR), representing both clients' liquid assets and financial securities held by them.

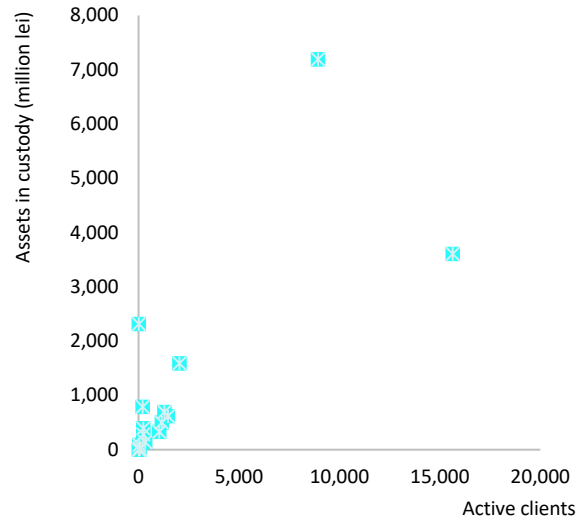
The cumulative number of active client accounts of the FISCs at the end of December 2021 was 32,644 (an investor may have accounts with several intermediaries simultaneously). From the charts below, it can be seen that the amount of assets in custody is generally correlated with the number of active accounts.

Chart 27 Value of assets held in custody in relation to the level of own funds



Source: ASF

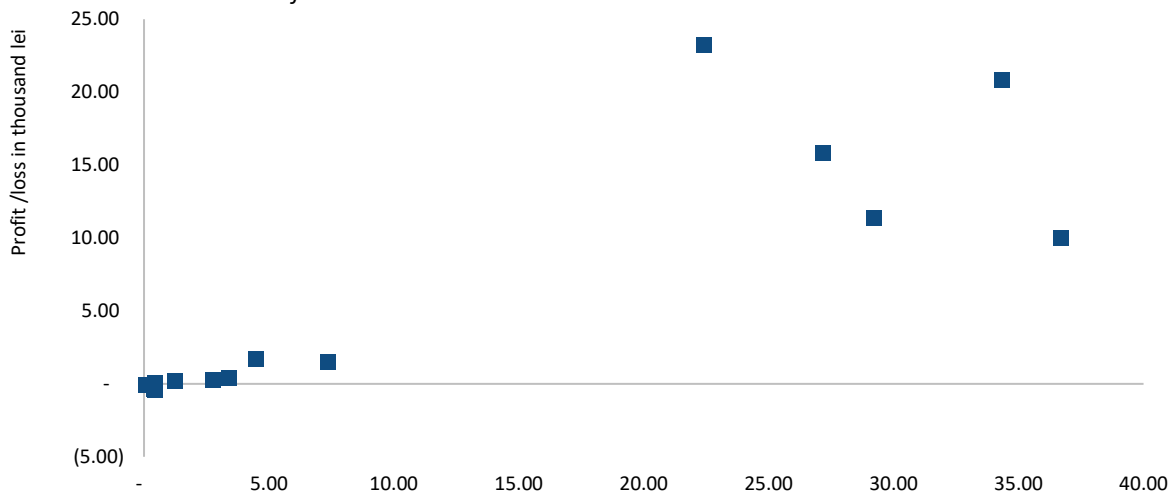
Chart 28 Value of assets in custody in relation to the number of active accounts



Source: ASF

Out of a total of 16 FISCs, a number of 12 FISCs made a profit<sup>17</sup> in 2021, the cumulative value of their profits being about 85.54 million lei. The cumulative loss of the 4 FISCs that had negative results was about 1.14 million lei.

Chart 29 Financial results of the FISCs

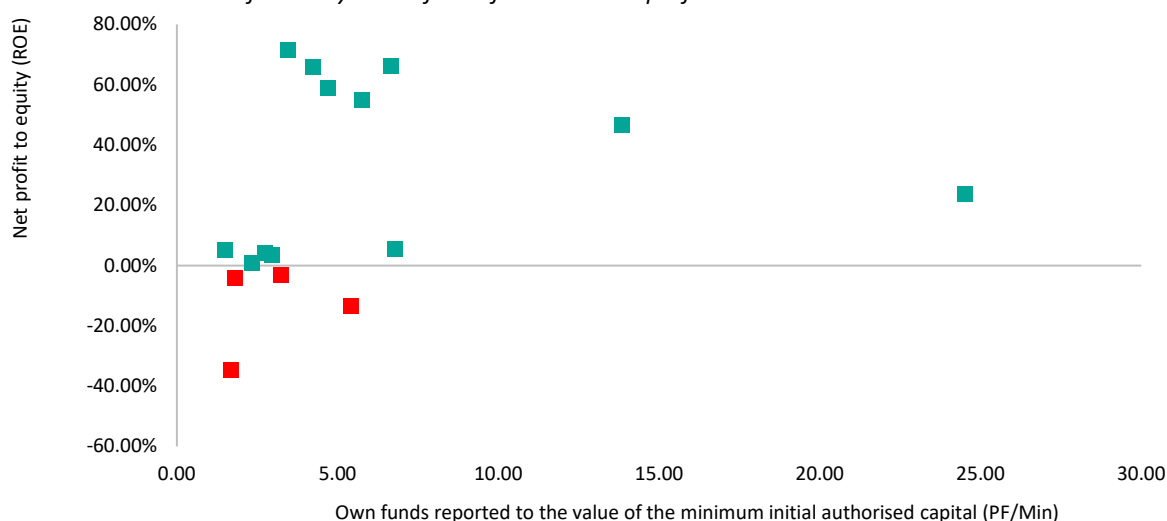


Source: ASF

<sup>17</sup> The results presented are as per the preliminary financial statements for December 2021, audited financial results are not available at the time of reporting.



Chart 30 Distribution of FISCs by level of own funds and net profit in 2021



At the end of 2021, the value of own funds increased by 38% compared to the end of 2020.

#### 15.4. Collective investment undertakings

The total value of assets of collective investment undertakings (CIUs) in Romania was 49.98 billion lei as of 31 December 2021, up by about 21% compared to the previous year. At the end of December 2021, 18 investment management companies (IMCs), 82 open-ended investment funds (OIFs), 25 closed-ended investment funds (CIFs), 5 financial investment companies (FICs), Fondul Proprietatea and 4 depositories were operating in Romania.

The entities operating on 31 December 2021 are as follows:

Table 23 Number of UCIs and IMCs

Entity categories	31.12.2020	31.12.2021
	No. of entities	No. of entities
Investment management companies	18	18
Open-end investment funds	82	82
Alternative investment funds	26	25
Financial investment companies	5	5
Fondul Proprietatea	1	1
Depositories	4	4

Source: ASF

Table 24 Depositories of UCI assets

Depository	Total assets 31.12.2021 (lei)
BRD – Groupe Société Générale S.A.	31,124,137,135
Banca Comercială Română S.A.	10,386,617,801
Raiffeisen Bank S.A.	8,193,829,651
Unicredit Ţiriac Bank S.A.	275,923,265
<b>TOTAL ASSETS</b>	<b>49,980,507,851</b>

Source: ASF

## Investment management companies

The dominant category of all investment management companies (IMCs) continues to be the banking groups, controlling the largest share of the cumulative total of assets managed by IMCs. According to the data in the table below, the top five IMCs by volume of assets are all affiliated to the banking system, and their assets under management as of 31 December 2021 totalled 22,508,241,935 lei, i.e. about 93% of the total assets related to the investment fund industry.

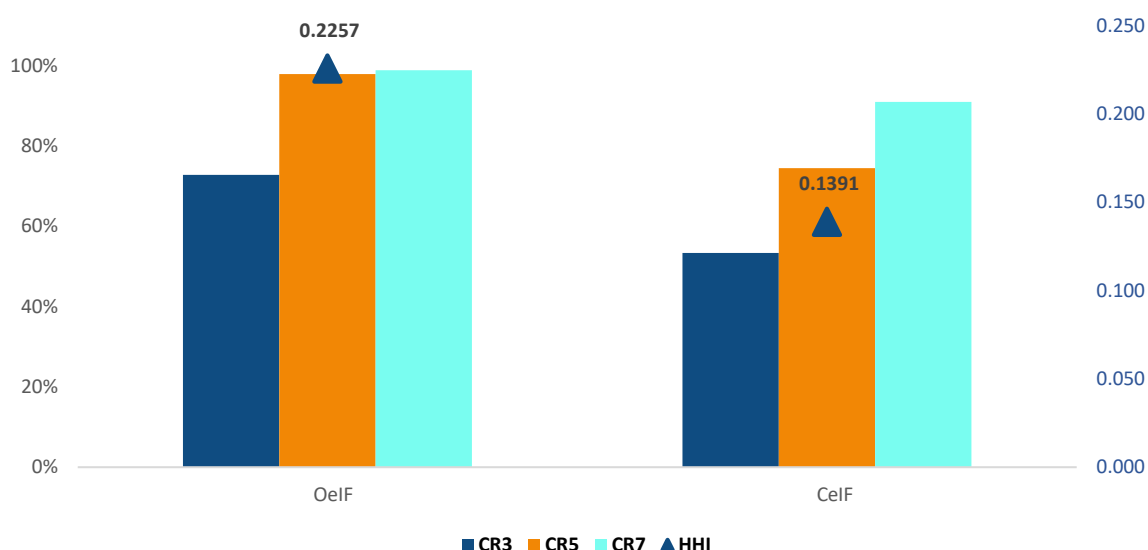
Table 25 Main investment management companies and assets under management

IMC	Total asset (lei) 31.12.2020	% of total assets	Total asset (lei) 31.12.2021	% of total assets
SAI ERSTE ASSET MANAGEMENT S.A.	5,421,531,243	25.63%	5,771,427,100	23.82%
SAI RAIFFEISEN ASSET MANAGEMENT S.A.	5,192,947,860	24.55%	5,742,219,540	23.70%
SAI BRD ASSET MANAGEMENT S.A.	4,253,418,989	20.11%	5,260,791,978	21.71%
SAI BT ASSET MANAGEMENT S.A.	4,149,180,308	19.61%	4,939,628,070	20.39%
SAI OTP ASSET MANAGEMENT S.A.	590,681,361	25.63%	794,175,246	3.28%
<b>Total assets managed by the 5 IMCs</b>	<b>19,607,759,762</b>	<b>92.68%</b>	<b>22,508,241,935</b>	<b>92.91%</b>
<b>Total assets of other IMCs</b>	<b>1,548,252,347</b>	<b>7.32%</b>	<b>1,718,811,593</b>	<b>7.09%</b>
<b>Total assets managed by local IMCs <sup>18</sup></b>	<b>21,156,012,110</b>	<b>100%</b>	<b>24,227,053,528</b>	<b>100%</b>

Source: ASF

The degree of concentration in the market for custodian services for investment fund assets is high, and for closed-end fund managers the degree of concentration is medium. For the open-end fund market, analysed from the perspective of assets managed by IMCs, the Herfindahl-Hirschman index has a value of 0.2257, indicating a high degree of concentration. This is also confirmed by the concentration ratio (CR) indicators.

Chart 31 Degree of concentration in the Romanian investment fund market (by net assets as of 31.12.2021)



Source: ASF

<sup>18</sup> Does not include FICs's and Fondul Proprietatea's assets.

According to its object of activity, an investment management company may manage open-end and alternative investment funds as well as individual investment accounts. In the market as a whole, open-ended investment funds are more numerous than alternative investment funds (excluding FICs and FPs) and accumulate significantly higher asset values.

### Management of individual portfolios

At the end of December 2021, a total of 317 individual investment accounts were managed by 2 IMCs, with total assets of 712,348,962 lei.

*Table 26 Number of individual investment accounts and assets managed by IMCs as at 31 December 2021*

IMC	31.12.2020		31.12.2021	
	No. of individual accounts	Assets under management (lei)	No. of individual accounts	Assets under management (lei)
<b>TOTAL IAS</b>	<b>242</b>	<b>379,828,607</b>	<b>317</b>	<b>712,348,962</b>

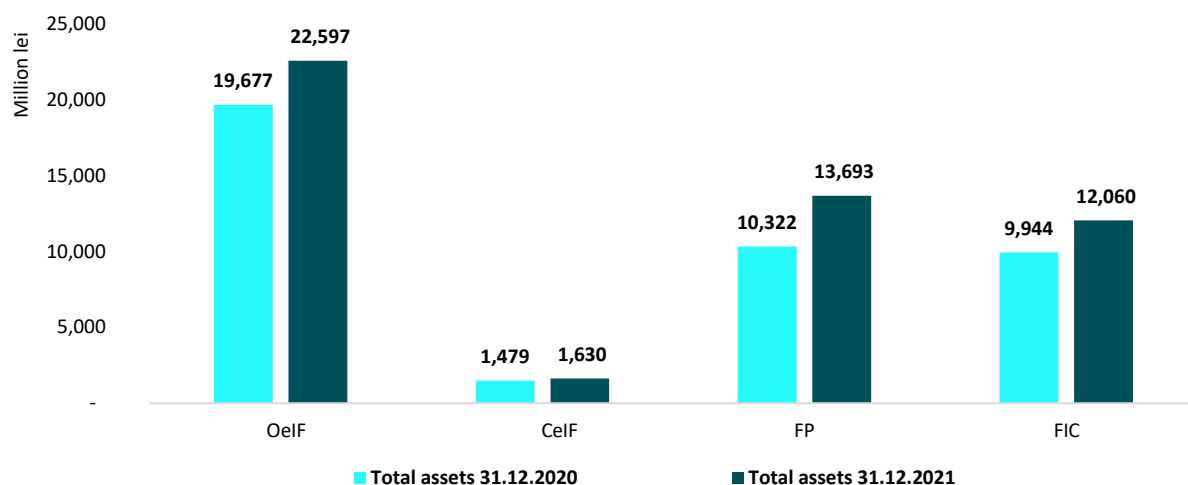
Source: ASF

### Administration of collective investment undertakings (CIUs)

At the end of 2021, the total value of the assets of collective investment undertakings (CIUs) in Romania was 48.91 billion lei, an increase of about 21% compared to 2020.

An analysis by category of collective investment undertaking shows that at the end of 2021, the total assets of FICs increased by 21% compared to end-December 2020, with the FP recording the most significant increase in total assets (33%) compared to end-2020.

*Chart 32 Evolution of total assets by categories of CIUs*



Source: ASF

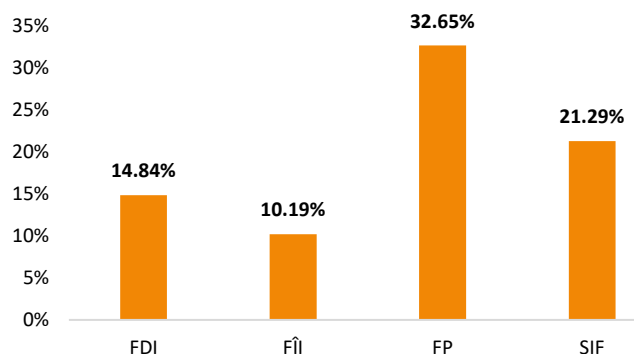
The total assets of the Fondul Proprietatea amounted to approximately 13.7 billion lei at the end of December 2021 and register an increase in total assets of approximately 33% compared to the end of 2020.

Table 27 Total assets (million lei) by categories of CIUs

Background categories	Total assets 31.12.2020	Total assets 31.12.2021
	0	1
Open end funds	19,677	22,597
Alternative funds	1,479	1,630
FICs	10,322	13,693
FP	9,944	12,060
<b>TOTAL CIU</b>	<b>41,422</b>	<b>49,981</b>

Source: ASF

Chart 33 Change (%) in total assets by category of CIU as at 31.12.2021 compared to 31. 12.20 20



Source: ASF

The combined assets of IOFs accounted for 45% of total local UCI assets at the end of December 2021, while AIF assets (excluding FICs and FP) accounted for about 3%.

Table 28 Structure of investment portfolios by categories of CIUs and asset classes (lei)

Total assets - 31.12.2021	Open end funds	Alternative funds	FICs	FP	TOTAL
<b>Shares</b>	2,114,524,332	1,214,889,755	10,001,571,078	13,199,995,567	26,530,980,732
<b>Bonds</b>	4,676,603,207	42,007,476	175,487,880	-	4,894,098,563
<b>Government bonds</b>	9,477,150,696	-	-	77,106,529	9,554,257,225
<b>Deposits and availability</b>	4,321,236,453	133,481,259	658,413,787	415,612,574	5,528,744,072
<b>UCITS/CIU securities</b>	1,872,275,196	172,333,724	1,107,750,213	-	3,152,359,133
<b>Other</b>	135,265,381	67,177,007	117,217,970	298,725	319,959,083

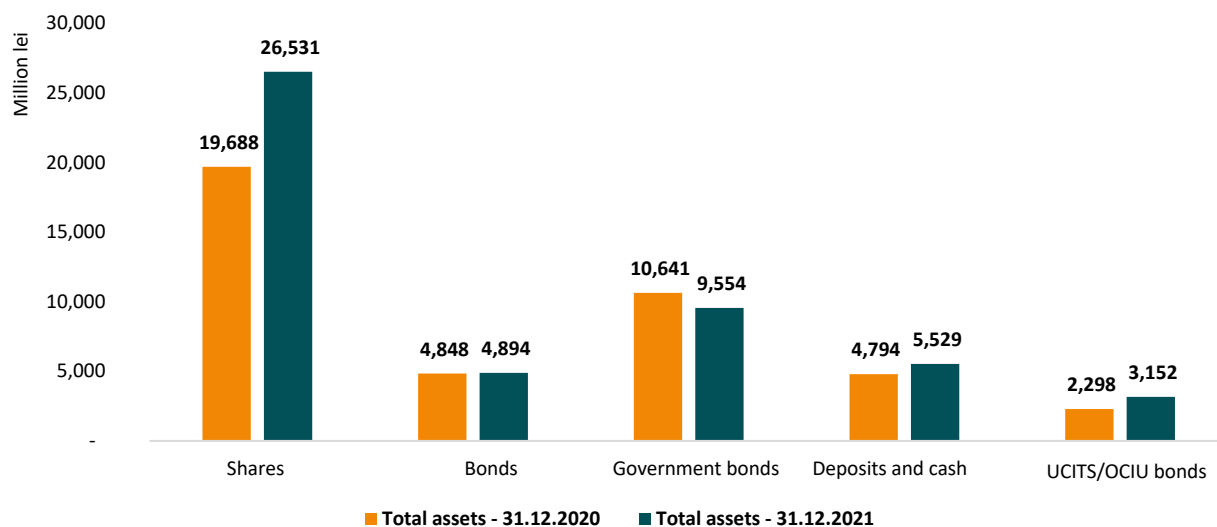
Source: ASF

In terms of investment structure, IOFs are predominantly oriented towards fixed income instruments (government bonds and bonds), while AIFs, FICs and FP have a dominant orientation towards equity investments.

On the market as a whole, the consolidated investment structure of all collective investment undertakings shows a preference for equities, whose total value is about 26.5 billion lei, accounting for about 53% of the total assets of the UCIs. Investments in fixed-income financial instruments at the level of the whole market are worth 20 billion lei, representing about 40% of the total assets of the UCIs.

As at 31 December 2021 compared to the end of 2020, there is an increase in investments in equities (35%), UCITS/OPC units (37%), bonds (4%) and deposits and cash (15%), while investments in government bonds are down by around 10%.

Chart 34 Evolution of the strategic allocation of UCI portfolios



Source: ASF

### Open-ended investment funds (OIF)

At the end of December 2021, 82 open-ended investment funds were operating, divided into five categories: equity funds (28), bond funds (30), diversified funds (13) and mixed funds (11: equity-bond combination). Given the high number of bond funds and the value of their net assets, investors' preference for fixed income-oriented investment strategies remains strong.

Table 29 Evolution of the number of OeIF by category

OIF by investment policy*	31.12.2020	31.12.2021
Equity funds	26	28
Diversified funds	14	13
Bond funds	31	30
Mixed funds	11	11
<b>TOTAL</b>	<b>82</b>	<b>82</b>

\* according to the new classification

Bond funds have the largest share of this market segment by number. Equity and diversified funds are also well represented, showing that investor interest in these two asset classes (bonds and equities) is significant.

Source: ASF

In developed economies, money market funds are used mainly by companies to manage short-term cash holdings and are often considered safer and more liquid than bank deposits.

Table 30 Distribution of investors by OeIF category

Categories of funds	31.12.2020			31.12.2021		
	Natural persons	Legal person	TOTAL	Natural persons	Legal person	TOTAL
Equity funds	15,420	279	15,699	47,529	758	48,287
Diversified funds	35,674	461	36,135	47,573	604	48,177
Bond funds	234,927	8,991	243,918	284,445	9,299	293,744
Mixed funds	45,584	262	45,846	53,801	343	54,144
<b>TOTAL</b>	<b>331,605</b>	<b>9,993</b>	<b>341,598</b>	<b>433,348</b>	<b>11,004</b>	<b>444,352</b>

At the end of December 2021, the number of investors in open-ended funds increased compared to the end of 2020 by 102,754 investors.

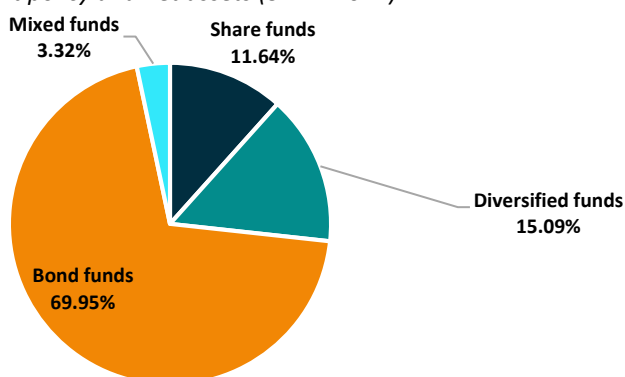
Table 31 Structure of net assets by OeIF category

OIF by investment policy	Net assets 31.12.2020 (lei)	Net assets 31.12.2021 (lei)
Equity funds	984,348,733	2,626,324,909
Diversified funds	2,850,911,952	3,406,214,420
Bond funds	15,432,129,149	15,787,573,914
Mixed funds	384,075,582	748,892,875
<b>TOTAL</b>	<b>19,651,465,416</b>	<b>22,569,006,118</b>

Source: ASF

The highest share of OeIF's cumulative net assets is held by bond funds, around 70%. Diversified funds rank second in terms of market share, accounting for about 15% of OeIF's combined net assets.

Chart 35 OeIF market share by investment policy and net assets (31.12.2021)



As regards the structure of OeIF portfolios, it is mainly oriented towards fixed-income financial instruments. Of these, government bonds (42%) account for the largest share of total open-ended fund assets, followed by listed corporate bonds (21%).

Table 32 Evolution of the strategic allocation of OeIF assets

OIF portfolio elements	31.12.2020	% of TA	31.12.2021	% of TA
Listed shares	1,058,637,871	5.38%	2,109,593,550	9.34%
Unlisted shares	790,071	0.00%	635,260	0.00%
Shares traded outside regulated markets	3,957,214	0.02%	4,295,523	0.02%
Listed corporate bonds	4,303,856,246	21.87%	4,361,996,113	19.30%
Unrated corporate bonds	52,352,680	0.27%	42,787,433	0.19%
Listed municipal bonds	283,935,720	1.44%	271,819,661	1.20%
Current accounts and cash	356,006,989	1.81%	631,366,988	2.79%
Bank deposits	3,244,049,598	16.49%	3,689,869,465	16.33%
Government bonds >1 year	2,340,459,067	11.89%	6,322,588,952	27.98%
Government bonds <1 year	7,920,029,018	40.25%	3,154,561,744	13.96%
Listed UCITS/CIU securities	118,917,794	0.60%	184,246,153	0.82%
Unlisted UCITS/CIU securities	1,036,119,087	5.27%	1,688,029,044	7.47%
Derivative financial instruments	-4,209,141	-0.02%	19,422,406	0.09%
Structured products	818,059	0.00%	476,338	0.00%
Dividends and other receivables	27,788,449	0.14%	329,554	0.00%
Other assets	-1,066,758,696	-5.42%	115,037,083	0.51%
<b>Total assets (lei)</b>	<b>19,676,750,026</b>	<b>100%</b>	<b>22,597,055,266</b>	<b>100%</b>

Source: ASF

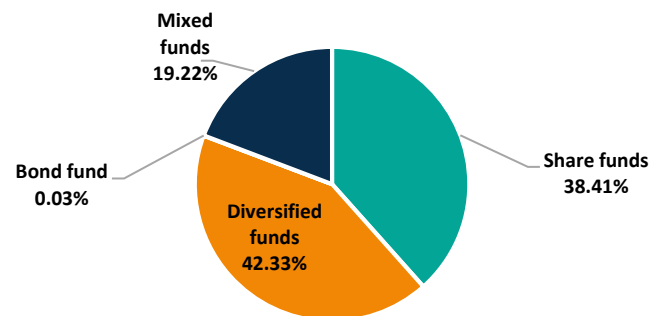
## Alternative investment funds (AIFs) - excluding FICs and FP

Table 33 Structure of net assets by category of AIF

AIF according to investment policy	Net assets 31.12.2020 (lei)	Net assets 31.12.2021 (lei)
Equity funds	566,894,654	624,861,627
Diversified funds	642,498,892	688,613,845
Bond funds	1,662,545	524,907
Mixed funds	264,652,500	312,713,124
<b>TOTAL</b>	<b>1,475,708,590</b>	<b>1,626,713,503</b>

Source: ASF

Chart 36 AIF market share by investment policy and net assets (31.12.2021)



Source: ASF

Of the alternative investment fund categories, diversified funds account for more than 42% of AIFs' combined net assets. In terms of market share, diversified funds are followed by equity funds (38% of net assets). Thus, at the end of December 2021, about 81% of the total net assets under management of AIFs are coordinated by equity and diversified funds.

From the perspective of the structure of IA investments, it can be seen that they are predominantly oriented towards equity investments, which account for approximately 75% of the AIF's total assets, of which approximately 70% of total assets are investments in listed shares. There also remains a much lower preference for fixed income oriented investment strategies. Thus, investments in bonds have a share of around 2.6% of total assets, which is significantly lower compared to the share of equity investments in AIFs.

Table 34 Evolution of strategic asset allocation AIF

AIF portfolio elements	31.12.2020	% of TA	31.12.2021	% of TA
Listed shares	1,034,849,977	69.96%	1,141,631,642	70.04%
Unlisted shares	81,050,938	5.48%	73,258,112	4.49%
Shares traded outside regulated markets	-	0.00%	-	0.00%
Listed corporate bonds	20,678,996	1.40%	30,844,426	1.89%
Unrated corporate bonds	26,312,308	1.78%	11,135,729	0.68%
Listed municipal bonds	32,904	0.00%	27,322	0.00%
Unrated municipal bonds	-	0.00%	-	0.00%
Current accounts and cash	15,824,771	1.07%	15,653,398	0.96%
Bank deposits	81,601,506	5.52%	117,827,861	7.23%
Government bonds >1 year	-	0.00%	-	0.00%
Listed UCITS/CIU securities	650,973	0.04%	50,725,739	3.11%
Unlisted UCITS/ CIU securities	138,960,971	9.39%	121,607,985	7.46%
Derivative financial instruments	- 234,341	-0.02%	-288,812	-0.02%
Structured products	52,886,863	3.58%	61,022,004	3.74%
Dividends and other receivables	174,023	0.01%	33,231	0.00%
Other assets	26,472,195	1.79%	6,410,583	0.39%
<b>Total assets (lei)</b>	<b>1,479,262,083</b>	<b>100%</b>	<b>1,629,889,220</b>	<b>100%</b>

Source: ASF

## Financial investment companies (FICs)

According to the reports of financial investment companies at the end of 2021, the highest net assets in value belong to FIC Banat-Crișana (SIF1), followed by EVERGENT Investments and FIC Oltenia (SIF5).

*Table 35 Summary development of the five financial investment companies*

Date	Indicators	RIS1 Banat-Crișana	EVERGENT Investments	RIS 3 Transylvania	FIS4 Muntenia	RIS5 Oltenia
31.12.2020	UNAV (lei)	5.4928	2.0417	0.5412	1.9061	3.8274
	Market price	2.2000	1.25	0.3440	0.8200	1.8000
	Discount (%)	59.95%	38.78%	36.44%	56.98%	52.97%
	Net Assets (lei)	2,826,268,753	2,002,820,552	1,170,308,202	1,495,583,187	1,998,469,509
	No. of shares issued	515,422,363	980,981,287	2,162,443,797	784,645,201	522,149,143
31.12.2021	UNAV (lei)	6.6268	2.4888	0.6424	2.5268	4.3953
	Market price	2.5400	1.2250	0.3450	1.5650	1.6860
	Discount (%)	61.67%	50.78%	46.30%	38.06%	61.64%
	Net Assets (lei)	3,363,153,702	2,347,051,191	1,382,377,871	1,982,613,439	2,199,826,336
	No. of shares issued	507,510,056	957,563,544	2,152,000,000	784,645,201	500,000,000

Source: ASF, BVB, FIC Report

At the end of December 2021 compared to the end of 2020, the cumulative net assets of the FICs increased by about 19%, and the financial investment company with the highest net asset appreciation was SIF Muntenia (SIF4), by about 33%.

*Table 36 Cumulative structure of total FIC portfolios as at 31.12.2021 and 31.12.2020 respectively*

FICs portfolio items	31.12.2020	% of TA	31.12.2021	% of TA
Listed shares	7,255,996,225	72.97%	8,947,179,634	74.19%
Unlisted shares	1,005,703,104	10.11%	1,054,391,443	8.74%
Shares traded outside regulated markets	-	0.00%	-	0.00%
Listed corporate bonds	47,208,653	0.47%	134,226,205	1.11%
Unrated corporate bonds	113,727,308	1.14%	41,202,643	0.34%
Listed municipal bonds	70,909	0.00%	59,032	0.00%
Current accounts and cash	80,005,226	0.80%	180,734,870	1.50%
Bank deposits	322,262,119	3.24%	477,678,916	3.96%
Government bonds >1 year	-	0.00%	-	0.00%
Listed UCITS/CIU securities	334,201,920	3.36%	181,472,646	1.50%
Unlisted UCITS/CIU securities	669,295,767	6.73%	926,277,567	7.68%
Dividends and other receivables	12,832,591	0.13%	3,357,259	0.03%
Other assets	102,324,834	1.03%	113,860,711	0.94%
<b>Total assets (lei)</b>	<b>9,943,628,656</b>	<b>100%</b>	<b>12,060,440,928</b>	<b>100%</b>

Source: ASF

At the end of December 2021, equity investments have the highest share in the FICs' total combined assets (around 80%).



## Fondul Proprietatea S.A.

The total net assets of the Fondul Proprietatea S.A. stood at 13.24 billion lei at the end of December 2021, up by about 29% compared to December 2020. The FP assets were mainly concentrated in Romania.

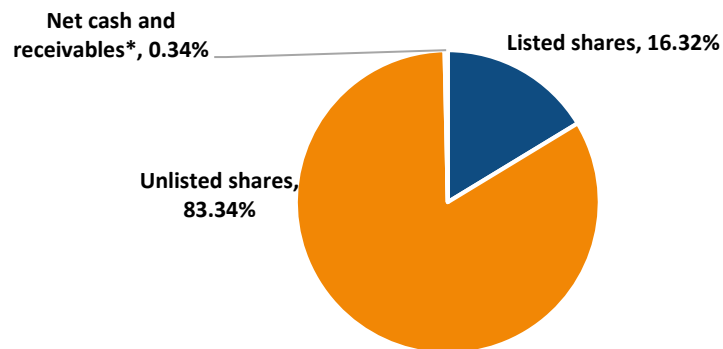
Table 37 Summary evolution of the Fondul Proprietatea

Portfolio items	31.12.2020	31.12.2021	31.12.2021
Number of shares issued	7,210,158,254	6,412,196,967	
Net Assets (lei)	10,266,911,904	13,244,639,868	1
UNAV	1.6974	2.2624	
Closing price (lei)	1.4500	1.9900	
Discount (%)	14.58%	12.04%	

Source: Fondul Proprietatea

Investments in unlisted equities have the highest share in the FP portfolio structure, at around 83% of net asset value.

Chart 37 Types of assets in the Fondul Proprietatea's portfolio on 31.12.2021 (% of NAV)



Source: Fondul Proprietatea

\*Net cash and receivables include bank deposits, current bank accounts, short-term government bonds, dividend receivables, and other receivables and assets less liabilities (including liabilities to shareholders in respect of capital returns and dividend distributions) and provisions.

Of the listed companies, OMV Petrom holds the largest share of the fund's net assets (14.93% of NAV as at 31 December 2021), and of the unlisted companies, Hidroelectrica holds the largest share (64.39% of NAV as at 31 December 2021), followed by CN Aeroporturi București S.A., Engie Romania and CN Administrația Porturilor Maritime S.A..

Table 38 Top 5 holdings of Fondul Proprietatea as of 31.12.2021

Company name	% of NPV at 31.12.2021
Hidroelectrica S.A.	64.39%
OMV Petrom S.A.	14.93%
CN Aeroporturi București S.A.	5.09%
Engie Romania S.A.	3.95%
CN Administrația Porturilor Maritime S.A.	2.22%
<b>TOTAL</b>	<b>90.58%</b>

Source: Fondul Proprietatea

Table 39 Evolution of the strategic asset allocation of Fondul Proprietatea

FP portfolio elements	31.12.2020	% of TA	31.12.2021	% of TA
Listed shares	1,670,445,116	16.18%	2,160,966,986	15.78%
Unlisted shares	7,576,256,630	73.40%	11,039,028,581	80.62%
Current accounts and cash	34,430,630	0.33%	68,224,970	0.50%
Bank deposits	659,982,573	6.39%	347,387,604	2.54%
Government bonds >1 year	-	0.00%	-	0.00%
Government bonds <1 year	380,268,285	3.68%	77,106,529	0.56%
Other assets	963,022	0.01%	298,725	0.00%
<b>Total assets (LEI)</b>	<b>10,322,346,256</b>	<b>100%</b>	<b>13,693,013,395</b>	<b>100%</b>

Source: ASF

At the end of December 2021, the share of investments in listed equities (15.78%) was lower than at the end of 2020. There was a reduction in bank deposits (2.54%), which at the end of 2020 had a share of around 6.39% of total assets.

Table 40 Ownership structure of Fondul Proprietatea - as of 31.12.2021

Romanian institutional shareholders	39.28%
Romanian individuals	21.14%
Foreign institutional shareholders	15.25%
The Bank of New York Mellon	17.63%
Non-resident individuals	3.40%
Ministry of Public Finance*	0.11%
Own shares**	3.19%
<b>TOTAL</b>	<b>100%</b>
<b>Total number of shareholders as of 31.12.2021 - 11,252</b>	

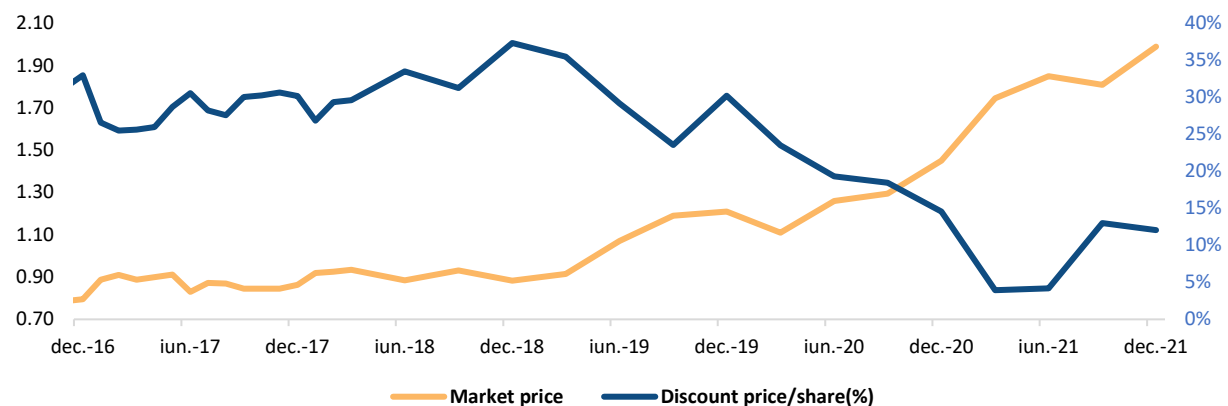
Source: Fondul Proprietatea

\* The total number of shares held by the Ministry of Public Finance is 370,456,198 shares of which 6,643,848 shares paid up and 363,812,350 shares unpaid.

\*\*193,086,773 own shares purchased by the Fund under the 12th buy-back programme.

At the end of December 2021, the total number of shareholders increased by 4,024 compared to the end of 2020 (7,228 shareholders).

Chart 38 Evolution of the reference price for the shares of the Fondul Proprietatea



Source: Fondul Proprietatea

## **16. Evolution of the insurance market in 2021**

## 16.1. Insurance companies

As at 31 December 2021, 26 insurance companies, authorised and regulated by ASF, were active in the insurance market, of which 13 were engaged only in general insurance ("GI"), 7 were engaged only in life insurance ("LI") and 6 were engaged in composite business.

In September 2021, ASF withdrew the operating licence of City Insurance S.A.<sup>19</sup>, a company that was engaged in general insurance business, with the most significant part of its portfolio focused on the marketing of MTPL policies. Given the significant market share that the company held and the fact that City Insurance operated until September 2021, the indicators in this report relating to gross written premiums and gross claims paid include data relating to City Insurance until September 2021.

### Gross written premiums (GI and LI)

In 2021, insurers accumulated gross written premiums (GWP) of about 14.2 billion lei, an increase of about 24% compared to the same period last year:

- gross written premiums for general insurance (GI) are about 11.6 billion lei, up 25% from the previous year;
- gross written premiums for life insurance (LI) are around 2.6 billion lei, a significant increase of 18% compared to 2020.

Chart 39 Evolution of the volume of gross written premiums in the period 2017 - 2021

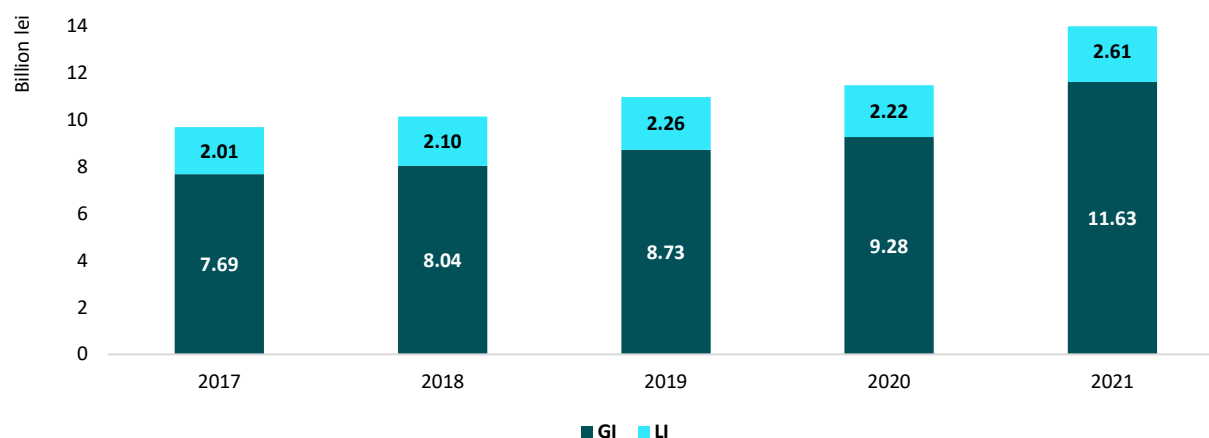


Table 41 Dynamics of distribution by insurance segment in between 2017 and 2021

	2017	2018	2019	2020	2021
GI	7,688,478,353	8,042,071,138	8,734,210,208	9,276,298,576	11,630,827,073
LI	2,013,265,250	2,102,455,293	2,256,015,186	2,219,296,835	2,610,276,944
TOTAL	9,701,743,603	10,144,526,431	10,990,225,394	11,495,595,411	14,241,104,017
GI weighting (%)	79%	79%	79%	81%	82%
LI weighting (%)	21%	21%	21%	19%	18%

<sup>19</sup> ASF Decision no. 1148/17.09.2021

Table 42 Dynamics of gross written premiums by class of insurance in the period 2017 - 2021

Categories	Insurance Class	GWP (lei)				
		2017	2018	2019	2020	2021
GI	A1	55,839,568	53,459,232	58,116,782	51,112,155	54,549,681
	A2	131,876,526	230,012,472	223,069,263	274,528,817	297,648,598
	A3	1,895,009,247	2,073,377,389	2,317,544,160	2,414,018,491	2,724,704,976
	A4	3,566,313	3,921,994	3,609,295	4,416,128	6,282,768
	A5	8,168,331	10,716,567	12,101,680	15,862,808	14,322,091
	A6	22,027,050	22,210,800	14,918,828	14,413,247	15,209,630
	A7	35,790,445	34,917,692	37,054,527	25,226,821	28,209,276
	A8	1,004,837,472	1,064,538,857	1,165,466,756	1,234,502,125	1,330,282,860
	A9	166,438,583	155,437,814	176,161,218	191,518,380	209,138,681
	A10	3,822,822,278	3,741,919,989	3,985,774,635	4,188,128,313	6,114,226,127
	A11	14,823,146	16,764,951	18,405,424	10,601,582	8,387,988
	A12	7,499,134	5,972,149	6,131,988	5,532,757	8,900,841
	A13	225,163,571	251,353,918	272,921,548	296,797,873	307,224,198
	A14	1,044,502	1,242,816	556,099	660,962	783,271
	A15	169,520,028	229,727,434	276,385,828	460,252,843	345,381,280
	A16	21,324,699	25,134,327	27,762,568	22,783,152	43,970,557
	A17	73,160	73,395	218,439	701,260	849,084
	A18	102,654,300	121,289,342	138,011,170	65,240,862	120,755,166
	<b>TOTAL</b>	<b>7,688,478,353</b>	<b>8,042,071,138</b>	<b>8,734,210,208</b>	<b>9,276,298,576</b>	<b>11,630,827,073</b>
LI	C1	1,377,567,383	1,486,795,597	1,417,601,050	1,440,499,053	1,660,444,256
	C2	696,590	11,123	10,824	11,271	7,118
	C3	554,216,414	505,515,736	674,633,376	596,348,126	744,507,616
	C4	0	0	0	0	0
	C5	0	0	0	0	0
	C6	0	0	0	0	0
	C7	0	0	0	0	0
	A1	4,015,424	5,398,324	5,499,595	5,615,260	6,004,102
	A2	76,769,439	104,734,513	158,270,341	176,823,125	199,313,852
	<b>TOTAL</b>	<b>2,013,265,250</b>	<b>2,102,455,293</b>	<b>2,256,015,186</b>	<b>2,219,296,835</b>	<b>2,610,276,944</b>
<b>TOTAL</b>		<b>9,701,743,603</b>	<b>10,144,526,431</b>	<b>10,990,225,394</b>	<b>11,495,595,411</b>	<b>14,241,104,017</b>

As regards the geographical distribution of underwriting, it can be seen that for both general and life insurance, the contracts with the highest aggregate value are written in Bucharest and Ilfov, followed at a significant distance by the North-West, South-East and South regions for general insurance business, and the North-West, North-East and Centre regions for life insurance.

Chart 40 Distribution of GWP for general insurance in Romanian counties (excl. Bucharest: 2,962 million lei) \*

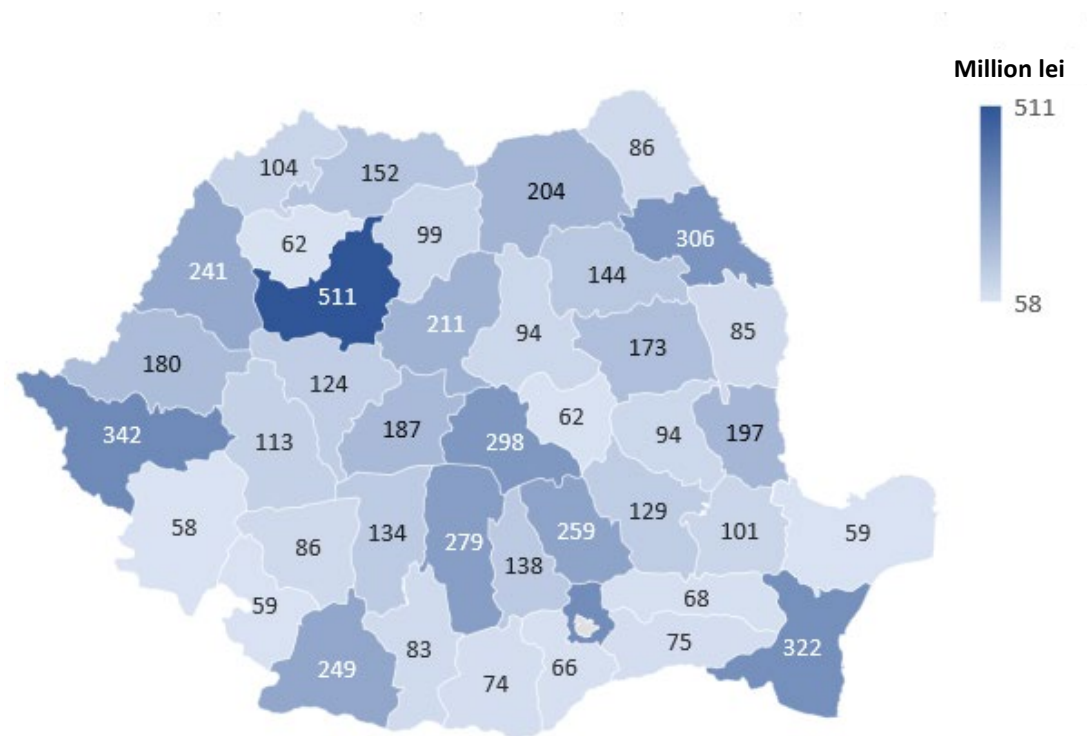
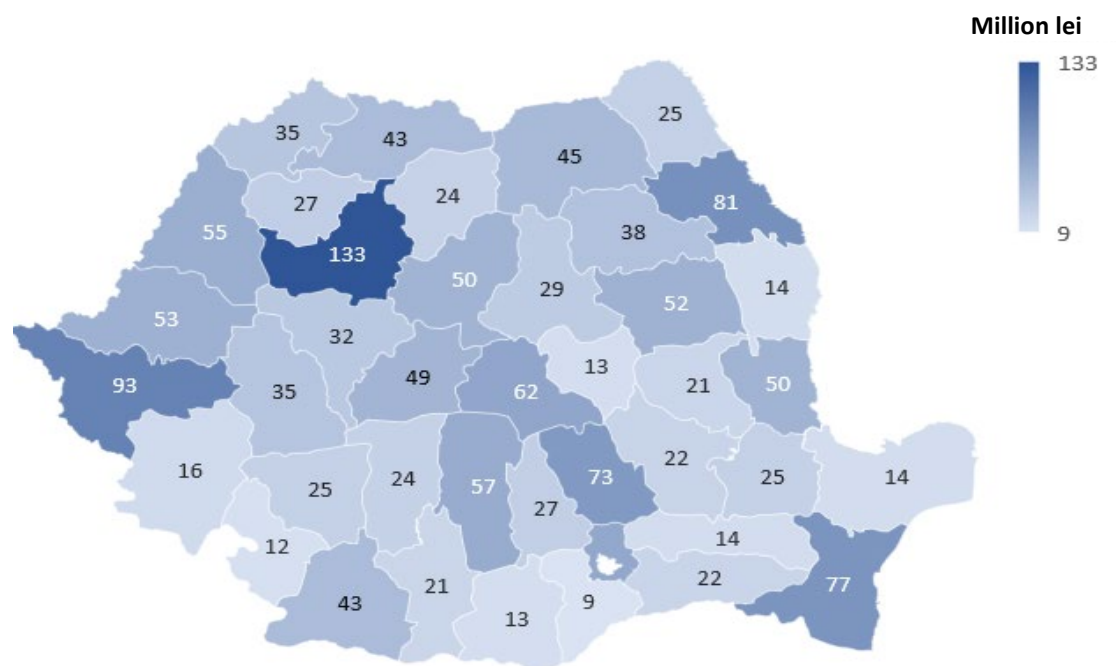


Chart 41 Distribution of GWP for life insurance in Romanian counties (excl. Bucharest: 996 million lei)



\* data relating to City Insurance are not included.

The Romanian insurance market is characterised by a medium to high degree of concentration. In 2021, approximately 89% of the total volume of gross written premiums was achieved by 10 insurance companies out of the 27 companies (including City Insurance) that carried out insurance/reinsurance business in the period under review.

*Table 43 Companies with the highest gross written premiums and their share of the total market (general and life insurance) in year 2021*

No.	Company	Total market share
1	EUROINS ROMÂNIA ASIGURARE REASIGURARE S.A.	15.4%
2	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	14.3%
3	CITY INSURANCE S.A.	13.0%
4	GROUPAMA ASIGURĂRI S.A.	11.4%
5	OMNIASIG VIG	11.3%
<b>Total 1 - 5</b>		<b>65.4%</b>
6	NN ASIGURĂRI DE VIAȚĂ S.A.	6.6%
7	ASIROM VIENNA INSURANCE GROUP S.A.	5.8%
8	GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	5.4%
9	BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	2.9%
10	UNIQA ASIGURĂRI S.A.	2.7%
<b>Total 1-10</b>		<b>88.8%</b>
<b>Other companies</b>		<b>11.2%</b>
<b>Total</b>		<b>100.0%</b>

### Gross premiums written for general insurance

The total volume of gross written premiums for general insurance in 2021 was about 11.6 billion lei, up 25% from the previous year.

The top 10 insurance companies that wrote premiums for general insurance had a combined value of 11.2 billion lei, which represents about 96% of the total for this segment.

*Table 44 Ranking of insurance companies by gross premiums written for general insurance in 2021*

No.	Company	Total market share
1	EUROINS ROMÂNIA ASIGURARE REASIGURARE S.A.	18.9%
2	CITY INSURANCE S.A.	15.9%
3	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	15.2%
4	OMNIASIG VIG	13.9%
5	GROUPAMA ASIGURĂRI S.A.	13.5%
<b>Total 1-5</b>		<b>77.4%</b>
6	ASIROM VIENNA INSURANCE GROUP S.A.	6.3%
7	GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	5.4%
8	UNIQA ASIGURĂRI S.A.	3.3%
9	GRAWE ROMÂNIA ASIGURARE S.A.	2.1%
10	POOL-UL DE ASIGURARE P.A.I.D.	1.5%
<b>Total 1-10</b>		<b>96.0%</b>
<b>Other companies</b>		<b>4.0%</b>
<b>TOTAL</b>		<b>100.0%</b>

Of the total gross premiums written for general insurance, the largest shares are in classes A10 - Third party liability for the use of land motor vehicles, A3 - Land vehicles excluding railway rolling stock and A8 - Fire and natural disasters (for property other than that insurable in classes A3 to A7).

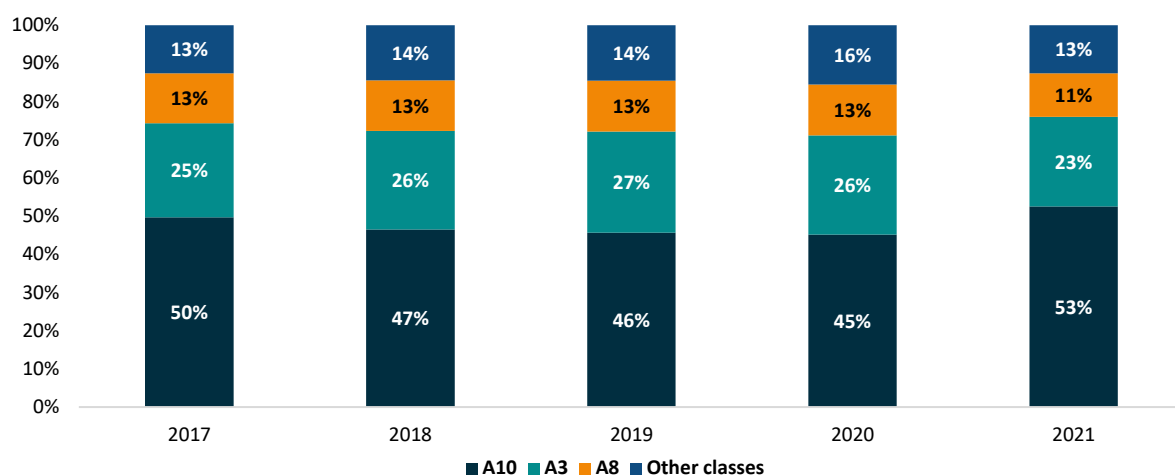
In 2021, the share of these three classes was around 87% of total gross written premiums for general insurance business:

- A10 - Civil liability for the use of land motor vehicles, with a volume of gross written premiums of 6,114,226,127 lei, representing about 53% of total general insurance underwritings, up by about 46% compared to the same period last year;
- A3 - Land vehicles, excluding railway rolling stock, with a volume of gross written premiums of 2,724,704,976 lei, representing about 23% of total underwriting for general insurance, recorded in 2021 an increase of about 13% compared to the same period of the previous year;
- A8 - Fire and natural disasters (for property other than insurable in classes A3 - A7), with a volume of gross written premiums of 1,330,282,860 lei, representing 11% of total general insurance underwriting, up 8% compared to 2020.

Table 45 General insurance class structure

Class	GWP LI (lei)					Share (%) 2021
	2017	2018	2019	2020	2021	
<b>A10</b>	3,822,822,278	3,741,919,989	3,985,774,635	4,188,128,313	6,114,226,127	52.6%
<b>A3</b>	1,895,009,247	2,073,377,389	2,317,544,160	2,414,018,491	2,724,704,976	23.4%
<b>A8</b>	1,004,837,472	1,064,538,857	1,165,466,756	1,234,502,125	1,330,282,860	11.4%
<b>Other classes</b>	965,809,356	1,162,234,903	1,265,424,657	1,439,649,647	1,461,613,110	12.6%
<b>TOTAL</b>	<b>7.688.478.353</b>	<b>8.042.071.138</b>	<b>8.734.210.208</b>	<b>9.276.298.576</b>	<b>11.630.827.073</b>	<b>100.0%</b>

Graph 42 Dynamics of the structure of general insurance classes



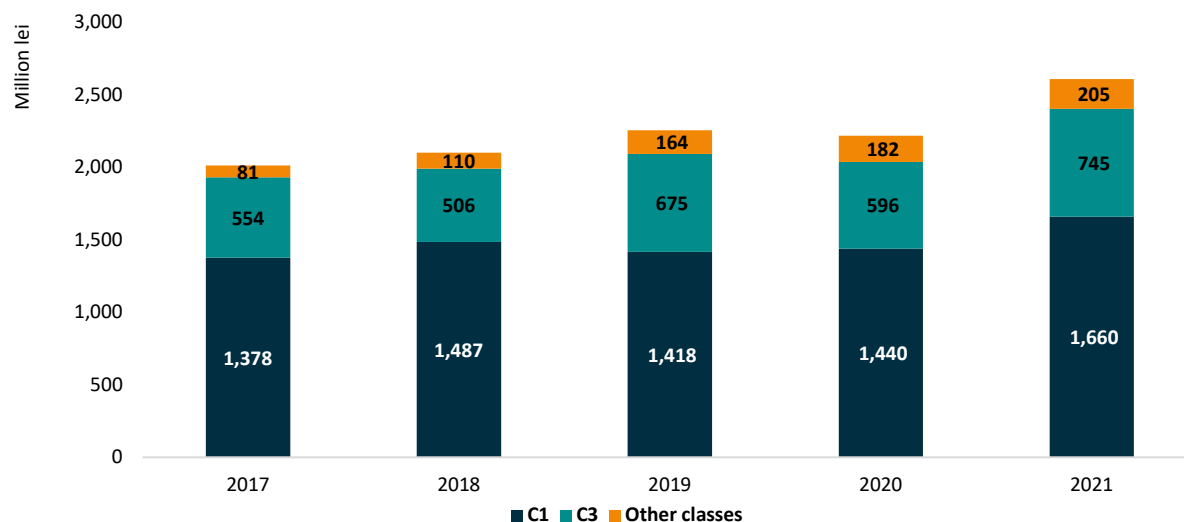


## Gross life insurance premiums written

Gross premiums written by insurance companies for life insurance business amounted to 2.6 billion lei in 2021, up by about 18% compared to the previous year.

An analysis of the evolution of gross written premiums for life insurance business by class of insurance shows a consolidation trend in this insurance segment, with significant increases in the volume of underwriting in 2021 for both C1 and C3 classes.

Chart 41 Development of gross written premium volume for life insurance business by class of insurance from 2017 to 2021



A high degree of concentration was also maintained in the life insurance market, with 5 companies holding a share of about 81% of the total volume of premiums written in this segment, with cumulative underwriting amounting to 2.11 billion lei.

Table 46 Ranking of insurance companies by gross written premiums for life insurance in 2021

No.	Company	Market share
1	NN ASIGURĂRI DE VIAȚĂ S.A.	36.0%
2	BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	15.6%
3	BRD ASIGURĂRI DE VIAȚĂ S.A.	13.6%
4	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	10.1%
5	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	5.4%
<b>Total 1 - 5</b>		<b>80.7%</b>
6	GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	5.4%
7	UNIQA ASIGURĂRI DE VIAȚĂ S.A.	4.6%
8	ASIROM VIENNA INSURANCE GROUP S.A.	3.8%
9	GROUPAMA ASIGURĂRI S.A.	2.1%
10	GRAWE ROMÂNIA ASIGURARE S.A.	1.9%
<b>Total 1-10</b>		<b>98.5%</b>
Other companies		1.5%
<b>Total</b>		<b>100.0%</b>

Of the total gross written premiums for life insurance, the largest shares are held by classes C1, Life insurance, annuities and supplementary life insurance, and C3, Life insurance and annuities, related to investment funds, together accounting for about 92% of the total gross written premiums for life insurance business.

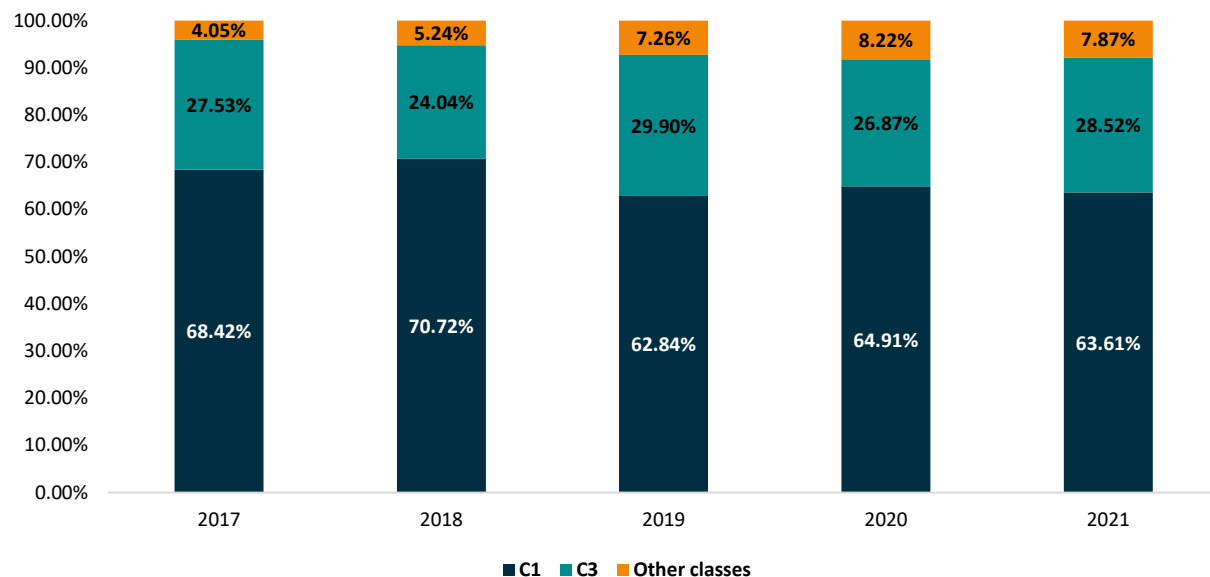
The following conclusions can be drawn from the dynamic analysis:

- Class C1 - Life insurance, annuities and supplementary life insurance, with an underwriting volume of 1.66 billion lei, representing about 64% of total life insurance underwriting, recorded an increase of about 15% in 2021 compared to the previous year;
- Class C3 - Life insurance and annuities, linked to investment funds, with underwritings exceeding the level of 744 million lei, representing 28.5% of total life insurance underwritings, recorded an increase of 25% compared to 2020.

Table 47 Life insurance class structure

Class	GWP LI (lei)					Weighting in 2021
	2017	2018	2019	2020	2021	
C1	1,377,567,383	1,486,795,597	1,417,601,050	1,440,499,053	1,660,444,256	63.61%
C3	554,216,414	505,515,736	674,633,376	596,348,126	744,507,616	28.52%
Other classes	81,481,453	110,143,960	163,780,760	182,449,656	205,325,072	7.87%
<b>TOTAL</b>	<b>2,013,265,250</b>	<b>2,102,455,293</b>	<b>2,256,015,186</b>	<b>2,219,296,835</b>	<b>2,610,276,944</b>	<b>100%</b>

Chart 42 Dynamics of the life insurance class structure



Analysing the evolution of gross written premiums by life insurance class, by company, we draw the following conclusions:

- The insurance companies that wrote the highest volume of premiums for class C1 in 2021 were NN Asigurări de Viață, BCR Asigurări de Viață and Generali, with a combined share of 66%;
- As regards class C3, the highest volume of gross written premiums was recorded by NN Asigurări de Viață, BRD Asigurări de Viață and Allianz Țiriac Asigurări, which together had a market share of around 96%.

*Table 48 Evolution of market shares by gross written premiums by main life insurance classes, by company, for the period 2020 - 2021*

Company name	Class C1		Class C3	
	2020	2021	2020	2021
<b>Total gross written premiums (lei)</b>	<b>1.440.499.053</b>	<b>1.660.444.256</b>	<b>596.348.126</b>	<b>744.507.616</b>
ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	5.31%	5.06%	18.76%	24.26%
ASIROM VIENNA INSURANCE GROUP S.A.	6.51%	5.73%	0.49%	0.61%
BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	20.45%	23.43%	12.73%	2.32%
BRD ASIGURĂRI DE VIAȚĂ S.A.	8.37%	7.50%	20.59%	30.85%
ERGO ASIGURĂRI DE VIAȚĂ S.A.	0.97%	0.98%	0.05%	0.03%
EUROLIFE FFH ASIGURĂRI DE VIAȚĂ S.A.	1.03%	0.89%		
GARANTA ASIGURĂRI S.A.	0.45%	0.42%		
GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	8.02%	8.16%	0.84%	0.61%
GRAWE ROMANIA ASIGURARE S.A.	3.18%	2.94%		
GROUPAMA ASIGURĂRI S.A.	3.15%	3.18%	0.07%	0.17%
NN ASIGURĂRI DE VIAȚĂ S.A.	36.79%	34.63%	46.46%	40.57%
SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	0.02%	0.01%		0.57%
UNIQA ASIGURĂRI DE VIAȚĂ S.A.	5.74%	7.07%		

### Insurance contracts

Across the insurance market as a whole, the number of insurance contracts in force at the end of 2021 was more than 14.8 million, down from the same period last year by about 9%.

The number of insurance contracts in force at the end of 2021 for general insurance represents about 90% of the total number of contracts.

The number of contracts in force at the end of the reporting period for general insurance business decreased by about 9.4% compared to the same period last year, while the number of contracts in force for LI decreased by about 1.7%.

*Table 49 Evolution of the total number of insurance contracts in force at the end of the year for the period 2017 - 2021*

	2017	2018	2019	2020	2021*
GI	12,416,720	13,346,776	13,861,989	14,745,280	13,359,876
LI	1,862,681	1,646,808	1,618,694	1,474,971	1,450,551
<b>TOTAL</b>	<b>14,279,401</b>	<b>14,993,584</b>	<b>15,480,683</b>	<b>16,220,251</b>	<b>14,810,427</b>

*\*the indicator does not include the number of City Insurance contracts in force*

In terms of the number of insurance contracts in force at the end of 2021 for the last 5 years, separately for the general insurance business and the life insurance business, the situation was as follows:

*Table 50 Evolution of the number of insurance contracts for general insurance in force at the end of the year for the period 2017 - 2021*

<b>Insurance class GI</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021*</b>
A1	946,749	1,007,124	1,056,749	907,469	634,134
A2	265,760	348,699	366,712	350,653	342,076
A3	858,458	1,029,898	1,026,146	1,031,752	1,027,212
A4	267	267	262	279	299
A5	92	114	111	133	170
A6	1,290	1,235	1,016	1,065	1,127
A7	3,933	5,622	5,360	5,486	5,384
A8	3,596,564	3,710,048	3,810,521	4,382,895	4,638,621
A9	141,368	163,748	172,352	181,367	198,159
A10	5,621,591	5,941,830	6,144,822	6,612,832	5,334,764
A11	143	177	192	218	351
A12	183	215	218	240	297
A13	643,114	664,969	693,753	764,002	778,794
A14	104	81	85	67	60
A15	34,423	51,418	73,791	90,504	52,341
A16	9,486	12,946	18,706	15,574	35,573
A17	0	2	5,983	30,316	41,586
A18	293,195	408,383	485,210	370,428	268,928
<b>TOTAL GI</b>	<b>12,416,720</b>	<b>13,346,776</b>	<b>13,861,989</b>	<b>14,745,280</b>	<b>13,359,876</b>
<b>Change from previous period</b>	<b>1,411,319</b>	<b>930,056</b>	<b>515,213</b>	<b>883,291</b>	<b>-1,385,404</b>
<b>Rate of change (%) since previous period</b>	<b>13%</b>	<b>7%</b>	<b>4%</b>	<b>6%</b>	<b>-9%</b>

*\*the indicator does not include the number of City Insurance contracts in force*

*Table 51 Evolution of the number of insurance contracts for life insurance in force at the end of the year for the period 2017 - 2021*

<b>Insurance class GI</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
C1	1,649,202	1,431,360	1,390,014	1,259,845	1,207,502
C2	6,644	142	122	107	90
C3	177,669	168,836	159,476	154,778	161,662
A1	19,022	29,297	32,486	33,055	41,112
A2	10,144	17,173	36,596	27,186	40,185
<b>TOTAL LI</b>	<b>1,862,681</b>	<b>1,646,808</b>	<b>1,618,694</b>	<b>1,474,971</b>	<b>1,450,551</b>

Change from previous period	218,543	-215,873	-28,114	-143,723	-24,420
Rate of change (%) since previous period	13%	-12%	-2%	-9%	-2%

The number of contracts in force at the end of the reporting period for life insurance business decreased slightly by 2% in 2021 compared to the previous year. The development of market shares, calculated on the basis of the number of contracts in force at the end of the reporting period, by class of life insurance and company is shown in the table below.

*Table 52 Evolution of market shares, calculated on the basis of the number of contracts in force at the end of the reporting period, by life insurance classes and companies, 2020 - 2021*

Company name	C1		C3	
	2020	2021	2020	2021
<b>Total number of contracts in force</b>	<b>1,259,845</b>	<b>1,207,502</b>	<b>154,778</b>	<b>161,662</b>
ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	8.74%	11.23%	21.15%	25.95%
ASIROM VIENNA INSURANCE GROUP S.A.	6.20%	5.98%	0.53%	0.71%
BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	25.74%	26.30%	7.85%	5.81%
BRD ASIGURĂRI DE VIAȚĂ S.A.	0.03%	0.03%	7.44%	8.22%
ERGO ASIGURĂRI DE VIAȚĂ S.A.	15.72%	12.62%	-	0.06%
EUROLIFE FFH ASIGURĂRI DE VIAȚĂ S.A.	4.90%	4.38%	-	-
GARANTA ASIGURĂRI S.A.	0.40%	0.19%	-	-
GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	14.36%	14.72%	-	2.53%
GRAWE ROMÂNIA ASIGURARE S.A.	6.81%	6.55%	-	-
GROUPAMA ASIGURĂRI S.A.	1.16%	1.31%	0.50%	0.70%
NN ASIGURĂRI DE VIAȚĂ S.A.	13.91%	14.04%	59.18%	55.11%
SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	-	0.03%	-	0.90%
UNIQA ASIGURĂRI DE VIAȚĂ S.A.	2.00%	2.62%	-	-

### Gross claims paid by insurers (GAP)

In 2021, insurance companies reported gross claims paid<sup>20</sup> (excluding maturities and partial and total surrenders), cumulatively for the two categories of insurance, in the amount of 6,708,972,730 lei, as follows:

- 6,403,543,883 lei are related to general insurance contracts, an increase of 9% compared to the same period last year (5,866,643,776 lei);
- 305,428,847 lei are amounts paid for gross life insurance benefits, an increase of 31% compared to the previous year 2020 (232,822,808 lei).

To the gross life insurance claims are added maturities, partial and total surrenders, all of which together amount to 925,657,784 lei, an increase of approximately 9% compared to the same period last year.

<sup>20</sup> Gross claims paid recorded at the end of 2021 includes data for City Insurance up to September 2021

Chart 43 Evolution of the volume of gross claims paid, including maturities and surrenders for general and life insurance (billion lei)

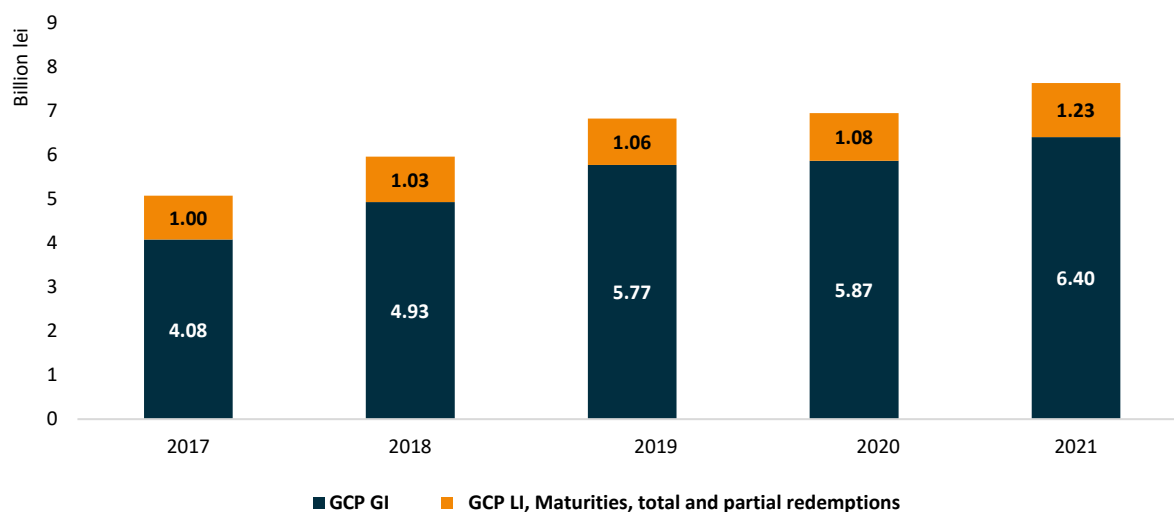


Table 53 Dynamics of gross claims paid including maturities and surrenders for general and life insurance from 2017 to 2021

Period	GCP GI + LI (lei)	Rate of change from previous period (%)	GCP GI (lei)	Rate of change from previous period (%)	GCP LI, Maturities, Total and partial redemptions (lei)	Rate of change from previous period (%)
2017	5,075,341,698	17.71%	4,076,896,562	13.20%	998,445,136	40.57%
2018	5,957,011,869	17.37%	4,930,614,341	20.94%	1,026,397,528	2.80%
2019	6,827,117,471	14.61%	5,769,804,707	17.02%	1,057,312,764	3.01%
2020	6,949,631,451	1.79%	5,866,643,776	1.68%	1,082,987,675	2.43%
2021	7,634,630,514	9.86%	6,403,543,883	9.15%	1,231,086,631	13.68%

### Gross general insurance claims paid

Cumulatively, gross claims paid by 10 insurers accounted for 99% of total claims paid in the general insurance segment.

Table 54 Insurance companies with the highest gross claims paid for general insurance in 2021

No.	Company	Market share (%)
1	EUROINS ROMÂNIA ASIGURARE REASIGURARE S.A.	23.50%
2	CITY INSURANCE S.A.	19.23%
3	OMNIASIG VIG S.A.	14.76%
4	GROUPAMA ASIGURĂRI S.A.	11.42%
5	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	10.70%
<b>Total 1 - 5</b>		<b>79.61%</b>
6	ASIROM VIENNA INSURANCE GROUP S.A.	7.50%
7	GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	4.48%

8	UNIQA ASIGURĂRI S.A.	4.22%
9	GRAWE ROMÂNIA ASIGURARE S.A.	1.93%
10	GOTHAER ASIGURĂRI - REASIGURĂRI S.A.	1.02%
<b>Total 1 - 10</b>		<b>98.76%</b>
<b>Other companies</b>		<b>1.24%</b>
<b>Total</b>		

Significant shares of gross claims paid by insurance companies were recorded for the following classes of insurance (about 92% of the total):

- Class A10, Civil liability for the use of land motor vehicles, with gross claims paid of 3,589,613,175 lei, represents 56% of the total gross claims paid for general insurance and increased by 12% compared to the previous year;
- Class A3, Land vehicles, excluding railway rolling stock, with gross claims paid of 2,013,942,366 lei, represents 31% of the total gross claims paid for general insurance and increased by about 10% compared to the same period last year;
- Class A8, Fire and Natural Disasters (for property other than insurable in classes A3 - A7), with a volume of gross claims paid of 315,737,259 lei, accounts for approximately 5% of total gross claims paid for general insurance, down 9% on the same period last year.

The gross claims paid for the other classes represent about 8% of total general insurance payments, which in absolute terms amounted to 484,251,083 lei.

Chart 44 Evolution of the volume of gross claims paid GI (million lei)

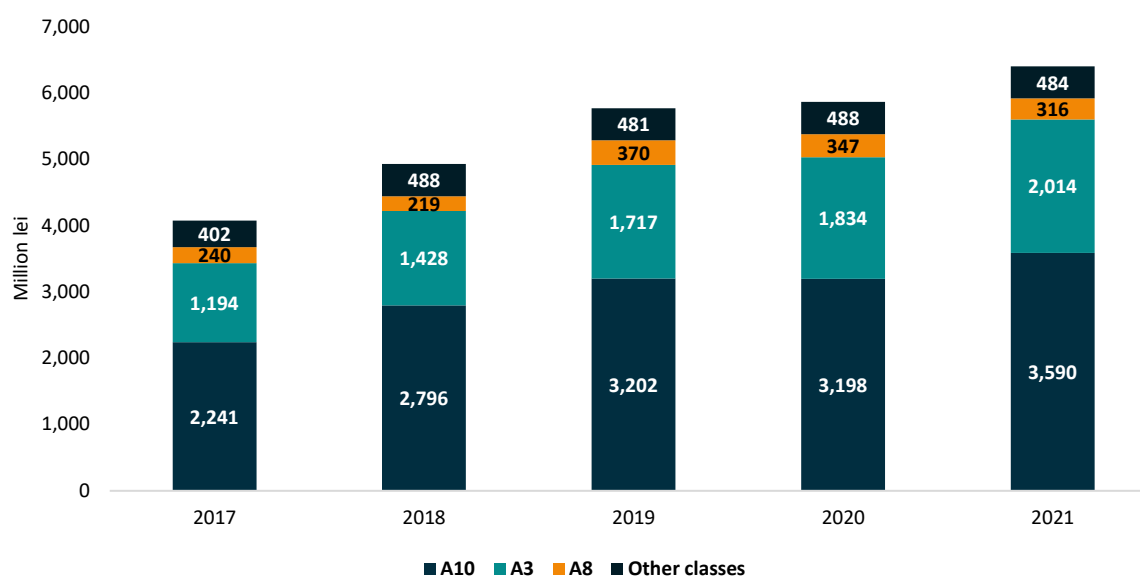
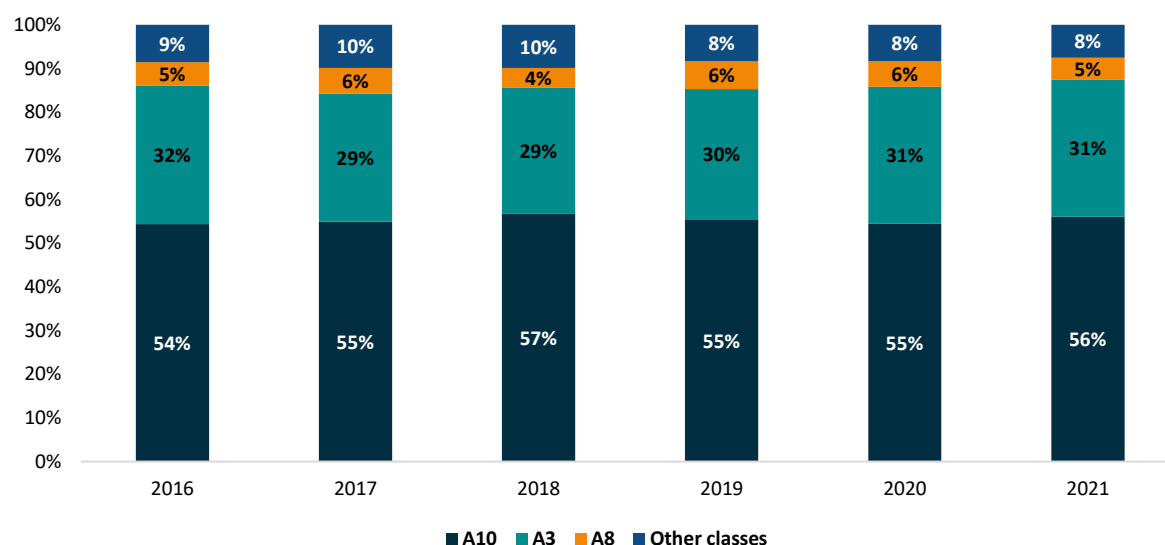


Chart 45 Dynamics of the class structure of gross claims paid for the general insurance category



### Gross life insurance claims, maturities and surrenders

In 2021, the value of gross claims, maturities and surrenders paid out on life insurance stood at a level of 1,231,086,631 lei, an increase of approximately 14% compared to the previous year.

Cumulatively, the gross amounts paid out (claims, maturities and surrenders) by the top 10 insurers accounted for about 98% of the total gross amounts paid out in the life insurance segment.

Table 55 Insurance companies with the highest gross claims paid, maturities and surrenders for life insurance in year 2021

No.	Company	Share in total
1	NN ASIGURĂRI DE VIAȚĂ S.A.	38.75%
2	BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	18.78%
3	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	7.10%
4	ASIROM VIENNA INSURANCE GROUP S.A.	5.56%
5	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	7.09%
<b>Total 1 - 5</b>		<b>77.28%</b>
6	BRD ASIGURĂRI DE VIAȚĂ S.A.	10.20%
7	GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	3.21%
8	GRAWE ROMÂNIA ASIGURARE S.A.	2.96%
9	ERGO ASIGURĂRI DE VIAȚĂ S.A.	2.77%
10	GROUPAMA ASIGURĂRI S.A.	1.81%
<b>Total 1 - 10</b>		<b>98.22%</b>
<b>Other companies</b>		<b>1.78%</b>
<b>Total</b>		<b>100%</b>

In 2021, the largest shares in gross claims paid, totalling 776,834,230 lei, were held by the following classes of insurance:

- Class C3, Life insurance and annuities, related to investment funds, accounts for approximately 47% of total payments made, with a value of 576,630,807 lei;



- Class C1, Life insurance, annuities and supplementary life insurance, represents about 45% of the total payments made and are worth 556,089,073 lei;

Payments for the other classes amounted to 98,366,751 lei and represented 8% of the total life insurance payments.

*Table 56 Evolution of market shares, calculated on the basis of gross claims paid, including maturities and surrenders, by class of life insurance, by company, 2020 - 2021*

Name of insurance company	Class C1		Class C3	
	2020	2021	2020	2021
<b>Total gross claims paid (lei)</b>	<b>459,368,046</b>	<b>556,089,070</b>	<b>552,188,207</b>	<b>576,630,807</b>
ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	6.31%	5.35%	11.15%	9.98%
ASIROM VIENNA INSURANCE GROUP S.A.	15.67%	11.84%	0.24%	0.21%
BCR ASIGURĂRI DE VIAȚĂ VIENNA INSURANCE GROUP S.A.	9.93%	17.02%	36.32%	23.50%
BRD ASIGURĂRI DE VIAȚĂ S.A.	4.08%	5.58%	7.34%	16.39%
ERGO ASIGURĂRI DE VIAȚĂ S.A.	0.89%	0.95%	2.21%	4.99%
EUROLIFE FFH ASIGURĂRI DE VIAȚĂ S.A.	0.64%	0.60%		1.07%
GARANTA ASIGURĂRI S.A.	0.40%	0.22%		
GENERALI ROMÂNIA ASIGURARE REASIGURARE S.A.	7.18%	6.39%	0.82%	0.67%
GRAWE ROMÂNIA ASIGURARE S.A.	7.11%	6.54%		0.01%
GROUPAMA ASIGURĂRI S.A.	2.90%	3.96%	0.02%	0.03%
NN ASIGURĂRI DE VIAȚĂ S.A.	43.19%	39.52%	41.67%	43.14%
SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	0.04%	0.02%		0.00%
UNIQA ASIGURĂRI DE VIAȚĂ S.A.	1.65%	1.99%		

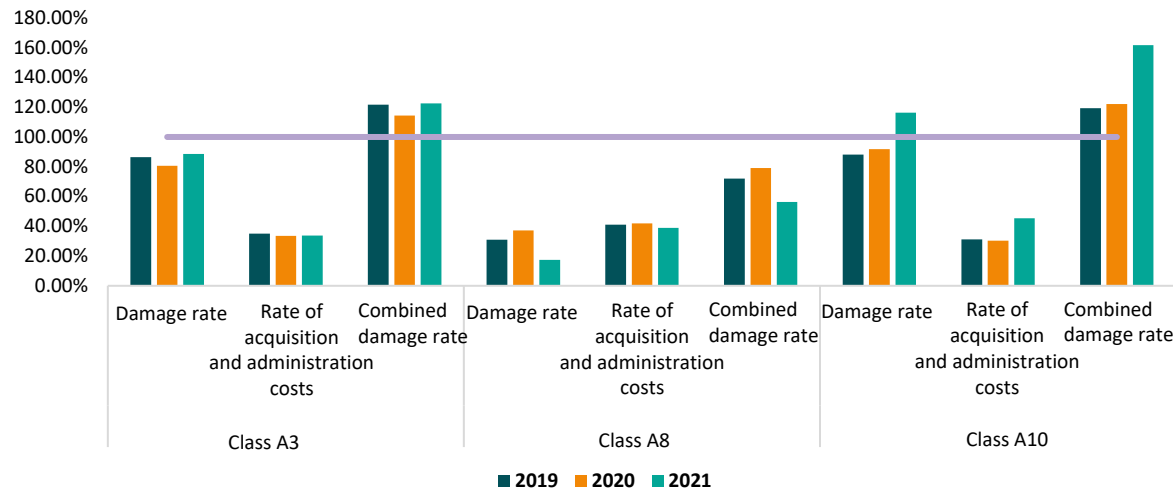
The evolution of market shares calculated on the basis of gross claims paid for life insurance (including maturities and surrenders) differs from company to company. For classes C1 and C3, the highest volume of claims paid was recorded by NN Life Insurance.

### Rate of damages and expenses

The combined loss ratio<sup>21</sup> calculated on aggregated data for all classes of general insurance stood at around 121% at the end of 2021, up from 110% in the previous year.

<sup>21</sup> The combined loss ratio calculated for the end of 2021 does not include City Insurance

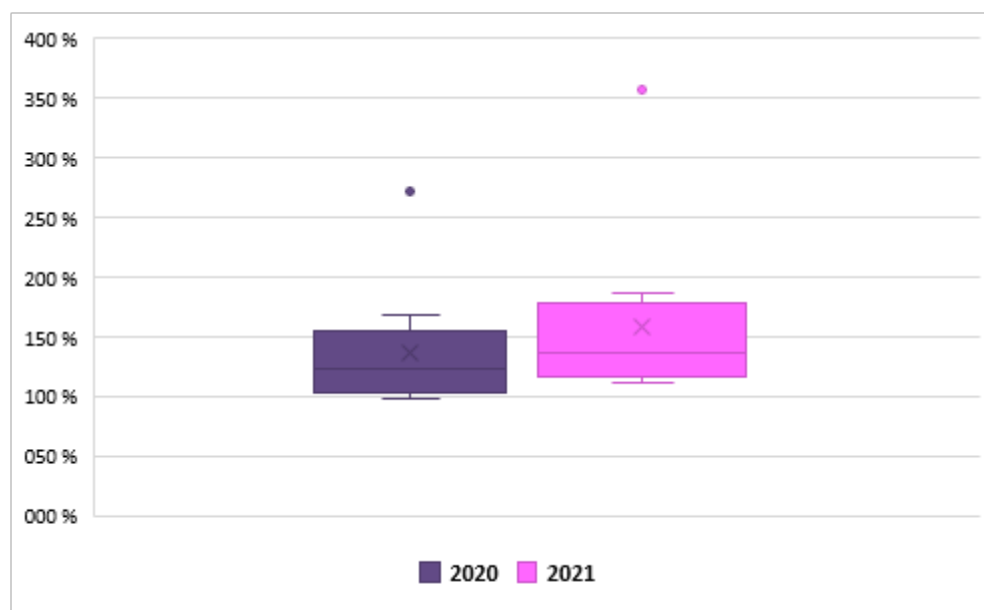
Chart 46 Evolution of the claims ratio and combined claims ratio for the main classes of general insurance for the period 2019-2021



In 2021, there is an increase in the combined loss ratio for class A3 (CASCO) and class A10 (MTPL and CMR) compared to the previous year.

All 13 insurers writing CASCO insurance had combined excess of loss ratios as at 31 December 2021. Compared to the previous year, there is an increase in the median combined loss ratio, so that 6 of the 13 companies have a combined ratio above 137%.

Chart 47 Distribution of combined damage rates for Class A3 at the end of 2021 compared to year 2020



At the end of 2021, the combined loss ratio for Class A10 (MTPL and CMR) increased compared to the end of 2020 in the total market. All companies authorised by ASF to also write MTPL during the period under review recorded supra-unit combined claim rates.

Chart 48 Distribution of combined damage rates for class A10 at the end of 2021 compared to 2020

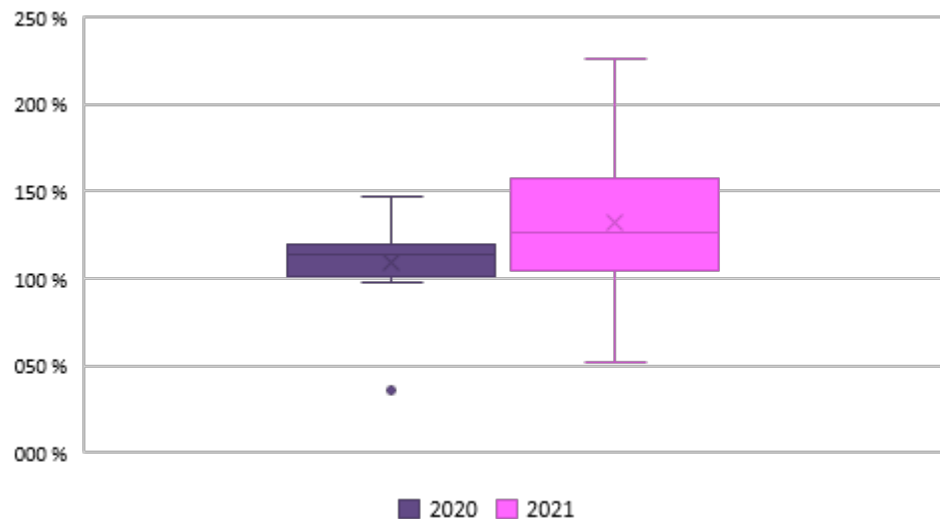


Table 57 Evolution of the claims ratio and combined claims ratio for the main classes of general insurance

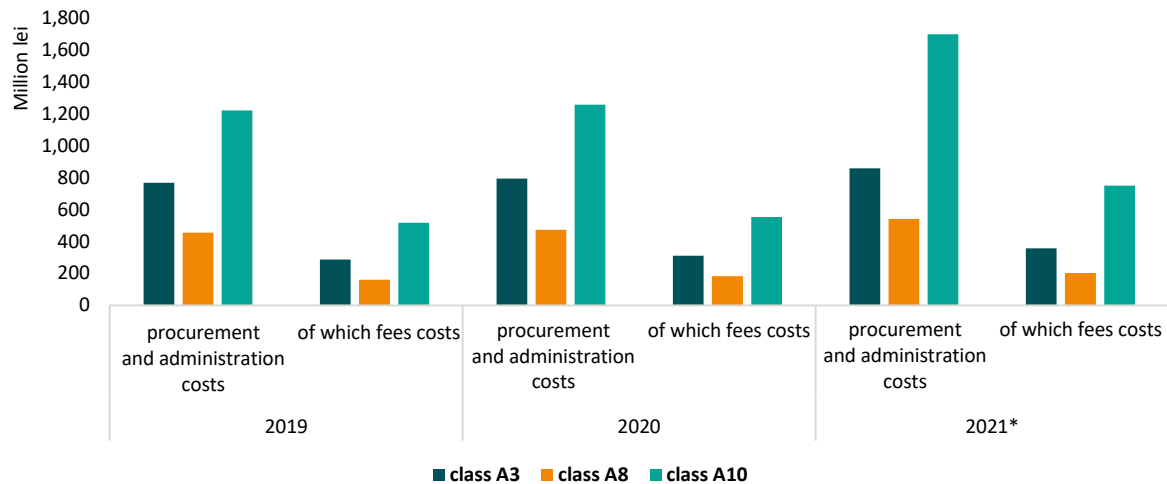
Period	Damage rate	Class A3			Class A8			Class A10	
		Rate of acquisition and administration costs	Combined damage rate	Damage rate	Rate of acquisition and administration costs	Combined damage rate	Damage rate	Rate of acquisition and administration costs	Combined damage rate
2019	86.53%	35.15%	121.68%	31.05%	41.09%	72.14%	88.06%	31.22%	119.28%
2020	80.66%	33.64%	114.30%	37.14%	41.93%	79.07%	91.71%	30.41%	122.12%
2021	88.68%	33.83%	122.50%	17.46%	38.82%	56.28%	116.31%	45.33%	161.63%

Table 58 Evolution of the value of procurement and administration costs and commission expenses in from 2019 to 2021

Period	Indicator	class A3	class A8	class A10
2019	procurement and administration costs	768,982,024	455,048,322	1,221,629,580
	of which commission expenses	287,286,953	161,014,241	518,177,760
2020	procurement and administration costs	793,083,942	500,610,790	1,247,336,343
	of which commission expenses	311,822,479	182,554,021	554,568,766
2021*	procurement and administration costs	858,436,670	542,138,863	1,698,329,529
	of which commission expenses	357,183,829	202,725,645	750,526,974

\*includes acquisition and administration expenses of City Insurance for the first 9 months of 2021

Chart 49 Evolution of the value of acquisition and administration costs and commission expenses in from 2019 to 2021



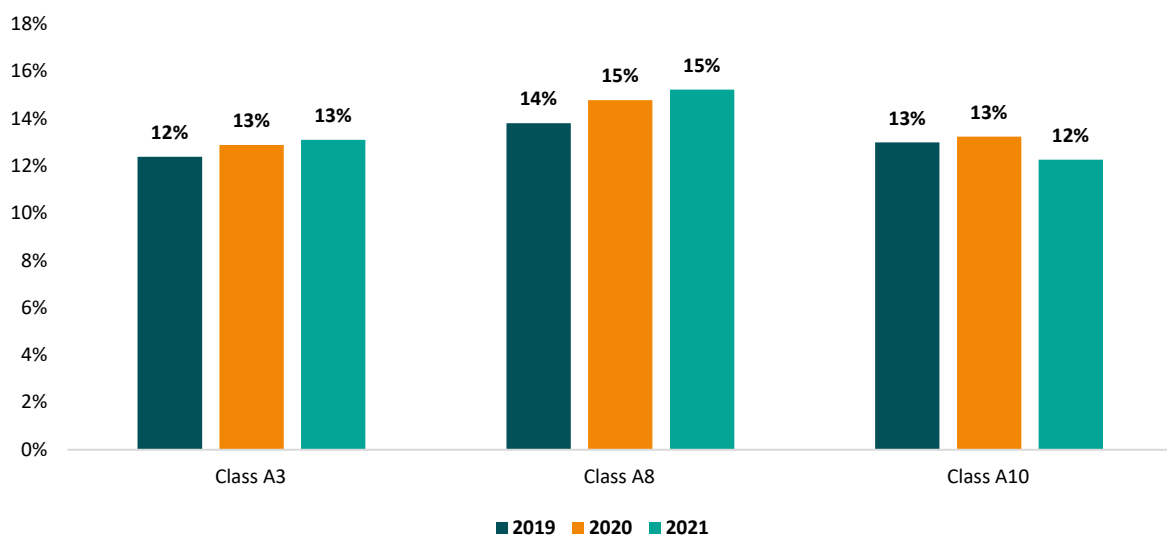
\*includes acquisition and administration expenses of City Insurance for the first 9 months of 2021

Table 59 Evolution of the share of commission expenses in gross written premiums in from 2019 to 2021

Period	class A3	class A8	class A10
2019	12%	14%	13%
2020	13%	15%	13%
2021	13%	15%	12%

Commission expense shares in gross written premiums for class A10 insurance decreased slightly in 2021 compared to the same period last year.

Chart 50 Development of the share of commission expenses in gross written premiums (%)



## Technical reserves

At the end of 2021, insurance companies had gross technical reserves<sup>22</sup> totalling 20,446,063,893 lei, up 6% compared to the same period in 2020 (19,266,059,649 lei), broken down by the two categories of insurance as follows:

- gross technical reserves for general insurance amounted to 11,064,919,992 lei, representing 54% of total technical reserves;
- for life insurance, companies have set up reserves amounting to 9,381,143,901 lei, which represents 46% of total technical reserves.

## Technical provisions for general insurance

For general insurance business, as at 31.12.2021, insurance companies had gross technical reserves of 11,064,919,992 lei.

The structure of gross technical reserves for the general insurance category at the end of December 2021 was as follows:

- **premium reserves**, amounting to 5,258,358,180 lei gross, represented 48% of the total gross technical reserves for general insurance;
- **the claims reserves approved**, amounting to 3,354,091,425 lei, represented 30% of the total gross technical reserves for general insurance;
- **the reserves for claims not approved**, amounting to 2,010,149,116 lei, represented 18% of the total gross technical reserves for general insurance;
- **other technical reserves**, amounting to 442,321,271 lei, represented 4% of the total gross technical provisions for general insurance.

Table 60 Structure of gross technical provisions for general insurance as at 31.12.2021 compared to 30.09.2021

	<u>31.12.2021</u>	<u>Share in total</u>	<u>A10</u>	<u>A3</u>	<u>A8</u>	<u>Weighting of significant classes</u>
	lei	(%)	lei	Lei	lei	(%)
Premium reserve	5,258,358,180	47.52%	2,556,648,788	1,386,283,246	534,669,890	85.15%
Damage reserve advised	3,354,091,425	30.31%	1,761,396,054	664,124,131	279,732,438	80.66%
Reserve for unadvised damages	2,010,149,116	18.17%	1,766,810,450	79,362,513	42,355,461	93.95%
Other technical reserves	442,321,271	4.00%	8,928,994	103,199,979	217,762,507	74.58%
Total reserves	11,064,919,992	100%	6,093,784,286	2,232,969,869	1,074,520,296	84.96%

	<u>30.09.2021</u>	<u>Share in total</u>	<u>A10</u>	<u>A3</u>	<u>A8</u>	<u>Weighting of significant classes</u>
	lei	(%)	lei	Lei	lei	(%)

<sup>22</sup> Information as at 31 December 2021 does not include City Insurance

Premium reserve	4,755,281,541	38.84%	1,793,090,174	1,377,360,684	563,164,286	78.52%
Damage reserve advised	5,235,764,115	42.77%	3,282,659,848	738,842,056	294,994,806	82.44%
Reserve for unadvised damages	1,788,003,757	14.61%	1,534,143,900	73,036,192	44,362,124	92.37%
Other technical reserves	463,269,515	3.78%	17,301,790	120,005,769	219,886,772	77.10%
Total reserves	12,242,318,928	100%	6,627,195,712	2,309,244,701	1,122,407,988	82.16%

### Technical provisions for life insurance

For life insurance business, as at 31.12.2021, insurance companies had gross technical reserves of 9,381,143,901 lei.

Of these, the technical provisions relating to class C1 (Life insurance, annuities and supplementary life insurance) and those relating to class C3 (Life insurance and annuities, linked to investment funds) together account for approximately 98.8% of the total.

The increase in the value of technical reserves in life insurance is both the effect of underwriting new risks and the fluctuation in the calculated value of reserves due to changes in the parameters included in the technical basis (e.g. the risk-free return used to calculate the present value of future cash flows, the annual bonus rate included in the sum insured, etc.).

Unlike general insurance where insurance policies are generally for 1 year or less (with reserves being released either when the claim is paid or at the end of the contract), life insurance contracts have a long time horizon, which means that technical reserves are kept for long periods of time and accumulate gradually.

*Table 61 Structure of gross technical provisions for life insurance business as at 31.12.2021*

	31.12.2021 (lei)	Share in total (%)
Premium reserve	771,268,320	8.22%
Mathematical reserve	8,106,557,844	86.41%
Benefit reserve and returns	116,297,166	1.24%
Other technical reserves	387,020,571	4.13%
Total life insurance technical provisions	9,381,143,901	100%

*Table 62 Structure of gross technical provisions for life insurance business as at 30.09.2021*

	30.09.2021 (lei)	Share in total (%)
Premium reserve	765,910,811	8.22%
Mathematical reserve	8,103,386,514	86.99%
Benefit reserve and returns	117,631,639	1.26%
Other technical reserves	328,133,976	3.52%
Total life insurance technical provisions	9,315,062,940	100%

### Liquidity of insurance companies

The liquidity ratio is determined as the ratio of liquid assets required by the rules to insurers' short-term obligations to policyholders. According to legal requirements, its value must be super-unit.

As at 31 December 2021, the liquidity ratio for each of the classes of insurance and the elements contributing to it were as follows:

*Table 63 Liquidity ratio by insurance category as at 31 December 2021*

	<b>Government bonds (Million lei)</b>	<b>Municipal bonds (Million lei)</b>	<b>Securities traded (Million lei)</b>	<b>Deposits (million lei)</b>	<b>Current account and cash (million lei)</b>	<b>Short-term liabilities (Million lei)</b>	<b>Liquidity ratio</b>
GI	6.049	27	595	866	341	3.354	2.35
LI	4.420	60	1.618	249	228	1.671	3.94

*Table 64 Liquidity ratio by each of the insurance categories at 30 September 2021*

	<b>Government bonds (Million lei)</b>	<b>Municipal bonds (Million lei)</b>	<b>Securities traded (Million lei)</b>	<b>Deposits (million lei)</b>	<b>Current account and cash (million lei)</b>	<b>Short-term liabilities (Million lei)</b>	<b>Liquidity ratio</b>
GI	5.303	27	578	619	603	5.236	1.36
LI	4.528	61	1.614	180	230	1.640	4.03

## Reinsurance

### For the general insurance category

For a significant proportion of general insurance products (e.g. catastrophe insurance, liability insurance), as part of their risk management strategy, insurers frequently use various forms of ceding reinsurance contracts, thereby limiting the maximum loss incurred in the event of insured events with significant financial impact.

At the end of December 2021, approximately 35% of gross written premiums were ceded to reinsurance, down from the same period in 2020.

*Table 65 Development of GWP and net reinsurance premiums for the period 2017 - 2021 for GI*

<b>Period</b>	<b>GWP (lei)</b>	<b>Net reinsurance premiums (lei)</b>	<b>Degree of retention</b>	<b>Cession ratio in reinsurance (%)</b>
2017	7,688,478,353	4,768,913,085	62.03%	37.97%
2018	8,042,071,138	4,854,789,137	60.37%	39.63%
2019	8,734,210,208	5,426,479,935	62.13%	37.87%
2020	9,276,298,576	5,549,407,679	59.82%	40.18%
2021	11,630,827,073	7,527,674,268	64.72%	35.28%

At the end of December 2021, approximately 42% of total gross claims paid were ceded to reinsurers.

*Table 66 Evolution of GCP and net reinsurance GCP for the period 2017 - 2021 for GI*

<b>Period</b>	<b>GAP (lei)</b>	<b>Net reinsurance claims (lei)</b>	<b>Degree of retention</b>	<b>Cession ratio in reinsurance</b>
2017	4,076,896,562	2,585,224,017	63.41%	36.59%
2018	4,930,614,341	2,982,419,464	60.49%	39.51%
2019	5,769,804,707	3,404,907,722	59.01%	40.99%
2020	5,866,643,776	3,363,776,760	57.34%	42.66%

2021	6,403,543,883	3,715,532,307	58.02%	41.98%
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Of the gross technical reserves existing at the end of December 2021 about 38% related to reinsurance cessions.

*Table 67 Development of gross technical provisions and net technical provisions for reinsurance for the period 2017 - 2021 for GI*

Period	Gross technical reserves (lei)	Net technical reinsurance reserves (%)	Degree of retention	The cession ratio in reinsurance
2017	8,795,793,246	5,487,158,264	62.38%	37.62%
2018	9,262,659,142	5,569,795,309	60.13%	39.87%
2019	9,863,321,479	5,833,980,139	59.15%	40.85%
2020	10,846,916,386	6,037,390,951	55.66%	44.34%
2021	11,064,919,992	6,892,949,094	62.30%	37.70%

### For the life insurance category

Traditionally, there have been important differences in reinsurance policy between life and general insurance business. In the case of life insurance, insurance companies generally take a much larger share of the risk underwritten.

Because insurance premiums are generally paid in advance and the compensation in the event of an insured event is fixed by contract for each event and is therefore more predictable, life insurance companies do not use reinsurance cession as often as general insurance companies.

*Table 68 Evolution of GWP and net reinsurance premiums for the period 2017 - 2021 for LI*

Period	Gross written premiums (lei)	Net reinsurance premiums (lei)	Degree of retention	Cession ratio in reinsurance
2017	2,013,265,250	1,927,259,324	95.73%	4.27%
2018	2,102,455,293	1,988,520,144	94.58%	5.42%
2019	2,256,015,186	2,106,855,807	93.39%	6.61%
2020	2,219,296,835	2,047,536,678	92.26%	7.74%
2021	2,610,276,944	2,396,976,980	91.83%	8.17%

*Table 69 Evolution of GCP and net reinsurance GCP for the period 2017 - 2021 for LI*

Period	GAP (lei)	Net reinsurance claims (lei)	Degree of retention	The cession ratio in reinsurance
2017	155,899,045	137,664,909	88.30%	11.70%
2018	184,615,224	158,003,409	85.59%	14.41%
2019	233,053,161	205,452,101	88.16%	11.84%
2020	232,822,808	201,807,073	86.68%	13.32%
2021	305,428,847	272,592,018	89.25%	10.75%



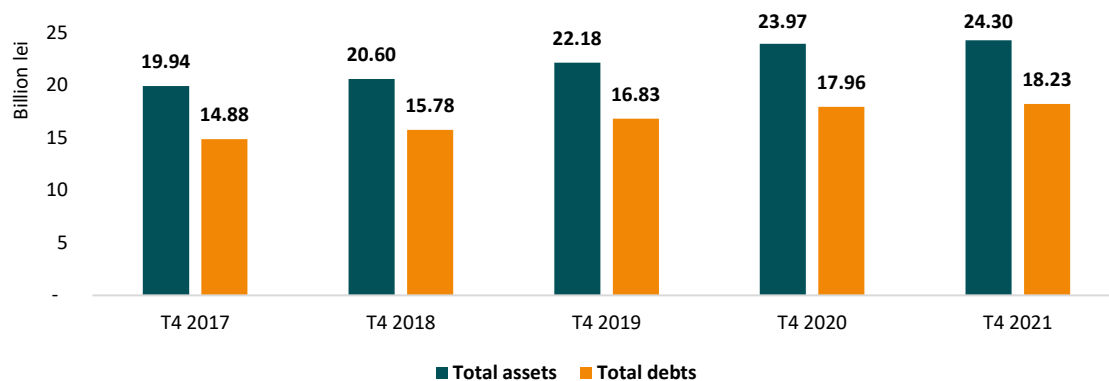
Table 70 Development of gross technical provisions and net technical provisions for reinsurance for the period 2017 - 2021 for LI

Period	Gross technical reserves (lei)	Net technical reinsurance reserves (%)	Degree of retention	The cession ratio in reinsurance
2017	6,934,554,136	6,898,293,808	99.48%	0.52%
2018	7,221,346,401	7,175,933,360	99.37%	0.63%
2019	7,961,978,160	7,911,707,044	99.37%	0.63%
2020	8,419,143,263	8,363,288,414	99.34%	0.66%
2021	9,381,143,901	9,292,141,711	99.05%	0.95%

### Statistical data under the Solvency II regime

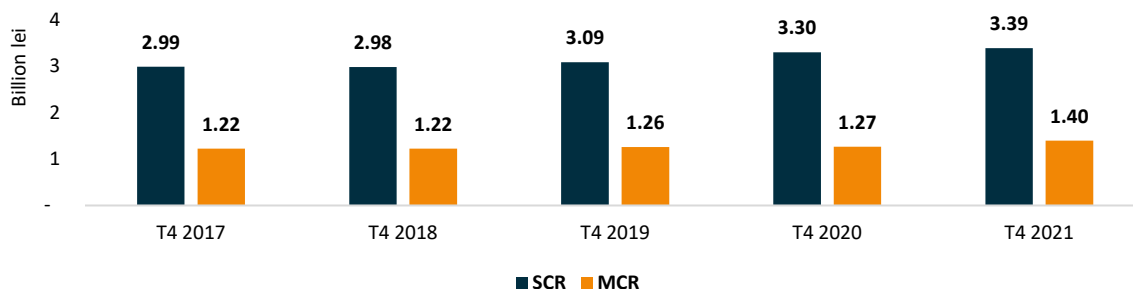
At the end of December 2021, both the value of assets and liabilities of insurance companies (measured according to Solvency II principles) increased compared to the values recorded in the same period of the previous year. Total assets increased by 1.4% and total liabilities of insurance companies increased by 1.5% as at 31 December 2021 compared to the amount recorded on the same date of the previous year. The Solvency II statistics at the end of December 2021 do not include City Insurance, whose authorisation was withdrawn during September.

Chart 51 Evolution of total assets and liabilities of insurance companies



The surplus of assets over liabilities was about 6.07 billion lei as at 31.12.2021, up by 1.12% compared to the situation at the end of December 2020.

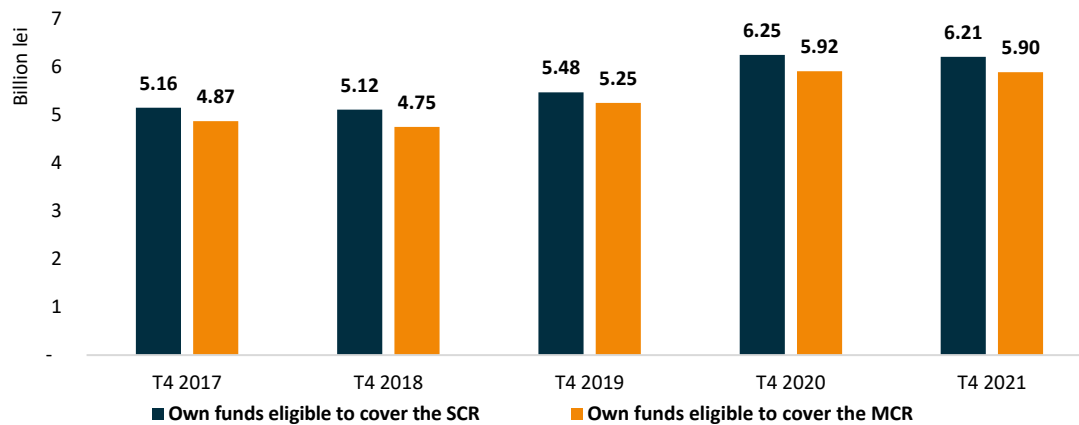
Chart 52 Evolution of Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)



A comparative analysis between the situation as at 31.12.2021 and that existing at the end of the same period in 2020 indicates a decrease in the Solvency Capital Requirement (SCR) of about 3% and an increase of about 10% in the Minimum Capital Requirement (MCR).

The amount of own funds eligible to cover the Solvency Capital Requirement stood at the end of December 2021 at the level of 6.21 billion lei, down by 1% compared to the amount recorded on 31 December 2020.

*Chart 53 Evolution of own funds eligible to cover the Solvency Capital Requirement*



For the insurance market as a whole, the SCR and MCR rates were overunitary at the end of December 2021, with the SCR rate standing at a value of 1.83, while the MCR rate recorded a level of 4.22.

*Chart 54 Distribution of insurance companies by SCR/MCR ratio as at 31 December 2021*

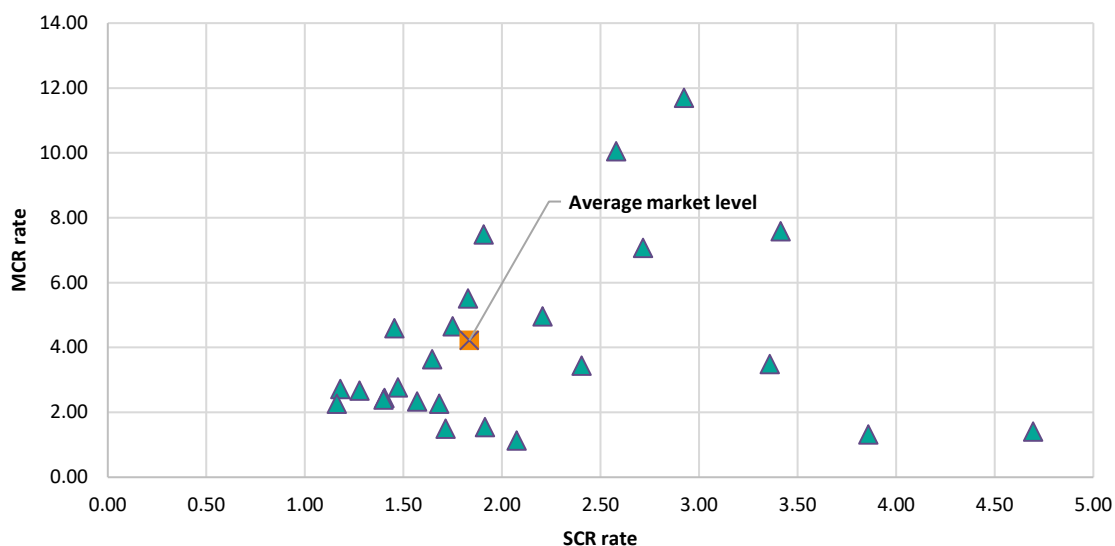


Table 71 Market SCR and MCR rates

	2017	2018	2019	2020	2021
SCR rate at market level	1.73	1.71	1.77	1.89	1.83
MCR rate at market level	3.99	3.88	4.18	4.66	4.22

## Home insurance

The underwriting of facultative home insurance during 2021 was more than 403 million lei, 6% higher than the previous year. Gross claims paid stood at 78 million lei, down by around 10%, while the number of new contracts concluded during the reporting period decreased by 3%.

Table 72 Dynamics of the number of contracts and gross written premiums for voluntary household insurance

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2017	1,461,147	1,395,626	331,445,073	74,097,092
2018	1,483,302	1,215,888	348,442,687	63,905,896
2019	1,528,220	1,356,685	370,491,950	93,467,335
2020	1,549,102	1,371,947	379,366,435	86,608,162
2021	1,485,656	1,329,570	403,440,935	77,730,931

Compulsory home insurance is the result of the activity of the Disaster Insurance Pool (PAID). According to legal provisions, PAID administers the compulsory home insurance system, which is designed to cover three basic risks specific to Romania: earthquake, flood and landslide.

Compared to the previous year, as at 31 December 2021, the number of contracts in force at the end of the reporting period increased by approximately 4%, gross written premiums increased by approximately 6% and gross claims paid decreased by approximately 12%.

Table 73 Development of compulsory household insurance

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2017	1,693,006	1,693,006	149,156,065	2,895,846
2018	1,704,634	1,704,634	153,394,811	3,326,974
2019	1,731,965	1,731,965	159,341,371	5,347,535
2020	1,753,520	1,753,520	164,938,240	5,658,522
2021	1,819,113	1,819,113	174,523,810	4,966,297

In the overall home insurance market (compulsory and facultative), gross written premiums increased by around 6% as at 31 December 2021 compared to the same period last year, while gross claims paid decreased by around 10%.

Table 74 Development of home insurance (compulsory and optional)

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2017	3,154,153	3,088,632	480,601,138	76,992,938
2018	3,187,936	2,920,522	501,837,498	67,232,870
2019	3,260,185	3,088,650	529,833,321	98,814,870
2020	3,302,622	3,125,467	544,304,675	92,266,684
2021	3,304,769	3,148,683	577,964,745	82,697,228

## Health insurance

In 2021, health insurers accumulated gross written premiums of about 497 million lei, up 10% compared to 2020:

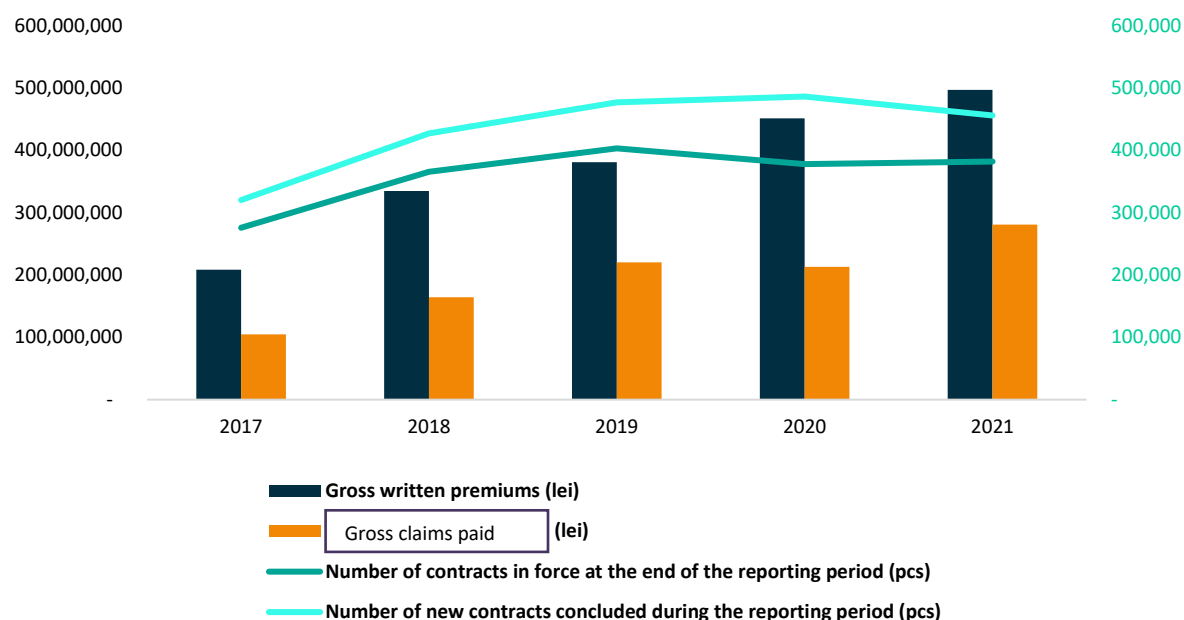
- Gross written premiums for general insurance (GI) amount to 298 million lei, an increase of about 8.5% and represent about 60% of the total GWP for health insurance business;
- gross written premiums for life insurance (LI) amounted to 199 million lei, an increase of about 13% compared to the previous year.

The number of contracts in force at the end of 2021 in the whole health insurance market stood at 382,261, up by about 1.2% compared to the number of contracts in force at the end of 2020.

Table 75 Health insurance developments in the whole insurance market, 2017 - 2021

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2017	275,904	320,329	208,645,965	104,670,974
2018	365,872	427,290	335,020,775	164,564,666
2019	403,308	477,238	381,339,604	220,192,585
2020	377,839	486,481	451,351,942	213,095,277
2021	382,261	456,193	496,962,450	280,881,346

Chart 55 Evolution of health insurance in the whole insurance market, from 2017 to 2021



In 2021, insurance companies authorised and regulated by ASF reported gross claims paid, cumulatively for the two categories of insurance, in the amount of approximately 281 million lei, as follows:

- 183 million are related to general insurance contracts, an increase of about 29% compared to 2020;
- 98 million lei represent amounts paid for gross life insurance claims, an increase of about 38% compared to the previous year.

Table 76 Ranking of insurance companies by gross written premiums for the entire health insurance market in 2021

No.	Company	Market share
1	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	26.95%
2	ALLIANZ - ȚIRIAC ASIGURĂRI S.A.	24.77%
3	GROUPAMA ASIGURĂRI S.A.	14.20%
4	NN ASIGURĂRI DE VIAȚĂ S.A.	12.78%
5	OMNIASIG VIG	10.54%
TOTAL (1-5)		89.25%

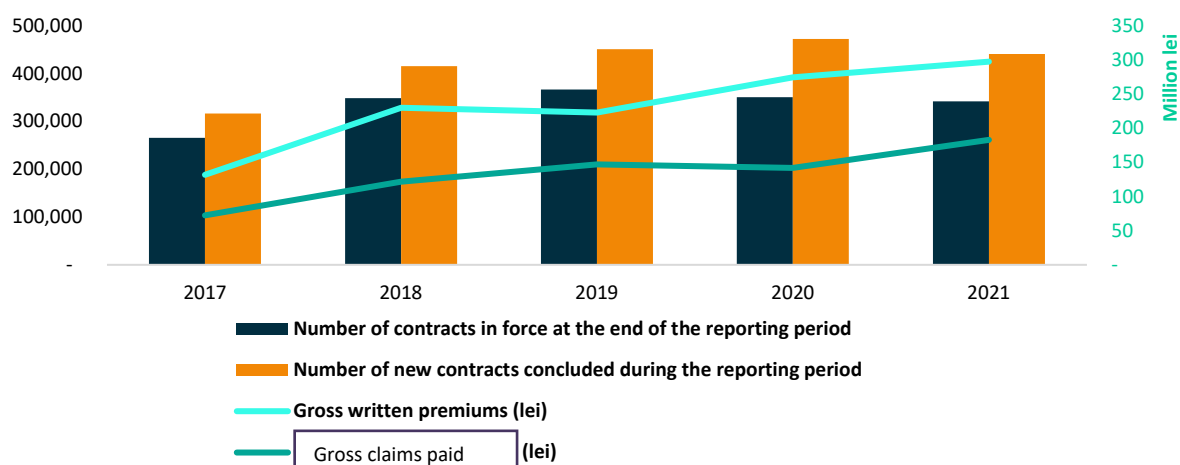
### Health insurance activities treated as general insurance activities

Gross written premiums for health insurance related to the general insurance business amounted to 298 million lei in 2021, while the gross claims paid were about 183 million lei.

Table 77 Development of health insurance in the whole general insurance market over the period 2017 -2021

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2017	265,760	316,619	131,876,526	72,491,600
2018	348,699	415,673	230,012,472	121,749,007
2019	366,712	451,019	223,069,263	146,986,733
2020	350,653	472,820	274,528,817	141,963,963
2021	342,076	441,071	297,648,598	183,056,235

Chart 56 Development of health insurance in the whole general insurance market over the period 2017 - 2021



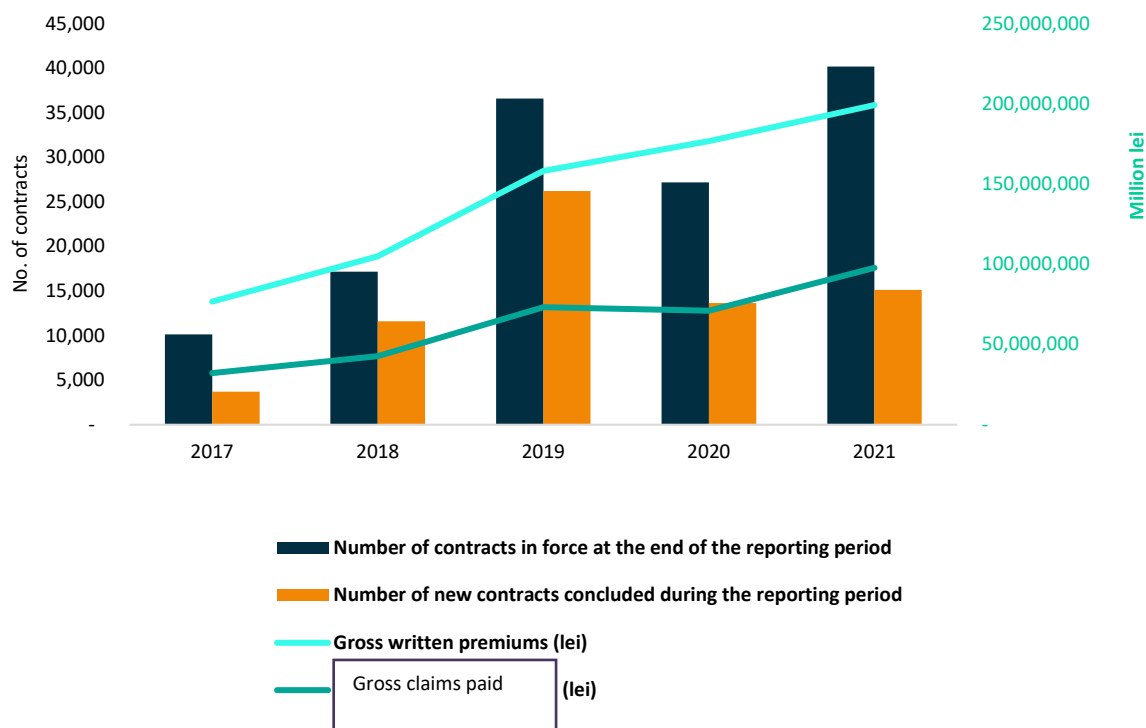
### Health insurance similar to life insurance business

Compared to the same period of the previous year, at the end of 2021, the number of contracts in force at the end of the reporting period in the life insurance category increased significantly (by about 48%), standing at a total of 40,185 contracts, while gross written premiums stood at a value of about 199 million lei, up by about 13%.

Table 78 Development of health insurance in the whole life insurance market over the period 2017 - 2021

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (without maturities) (lei)
2017	10,144	3,710	76,769,439	32,179,374
2018	17,173	11,617	105,008,303	42,815,659
2019	36,596	26,219	158,270,341	73,205,852
2020	27,186	13,661	176,823,125	71,131,314
2021	40,185	15,122	199,313,852	97,825,111

Chart 57 Development of health insurance in the whole life insurance market, from 2017 to 2021



### Evolution of the motor third party liability insurance market in Romania as of 31 December 2021

In 2021, the following 9 insurers authorized by ASF for MTPL insurance activities were active on the insurance market: Allianz-Tiriac Asigurări S.A., Asigurarea Românească - Asirom Vienna Insurance Group S.A., Societatea de Asigurare - Reasigurare City Insurance S.A., Euroins România Asigurare - Reasigurare S.A., Generali România Asigurare Reasigurare S.A., Grawe România Asigurare S.A., Groupama Asigurări S.A., Omnisig Vienna Insurance Group S.A. and Uniqa S.A..

The statistical information presented in the charts and tables in this sub-chapter includes information about City Insurance as of 31 September 2021.

AXERIA IARD branch started its activity on the MTPL market in the fourth quarter of 2021, based on the right of establishment in Romania (FoE), recording a volume of gross premiums written on MTPL of 738 thousand lei.

### Market share

The degree of concentration remains high for the top insurers at the end of December 2021, so that **the top 2 insurers combined about 61%** of the MTPL insurance portfolio in Romania.

Table 79 Market share of MTPL insurance on 31 December 2021

No.	Company	Market share (%)
1	EUROINS	35.39%
2	CITY INSURANCE	25.55%
<b>TOTAL (1-2)</b>		<b>60.94%</b>
3	ALLIANZ - ȚIRIAC	12.62%
4	GROUPAMA	9.08%
5	OMNIASIG VIG	5.39%
6	ASIROM VIG	4.88%
7	GRAWE	3.90%
8	GENERALI	2.65%
9	UNIQA	0.53%
<b>TOTAL</b>		<b>100%</b>

The companies with the largest share of the MTPL insurance market were Euroins, City Insurance and Allianz Țiriac, which together held about 74% of the market as of 31.12.2021.

Table 80 Evolution of market shares registered for MTPL insurance 2017 - Q3 2021

	Company	Year 2017	Year 2018	Year 2019	Year 2020	Year 2021
1	ALLIANZ - ȚIRIAC	7.74%	8.38%	7.03%	6.38%	12.62%
2	ASIROM VIG	15.08%	12.00%	3.17%	4.06%	4.88%
3	CITY INSURANCE	30.10%	33.32%	39.03%	43.49%	25.55%
4	EUROINS	27.42%	26.60%	32.29%	31.37%	35.39%
5	GENERALI	4.66%	3.28%	2.76%	1.61%	2.65%
6	GRAWE	0.13%	0.83%	2.17%	3.32%	3.90%
7	GROUPAMA	5.54%	6.56%	4.98%	2.97%	9.08%
8	OMNIASIG VIG	6.76%	7.90%	7.57%	6.16%	5.39%
9	UNIQA	2.58%	1.14%	1.01%	0.64%	0.53%

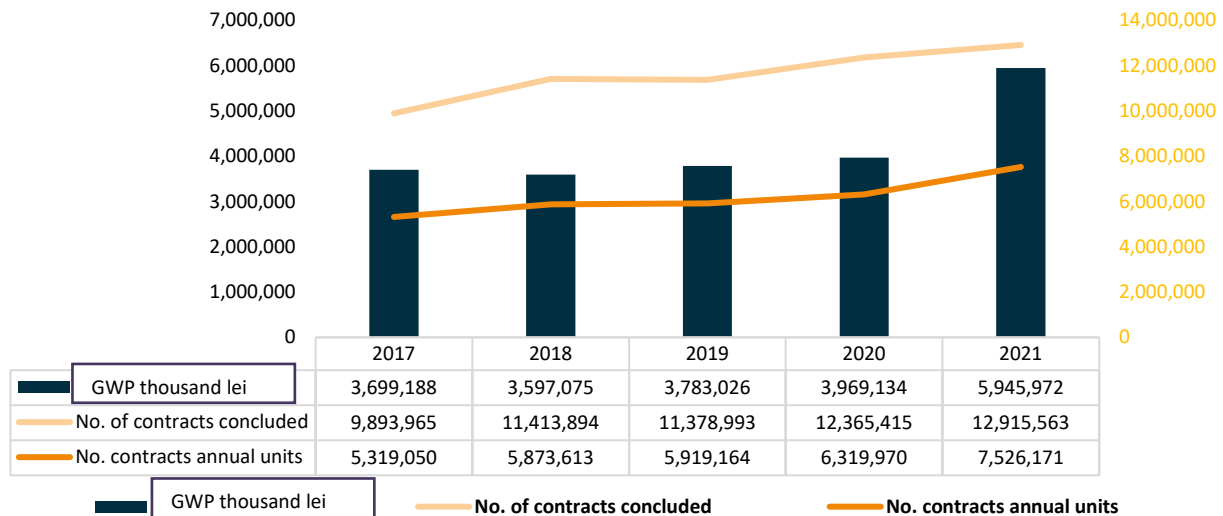
### Evolution of premiums

The total value of insurance premiums written for MTPL insurance in 2021 reached approximately 5.95 billion lei, the remainder up to the total of class A10 representing the carrier's insurance for goods transported as a carrier and MTPL insurance written in the territory of other EU Member States under the right of freedom to provide services. Compared to the same period last year, the value of gross premiums written increased by about 50%.

Expressed in annual units (to take into account the different duration of policies), the number of MTPL contracts concluded by 31 December 2021 was 7.53 million contracts, up 19% compared to the same period last year. Gross written premiums for MTPL have been on an upward trend since 2018.



Chart 58 Evolution of gross written premiums for MTPL in the period 2017 - 2021



As at 31 December 2021, the largest shares were held by policies with a 12-month and 6-month term respectively. In recent years, there has been an upward trend for policies with a validity of one month.

Table 81 Share of number of contracts concluded in period in total contracts by period contracted, 2017 - 2021

Period	2017	2018	2019	2020	2021
For a period of 12 months	31.85%	29.64%	29.96%	29.02%	38.09%
For a period of 11 months	0.06%	0.06%	0.01%	0.12%	2.05%
For a period of 10 months	0.01%	0.02%	0.02%	0.02%	0.03%
For a period of 9 months	0.04%	0.06%	0.07%	0.07%	0.08%
For a period of 8 months	0.06%	0.07%	0.08%	0.05%	0.06%
For a period of 7 months	0.07%	0.09%	0.08%	0.07%	0.10%
For a period of 6 months	40.60%	34.21%	35.70%	35.77%	29.61%
For a period of 5 months	0.08%	0.08%	0.04%	0.04%	0.04%
For a period of 4 months	0.20%	0.22%	0.14%	0.11%	0.11%
For a period of 3 months	4.87%	6.73%	5.29%	4.70%	3.69%
For a period of 2 months	2.86%	3.66%	3.08%	2.74%	1.98%
For a period of 1 month	19.29%	25.16%	25.52%	27.31%	24.16%
Total	100%	100%	100%	100%	100%

In terms of the structure of the customer portfolios, in 2021, the share of contracts concluded with individuals in the entire market remained at around 81%.

Table 82 Share of number of contracts concluded in the period in total contracts by contractor (natural or legal person) - 2017 -2021

	2017	2018	2019	2020	2021
Individuals	80.10%	80.02%	78.85%	80.25%	80.65%
Legal entities	19.90%	19.98%	21.15%	19.75%	19.35%
Total	100%	100%	100%	100%	100%

## Evolution of the average MTPL premium

For the whole market, the average annualised MTPL premium on 31 December 2021 was around 790 lei.

*Table 83 Evolution of the average annualised MTPL premium between 2017 -2021*

	2017*	2018**	2019**	2020**	2021**
<b>Total market</b>	<b>695</b>	<b>612</b>	<b>639</b>	<b>626</b>	<b>790</b>
<b>Individuals</b>	<b>518</b>	<b>444</b>	<b>472</b>	<b>471</b>	<b>653</b>
<b>Legal entities</b>	<b>1,298</b>	<b>1,200</b>	<b>1,198</b>	<b>1,181</b>	<b>1,333</b>

\*The average MTPL premiums were calculated using annual exposure units for which 1, 6 or 12 month policy durations were taken into account.

\*\* The average MTPL premium was calculated using annual exposure units for which all policy durations were taken into account.

To illustrate how the average premium is calculated, the detailed calculation for 31 December 2021 is shown below.

*Table 84 Average MTPL premium at 31 December 2021*

	Total	Individuals	Legal entities
<b>Number of contracts concluded during the period:</b>	<b>12,915,563</b>	<b>10,416,274</b>	<b>2,499,289</b>
For a period of 12 months	4,918,994	3,726,784	1,192,210
For a period of 11 months	264,499	262,498	2,001
For a period of 10 months	3,487	2,284	1,203
For a period of 9 months	10,474	8,378	2,096
For a period of 8 months	7,454	5,984	1,470
For a period of 7 months	13,143	11,365	1,778
For a period of 6 months	3,824,872	3,374,608	450,264
For a period of 5 months	5,773	3,873	1,900
For a period of 4 months	13,992	9,737	4,255
For a period of 3 months	476,493	378,675	97,818
For a period of 2 months	255,935	215,181	40,754
For a period of 1 month	3,120,447	2,416,907	703,540
<b>Premiums written MTPL (lei) of which:</b>	<b>5,945,972,446</b>	<b>3,925,671,896</b>	<b>2,020,300,551</b>
Valid for 12 months	3,854,558,140	2,384,698,501	1,469,859,640
Valid for 11 months	99,538,403	97,886,019	1,652,384
Valid for 10 months	2,116,611	921,583	1,195,029
Valid for 9 months	4,156,628	2,545,265	1,611,362
Valid for 8 months	2,498,452	1,328,911	1,169,541
Valid for 7 months	3,755,763	2,415,913	1,339,850
Valid for 6 months	1,316,783,807	1,030,171,652	286,612,156
Valid for 5 months	2,242,371	1,063,544	1,178,826
Valid for 4 months	4,382,052	2,350,922	2,031,130
Valid for 3 months	125,280,055	84,971,371	40,308,684
Valid for 2 months	47,725,552	35,968,249	11,757,303
Valid for one month	482,934,612	281,349,966	201,584,646
Average MTPL premium for 12-month contracts (calculated as the ratio between the volume of premiums written for 12-month contracts and the number of 12- month MTPL contracts) - lei	784	640	1.233
Average annualised MTPL premium for 6-month contracts (calculated as the ratio between the volume of premiums written for 6-month contracts and the number of 6- month MTPL contracts, multiplied by 2) - lei	689	611	1.273

Average annualised MTPL premium for 1-month contracts  
(calculated as the ratio between the volume of premiums  
written for 1-month contracts and the number of 1-  
month MTPL contracts, multiplied by 12) - lei

1,857 1,397 3,438

Annual exposure units

7,526,171 6,010,318 1,515,853

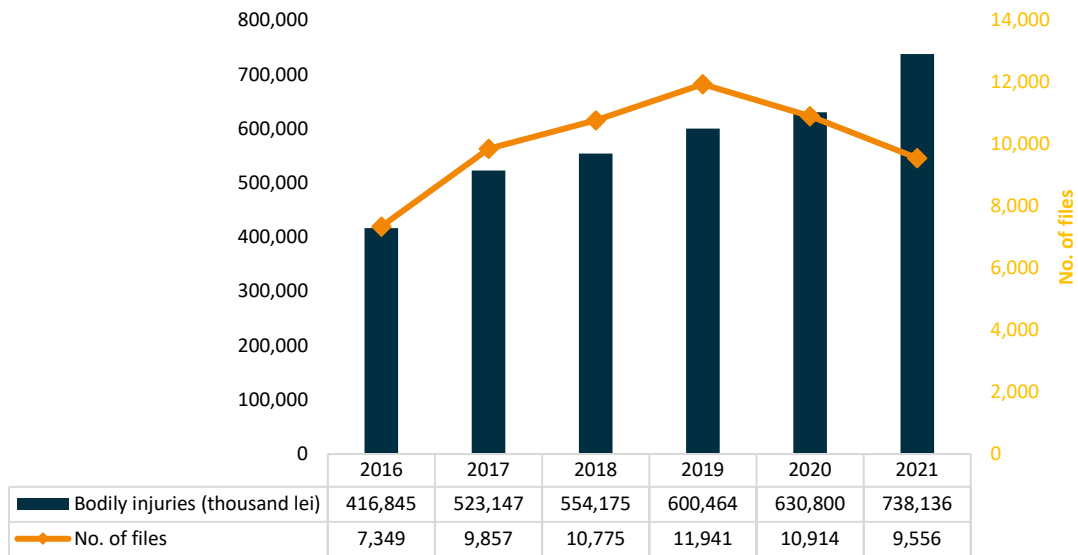
**Average annualised MTPL premium (GWP divided by  
annual units of exposure) - lei**

**790 653 1,333**

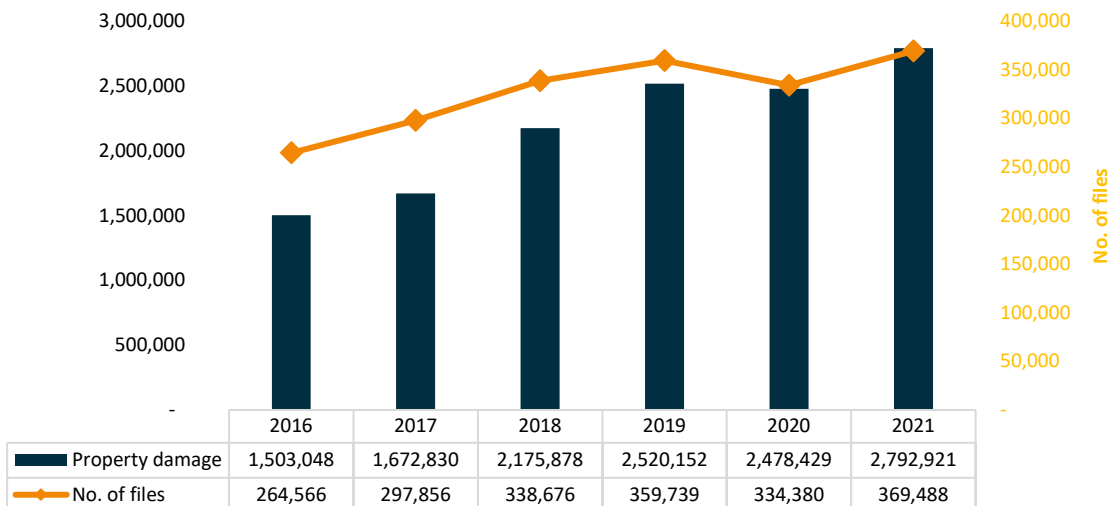
## Evolution of damages

The average MTPL claim paid for bodily injury in 2021 increased compared to the same period last year by about 34%, and the average property damage claim increased by about 2%.

*Chart 59 Evolution of compensation paid in the period 2017 - 2021 for personal injuries and number of related paid claims*



*Chart 60 Evolution of compensation paid in the year 2017 - 2021 for property damage and number of related paid claims*



At the end of 2021, compared to the same period last year, the average MTPL premium level increased by 26%, while the average damage increased by 3%.

Chart 61 Evolution of the average premium and average damage (lei) in the period 2017 -2021

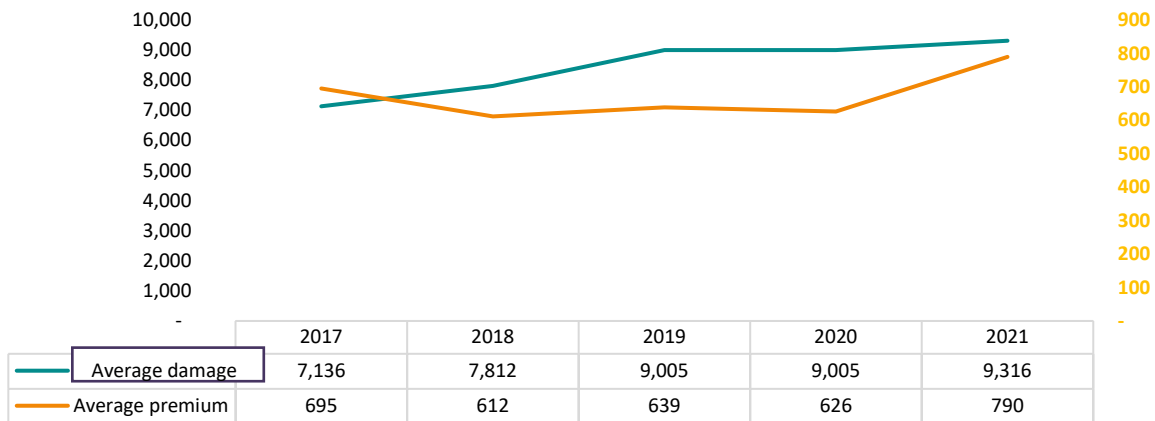


Table 85 Evolution of MTPL claims - personal injuries

	2017	2018	2019	2020	2021
Damages paid to individuals	309,944,114	350,891,128	365,144,013	413,580,791	469,271,374
Damages paid to legal entities	213,202,687	203,283,513	235,319,594	217,219,694	268,864,884
Total damages paid	523,146,801	554,174,641	600,463,607	630,800,484	738,136,258

Table 86 Evolution of MTPL claims paid - property damage

	2017	2018	2019	2020	2021
Damages paid to individuals	980,239,737	1,300,009,810	1,531,731,995	1,492,058,313	1,901,874,877
Damages paid to legal entities	692,590,634	875,868,506	988,420,335	986,370,441	891,045,902
Total damages paid	1,672,830,371	2,175,878,316	2,520,152,330	2,478,428,755	2,792,920,779

Chart 62 Evolution of the average damage paid for MTPL - personal injury

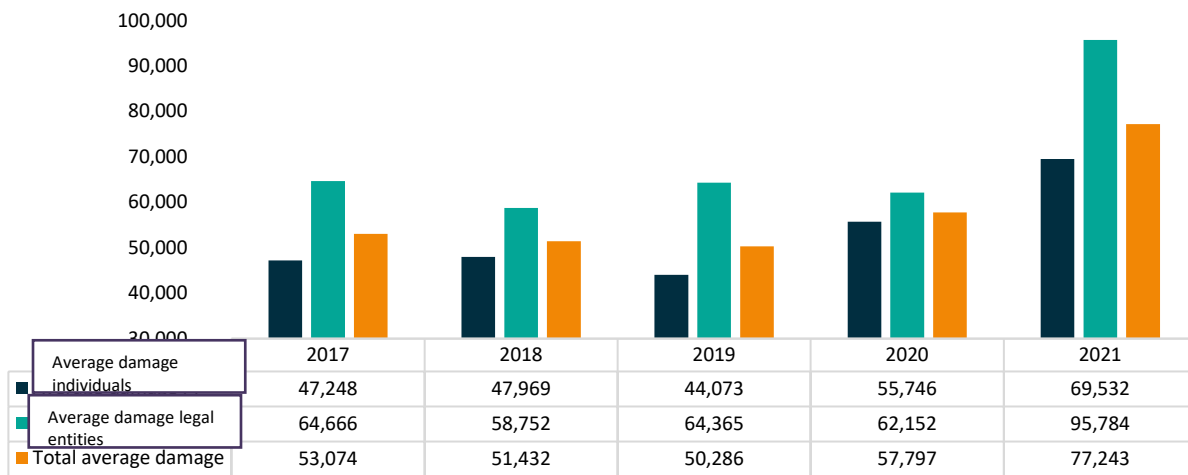
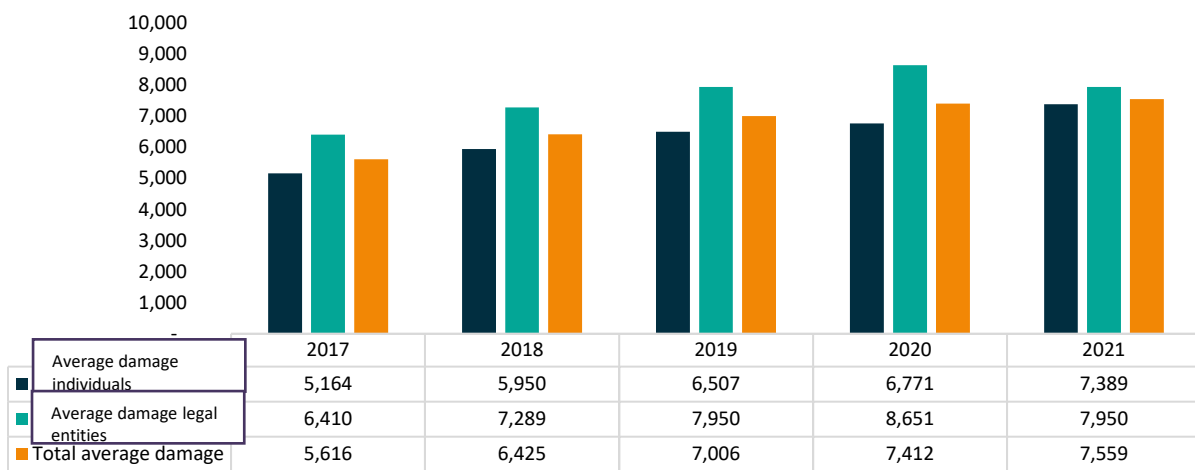
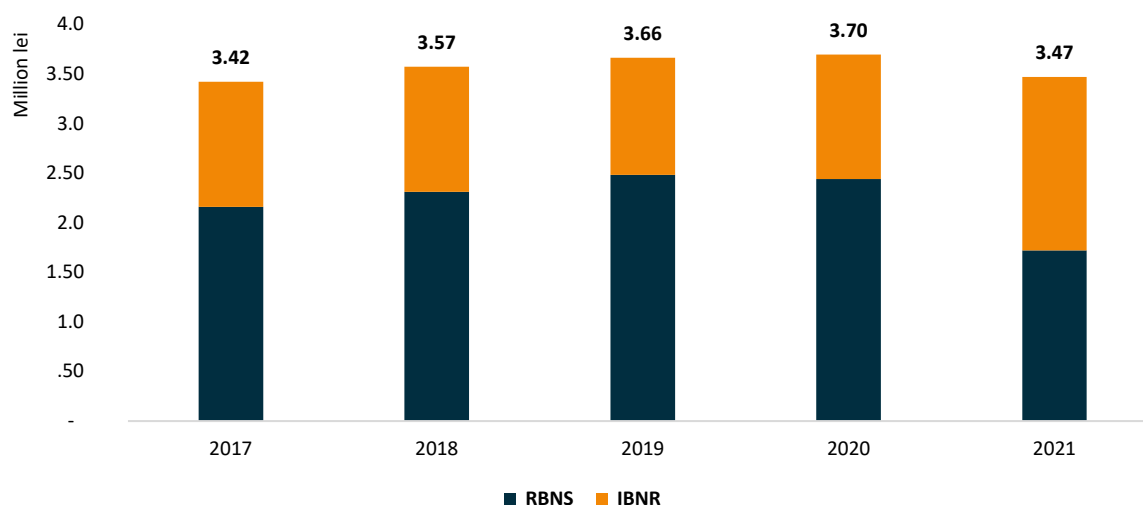


Chart 63 Evolution of the average damage paid for MTPL - property damage



In order to get an overview of the actual expenditure on claims, the change in the technical reserves set up by companies for claims reported but not yet paid (RBNS) and for claims incurred but not yet reported and therefore not yet paid (IBNR) should also be taken into account

Chart 64 Evolution of RBNS and IBNR between 2017 -2021



### Guarantee insurance

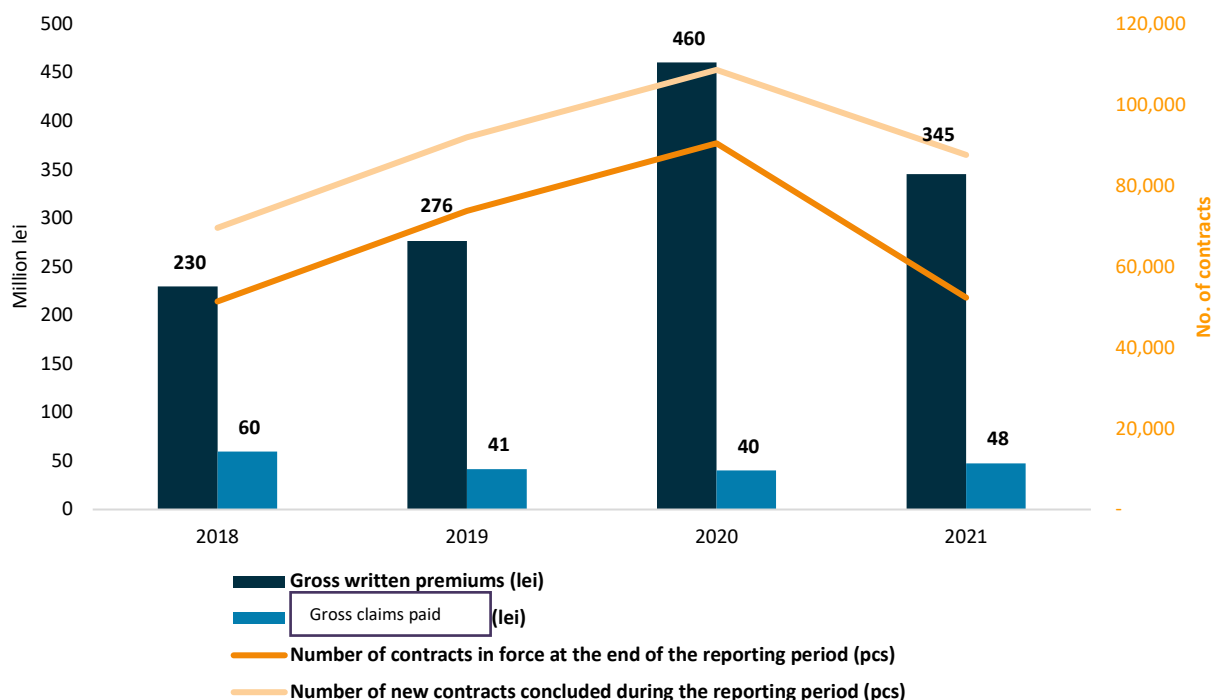
General insurance classes also include guarantee insurance. In 2021, gross written premiums for guarantee insurance amounted to about 345 million lei, a decrease of about 25% compared to the same period of the previous year and an increase of about 25% compared to the same period of 2019.

In terms of gross claims paid, the amount was about 48 million lei, an increase of about 18% compared to the same period in 2020.

Table 87 Evolution of the main indicators of the guarantee insurance market for the period 2018 - 2021

Period	Number of contracts in force at the end of the reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (lei)	Gross claims paid (lei)
2018	51.418	69.607	229,727,434	59,716,286
2019	73.791	92.017	276,385,828	41,474,685
2020	90.504	108.644	460,297,277	40,138,496
2021	52.341	87.616	345,381,280	47,527,378

Chart 65 Evolution of the main indicators of the guarantee insurance market for the period 2018 - 2021



Compared to the same period of the previous year, at the end of December 2021, the number of contracts in force at the end of the reporting period in the guarantee insurance category decreased by about 42% to 52,341 contracts.

Table 88 Ranking of insurance companies by gross written premiums for guarantee insurance in 2021

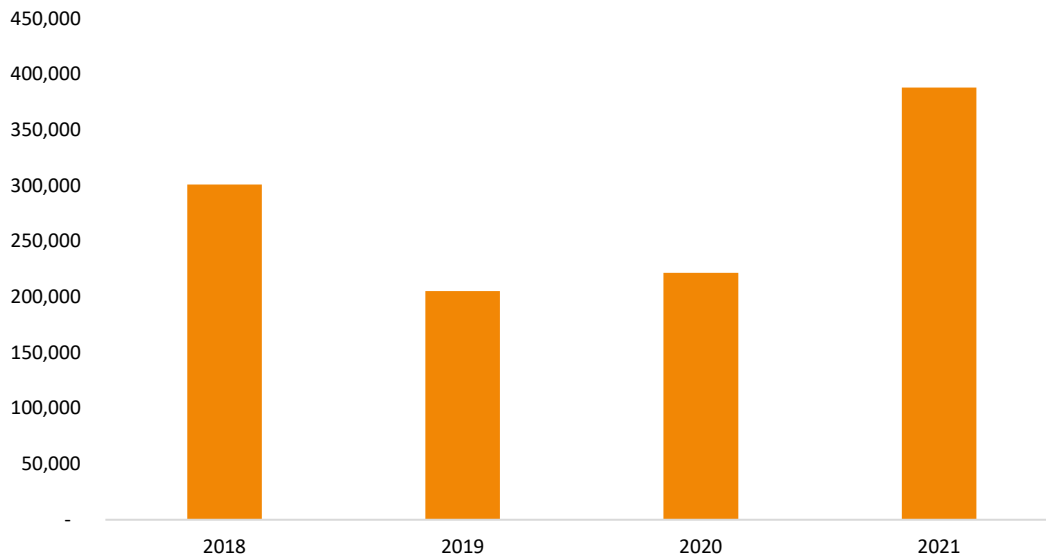
No.	Company	Market share
1	ONIX ASIGURĂRI S.A.	42.74%
2	CITY INSURANCE S.A.	25.37%
3	ABC ASIGURĂRI - REASIGURĂRI S.A.	11.53%
4	EXIM ROMÂNIA S.A.	5.39%
5	EUROINS ROMÂNIA ASIGURARE REASIGURARE S.A.	4.44%
<b>TOTAL (1-5)</b>		<b>89.47%</b>

### Direct settlement clause

Direct settlement, as an ancillary service for claims management by MTPL insurers for their own policyholders, was defined and implemented by *Law no. 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents*. The direct settlement modality is provided for in *ASF Rule no. 20/2017 on motor insurance in Romania*.

In 2021, MTPL insurers, authorized and supervised by ASF, have concluded a number of **388,316** direct settlement clauses, with gross written premiums of **43,310,544** lei. This resulted in an average annualised premium of **125** lei.

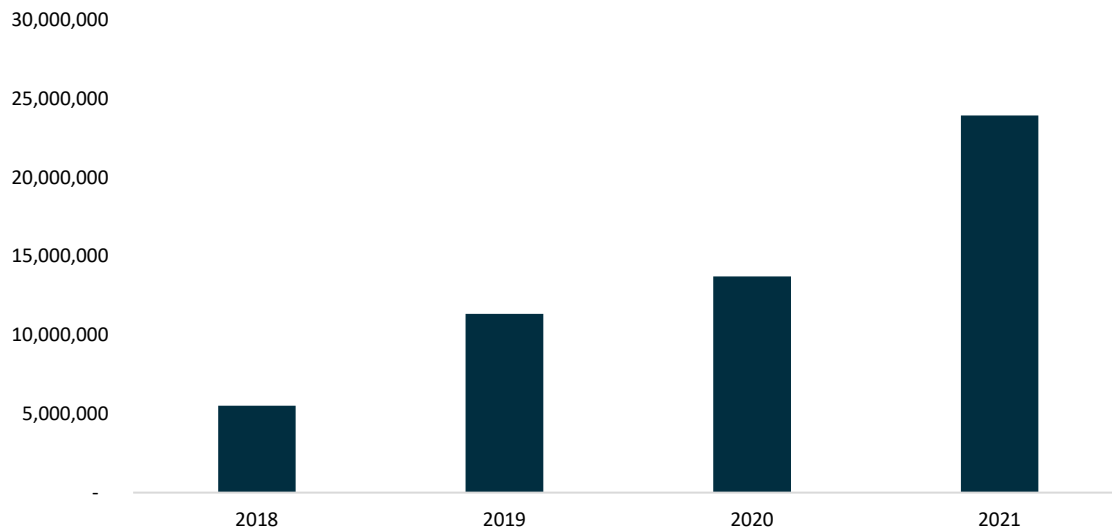
Chart 66 Evolution of the number of direct settlement clauses in keyed in 2021



At the same time, in 2021, MTPL insurers paid **9,709** claims related to the direct settlement clause, for a total amount of **79,843,022 lei**, resulting in an average claim paid per claim of **8,224 lei**. As at 31.12.2021, **2,980** claims were registered in the approved claims reserve, with an estimated value of **23,942,063 lei**.

The indicators for the claims reserve and gross claims paid do not contain information for City Insurance.

Chart 67 Evolution of the approved damage reserve related to the direct settlement clause (lei), at the end of the period





## 16.2. Branches

As at 31 December 2021, 13 branches were active in the insurance market<sup>23</sup>, of which 10 were engaged in general insurance ("GI") business and 3 were engaged in life insurance ("LI") business.

### Gross premiums written by branches (GI and LI)

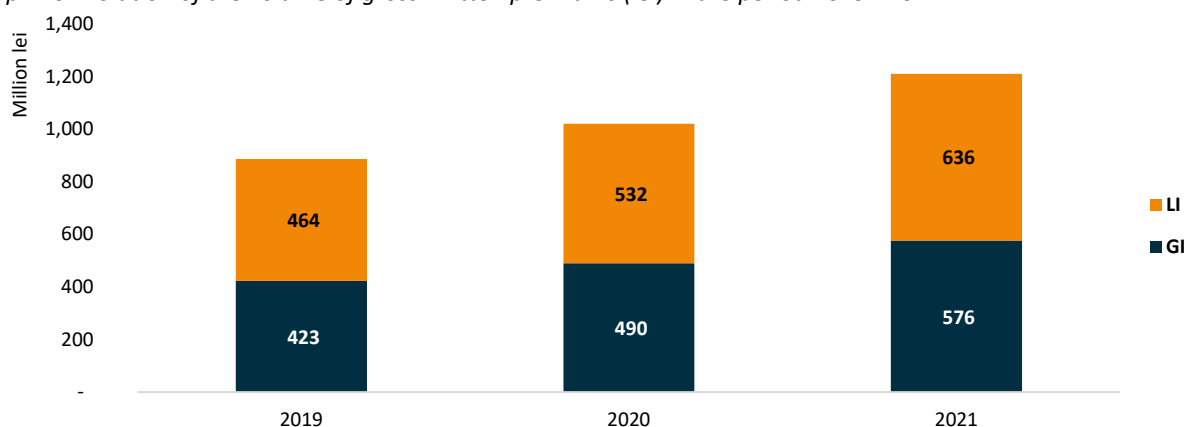
In 2021, the branches accumulated gross written premiums of 1.22 billion lei:

- gross written premiums (GWP) for general insurance (GI) amount to 576 million lei;
- gross written premiums for life insurance (LI) are 636 million lei .

Table 89 Dynamics of the distribution by insurance segments in the period 2020 - 20 21

GWP	2020	2021
GI	489,989,547	576,275,392
LI	531,761,035	635,615,540
<b>TOTAL</b>	<b>1,021,750,583</b>	<b>1,211,890,932</b>
<b>GI weighting (%)</b>	<b>47.96%</b>	<b>47.55%</b>
<b>LI weighting (%)</b>	<b>52.04%</b>	<b>52.45%</b>

Graph 70 Evolution of the volume of gross written premiums (lei) in the period 2019 - 2021



Of the total gross premiums written for general insurance, the largest shares are in classes A14. Credit (24.15%), A1. Accident (13.65%), A9. Hail, frost and risks other than those covered by class A8 (for property other than insurable in classes A3 - A7 (13.59%) and A3. Land vehicles, excluding railway rolling stock

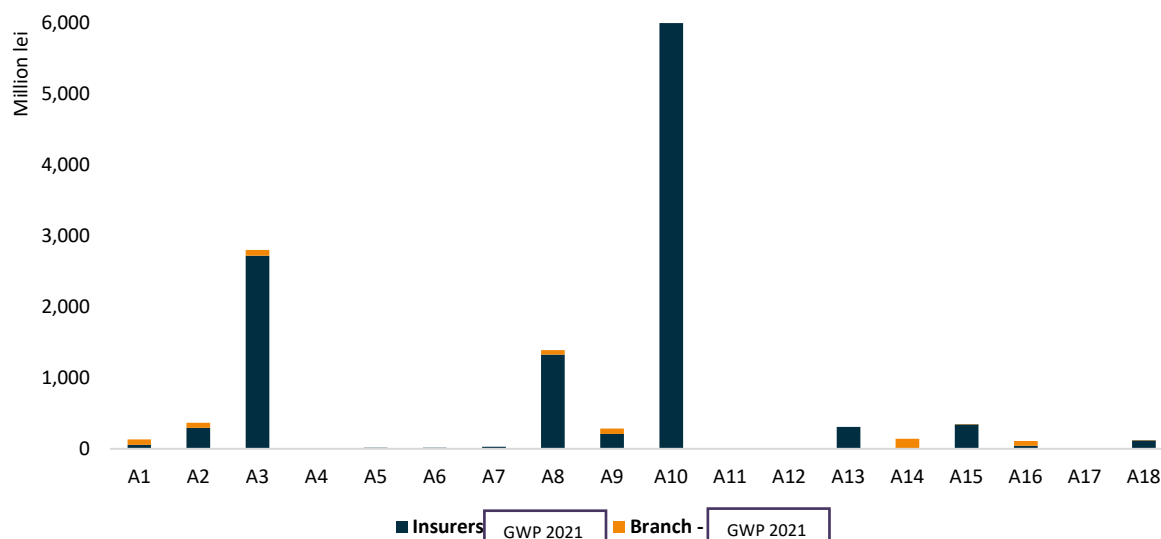
<sup>23</sup> Branches in Romania are not legally obliged to report the statistical information contained in this chapter to ASF. In Q4 2021 the AXERIA IARD branch started its activity in the Romanian insurance market under the right of establishment (FoE).

(13.38%). In terms of gross written premiums for life insurance, classes A1. Accident (57.15%) and C1. Life insurance, annuities and supplementary life insurance (27.27%) have the most significant values.

*Table 90 Breakdown of GWP of branches by class of insurance in 2021*

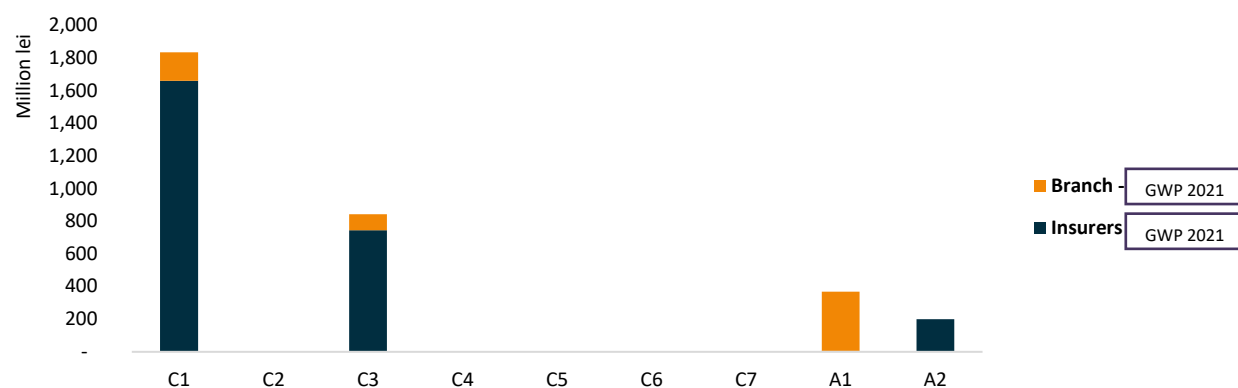
<b>General insurance</b>	<b>Gross written premiums</b>	<b>Market share</b>
A1. Accident	78,684,104	13.65%
A2. Health	72,053,177	12.50%
A3. Land vehicles, excluding railway rolling stock	77,081,594	13.38%
A4. Railway rolling stock	-	0.00%
A5. Aircraft	-	0.00%
A6. Sea, lake and river vessels	-	0.00%
A7. Goods in transit	-	0.00%
A8. Fire and natural disasters (for property other than insurable in classes A3 to A7)	59,306,915	10.29%
A9. Hail, frost and risks other than those referred to in class A8 (for property other than insurable in classes A3 to A7)	78,317,868	13.59%
A10. Civil liability for the use of land motor vehicles	738,037	0.13%
A10_1. Motor third party liability, excluding carrier's liability	-	0.00%
A10_2. Liability of the carrier	-	0.00%
A11. Civil liability for use of aircraft	-	0.00%
A12. Civil liability for the use of sea, lake and river vessels	-	0.00%
A13. General civil liability, excluding that referred to in classes A10 to A12	-	0.00%
A14. Credit	139,161,534	24.15%
A15. Guarantees	1,597,692	0.28%
A16. Financial losses	67,651,637	11.74%
A17. Legal protection	-	0.00%
A18. Assistance to persons in need during travel	1,682,834	0.29%
<b>Total</b>	<b>576,275,392</b>	<b>100.00%</b>
<b>Life insurance</b>	<b>Gross written premiums</b>	<b>Market share</b>
A1. Accident	363,281,781	57.15%
A2. Health	-	0.00%
C1. Life insurance, annuities and supplementary life insurance	173,309,120	27.27%
C2. Marriage, birth	-	0.00%
C3. Life insurance and annuities, linked to investment funds	99,024,638	15.58%
C4. Tontine	-	0.00%
C5. Capitalisation operations based on actuarial calculations	-	0.00%
C6. Administration of collective pension funds	-	0.00%
C7. Operations related to the length of human life under social insurance legislation	-	0.00%
<b>Total</b>	<b>635,615,540</b>	<b>100.00%</b>

Chart 68 Gross premiums written by branches vs. gross premiums written by insurance companies in 2021 - general insurance



Compared to insurance companies authorised and regulated by ASF, the Romanian branches record a high volume of GWP in classes A.14 Credit and A1. Accident. In terms of gross written premiums for life insurance, the Romanian branches wrote mainly in class A1 - Accident (363 million lei).

Chart 69 Gross premiums written by branches vs. gross premiums written by insurance companies in 2021 - life insurance



### Gross claims paid by branches (GCP)

In 2021, the branches reported gross claims paid, cumulatively for the two categories of insurance, in the amount of about 372 million lei, as follows:

- 178 million lei relate to general insurance contracts (48% of total gross claims paid);
- 194 million lei represent amounts paid for gross claims (including maturities and surrenders), related to life insurance.

Table 91 Evolution of the volume of gross claims paid, including maturities and surrenders, for general and life insurance (million lei)

	2020	2021
GI	203,058,161	177,630,280
LI	147,765,473	194,022,906
<b>TOTAL</b>	<b>350,823,634</b>	<b>371,653,186</b>
<b>GI weighting (%)</b>	<b>57.88%</b>	<b>47.79%</b>
<b>LI weighting (%)</b>	<b>42.12%</b>	<b>52.21%</b>

Chart 70 Evolution of gross claims paid, including maturities and surrenders, for general and life insurance in 2019 - 20 21

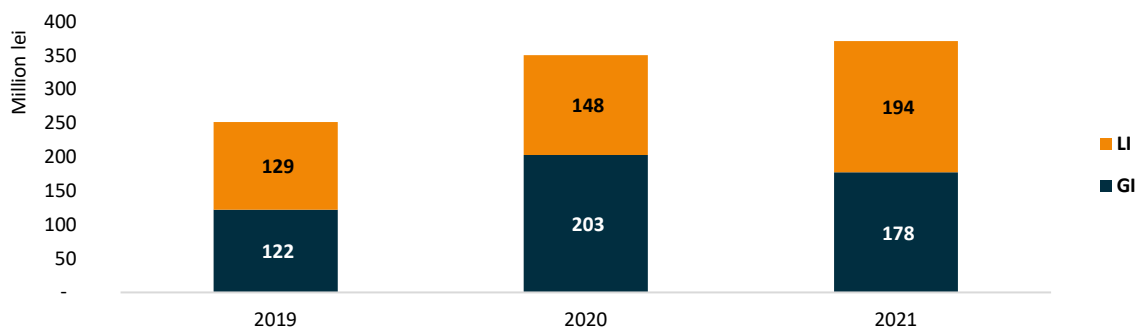


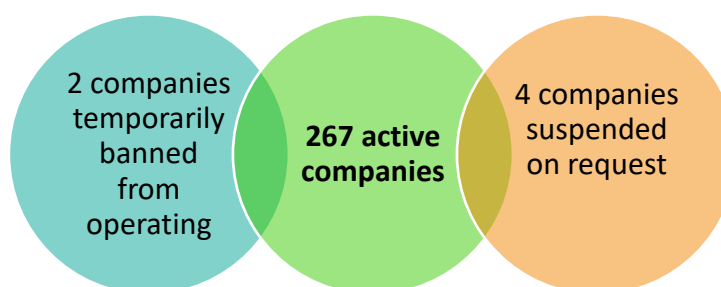
Table 92 Breakdown of GCP by insurance class in 2021

General insurance	Gross claims paid	Market share
A1. Accident	626,591	0.35
A2. Health	21,129,549	11.90%
A3. Land vehicles, excluding railway rolling stock	42,747,200	24.07%
A4. Railway rolling stock	-	0.00%
A5. Aircraft	-	0.00%
A6. Sea, lake and river vessels	-	0.00%
A7. Goods in transit	-	0.00%
A8. Fire and natural disasters, (for property other than insurable in classes A3 to A7)	5,704,941	3.21%
A9. Hail, frost and risks other than those referred to in class A8 (for property other than insurable in classes A3 to A7)	71,720,095	40.38%
A10. Civil liability for the use of land motor vehicles	-	0.00%
A10_1. Motor third party liability, excluding carrier's liability	-	0.00%
A10_2. Liability of the carrier	-	0.00%
A11. Civil liability for use of aircraft	-	0.00%
A12. Civil liability for the use of sea, lake and river vessels	-	0.00%
A13. General civil liability, excluding that referred to in classes A10 to A12	-	0.00%
A14. Credit	32,382,586	18.23%
A15. Guarantees	-	0.00%
A16. Financial losses	3,127,559	1.76%
A17. Legal protection	-	0.00%
A18. Assistance to persons in need during travel	191,759	0.11%
<b>Total</b>	<b>177,630,280</b>	<b>100%</b>

Life insurance	Gross claims paid	Market share
A1. Accident	120,341,046	84.56%
A2. Health	-	0.00%
C1. Life insurance, annuities and supplementary life insurance	34,620,816	24.33%
C2. Marriage, birth	-	0.00%
C3. Life insurance and annuities, linked to investment funds	39,061,044	27.45%
C4. Tontine	-	0.00%
C5. Capitalisation operations based on actuarial calculations	-	0.00%
C6. Administration of collective pension funds	-	0.00%
C7. Operations related to the length of human life under social insurance legislation	-	0.00%
<b>Total</b>	<b>142,308,989</b>	<b>100%</b>

### 16.3. Insurance and/or reinsurance brokers

At the end of 2021, **273 brokerage companies** are registered in the records of the Financial Supervisory Authority, of which:



#### Insurance intermediation

Following the centralization of the reports submitted by brokerage companies, as of 31.12.2021, there is an upward trend in the degree of intermediation, which reached a percentage of over 80% for general insurance. For the first time in the last 5 years, there is an increase in the value of intermediated premiums of more than 20% compared to the previous year. Thus, compared to 2020, there was a 26% increase in the total value of intermediated/distributed premiums, with general insurance increasing by 26% and life insurance by 22%. Gross written premiums are reported by insurance companies licensed in Romania, while intermediation includes insurance companies coming to Romania under the freedom to provide services, right of establishment and others. The total value of premiums distributed for these was 633,114,813 lei, representing 6.4% of total premiums distributed.

Table 93 Evolution of the degree of intermediation

Period	Gross written premiums (lei)			Intermediate premiums (lei)			Degree of intermediation (%)		
	Total of which:	GI	LI	Total of which:	GI	LI	Total	GI	LI
31.12.2017	9,701,743,603	7,688,478,353	2,013,265,250	6,166,053,903	5,962,005,414	204,048,489	63.56	77.54	10.14
31.12.2018	10,141,233,044	8,042,145,685	2,099,087,359	6,380,788,060	6,143,247,895	237,540,165	62.92	76.39	11.32
31.12.2019	10,980,833,602	8,724,892,308	2,255,941,294	7,203,671,303	6,963,197,545	240,473,758	65.60	79.81	10.66
31.12.2020	11,499,799,116	9,280,320,842	2,219,478,274	7,859,221,295	7,572,141,348	287,079,947	68.34	81.59	12.93
31.12.2021	14,241,104,017	11,630,827,073	2,610,276,944	9,911,948,538	9,560,607,626	351,340,912	69.60	82.20	13.46

Note: Gross written premiums in the table are reported by insurance companies authorised in Romania.

In 2021, brokerage companies brokered/distributed 69.60% of the total volume of gross premiums written by insurers, maintaining the annual upward trend in both the general and life insurance segments.

## General insurance

An analysis of the structure of premiums intermediated by brokerage companies, cumulatively, for the year 2021, by classes of general insurance shows that a significant share of the total premiums intermediated/distributed for general insurance (9,560,607,626 lei) is held by the following classes:

- class A10, Third party liability insurance for vehicles (MTPL + CMR) represents 58.12% (5,556,635,627 lei);
- Class A3, Land transport insurance (CASCO) accounts for 21.12% (2,019,354,487 lei);
- class A8, Fire and other natural disasters insurance represents 6.93% (662,182,705 lei);
- class A9, Insurance against damage to or loss of property other than that referred to in classes 3 to 7, accounts for 3.52% (336,660,537 lei);
- Class A2, Health insurance represents 3.25% (310,659,887 lei);
- class A13, General liability insurance, excluding that referred to in classes 10 to 12 represents 2.52% (240,736,280 lei);
- Class A15, Guarantee insurance represents 2.08% (199,188,311 lei);
- the remaining classes account for 2.46% of total general insurance premiums written/distributed.

Chart 71 Structure of intermediary/distributed premiums by general insurance class in 2021

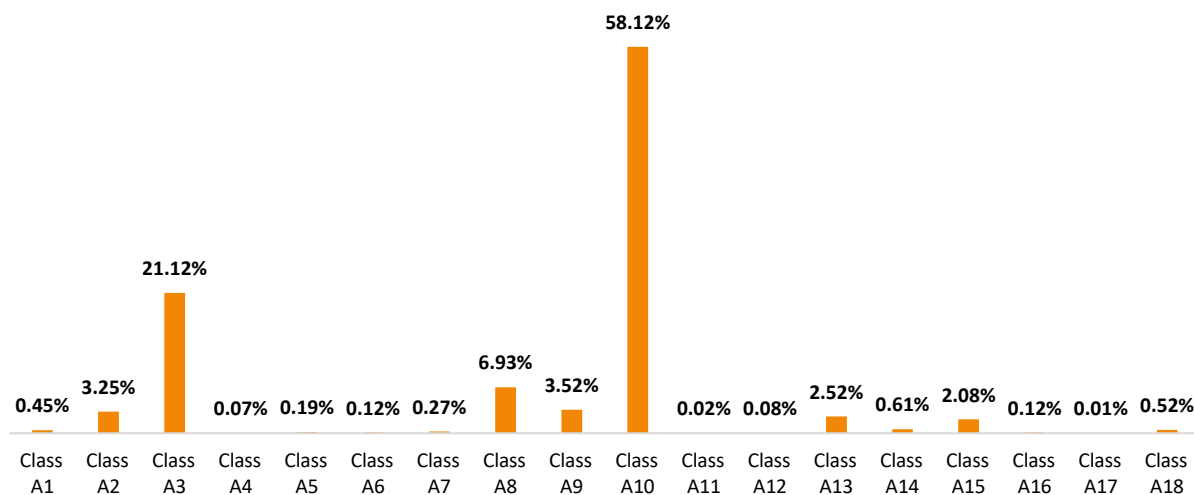
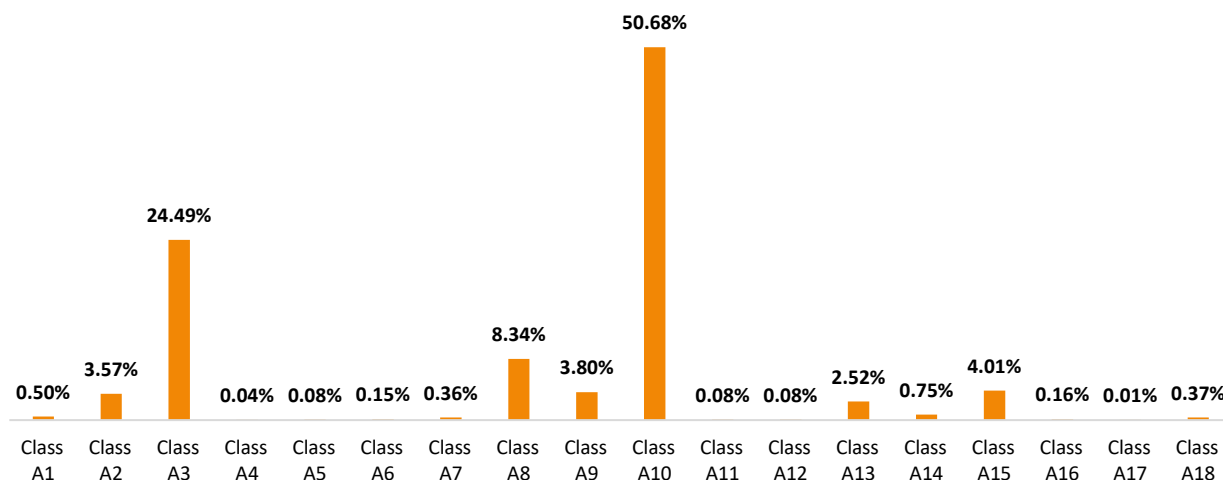


Chart 72 Structure by general insurance class of intermediary/distributed premiums in 2020



The most significant increases in intermediary premiums were in Classes A4, A5 and A18, but these are due to the isolated distribution of insurance contracts, given the shares of less than 1% of total intermediary premiums. A positive development is that, apart from 4 classes of insurance, all other classes have seen increases. The classes of insurance which saw decreases in intermediated/distributed insurance premiums were A7, A11, A15 and A16. Although intermediate/distributed premiums in class A15 did not show the largest decrease, it should be noted that for guarantee insurance, there is a significant decrease (approx. 100 million lei). A possible cause could be the assumption of these risks through guarantee contracts issued by non-bank financial institutions, given the relatively small number of insurers underwriting such insurance contracts (12 active companies of which 2 notified).

Chart 73 Dynamics of the evolution of the volume of intermediated/distributed insurance premiums in 2021 compared to 2020

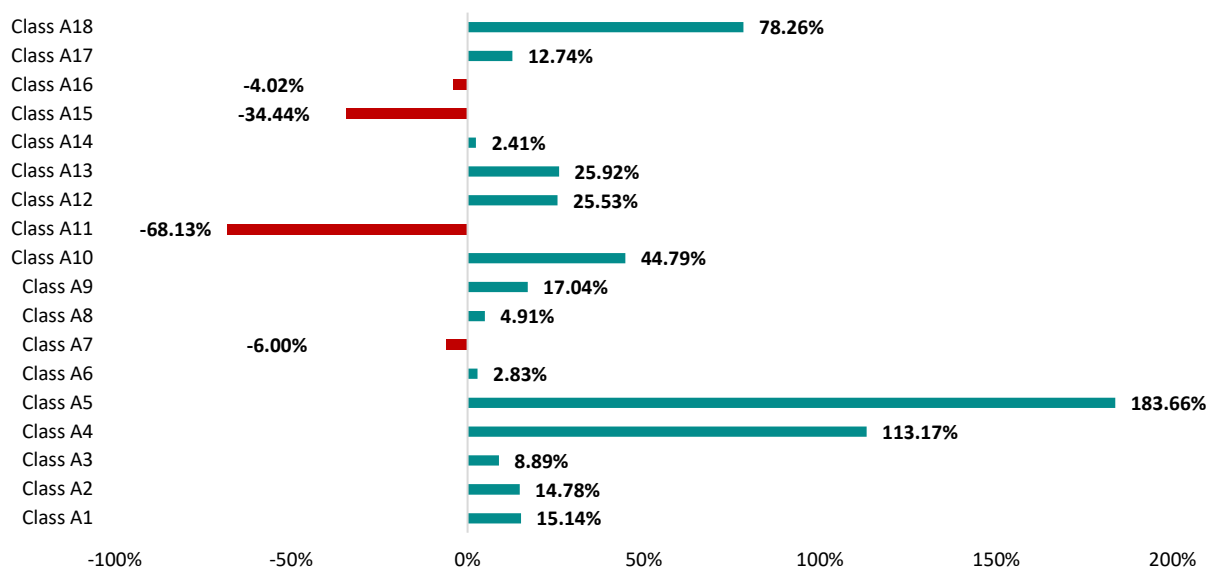


Table 94 Class A10 Third party liability insurance for vehicles (MTPL + CMR)

No.	Name of brokerage company	Market share
1	SAFETY BROKER DE ASIGURARE S.R.L.	11.06%
2	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	9.84%
3	INTER BROKER DE ASIGURARE S.R.L.	9.03%
4	TRANSILVANIA BROKER DE ASIGURARE S.A.	7.98%
5	DAW MANAGEMENT - BROKER DE ASIGURARE S.R.L.	7.04%
6	CAMPION BROKER DE ASIGURARE ȘI REASIGURARE S.R.L.	5.28%
7	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	2.28%
8	EXA BROKER DE ASIGURARE S.R.L.	2.11%
9	MAXYGO BROKER DE ASIGURARE S.R.L.	1.97%
10	GLOBASIG BROKER DE ASIGURARE-REASIGURARE S.R.L.	1.71%
<b>Total</b>		<b>58.30%</b>

Table 95 Class A3 Land transport insurance (CASCO)

No.	Name of brokerage company	Market share
1	UNICREDIT INSURANCE BROKER S.R.L.	9.77%
2	PORSCHE BROKER DE ASIGURARE S.R.L.	8.85%
3	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	7.40%
4	SAFETY BROKER DE ASIGURARE S.R.L.	5.22%
5	TRUST BROKERS BROKER DE ASIGURARE S.R.L.	5.00%
6	IDEA BROKER DE ASIGURARE S.R.L.	4.27%
7	RCI BROKER DE ASIGURARE S.R.L.	4.14%
8	MERCEDES - BENZ INSURANCE BROKER S.R.L.	3.73%
9	TRANSILVANIA BROKER DE ASIGURARE S.A.	3.32%
10	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	3.00%
<b>Total</b>		<b>54.69%</b>

Table 96 Class A8 Insurance against fire and other natural disasters

No.	Name of brokerage company	Market share
1	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	8.25%
2	SAFETY BROKER DE ASIGURARE S.R.L.	6.73%
3	TRANSILVANIA BROKER DE ASIGURARE S.A.	5.65%
4	CAMPION BROKER DE ASIGURARE ȘI REASIGURARE S.R.L.	4.30%
5	WILLIS TOWERS WATSON ROMÂNIA-BROKER DE ASIGURARE REASIGURARE S.R.L.	4.29%
6	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	3.96%
7	INTER BROKER DE ASIGURARE S.R.L.	3.54%
8	AMSTERDAM BROKER DE ASIGURARE S.R.L.	3.46%
9	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	3.44%
10	ASIGEST BROKER DE ASIGURARE-REASIGURARE S.A.	2.97%
<b>Total</b>		<b>46.59%</b>

Table 97 Class A9 Insurance against damage to or loss of property other than that referred to in classes 3 to 7

No.	Name of brokerage company	Market share
-----	---------------------------	--------------



1	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	26.41%
2	CLUBUL FERMIERILOR ROMÂNI BROKER DE ASIGURARE S.R.L.	9.81%
3	AON ROMÂNIA BROKER DE ASIGURARE - REASIGURARE S.R.L.	9.06%
4	AGRO PROTECTOR 2010 ASIGURARI - BK DE ASIGURARE SRL	5.88%
5	UNICREDIT INSURANCE BROKER S.R.L.	5.75%
6	GELIAS BROKER DE ASIGURARE S.R.L.	5.00%
7	DEXASIG BROKER DE ASIGURARE S.R.L.	3.71%
8	TRANSILVANIA BROKER DE ASIGURARE S.A.	3.68%
9	RENOMIA - SRBA Insurance Broker S.R.L.	3.65%
10	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	2.49%
<b>Total</b>		<b>75.44%</b>

Table 98 Class A2 Health insurance

No.	Name of brokerage company	Market share
1	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	45.83%
2	MEDIHELP INTERNATIONAL BROKER DE ASIGURARE S.R.L.	8.37%
3	AON ROMÂNIA BROKER DE ASIGURARE - REASIGURARE S.R.L.	7.03%
4	MAI BROKER DE ASIGURARE S.R.L.	5.44%
5	OVB ALLFINANZ ROMÂNIA BROKER DE ASIGURARE S.R.L.	4.09%
6	CAMPION BROKER DE ASIGURARE ȘI REASIGURARE S.R.L.	2.61%
7	IQ MED BROKER DE ASIGURARE S.R.L.	2.61%
8	TRANSILVANIA BROKER DE ASIGURARE S.A.	1.54%
9	CAPITOLIUM INSURANCE BROKER S.R.L.	1.49%
10	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	1.48%
<b>Total</b>		<b>80.50%</b>

Table 99 Class A13 General liability insurance, excluding that referred to in classes 10 to 12

No.	Name of brokerage company	Market share
1	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	17.24%
2	AON ROMÂNIA BROKER DE ASIGURARE - REASIGURARE S.R.L.	11.54%
3	CAMPION BROKER DE ASIGURARE ȘI REASIGURARE S.R.L.	4.79%
4	TRANSILVANIA BROKER DE ASIGURARE S.A.	4.39%
5	SAFETY BROKER DE ASIGURARE S.R.L.	4.04%
6	INTER BROKER DE ASIGURARE S.R.L.	3.48%
7	LEADER TEAM BROKER DE ASIGURARE S.R.L.	2.47%
8	WILLIS TOWERS WATSON ROMANIA-BROKER DE ASIGURARE REASIGURARE S.R.L.	2.40%
9	RENOMIA - SRBA INSURANCE BROKER S.R.L.	2.23%
10	ASIGEST BROKER DE ASIGURARE-REASIGURARE S.A.	2.15%
<b>Total</b>		<b>54.74%</b>

Table 100 Class 15 Guarantee insurance

No.	Name of brokerage company	Market share
1	SAFWAYS INTERNATIONAL BROKER DE ASIGURARE S.R.L.	14.54%
2	OLSA RE BROKER DE ASIGURARE-REASIGURARE S.R.L.	12.76%
3	SAFETY BROKER DE ASIGURARE S.R.L.	11.86%
4	TRANSILVANIA BROKER DE ASIGURARE S.A.	6.14%

5	OBSIDIAN BROKER DE ASIGURARE-REASIGURARE S.R.L.	5.24%
6	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	4.53%
7	FLY INSURANCE - BROKER DE ASIGURARE REASIG.SRL	3.91%
8	ASIGEST BROKER DE ASIGURARE-REASIGURARE S.A.	2.93%
9	OTTO BROKER DE ASIGURARE S.R.L.	2.77%
10	INTER BROKER DE ASIGURARE S.R.L.	2.59%
<b>Total</b>		<b>67.25%</b>

Table 101 Top 10 brokerage companies by value of insurance premiums underwritten on general insurance as of 31.12.2021

No.	Name of brokerage company	Market share
1	SAFETY BROKER DE ASIGURARE S.R.L.	8.54%
2	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	7.01%
3	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	6.46%
4	INTER BROKER DE ASIGURARE S.R.L.	6.27%
5	TRANSILVANIA BROKER DE ASIGURARE S.A.	6.21%
6	DAW MANAGEMENT - BROKER DE ASIGURARE S.R.L.	4.63%
7	CAMPION BROKER DE ASIGURARE ŞI REASIGURARE S.R.L.	4.24%
8	UNICREDIT INSURANCE BROKER S.R.L.	2.99%
9	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	2.42%
10	PORSCHE BROKER DE ASIGURARE S.R.L.	2.31%
<b>Total</b>		<b>51.07%</b>

## Life insurance

With regard to life insurance, the structure of premiums distributed by insurance brokerage companies by life insurance classes shows that, in the period 01.01.2021 - 31.12.2021, the following classes still hold a significant share of total premiums for this category (351,340,912 lei):

- class C1, Life insurance, annuities and supplementary life insurance, in the amount of 246,184,679 lei, i.e. 70.07%;
- class C3, Life insurance and annuities, which are unit-linked: 105,047,963 lei, i.e. 29.90%;
- the other classes of life insurance accounted for 0.03% of the premiums written/distributed for this category.

Chart 74 Life insurance class structure of intermediary/distributed premiums in 2021

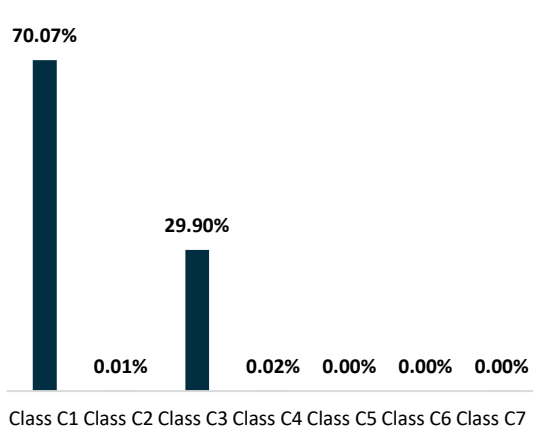
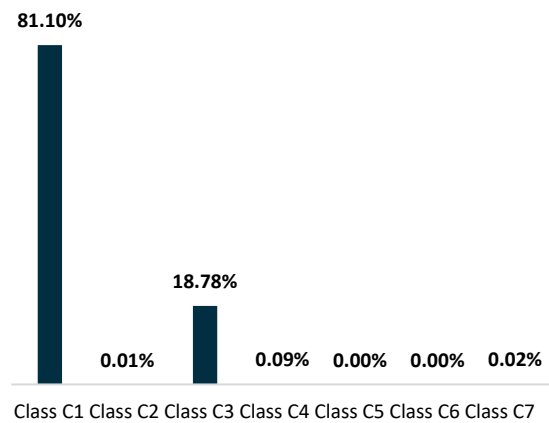


Chart 75 Life insurance class structure of intermediary/distributed premiums in 2020



Compared to 2020, in 2021 there were increases in premium volumes distributed on both traditional (Class C1) and investment class (Class C3) life insurance classes. As in previous years, life insurance with an investment component also showed a higher growth in 2021. Thus, we assess that there is an increase in interest in long-term saving through these life insurance policies, whereby policyholders become passive investors in the capital market. Growth in the traditional life segment has been much lower, but the ratio or gap between the two types of life insurance is still very large (much of the Class C1 insurance is complementary to bank loans).

Life insurance class	Intermediate premium volume				Dynamics 2021/2020	Dynamics 2021/2019	Dynamics 2021/2018
	2018	2019	2020	2021			
C1	199,110,236	206,423,054	232,827,926	246,184,679	5.74%	19.26%	23.64%
C3	21,647,146	33,603,285	53,914,926	105,047,963	94.84%	212.61%	385.27%

Table 102 Top 10 brokerage companies distributing life insurance

No.	Name of brokerage company	Market share
1	AMSTERDAM BROKER DE ASIGURARE S.R.L.	37.73%
2	OVB ALLFINANZ ROMÂNIA BROKER DE ASIGURARE S.R.L.	26.34%
3	KUNDEN BROKER DE ASIGURARE S.R.L.	10.50%
4	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	4.63%
5	AON ROMÂNIA BROKER DE ASIGURARE - REASIGURARE S.R.L.	4.22%
6	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	2.33%
7	RCI BROKER DE ASIGURARE S.R.L.	2.02%
8	WILLIS TOWERS WATSON ROMÂNIA-BROKER DE ASIGURARE REASIGURARE S.R.L.	1.95%
9	PROFESSIONAL BROKER DE ASIGURARE S.R.L.	1.05%
10	SAFE INVEST ROMÂNIA BROKER DE ASIGURARE S.R.L.	0.93%
Total		91.70%

Thus, in the life insurance segment, the concentration of the volume of premiums intermediated by the first 10 intermediaries is much higher than in the general insurance segment.

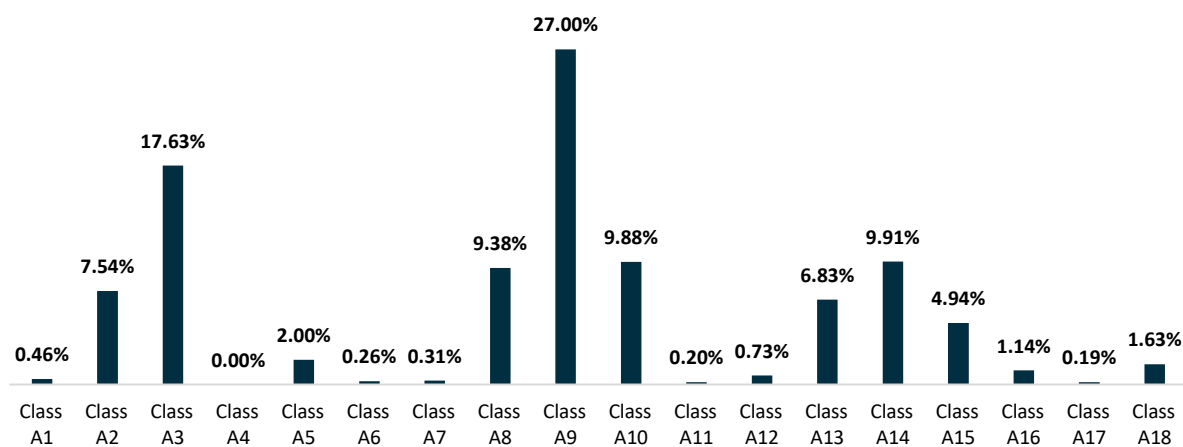
### Distribution for FOS/FOE insurers

Brokered premiums for insurers operating in Romania under the freedom to provide services or the right of establishment accounted for 6.37% of the total premiums distributed by brokerage companies, broken down as follows:

Total premiums distributed (lei)	General insurance (lei)	Life insurance (lei)
633,114,813	575,800,228	57,314,585

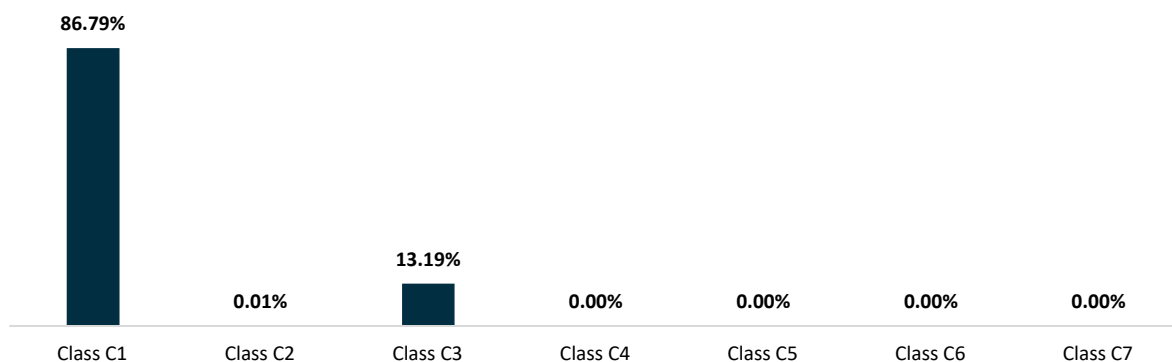
As a percentage, general insurance accounts for 90.95% and has the following structure:

*Graph 79 Structure of intermediary/distributed premiums by general insurance class in 2021*



For life insurance, the structure of intermediated insurance premiums is as follows:

*Chart 76 Life insurance class structure of intermediary/distributed premiums in 2021*



## Income from insurance intermediation/distribution

In 2021, brokerage companies reported revenues from insurance intermediation of 1,737,127,690 lei, an increase of 24.56% compared to 2020 (1,394,616,111 lei).

Table 103 Evolution of revenue in the period 2017- 2021

Income from intermediation activity (lei)	2017	2018	2019	2020	2021
	971,812,823	1,095,337,930	1,261,778,661	1,394,616,111	1,737,127,690

## General insurance

An analysis of the structure of distribution income earned by insurance and/or reinsurance brokers by class of general insurance shows that, in 2021, the following classes will have a significant share of general insurance income:

- class A10, Third party liability insurance for vehicles (MTPL + CMR) which represents 50.01% (792,046,622 lei);
- class A3, Land transport insurance (CASCO) which represents 22.12% (350,293,821 lei);
- class A8, Fire and other natural disasters insurance, which represents 10.58% (167,594,466 lei);
- class A13, General liability insurance, excluding that referred to in classes 10-12 which represents 3.71% (58,725,230 lei);
- class A9, Insurance for damage to or loss of property other than that referred to in classes 3 to 7, accounts for 3.63% (57,480,408 lei);
- Class A2, Health insurance, which represents 3.15% (49,844,112 lei);
- Class A15, Guarantee insurance represents 2.84% (51,293,863 lei);
- the other classes of insurance accounted for 3.96% of total income by general insurance class.

Chart 77 Structure by general insurance class of income from intermediation/distribution in 2021

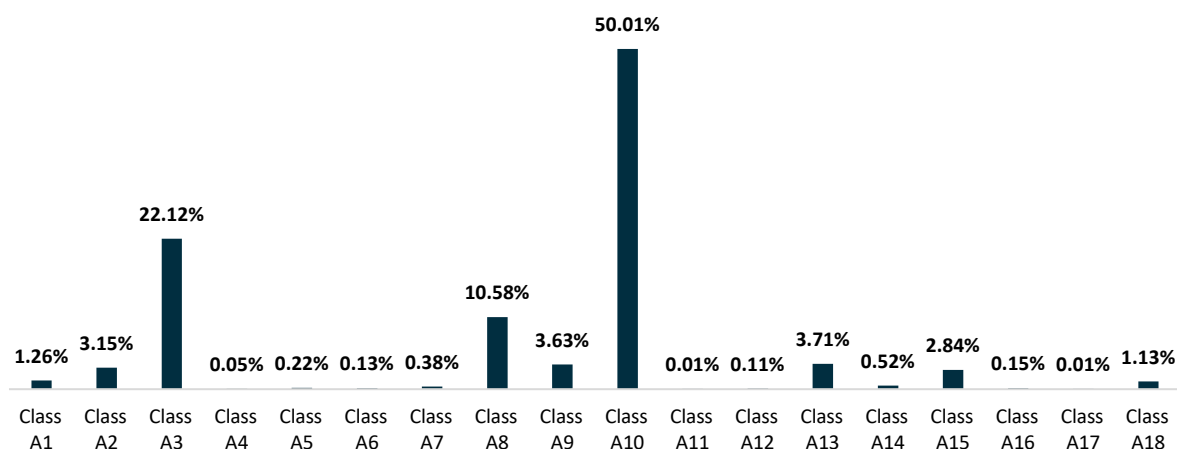


Chart 78 Structure by general insurance class of income from intermediation/distribution in 2020

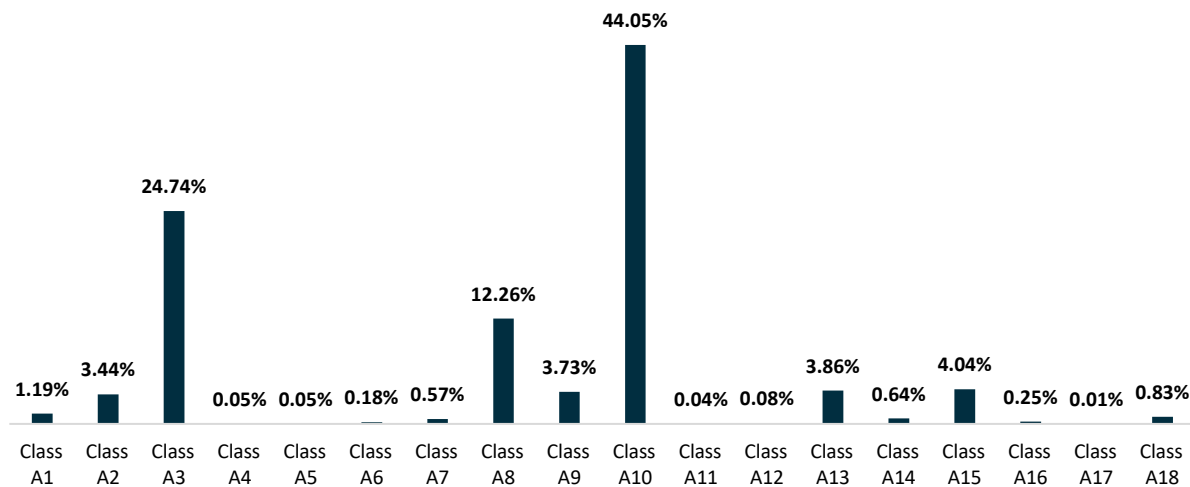
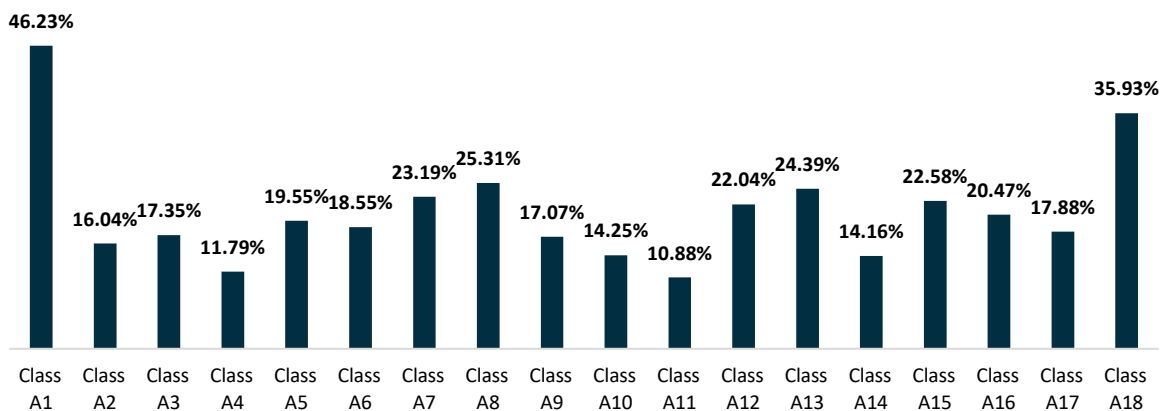


Table 104 Top 10 brokerage companies by general insurance distribution revenue

No.	Name brokerage company	Share in total revenue
1	SAFETY BROKER DE ASIGURARE S.R.L.	9.31%
2	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	7.04%
3	INTER BROKER DE ASIGURARE S.R.L.	6.43%
4	TRANSILVANIA BROKER DE ASIGURARE S.A.	6.22%
5	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	5.21%
6	DAW MANAGEMENT - BROKER DE ASIGURARE S.R.L.	4.78%
7	CAMPION BROKER DE ASIGURARE ȘI REASIGURARE S.R.L.	4.29%
8	UNICREDIT INSURANCE BROKER S.R.L.	3.19%
9	PORSCHE BROKER DE ASIGURARE S.R.L.	2.69%
10	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	2.41%
<b>Total</b>		<b>51.57%</b>

Graph 83 Situation of the percentage of commissions paid by insurers to brokerage companies, by main classes of insurance



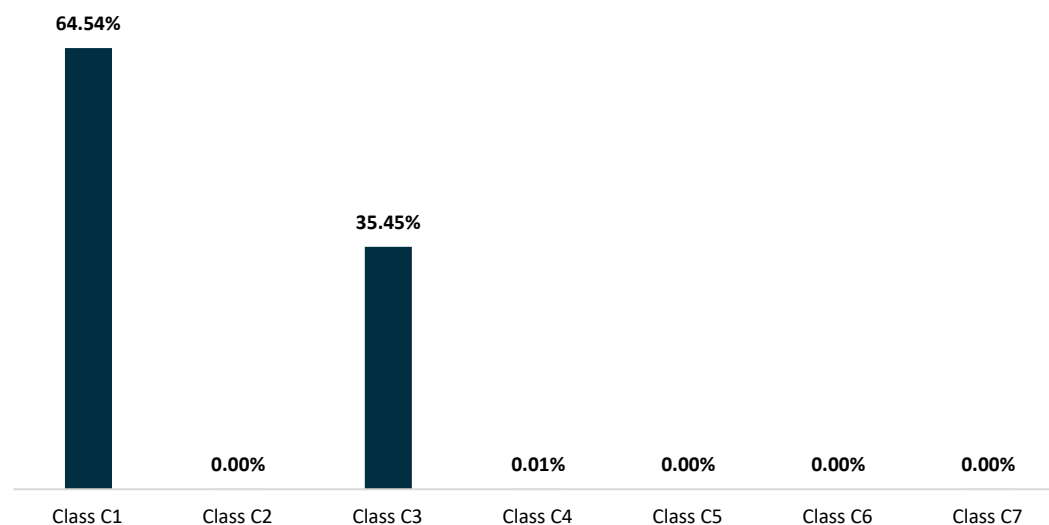
The share of intermediation income in the volume of premiums intermediated/distributed in the general insurance segment was 16.57% (average commission).

## Life insurance

With regard to the structure of income from intermediation activity obtained by brokerage companies by classes of life insurance, it can be seen that, in 2021, the following classes will account for a significant share of total income (124,845,099 lei):

- class C1, Life insurance, annuities and supplementary life insurance in the amount of 98,889,465 lei, i.e. 64.54%;
- class C3, Life insurance and annuities, which are unit-linked: 54,317,202 lei, i.e. 35.45%;
- the other life insurance classes accounted for 0.01% of the income earned for life insurance classes.

*Chart 79 Structure by life insurance class of income from intermediation/distribution in 2021*



*Chart 80 Structure by life insurance class of income from intermediation/distribution in 2020*

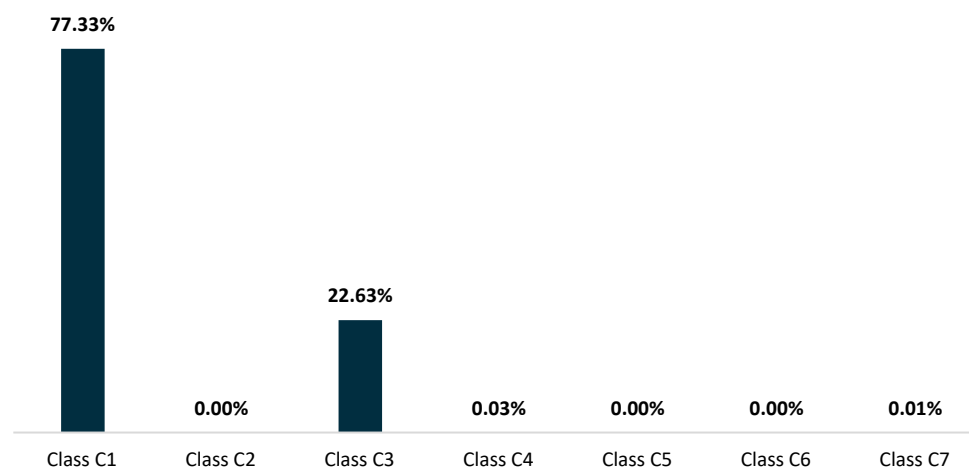


Table 105 Top 10 brokerage companies by life insurance distribution revenue

No.	Name of brokerage company	Share in total revenue
1	AMSTERDAM BROKER DE ASIGURARE S.R.L.	48.70%
2	OVB ALLFINANZ ROMÂNIA BROKER DE ASIGURARE S.R.L.	33.08%
3	RCI BROKER DE ASIGURARE S.R.L.	3.65%
4	KUNDEN BROKER DE ASIGURARE S.R.L.	3.36%
5	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	2.04%
6	AON ROMÂNIA BROKER DE ASIGURARE - REASIGURARE S.R.L	1.81%
7	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	1.48%
8	WILLIS TOWERS WATSON ROMÂNIA-BROKER DE ASIGURARE REASIGURARE S.R.L.	1.14%
9	PROFESSIONAL BROKER DE ASIGURARE S.R.L.	0.59%
10	SAFETY BROKER DE ASIGURARE S.R.L.	0.53%
<b>Total</b>		<b>96.37%</b>

The share of distribution income in the volume of premiums distributed in the life insurance segment was 43.61% (average commission). At the brokerage market level, the average commission calculated at 2021 level was 17.53%.

#### Debts and receivables from intermediation activity

As at 31.12.2021 the situation of debts and receivables arising from insurance distribution activity is as follows:

- Liabilities of brokerage companies in relation to insurance companies

Total debts (lei)	with outstanding maturity (lei)/%	< 15days (lei)/%	15-30 days (lei)/%	> 30days (lei)/%
132,249,507	130,645,405	666,059	37,858	900,185
	98.79%	0.50%	0.03%	0.68%

- Claims of brokerage companies in relation to insurance companies

Total claims (lei)	with outstanding maturity (lei)/%	< 15days (lei)/%	15-30 days (lei)/%	> 30days (lei)/%
132,936,986	107,591,088	7,992,928	2,767,218	14,585,752
	80.93%	6.01%	2.08%	10.97%



## **17. Evolution of the private pension market in 2021**

## 17.1. Private pension market in Romania

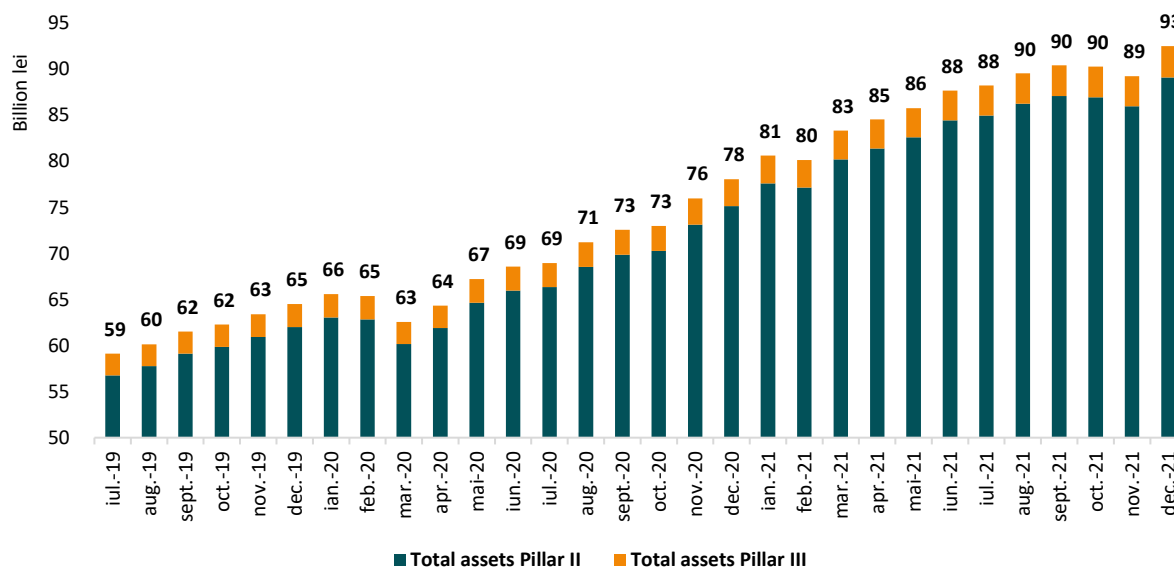
The private pension system has developed positively throughout its operation, with total assets and the number of participants growing steadily. At the end of December 2021, private pension funds (Pillar II and Pillar III) accumulated total assets of 92.52 billion lei, 19% more than the previous year. As a share of GDP, the total assets of the private pension system reached 7.84% in 2021, marking a positive development over the last few years.

The main features of private pension funds are listed below:



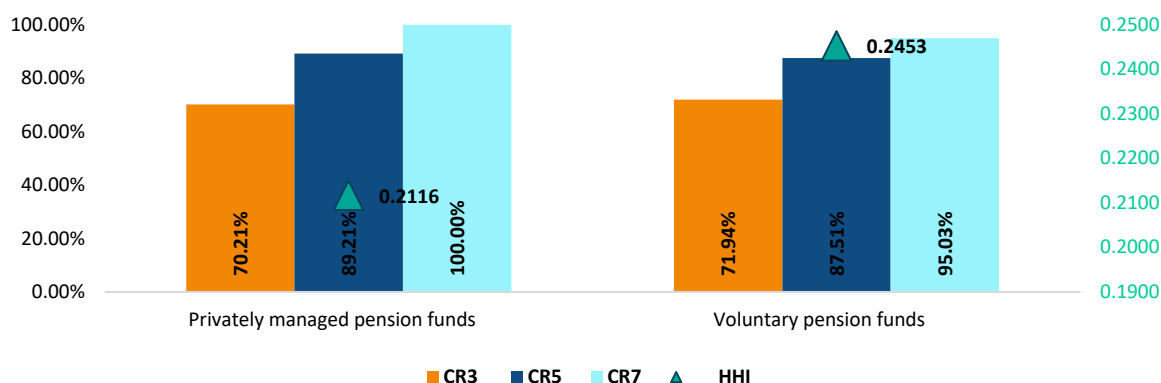
As at 31 December 2021, the investment policy within the asset portfolios of private pension funds continues to be focused on the local capital market. The share of investments in fixed-income instruments accounted for approximately 69% of the total investment portfolio of private pension funds, while 26% was invested in equities.

Chart 81 Value of total private pension scheme assets



Assets of Pillar III funds remain at a low level, representing less than 4% of the total assets managed by the private pension system in Romania, making it appropriate to encourage the population to invest in these instruments.

Chart 82 Degree of concentration of private pension funds (in relation to total assets as at 31 December 2021)



Source: ASF calculations

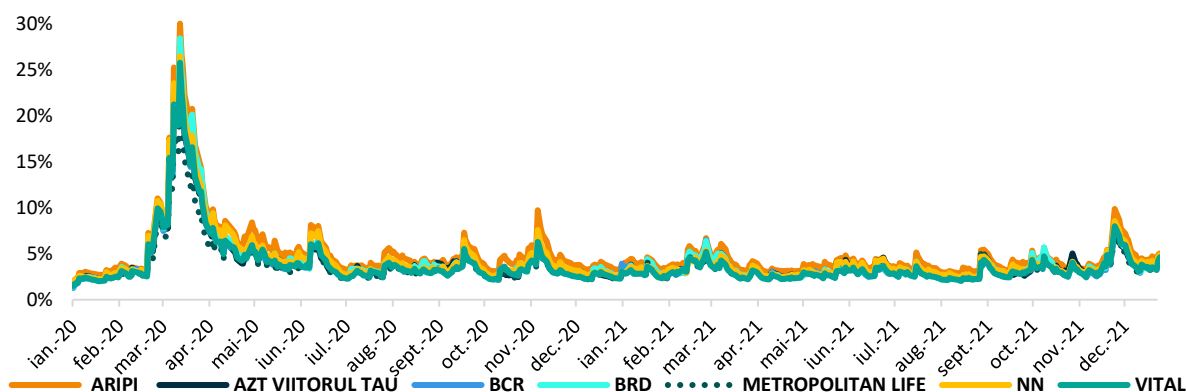
According to the main indicators used by the Competition Council, the degree of concentration in the private pension market is high, but the situation can be explained by objective reasons related to their operating mechanism and the current state of the market.

Volatility is one of the most important characteristics of financial markets, directly linked to market uncertainty and impacting the investment behaviour of companies and individuals. Progress in vaccine development and economic stimulus have boosted the stock market and investor sentiment indices have recovered.

During 2021, the volatility of private pension funds was much lower compared to that of 2020. Against the backdrop of the new Omicron variant, a significant episode of volatility for both privately managed and voluntary pension funds can be distinguished in November 2021, but of a lower magnitude compared to the episode in March 2020.

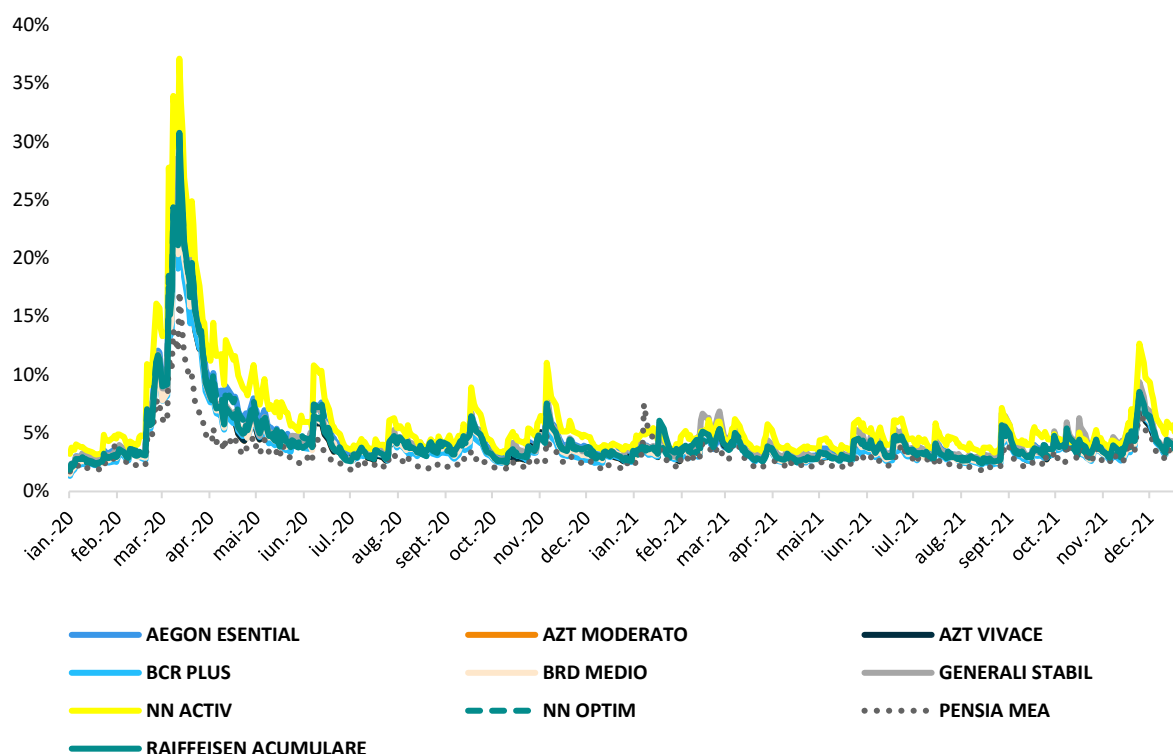
Each new version of COVID-19 has had less of an impact on financial markets as investors begin to get used to the idea that these changes are the new normal.

Chart 83 Evolution of daily annualised volatility of Pillar II pension funds - GARCH (1. 1)



Source: ASF processing

Chart 89 Evolution of daily annualised volatility of Pillar III pension funds - GARCH (1.1)



Source: ASF processing

## 17.2. Privately managed pension funds - Pillar II

At the end of December 2021, seven privately managed pension funds were registered in the Electronic Register of the Financial Supervisory Authority. They are managed by seven private pension fund administrators and their assets are entrusted to four Romanian banks as custodians. Total net assets of privately managed pension funds amounted to 89.07 billion lei at the end of December 2021, up by about 19% compared to the same date in 2020. Compared to the previous quarter, net assets increased by 2%. The number of registered participants in the privately administered pension scheme as at 31 December 2021 was 7.79 million, up from 7.63 million as at 31 December 2020.

At Pillar II level, the average contribution of participants with contributions paid on 31 December 2021 was about 204 lei/participant, while on 31 December 2020 it was 192 lei/participant. In the period January-December 2021, contributions paid into the privately administered pension scheme amounted to 9.77 billion lei, up by about 10% compared to 2020.

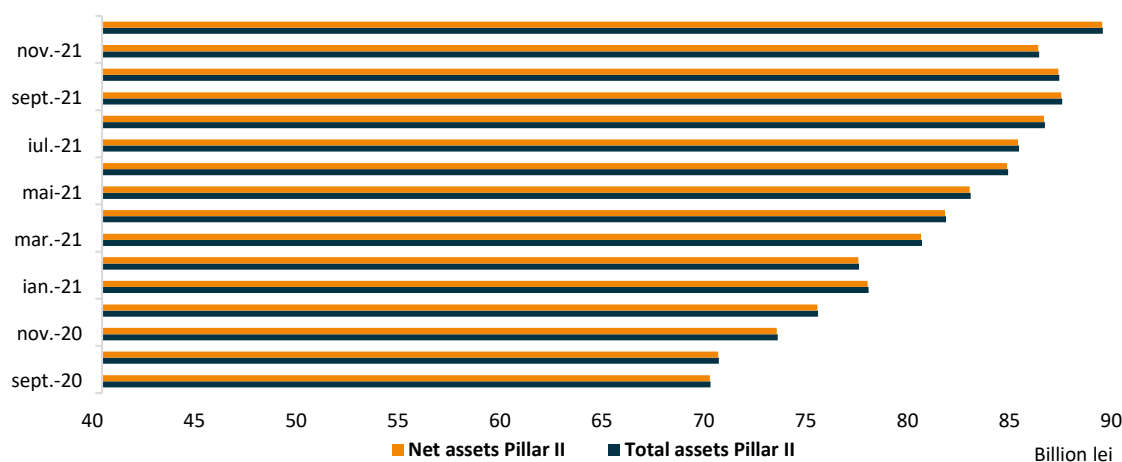
The weighted average rate of return of all privately managed pension funds was 5.79% in December 2021, with a value of 5.38% in December 2020.

At the end of December 2021, the average asset value of a participant in the privately administered pension scheme was 11,434 lei, an increase of 16% compared to December 2020 and 1.5% compared to the previous quarter. In the period January-December 2021, payments of net personal assets to participants in the amount of 288 million lei were made to approximately 19 thousand participants and beneficiaries.

## Value of assets

At the end of December 2021, the total value of privately managed pension funds' assets was 89.11 billion lei and the value of net assets reached 89.07 billion lei, both of which were up by approximately 19% compared to the same period last year.

Chart 84 Value of assets of privately managed pension funds

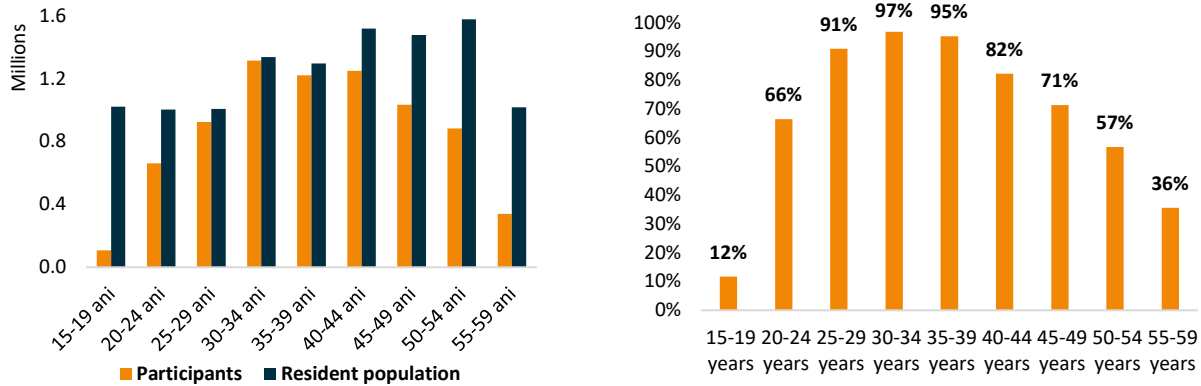


## Participants in privately managed pension funds

On 31 December 2021, the total number of participants in the privately managed pension scheme was 7.79 million, up 2% compared to the same date last year. From the beginning of the year up to and including December, around 174 thousand people were registered in the scheme, slightly up on the previous year. The top three privately administered pension funds by number of participants, FPAP NN (26%), FPAP AZT Viitorul Tău (21%) and FPAP Metropolitan Life (14%), together accounted for 61% of the total number of people registered in the scheme.

In terms of age group distribution, on 31 December 2021, the share of participants aged under 35 was 38% of all participants and the share of those aged over 35 was 62%. The distribution of participants by gender remains constant, with the share of female participants in the total number of participants being 48% and the share of male participants being 52%.

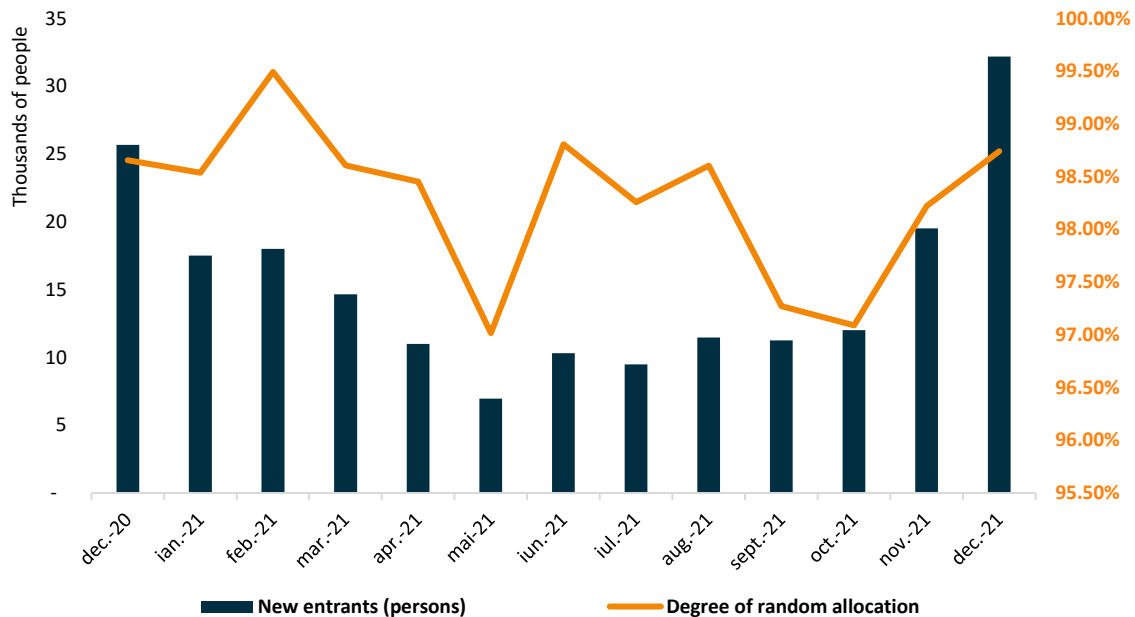
Chart 85 Age structure on 31 December 2021 - participants and resident population (left) and private pension penetration (right)



Source: ASF, INS

In terms of the penetration of private pensions among the resident population, there is a good coverage of the middle age groups (25-44 years), with an increasingly pronounced decline for ages closer to retirement age. This is not surprising, given the relatively recent introduction of private pensions in Romania, but it suggests increasing pressure on the state pension budget over the next few decades (this pressure being accentuated by the ageing of the population).

Chart 86 Evolution of the number of new entrants and the degree of random allocation



Some 172 thousand people were randomly allocated to a privately administered pension fund in 2021, representing 98% of all new entrants to the scheme.

## Contributions to privately managed pension funds

From the beginning of the year to December 2021, gross contributions to privately administered pension funds amounted to 9.77 billion lei, 10% more than in the same period last year. In December 2021, gross contributions of about 823 million lei were paid, up compared to December 2020 (748 million lei).

The average contribution per participant was around 204 lei in December 2021, 6% more than in December 2020, which has been on a continuous positive trend since the establishment of the privately managed pension scheme until now.

Chart 87 Monthly evolution of gross contributions paid and average contribution per participant

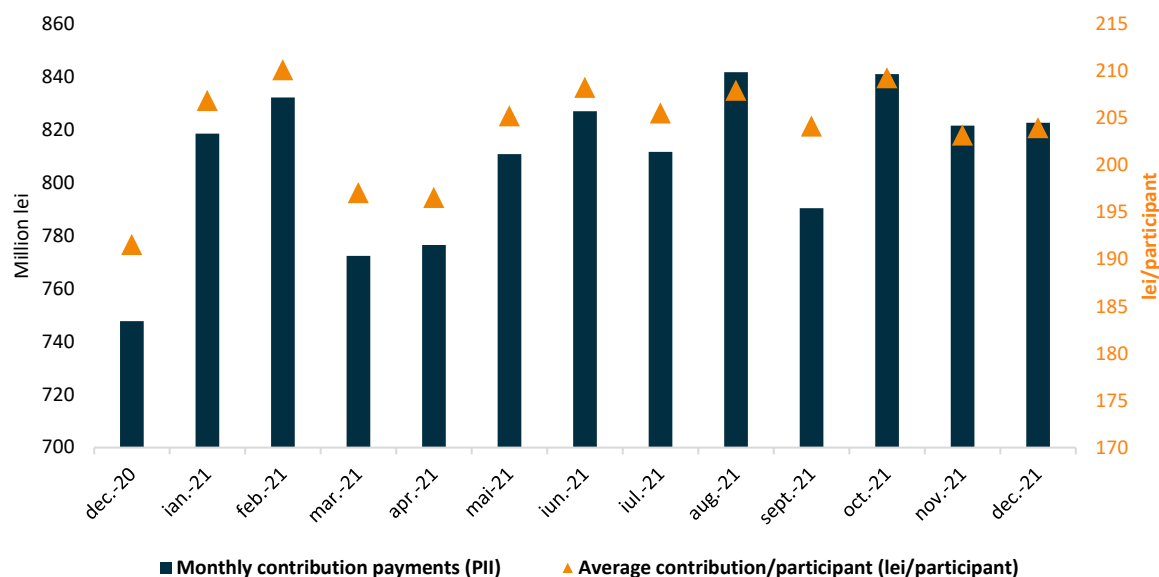
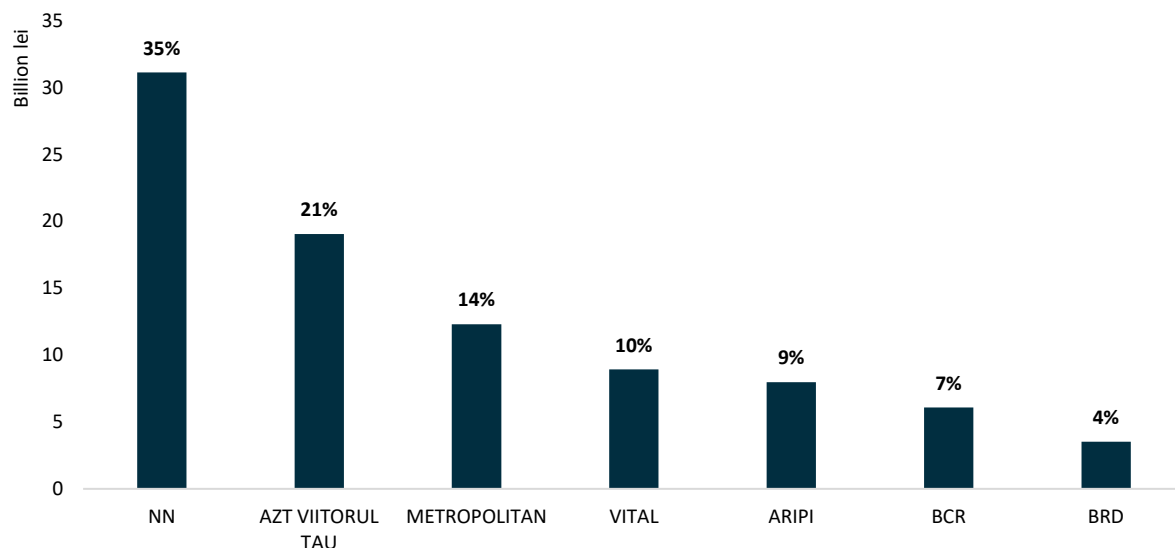
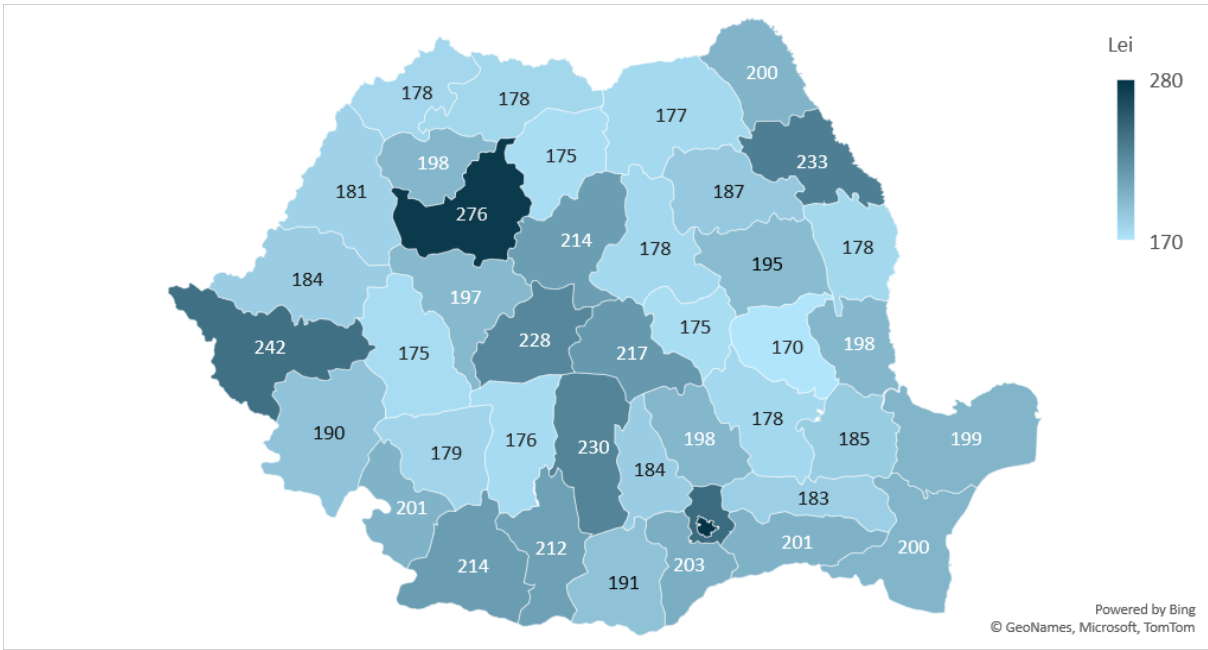


Chart 88 Assets under management and market share of privately managed pension funds at 31 December 2021



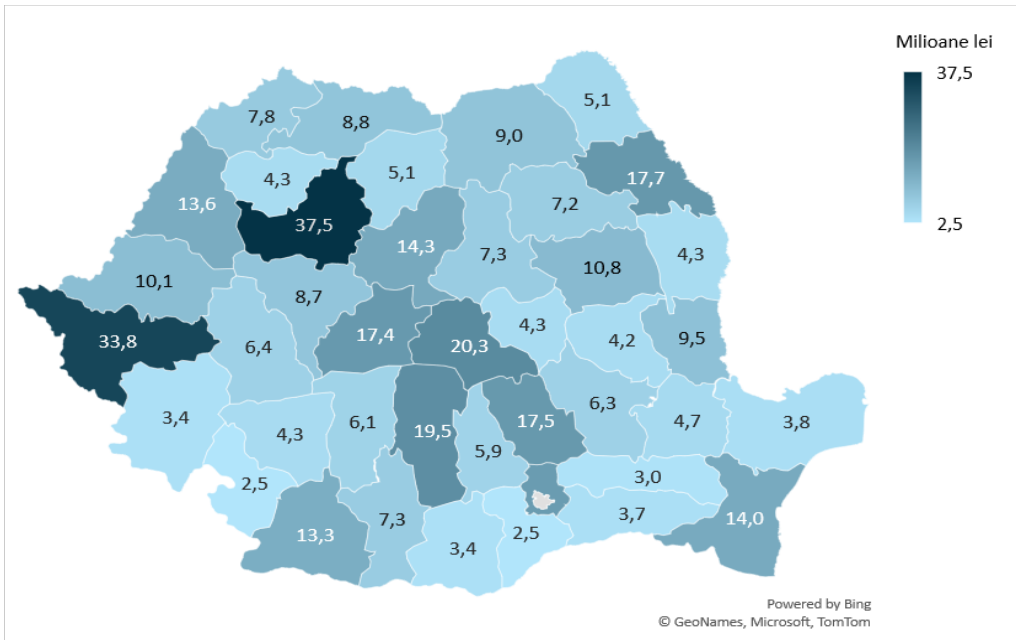
The market for privately managed pension funds is highly concentrated, with the top three funds accounting for 70% of assets.

Chart 89 Distribution by region of the average monthly contribution in December 2021



The average monthly contribution varies greatly depending on the county, with the highest values being recorded in Bucharest (280 lei/participant), Cluj (276 lei/participant), Ilfov (245 lei/participant), Timiș (242 lei/participant) and Iași (233 lei/participant). The lowest average monthly contributions are in Covasna (175 lei/participant), Bistrița-Năsăud (175 lei/participant) and Vrancea (170 lei/participant).

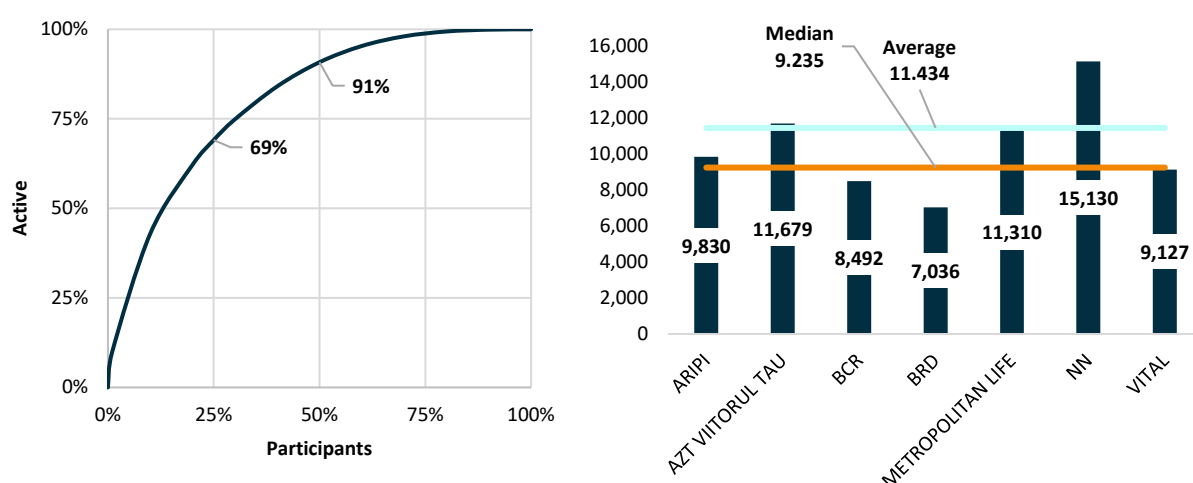
Chart 90 Distribution by region of total contributions (excluding Bucharest - 205. 2 million) in December 2021





In terms of total monthly contributions, there is still a marked difference between regions, with Bucharest recording the highest values (205.2 million lei), followed by Cluj (37.5 million lei) and Timis (33.8 million lei). At the opposite end of the spectrum are the south of the country - Giurgiu, Mehedinți, Ialomița, Caraș-Severin, Teleorman and Călărași registering the lowest values (between 2.5 and 3.7 million lei).

*Chart 91 Cumulative distribution of participant assets (left) and average asset value per participant by fund as at 31 December 2021*

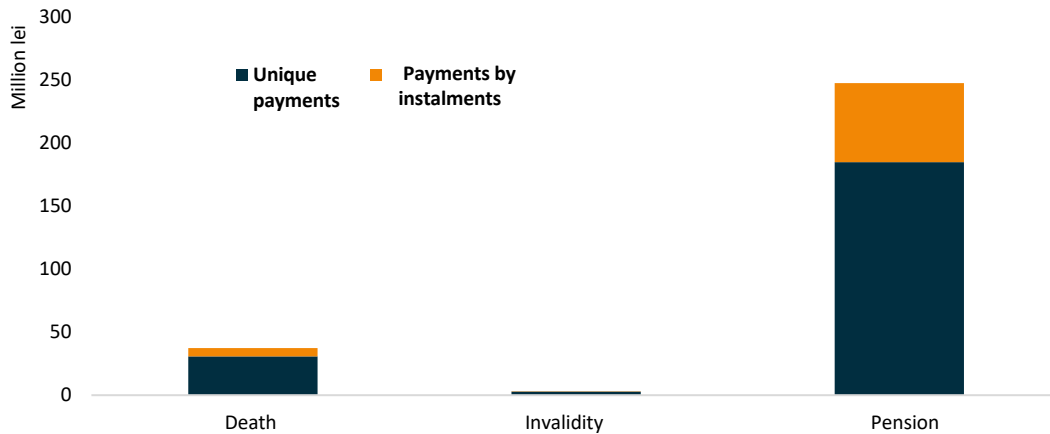


The distribution of the value of participants' accounts shows a high concentration, with 62% of assets held by only 20% of participants. The largest account has a value of 1.48 million lei and the smallest has a value of 1 leu. At the same time, more than 20% of the participants hold assets below 1,000 lei.

### **Payment of net assets in the event of retirement, invalidity and death**

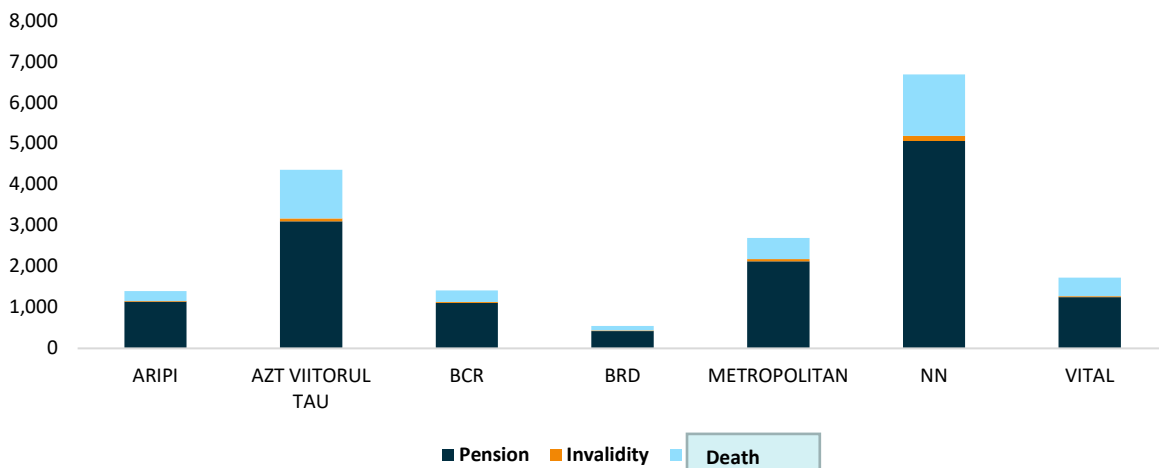
In the period January-December 2021, payments of net personal assets amounting to about 288 million lei were made to 19 thousand participants or beneficiaries. Of the total amount of payments made, 86% is related to the opening of pension entitlement, 13% as a result of the participant's death and 1% as a result of disability.

Chart 92 Value of personal net assets paid in the period January-December 2021



In 2021, 79% of participants/beneficiaries preferred lump-sum payments over instalments as a way of paying their net personal assets. As a result of the opening of pension entitlement, one-off payments amounting to 185 million lei and staggered payments amounting to 63 million lei were made. One-off payments of 31 million lei and instalments of 7 million lei were recorded to beneficiaries of net personal assets following the death of the participant. As a result of invalidity, the amount of net personal assets paid out was approximately 3 million lei in one-off payments and 178 thousand lei in instalments.

Chart 93 Structure of net personal asset payments in January-December 2021

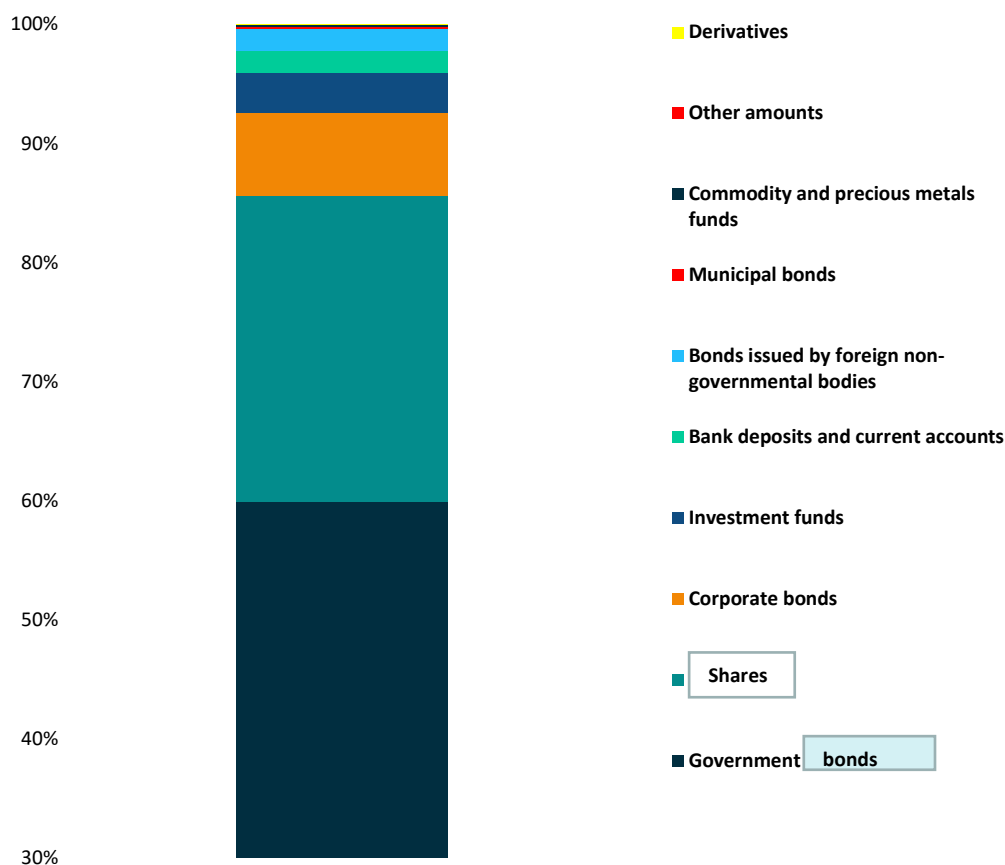


The highest shares of total net personal asset payments in 2021 were recorded by FPAP NN (36%), FPAP AZT Viitorul Tău (23%) and FPAP Metropolitan Life (14%), being also the funds with the highest number of participants. Open pension entitlements account for the largest share of privately managed pension fund payouts.

## Investment structure

At 31 December 2021, government bonds and equities remained the main financial instruments in which privately managed pension funds invested. Private pension funds' investments in government bonds accounted for 60% as at 31 December 2021, with a higher percentage of 68% invested in government bonds as at 31 December 2020. Investments in equities increased, accounting for 26% of the total value of Pillar II pension funds' assets on 30 December 2021. Significant proportions are also invested in corporate bonds and investment funds.

Chart 94 Investment structure of all privately managed pension funds as at 31 December 2021



All privately managed pension funds invested mostly in sovereign bonds, accounting for more than 53% of total assets. Of the seven privately managed pension funds, the BRD FPAP invested the highest percentage of assets in government bonds, around 65%. Other financial instruments such as equities or corporate bonds are found in the investment portfolios of the pension funds in significant percentages of over 22% and over 1% respectively.

Chart 95 Structure of investment portfolios of privately managed pension funds as at 31 December 2021

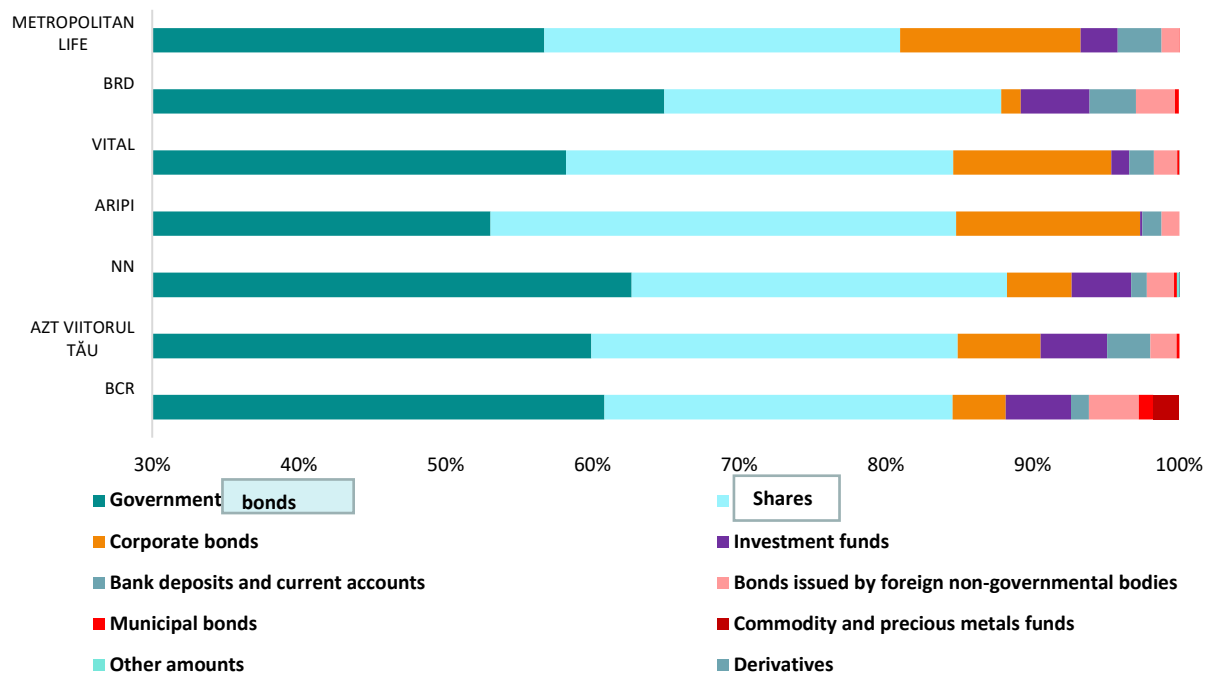
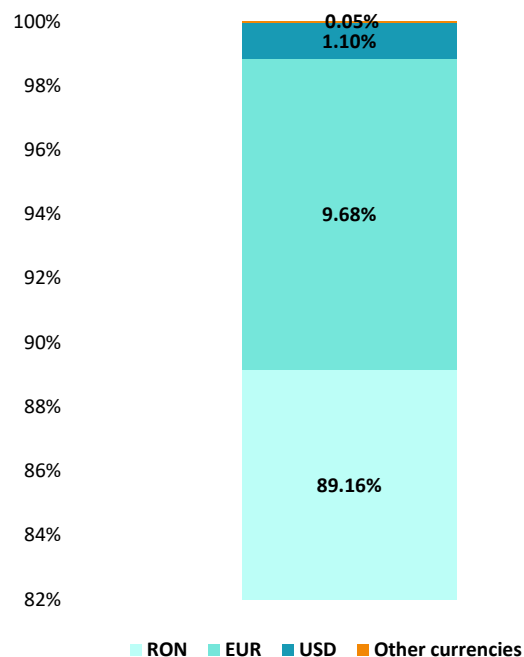


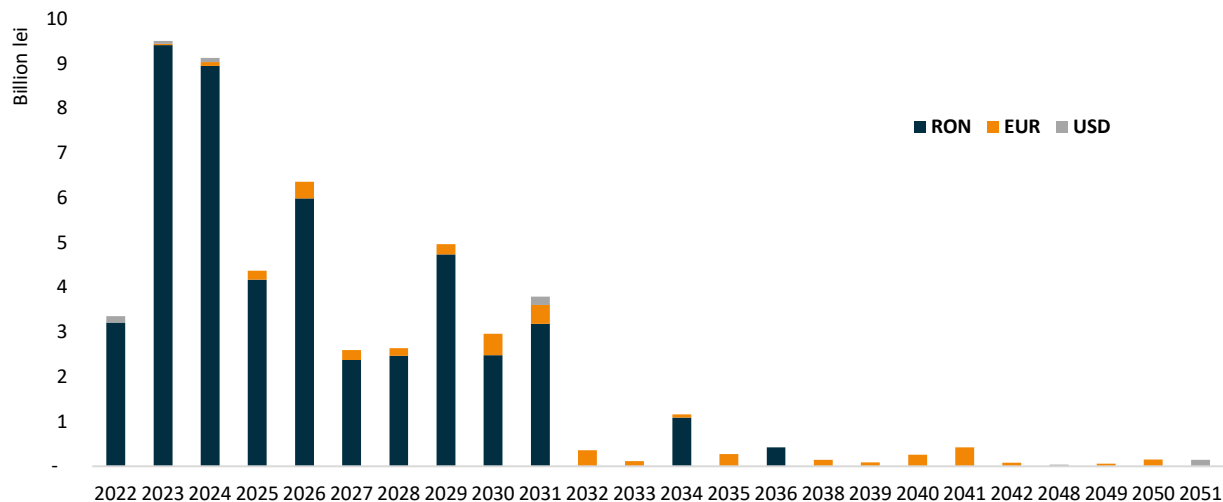
Chart 96 Currency structure of privately managed pension funds as at 31 December 2021



Local investments of privately managed pension funds accounted for about 89%, and of the foreign currency investments, the largest share was in EUR (10%) and US dollars (1%) at the end of December 2021. Only one private pension fund manager used currency hedging instruments at the end of 2021.

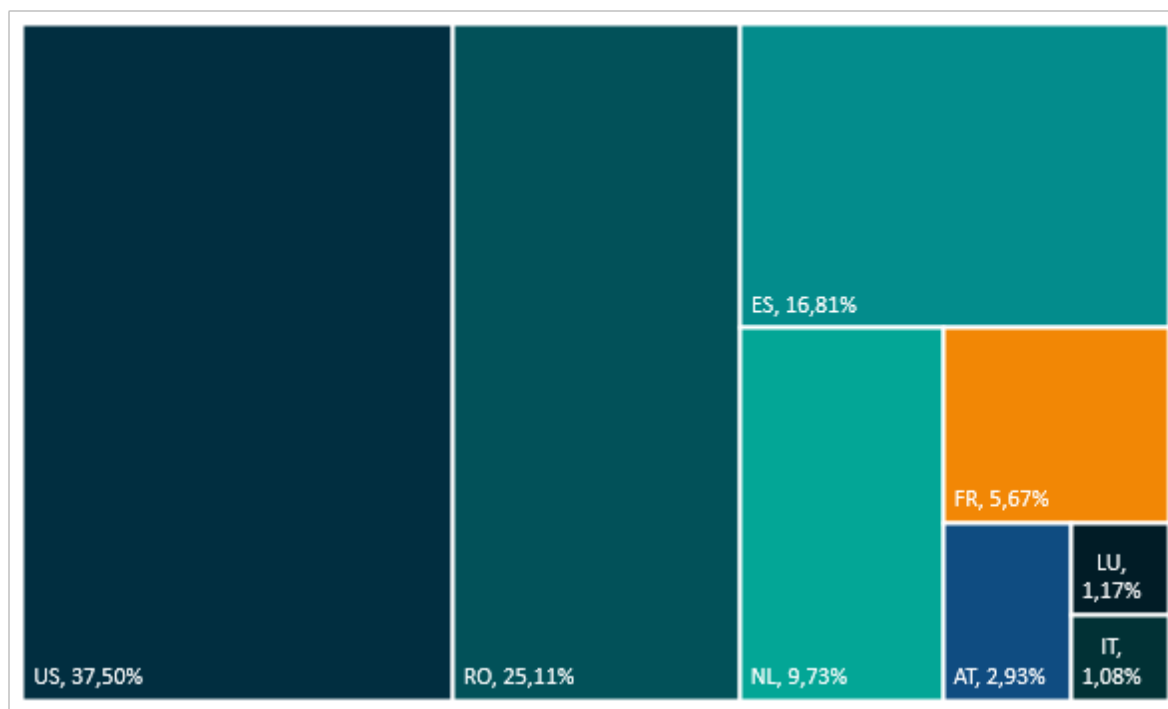
Government bonds denominated in lei account for a significant percentage (91%) of the total government bonds held by privately managed pension funds as at 31 December 2021, those denominated in EUR 8% and in US dollar 1%. In the case of lei-denominated issues, the highest values were recorded by government bonds maturing in 2023 and 2024, with many euro-denominated issues maturing in 2030 and 2031.

*Chart 97 Currency and maturity structure of government bonds in privately managed pension fund portfolios as at 31 December 2021*



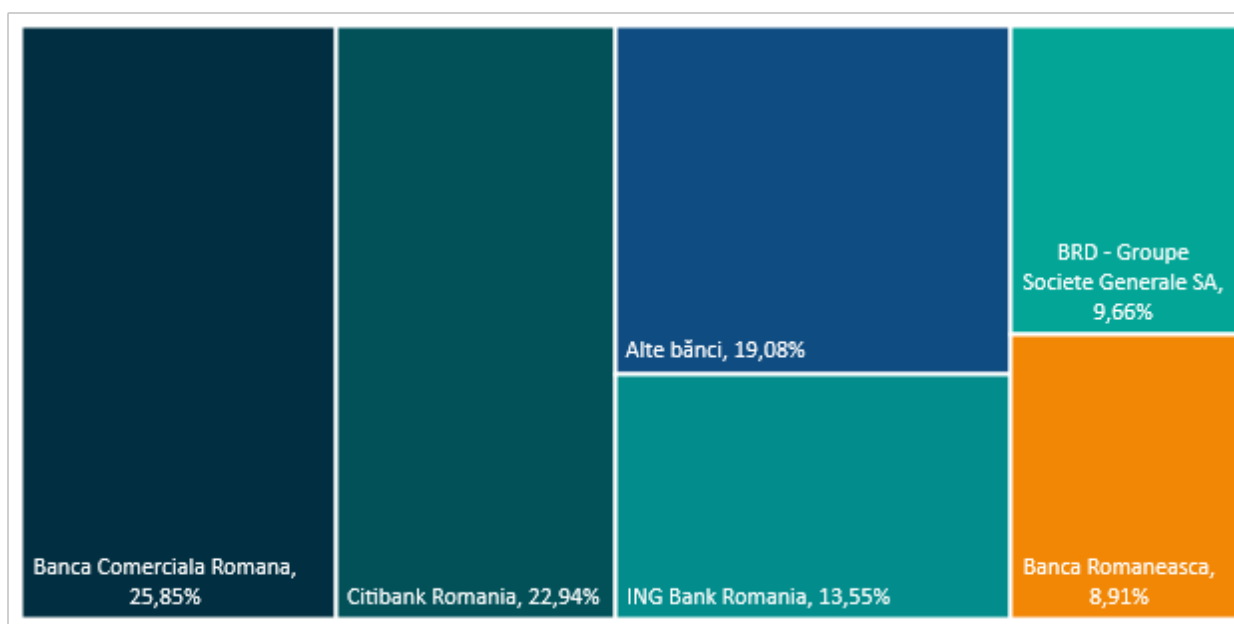
At the end of December 2021, investments in corporate bonds amounted to 6.20 billion lei, with a share of 6.95% in total assets of privately managed pension funds. Investments in bonds issued by foreign non-governmental bodies stood at 1.81%, with investments in municipal bonds at 0.20%.

Chart 104 Structure of corporate bonds by country of issuers as at 31 December 2021



Corporate bond issuers come from countries such as the US (37%), Spain (17%), the Netherlands (10%), France (6%), with local issuers accounting for 25%. The privately managed pension funds invested in Romanian corporate bonds issued by Banca Comercială Română in about 15.28% of total corporate bonds, Raiffeisen Bank S.A. in 7.47%, UniCredit Bank S.A. in 1.93% and Alpha Bank România S.A. in 0.43%.

Chart 105 Issuers of bank deposits and current accounts as at 31 December 2021



The investments of privately managed pension funds in bank deposits and current accounts as of 31 December 2021 were around 1.70 billion lei. The five main institutions with which privately managed pension funds hold bank deposits or current accounts are Banca Comercială Română, Citibank Romania, ING Bank Romania, BRD - Groupe Société Générale S.A. and Banca Românească.

### Rates of return of privately managed pension funds

The annualised rates of return of privately managed pension funds were as follows at the end of December 2021 compared to the same month last year:

*Table 106 Annualised rates of return of privately managed pension funds*

Name of privately managed pension fund	December 2020	December 2021
<b>ARIPI</b>	5.6480%	6.0746%
<b>AZT VIITORUL TAU</b>	5.3412%	5.7763%
<b>BCR</b>	5.6651%	5.6116%
<b>BRD</b>	4.6525%	4.6228%
<b>METROPOLITAN LIFE</b>	5.3996%	5.5931%
<b>NN</b>	5.2742%	5.9138%
<b>VITAL</b>	5.6365%	5.9777%

## 17.3. Voluntary pension funds - Pillar III

At the end of December 2021, ten voluntary pension funds were registered in the Electronic Register of the Financial Supervisory Authority, managed by eight private pension fund management companies. The activity of depositing and custody of assets of voluntary pension funds is carried out by two depositaries.

The total net assets of voluntary pension funds amounted to 3,408 billion lei at the end of December 2021, up by about 16% compared to the same period of the previous year and up by 3% compared to September 2021. The number of registered participants in the voluntary pension scheme as of 31 December 2021 was 564 thousand, with 554 thousand registered as of 30 September 2021.

At the Pillar III level, the average contribution of participants with contributions paid as of 31 December 2021 was approximately 207 lei/participant, up 29% compared to December 2020. In the period January-December 2021, contributions paid into the voluntary pension scheme amounted to approximately 430 million lei, up 16% compared to the same period in 2020.

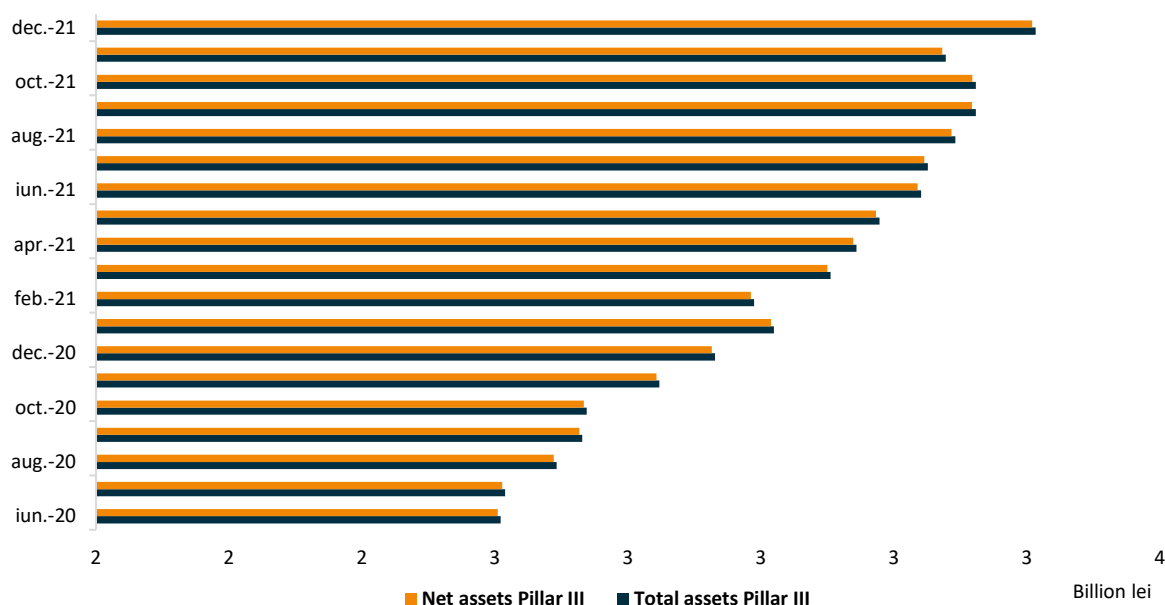
The weighted average rate of return of all high-risk voluntary pension funds was 6.42% in December 2021 and 8.35% in December 2020. The weighted average rate of return of all medium-risk voluntary pension funds was 4.66% at the end of December 2021, lower than in December 2020 (7.55%).

At the end of December 2021, the average value of an account in the voluntary pension system was 6,047 lei, 9% higher than in December 2020, and 53% of the value of an average account in privately managed pension funds. In the period January-December 2021, net personal asset payments were made to participants in the amount of approximately 99 million lei for about 10 thousand participants and beneficiaries.

## Value of assets

Net assets of voluntary pension funds increased in December 2021 compared to the same month of the previous year by about 16%. Despite fluctuations in financial asset prices caused by the COVID-19 pandemic, total assets of voluntary pension funds have developed positively over the past year.

Table 107 Value of assets of voluntary pension funds

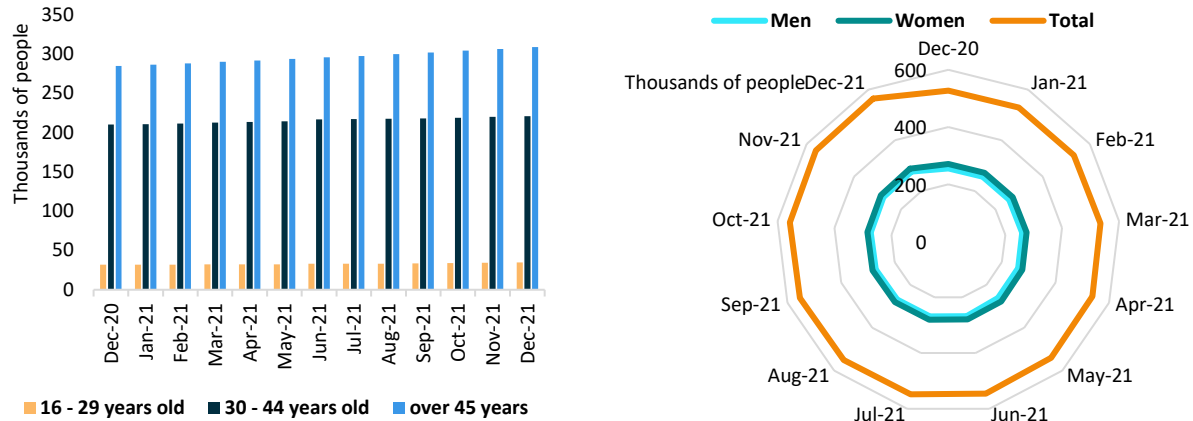


## Participants in voluntary pension funds

As of 31 December 2021, the total number of participants in the voluntary pension scheme was 564 thousand, up 7% compared to the same period last year. From the beginning of the year up to and including December, around 48 thousand people were registered in the scheme, 36% more than the previous year. The top three voluntary pension funds by number of participants, FPF NN Optim (38%), FPF BCR Plus (25%) and FPF NN Activ (11%) remained in the top positions, accounting for around 73% of the total number of people registered in the scheme.

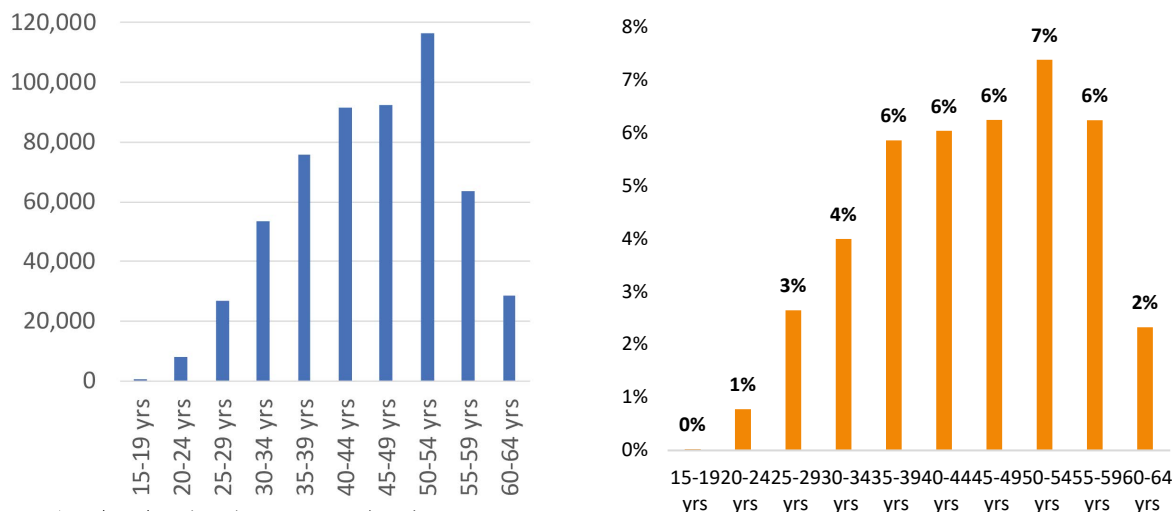


Chart 98 Evolution of the structure of participants by age group (left) and gender (right)



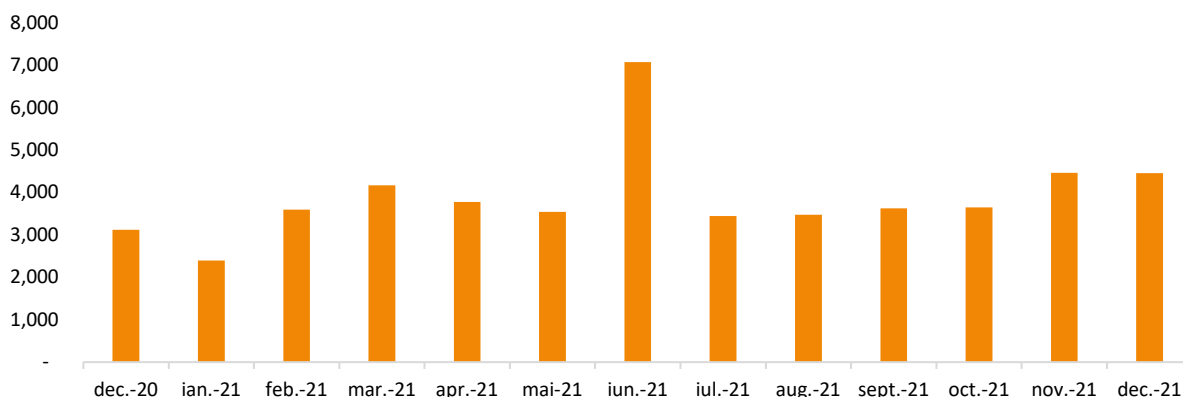
Over the last few months, there has been a stationary evolution of the structure of participants according to their age or gender. In terms of age group distribution, on 31 December 2021, the share of participants aged 16-29 was 6% of all participants, the share of those aged 30-44 was 39% and the share of those over 45 was 55%. The distribution of participants by gender remains constant, with the share of female participants in the total number of participants being 51% and the share of males 49%.

Chart 99 Age structure of participants (left) and penetration (right)



There is a low penetration of voluntary pensions, ranging from 4 to 7% of the population for most age groups. Given demographic developments, which will put pressure on the public pension system, and the relatively low average Pillar II account, there is a need to encourage the population to invest in voluntary pensions.

Chart 100 Monthly evolution of the number of new entrants to the voluntary pension scheme



The number of new entrants in December 2021 reached 4.4 thousand. In December 2021, the NN Optim voluntary pension fund recorded the highest number of new entrants to the scheme, with the next highest numbers being the FPF Pensia Mea and FPF NN Activ.

### Contributions to voluntary pension funds

From the beginning of the year up to and including December 2021, gross contributions to voluntary pension funds amounted to 430 million lei, an increase compared to the same period in 2020. In December 2021, gross contributions amounted to 53 million lei, 43% more than in December 2020.

The average contribution per participant was about 207 lei in December 2021, higher than in December 2020 and up from September 2021. It has been on a continuous positive trend since the establishment of the voluntary pension scheme until the beginning of the pandemic, deteriorating slightly since March, but returning to an upward trend in the following period.

In 2021, total gross contributions increased by 16% compared to the corresponding period in 2020, after having increased by 8% in 2020 compared to the previous year and by 15% in 2019 compared to 2018.

Chart 101 Monthly evolution of average gross contributions paid

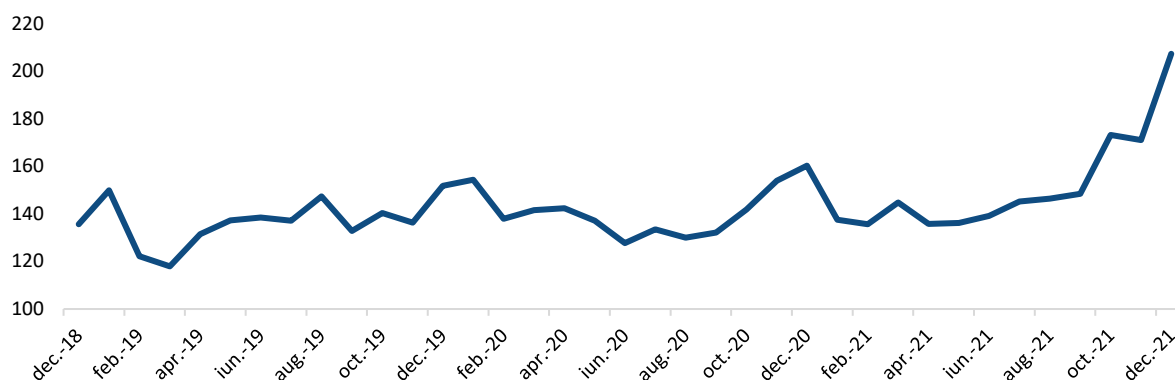


Chart 102 Monthly evolution of gross contributions paid (left) and number of participants with contributions (right)

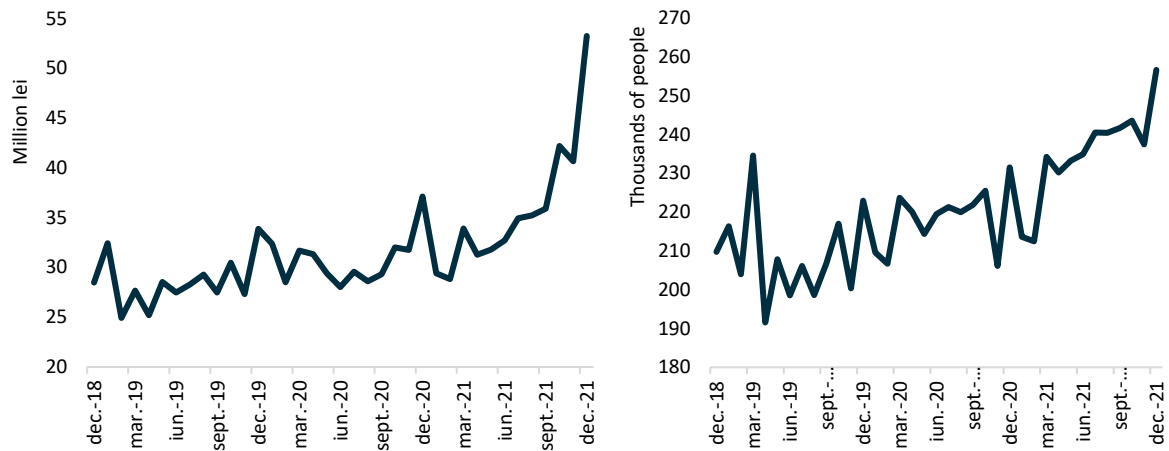
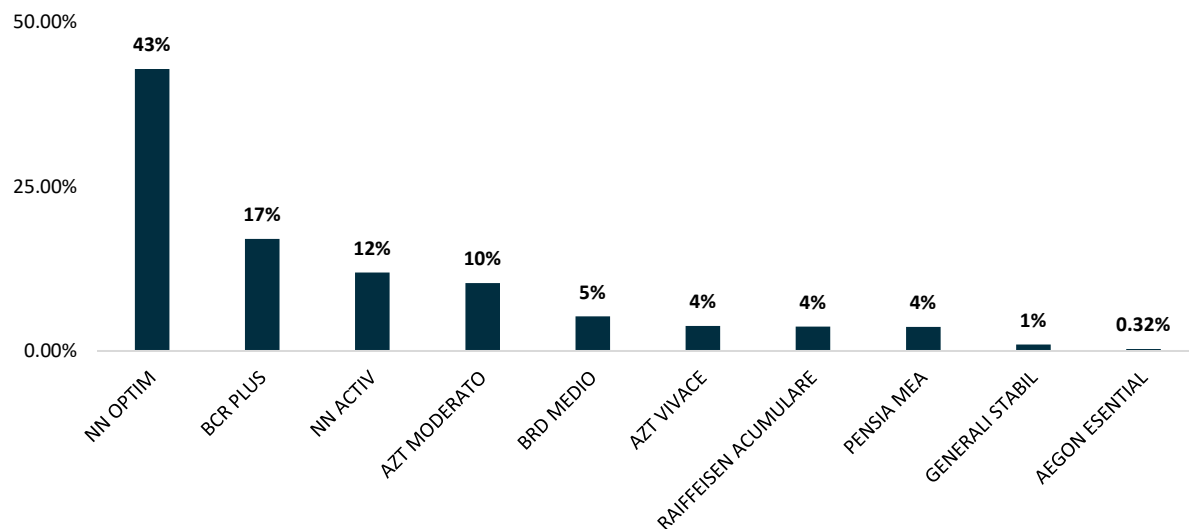
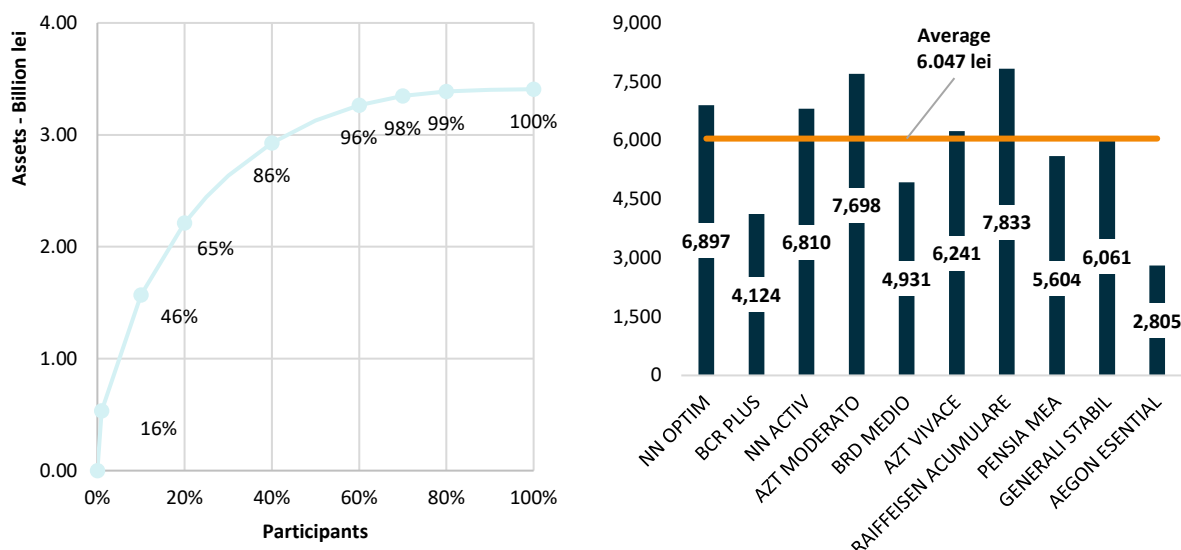


Chart 103 Net assets and market share of voluntary pension funds as at 31 December 2021



There is an even higher concentration of voluntary pension funds than in the case of privately managed pension funds (pillar II), with funds managed by NN ASIGURĂRI holding 55% of the market.

Chart 104 Cumulative distribution of participants' assets (left) and average assets per participant by fund as at 31 December 2021



The average value of participants' accounts varies significantly between the different funds, ranging from 2,805 lei to 7,833 lei. As with Pillar II, the value of assets held by participants is highly concentrated, with just over 10% of participants accounting for 50% of assets. The highest value of an account is 1.49 million lei, while 20% of participants hold assets worth less than 493 lei.

### Payment of net assets on retirement, disability and death related to voluntary pension funds

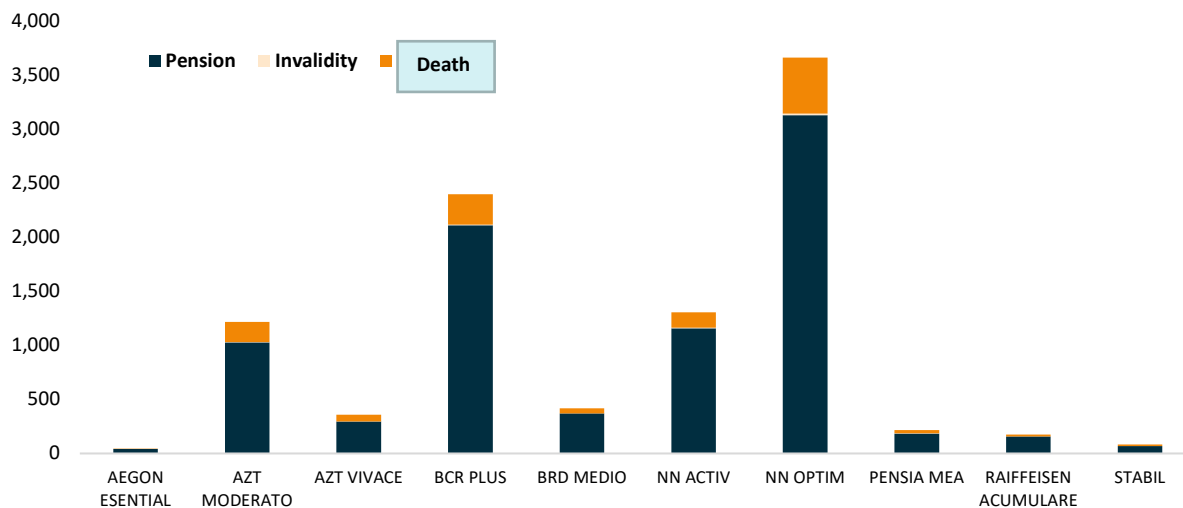
During 2021, payments of net personal assets amounting to approximately 99 million lei were made to approximately 10 thousand participants or beneficiaries. Of the total amount of payments made, 93.18% is related to the opening of pension entitlement, 6.57% as a result of the participant's death and 0.25% as a result of disability.

Chart 113 Value of personal net assets paid in January-December 2021



The preferred method of payment of net personal assets by participants/beneficiaries in 2021 was a single payment, accounting for 66% of all payments made by voluntary pension funds. As a result of the opening of pension entitlement, one-off payments amounting to 55 million lei and instalment payments amounting to 38 million lei were made. One-off payments of 4.95 million lei and instalments of 1.55 million lei were recorded to beneficiaries of net personal assets following the death of the participant. As a result of invalidity, the amount of net personal assets paid out was approximately 215 thousand lei in one-off payments and 33 thousand lei in instalments.

*Chart 105 Structure of net personal asset payments in January-December 2021*

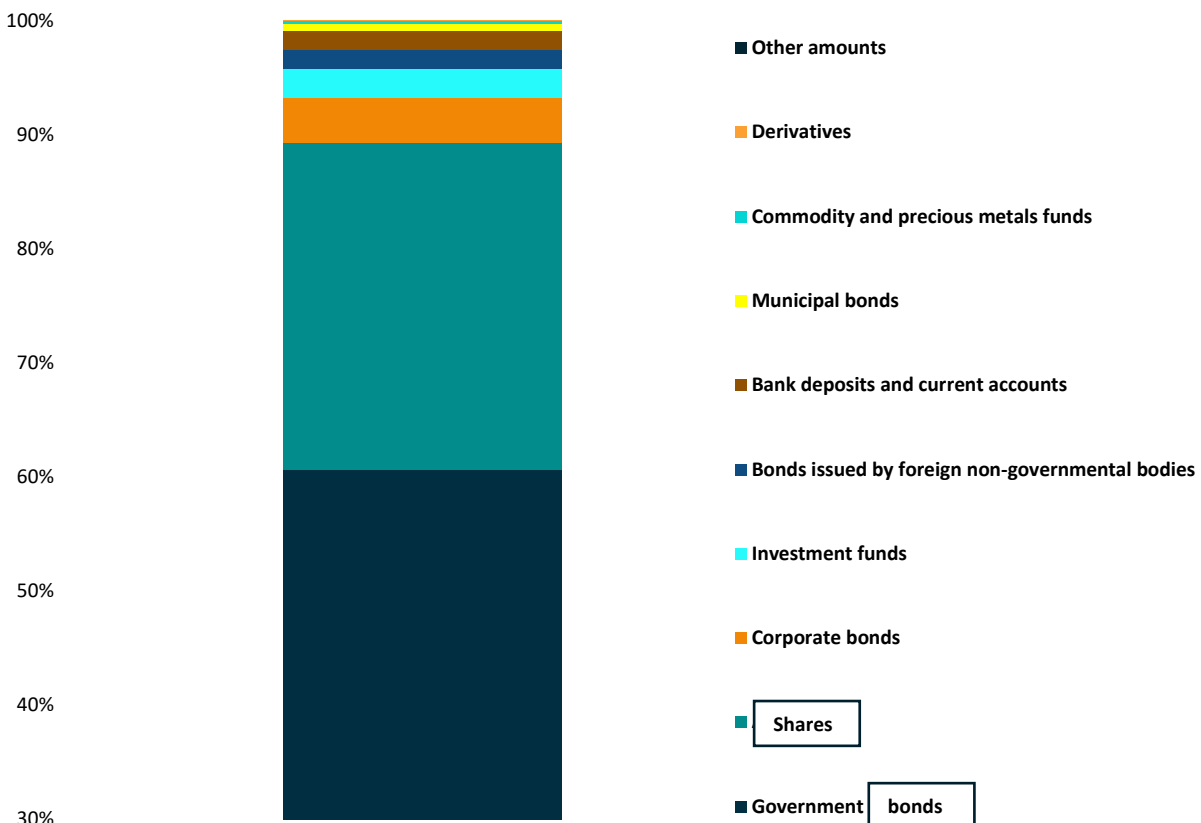


The highest shares in total net personal asset payments in 2021 were recorded by FPF NN Optim (37%), FPF BCR Plus (24%) and FPF NN Activ (13%). The opening of pension entitlement represents the highest share in voluntary pension fund payments.

## Investment structure voluntary pension funds

At the end of December 2021, government bonds and equities remained the main financial instruments in which voluntary pension funds invested. Voluntary pension funds' investments in government bonds accounted for 61% at 31 December 2021, down 2 percentage points compared to end-2020. Investments in equities accounted for 29% of the total assets of Pillar III pension funds. Another important category of financial assets in which voluntary pension funds invested was corporate bonds and UCITS units.

Chart 106 Investment structure of all voluntary pension funds as at 31 December 2021



All voluntary pension funds invested mainly in government bonds, accounting for more than 46% of total assets. Of the ten voluntary pension funds, FPF BRD Medio, FPF NN Optim and FPF Aegon Esențial invested the highest percentage in government bonds, around 64%. Other financial instruments such as equities or corporate bonds are found in the investment portfolios of voluntary pension funds in significant percentages.

Chart 107 Structure of investment portfolios of voluntary pension funds as at 31 December 2021

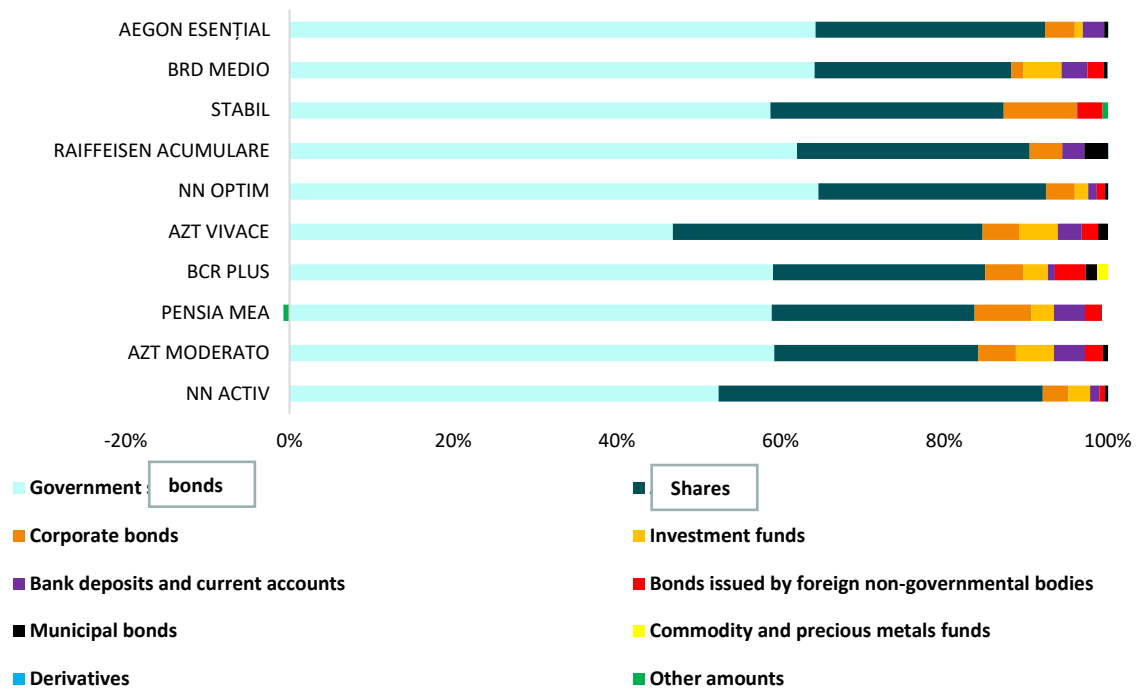
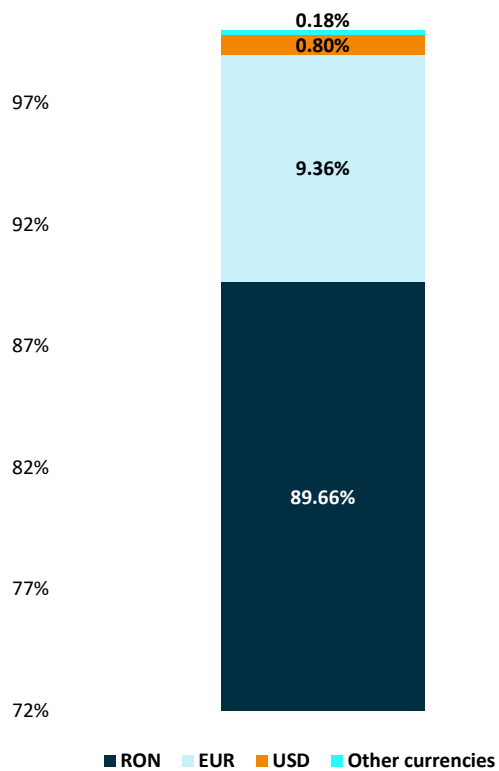


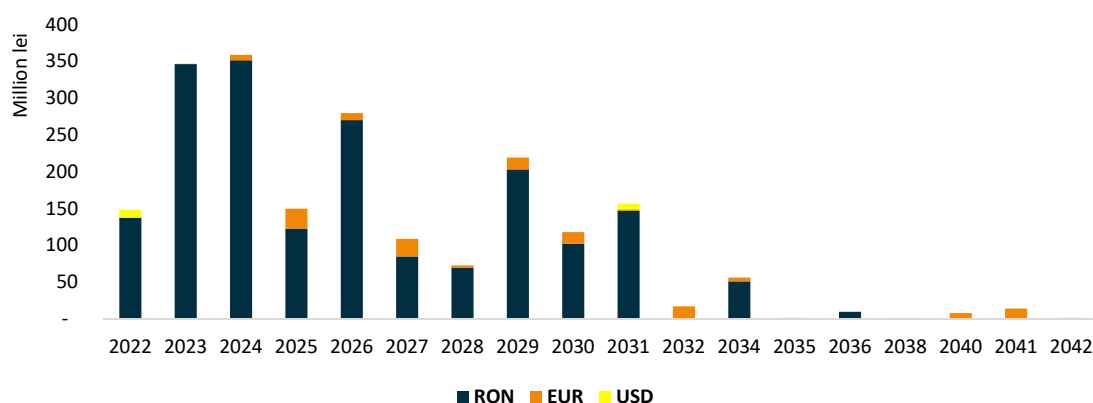
Chart 108 Currency structure of voluntary pension funds as at 31 December 2021



Local investments of voluntary pension funds accounted for about 90%, and of the foreign currency investments, the largest share was in EUR (9%) and US dollars (1%) at the end of December 2021. Only one manager of voluntary pension funds used currency hedging instruments in December 2021.

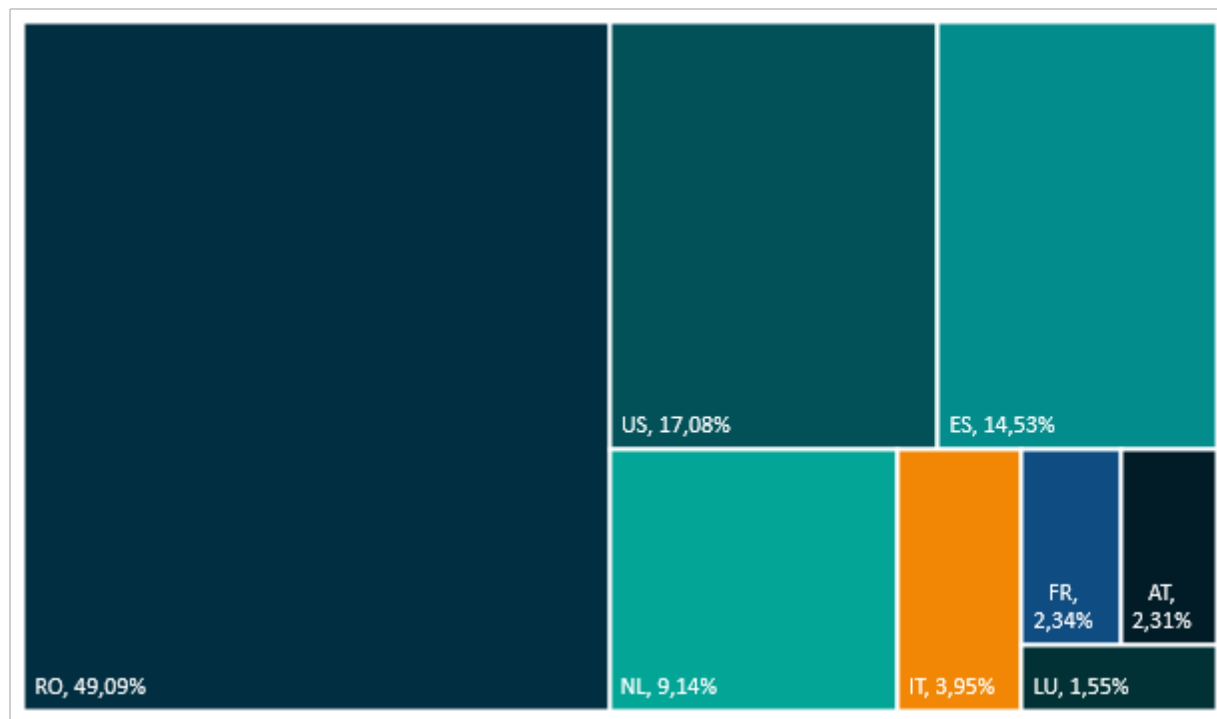
Government bonds denominated in lei account for a significant percentage (92%) of the total government bonds held by voluntary pension funds as at 31 December 2021, while those denominated in EUR are 7% and in US dollar 1%. In the case of lei issues, the highest values were recorded by government bonds maturing in 2023 and 2024, and many of the euro issues mature in 2025.

*Chart 109 Currency and maturity structure of government bonds in the portfolios of voluntary pension funds as at 31 December 2021*



At the end of December 2021, investments in corporate bonds amounted to about 134 million lei, with a share of about 4% in total assets of voluntary pension funds. Investments in bonds issued by foreign non-governmental bodies amounted to about 2%, while investments in municipal bonds were 1%.

*Chart 110 Structure of corporate bonds by country of issuers as at 31 December 2021*





Voluntary pension funds invested 49% in Romanian corporate bonds, 17% in corporate bonds issued by US issuers and 15% in corporate bonds issued by Spanish issuers. Voluntary pension funds invested 29% of their total corporate bonds in Romanian corporate bonds issued by Banca Comercială Română, 11% by UniCredit Bank S.A. and 9% by other companies.

Chart 111 Issuers of bank deposits and current accounts as at 31 December 2021



Investments of voluntary pension funds in bank deposits and current accounts reached a level of over 56 million lei at the end of December 2021. The five main institutions where voluntary pension funds hold bank deposits or current accounts are Citibank, BRD - Groupe Société Générale S.A., Banca Comercială Română, CEC Bank and OTP Bank.

### Rates of return of voluntary pension funds

The annualised rates of return of voluntary pension funds were as follows at the end of December 2021 compared to the same month last year:

Table 108 Annualised rates of return of voluntary pension funds

Voluntary pension fund name	December 2020	December 2021
AZT VIVACE	9.1469%	6.6472%
NN ACTIV	8.0593%	6.3409%
AEGON ESSENȚIAL	8.5537%	5.0071%
AZT MODERATO	8.4399%	5.3304%
BCR PLUS	8.0767%	4.2546%
BRD MEDIO	6.6915%	2.8586%
NN OPTIM	7.2801%	4.8013%
PENSIA MEA	5.9181%	4.6112%
RAIFFEISEN ACUMULARE	7.7471%	5.3414%
STABIL	8.5176%	5.9573%

## 17.4. Occupational pension funds

The changing age structure of the population influenced by increasing life expectancy and falling birth rates, a trend that is expected to continue in the coming decades, will pose significant challenges to the state pension system in terms of ensuring a satisfactory living for beneficiaries. At international level, a solution has been found to eliminate the exclusive dependence on state pensions, namely the promotion of private pensions as a long-term savings instrument, complementary to the state pension. Thus, private pension funds, both compulsory and voluntary, will supplement the income from the state pension so that the difference between the level of the last salary income and the pension income is as small as possible. Private pension funds contribute to a sustainable development of the macro-economic framework and at individual level provide financial security and well-being in retirement.

*Law no. 1/2020 on occupational pensions* transposes into Romanian law the provisions of EU Directive 2016/2341, IORP II, establishing the conditions for the establishment of occupational pension funds. Occupational pension funds are based on a form of social partnership between the employer and its employees, and are also a factor of incentive and reward for employees, as well as their retention. It is thus the employer who proposes the pension scheme for all employees under the collective labour agreement and, in view of his legitimate interest as a contributor to the fund, represents them in their dealings with the administrator, who sets up and manages the occupational pension fund.

In 2020, 14 rules have been developed to implement the occupational pension scheme. In 2021, one rule was issued to detail some conditions for the authorisation of occupational pension administrators. Also, at the meeting of the ASF Council on 09.02.2022, the application of BCR PENSII, Societate de Administrare a Fondurilor de Pensii Private S.A., for authorisation as administrator of occupational pension funds was approved.

Also, in order to provide useful information to all those interested in the concept, mechanism and benefits of occupational pensions, ASF has developed in 2021 the material, *EMPLOYER'S GUIDE - Occupational Pension Schemes* to be published on its website. The employer is an important part in the construction of the occupational pension scheme, which requires guidance in the process of setting up an occupational pension scheme. The *Employer's Guide - Occupational Pension Schemes* contains a range of information on types of occupational pension schemes, occupational pension funds, their administrators, participants in a fund, issues relating to contributions, their rights and obligations, transfer of personal assets or termination of payments, and the role of the Financial Supervisory Authority in regulating, authorising, supervising and controlling entities operating in this field.

The introduction of a new accumulation component for an occupational pension contributes to the development of a long-term savings culture and ensures a flow of indigenous capital into the economy through investments made by occupational pension funds. At the same time, it creates the conditions for ensuring the highest possible replacement income for future pensioners through a joint effort by employers and employees.

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## List of abbreviations

ADP/AS	=	Association for Privately Managed Pensions in Romania
AFIASMS	=	Branches of alternative investment fund managers from other Member States operating in Romania
AFIMS	=	Alternative investment fund managers from other Member States operating directly in Romania
AIF	=	Alternative Investment Funds
AIFM	=	Alternative Investment Fund Managers
AIFMD	=	Directive on Alternative Investment Fund Managers
AIFMDR	=	Alternative investment funds from other Member States whose units are distributed in Romania
AIFRI	=	AIFs for retail investors
AML	=	Anti-Money Laundering Authority
AMLD IV	=	Directive 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing
APAPR	=	Association for Privately Administered Pensions in Romania
ARB	=	Romanian Association of Banks
ARIS	=	Absolute Return Innovative Strategies
ASE	=	Bucharest Academy of Economic Studies
ASF	=	Financial Supervisory Authority
BAAR	=	Romanian Motor Insurers Office Bureau
BCP	=	Business Continuity Plan
BET	=	Bucharest Exchange Trading
BNR	=	National Bank of Romania
BSR	=	Balance Sheet Review
BVB	=	Bursa de Valori București
CAEN	=	Classification of activities in the national economy
CASCO	=	Land transport insurance
CBDF	=	Cross-border distribution of funds
CeIF	=	Closed-End Investment Funds
CIMS	=	Credit institutions in other Member States
CIU	=	Collective Placement Undertakings
CMU	=	Capital Markets Union
COVID-19	=	Infectious disease caused by newly discovered coronavirus
CR	=	Concentration Rate
CRD	=	Capital Requirements Directive
CRR	=	Capital Requirements Regulation
CSD	=	Central securities depository
CSDR	=	Regulation (EU) 909/2014 on improving securities settlement in the European Union and on central securities depositories and amending

		Directives 98/26/EC and 2014/65/EU and Regulation (EU) no. 236/2012
DC	=	Depozitarul Central
DLP	=	Data Loss Prevention
DLT	=	Distributed Ledger Technology
DNB	=	National Bank of the Netherlands
DORA	=	Regulation on digital operational resilience for the financial sector
DR	=	Disaster Recovery
DVCAP	=	Double Volume Cap Mechanism
DvP	=	Delivery vs. Payment
EBA	=	European Banking Authority
EBRD	=	European Bank for Reconstruction and Development
EC	=	European Commission
EFAMA	=	European Fund and Asset Management Association
EIOPA	=	European Insurance and Occupational Pensions Authority
EMIR	=	European Regulation no. 648/2012 on OTC derivatives, central counterparties and trade repositories
ESAs	=	European Supervisory Authorities
ESEF	=	European Single Electronic Format
ESG	=	Environmental, social and governance factors
ESMA	=	European Securities and Markets Authority
ESRB	=	European Systemic Risk Board
ETF	=	Exchange Traded Fund
EU	=	European Union
FATF	=	National SB/FT risk assessment
FIC	=	Financial Investment Company
FICMS	=	Financial investment companies from other Member States
FIIS	=	Financial Instruments and Investments Sector
FinTech	=	Financial Technology
FIRDS	=	Financial Instruments Reference Data System
FISC	=	Financial Investment Services Company
FITRS	=	Financial Instruments Transparency System
FMA	=	Financial Market Authority
FoE	=	Freedom of establishment
FoS	=	Free movement of services
FP	=	Fondul Proprietatea
GDP	=	Gross Domestic Product
GEO	=	Government Emergency Ordinance
GI	=	General Insurance
GME	=	Global Monitoring Exercise
GMW	=	Global Money Week

G-SII	=	Global institutions of systemic importance
GWP	=	Gross Written Premium
HICP	=	Harmonised Index of Consumer Prices
HRG	=	Homogeneous risk groups
IAIS	=	International Association of Insurance Supervisors
IAM	=	Identity and Access Management
IC	=	Investment companies
ICF	=	Investor Compensation Fund
ICMSDR	=	Investment companies from other Member States operating directly in Romania
IFRS	=	International Financial Reporting Standards
ICG	=	Institute of Corporate Governance
PGF	=	Policyholder Guarantee Fund
IMC	=	Investment Management Company
IMCMS	=	Investment management companies from other Member States
IMF	=	International Monetary Fund
INFE	=	International Network for Financial Education, OECD
IOPS	=	International Organisation for Pension Supervision
IOSCO	=	International Organisation of Securities Commissions
IRRDR	=	Insurance Recovery and Resolution Directive
ISC	=	Insurance Supervisory Commission
ISF	=	Institute of Financial Studies
IT	=	Information Technology
IT	=	Information Technology
LB	=	Central Bank of Lithuania
LI	=	Life Insurance
MAR	=	Market Abuse Regulation
MCR	=	Minimum Capital Requirements
MF	=	Ministry of Finance
MFA	=	Ministry of Foreign Affairs
MiCA	=	Regulation of crypto-asset markets
MiFID II	=	Markets in Financial Instruments Directive
MIFIR	=	Regulation on Markets in Financial Instruments
MMFR	=	EU Money Market Funds Regulation
MMPS	=	Ministry of Labour and Social Protection
MTF	=	Multilateral Trading Facility
MTPL	=	Motor Third Party Liability Insurance
NAV	=	Net asset value
NCMS	=	National Committee for Macroprudential Supervision
NFMC	=	National Financial Market Commission

NGFS	=	Network of Central Banks and Supervisors for the Greening of the Financial System
NPF	=	National Protection Fund
NSC	=	National Securities Commission
NSFC	=	National Strategy and Forecasting Commission
OCIU	=	Other Collective Placement Organisations
OECD	=	Organisation for Economic Co-operation and Development (Organisation for Economic
OECD-INFE	=	Co-operation and Development - International Network on Financial Education
OEIF	=	Open-End Investment Funds
OIFMDR	=	Open-ended investment funds from other Member States whose units are distributed in Romania
ONPCSB	=	National Office for the Prevention and Combating of Money Laundering
OPCOM	=	Electricity and Natural Gas Market Operator
ORC	=	Trade Register Office
ORSA	=	Own Risk and Solvency Assessment
OTC	=	Over-The-Counter
OTS	=	Organised trading system
PAD	=	Disaster Insurance Policy
PEPP	=	Pan-European personal pension product
PNRR	=	National Recovery and Resilience Plan
PPRGF	=	Private Pension Rights Guarantee Fund
PPS	=	Procedure for proposing a solution
PPSC	=	Private Pension Supervisory Commission
PPSS	=	Private Pension System Sector
RAF	=	Risk Assessment Framework
RBS	=	Risk-based surveillance
READ	=	Legal Entity Identifier
ROF	=	Rules of Organisation and Functioning
RRA	=	Radio Romania Actualități
RvP	=	Receive vs. Payment
SAL-FIN	=	Alternative Dispute Resolution Entity for Nonbank Financial Disputes
SAR	=	Insurance - Reinsurance Sector
SARIS	=	Suspensions and Restorations Instruments System
SARS-CoV-2	=	New coronavirus
SCR	=	Solvency Capital Requirements
SFTR	=	Securities Financing Transactions Regulation
SIEM	=	Security Information and Event Management
SIP	=	Procedure for imposing a solution

SISA	=	Investment companies from other Member States whose units are distributed in Romania
SME	=	Small and Medium Enterprises
SOL	=	Online dispute resolution
SRSP/SRSS	=	Structural Reforms Support Programme
STS	=	Special Telecommunications Service
T2S	=	Target2-Securities
TRACE	=	Access to Trade Repositories Project
TREM	=	Transaction Reporting Exchange Mechanism, ESMA
TSI	=	Technical Support Instrument
UCITS	=	Undertakings for Collective Investment in Transferable Securities
UCITS	=	Directive 2009/65/EC
UNSAR	=	National Union of Insurance and Reinsurance Companies in Romania
VNAV	=	Unit value of net assets
WIW	=	World Investor Week

