



FINANCIAL  
SUPERVISORY  
AUTHORITY

# ANNUAL REPORT 2022

The Annual Report of the Financial Supervisory Authority for 2022





# ANNUAL REPORT

# MESSAGE FROM THE ASF MANAGEMENT

## FOREWORD

Promoting financial stability, protecting consumer interests and supporting the development of healthy and mature markets in the long term is a key objective of the Financial Supervisory Authority, which thus aims to make an important contribution to Romania's economic development and social welfare.

Key to this task was assessing the resilience of financial markets, identifying vulnerabilities and taking all legal measures to correct the deficiencies found, commensurate with the seriousness of the legal deviations.

The Financial Supervisory Authority continued to strengthen its active supervisory policy and promote strategic activities, with a focus on increased transparency and accelerating the process of digitalisation and innovation in the financial sector. As a result, important new projects were launched, aimed at improving the supervisory function, reducing vulnerabilities and developing key infrastructure elements for cyber risk management.

In line with European concerns about climate change and the transition to a green economy, the Financial Supervisory Authority has aligned itself with best practices, taking on new responsibilities amidst the implementation of the European legislative package on sustainable finance.

Regular dialogue with supervised entities on forward-looking topics in the context of the accelerated transformation of the economy, generated by the integration of environmental, social and governance factors, as well as a result of innovation and digitalisation, has been and will continue to be one of the tools through which the Financial Supervisory Authority communicates development opportunities, but also new categories of risks that need to be addressed both to meet competitiveness challenges and to ensure the protection of consumers of non-bank financial products.

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

**Nicu MARCU, PhD**

President

The Financial Supervisory Authority

## 01

# 1. ABOUT ASF

## 1.1. Short presentation of ASF



With the establishment of the Financial Supervisory Authority in 2013, ASF's activity was shaped around the objectives, duties and prerogatives defined in the 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, aimed at strengthening an integrated framework for the operation and supervision of non-banking financial markets.



**ASF's mission** is to protect the interests and rights of consumers of financial products specific to non-banking markets, develop these markets, ensure their transparency and stability, and increase the level of confidence and financial education of the population.

**The values** on which ASF bases its activity and which, as a whole, define its identity and ensure its specific character and uniqueness are: independence, autonomy, performance, transparency, trust, stability, creativity and responsibility.

The powers and prerogatives conferred to ASF are aimed at regulating, authorising, supervising and controlling specific entities, activities, services and operations carried out within the three non-banking financial markets, the legal objectives pursued being the following:

- ensuring the stability, competitiveness and smooth functioning of financial instruments markets, promoting confidence in those markets and in investments in financial instruments, and ensuring the protection of operators and investors against unfair, abusive and fraudulent practices;
- promoting stability of insurance activity and defending policyholders' rights;
- ensuring the efficient functioning of the private pension system and protecting the interests of participants and beneficiaries;
- ensuring the regulatory framework in line with European standards and the application of best practices for the efficient functioning of the entities and markets supervised by ASF;
- supervising entities in the three sectors of activity by ensuring mechanisms to streamline their operations, methods of assessing and preventing risks that may affect the areas of activity of ASF;
- ensuring financial discipline, conduct of business rules for supervised entities and markets and their transparency;
- strengthening macroeconomic financial integrity and stability by establishing partnerships with other authorities and institutions to develop the national economy.

**From the perspective of the size of the 3 non-bank financial markets supervised by ASF, the following benchmarks are relevant:**

**Total assets amounting to RON 161.2 billion (EUR 32.8 billion), representing 11.89% of the GDP**



### **CAPITAL MARKET**

444 thousand investors in  
securities investment funds  
43 thousand clients of financial  
investment services companies



### **INSURANCE MARKET**

14.1 million general  
insurance contracts  
1.4 million life insurance  
contracts



### **PRIVATE PENSION MARKET**

7.96 million participants in  
Pillar II  
626 thousand participants in  
Pillar III

## 1.2. The ASF governance

In accordance with its founding act, ASF is governed by a Council of 9 members appointed by the Parliament, of which: 5 executive members (the President, the First Vice-President and 3 Vice-Presidents with specific duties corresponding to one of the 3 sectors of financial supervision) and 4 non-executive members. Thus, according to the provisions of Art. 8 of GEO No 93/2012 and in view of 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 Council of the Financial Supervisory Authority in 2022 was as follows:



**NICU MARCU**  
President



**ELENA DOINA  
DASCĂLU**  
First Vice-President



**GABRIEL  
GRĂDINESCU**  
Vicepresident



**CRISTIAN  
ROȘU**  
Vicepresident



**ȘTEFAN DANIEL  
ARMEANU**  
Vicepresident



**JOZSEF  
BIRTALAN**  
Non-executive member



**IOAN GHEORGHE  
ȚARA**  
Non-executive member



**AURA GABRIELA  
SOCOL**  
Non-executive member



**OVIDIU RĂZVAN  
WLASSOPOL**  
Non-executive member

The President represents ASF as an autonomous administrative Authority, as a legal person under public law and in relations under common law, and is the authorising officer. In the event of temporary impossibility of exercising the prerogatives the President, ASF is represented by the First Vice-President.

Convening of extraordinary meetings of the Council shall be made by the President and/or the First Vice-President whenever necessary or at the request of at least four members of the Council and shall be announced at least one working day before the date of the meeting.

The ASF Council shall deliberate validly in the presence of at least half plus one of its members, including the Chairman or, in his absence, the First Vice-Chairman. Decisions shall be adopted by a vote of 2/3 of the members present.

The adopted decision is binding on all the members of the ASF Council, the separate opinion of the members who voted against or abstained from voting being recorded in the minutes of that meeting.



### 1.3. Activity-related milestones in 2022

and with the specific objectives set at European level for the three financial markets supervised and regulated by ASF. Thus, the key priorities for 2022 on which ASF has focused its attention and

In view of the need to structure and organise the annual objectives and activities, the work carried out by ASF during 2022 has been planned in ASF's Programme of Activities for 2022, a document approved by the ASF Council in December 2021. The projects, actions and priorities targeted in this programme have been correlated with the legal requirements for the fulfilment of the objectives of permanent nature

resources have concerned activities along several lines of action, in line with the objectives and actions planned in the national and European context, as follows:

in consideration of the fundamental objectives of ensuring financial stability and protecting investors, consumers, participants and beneficiaries of non-bank financial products and services including:

#### Cross-sectoral priorities

1. Sustainability and resilience of non-bank financial markets - to achieve this objective, priorities are addressed in relation to (i) supervisory convergence; (ii) integration of principles on sustainable finance; (iii) digitalisation and financial innovation;
2. Building confidence in non-bank financial product markets - with the 2 major topics of (i) financial education and (ii) consumer protection;
3. Cooperation with European supervisory authorities and international relations;

#### Sectoral priorities

corresponding to specific activities and actions in each of the 3 sectors of financial supervision and which relate to:

4. Updating the regulatory framework;
5. Strengthening the prudential supervision and conduct function.

In order to achieve these objectives, given the high volume, diversity and complexity of the activities carried out, as well as the topics and documents presented for the adoption of resolutions, the meetings of the ASF Council in 2022 were convened and held weekly, every Wednesday, preceded by

first-reading working meetings during which the topics were analysed and debated at length with the representatives of the organisational structures.

Thus, during 2022, 64 meetings of the ASF Council were held (48 ordinary meetings and 16 extraordinary meetings) during which a total



number of 1354 Notes were discussed and analysed, comprising:

1. endorsement of draft primary legislation falling within its area of competence and their submission for legislative promotion;
2. 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 practice and drafting primary legislation to transpose European legislation;
3. analyses resulting from the approval-authorisation processes resulting in the issuance of individual administrative acts

(decisions, authorisations, endorsements, certificates) addressed to regulated and/or supervised entities at their request;

4. regular reviews of compliance with legal requirements on the level of prudential and conduct indicators;
5. regular analyses of the financial stability and developments in the 3 supervised non-bank financial markets;
6. analyses of the supervision and control processes and the use of the results by applying sanctions and action plans/recovery plans to prevent/correct identified deficiencies and/or to manage specific risks appropriately.

Thus, in 2022 a total of 54 normative acts (regulations, rules, instructions) were approved by the ASF Council, with a further 15 draft normative acts in preparation for approval in 2023. At the same time, 80 decisions were issued containing internal provisions and measures, 1015 individual acts (opinions, authorisations, certificates and decisions), 756 letters issued following the solutions established by the Decisions taken during the meetings of the

ASF Council and 1 joint order issued with the Ministry of Health.

In the course of 2022, the following sanctions were imposed on entities carrying out activities and services with non-banking financial products in the financial instruments and investment market (capital market), insurance-reinsurance market and private pension market:

the meetings of the

Sanctions and administrative measures imposed by ASF in 2022					
Type of sanction/measure		Entities in the Financial Instruments and Investments Sector	Entities in the Insurance – Reinsurance Sector	Entities in the Private Pension System Sector	TOTAL
Cautionary note		31	-	-	31
Written warning		61	20	19	100
Contravention fine	number	68	37	16	121
	value (lei)	1,414,800	6,487,044	942,850	8,844,694
Plan of measures ordered for companies		18	8	18	44
Other types of measures (provisions for respecting shareholders' rights, ensuring compliance of financial statements with IFRS, compliance with the withdrawal procedure)		11			11
Temporary prohibition of activity		-	-	4	4
Suspension of operating authorisation		2	-	-	2
Withdrawal of operating authorisation		-	1	-	1
Total sanctions and administrative measures applied		191	66	57	314

Through the implemented measures, projects and activities carried out by each organizational structure within ASF, finalized by resolutions, individual acts and normative acts adopted by the ASF Council, the achievement of the objectives for the year 2022 defined in accordance with the legal objectives of a permanent nature, provided for in the Emergency Ordinance no. 93/2012 is highlighted.

The planned objectives for the current year are set out in the annex to this report, ASF's Programme of Activities for

2023 being an integral part of the multiannual objectives that will govern the Authority's actions and projects in the period 2023-2025.

This activity report of the Financial Supervisory Authority for the year 2022, presents below in detail the activities, provisions and measures adopted by ASF, which are focused around the regulatory, licensing, supervisory and control functions and subsumed under the Authority's objectives of a permanent nature set out in the applicable legislation and in the Activity Programme for 2022.

## **1.4. Major projects carried out by ASF in 2022**

### **1.4.1. Major projects carried out in the field of financial instruments and investments (SIIF)**

#### **• Completion of the project on "National Strategy on Capital Market Development"**

The "National Strategy on Capital Market Development" project started in October 2020, with the involvement of ASF, in partnership with the Ministry of Finance (MF), with technical advice provided by the Organisation for Economic Co-operation and Development (OECD).

The project was funded by the European Commission and was carried out in three phases.

**The first phase** was completed in February 2021 and consisted of a report on the key characteristics of the corporate sector, access to finance and the current state of the Romanian capital market.

In the second phase, the Diagnostic Report on structural problems and significant barriers in the development of the capital market of Romania - "Developing a Capital Market Strategy for Growth in Romania"

was prepared and included OECD recommendations to support the development of the Romanian capital market so that it plays a central role in promoting economic growth.

Based on the assessments and recommendations of the OECD Phase II Diagnostic Report, the last stage of this project was the development of the National Strategy on Capital Market in Romania for the period 2023 - 2026 by ASF and MF.

In order to achieve the expected results, taking into account also Romania's National Recovery and Resilience Plan following the crisis caused by the



COVID-19 pandemic, approved by the EU Council on 28 October 2021, the National Strategy on Capital Market Development in Romania for the period 2023 - 2026 has been shaped around nine general objectives that are divided into several specific objectives, namely:

- I. Improved conditions for listing on the capital market;
- II. Increased liquidity in the secondary market;
- III. Promote, develop and grow an active SME market;
- IV. Promoting savings among individual investors, as well as increasing individual investor participation and business to the capital market;
- V. Increasing the role of institutional investors;

- VI. Facilitating long-term financing through market mechanisms;
- VII. Supporting digitalisation and financial innovation;
- VIII. Supporting the development of the local private equity and venture capital market;
- IX. Stimulating green investment.

The Strategy draft was published on 07.10.2022 on the website of the Ministry of Finance for public consultation. Following the analysis by ASF of all comments and proposals received during the public consultation, at the end of December 2022, the ASF Council approved the revised form of the **National Strategy for the development of the Romanian capital market for the period 2023 - 2026**, as well as its submission and the related Explanatory Memorandum to the Ministry of Finance.

## . Continuation of the efforts to support the establishment of a central counterparty

The entity that will manage the central counterparty was established as a legal entity at the end of 2019 (CCP.RO Bucharest SA) and will host the infrastructure that will allow the relaunch of the derivatives market in Romania. After obtaining the necessary authorizations to operate, this entity will provide new mechanisms for risk mitigation and transfer for the markets operated by BVB and OPCOM, contributing to increase investor confidence and activities in these markets.

The process of approving the operation of the CCP is particularly complex and involves both technical preparation and testing, as well as the development of documentation containing the operational processes and governance system. The verification of compliance with the requirements of Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) will be carried out by the authorisation college composed of ASF, NBR, ESMA, in accordance with the applicable European framework.

During 2022, ASF continued its analysis of the draft methodologies, procedures and rules that will form the basis of the functioning of CCP.ro, comments and proposals being communicated regarding

the submitted documentation. Given the involvement of the NBR and ESMA in the authorisation of the CCP, ASF has initiated meetings and exchanges of information and documents with ESMA and the NBR on this issue. Regular meetings were also held with the representatives of the CCP.RO, and project presentation sessions were organised.

CCP.RO also ran the first test sessions during 2022 to verify the functionality of the clearing system in the simulation program. The testing was aimed precisely at the purpose of these functionalities, to provide clearing members, their clients and the settlement banks involved/interested with the related services for clearing, guaranteeing and settling transactions concluded in the markets to be served.

Milestones for project completion are being continuously monitored.





#### • Annual assessment of Depozitarul Central according to the European legislation

In accordance with Art. 22 para. (1) of Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositaries, ASF, as the Competent Authority, shall examine at least once a year the arrangements, strategies, processes and mechanisms implemented by the Central Securities Depositary to verify compliance with the requirements of the EU Regulation and the delegated acts, and shall assess the risks to which the Central Securities Depositary is or might be exposed, as well as the risks generated by it to the financial stability of capital markets.

Thus, at the beginning of 2022, ASF approved

the results of the second evaluation exercise of Depozitarul Central, carried out in collaboration with the NBR and the ECB (European Central Bank).

Following the assessment exercise, which was based on data, information and documents provided by the Depozitarul Central SA, it emerged that the activity carried out by the company complies with the requirements of Regulation (EU) No 909/2014 on improving securities settlement in the European Union and on central securities depositaries and delegated acts, and no problems were identified that could affect the proper performance of the services provided by Depozitarul Central SA.

#### • Supervisory exercise on the valuation of assets in the portfolios of CIUs

In 2022, ASF carried out the Common Supervisory Action (CSA) exercise on the valuation of assets in investment fund portfolios, following proposals from the committees and working groups organised by ESMA in the investment funds segment - the Investment Management Standing Committee (IMSC) and the Operational Working Group (OWG), in which ASF actively participates.

The supervision exercise aimed to obtain a picture of the activity of investment fund managers, namely:

(1) compliance with the organisational and operational requirements laid down in UCITS and AIF legislation, in particular those relating to the establishment and uniform application of policies and procedures for

the valuation of the assets under management and (2) the use in the valuation of the assets of the valuation methods laid down in the applicable UCITS and AIF legislation, which reflect a true and fair view of the financial position of the funds under management under both normal and exceptional conditions in the financial markets.

The exercise revealed that the asset valuation methods of investment fund portfolios are in line with the legal provisions in force and are included in the prospectuses and pre-contractual documents - their adequacy and compliance with the legislation is therefore verified, approved and authorised by ASF.

The results of this exercise have been submitted to ESMA for analysis and standardisation of the results received from the National Competent Authorities.

### 1.4.2. Major projects carried out in the field of insurance and reinsurance (SAR)

- Completion of the project “Technical assistance on strengthening the function of the Financial Supervisory Authority in supervising the conduct of business in the Romanian insurance market”, carried out jointly with the European Commission and EIOPA

**The project was funded by the European Commission through the Structural Reform Support Programme (SRSP) and involved technical assistance from EIOPA (the European Insurance and Occupational Pensions Authority) in the area of supervision of the conduct of insurance distributors.**

The project resulted in the development of a conceptual supervisory framework, namely the Insurance Distributor Conduct Supervision Manual, structured according to the factors that generate conduct risks throughout the life cycle of insurance products, 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 within the insurance product distribution processes and risks generated by the interaction of distributors with customers in the post-sale stages.

In 2022, operational procedures were developed and revised in order to transpose the requirements of the Supervision Manual and the Conduct Supervision Plan for 2023 was developed.

As the project “Technical Assistance on Strengthening the ASF Conduct Supervision Function in the Romanian Insurance Market” has been completed, ASF participated in the Working Group organised by TAIEX in collaboration with EIOPA on Conduct Risk Assessment and Digital Distribution Channels for the whole market and for insurance companies.



#### • Completion of the valuation of assets and liabilities in the Romanian insurance market (BSR)

In order to have a detailed picture of the risks and vulnerabilities in the insurance sector, including from the perspective of potential contagion to the financial sector and the real economy, ASF has launched in 2020, in cooperation with EIOPA (European Insurance and Occupational Pensions Authority), a Balance Sheet Review (BSR).

##### BSR objectives:

- analysis of the insurance portfolio of each participating insurance company in order to determine the obligations in the insurance contracts, assessing the adequacy of the Solvency II technical reserves and making an informed estimate of the economic value of those technical reserves;
- assessing the Solvency II adequacy of the recognition and measurement principles applied to all assets and liabilities;
- the assessment under Solvency II of the effectiveness of risk transfers to third parties of risks arising from (re)insurance contracts concluded by insurance companies

- including reinsurance contracts;
- calculation of prudential indicators in accordance with Solvency II (Minimum Capital Requirement - MCR, Solvency Capital Requirement - SCR and equity);
- assessing adequacy of the governance system in Solvency II;
- assessing the risks of insurance companies, better understanding and raising awareness of risks and vulnerabilities in the insurance sector, including potential contagion to the wider financial sector and the real economy.

During 2022, the implementation plans of the recommendations made by the companies participating in the BSR exercise were monitored.

All participating companies were required to submit, within 30 days of receipt of the decision, plans to implement the auditors' recommendations. The companies reported quarterly on the status of implementation of the recommendations, the actions taken and submitted supporting documentation on the implementation.

#### • Technical Assistance Project for the National Commission for Financial Market (NCFM) of the Republic of Moldova

In 2022, ASF was 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 Commission for Financial Market (NCFM) of the Republic of Moldova, within the framework of the European Commission Twinning Programme "Strengthening supervision, corporate governance and risk management in the

financial sector". The project is dedicated to strengthening supervision, corporate governance and risk management in the financial sector. ASF experts ensured and implemented the planned activities under the component "Development and implementation of a new legal framework on supervision of the insurance sector and motor liability insurance" of the project, by carrying out specific analyses, providing the conclusions resulting from the analyses carried out and drafting the supporting documentation.

### 1.4.3. Major projects carried out in the field of the private pension system (SPP) •

#### Contributions to the review of the primary legislative framework applicable to the private pension system

By analysing the evolution and importance of the private pension system, its development compared to the time of the system's inception, in the current context characterised by high levels of risk, ASF considered necessary to modernise the primary regulatory framework in order to bring additional measures to protect participants' assets for the benefit of participants.

Thus, in order to strengthen the governance and investment rules and for the safety of the system, the draft Emergency Ordinance for the amendment of certain regulations in the field of private pensions was adopted, which amended and supplemented the provisions of Law No 411/2004 on privately managed pension funds, republished, with subsequent amendments and additions, Law No 204/2006 on voluntary pensions with subsequent

amendments and additions and Law No 187/2011 on the establishment, organisation and operation of the Guarantee Fund for private pension rights. (GEO No 174/2022).

Government Emergency Ordinance No 174/2022 amending and supplementing certain regulatory acts in the field of private pensions was published in the Official Journal of Romania, Part 1, No 1201, on 14 December 2022 and includes: principles on investment rules, the powers of the management structure of the private pension fund, additional rules for risk management and the internal control system, as well as for the functions of the depositary, ensuring the strengthening of the supervisory capacity of ASF.

#### • Continuation of the occupational pension system implementation project

ASF continued the process of implementing the occupational pension system, through the normative acts issued based on Law No 1/2020 on occupational pensions, with subsequent additions.

Thus, in 2022 the Rule on the actuarial calculation of the technical provision for occupational pension funds was approved.





#### 1.4.4. - Projects on digital finance and sustainable finance.

The objective of digitalisation and implementation of green finance policies has also been the focus of the Authority's work in 2022 and is a firm commitment that requires the allocation of significant internal resources to achieve it. In order to respond to the challenges arising from the economic, geopolitical context and to address

overall economic and technological changes and adjustments, the activities carried out at the Authority level are aimed at improving knowledge in the areas of digital finance and sustainable finance, as well as identifying projects that can support the enhancement of the expertise of ASF employees in these areas.

##### • The Digital Finance Project

Following the submission of the applications according to the timetable set by the SGG and the selection process of DG REFORM, ASF has been selected as a Participating Authority in the European project EU SDFA (EU Supervisory Digital Finance Academy), together with other competent authorities from the Member States, to participate in the training sessions offered within the Academy, according to the curriculum and timetable established at EC/DG REFORM level.

The EU SDFA addresses the need for competent authorities in the Member States to strengthen supervisory capacity in the area of digital finance and the innovative technologies used, taking into account the objectives of the EU Digital Finance Strategy, and encourages supervisory convergence between activities in the financial sector.

Through this project a systematic training programme will be provided, a common platform designed to enable financial supervisors to deepen their understanding of the complex world of FinTech and thus implement innovative technologies and best practices in the field of digital finance in their day-to-day work.



The project started in 2022 and involves the participation of experts appointed by the national supervisory authorities in the learning process and in the seminars and activities proposed in the framework of the EU SDFA for a duration of 3 years. ASF representatives have participated in a series of trainings, courses, workshops, presentations on topical and interesting issues in the field of digital finance and operational resilience, so that the expertise and knowledge gained from attending them, have been and will be used in the current work, according to their duties.

Also in the sector of activities related to digital finance, in order to monitor and prepare the necessary steps, including the drafting of the regulatory acts implementing the European legislative package, ASF organized debates with other authorities and relevant stakeholders in the supervised markets, and in 2022 a cross-sector working group was set up to analyse and implement the provisions of the three pieces of legislation, as follows:

1. Regulation (EU) 2022/858 of the European Parliament and of the Council on a pilot regime for market infrastructures based on distributed ledger technology (DLT) and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU;
2. Draft Regulation on Markets in crypto-assets (MiCA);
3. Regulation (EU) 2022/2554 of the European Parliament and of the Council on Digital Operational Resilience for the financial sector (DORA).

Taking the opportunity provided by the DLT Regulation (applicable from March 2023) to develop pilot platforms on DLT-based infrastructures, ASF has published

to the attention of entities interested in developing trading and settlement systems based on this distributed ledger technology, a documentation material containing the requirements of the European regulatory act and in parallel organised a series of consultations and discussions with representatives of market entities as well as representative associations.

At the same time, at the level of ASF, in 2022, internal analyses were started on the implications of the provisions of the DORA<sup>1</sup> Regulation and the draft MiCA<sup>2</sup> Regulation, in order to identify the optimal measures and internal adjustments of an organisational nature to take place in order to create a suitable framework for the application of these Regulations. The creation of new types of services and assets (crypto-assets), the increase of digital operational resilience in financial entities and the supervision of these new activities and entities are current challenges for the Authority, the aim of the Authority being to understand, manage and mitigate the risks that are generated by them.

<sup>1</sup> Published on 27 December 2022, with an entry into force date of 17 January 2023, to apply from 17 January 2025

<sup>2</sup> Estimated to be approved at the end of Q2 2023

## . Sustainable Finance Project



Amid global concerns about mitigating the ongoing effects of climate change, to promote the importance of green investment in fostering sustainable growth and strengthening resilience in the financial sector, ASF has proposed a project with funding from the European Commission's (EC) Technical Support Instrument 2022 to implement the European regulatory framework for the incident. The Sustainable Finance - Enhancing Supervisory Capacity project was approved by the European Commission in March 2022 as part of a multi-country project, the beneficiaries being the financial supervisory authorities of Romania, Malta, Croatia and Poland. At the end of 2022, the European Commission announced the completion of the selection procedure of the consultant for this project and the contract was awarded to the group represented by Deloitte Consulting & Advisory BV.

In this context, the project started in January 2023 and will run for about 22 months. The aim of the project is to establish a framework for raising awareness of the importance of green investments,

sharing experience and best practices with other similar authorities, including the European Supervisory Authorities (ESMA, EIOPA) and improved supervision of sustainable finance issues in non-bank financial markets, with the following objectives to be achieved:

- Development of a multi-level green transition awareness campaign through workshops and market guidelines;
- Assessing and improving the existing regulatory framework for stimulating the transition to green investment, and the preparation by the consultant of a Report with recommendations in this respect;
- Strengthening the capacity for oversight based on the European legislative framework and best practices in the EU by organising training sessions, workshops and formulating recommendations for oversight tools for reporting and transparency requirements in the area of sustainable finance, including identifying possible indications of greenwashing.

# ASF's ACTIVITY IN 2022

## 2. FINANCIAL STABILITY AND MACROPRUDENTIAL SUPERVISION OF THE NON-BANK FINANCIAL SYSTEM





## 2.1. The National Committee for Macroprudential Oversight

According to its legal framework<sup>3</sup>, the National Committee for Macroprudential Oversight (NCMO) is an inter-institutional cooperation structure, comprising representatives of the National Bank of Romania, the Financial Supervisory Authority and the Government, whose mission is to ensure coordination in the field of macro-prudential supervision of the national financial system, by establishing macro-prudential policy and the appropriate instruments for its implementation.

NCMO issues recommendations and warnings to the NBR, ASF and the Government in order to maintain financial stability, subject to the “comply or explain” regime.

The NCMO is governed by a General Council composed of 9 members, including 3 representatives of ASF: President, First Vice-President and a Vice-President appointed by the ASF Council. The fundamental objective of the NCMO is to contribute to safeguarding financial stability, including by strengthening the resilience of the financial system to shocks and reducing the build-up of by risks systemic risks, thereby ensuring a sustainable contribution of the financial system to economic growth.

In order to achieve the fundamental objective, the NCMO has several tasks, in particular relating to: identifying, collecting and analysing the necessary information; identifying, monitoring and assessing systemic risks, systemically relevant financial system structures, developing macroprudential policy strategy; issuing recommendations and warnings to prevent or mitigate systemic risks to the stability of the national financial system (including ensuring the implementation of the recommendations of the European Systemic Risk Board), and monitoring the implementation of the recommendations issued by the Board and the measures adopted at national level as a result

thereof. The NCMO members are informed annually on the implementation of the recommendations issued, by their recipients, and the information is to be published on the NCMO website in a dedicated section<sup>4</sup>.

During 2022, as a result of the debates and resolutions adopted in the four quarterly meetings of the NCMO General Council, 7 recommendations were approved, of which one recommendation is also applicable to ASF:

- **NCMO Recommendation R/3/2022** on sustainable increase in financial intermediation.

The measures related to the recommendations made in previous years were also analysed as follows:

- **NCMO Recommendation No R/6/2021** on supporting green finance;
- **NCMO Recommendation No R/4/2018** on the implementation of macroprudential tools to meet the intermediate objectives contained in the National Committee for Macroprudential Oversight's Framework for macroprudential policy strategy.

<sup>3</sup> Law No 12/2017 on macro-prudential supervision of the national financial system

<sup>4</sup> <https://www.cnsmro.ro/politica-macroprudentiala/modul-de-implementare-de-catre-destinatari-a-recomandarilor-emise-de-cnsm-2/>

In view of its tasks, ASF has contributed to the state of implementation of these recommendations as follows:

- **NCMO Recommendation No R/3/2022<sup>5</sup> on sustainable increase in financial intermediation**

The provisions of the recommendation, addressed to ASF, aimed at improving the financial education of entrepreneurs and increasing the professional training of employees in the financial system, the following being recommended:

- Initiating, together with academia and the financial system, programmes to raise awareness on the use of capital market instruments;
- Initiating programmes to (i) increase financial education of entrepreneurs, and (ii) creating a national training framework for young people, involving specialists from banks and other financial institutions, the entrepreneurial environment, and teachers from pre-university and university environments;
- Involving more extensively the human and material infrastructure of NBR and ASF and intensifying collaboration with the financial-banking environment and the academia in order to (i) develop research in the financial-banking field.

In order to meet the recommendations, ASF carries out national financial education programmes, allocating its own resources as well as through the Institute of Financial Studies Foundation (ISF), an organisation set up by ASF and aligned with its strategic objectives.

The main actions and projects carried out by ASF in 2022 in the field of financial education are presented in point 9.4.

At the same time, in order to diversify in a sustainable way the sources that could increase financial intermediation, the NCMO recommended ASF:

- to increase the competitiveness of the Romanian capital market by supporting the implementation of innovative distributed ledger technologies (DLT) among entities providing market infrastructure, through the implementation of a pilot project for a DLT-based trading and settlement system in line with the European framework;
- Encourage the listing of companies on the multilateral trading facility managed by BVB, including by (i) simplifying listing procedures and (ii) implementing the use of an electronic platform accessible by the issuer and the authorities responsible for approving listing applications.

In application of these recommendations, the evolution of the EC digital finance package was monitored and the necessary measures to prepare the digital transformation of the non-bank financial markets were initiated, in line with the measures established at the European level, with a permanent Working Group on Digital Finance being set up within ASF. It is currently carrying out activities to support the implementation of Regulation (EU) 858/2022 on a pilot scheme for market infrastructures based on distributed ledger technology, with a view to identifying the solutions needed for its best implementation. The recently adopted EU Regulation 858/2022 applies from 23 March 2023, with the capital market entities providing the infrastructure (Bursa de Valori, Depozitarul Central) being informed of this opportunity to develop a pilot regime based on distributed ledger technology (DLT).

<sup>5</sup><https://www.cnsmro.ro/politica-macroprudentiala/lista-recomandarilor-2022/>

**Among the activities carried out by the working group on Digital Finance set up in ASF are:**

- I. steps to amend Law No 126/2018 to transpose the amendment to Directive 65/2014 made by Regulation (EU) 858/2022 (definition of financial instruments) and mentioning the competent authorities;
- II. conducting analyses to establish the levels for the value thresholds for trading DLT-based financial instruments at national level;
- III. organising internal consultations on proposals for approval for the granting of permissions and derogations, as well as the necessary compensatory measures for entities wishing to engage in DLT- based market infrastructure;
- IV. providing support to interested entities on compliance with the requirements of the regulation;
- V. preparation of information materials and organisation of meetings with capital market entities potentially interested in setting up DLT-based infrastructure (Bursa de Valori București, Depozitarul Central, Bursa Română de Mărfuri) as market infrastructure operators;
- VI. organising meetings with representative capital market associations to present the European Regulation.

At the same time, in order to simplify the listing process in the MTS, ASF organized discussions with representatives of BVB with the aim of establishing a plan to achieve the objectives set out in NCMO Recommendation No. R/3/2022, which states that:

- it was agreed that BVB should explore the possibility of simplifying the listing procedures, with further discussions to be held with ASF on the issues concerned;
- at the request of ASF, BVB initiated the development of a test platform for the first phase of the listing process, i.e. the one related to the BVB's agreement in principle. Following the test, BVB has sent ASF a presentation of this platform, and the technical aspects of the next stages and their extension to the regulated market will be discussed.

Following these steps initiated by ASF, in December 2022, BVB implemented measures that led to the simplification of the listing procedures for companies on the multilateral trading system managed by BVB, and the institution is still exploring the entire process of admission to trading in order to identify other possible solutions to further simplify this process.

The newly introduced measures aimed at simplifying document flows and standardising them, as well as increasing transparency and investor protection.

In order to increase investor protection, for the attractiveness of share issuers, ASF approved the amendment of the BVB-MTS Code, adding the 2 admission requirements, namely 10% free-float and a minimum of 30 shareholders.



The recommendation was addressed to ASF and the NBR and concerned:

- Communication by national authorities to entities in their area of competence of recommendations on a prudent approach to climate risk. The recommendations will cover at least the following areas: (i) governance, (ii) strategy, (iii) risk management, (iv) scenario analysis and stress testing and (v) transparency. Deadline for implementation: 31 December 2021.
- Examining the opportunity to relax prudential requirements for green finance, in line with similar concerns at European level, with a view to stimulating this type of lending without affecting financial stability. Deadline for implementation: 30 June 2022.

With reference to the recommendation to communicate to entities within the scope of competence of ASF recommendations on addressing climate risk, due to the complexity of the sustainable finance business area, involving legislative changes and change of 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 working group on green transition. In line with the NCMO recommendation, ASF has published a set of recommendations aimed at supporting supervised entities by providing a first set of information on sustainable financing, in particular on the growing importance of sustainability risks, in a global, European and local context that strives to support the financing of environmentally sustainable activities with the aim of transforming real economies into long-term sustainable ones.

Thus, the Financial Supervisory Authority issued in the last part of 2021 a series of **Recommendations on a prudent approach to climate risk**<sup>7</sup>, which addressed the requirements indicated by the NCMO Recommendation. These were addressed to entities supervised by ASF which are also covered by Art. 2 of the Regulation (EU) 2019/2088 on information on sustainability in the financial services sector: insurance companies, insurance intermediaries, pension fund managers, investment fund managers, investment firms, issuers, financial consultants. The recommendations addressed by ASF to supervised entities were accompanied by a brochure published on the ASF website containing guidelines and references for understanding and implementing sustainability requirements as well as a reporting form on the steps taken in this respect<sup>8</sup>.

<sup>6</sup><https://www.cnsmro.ro/politica-macroprudentiala/lista-recomandarilor-2021/>

<sup>7</sup><https://www.asfromania.ro/uploads/articole/attachments/619627dfe59a1282090234.pdf>

<sup>8</sup><https://www.asfromania.ro/ro/a/2243/finante-sustenabile-si-tranzitia-verde>



- **Recommendation 1** – Addressing sustainability risks as factors with the potential to exacerbate other types of risks
- **Recommendation 2** - Reviewing the strategy with reference to short, medium and long term business plans and programmes of activities including sustainability risks
- **Recommendation 3** - Reviewing risk policies to include sustainability risks
- **Recommendation 4** - Implementing a climate governance policy
- **Recommendation 5** - Including sustainability risks in the internal processes and policies of the entity, according to the nature, size and complexity of the business, and the nature and range of services and activities carried out by the organisation.
- **Recommendation 6** - Ensuring transparency and public communication on addressing sustainability factors.

implemented the Recommendations for a Prudent Approach to Climate Risk. From the analysis of the reports submitted by the entities, it emerged that they have initiated different processes to implement an adequate understanding of sustainability risks, depending on the size and complexity of the business, with mixed results.

As regards the analysis of the opportunity to relax prudential requirements on green finance, in line with similar concerns at European level, from the perspective of stimulating this type of lending without affecting financial stability, according to the conclusions of the ASF analysis, there are currently no legislative or prudential investment restrictions on green finance applicable to institutional investors supervised and regulated by ASF. Investment funds, private pension funds and insurance companies can contribute to the development of the green economy by investing parts of their portfolios in green financial instruments. In this context, the legal investment framework is very flexible for each category of institutional investors and allows for an efficient and diversified portfolio allocation across several asset classes, depending on the individual investment policy of each investor. While most institutional investors prefer the local market for portfolio investments, the number of green instruments issued in Romania is so far low, as this segment is at an early stage of development. At the same time, investor appetite for green products is high.

The Financial Supervisory Authority intended these recommendations to represent best practice principles to be applied by supervised entities, in the area of sustainability risks, so as to implement the legal requirements on the organisation of business and the establishment of an adequate risk management system. The recommendations were addressed to the entities supervised by ASF and are also contained in the Art. 2 of Regulation (EU) 2019/2088 on sustainability reporting in the financial services sector: insurance companies, insurance intermediaries, pension fund managers, investment fund managers, investment firms, issuers, financial consultants.

As requested by ASF, entities had until 30 June 2022 to report to ASF on how they have

- **NCMO Recommendation No R/4/2018<sup>9</sup> on the implementation of macroprudential tools to meet the intermediate objectives contained in the Overall Macroprudential Strategy Framework of the National Committee for Macroprudential Oversight**



The recommendation is of permanent nature and is addressed to the NBR, ASF and the Government and is based on the European Systemic Risk Board Recommendation of 4 April 2013 on interim objectives and instruments of macroprudential policy (ESRB/2013/1<sup>10</sup>). Thus, the NCMO Recommendation No R/4/2018 aims at implementing the macroprudential tools contained in the NCMO<sup>11</sup> Macroprudential Policy Strategy, adopted with the above-mentioned Recommendation.

ASF conducts regular analyses of the risks and vulnerabilities identified in the 3 supervised non-bank financial markets, as well as the opportunity to implement existing macroprudential instruments. For financial investment services companies (FISCs), ASF has implemented the capital conservation buffer in four equal annual instalments of 0.625% of total risk-weighted exposure during the period 2016 to 2019, with a further level of 2.5% to be maintained thereafter, and this indicator will continue to be maintained for 2022.

As regards the countercyclical capital buffer and the systemic risk capital buffer, they remain at 0% and no conditions have been identified to increase them for financial investment services companies.

In the case of insurance companies, the following macro-prudential tools have been implemented:

- liquidity indicator of insurance companies: monitoring and analysis of the liquidity indicator reported monthly by insurance companies;
- recovery plan. In the period 2017 - 2021, the recovery mechanism was used for six insurance companies and in 2022 for one company.

In the case of the private pension market, ASF has maintained in the period 2017 - 2022 the macro-prudential instrument regarding the restrictions on significant exposures regulated by Law No 411/2004 on privately managed pension funds, Law No 204/2006 on voluntary pensions, Rule No 11/2011 on investment and valuation of private pension fund assets, as amended.

In order to avoid concentration on a small number of issuers, exposure to any one issuer is limited to 5% of net assets and exposure to a group of issuers and their connected persons may not exceed 10% of the assets of the private pension fund.

<sup>9</sup><https://www.cnsmro.ro/politica-macroprudentiala/lista-recomandarilor/>

<sup>10</sup>[https://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX:32013Y0615\(01\)&from=RO](https://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX:32013Y0615(01)&from=RO)

<sup>11</sup><https://www.cnsmro.ro/politica-macroprudentiala/cadrul-de-ansamblu-privind-strategia-politicii-macroprudentiale/anexa-1-cadrul-de-ansamblu-privind-strategia-politicii-macroprudentiale-a-comitetului-national-pentru-supravegherea-macroprudentiala/>

In the context of increasing cyber risk trends, for all supervised entities, ASF applies operational resilience requirements for IT systems.

Following the analysis of the information collected, the requirements for supervised entities have

been improved establishing, in line with the operational risks that may be generated by IT systems, regular penetration tests and vulnerability scanning exercises, as well as IT systems audits on an annual basis for systemic entities or entities classified as high risk.

## **2.2. Identifying and monitoring risks, trends and vulnerabilities to financial stability**

**In order to increase transparency and provide relevant information to supervised entities, financial consumers and the interested public, ASF has produced numerous regular reports that have been published on its website, covering developments in trends and risks in the supervised markets.**

### **Regular publications to increase transparency of supervised markets**

In 2022, 347 periodic reports were produced, most of which were published on the ASF website and sent to other institutions. Through these reports contributions were made to raising

awareness among consumers and/or other stakeholders and to promoting supervised non-bank financial markets.

- Stability reports on non-bank financial markets
- Monthly reports monitoring trends in non-bank financial markets (in Romanian and English) - ASF MONTHLY MARKET REPORT
- Monthly reports on trends in non-bank financial markets - spin-off
- Weekly reports on risks and trends in local and international financial markets - ASF WEEKLY MONITOR
- Daily reports - MORNING CALL
- Quarterly reports on developments in the Romanian insurance market
- Quarterly reports on developments in the Romanian capital market
- Quarterly reports on developments in the Romanian private pension market
- ASF Annual Report for 2021
- Contributions from the perspective of key market developments and risks non-bank financial institutions for the preparation of the annual report of the National Committee for Macroprudential Oversight for the year 2022
- Monthly Research Report editions indexed in the Refinitiv platform and submitted to Bloomberg

The preparation of a financial stability report is in line with national 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 on the stability of non-bank financial markets** is a comprehensive analysis of the local and international macroeconomic and financial context, with a view to the long-term evolution 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 macroprudential policies. It contributes to the institutional communication policy of ASF and to strengthening the image of the Authority in the field of macroprudential policy, financial stability and sustainable development of the markets it supervises. The report also

builds on the experience gained, methodologies developed and practice of ASF in recent years in the area of trend, risk and vulnerability analysis.

**The non-bank financial markets development report in Romanian and English** is published monthly by the Authority with the aim of increasing the international reputation, visibility and transparency, as well as the attractiveness of the financial markets in Romania. Similar to this report, but with a higher frequency, ASF publishes **weekly reports (ASF WEEKLY MONITOR)** containing an overview of the evolution of financial indicators, trends and risks recorded on the financial markets during the week under review, as well as opinions on important events in the economic sector. A daily report of the institution containing information of interest in the financial sphere is the **Morning Call** report.







**The report on the evolution of the private pension market** highlights statistics related to the private pension system in Romania, both for privately managed pension funds and voluntary pension funds: net and total assets, number of participants, contributions paid to pension funds, net asset payout in case of retirement, disability or death, investment structure and rates of return. The **Report on the Evolution of Capital Market** gives an overview of the capital market for the relevant quarter: primary market (primary market, issuer statistics, new issues of financial instruments and other corporate events); secondary market (BVB developments), intermediaries and collective investment undertakings. **The Report on the Evolution of Insurance Market** presents the main indicators of the insurance market: insurance companies (gross written premiums, insurance contracts, gross claims paid, loss 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 business, insurance intermediation income).

The regular reports published on the ASF website are joined by a series of regular information reviews, on a daily, weekly, monthly, quarterly and half-yearly basis. The daily and weekly reports are distributed internally, but are also sent to other public institutions with a strategic interest.

## Monitoring action taken in the context of Warning No 7/22.09.2022 of the European Systemic Risk Board (ESRB)

In 2022, the Financial Supervisory Authority issued a series of recommendations that focused on activities and measures to manage/mitigate risks that may affect the financial stability of the financial instruments market, the insurance-reinsurance market or the private pension system in the event of severe risk scenarios, addressed to participants in the non-bank financial markets under the supervision of ASF.

Given the geopolitical context and the macroeconomic outlook generated by rising energy prices, rising inflation and interest rates, coupled with tightening financing conditions, as well as increased risks from the cyber threat, the possibility of severe risks was identified, the potential consequences of which could have led to the financial stability of non-bank financial markets being affected. At the same time, similar alerts were received from the relevant European bodies, which in turn warned the relevant authorities at European level about the vulnerabilities identified in the financial system.

In this context, the Financial Supervisory Authority has developed the “Plan for the management and mitigation of risks arising from major events, extreme incidents or adverse situations that may affect the financial stability of the non-bank financial markets”, a strategy to enable the Authority, in the event of the materialisation of a crisis situation, to coordinate and control any urgent situations, maximise its chances of success in managing them and reduce the risks that could manifest in the supervised markets in conditions to protect the interests of consumers of non-bank financial products.

Thus, in order to manage crisis situations as effectively as possible, several possible stages of

a crisis scenario have been considered in this plan, and both preventive measures and direct intervention measures have been established, both of a general nature for the non-banking financial markets supervised and of a specific nature for each of them.

The issues covered by these measures are mainly, but not exhaustively, the following:

- close monitoring of markets;
- Adoption of higher prudential limits on the liquidity and solvency of companies;
- effective management of liquidity management mechanisms;
- intensifying the dialogue between the participants in the three supervised markets and the Authority with a view to efficient cooperation in order to resolve the cases;
- implementing effective business continuity plans.

ASF has also communicated to participants in the supervised non-bank financial markets, by publishing on its website, both the alerts received from international bodies in this regard as well as a series of recommendations addressed to regulated and supervised entities with a view to promoting a prudent conduct, oriented towards continuous monitoring and assessment of the macroeconomic situation and its effects on prudential indicators and the overall functioning of companies.

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



By **Rule No 4/2018**, a series of requirements have been established for entities authorised/approved/registered, regulated and/or supervised by ASF with the aim of identifying, preventing and reducing the potentially negative impact of operational risks generated by the use of information and communication technology on people, processes, systems and the external environment, including cybercrime.

the use of IT systems, as well as the management of IT systems security risks important for ensuring the IT security of entities.

According to 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, with the frequency of IT audit missions ranging from 1-4 years depending on the risk category in which the entities supervised under the above rule fall.

It also regulates activities and operations for the assessment, monitoring and control of operational risks generated by



The distribution of entities supervised by ASF in each risk category in 2022 was as follows:

**1. Critical risk category:**

- 1 market operator;
- 1 central depositary;
- 1 intermediary, manager of an organised trading system (OTS)/ multilateral trading facility (MTF);
- 3 entities that carry out asset storage activities with a value greater than EUR 250 million equivalent in RON;
- Bureau of Motor Insurers of Romania;
- 3 managers of private pension funds and 1 manager of voluntary pension funds.

**2. Major risk category:**

- 15 intermediaries using internet trading facilities (ADP/AS) - platforms for taking over and sending client orders;
- 2 intermediaries acting as market maker and/or liquidity provider;
- an entity that carries out asset storage activity with a value of less than EUR 250 million equivalent in RON;
- 26 insurance and reinsurance companies;
- 4 managers of private pension funds and 1 manager of voluntary pension funds.

**3. Medium risk category:**

- 9 investment management companies (IMCs), alternative investment fund managers (AIFMs) holding net assets under portfolio/management in total, for all the funds managed, of more than EUR 250 million, equivalent in RON;
- 1 intermediary providing related safe-keeping and administration of financial instruments services on behalf of clients, including custody and related services such as fund or securities management;
- Investor Compensation Fund;
- Policyholder Guarantee Fund;
- Private Pension System Rights Guarantee Fund;
- 1 manager of voluntary pension funds.

**4. Low risk category:**

- 14 investment management companies (IMCs), alternative investment fund managers (AIFMs) - holding net assets under portfolio/management in total, cumulated for all funds managed, up to EUR 250 million, equivalent in RON;
- 269 intermediaries engaged in the distribution of insurance and reinsurance products.



## 2.4. Financial innovation

Financial innovation is the basis for the development of new types of products and services in the financial sector that complement and compete with “traditional” products and services in the three markets regulated and supervised by ASF. The new methods used in the process of underwriting insurance premiums or in the claims process, as well as in the mobilisation and placement of funds are in fact the result of financial innovation and represent more time and resource efficient alternatives. Financial innovation brings with it the premise of development, but also the possibility of materialising risks that competent authorities and entities need to manage and mitigate.

In order to encourage innovation, development and implementation of new solutions and products in the three markets regulated and supervised by ASF, the Authority has set up FinTech Hub and InsurTech Hub, two Authority projects that bring together the most important players in the financial markets in Romania and provide the institutional framework necessary for collaboration to support the development of the insurtech and fintech environment in Romania. Thus, ASF ensures the coordination and development of the space dedicated to technological innovations in the non-banking financial sector, by organizing and managing the activity within the FinTech Hub and InsurTech Hub.

The work carried out within the FinTech Hub/ InsurTech Hub focused on organising meetings and discussions with entities/persons who have sent requests through the hubs on various topics affecting the work of the Authority. In parallel, bi-annual events dedicated to InsurTech Hub members and partners were organised. At these

events, topics of interest to the markets are discussed and presentations are made by both the Authority and partners, covering the latest developments in European legislation and on fintech solutions identified in practice. The last event of the InsurTech Hub was organised at the ASE headquarters, where members of the Romanian FinTech Association participated, as well as representatives of professional associations in the insurance market and representatives of insurance companies/insurance intermediaries. In this context, ASF provided input to the first report analysing the fintech market in Romania, prepared by the Academy of Economic Studies in partnership with the Romanian Fintech Association.

At the same time, ASF keeps communication channels open to stimulate development in the financial sector and provides guidance to those who request it, in order to find common ground with the current regulatory framework to support technological development. As such, much of the legislative changes in 2022 have underpinned this new reality, with ASF continuing to adapt and update the current legislative framework and internal procedures in the coming period to keep pace with the speed of developments in financial innovation.

## 2.5. Integrating sustainability risks

During 2022, ASF has considered integrating sustainability risks into the risk oversight process of supervised entities. The integration of sustainability risks into the risk supervision process at the level of supervised entities is an important step towards strengthening convergent, risk-based and outcome-oriented supervision. Sustainability risks can be a distinct risk at the level of supervised entities, but they can also be potentially accentuating factors on other types of risks, such as, but not limited to, market risks, operational risks, liquidity risks or counterparty risks.

The obligation to integrate sustainability risks into the procedures and processes developed for the purpose of risk management at the level of the funds under management, as well as those envisaged under the overall governance structure, as laid down in Regulation (EU) 2021/1255 (amending Delegated Regulation (EU) No. 231/2013 as regards sustainability risks and sustainability factors to be taken into account by alternative investment fund managers) and in Directive (EU) 2021/1270 (amending Directive 2010/43/EU as regards sustainability risks and sustainability factors to be taken into account for undertakings for collective investment in transferable securities), entered into force on 1 August 2022.

In this respect, the necessary steps have been taken to develop new processes to identify, assess and monitor ESG risk factors that may affect the business and performance of supervised entities, in order to enhance risk-based supervision and promote investor protection.

In the context of increasing investor awareness and appetite for sustainable financial products, ASF issued in 2022 a set of recommendations and

best practices to facilitate the integration of sustainability risks into the risk management system of regulated entities contained in Art. 2 of Regulation (EU) 2019/2088.

On the capital market, based on the information reported, it emerged that a number of supervised entities have started processes to implement an adequate understanding of the sustainability risks that may materialize on the business carried out, taking into account the nature, size and complexity of the activities carried out. However, it should be noted that, in the case of investment fund managers, a significant number of entities, representing more than 20% of the total number of respondents, reported that they had not taken steps in this direction, considering that the introduction of a new parameter in the choice of investments, specific to sustainability risks, is not justified in the current context. At the same time, slightly more than half of the managers integrate sustainability risks into the internal risk management processes that may materialise at the level of investment funds by calculating an issuer-level sustainability risk score, which is weighted by each issuer's holdings of fund assets, in order to determine the level of overall sustainability risk at the level of each fund.

In the insurance market, most companies and intermediaries do not treat climate risk

ASF pays particular attention to the role of sustainable finance in the financial services sector, both through actions related to the integration of sustainability risks into the risk supervision process at the level of supervised entities and through the implementation of legal requirements that create the necessary framework for the conduct of sustainable finance. ASF participates, through appointed experts, both in ESMA's Sustainability Standing Committee (ESMA SSC) and in the Network for greening the financial system (NGFS).





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

### Activities related to resolution planning for insurers and financial investment services companies

The Financial Supervisory Authority is the Resolution Authority 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. The following categories of entities are under the Authority of ASF, as Resolution Authority:

- a. insurance companies, Romanian legal entities, authorized by ASF according to Law No 237/2015 on the authorization and supervision of insurance and reinsurance activity;
- b. investment firms, Romanian legal persons (financial investment services companies that are subject to a requirement of

initial capital representing the equivalent in RON of at least EUR 730,000);

- c. branches in Romania of third country investment firms;
- d. subsidiaries of an investment firm or a financial holding company/mixed 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) point (b) (c) or (d) of Law No 312/2015).

The activities carried out by the Financial Supervisory Authority in 2022 focused on identifying companies that meet the legal requirements for recovery and resolution planning, as well as developing and updating resolution plans.





## 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 Art. 3 of Law 246/2015, based on the following criteria:

- a. the amount of the insurer's gross technical provisions exceeds 5% of the total gross technical provisions at market level;
- b. have a market share of at least 5%, thus:
  - for life insurance, by relating the value of the company's gross technical provisions to the total gross technical provisions of all companies writing life insurance;
  - for general insurance, by dividing the value of the company's gross written premiums, direct and reinsurance acceptances, by the total value of

gross written premiums, direct and reinsurance acceptances, of all companies writing general insurance.

In 2022, insurance companies were identified based on the financial results of the previous financial year. Thus, nine insurance companies with a significant weight in the national insurance system were identified. Resolution plans have been updated/submitted for the nine companies in accordance with the legal provisions in force. We also point out that following the assessments carried out by ASF, it was found that for all insurance companies that had a portfolio consisting mainly of MTPL insurance, and most of the insurance policies had a validity period of less than 6 months, it is not feasible and credible to apply any of the resolution tools provided for by Law No 246/2015, in the event that the Company would get into major difficulties.



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

Investment firms (financial investment services companies) that have a significant weighting in the national system and are thus subject to the provisions of recovery and resolution planning set out in Law No 312/2015 are identified in accordance with the provisions of Art. 9 para. (2) on the basis of meeting any of the following criteria:

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

With regard to the types of entities for which ASF acts as Resolution Authority, the situation as at 31.12.2022 is as follows:

- nine financial investment services companies were registered, in the category

of financial investment services companies authorised to provide financial investment services and activities, which are subject to an initial capital requirement of the equivalent in RON of EUR 730,000;

- there were no branches in Romania of third country investment firms and no 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 the ASF level, it was found 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.



**Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL establishing a framework for the recovery and resolution of insurance and reinsurance undertakings (IRR)**



Currently, recovery and resolution mechanisms in the insurance sector are only decided at national levels, with only three Member States having such mechanisms in place.

Noting the need to regulate and establish uniform rules on the resolution of insurers, meetings of the Council of the European Union's working group to examine the proposal for an IRRD Directive were held at expert level during 2022. The Czech Presidency of the EU Council decided that from December 2022, the proposal for the IRRD Directive will move to a higher level of discussion - Attaché level and then COREPER, and in the course of 2023 it will enter the trilogue, together with the European Commission and the European Parliament.

The proposal for a Directive aims to harmonise national legislation in the field of recovery and resolution of insurers or to

introduce, if it does not already exist, a legislative framework to this effect, to the minimum extent necessary to ensure that Member States have the same tools and procedures for dealing with distressed insurers.

The proposed 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 proposed Directive also empowers supervisors to impose preventive measures on insurers 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.



### **3. MICRO-PRUDENTIAL SUPERVISION OF THE NON- BANK FINANCIAL SYSTEM**



### 3.1. Integrated supervision



According to the powers established by GEO No 93/2012, the Financial Supervisory Authority contributes to the consolidation of an integrated framework for the functioning, stability and integrity of the capital market, the insurance-reinsurance market and the private pension market, so that the interests of consumers and beneficiaries of non-bank financial products are protected.

The integrated supervisory activity carried out within ASF ensures the strengthening of the integrated supervisory framework for supervised and regulated markets, through the use of specific mechanisms, developed internally, aimed at detecting elements that go beyond sectoral supervision and that could result from the integrated approach to the analysis of the activity carried out by the subsidiaries of the same group.

To this end, detailed analyses are carried out for:

- Identification of entities authorised and supervised by the Financial Supervisory Authority that carry out, directly or through a subsidiary, activities in more than one financial supervision sector.

The integrated supervisory work carried out in the subsidiaries is complementary to that carried out at the level of the financial supervision sectors and involves an analysis based on knowledge of the values of the established supervisory indicators for each of the subsidiaries (e.g. liquidity, solvency, etc.), with a view to achieving a consolidated approach at the level of the subsidiaries of the same group. Following the analyses carried out, taking 2022 as a reference year, there were



found 7 financial groups whose subsidiaries operate in several sectors supervised by ASF, totalling 17 companies, which were identified as falling within the scope of integrated supervision, the results of which were subsequently used in sectoral supervision.

► Identification of entities regulated by the Financial Supervisory Authority that may belong to a financial conglomerate

According to the Emergency Ordinance No 98/2006 on the supplementary supervision of credit institutions, insurance and/or reinsurance companies, financial investment services companies and investment management companies in a financial conglomerate, the Financial Supervision Authority carries out an annual analysis with the aim of identifying, on the basis of certain criteria defined by law, any entity regulated by ASF that could be part of a group or subgroup belonging to a financial conglomerate.

Following the review, the supplementary supervision of a financial conglomerate led by a financial entity in the European Union

is provided by the competent authority that authorised that entity, which will apply a set of supplementary supervision requirements to the conglomerate, with the other supervisory authorities of the financial entities belonging to the conglomerate providing input into this process.

For this annual exercise, information and financial data related to the individual supervisory process as well as existing information at the level of the European non-banking financial market supervisory authorities are used and specific tests are carried out to determine whether the eligibility conditions for a group of entities to be considered a financial conglomerate are met.

The conclusions of this annual mapping process for the year 2022 revealed that the entities authorised and regulated by ASF are not parent companies of financial entities that could belong to a financial conglomerate, thus excluding the possible role of ASF as a Coordinating Authority for the purposes of supervision of a financial conglomerate.

### 3.2. Supervision of the financial instruments and investments sector



The supervisory activity in the capital market took place against a background of increased volatility in the first part of 2022, as a result of the conflict between the Russian Federation and Ukraine, followed by an increasingly uncertain economic outlook, coupled with increases in inflation and interest rates, which showed a persistent upward trend until the end of the year.

In line with the actions taken at the level of the European Securities and Markets Authority (ESMA), in the event of measures being taken to maintain the stability of the local market, measures to monitor the risks that may materialise at the level of supervised entities have been increased. In this respect, we would like to point out that ASF participates in the committees and working groups of ESMA, and is constantly in contact with the situations that have arisen, the measures adopted and the supervisory instruments developed and practised in other Member States, thus pursuing a unified approach

to supervisory practices.

Thus, during 2022, ASF continued its sustained efforts to apply the European principles of supervisory convergence, by aligning its supervision with best practices, aimed at ensuring the functioning of the activity within normal parameters, the financial stability of the capital market and the protection of investors.

To strengthen supervisory activity, actions were taken during 2022 from both a prudential and conduct review perspective, in both cases with a risk-oriented approach.

In addition to continuous supervision/on-going monitoring (off-site), entities regulated by ASF are subject to periodic monitoring (on-site), according to an integrated annual plan, or to unannounced inspections, in situations where risks are identified that require prompt action.

According to the Register of Entities in the Financial Instruments and Investments Sector, a total of 195 entities came under supervision during 2022 as follows:

- ▶ 19 financial investment services companies
- ▶ 7 branches of investment firms from EU member states
- ▶ 3 branches of credit institutions from EU member states
- ▶ 10 investment consultants, of which 7 individuals and 3 legal entities
- ▶ 26 investment managers of the IMC/AIFM type, of which:
  - 9 entities have the dual status of IMC and authorised AIFM or registered AIFM;
  - 6 are only IMCs,
  - 6 are only authorised AIFMs;
  - 5 are only registered AIFMs, 4 did not have under management, as of this report, alternative funds authorised at ASF level;
- ▶ 123 collective investment undertakings of which:
  - 88 contractual UCITS (open-ended investment funds) - OIF) and
  - 35 OCIU/AIFs of the contractual type or (investment) companies, of which:
    - 28 OCIU/AIFs are set up as investment funds (on a contractual basis). Of these, fund units issued by FOA, STK EMERGENT and BET FI INDEX are traded on the main market or SMT Aero, managed by BVB.
    - 7 OCIU/AIFs are established as investment companies (by articles of incorporation), and the shares issued by six of them are admitted to trading on the main market of BVB.
- ▶ 4 credit institutions acting as custodians of investment funds authorised by ASF;
- ▶ 3 market institutions: Bursa de Valori București, Depozitarul Central, Investors Compensation Fund.

### 3.2.1. Prudential supervision at the level of the capital market

#### Prudential supervision of financial investment services companies

Against the backdrop of the uncertainties that arose in 2022, which led to high volatility in the capital market, ASF focused its prudential supervision of the FISCs on a number of activities undertaken to ensure that the financial stability of these entities was maintained:

- ▶ Requiring stress tests to be carried out on all companies with a minimum authorised capital of EUR 730,000, which were required to carry out an overall assessment of the sensitivity of the business to the impact of stress factors applicable to the following risk categories:
  - risk related to trading portfolio;
  - credit/counterparty risk;
  - liquidity risk;
  - operational risk related to cyber security.
- ▶ Simulations on the impact of the evolution of income from various business lines on prudential indicators. In order to assess the financial stability of each company and identify vulnerabilities in crisis situations, it was necessary to analyse the types of assets held by each entity and the influence of market volatility on some sources of income. Thus, 3 stress scenarios were developed (adjustments ranging from 15% to 50% in the value of financial instruments and company-intermediated trades) estimating the negative evolution of trades on BVB in terms of both liquidity and negative evolution of reference prices.
- ▶ Risk classification of financial investment services companies;
- ▶ Implementation of the new prudential regime, with the publication in the Official Journal of Romania, Part I, no. 737 of 22.07.2022 of Law No 236 on the prudential supervision of financial investment services companies.

#### Prudential supervision of collective investment undertakings

The supervisory activity in this segment was adapted to both the geopolitical context and further developments in the financial markets during 2022 (increase in local market interest rates, normalisation of monetary policy rates in the Eurozone, acceleration of the annual inflation rate increase both locally and globally, etc.). Tensions in the financial markets, particularly in the first weeks of the crisis, put significant pressure on the liquidity of investment funds, driven by investor behaviour, which was reflected in substantial surrender requests.

Thus, **throughout 2022, ASF has monitored and assessed with high frequency the risks that may materialize on the investment funds market, with an impact on liquidity, as well as the value of their holdings.**

**ASF has reviewed the liquidity management arrangements in the prospectuses of investment funds, ensuring that they are prudently established and have a liquidity management effect in extreme situations.** Despite the pressure on fund liquidity in the first quarter of 2022,

the CIU market has been resilient and none of the supervised funds has activated mechanisms to limit or suspend the surrender of fund units by investors, and investor surrender requests have been honoured in accordance with legal deadlines.

In exercising the prudential component, ASF has carried out risk management activities at the level of the investment fund market in parallel with the assessment of prudential requirements and financial stability of management companies and thus of the portfolios managed.

Specifically, the supervisory activity of entities in the CIU segment during 2022 focused on:

- ▶ processing, centralising and analysing reports submitted by regulated entities;
- ▶ conducting monthly general analyses of risks and vulnerabilities at the level of the CIU, thus being taken into account:
  - liquidity risk, i.e. the monitoring of underwriting and surrender operations of investment funds;
  - market risk, materialised by VUAN volatility;
  - contagion risk 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;
- ▶ monitoring the liquidity of the CIU market and taking next steps, taking into account the geopolitical context as well as developments in the financial markets during 2022:
  - analysis of the impact of the restrictive measures imposed by the European Union on the Russian Federation on the portfolios of supervised investment funds;

- analysis, on a weekly basis, of the situation regarding subscription and surrender requests received by the CIU, in relation to the liquidity of the portfolios managed and the diversity of the investor base. Based on these reports, ASF monitored the liquidity profile of investment funds and changes in portfolio structure under stress conditions generated by significant surrender requests. **This approach was proactive (early warning system), based on early identification of potential liquidity difficulties at the level of each investment fund.**

- monitoring, on a daily basis, the impact of the situation created by the international context on investment funds in the form of their use of liquidity management tools and the activation of mechanisms to limit or suspend the surrender of fund units for managed funds (receipt of notifications from managers);
- launching a study on REPO instruments in the portfolios of funds managed by investment management companies belonging to local banking groups and developing a comparative analysis of counterparties and interest rates applied to these transactions;
- carrying out analyses on the structure of the bond portfolio of the CIUs and the level of the interest rate sensitivity indicator of the bond funds in the context of the increase in the monetary policy rate of the NBR. In this case, ASF found that the supervised companies have made recalibrations at fund level so that the current macroeconomic situation does not have an increased impact on the bond funds;
- analysis of compliance with prudential requirements



by investment fund managers - capital adequacy of IMC/AIFM and analysis of the nature and evolution of investment fund managers' expenses;

- analysis of investor behaviour on the Romanian capital market between January and June 2022;
- ▶ monitoring ongoing compliance with the legal provisions applicable to investment limits for supervised investment funds;
- ▶ monitoring more closely the impact of the evolution of managed portfolios on the activity and financial stability of investment fund managers;
- ▶ analysis of the capital adequacy of investment management companies and development of the risk matrix for the activity of investment management companies;
- ▶ alerting certain companies regarding issues relating to the activity carried out;
- ▶ maintaining a consistent dialogue with the market to identify risk areas.

At the same time, recommendations were issued highlighting a number of vulnerabilities in the EU financial system, taking into account ESRB warning no. 7/2022. Thus, regulated and supervised entities have been notified of recommendations for preventive measures to mitigate and manage risks that may materialise in the coming period, as follows:

- updating the risk management policy in order to maintain an adequate and sufficient level of solvency and liquidity, depending on the dynamics of the macroeconomic situation, increasing assets to cover liquidity needs, building up reserves of high quality liquid assets;
- continuous monitoring of the macro-economic environment and the impact it has on the quantity and quality of own funds and consideration of measures such as: restricting dividend payments, reviewing the share buy-back policy, updating the remuneration policy and, if necessary, deferring the payment of variable remuneration;



- carrying out transactions on behalf of clients, only with verification of the existence of the amounts relating to the transactions in the account at the time of the launch of the orders, in order to avoid settlement risks;
- paying greater attention to adapting to the existing situation in terms of customer relations and ensuring the safe custody of their assets;
- increase the work of the functions ensuring the internal control system of companies, review and update internal control plans/procedures, risk management plans/procedures, etc.

Regarding the risks that may materialise **at the investment fund level, the ESRB has recommended that supervisors pay particular attention to structural liquidity mismatches in certain types of investment funds.** In the event of significant surrender requests that put pressure on the fund manager's ability to meet them within the legal deadlines, without selling assets at fire sales prices and without damaging the interest of remaining investors in the fund, the ESRB believes that fund managers should be encouraged to use liquidity management tools. In this case, at the

ASF level, since the outbreak of the Russian-Ukrainian crisis, two measures have been implemented to mitigate this risk, namely:

- transmission by the companies of the situation of subscription and surrender requests received by the CIUs - on a weekly basis and analysis of this situation in relation to the liquidity level of the portfolio and the diversity of the investor base;
- monitoring companies' use of liquidity management tools and the activation of mechanisms to limit or suspend the surrender of fund units for managed funds.

At the same time, in order to assess and monitor the risks and vulnerabilities that may materialise at the level of the supervised companies, identified in the European Systemic Risk Board Warning No 7/22.09.2022, a series of measures have been developed at the level of the Authority to manage the risks identified. ASF has issued to investment management companies and alternative investment fund managers a series of recommendations and preventive measures aimed at promoting prudent conduct in the current context and ensuring the management of specific risks.

## Prudential supervision of capital market institutions

### Bursa de Valori București (the Bucharest Stock Exchange)

At the end of 2022, Bursa de Valori București SA, as the parent company of the BVB Group, held the following stakes in affiliated companies: Depozitarul Central (DC) - 69.04% and CCP.RO Bucharest - 59.52%.

During the period under review, ASF carried out a series of reviews of operational and economic-financial indicators of significant risk management, aimed at establishing and maintaining an effective risk management framework.

Market operators are not subject to uniform prudential and capital requirements across Europe. However, Markets in Financial Instruments Directive 2014/65/EU (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. BVB records optimal values for liquidity and solvency indicators, with the company's liquid assets being able to cover the obligations due, while debt is still at a marginal level (BVB has no long-term debt).

The risk management function at BVB level is provided by a risk department and a set of procedures that establishes the necessary framework for identifying, assessing, monitoring, managing and reporting the risks faced by the market operator in a controlled and efficient manner in order to achieve the BVB's specific objectives. In order to achieve the proposed purpose, through risk management procedures risk tolerance limits, critical functions and processes, activities required to identify and assess risks, and the specific type of risk response are established.

As a result of the analyses carried out by ASF, it was concluded that the BVB market operator has an effective risk management system, documented by internal policies and procedures, drawn up in accordance with the provisions of the applicable legal framework and duly updated, which ensures the availability and reliability of operations, which are carried out under optimal safety conditions.

At the same time, ASF followed the status of joint projects with the capital market infrastructures, Depozitarul Central and CCP.RO.





Depozitarul Central's prudential supervisory work consisted mainly of analyses of operational and economic - financial indicators, capital requirements, the overall risk management framework and the business continuity and disaster recovery plan.

ASF has continuously monitored the conduct and efficiency of the post-trading processes by carrying out activities to analyse and evaluate the infrastructure regulations, the agreements with other central depositories, the functions and mechanisms implemented, in order to mitigate the risks to which Depozitarul Central S.A. is exposed.

In order to implement measures to improve the operational and risk management framework, ASF requested additional information on:

- ▶ analysis of internal procedures to identify issues relating to possible risks and vulnerabilities of the entity and managed systems;
- ▶ reviewing the main features of general business risk that may influence the activity and updating plausible adverse scenarios for the coming period to enable Depozitarul Central to effectively manage overall business risk in the current environment;
- ▶ reviewing risk management activity to decide whether, in line with the overall operational framework, the Depozitarul Central should implement changes to the risk management system or new risk management processes. Following requests from ASF on 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 information security monitoring of systems to protect against unauthorised access through reliable and efficient IT mechanisms
  - conducting impact assessments on



processes associated with activities carried out within the company's operational departments

- testing and simulations of the risks that could arise from the possible inability of participants to settle in the settlement system
- conducting stress tests to determine under current market conditions the maximum estimated timeframe for restructuring and taking the necessary steps to ensure timely settlement and timely completion of the process of collecting and distributing penalties for outstanding settlements.

Depozitarul Central has implemented on time the EU requirements on settlement discipline. The annual assessment found that the company successfully settled transactions in RON- and euro-denominated financial instruments and ensured the integrity of issues throughout the year.

Bursa de Valori Bucuresti SA and Depozitarul Central SA 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 remedied. The results of such reviews are communicated directly to the administrative management, the risk management committee and the audit committee. At the same time, ASF continuously monitors the compliance with the variation limits of the established indicators.

#### Sanctions applied as a result of prudential and conduct of business supervision in capital market

As regards the collective investment undertakings segment, during 2022, ASF sanctioned the legal representatives/responsible persons of two investment management companies as a result of the activity carried out, **with two decisions of sanction with warning, two decisions of sanction with warning and two decisions of sanction with fine**, following prudential supervision.

In the segment of financial investment services companies, a decision to impose a sanction with a warning was issued following prudential supervision.

From the act of supervision of the conduct of financial investment services companies and investment management companies, during 2022, ASF imposed **thirteen sanctions, as follows: seven sanctions with a warning, three sanctions with a fine, two sanctions with the suspension of the operating license and imposed a plan of measures**.

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

### 3.2.2. Supervision of capital market conduct

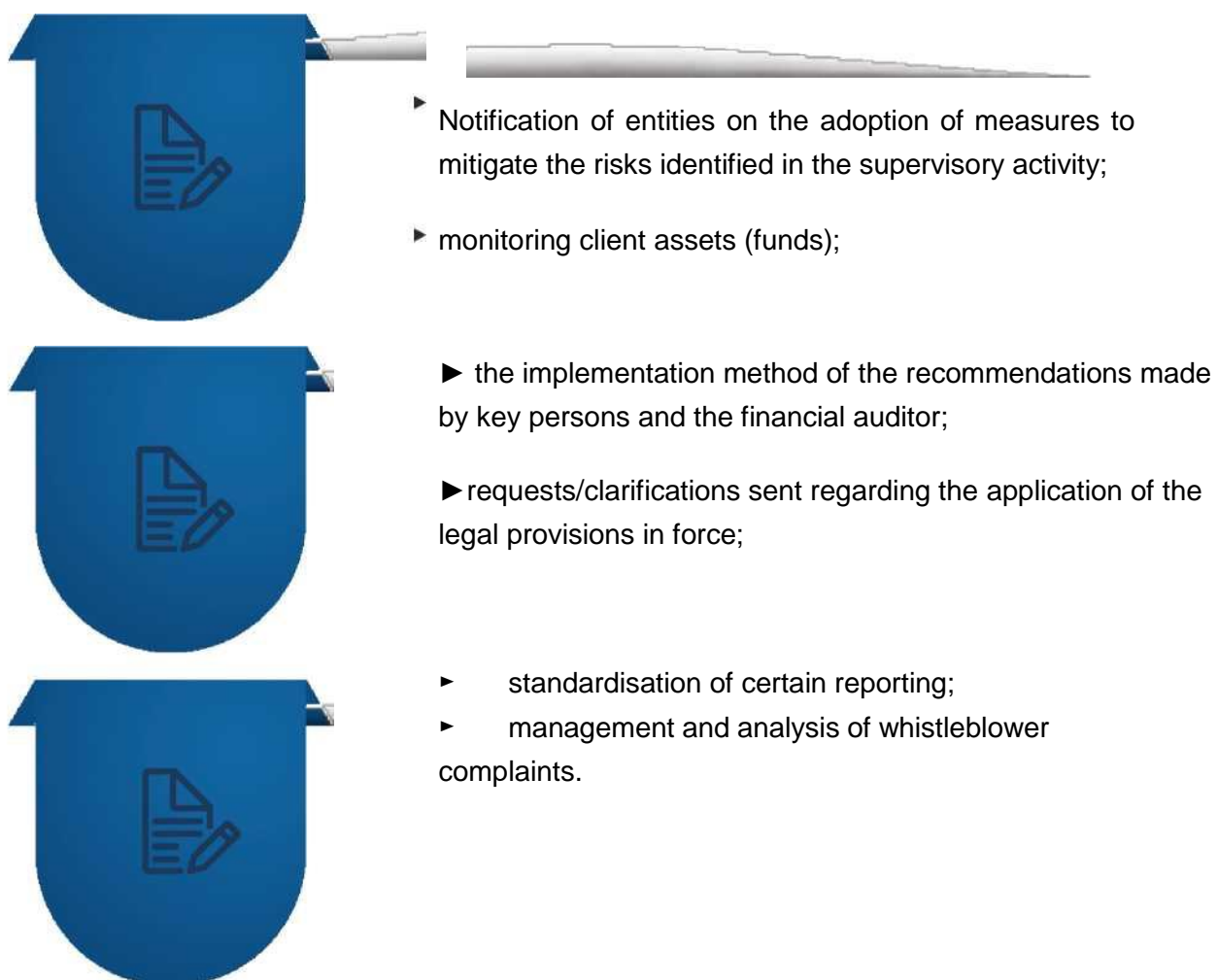
#### Supervision of the conduct of financial investment services<sup>12</sup> intermediaries

In the process of supervising the conduct of financial investment services intermediaries, compliance with the rules imposed by MiFID was sought, taking into account the complexity of each firm's business and the risks associated with the business, including:

- ▶ customer relationship management
- ▶ conflicts of interest
- ▶ internal organisation and governance
- ▶ the value of client assets in the custody of the FISC.

At the same time, vulnerabilities and their impact on society's activity were assessed and identified.

In the context of the volatilities that appeared on the financial markets in the first months of 2022, following the outbreak of the Russian-Ukrainian conflict, and taking into account the subsequent macroeconomic developments, ASF undertook a series of supervisory steps, which consisted of:



In addition, during 2022, following proposals from ESMA's Investor Protection and Intermediaries Standing Committee (ESMA IPISC), ASF carried out a thematic exercise on the compliance of investment firms and credit institutions with the requirements to inform retail clients of the costs and fees of their investment services and activities. The results of this exercise were transmitted to the European Supervisory Authority (ESMA) with a view to standardising and implementing Europe-wide uniform supervision by all competent authorities.

As regards the supervision of the conduct of branches of investment firms/credit institutions from other Member States, they shall submit to ASF half-yearly reports on their activity, including information on their compliance with the legal provisions.

Following the analysis carried out, the main issues requested by ASF with regard to the activity carried out by the above-mentioned branches mainly concerned:

- clarifications on the services and activities actually provided at branch level;
- the trading platforms used / made available to clients in Romania;
- the type of financial instruments offered to clients and the markets in which they are traded;
- complaints received concerning the activity performed on the territory of Romania, etc.

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

### Supervision of the conduct of IMC/UCITS/AIFM/AIF

The main objectives in the supervision of IMC/AIFM conduct are:



In 2022, ASF achieved its main objective of supervisory activity in this segment, which is based on maintaining an up-to-date perspective on the profile of each entity, by carrying out the following activities:

- ▶ continuous monitoring, based on the periodic reports that supervised entities are required to submit to ASF;
- ▶ Thematic and specific reviews (questionnaires, interviews, etc.), which are conducted to examine specific risks;
  - ▶ analysis of internal reports prepared at the ASF level and market information;
- ▶ monitoring and providing resolutions of complaints received from investors (directly or through the Public Relations, Petitions and Financial Education Directorate);
- ▶ Optimising the allocation of supervisory resources in line with best practice at European level.

As part of the process of supervising the conduct of CIUs, ASF monitored the entities' observance of compliance and conduct of business rules, assessed and identified the vulnerabilities/risks, impact and actual and material circumstances of the entities' conduct.

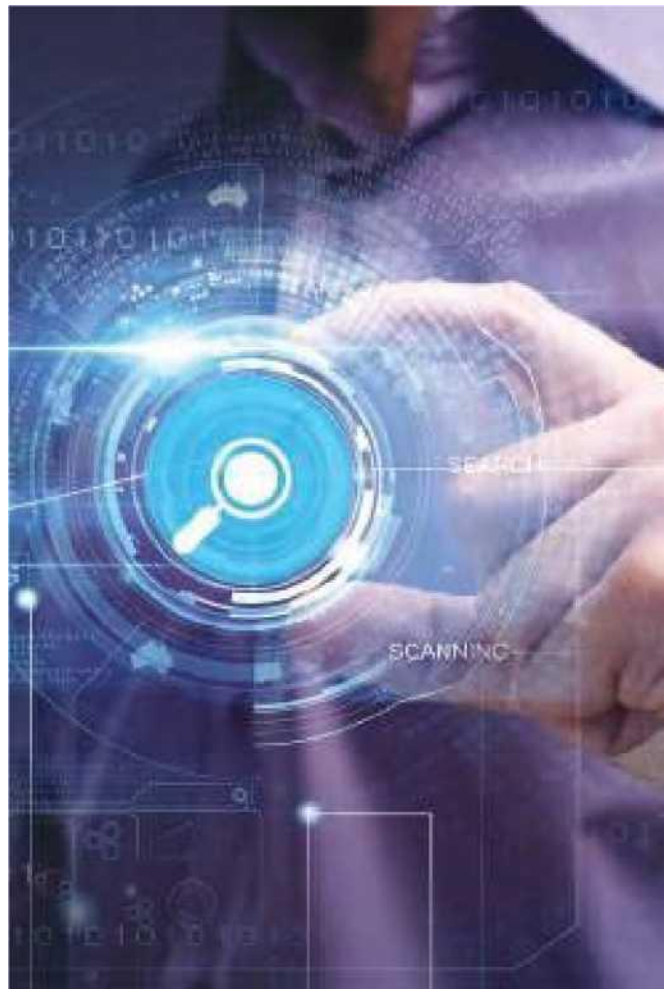
A number of supervision actions have been considered in this respect:

- ▶ maintaining a dialogue with the market so as to identify risk areas (e.g. feedback on testing of business continuity plans, approach to the act by the compliance officer, including feedback and discussions with industry associations on this);
- ▶ deepening/understanding the entity's business and establishing the risk profile;
- ▶ making management of entities accountable for their management conduct and making them aware of the impact of inappropriate actions/steps and possible failures;
- ▶ continue to deepen the focus on key issues in supervision work in parallel with proactive

action.

In order to ensure the effectiveness of the supervisory process, it was ensured that all measures and actions put in place/taken in the supervisory act were proportionate to the nature, size and complexity of the risks inherent in the activity carried out by an IMC/AIFM.

As a result of the issues raised in the conduct oversight activity, in the case of two IMCs/AIFMs, ASF has applied administrative sanctions and monitoring with increased frequency in order to remedy the issues raised in the prudential supervision and conduct reviews, both to protect the interests of investors and to prevent the deterioration of the company's financial situation.





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

Supervision of compliance by market institutions with the provisions of the legal regulations in force is based on the following principles:

- ▶ verification of incidents arising in the clearing and settlement activity carried out by Depozitarul Central;
- ▶ the conduct of market institutions on the basis of weaknesses identified at entity level in the inspection activity;
- ▶ the work performed by persons responsible for the compliance function;
- ▶ compliance of the reports submitted by market institutions, required by the legislation in force, respectively identification of the deficiencies reported by them, from the perspective of compliance and conduct of entities;
- ▶ compliance by the shareholders of the market operator with the shareholding thresholds imposed by the legal provisions in force;
- ▶ the referrals received, their subject matter and how they were dealt with.

Based on the information received, ASF has assessed that, during the period covered by the assessment of Depozitarul Central, no significant changes have occurred in the overall regulatory framework affecting the compliance of the clearing and settlement system with the requirements of the CSDR and the delegated regulations

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

In 2022, the main checks carried out in the framework of the supervision of investment advisors authorised by ASF concerned the activity carried out by them in this capacity and the compliance of the reports submitted by them.

issued in its application. Given the volumes and values of instructions settled and the fact that there have been no operational incidents as reported, Depozitarul Central's settlement activity, and the IT systems supporting this activity, have an adequate degree of operational reliability and sufficient capacity to support the increased settlement volumes. For a number of issues, Depozitarul Central has been requested to take additional actions to fully implement the requirements of the CSDR package and to improve certain processes or mechanisms to streamline settlement and registry activities.

As the competent authority, ASF has conducted the annual review and evaluation of Depozitarul Central SA and the settlement system managed by it, in accordance with the provisions of Art. 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, carried out by ASF, was conducted 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 (1) of Regulation (EU) No 909/2014. (6) of the CSDR.



### 3.2.3. Capital market supervisory activity



From the perspective of on-site supervision (regular and unannounced inspection), the priority activities of ASF in 2022 were mainly aimed at making supervision more efficient in order to ensure the stability and proper functioning of the market for financial instruments and investments.

Thus, inspection actions at the level of SIIF:

- have been addressed from both a prudential and an entity conduct perspective, including compliance with internal governance requirements;
- aimed at strengthening the application of the principles and techniques of risk-based supervision (RBS);
- also covered the assessment of IT risks arising from the use of entities' IT systems.

#### Planning and carrying out inspection actions

The annual control plan was based on the principles of risk based supervision and the inspection actions were carried out at the level of capital market control.

During 2022, ASF planned and carried out periodic inspections of 22 entities as follows:

<u>Investment management companies (IMCs) / Alternative investment fund managers (AIFM)</u>	13
<b>Depositories</b>	1
<b>Credit institutions (intermediaries)</b>	2
<b>Market institutions</b>	2
<b>Financial investment services companies (FISCs)</b>	4

An unannounced inspection was also carried out at a financial investment services company.



### Digitalisation of inspection processes

The first half of 2022 was marked in Romania by a significant reduction in the effects of the new Coronavirus pandemic and the overcoming of the health crisis, with the beginning of March marking the end of the state of alert instituted throughout the country.

Operational measures have been taken at Authority level to ensure an appropriate transition of inspection activity to the new situation resulting from the lifting of restrictions due to the Covid-19 pandemic, with inspections being carried out in a mixed system

#### Objectives of the inspection activity

**From an overall perspective,** the objectives of regular monitoring at the level of the supervised entities focused on priority topics such as business model, operational activity, financial stability of the entity, risk management, compliance and audit, security of information systems, prevention and fight against money laundering. In addition, in the context of the geo-political situation caused by the conflict in Ukraine and the Covid-19 pandemic, topics such as the continuity of the entity's business and the management of international sanctions were also covered.

(partly on-site and partly remote), taking into account also the maintenance of the remote working regime in some financial institutions.

In this context, working methods in the area of digitalisation of specific processes in relation to auditees (electronic platform made available to the auditees for the collection of relevant documents and information, videoconferencing, etc.) have been strengthened to ensure an efficient flow of data and information.

**The specific inspection objectives** at each entity (inspection topics) focused on the significant compliance and risk elements related to the entity's business, depending on the range and complexity of the business and services provided, the level of prudential indicators/economic and financial stability, the risks identified in the supervisory process, the conduct in relation to clients, the market and ASF.

## Results of the inspection activity

The sanctions/administrative measures ordered by ASF in 2022, following on-site controls carried out by the Financial Instruments and Investments Sector, resulted in the issuance of 104 decisions: **29 warnings, 33 cautions, 25 fines (amounting to RON 251,700) and 17 action plans.**

Structured by type of entity, they are as follows:

In 2022, ASF ordered 32 measures/sanctions for intermediaries and market institutions, as follows:

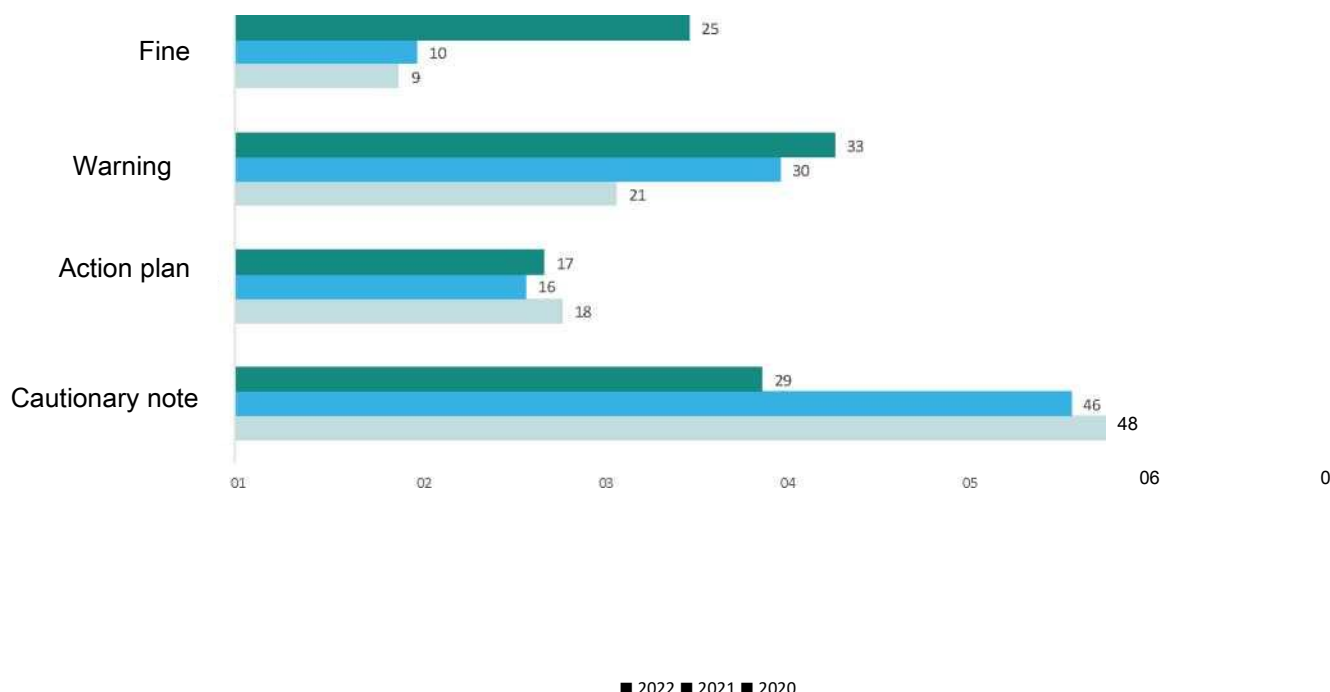
- ▶ warning of 2 individuals within the FISC and one individual within a credit institution;
- ▶ the imposition of 4 action plans on the FISC, 2 action plans on market institutions and 1 action plan on a credit institution;
- ▶ sanctioning with a warning of 3 FISCs, 7 individuals within the FISC and 1 individual within a market institution;
- ▶ sanctioning with a fine amounting to RON 113,100 of a FISC and with fines totalling RON 78,100 of 10 individuals within the FISC.

In 2022, ASF ordered 72 measures/sanctions for IMCs/AIFMs and depositaries as follows:

- ▶ warning of 23 individuals from IMCs/AIFMs and 3 individuals from depositaries;
- ▶ 9 plans of measures to be implemented by IMCs/AIFMs and one plan of measures to be implemented by a depositary;
- ▶ sanctioning with a warning 6 IMCs/AIFMs and 16 individuals within the IMCs/AIFMs;
- ▶ sanctioning with a fine 2 IMCs/AIFMs a total of RON 35,100 and 12 IMC/AIFM individuals a total of RON 25,400.

The centralised situation of sanctions/measures imposed by ASF as a result of on-site control activity over the last three years is shown in the figure below.

Over the last 3 years, the centralised situation of fines, warnings and action plans issued as a result of on site inspections is as follows:





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

In order to achieve the objective set out in Art. 5 point (a) of Emergency Ordinance No 93/2012 on the establishment, organisation and functioning of ASF, of ensuring the stability, competitiveness and proper functioning of the markets in financial instruments, of promoting confidence in these markets and in investments in financial instruments, and of ensuring the protection of operators and investors against unfair, abusive and fraudulent practices, a specialised organisational structure shall operate within ASF whose activity shall be 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.

During 2022, following analysis and investigations carried out as a result of continuous monitoring or receipt of

complaints, **ASF published 31 notices on its website, alerting potential investors to 60 websites and 29 entities that are not authorised by ASF to provide investment services and activities under the provisions of Law No 126/2018 on financial instruments markets or that have not been notified by the competent authorities of other Member States under the European passport.**

**A number of 20 of these complaint were also reported, on a voluntary basis, to IOSCO because they concerned entities that were not licensed in a particular jurisdiction.**

Via the section on the ASF website **“BEWARE OF UNAUTHORIZED ENTITIES!”** and the email address **Entități.Neautorizate@asfromania.ro**, **20 complaints were registered from individuals, targeting entities that are not authorized to provide services and activities under the conditions stipulated by Law No 126/2018.**



### 3.2.5. Supervision of issuers

#### Sanctions applied

The activities carried out by ASF in the supervision of issuers of financial instruments consisted mainly in carrying out specific actions to supervise compliance by issuers of financial instruments with transparency obligations (current and periodic), to verify compliance of financial statements with the IFRS framework and to monitor/verify compliance with shareholders' rights.

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

The main issues identified during 2022 were related to non-compliance with transparency obligations, i.e. the deadlines for publication of issuers' annual financial reports, the manner of convening, organising and conducting AGMs/EGMs and issues concerning the transparency of corporate events. At the same time, analyses were carried out on the annual financial statements with regard to the compliance of these annual reports with international accounting regulations (IFRS) and ESEF (European Single Electronic Format).

On the basis of specific analyses, in relation to mandatory takeover bids, as well as in relation to transactions carried out by certain shareholders, during 2022, 7 individual acts of sanctioning with fines were issued, the total

amount being RON 583,200, and one decision of sanctioning with a warning.

With regard to the supervision of issuers of financial instruments, ASF issued 108 individual acts in the period 2020 - 2022, which ordered sanctions and Authority measures to ensure compliance with the obligations arising from the issuer status. The authority measures concern decisions imposing obligations to do (AGM convocations, AGM agenda additions, IFRS compliance assurance, financial statements audit, etc.).

Of the total number of individual acts issued in the period 2020 - 2022, a total of 55 were issued in 2022, as follows.

- ▶ **warning: 16 decisions;**
- ▶ **fines: 28 decisions (amounting to RON 450,700);**
- ▶ **decisions imposing obligations: 11 decisions.**

At the same time, 4 complaints/reports to other authorities were issued in 2022: ASPAAS, CAFR, ANEVAR, ANAF.

The individual acts issued in 2022 concerned measures relating to:

- ▶ **obligations arising from the issuer status (compliance of financial statements with International Financial Reporting Standards/appointment of**

- the financial auditor/ to comply with the request for convening/completion of the agenda of the general meeting made by entitled shareholders/ compliance with current and periodic reporting obligations, etc.);**
- ▶ **current and periodical transparency obligations;**
  - ▶ **shareholders' rights;**
  - ▶ **legal provisions concerning convening, organising and conducting general meetings of shareholders.**

Throughout 2022, there was constant activity in terms of ongoing monitoring of General Meetings of Shareholders convened by issuers, with a view to complying with the relevant legal provisions and at the same time adapting to the new conditions generated by the international economic context.

With regard to the supervision of compliance by issuers with transparency obligations and those related to observing shareholders' rights, in 2022, following the results of the specific inspections carried out, approximately 1300 cautionary notes and compliance letters were sent.

**At the same time, 51 permanent inspection reports were drawn up, as a result of the analyses carried out in the context of the specific activity of supervising the fulfilment of current and periodic reporting obligations, compliance with legal provisions regarding electronic reporting, as well as monitoring the observance of shareholders' rights.**

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.

In terms of compliance with non-financial reporting regulations, 35 reports for issuers listed on regulated markets within the scope of supervisory activities within the meaning of Art. 19a (non-financial statement) or Art. 29a (consolidated non-financial statement) of the Accounting Directive were reviewed.

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 2 issuers were verified.

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

### 3.2.6. Preventing and identifying market abuse

In line with its objectives and the tasks set out in the relevant national rules, ASF carried out in 2022 specific activities in the field of prevention, detection and investigation of market abuse in order to ensure the integrity of the financial instruments market and to promote confidence in this market and in investments in financial instruments.

The specific market abuse activities were carried out based on the provisions of the EU Market Abuse Regulation (MAR) 596/2014 and the Delegated Regulations issued in its application, Law No 24/2017 on issuers of financial instruments and market operations, which transposes the Market Abuse Directive (Directive 2014/57/EU) and the ASF Regulation 5/2018 on issuers of financial instruments and market operations.

**Thus, during 2022 at the ASF level, a number of 56 expert analyses were carried out, which involved the performance, depending on the specifics of the case under analysis, of activities of processing and verification of trading data, requesting documents and information, analysis of actions/inactions from the perspective of the legal framework incident to market abuse, etc., of which:**

- ▶ **15 concerned possible suspicions of disclosure/use of inside information;**
- ▶ **22 possible suspicions of market manipulation;**
- ▶ **19 were aimed at identifying the degree of compliance of regulated subjects with the obligations and prohibitions established by the legal framework.**

The expert analyses carried out have been aimed both at examining orders, transactions or behaviour likely to influence the demand, supply or price of financial instruments, and at identifying persons who have disclosed or used inside

information, some of which have been carried out in cooperation with other competent authorities in the EU.

In cases where there were suspicions of market abuse, ASF referred the matter to DIICOT - Central Structure for further specific criminal investigations.

In addition, during 2022, 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 postponement 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 management, the establishment of closed periods and restrictions on trading during these periods or the arrangements for carrying out buy-back programmes and stabilisation measures.

In cases where ASF has found non-compliance by the subjects concerned with the conduct and reporting requirements laid down in the relevant legislation on market abuse, sanctions have been imposed with a warning or a fine, in 2022 sanctions were imposed mainly for non-compliance by persons with managerial responsibilities and persons close to them with specific trading prohibitions and transaction notification obligations.

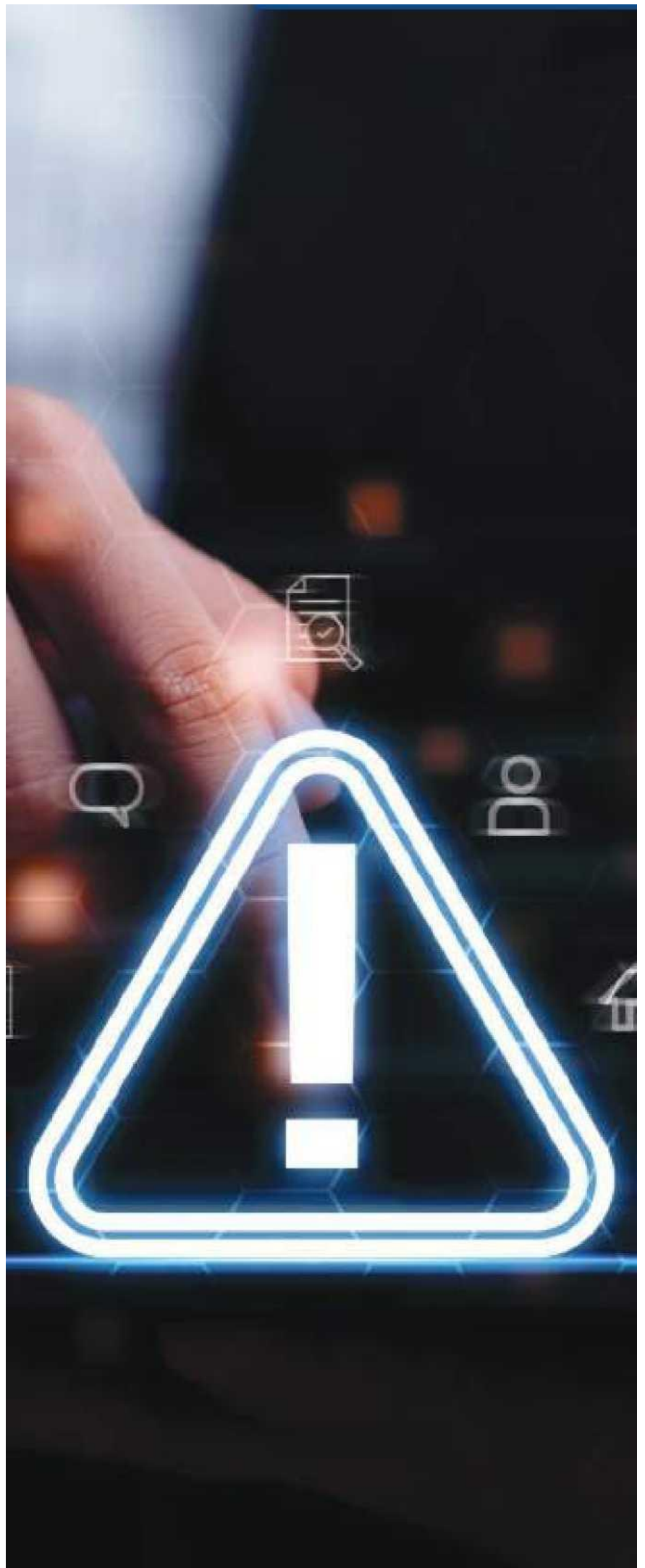


The assistance provided to issuers, as a result of the monitoring activities, in relation to the possible incidence of the insider information disclosure obligation has been a constant exercise of ASF during 2022, the main purpose being to assist issuers to correctly assess information/events in terms of the criteria defining inside information and, finally, to correctly and fully inform investors about the events that have been the subject of news/press articles.

At the same time, in 2022, **ASF also contributed to clarifying how the legal framework on market abuse is applied, by providing expert views to securities issuers and capital market intermediaries on topics such as surrender operations, closed periods or reporting and conduct obligations, both through written letters and the organisation of thematic meetings.**

#### **ASF's participation in working groups on market abuse**

ASF actively participated in regular meetings of ESMA working groups, as well as in meetings with representatives of Bursa de Valori București, the National Bank of Romania, Depozitarul Central, and consultancy firms to discuss issues related to ensuring market integrity, innovations in financial instruments and inter-institutional cooperation on market abuse.



### 3.2.7. Electronic supervision

During 2022, ASF's actions in this segment focused on:

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

The value of transactions with financial instruments on the Romanian capital market increased by 11% in 2022 compared to 2021. The increase is reported for all types of listed instruments (shares, bonds, fund units, rights, structured products).

The supervision and monitoring of trading activity involves, among other things, the analysis of trading data received in real time from regulated markets and multilateral trading facilities on shares, bonds, structured products, etc. This data is processed automatically through the prism of market abuse indicators, generating a series of alerts. **During 2022, 2,767 price and volume alerts were monitored.**

The supervision 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, ASF monitored 251 daily and weekly trading reports, and 10 preliminary analyses of cases considered to be out of normal/possible cases of market abuse were prepared. From the perspective of monitoring compliance with the legal provisions relating to transactions carried out under share buy-back programmes, 11,362 such transactions were analysed.

- **Supervision of non-financial counterparties under the EU Regulation on European market infrastructures**

During 2022, ASF monitored the reporting of non-financial counterparties in accordance with the provisions of the European Market Infrastructure Regulation (EU) No 648/2012 (EMIR) and assessed compliance with the legal requirements regarding the exemption of intra-group transactions from reporting, clearing and exchange of collateral obligations. As a result, 11 notifications of intention to apply the reporting exemption were received.

- **Settlement of requests for direct transfer of shares**

In 2022, ASF considered and resolved 4 requests for the direct transfer of ownership of blocks of shares issued by companies listed on BVB. Of these, none of the requests received ASF's approval.

- **Other activities**

The work 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 permanently monitored.

In addition, 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 2022, 18 requests to intermediaries to correct erroneous reporting in TREM and 82 requests to market/system operators, issuers and other competent authorities regarding data reported in FIRDS, FITRS, DVCAP were sent.**

Concerning the reporting activity and the quality assurance operations of the data transmitted to

the central registers for transactions, as required by EMIR and SFTR, ASF discussed and participated, together with ESMA, in a qualitative and quantitative verification exercise of the data received from the 4 TRs for approximately 40 reporting entities, providing clarifications and guidance on the correction of identified errors. The work on the management of SARIS - Suspensions and Restorations Instruments System was achieved by submitting 30 suspension/restoration requests to the system. The management of short selling reports and notifications to the NBR/ESMA involved 8 specific information reports to ESMA.

#### Aggregate sanctions applied by the Financial Instruments and Investments Sector in the period 2020-2022

Sanctions and administrative measures applied		2020	2021	2022
	number	29	27	68
Contravention fine				
	value	1,368,315 lei	320,300 LEI	1,414,800 LEI
Written warning		30	33	61
Cautionary note		57	61	31
Solvency capital increase		-	-	-
Financing/recovery plans		1	2	-
Appointment of temporary manager		-	-	-
Suspension of activity		2	-	2
Suspension of shareholder voting rights/related measures according to the provisions of Art. 286 <sup>A</sup> 1 of Law No 297/2004			-	-
Other types of measures (obligation to do with regard to shareholders' rights, ensuring compliance of the situations financial reporting under IFRS, compliance with the withdrawal procedure)		9	6	11
Action plans ordered for companies		18	16	18
Withdrawal of approval/ban on holding office as a complementary sanction		3	1	-
Withdrawal of authorisation as a complementary sanction and initiation of bankruptcy proceedings		1	-	-
Extension of the suspension of authorisation		-	2	-
<b>Total sanctions and administrative measures applied</b>		<b>173</b>	<b>148</b>	<b>191</b>

### 3.2.8. Settlement of petitions concerning the activity of entities authorised, regulated and/or supervised by ASF from Financial Instruments and Investments Sector



In 2022, a total of **247 petitions** were registered in the Financial Instruments and Investments Sector, an increase of 53% compared to the number of petitions registered in 2021. Of these, 79 petitions were closed or joined, in accordance with the provisions of Ordinance No 27/2002 on the regulation of the petitions handling activity, and **168 petitions were unique** (an increase of 49% compared to 2021).

According to the type of entities that were the **subject of unique petitions registered in 2022**, the largest share (32%) is accounted for by entities that are not registered in the ASF Register, i.e. entities that have not been authorised by ASF or that have not been notified to ASF for the freedom to provide services and to engage in investment activities. These are followed by intermediaries (11%), issuers (11%), IMC/AIFM/UCITS/OCIU entities (8%).

A significant proportion of petitions were those requesting information or submitting proposals: 29% (48 petitions).

From the point of view of the subject matter settled, the share of almost one third is maintained as the one complaining about the activity of unauthorised entities. A quarter of these are petitions requesting information or making various proposals.

The other subject matters were:

- verification of share ownership or dividend

payment - 21%;

- complaints/submissions regarding the conduct of FISCs/investment firms - 7%;
- complaints/submissions related to the activity of IMCs/investment funds - 7%;
- complaints/submissions regarding the observance of shareholders' rights - 4%;
- complaints/submissions related to transparency obligations - 3%;
- complaints/submissions related to other entities authorised by the Authority (e.g. Depozitarul Central, BVB) - 2%.

Of the total number of petitions examined in 2022 alone, 52% were decided in favour of the petitioners and 48% were decided unfavourably. The average response time for petitions resolved in the Financial Instruments and Investments Sector in 2022 was 11.5 days.



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

#### Entities in the insurance-reinsurance sector supervised by ASF that were active in 2022



- ▶ 26 insurance-reinsurance companies
- ▶ 269 brokerage companies
- ▶ 15 branches<sup>13</sup> of insurance-reinsurance companies from other Member States
- ▶ Bureau of Motor Insurers of Romania (BAAR)
- ▶ The Policyholder Guarantee Fund (FGA)

In 2022, ASF's activity in the insurance-reinsurance sector was mainly based on the intensification of supervision and inspection actions, targeting structurally and socially vulnerable segments. Therefore, ASF **paid increased attention to the supervision and control of companies authorized to practice compulsory motor insurance (MTPL).**

The decision to intensify supervision and control activities in the MTPL segment took into account some structural vulnerabilities of this market, characterised by a high degree of concentration, given both the relatively small number of companies practising this class of insurance and the compulsory nature of the MTPL insurance for the owners of vehicles subject to registration or recording in Romania.

Moreover, the Authority directed additional resources to companies with significant exposure to MTPL, whose business depended overwhelmingly on this segment, in order to identify deficiencies and implement the necessary measures to correct them.

**The actions undertaken by ASF over the last few years have therefore been aimed at gradually correcting the structural deficiencies of the insurance market by strengthening the supervisory and control function in the insurance-reinsurance sector and firmly applying the legislative provisions in force,** in proportion to the seriousness of the deficiencies identified and constantly taking into account their recurrence and impact on consumers.

**The fundamental objective of the Authority, for which considerable supervisory resources have been deployed,** has been to protect the interests of policyholders by identifying and implementing the necessary measures to correct deficiencies and discourage unfair, abusive or fraudulent practices through stronger enforcement of law.

<sup>13</sup> a branch started its activity in November 2022

### 3.3.1. Prudential supervision of insurance companies

In the context of the most recent developments in the local insurance market, ASF has intensified its supervisory activities dedicated to verifying the compliance of insurance companies with the legal provisions applicable to compulsory motor third party liability insurance.

In order to assess specific risks and mitigate their impact on Romanian consumers, ASF has continuously monitored the evolution of MTPL premiums and (average) claims, as well as the acquisition and administration costs of insurance companies.

Moreover, the Authority has intensified its supervisory dialogue with companies to raise awareness of the need for balanced and diversified insurance portfolios to ensure the stability of the Romanian insurance market.

In the current macroeconomic context, the supervisory activity has focused on continuous monitoring of companies' liquidity levels, reviewing and updating capital management policies and risk management policies, with a focus on asset and liability management.

Therefore, during 2022, ASF has directed

additional resources to identify, monitor and assess risks to the insurance sector in order to ensure the strategic objectives of the Authority.

The main risks identified, also taking into account the current macroeconomic context, were:

- Liquidity risk in the event of a shortfall of liquid assets relative to short-term liabilities;
- The risk of concentration targeting certain segments of the insurance market - mainly the compulsory motor insurance market;
- Inflation risk - rising inflation may lead to higher acquisition and administration costs for insurance companies and higher claims expenses, especially for general insurance companies;
- Market risk: mainly rising interest rates and falling equity prices.

Rising interest rates and falling equity prices may lead to higher solvency capital requirements related to market risk, putting pressure on insurers' solvency. However, given the lower exposure of ASF authorised companies to shares, the impact of price decreases is lower in the local insurance market.

#### The internal risk assessment process of insurance companies

In 2022, the prudential supervision of insurance companies was characterised by the intensification of supervisory processes targeted at the specific risks of each company, as well as by the concentration

on the monitoring of significant risks arising from local and international financial market developments.

This was made possible by the development and

implementation of the internal risk assessment process for insurance companies developed with technical support from EIOPA to ensure convergence of supervisory practices at European level. As a result, prudential supervision now has an extensive procedural framework that ensures that the supervisory process is properly documented, focusing on the identification and classification of major risks and allowing supervisory resources to be concentrated on the riskier areas with a significant impact on the insurance market.

The prudential supervision process defines the necessary supervisory tools, procedures and practices that enable a proactive approach to identify and focus on the main risks specific to companies and ensure appropriate intervention at an early stage. At the same time, the procedural framework established facilitates consistent application of supervisory tools, more efficient management of resources and better targeting of supervisory measures appropriate to the risk profile of companies. Thus, **the supervisory review process is now characterised by improved and more efficient work and therefore leads to**

**better supervisory outcomes based on the identification, prevention and risk management of authorised insurance companies.**

**The classification system for insurance companies 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 associated with each company.** Thus, the risk analysis model covers each core business of an insurance company, scoring on the basis of a set of 144 indicators, of which 105 quantitative and 39 qualitative indicators. The reassessment of each 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, allowing effective targeting of supervisory resources and activities.

**The classification of insurance companies on the basis of the risk matrix into the 4 supervisory categories for the year 2022 is as follows:**

Supervision category	

Number of insurance companies supervised under the Solvency II regime			
reference date		- reference date	
31.12.2021	-	30.06.2022	-

Category 1	basic supervision	5	6
Category 2	standard supervision	13	12
Category 3	increased supervision	6	6
Category 4	intense supervision	1	1

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

ASF has also established additional risk indicators for monitoring developments in investments,

technical reserves, equity and solvency of insurers.

**Their quarterly monitoring facilitates the early identification of risks and allows better monitoring of changes in the structure and value of the main items on the economic balance sheet of insurance companies.**

### **Prudential supervision activities of insurance companies**

The prudential supervisory activities foreseen in the supervisory plan for 2022 had a higher level of intensity, in terms of the type of actions undertaken and the granularity of the analyses carried out, and concerned:

- ▶ business model analysis, i.e. analysis of the credibility of the assumptions used by insurance companies in designing the business model;
- ▶ assessment of the governance system, with a focus on:
  - Analysis of the organisational structure from the perspective of compliance with governance requirements by insurance companies, including any changes made;
  - Analysis of insurance company policies with a focus on risk and capital management policies;
  - Analysis of the actuarial function and the actuarial report;
  - Analysis of the internal control system and compliance function
- ▶ investment framework assessment - analysis of investment activity policies and governance and asset portfolio analysis;
- ▶ qualitative assessment of own funds - analysis of the quality of the medium-term capital management plan;
- ▶ monitoring prudential indicators; checking and analysing quantitative and qualitative reporting and correspondence with insurance companies to remedy identified

inconsistencies and sending recommendations to improve the quality of their content; analysis of reinsurance contracts;

- ▶ analysing the 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. property damage/personal injury (change in the claims reserve and average claim paid);
- ▶ review of documentation related to shareholder change/merger/portfolio transfer applications;
- ▶ participation in checks carried out at the premises of insurance companies.

Throughout the year, proactive supervisory interviews were conducted with the management of the companies and/or key function holders, in accordance with the activities set out in the supervisory plan for insurance companies, as well as with the external auditors. During the interviews, issues identified from the reviews were discussed with regard to business strategy, risk strategy, investment strategy and risk profile, activities coordinated by the key functions and concrete issues related to the conduct of business within the companies were clarified.



At the same time, ASF actively participates in the facilitating the exchange of information and Supervisory Colleges at European level of experience on the management of specific risks at insurance groups with subsidiaries in Romania, national and group level.

#### **Activities to calculate the MTPL reference tariff**

During 2022, work continued to ensure the calculation of the reference tariff for MTPL insurance. In accordance with the provisions of Art. 18 of Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by accidents involving vehicles and trams, as subsequently amended and supplemented, the reference tariff is calculated every six months by a company with recognised expertise in the field, contracted by ASF. The reference tariffs shall be calculated according to the formula laid down in Art. 2, point 24 of the said regulatory act and shall be published by ASF.

In the second half of 2020, ASF conducted a procurement procedure for actuarial services in order to calculate the reference tariff for MTPL insurance. Following the completion of the public procurement procedures, a framework agreement was concluded for the provision of actuarial services for the calculation of a reference tariff for MTPL insurance by KPMG Advisory SRL and KPMG Audit SRL.

In 2022, ASF provided technical support to the provider during the period of the calculation exercises of the reference tariffs for MTPL insurance, namely checking and analysing the quality of the data received from the companies and preparing the policy and claims databases, **ensuring the timely publication of the reference tariffs calculated by KPMG on the ASF website.**



## Monitoring internal models



An activity specific to the new supervisory regime calculation of capital requirements, i.e. was carried out in relation to the **Internal Models** improvements to the formal documentation applied by certain insurance companies, whereby framework, in particular in relation to the calculation one company's application to modify the partial of technical provisions, including related to the internal model used in the calculation of the definition of assumptions and professional Solvency Capital Requirement in terms of judgement, simplifications, recognition of completeness and compliance with legal contractual limits, severance of contracts, requirements was assessed and the group segmentation and definition of homogeneous risk supervisor was informed of the results of the groups, as well as the assessment of the best assessment. estimate of ceded reserves and available audit evidence related to the inspections to be performed

**Monitoring the implementation of the recommendations resulting from the Romanian insurance market Balance Sheet Review.** on data in accordance with Solvency II requirements. ASF has monitored the implementation of measures and actions undertaken in the plans submitted by insurance companies to implement the recommendations made by the financial auditors in the BSR reports, which have led to the improvement of the internal control framework of the activity carried out by insurance companies and the quality of the application of the Solvency II legislative framework.

Following the Balance Sheet Review of the Romanian Insurance Market (BSR), completed at the end of the previous year, the auditors made recommendations in their individual reports to remedy identified deficiencies or to improve certain processes/operations.

The recommendations mainly addressed certain vulnerabilities in the governance of companies in relation to the IT environment and the internal control framework related to claims and technical provisions, reinsurance, impairment and the

### 3.3.2. Supervision and control of the conduct of insurance companies

As a result of the supervisory activities in the area of conduct of insurance companies, ASF has identified risks and vulnerabilities related to certain insurance products from the perspective of

#### Contractual guarantee insurance

A particular interest in the supervisory process carried out by ASF was focused on contractual guarantee insurance products in the Romanian insurance market, in order to identify risks and vulnerabilities in the internal underwriting and claims processes.

ASF carried out a series of supervisory actions, focused on the main stages of the underwriting process for guarantee insurance, which identified certain risks and vulnerabilities.

The risks and vulnerabilities identified were analysed together with the representatives of the insurance companies, ASF stressing the obligation to have a prudent and sound underwriting process for guarantee insurance, characterised by rigorous analysis

matching them with customers' requirements, needs and objectives at different stages of the product life cycle: creation, distribution, after-sales support.

of potential policyholders and contracts covered by guarantees, use of risk mitigation techniques, establishment of risk limits, continuous monitoring of the portfolio.

In this regard, ASF has issued a set of recommendations on the underwriting and monitoring process for guarantee insurance, published on the Authority's website and sent to insurance companies authorised to underwrite Class 15 - Guarantee Insurance, together with a request for communication of compliance and implementation modalities.

The monitoring process continued with an analysis of how the ASF's recommendations were implemented, taking into account the nature, scale and complexity of the work carried out.

#### Thematic analysis on crop insurance products

Given the growing interest in crop insurance products, ASF has launched a thematic analysis of these products in the market, looking at the underwriting process and insurance conditions.

The analysis revealed some issues that need to be addressed from a customer interest perspective, in particular ambiguous contractual provisions, contradictory or general exclusions which may make

#### Thematic analysis on voluntary home insurance

Given the particular importance of property insurance for Romanian consumers, but also the potential risks identified in the supervisory activity, generated by the distribution model of these products distributed

it difficult to settle claims in the event of the occurrence of insured risks.

ASF has brought the issues identified to the attention of insurance companies, as well as recommendations for revising pre-contractual and contractual documentation to respond adequately to customer needs.

through credit institutions (bancassurance), ASF has launched a thematic review of voluntary home insurance distributed through

the bancassurance channel, an action that was underway at the end of 2022.

The ASF analysis focuses on voluntary home insurance contracts distributed

#### **Analysis of the distribution of insurance products through the bancassurance distribution channel**

Particular attention is paid to insurance products distributed through the bancassurance channel (property insurance, life insurance) and to customer risks arising from partnerships between insurance companies and credit institutions as distributors of insurance products, especially if they are part of the same group.

EIOPA, together with the supervisory authorities of the Member States, launched a thematic supervisory action on these insurance products with the aim of identifying risks that could have a negative impact on consumers, including relevant insurance companies in Romania.

The thematic analysis focused mainly on life insurance products attached to mortgage products offered by credit institutions and focused on product distribution and business models.

The survey was carried out on a representative sample of insurance companies and credit institutions in the Member States and involved the participation, at various stages, of

through representative portfolio partner banks as secondary intermediaries with which insurance companies work, and the conclusions will be analysed in the first half of 2023.

of its supervisory authorities, including ASF. This thematic analysis identified the following risks:

- high remunerations paid by insurers to insurance distributors for selling life insurance products attached to bank loans;
- conflicts of interest in the context of bancassurance business models.

In this context, ASF has issued a warning to insurance companies and credit institutions, as insurance distributors, regarding life insurance products attached to bank loans, to take measures to mitigate/prevent these risks, and the measures taken to remedy the issues identified in the EIOPA Report will be monitored by ASF.

Life insurance products with an investment component are also under the attention of ASF, from the perspective of their distribution to a relevant target market, as well as to ensure a correct and complete process of information and advice to customers.

#### **Participation in the Working Group on Conduct Risk Assessment and Digital Distribution Channels**

ASF specialists participated, together with experts from the supervisory authorities of Portugal, Greece and Hungary, in the Working Group on Conduct Risk Assessment and Digital Distribution Channels, organised by TAIEX<sup>14</sup> in collaboration with EIOPA, to exchange experience with authorities that benefited from DG REFORM projects in areas related to conduct supervision, in the context of ASF finalising the implementation of the project Technical Assistance on Strengthening ASF Conduct Supervision Function in the Romanian Insurance Market.

<sup>14</sup>European Commission's Technical Assistance and Information Exchange department, which provides support to public administrations on the application and supervision of European legislation together with facilitating the exchange of information on best practices at EU level.



### 3.3.3. Inspections carried out on insurance companies

During 2022, ASF carried out **regular inspection actions**, in accordance with the ASF's Annual insurance.

Integrated Control Plan, as well as **unannounced inspections** resulting from risks identified in the course of prudential supervision activities. The main objective of the audit was to verify the underwriting process, compliance with the supervisory and governance rules for insurance

Given the compulsory and social nature of the conclusion of MTPL contracts and the large number of consumers in this segment, **the regular inspections planned for 2022 concerned in particular insurance companies who practice MTPL**. At the same time, ASF carried out products, compliance with the legal requirements concerning information and advice to customers on insurance products, as well as the handling and settlement of claims and the establishment of technical reserves, and verify compliance with measures to prevent and combat money laundering and terrorist financing.

The main findings of the checks were as follows:

- ▶ deficiencies in the way the technical reserves calculated for the purposes of drawing up the financial statements are set up;
- ▶ deficiencies in the way the technical provisions calculated under Solvency II are set up;
- ▶ procedural deficiencies and/or poor application of internal procedures;
- ▶ inadequate valuation of certain assets included in the Solvency II balance sheet;
- ▶ insufficiency of eligible funds to cover the Solvency Capital Requirement;
- ▶ deficiencies regarding the application 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;
- ▶ deficiencies in the implementation of the provisions of Law No 236/2018 on insurance distribution;
- ▶ deficiencies in the implementation of the provisions of Law No 129 on preventing and combating money laundering and terrorist financing, as well as amending and supplementing certain regulations, with subsequent amendments and additions.

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

**Also, for the periodic and unannounced inspection actions carried out in 2022, sanctions were applied consisting of 11 written warnings and 17 fines, for a total amount of RON 2,544,973.**

As a result of all the supervision (off-site) and inspection (on-site: periodic and unannounced) actions carried out during 2022 in insurance-reinsurance companies, ASF applied a total of 34 sanctions, both to the companies and to their management, as follows:

- ▶ 11 sanctions with written warnings applied to 9 insurance companies;
- ▶ 15 sanctions with fines totalling RON 5,694,273, applied to 6 companies;
- ▶ 10 sanctions with fines totalling RON 391,900, imposed on members of the management structure of two companies.

From a prudential perspective, during **2022, 21 inspection actions were carried out at insurers' premises, of which 9 periodic and 12 unannounced, as follows:**

- ▶ between 7 February and 28 March 2022, ASF ordered unannounced inspections on 4 insurers, 2 of which are MTPL insurers and 2 of which are guarantee insurers, **with the aim of verifying, in real time, the daily flow of open claims files on the basis of the MTPL insurance policies**, for the purpose of compliance with the terms and conditions of Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by accidents involving vehicles and trams, implemented by ASF Rule No 20/2017, **i.e. verification of the underwriting of guarantee insurance contracts;**
- ▶ between 21 March and 01 April 2022, ASF ordered unannounced inspections on 3 insurers operating in the MTPL sector, with the **aim of verifying, within the framework of the flow of daily settlement of MTPL claims, compliance with the obligations of insurers** established in Art. 21 of Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents;
- ▶ from 30 April to 13 May 2022, ASF ordered unannounced inspections on 2 insurers that practice MTPL **with the aim of verifying,**

**within the daily flow of settlement of MTPL damage files, the compliance of insurers**

with the obligations established in Art. 21 of Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents;

- ▶ from 4 May to 3 June 2022, ASF ordered an unannounced inspection on an insurer providing guarantee insurance, **with the aim of verifying the underwriting process from the perspective of the requirements of ASF Rule No 32/2021** on guarantee insurance, as well as verifying compliance with the requirements of Art. 28 para. (2) points b) and d) of Law No 237/2015 on the authorisation and supervision of insurance and reinsurance activities, as amended and supplemented, **on the activities carried out by the company for liquidity risk management and asset-bond management, i.e. the allocation of cash flows for the payment of claims and for investment placements;**

- ▶ between 20 June and 8 July 2022, ASF ordered an unannounced inspection on an insurer that operates MTPL **with the aim of verifying compliance with the obligations of insurers** established in Art. 21 of Law No 132/2017 on compulsory

insurance

motor third party liability insurance for damage caused to third parties by vehicle and tram accidents;

- between 20 June and 8 July 2022, ASF carried out an unannounced inspection at another insurance company, **with the aim of verifying compliance with the obligations**

#### **3.3.4. Supervision and inspection actions concerning the insurance company Euroins**



Euroins Romania was placed in the category of intensive supervision by ASF based on the risks related to the activity carried out and the impact of the company on the insurance market. In view of the company's significant position on the market, especially in the segment of compulsory motor third party liability insurance (MTPL), as evidenced by both the volume of underwriting and the high number of insurance contracts concluded, **the Authority identified the need to intensify supervision and inspection activities within Euroins Romania.**

Thus, the **increase in the number of controls carried out by ASF and the diversification of the subject matter of the controls carried out by the Authority** in order to identify potential deficiencies in the functioning of the company have **gradually led to a tightening of the measures applied in accordance with**

**of insurers** established by Art. 5 of ASF Rule No 38/2015 on the technical reserves established for insurance activity, the method of calculating them for the purposes of drawing up the annual financial statements and the special register of assets covering them.

**with legal provisions in order to correct deficiencies and ensure a functional and efficient framework for Romanian consumers.** The intensification of the supervisory process facilitated the identification of recurrent practices of the company related to the **undervaluation of liabilities to policyholders while overvaluing the company's assets, which led to the finding that the company did not meet the capital requirements** (minimum capital and solvency requirement).

Therefore, all the measures taken by ASF have been taken in order to comply with the legal provisions and with the prerogatives with which the Authority has been entrusted by law, according to which ASF supervises companies in order **to ensure the protection of policyholders and to contribute to maintaining the stability of the insurance market<sup>15</sup>.**

<sup>15</sup>Art. 6 - para. (1) Law 237/2015 on the authorisation and supervision of the insurance and reinsurance activity

In this context, in 2022, ASF continued to intensify the supervision and inspection activities within Euroins Romania, which it had started in previous years, in support of ensuring the strategic objectives of the Authority.

The continuation of Euroins Romania's practices led to the company's non-compliance with the applicable legal framework and jeopardised the objective of consumer protection:

- undervaluation by the company of liabilities to policyholders and beneficiaries of insurance policies;
- non-compliance with capital requirements mainly due to the undervaluation of liabilities to policyholders;
- major deficiencies in the claims settlement process: continued delays in the settlement of claims, late payment of MTPL claims, non-payment of late penalties, leading to consumer dissatisfaction, which was reflected in the high number of petitions filed with ASF against Euroins Romania, as well as in the significant number of cases pending before the courts;
- the company's refusal to provide the Authority with a range of requested information.

**The company's lack of cooperation** reflected in the refusal to provide ASF with the documents necessary for the conduct of supervision and inspection activities, **the reporting to the Authority of an unreal financial statement** based on **the undervaluation of liabilities towards policyholders while overvaluing assets, non-**

**compliance with capital requirements and the impossibility of restoring the level of equity to cover them were the reasons for the ASF's decision to withdraw the operating licence.**

Thus, as a result of the decision to intensify the supervisory and inspection activities carried out within Euroins Romania, significant differences between the financial statement reported to ASF and the actual financial statement of the company resulted: the company reported higher asset values and lower liabilities to policyholders to the Authority. This practice distorted the reporting of the company's solvency, as the supervisory and inspection work carried out by ASF revealed non-compliance with the company's capital requirements. Thus, although the company claimed in the information submitted to the Authority that it had sufficient funds to cover its minimum capital and solvency requirements, in reality the company had lower asset values compared to its liabilities, resulting in a significant shortfall of assets compared to liabilities and thus non-compliance with capital requirements.

Moreover, immediately after Euroins Romania was informed about the results of the supervisory and inspection activity, which revealed the real financial situation, the company concluded a new reinsurance contract with EIG Re, a reinsurer belonging to the Eurohold Bulgaria group. The reason given by the company for concluding a contract with a group reinsurer was to restore the solvency indicators to a legally adequate level. However, following the analyses carried out by the Authority on the basis of the powers vested in ASF by law, **the conclusion was that this reinsurance contract did not lead to an improvement of the solvency ratios, the appropriate measure to restore the equity to a positive level and thus to cover the SCR being a capital injection/subordinated loans from the shareholders.** Although the conclusion of the reinsurance contract did not lead to the company meeting the capital requirements, **its effects were a transfer of part of the company's assets, which were even before the conclusion of the**



contract at a lower level than the liabilities held to the reinsurer. Therefore, although according to the legislation in force, the company needed a capital injection, Euroins Romania's actions were directed towards reducing the value of the assets held by the company, thus deepening the own funds deficit needed to cover the capital requirements.

To mitigate the effects of the company's actions

and the impact they have on the financial resources of the Policyholder Guarantee Fund (FGA) in the context of the withdrawal of the operating licence and, indirectly, on Romanian consumers, ASF has imposed on FGA the obligation to take all necessary steps to terminate, with retroactive effect, the reinsurance contract concluded with EIG Re and to recover the assets transferred under this contract.

### Brief history of supervisory and inspection actions and measures imposed by ASF on Euroins Romania

In conclusion, during 2022, the supervisory activity on Euroins included:

- unannounced or regular (on-site) inspections;
- analyses based on available data from the regular reports submitted by the company (off-site);
- monitoring the measures imposed on the company as a result of a periodic inspection carried out in 2021 and the measures resulting from the evaluation of the assets

and liabilities of the Romanian insurance sector carried out by ASF in collaboration with EIOPA.

Thus, in December 2021, ASF found that the company did not have sufficient eligible funds to cover the Solvency Capital Requirement (SCR), due to the failure to build up sufficient technical reserves to cover all its liabilities towards contractors and beneficiaries of contracts.

### Measures/sanctions:

1. The company was fined around RON 3.5 million.
  2. ASF ordered the company to ensure that, within two months of the date of receipt of the decision, **it would submit to ASF for approval a recovery plan with measures to restore the level of eligible own funds covering the SCR or to change the risk profile so that within 6 months the SCR is again complied with.**
3. Euroins Romania was **obliged to make all necessary corrections to the methodology of calculation and value of technical provisions valued under Solvency II and recalculate the Solvency Capital Requirement and Minimum Capital Requirement taking** into account all the events after the reference date of the periodic inspection.
4. ASF has ordered measures to remedy the deficiencies identified regarding the inadequate record keeping of claims files and the failure to comply with the legal provisions on the processing and payment deadlines of claims.

5. The company was also required to include in the plan submitted **measures to implement the recommendations and adjustments made by the auditor PricewaterhouseCoopers Audit S.R.L.**, as set out in the auditor's report following the assessment carried out in the context of the Romanian Insurance Balance Sheet Review (BSR), with a direct impact on the eligible own funds, solvency capital requirement and minimum capital requirement.

6. **The company was also fined around RON 2.3 million following the company's refusal to provide the ASF inspection team with a series of information requested during the Authority's inspection of the company's premises.**

As a result of the ongoing monitoring activity, **assets were identified that were not properly recorded in the periodic reports**, which led to an analysis of these assets and the issuance of a permanent inspection report.

#### **Measures/sanctions:**

1. Based on the results of this analysis, **decisions were issued in March 2022 to fine the company approximately RON 2.4 million and its general manager RON 98,500.**
2. ASF ordered the company to **make the necessary corrections to the assets and liabilities items recorded in the liquidity ratio reports, asset register and Solvency II specific layouts as of 30.09.2021 and to complete the previously submitted recovery plan with the new items.**
3. **The company is required to revise the recovery plan so that the insurer is capitalised.**

**The company submitted a recovery plan to ASF and undertook to restore the necessary funds to cover the SCR by 30 June 2022. The company also undertook to increase its own funds by RON 100 million.**

In March 2022, following an unannounced inspection, it was found that there were still delays in establishing claims, late payment of MTPL claims, non-payment of late penalties and undervaluation of the approved damage reserve.

#### **Measures/sanctions:**

1. **The company was fined RON 422,600** and measures to remedy the deficiencies were imposed on the company.
2. The **company was also fined RON 229,500** for failing to submit the documents requested by the inspection team.

In May 2022, when a further audit was carried out, mainly to check the handling of MTPL claims, it was again found that claims have been paid late or that penalties have not been paid and that the company has either not notified the injured party, with acknowledgement of receipt, of the reasons for not approving all or part of the claims, or that the notification was sent late.

#### Measures/sanctions:

1. The company was fined RON 419,900.

In 2022, Euroins Romania did not submit its financial statements within the legal deadline, which led to a fine of RON 125,400 for the general manager of the company.

**Euroins Romania submitted its audited financial statements 4 months after the legal deadline in August 2022.** We note that the auditor's opinion was qualified, stating that he had not obtained "sufficient and appropriate audit evidence" to certify that the company meets the solvency conditions.

The auditor could not determine the level of adjustments necessary for the company to meet these requirements.

**In September 2022, an unannounced audit found weaknesses in asset and liability management:**

- failure to comply with the risk management policy relating to investment activity;
- non-involvement of responsible persons in investment decisions;
- deficiencies in the implementation of a functional and effective investment risk management system;
- failure to properly constitute the approved damage reserve.

#### Measures/sanctions:

1. The company was fined approximately RON 1 million and measures to remedy the deficiencies were imposed on the company.
2. The company was fined RON 333,373 for failing to submit the documents requested by the inspection team.

**In November 2022, the analysis of the disputes reported by the company carried out as part of the supervisory activity of ASF is completed, disputes in which the company is a defendant and for which it must establish and maintain reserves for endorsed claims.**

Based on the regular reports submitted by the company on disputes pending before the courts, it was noted that **some cases were reported late**. In order to verify the data reported by the company, the specialised directorate of ASF used the public information on the court portal (portal.just.ro) and extracted all the litigation cases in which Euroins is not a plaintiff.

**As a result of the ongoing monitoring process, it appeared that there are significant differences between the situation of the cases extracted from the court portal for the company's status as defendant and the situation of the disputes pending before the courts reported by the company.** The company has been asked to provide explanations for the cases that were not reflected in its reports.

#### Measures/sanctions:

1. As a result of the finding that, for the monthly reports submitted to ASF for the period February - June 2022 on the situation of disputes pending before the courts, **the General Manager did not ensure that they were complete, accurate and correspond to reality**, and was fined RON 86,100.
2. **As a result of the finding damage files for which there were disputes pending before the courts for which the company had not set up a damage reserve, thus generating an under-adjustment of the endorsed damage reserve, the company was fined RON 422,600 and was ordered to inventory the damage files pending before the courts concerning claims brought by third parties against the insurer.**

**In December 2022, another action of the permanent supervision activity (off-site control) was carried out in the framework of the petition settlement activity, in the context of the identification of repeated deficiencies with regard to the processes of handling and settlement of damage files related to MTPL policies.**

#### Measures/sanctions:

1. **Following the analysis, Euroins Romania Asigurare Reasigurare S.A. was fined RON 309,400.**

**A regular inspection was carried out in the second part of 2022. The subject of the inspection was the verification of the compulsory activities carried out by the company<sup>16</sup>, and the verification of compliance with the legal provisions relating to compulsory MTPL insurance, with regard to the requirements for informing the injured party in the process of handling damage files, and those relating to the staff who carry out the damage assessment.**

#### Measures/sanctions:

1. As a result of the inspection action, the company was fined RON 124,500.

**As regards the monitoring of the implementation by the company of the measures ordered against it, ASF found that Euroins Romania had not implemented the measures imposed to remedy the deficiencies found.**

Thus, following the analysis of the recovery plan submitted it was found that:

- **the company did not recalculate the SCR and MCR taking into account all events after the reference date of the analysis;**
- **the plan submitted did not respond to the request for revisions to the internal procedural framework and adjustments to assets and liabilities to remedy the deficiencies identified;**
- **did not include SCR detailing;**
- **did not include taking steps to implement the BSR auditor's recommendations or adjustments.**

Therefore, at the request of ASF, the company revised the recovery plan, including the aspects set out in the decision issued following the Balance Sheet Review - BSR.

<sup>16</sup> according to the requirements of 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 ASF



In order to verify the implementation of the measures in the Recovery Plan that should have led to the restoration of the Solvency Capital Requirement (SCR) indicator, ASF carried out checks on the information contained in the reports submitted to the Authority, which showed that the **improvement in the company's net technical result for the dates 31.12.2021 and 30.06.2022 stems from the reinsurance cession activity for class 10 (MTPL and CMR), mainly MTPL**. The Authority carried out checks by comparing the information resulting from the settlements concluded with reinsurers with the information contained in the reports submitted to ASF, and found differences due to the erroneous recording in the technical and accounting records of the amounts recovered under reinsurance contracts, thus overstating reinsurance income and understating reinsurance expenses, respectively overstating assets and understating liabilities in the balance sheet for the dates 31.12.2021, 30.06.2022. Thus, the company reported holding higher value assets and lower liabilities compared to the actual situation.

**The analysis was also extended to the reference date 30.09.2022, where other aspects of non-compliance were found:** inadequate establishment of the reserve for unendorsed claims, inadequate establishment of the best estimate of the technical reserves valued under the Solvency II regime, inadequate calculation of the amounts recoverable from reinsurance, as well as understatement of other liabilities in the Solvency II balance sheet.

**Following these extensive analyses of Euroins' financial data, ASF found that as of 30.06.2022 the company did not hold funds eligible for SCR cover, a situation that remained unchanged as of 30.09.2022. To restore the Solvency Capital Requirement (SCR) the company needed funds in the amount of RON 2.19 billion and funds in the amount of RON 1.75 billion to cover the MCR.**

As a result of the adjustments and corrections made by the Authority and the deterioration of the solvency ratios, the company submitted to ASF a new reinsurance contract for the MTPL portfolio with the reinsurer EIG RE, as a measure to restore the funds needed to cover the MCR and SCR.

The Authority has analysed the effects of this contract and the possibility of restoring the solvency ratios of the company, **concluding that this reinsurance contract does not improve solvency ratios, the appropriate measure to restore the equity to a positive level and thus to cover the SCR being the capital injection/subordinated loans from shareholders.**

ASF has also analysed the factual situation of the company taking into account also the recommendations of the EIOPA-BoS-21/281 Guideline on Supervisory Practices and Measures in case of Solvency Capital Requirement breaches, regarding the potential actions/measures that the authority has the right to undertake/apply in the context of failure to restore the SCR on time, measures applied with the aim of protecting policyholders' interests, i.e. the possibility of applying additional measures taking into account the amount of non-compliance with the SCR, the duration of the deterioration of the financial conditions and the sustainability of the measures applied by the company to restore solvency, as well as the possibility of applying a resolution tool.

Therefore, **noting the indications of insolvency of the company, in order to protect policyholders, the Council of the Financial Supervisory Authority decided to withdraw the operating license of Euroins Romania and to initiate insolvency proceedings.**

Following the results of these analyses, Decision No 262/17.03.2023 was issued on the withdrawal of the operating authorisation of Euroins Romania Asigurare-Reasigurare S.A., the declaration of insolvency and the promotion of the petition for the opening of bankruptcy proceedings against it.

Also, by Decision No 264/17.03.2023, the Policyholder Guarantee Fund was appointed as interim manager of Euroins Romania. Thus, **the Policyholder Guarantee Fund has the obligation to ensure the administration and management of the company and to adopt the necessary measures to prevent the reduction of its assets and the increase of its liabilities, while preserving the company's assets. The Policyholder Guarantee Fund is also obliged to take all necessary steps to wind up, with retroactive effect, of the reinsurance contract concluded with EIG Re<sup>17</sup>, i.e. for the recovery of the assets transferred under this contract.**

**The sanctions and administrative measures applied to insurance undertakings\* in the period 2020-2022 is as follows:**

<b>Sanctions applied</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>number</b>			
<b>Contravention fine</b>	<b>16</b>	<b>28</b>	<b>25</b>
<b>value</b>	<b>RON 3,395,000</b>	<b>RON 25,714,791</b>	<b>RON 6,086,173</b>
<b>Written warning</b>	<b>11</b>	<b>8</b>	<b>11</b>
<b>Solvency capital increase</b>	<b>1</b>	<b>0</b>	<b>0</b>
<b>Financing/recovery plans</b>	<b>2</b>	<b>2</b>	<b>0</b>
<b>Appointment of temporary manager</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Suspension of shareholder voting rights</b>	<b>0</b>	<b>1</b>	<b>0</b>
<b>Action plans ordered to companies</b>	<b>8</b>	<b>4</b>	<b>6</b>
<b>Withdrawal of approval/ban on holding office as a complementary sanction</b>	<b>3</b>	<b>8</b>	<b>0</b>
<b>Withdrawal of authorisation as a complementary sanction and initiation of bankruptcy proceedings</b>	<b>1</b>	<b>1</b>	<b>0</b>
<b>Total sanctions and administrative measures applied*</b>	<b>43</b>	<b>53</b>	<b>42</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

<sup>17</sup>communicated to ASF by Euroins Romania Asigurare-Reasigurare S.A. on 22.02.2023

3.3.5. Supervision and inspection of insurance intermediaries



ASF monitors, 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

Due to the dynamics of the insurance market as well as legislative changes, the supervisory activity of insurance intermediaries has diversified and on-site and off-site supervision has required a complex approach in the context of the shift from compliance-based supervision to supervision based on risk identification and assessment.

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.

From the off-site monitoring/supervision of brokerage companies, the situation sanctions issued in the period 2020-2022, are as follows:

Sanctions applied		2020	2021	2022
Contravention fine	number	11	6	3
	value	RON 68,000	RON 30,000	RON 140,400
Written warning		15	17	8
Withdrawal of operating authorisation		10	3	1
Temporary prohibition of activity		0	2	0
Temporary suspension of activity for programme providers		0	3	0
Withdrawal of operating licence for programme providers		0	2	0
Total sanctions		36	33	12

The main deficiencies found in the supervision of brokerage companies in 2022 were:

- ▶ failure to comply with the legal provisions concerning the granting of credentials with the right to issue in the important IT system to an unauthorised/unregistered person, failure to comply with the authorisation conditions, absence of the executive officer;
- ▶ misleading customers/potential customers with information provided to them;
- ▶ failure to comply with the plan of measures laid down in the Authority's decision;
- ▶ amendment of the articles of incorporation/amendments made to ONRC without the approval of the Authority;
- ▶ failure to comply with the legal deadline for submitting changes to the identity documents of directors/executive officers of brokerage companies;
- ▶ failure to comply with the legal provisions concerning the approval of the withdrawal of the operating licence;
  - ▶ failure to comply with the legal provisions on conducting the analysis of customer requirements and needs and the assessment of suitability and appropriateness, according to the DNT form;
  - ▶ failure to comply with the legal provisions on the correct use of the bank account for the insurance distribution activity;
- ▶ failure to comply with the legal deadline for informing the authority of the termination of the executive officer's activity.

At the same time, following the supervisory activity:

- ▶ The withdrawal of the operating licence of 2 brokerage companies was approved at their request;
- ▶ 4 letters were sent to the competent authorities regarding certain deficiencies observed in the insurance distribution activity, namely the suspicion of carrying out the distribution activity by unauthorised/non-registered personnel in the Register of Secondary Intermediaries (RIS).

In 2022, the supervisory activity mainly involved the following activities:

- ▶ implementation of the actions set out in the annual permanent supervisory plan;
  - ▶ participating in the data collection exercise at Member Authority level to gain a better understanding of issues related to third party providers (TPPs) of ICT (Information and Communication Technology) services in the EU financial sector for the implementation of DORA (Digital Operational Resilience Act for the financial sector);
  - ▶ developing a new model for classifying brokerage companies according to risk, by taking into account the three indicators proposed in the Annual Supervisory Plan approved for 2022 and weighting each indicator in the final score;
- ▶ implementation in the EWS electronic application of two modules allowing weekly monitoring of the distribution activity carried out by brokerage companies on MTPL and guarantee insurance contracts.



## The inspection activity (on-site supervision) on brokerage companies

In 2022, proactive actions were initiated in the inspection activity by starting activities to prevent violations of legal provisions in order to protect the interests of policyholders, and 9 unannounced inspections actions were carried out, in addition to the 6 regular inspection actions planned for this year.

**From the inspection activity (on-site supervision) of brokerage companies, the situation of sanctions issued in the period 2020-2022 is as follows:**

Sanctions applied		2020*	2021	2022**
Contravention fine	number	0	5	9
	value	0	RON 125,740	RON 260,471
Written warning		0	1	1
Total sanctions		0	6	10

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

\*\*For a brokerage company the periodic inspection action was carried out in 2021, but the decision to impose a fine was issued in 2022, the amount of RON 13,076 was included in the amount reported for 2022.

For 2 brokerage companies, in addition to their fining, action plans have been established for them, which have been fully implemented.

The main deficiencies found during the inspection were as follows:

- ▶ not having a policy on the verification of moral probity requirements for the distribution staff;
- ▶ failure to comply with the legal provisions on professional training, failure to maintain and update the Register of Secondary Intermediaries within the legal deadline;
- ▶ failure to comply with legal provisions on logging, monitoring, two-factor authentication, in accordance with the specific regulations on the subject, in order to ensure control over user access, of the place where access is from and the data accessed, including personal data, failure to ensure that only authorised/registered staff use personalised credentials;
- ▶ allocation of credentials to access important IT applications to unauthorised/unregistered staff.

**3.3.6. Settlement of petitions concerning the activity of authorised entities, regulated and/or supervised by ASF in the Insurance – Reinsurance Sector. Supervision and control of insurance companies with regard to claims handling/settlement.**

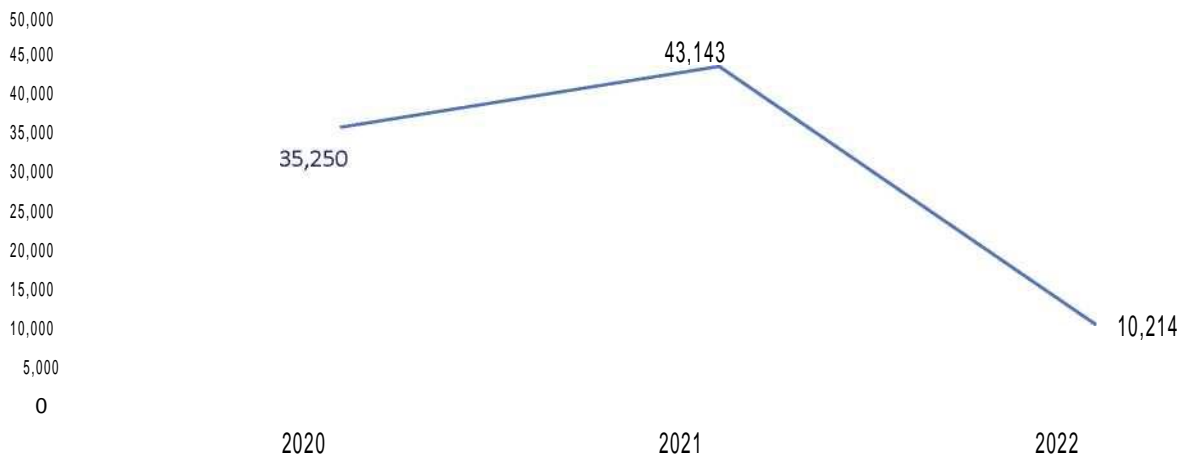
Based on the main objectives of ASF in the insurance field, namely to ensure market stability and protect the rights of policyholders/injured persons, both reactive and proactive activities were carried out. Therefore, in addition to the activity of settling petitions, ASF has made recommendations to the supervised entities, in cases where non-compliance issues have been identified, and has provided assistance to policyholders/injured persons, so as to avoid the emergence of risks additional to those inherent in the conduct of the supervised entities' business or, when they arise from independent causes, to manage and mitigate them.

In 2022 there was a significant decrease in the number of petitions, but the complexity of petitions increased, requiring a detailed analysis of the cases sent to the Authority and

taking further steps to ensure that petitions are properly dealt with in accordance with the law. The high degree of complexity was determined by the diversification of the issues submitted to the Authority's analysis, as well as the insurance products for which complaints were registered compared to 2021, when the subject of the petitions mainly concerned the non-payment of compensation related to MTPL damage files.

From a quantitative point of view, in 2022, 10,214 unique petitions and non-compliance reports were registered, showing major decreases compared to 2021 (-76%) and 2020 (-71%) respectively. Of the number of unique petitions and non-compliance reports analysed, 996 petitions were sent to the Policyholder Guarantee Fund by insurance creditors, which related to insurance claims registered for City Insurance SA.

**Evolution of the number of unique petitions and non-conformity reports analysed for the insurance market between 2020 and 2022**



The petitions and non-compliance reports analysed and resolved on a one-off basis in 2022 for the insurance companies and main intermediaries authorised by ASF represented only 0.50% of the total number of claims files approved in 2022, i.e. 0.056% of the number of insurance contracts in force on 31.12.2022.

The most frequently complained about issue in 2022 was **non-compliance with the relevant legislation and ASF rules/contractual conditions** (42%), followed by **non-payment of compensation/reinsurance** (36%).

**Complaints and non-compliance reports registered and analysed by motor third party liability insurance class alone**, including carrier liability (class A10), **held the largest share, 87% of the number registered with ASF for the insurance-reinsurance market**, down about 80% compared to 2021.

In 2022, about 43% of the petitions and unique non-compliance reports analysed were resolved favourably, and the requests had legitimacy and legal framework for resolution.

57% of the petitions and unique non-compliance reports were unfounded and/or unfavourably resolved, representing cases on which ASF has no ability to intervene in the application of the current legislation and/or for which ASF cannot impose insurers to pay claims. The resolution of these cases is determined by the way in which evidence of a commercial, technical or legal nature is managed, the quality, admission and administration of which is not exclusively a matter for the application of insurance legislation. These cases can be clarified through the courts or the Alternative Dispute Resolution Entity in the

non-banking financial field (SAL-Fin), which can also decide on commercial matters.

For class A10 - motor third party liability insurance, including carrier's liability, the analysis of how unique claims and non-conformity reports were resolved shows that 44% were resolved favourably and 56% were resolved unfavourably or found to be unfounded.

As regards the insurance companies complained about in 2022, 55% of the number of petitions and non-compliance reports analysed were directed against Euroins Romania Asigurare Reasigurare SA.

These mainly concerned the following:

- complaints about non-payment, exceeding the legal time limit for payment or partial payment of compensation claimed by the injured parties;
- failure of insurers to comply with ASF rules on compulsory MTPL motor insurance and contractual conditions for voluntary insurance.

The decrease in the number of petitions and unique non-compliance reports analysed in 2022 is the result of the sustained efforts made in a correlative manner by all organisational structures of ASF involved in monitoring the various levels of activity of insurance and reinsurance companies, from the activity of resolving petitions and identifying non-compliance to specific supervisory and inspection activities.



This decrease was mainly due to:

- ▶ the measures ordered by the ASF management as a result of the inspection actions carried out on all insurance companies authorised to carry out business in class A10 - Compulsory motor third party liability insurance;
- ▶ intensification of working meetings with company representatives to remedy the deficiencies identified in the processing of damage files and the settlement of claims;
- ▶ sending reminders to the management of MTPL insurers on the need for proper enforcement of the provisions of MTPL legislation;
  - ▶ sending reminders to the management of Euroins Romania Asigurare Reasigurare S.A. regarding the need to:
    - properly apply the provisions of ASF Rule No 18/2017;
    - comply with the legal framework when drafting and implementing the claim form, so that its provisions do not prejudice the rights of the damaged parties;
    - the removal from the cooperation contracts concluded with the repair units of all provisions which may lead to the limitation of the rights of injured parties/policyholders.

In addition to the effective resolution of the issues addressed by the complainants and the identification of non-compliant issues, the objectives of the petition resolution activity are to continuously monitor them at the level of the entity supervised and regulated by ASF, as well as to analyse their repetitive nature at market level, in order to determine the measures required to remedy them.

From the work of handling and settlement

of petitions conducted in 2022, 5,812 non-compliant issues were identified regarding the handling of MTPL claims by insurers authorized to practice this type of insurance, 78% of which concerned Euroins Romania Asigurare Reasigurare S.A.. Of these we list:

I. insurance companies exceeding the legal time limit on:

- carrying out the damage assessment and/or the supplementary assessment;
- making the findings/reassessment;
- notification of the insurer's intention to investigate;
- communicating the outcome of investigations;
- communication of the maximum amount of compensation;
- communication of the offer of compensation;
- sending the notification of rejection of payment of compensation;
- payment of compensation in respect of damage claims under MTPL contracts;
- payment of late payment penalties.

II. failure to communicate to injured parties a:

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



In order to mitigate the potential risks and remedy the non-compliant aspects identified in the activity of insurance companies, during 2022, the ASF Council decided to carry out several unannounced inspections of the entities in question, which resulted in firm measures to sanction the persons responsible.

Also, as part of the supervision and control process carried out off-site on the management and settlement of claims, the processing and settlement of claims, based on the aspects of non-compliance identified both from the activity of settling petitions and from the data provided through quarterly reports on the situation of the MTPL claims files endorsed to insurers, 9 permanent inspection actions were started at insurance companies authorized to provide MTPL insurance, 3 of which were completed during 2022.

During 2022, ASF has intensified the monitoring of insurance companies in terms of the indicator of the average payment duration of MTPL claims. Thus, based on the quarterly reports submitted by insurance companies authorised to provide MTPL insurance, the indicator values were below the threshold of 10 days/compensation claim in each quarter, **with an average payment duration of 6.22 days/compensation claim in the fourth quarter of 2022.**

Thus, in 2022, ASF has intensified its supervisory and inspection activities, including the management and settlement of claims, the handling and settlement of claims.

At the same time, in addition to the inspection actions carried out, within the framework of the supervision activity

related actions have been taken to protect the rights of insurance consumers:

► **organisation of 59 meetings with insurers, to clarify certain issues with a view to resolving cases brought to the attention of Authority.**

Taking into account the risks presented by Euroins România Asigurare Reasigurare S.A. with a direct impact on both the protection of the rights of policyholders/injured persons and in terms of ensuring the stability of the insurance-reinsurance market, regular meetings were organised with the representatives of the insurer, including to ensure that specific cases were resolved in accordance with the legal framework;

- granting hearings to petitioners at their request;
- cooperation with other national and international authorities or bodies to settle cases.



ASF has continuously monitored the evolution of consumer trends and the conduct of entities, by preparing periodic statistical analyses based on the information resulting from the activity of settling complaints and non-compliance reports, as well as on the reports received from insurance-reinsurance companies and main intermediaries, respectively by monitoring the policyholder-insurer relationship, a complementary process to the supervisory activity.



### 3.4. Supervision of the private pension system sector

#### Entities in the insurance-reinsurance sector supervised by ASF that were active in 2022

- ▶ 10 managers;
- ▶ 17 private pension funds, of which:
  - a. 7 privately managed pension funds (Pillar II);
  - b. 10 voluntary pension funds (Pillar III);
- ▶ 3 depositaries (2 approved depositaries for occupational pension funds);
- ▶ 53 marketing agents legal entities;
- ▶ Private Pension System Rights Guarantee Fund (FGDSPP).

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

The main activities carried out by ASF in the field of supervision of the private pension system in 2022 were aimed at achieving the objective of verifying that reporting entities comply with their 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 with an impact on the functioning of the managers and the funds managed. The supervisory activity of private pension entities is designed to verify compliance with the legislation in force and to prevent and/or identify, where appropriate, any misconduct in relation to their specific activities in the field of private pensions.

The supervision activities involved:

- ▶ drawing up the manager's file (xls., ppt., doc. format) by centralising for each manager the information related to the shareholding, share capital, total assets, staff involved in the activity, number of participants, transfers of participants, contributions paid to FGDSPP, assets covering the technical provision, liquidity, profitability, country and currency exposure, investment structure, management fees, etc.;
- ▶ assessment of the manager's internal control system which includes review of internal control reports, risk management reports, internal audit reports and the external auditor's letter to management. 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 manager's own activities and on the pension fund managed, the manner of their correction/remediation and the degree of compliance with the deadline for their correction. A review of the financial auditors' reports is carried out annually;

- ▶ verification of compliance by reporting entities with reporting and transparency obligations as required by the legal provisions applicable to the private pension system. 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 conducting a monthly analysis of the evolution of the concentration ratio, the evolution of the private pension funds' returns, liquidity risk, interest rate risk, exchange rate risk and the evolution of the NAV volatility of 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;
- ▶ evaluation of the working procedures of managers and depositaries, in particular of new working procedures or changes to existing procedures of managers/depositaries in order to comply with the legal provisions in force and to ensure the accuracy of the information provided;
- ▶ assessment of the manager's internal control system which includes review of internal control reports, risk management reports, internal audit reports and the external auditor's letter to management. 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 manager's own activities and on the pension fund managed, the manner of their correction/remediation and the degree of compliance with 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 manager and the managed funds, which involves the analysis of changes in documents, information and data, for example: pension system prospectuses, membership documents, share capital, shareholding structure, etc.;
- ▶ analysing of the cases received from the supervised entities in order to provide timely solutions and proposals according to the legal provisions in force, as well as analysing the main implications for the private pension system;
- ▶ aggregation of the data needed to prepare the analysis of the main statistical data of the pension sector for publication on the ASF website;
- ▶ drawing up 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 private pension legislation; correspondence with regulated entities on 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.).

Given the context of international financial markets that have experienced high volatility in the prices of financial instruments and taking into account both the obligations and responsibilities of private pension fund managers, in the second part of

2022, ASF has requested private pension managers to update their internal policies and procedures related to investment and risk management activities to include:

- ▶ formalising the processes and decisions to sell all or part of a position held in the pension fund's investment portfolio in reports to the Risk Committee, Investment Committee and executive management;
- ▶ provisions relating to informing the Risk Committee, Investment Committee and executive management of decisions to sell all or part of the company that will result in losses relative to the acquisition value;
- ▶ new early warning thresholds, indicators and risk analyses appropriate to the current context as well as stress tests with parameters calibrated to current market developments to be discussed in the Risk Committee and containing measures and proposals to mitigate and/or prevent risks;
- ▶ the measures envisaged in the case of holdings for which an impairment of the acquisition value has already occurred, detailing how the manager's internal regulations governing investment and risk management activity have been/are being complied with;
- ▶ the results of the monitoring activity carried out by the Investment Directorate on the value of holdings for which the depreciation against acquisition value has not yet occurred, but for which the probability of triggering the alert thresholds is high;
- ▶ the results of the monitoring activity carried out by the risk management structure on the early warning thresholds and the actions resulting from the materialisation of the identified risks, in accordance with internal regulations;
- ▶ the reports / information made by the two structures mentioned in the Investment and Risk Management Committees respectively, in the current context;
- ▶ the measures that are envisaged at the level of the manager to mitigate the negative effects of both national and international financial markets on the assets of managed private pension funds.

In addition, in 2022, analyses of the risks and vulnerabilities of private pension managers were carried out as part of the supervisory work, including the evolution of the degree of concentration, the evolution of private pension fund returns, liquidity risk, interest rate risk, foreign exchange risk and the evolution of the volatility of the NAV of private pension funds.

In order to optimise supervision activities, during the year automation activities were carried out to process the information reported in the IT system to detect errors and risks in an optimised time and to provide easy data processing. Thus, the analysis and drawing of preliminary conclusions based on the reports of supervised entities can be improved

and streamlined. Moreover, the risk of operational errors will be considerably reduced.

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:

- ▶ 2 sanctions to an authorised depositary for carrying out the activity of storage and custody of pension fund assets;
- ▶ one sanction to a privately managed pension fund manager;
- ▶ 3 sanctions were imposed on persons in the management structure of private pension fund managers;
- ▶ 2 fines were imposed on an investment manager and a person responsible for the internal control function;
- ▶ one sanction with a plan of measures.

**The sanctions and administrative measures applied in the period 2020-2022 are as follows:**

Sanctions and administrative measures applied	2020	2021	2022
Action plan	-	-	1
Written warning	1	5	
Contravention fine	-	-	2 (RON 7,200)
<b>Total sanctions and administrative measures applied</b>	<b>1</b>	<b>5</b>	<b>3</b>

According to Art. 1 para. (2)<sup>18</sup> of Law 411/2004 on privately managed pension funds, the purpose of the privately managed pension fund system is to provide a private pension, distinct from and supplementing the pension granted by the public system, based on the collection and investment, in the interest of the participants, of a part of the individual social security contribution.

The legislation applicable to private pension funds provides for maximum limits in which private pension funds can invest in terms of the permitted asset classes.

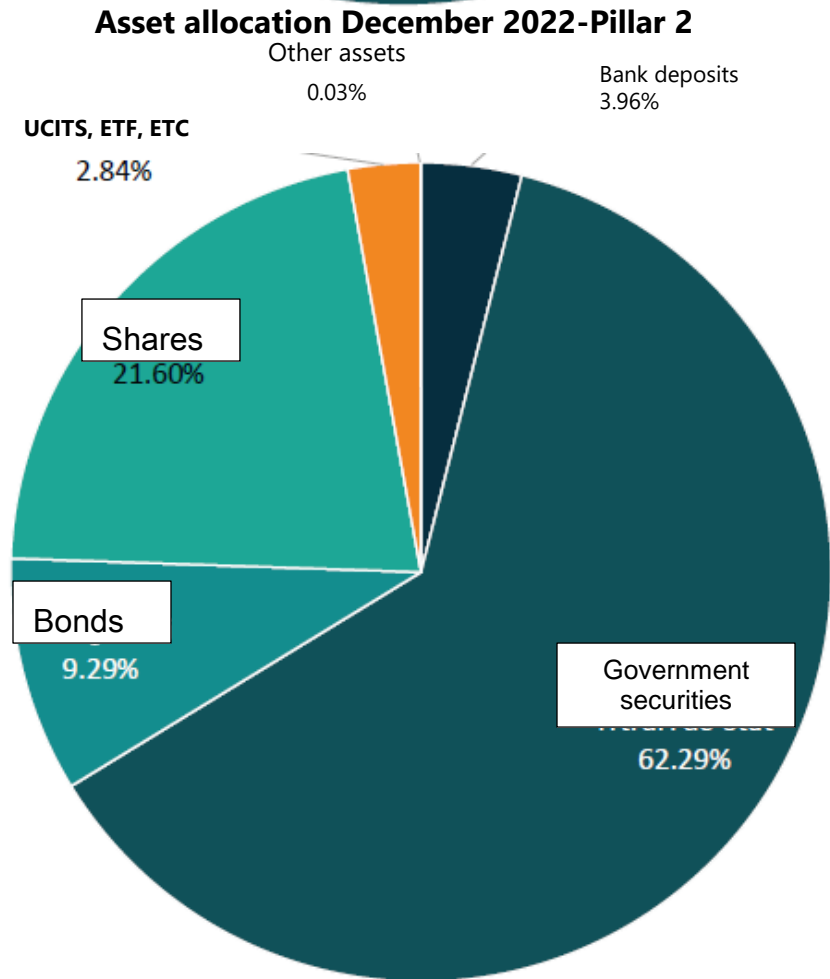
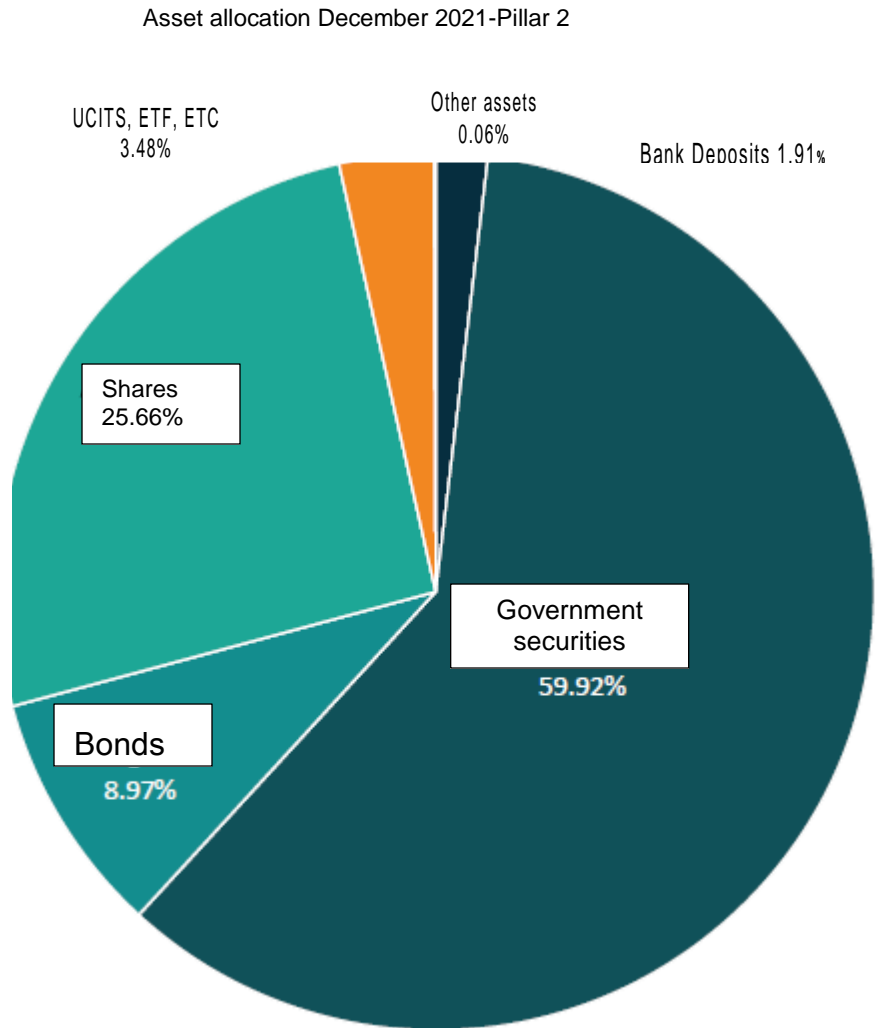
Thus, the investment of private pension fund assets is carried out in a mix of financial instruments according to the degree of risk assumed in the prospectus of each private pension fund.

In view of the 30-40 year contributory period of the privately managed pension system, privately managed pension funds are long-term investors and therefore in accordance with the investment policy assumed and approved at the level of the managers, according to the legal framework in force, they invest the assets of the pension funds in diversified financial instruments (government securities, shares, corporate bonds, municipal bonds, supranational bonds, deposits, mutual funds, etc.), thus aiming to obtain the highest possible returns while limiting risks.

the collection and investment, in the interests of the participants, of a part of the individual social security contribution.

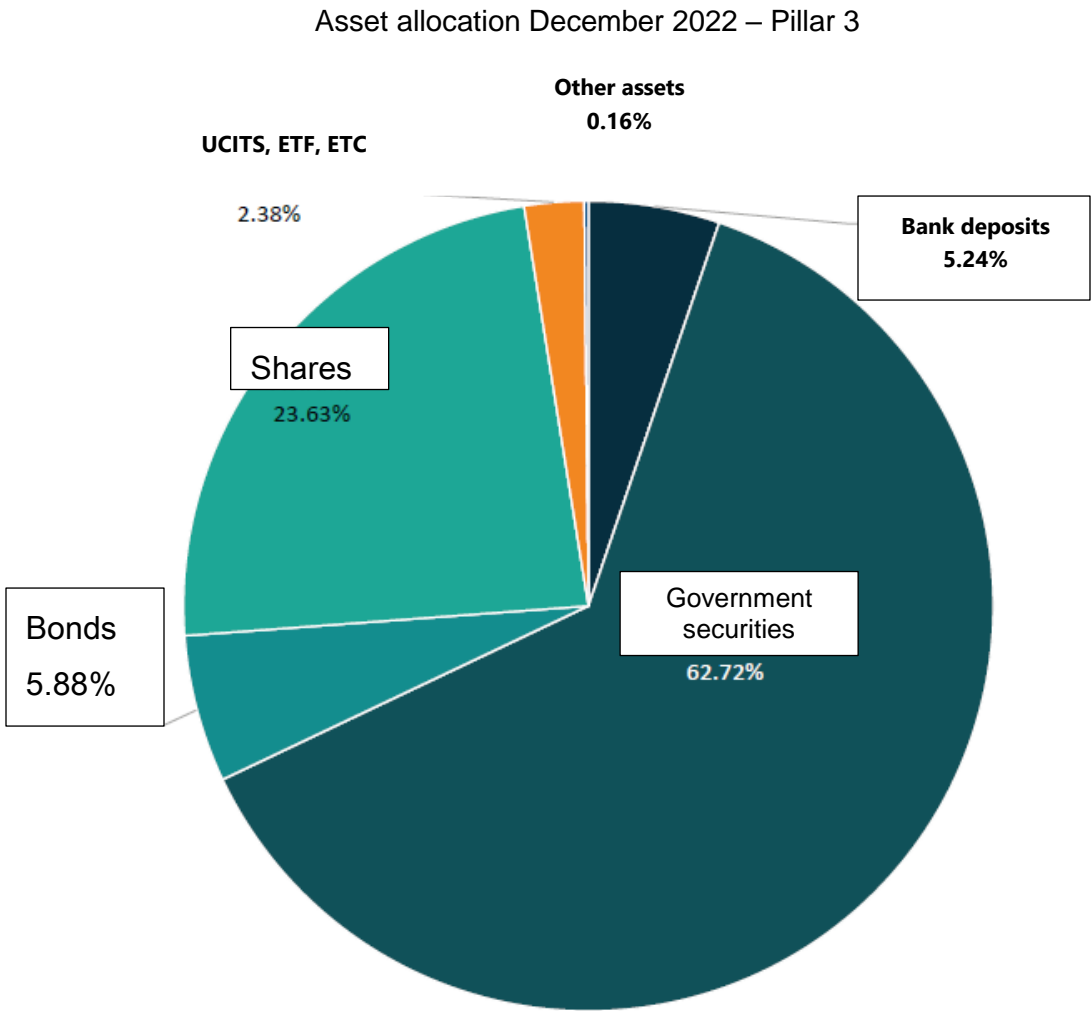
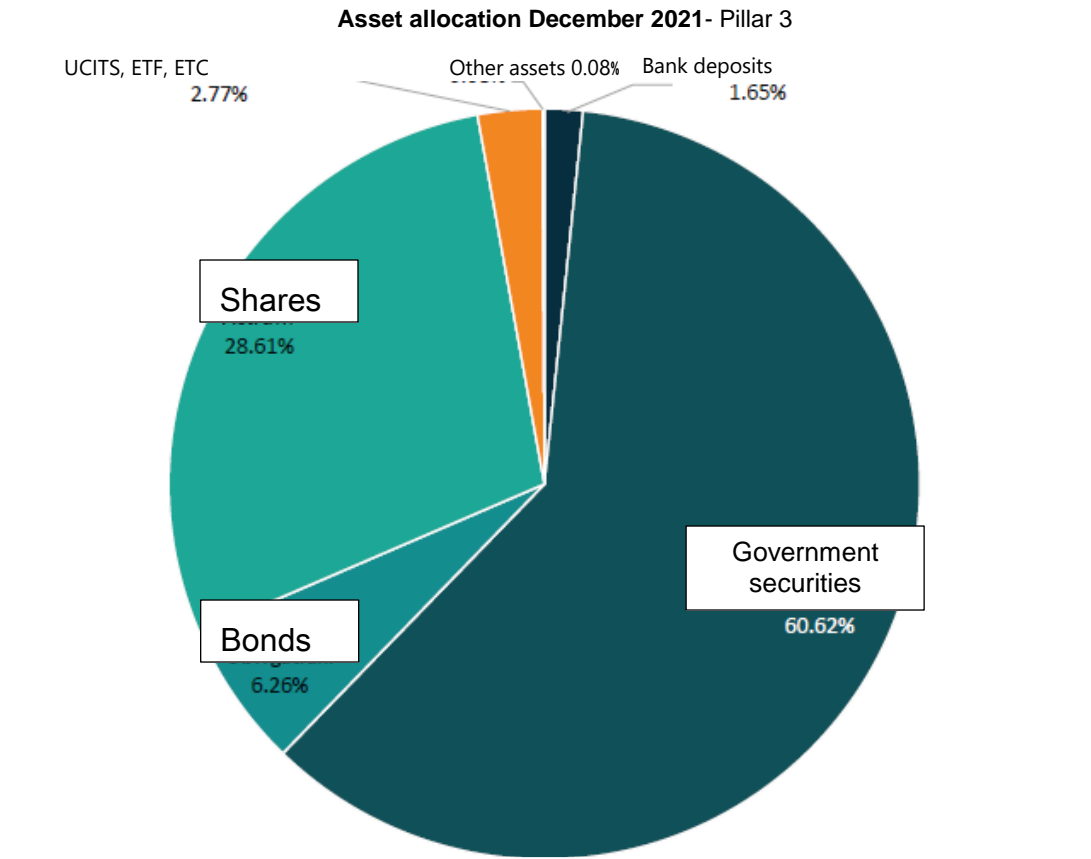
<sup>18</sup> Art. 1 para. (2) The purpose of the system of privately managed pension funds is to provide a private pension, distinct from and supplementing the pension provided by the public system, based on

Allocation of investments by main asset classes at the end of December 2021 and December 2022 - Pillar 2:





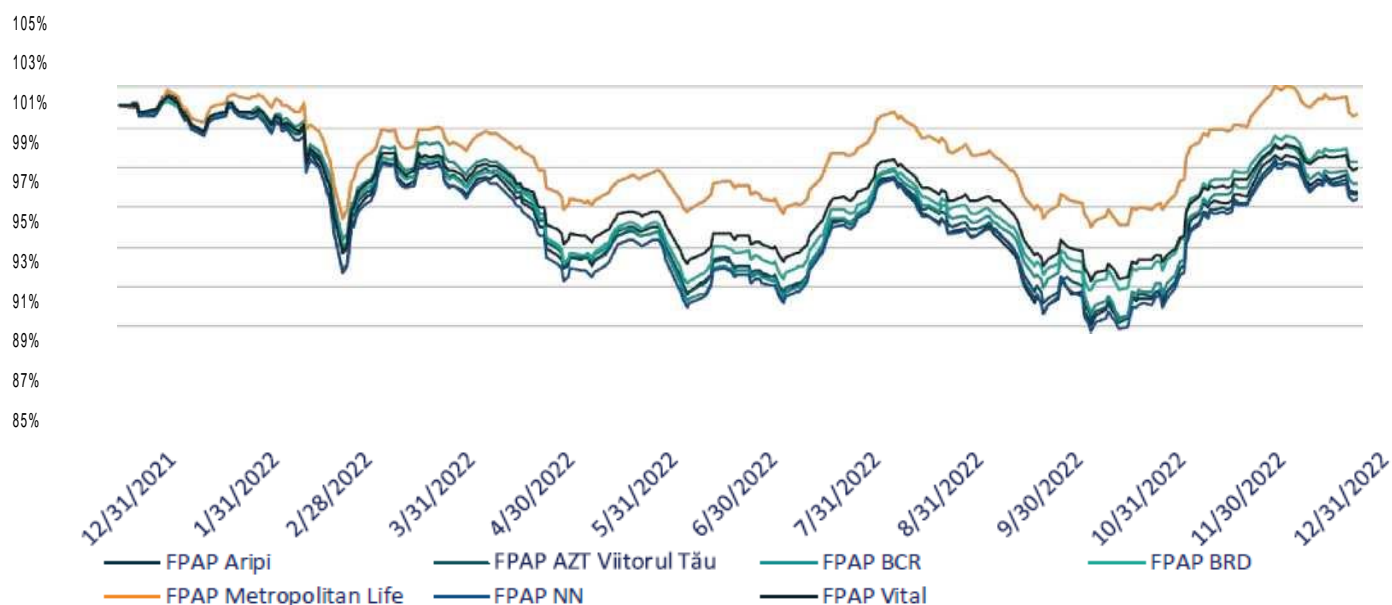
Allocation of investments by main asset classes at the end of December 2021 and December 2022 - Pillar 3:



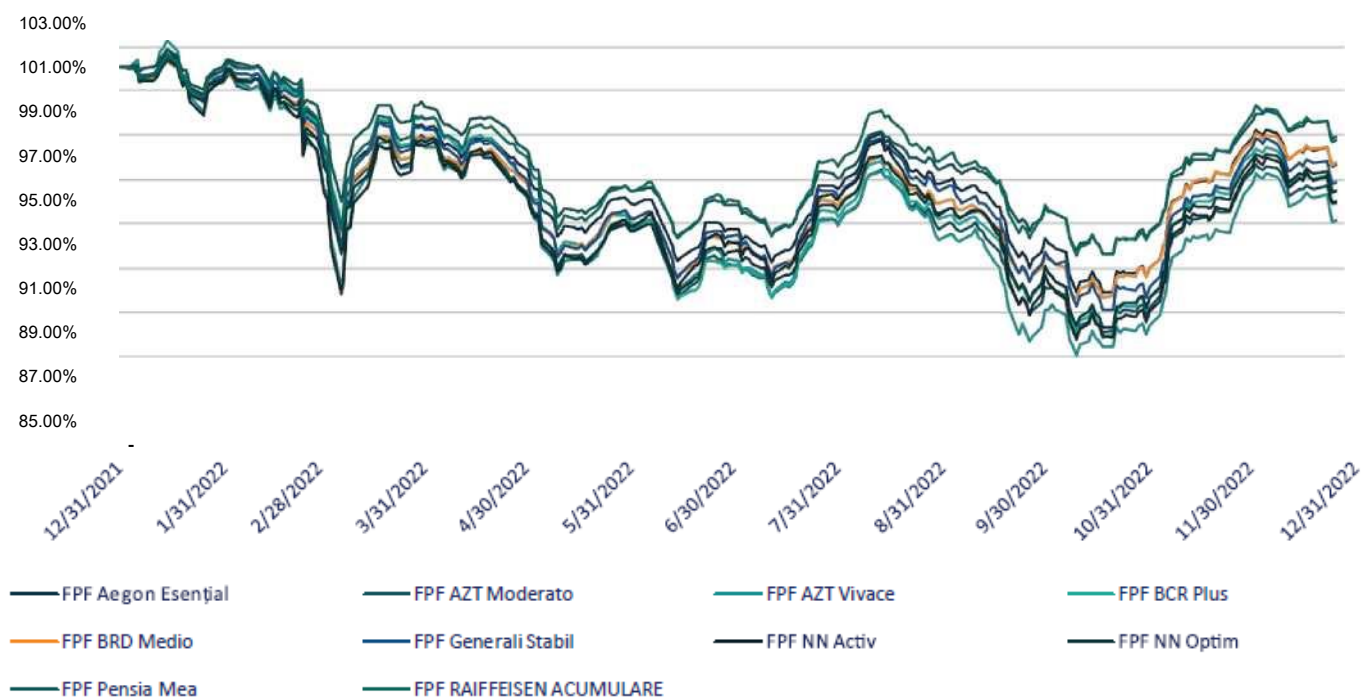
In 2022, financial markets in the European Union were marked by deteriorating macroeconomic balances and an increasing level of market risk. This was due to the fact that the economic recovery in the first months after the end of the COVID-19 pandemic was negatively influenced by the uncertainties generated by the outbreak of war in Ukraine. Thus, the first part of

2022 was characterised by rising energy prices, record inflation levels in the Eurozone, as well as slowing economic growth, worsening economic prospects and high volatility in the financial markets, all of which had a significant impact on pension fund NAVs.

#### NAV developments of privately managed pension funds (Pillar 2) between 31.12.2021-31.12.2022



#### Evolution of the NAVs of voluntary pension funds (Pillar 3) in the period 31.12.2021-31.12.2022



It should be noted that the Pillar II private pension system in Romania provides a guaranteed minimum contribution. In order to cover the minimum guaranteed value, the managers of privately managed pension funds are obliged to constitute from their own amounts a technical provision according to the provisions of Rule No 13/2012 on the actuarial calculation of the technical provision for privately managed pension funds.

The technical provision is set up to cover the risks related to the mandatory minimum investment guarantee established by Law No 411/2004 and is used if the value of a participant's personal assets falls below the value of the contributions paid to the participant over the entire active period, less transfer penalties and legal fees.

With regard to the actuarial valuation of private pension funds, which aims to determine the need for technical provisions for the funds, during 2022 the following actions have been taken:

- **Calculation and verification of the technical provision calculated by private pension fund managers for the year 2022**
- Preparation of the Actuarial Valuation Report and of the Approval Note of the Actuarial Valuation Report of privately managed and voluntary pension funds.

At the same time, given the context of the international financial markets, which have experienced high volatility in the prices of financial instruments, and taking into account both the obligations and responsibilities of private pension fund managers, a determination of the technical provision requirements for private pension funds was made in 2022 and for the first half of this year.



### 3.4.2. Private pension market supervision activity

The periodic inspection 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:

- ▶ protect 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);
- ▶ ensure the sustainability and stability of the private pension system by keeping the risk on the private pension fund market low.

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 deficiencies, but has both a preventive and a remedial component;
- ▶ the processes that may constitute risk factors are identified and recommendations are made to improve workflows and procedures in order to mitigate risks;
- ▶ the aim is to ensure the stability of the Romanian private pension system and its efficient functioning, as well as to maintain a low risk in the private pension funds market.

In consideration of the source of the participants' contributions and their final destination (ensuring a supplementary pension), in order to ensure the proper functioning of the private pension system, the supervisory activity carried out by ASF covers the entire activity of the entities involved in the private pension system, treating with the same seriousness and rigour each pension manager / depositary, regardless of its size. Potential risks and vulnerabilities, both individual and global, are thus detected early and closely monitored.

In 2022, 16 regular inspection actions were carried out, covering the work 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 custodians of private pension fund assets (performing custody and safekeeping activities for 15 private pension funds);
- 2 intermediaries of private pension funds (marketing activity carried out for two voluntary pension funds);

- the Private Pension System Rights Guarantee Fund. ► reasonably ensure that the overall work of the entities involved in the private pension system is carried out in an appropriate manner.

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

- identify the potential risks to which the entities are exposed and propose measures to improve the work carried out in order to reduce these risks and prevent non-compliance situations;
  - identify possible deviations from the legislation in force and request their correction;
- As a result of the checks and assessments carried out in 2022, risks have been identified at the level of private pension funds whose short-term impact does not significantly affect the activity of the entities, but which, according to the long-term assessments, may produce effects that need to be prevented through the implementation, in the indefinite or determined term, of remedial/rectification/mitigation measures.
- Overall, the main risk areas/risks identified, in terms of the number of vulnerabilities/dysfunctions identified, are as follows:

Area of activity	Identified risks
Corporate governance	
Membership and record-keeping	
Participant operations	Compliance risks
Calculation method and payment of fees to ASF	Operational risks
	Reputational risks
Reporting obligations and transparency	

Factors contributing to risks
<ul style="list-style-type: none"> <li>• errors arising from the failure to adapt the staff structure to the volume of work and the increasing number of operations carried out;</li> <li>• non-implementation, where possible, of systems to automate certain operations;</li> <li>• inadequate follow-up of measures ordered by ASF or undertaken by the entity;</li> <li>• incorrect implementation of processes and workflows;</li> <li>• incorrect application of legal provisions in the work process of the Manager or the Depositary.</li> </ul>

Also, in view of the deficiencies identified in relation to the own activity of a private pension fund manager, checks on the financial and

accounting activity of all private pension fund managers have been stepped up.



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



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

- remedial measures have been 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 and have set firm deadlines for implementing these measures.

**The following sanctions and administrative measures, including permanent inspection**, were applied as a result of inspection actions carried out in 2022:

- ▶ 15 sanctions with written warning, of which:
  - 8 sanctions with a written warning were imposed on persons in the management structure of private pension fund managers or persons holding key positions;
  - 3 sanctions with a written warning were imposed on private pension fund managers;
  - 2 sanctions with a written warning were imposed on the custodians of private pension fund assets;
  - 2 sanctions with a written warning were imposed on private pension intermediaries;
- ▶ 10 sanctions with fines, totalling RON 929,650, of which:
  - 1 contravention fine of RON 553,900 was imposed on a private pension fund manager;
  - 7 contravention fines amounting to RON 375,750 were imposed on persons in the management structure of a privately managed pension fund manager;
  - 2 contravention fines amounting to RON 4,200 were imposed on persons holding key positions in a private pension fund manager;
- ▶ 14 action plans, including decisions issued with a view to setting deadlines for the measures taken by the inspected entities;
- ▶ 4 bans - 180 days working in the private pension system.

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 company	4	2	1	1	7
2.	Privately managed pension fund management company	2	-	3		1
3.	Voluntary pension fund management company	3	1	4	-	1
4.	Custodians of private pension fund assets	3	2	-	-	-
5.	Private pension intermediaries	2	2	-	-	-
6.	Private Pension System Rights Guarantee Fund	-	-	-	-	-
Total sanctions and administrative measures applied		14	15		10	

\* Sanctions and administrative measures applied in 2023 as a result of inspection actions carried out in 2022 are included.

Sanctions and administrative measures applied in 2022 (excluding those related to permanent inspection actions) concern deficiencies mainly related to operational processes: the process of updating the data of participants in the private pension system, including annual reporting to participants, operational workflows on the use of personal assets, reporting, asset coverage covering technical provisions. All deficiencies identified have been remedied.

The most significant penalties were applied for the publication of erroneous information and for late hedging of assets covering the technical provision.

In view of the above, **sanctions and administrative measures applied as a result of inspection actions carried out in the period 2019-2022<sup>19</sup>** is as follows:

Sanctions and administrative measures applied		2020	2021	2022
Action plan		5	9	14
Written warning		9	9	15
Contravention fine	number	3	1	10
	value	RON 7,500	RON 2,200	RON 929,650
180-day ban on working in the private pension system		-	-	4
Total sanctions and administrative measures applied		17	19	43

<sup>19</sup> The situation shows the sanctions and administrative measures applied according to the year of the inspection action and not according to the date of the sanctioning decision

#### 3.4.2.1. The inspection activity on BRD Societate de Administrare a Fondurilor de Pensii Private S.A.



In the first half of 2022, following a permanent inspection of BRD Societate de Administrare a Fondurilor de Pensii Private S.A., it was found that the general manager and the members of the Board of Directors of the company had violated the rules of corporate governance and those concerning the accounting records of the manager.

The general manager was held responsible for the contravention of making entries in the accounts, which were not based on supporting documents, do not have an economic rationale, are contrary to the functionality of the accounts and do not reflect the real situation of the assets of the manager BRD Societate de Administrare a Fondurilor de Pensii Private S.A.

The members of the company's Board of Directors were charged with

contraventions, from which it appears that they did not ensure prudent and correct management of the manager BRD Societate de Administrare a Fondurilor de Pensii Private S.A., which affected the managers's assets.

As a result of the aspects found in the inspection action and in accordance with the legal provisions, the Council of the Financial Supervisory Authority decided the following sanctioning measures:

- Sanctioning the general manager of BRD Societate de Administrare a Fondurilor de Pensii Private S.A., with a fine of RON 100,000 and, in addition, with a 180-day ban on carrying out the activities regulated by Law No 411/2004 on privately managed pension funds, republished as amended and supplemented

and Law No 204/2006 on voluntary pensions, as amended and supplemented;

- Sanctioning of two members of the Board of Directors of BRD Societate de Administrare a Fondurilor de Pensii Private S.A., with a fine of RON 60,800 and another member of the Board of Directors with a fine of RON 55,500 and, in addition, with a prohibition, for a period of 180 days, to carry out the activities regulated by Law No 411/2004 on privately managed pension funds, republished with subsequent amendments and additions and Law No 204/2006 on voluntary pensions, with subsequent amendments and additions.

In view of the aforementioned sanctions, ASF has proceeded, in accordance with the provisions of Regulation No 1/2019 with subsequent amendments and additions, to reassess the members of the management structure whose authorisations were in force on 11.05.2022. Following the completion of the reassessment process, the ASF Council decided:

- Withdrawal of the approval granted to the General Manager of BRD Societate de Administrare a Fondurilor de Pensii Private S.A.;
- Withdrawal of the approval granted to two members of the Board of Directors of BRD Societate de Administrare a Fondurilor de Pensii Private S.A.

At the same time, as a result of the issues identified during the periodic inspection of BRD Societate de Administrare a Fondurilor de Pensii Private S.A. a number of complaints to the competent authorities was made, as follows:

- Complaint to the National Office for the Prevention and Combating of Money Laundering, for suspicious transactions

carried out through the company's bank accounts;

- Complaint to the General Directorate for the Administration of Large Taxpayers of the National Tax Administration Agency for:
  - checking that the data in the tax returns correspond to the company's accounting and tax records;
  - verification, ascertainment and tax investigation of acts and facts resulting from the company's activity regarding the legality and conformity of tax declarations, the correctness and accuracy of the fulfilment of the obligations laid down by tax and accounting legislation;
- Complaint to the Authority for Public Oversight of Statutory Audit Activity (ASPAAS) to verify the compliance of the work carried out by the auditor Ernst & Young S.R.L. for the audit of the financial statements of BRD Societate de Administrare a Fondurilor de Pensii Private S.A. for the period 2019-2021.

### 3.4.3. Settlement of petitions concerning the activity of authorised entities, regulated and/or supervised by ASF in the Private Pension Sector

In 2022, the total number of petitions registered in the Private Pension Sector was 1,298, down from 1,694 in 2021.

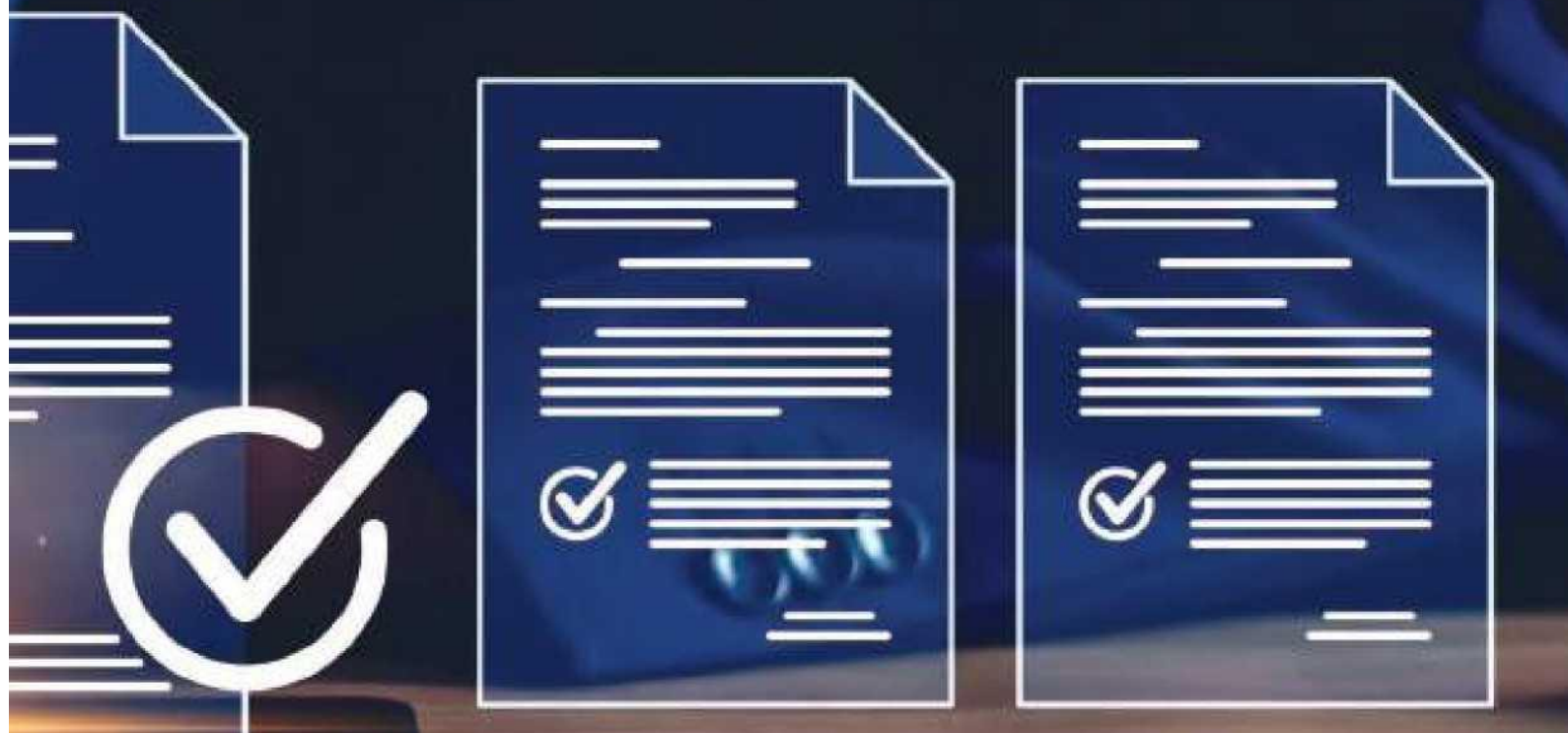
The situation of the petitions received regarding the activity of the entities in the private pension system in the period 01.01.2022 - 31.12.2022 is as follows:

No.	Categories of petitions	Total number of petitions registered in 2021	Percentage of the number of petitions registered in a given category of the total number of petitions registered in 2021 (%)	Total number of petitions registered in 2022	Percentage of the number of petitions registered in a given category of the total number of petitions registered in 2022 (%)	Increase/Decrease in total number of petitions in 2022 compared to total number of petitions in 2021 (%)
1	Petitions registered in unique way per petitioner	1,528	90.20%	897	69.11%	-41.30%
2	Petitions closed/connected under GC 27/2002 and internal procedures	166	9.80%	401	30.89%	141.57%
Total Petitions		1,694	100.00%	1,298	100.00%	-23.38%

### Breakdown in the private pension market of the number of petitions registered during the period 01.01.2022 - 31.12.2022, according to the legal status of the claimant

No.	Field of activity	Total number of petitions registered in the current period	Number of petitions submitted by individuals	Number of petitions submitted by legal persons
1	Private pension market	1,298	1,281	17
	Percentage of the number of petitions submitted by individuals out of the total number of petitions registered on the private pensions market (%)	100.00%	98.69%	1.31%





**Breakdown in the private pension market of the number of petitions registered in the period 01.01.2022 - 31.12.2022, according to the origin of the petitions**

No.	Origin of petitions	Total number of petitions registered in the current period	Percentage of the number of petitions submitted by a given entity out of the total number of petitions registered in the current period (%)
1	Petitions submitted by petitioners on their own behalf	1,254	96.61%
2	Petitions submitted through petitioners' proxies and law offices	5	0.39%
3	Through the National Authority for Consumer Protection, other Consumer Protection Associations and Foundations	9	0.69%
4	Through the Presidential Administration, the Romanian Parliament and the Government of Romania	15	1.16%
5	Other	15	1.15%
	Total	1,298	100.00%

**Origin of petitions submitted by legal entities for the private pension market in the period 01.01.2022 - 31.12.2022**

No.	Origin of petitions	Total number of petitions registered in the current period	Percentage of the number of petitions submitted by a given entity out of the total number of petitions registered in the current period (%)
1	Petitions submitted by petitioners on their own behalf	7	41.18%
2	Petitions submitted through petitioners' proxies and law offices	3	17.65%
3	Through the National Authority for Consumer Protection, other Consumer Protection Associations and Foundations	0	0.00%
4	Through the Presidential Administration, the Romanian Parliament and the Government of Romania	3	17.65%
5	Other	4	23.52%
	Total	17	100.00%

### 3.5. Activity on preventing and combating money laundering

In 2022, a number of projects in the area of money laundering prevention and the international sanctions regime were launched and continued.

The dynamics of change in this area at EU level have led to a number of actions both internally

within ASF and at national level. In this context, the actions taken have been both proactive and reactive, through regulatory actions, on- and off-site supervision and cooperation with other national authorities and with supervisory authorities in other EU Member States.

#### Amendment of GEO No 202/2008 on the implementation of international sanctions

The amendment of GEO No 202/2008 on the implementation of international sanctions is the most important regulatory project that was the subject of the specialist analysis of ASF in 2022. The draft is still under consideration in the inter-institutional dialogue.

It was also the subject of a profile assessment and of the issuance of an amendment during the parliamentary procedures for approval by the Romanian Senate on item 20 of the draft Law amending and supplementing Law No 535/2004 on preventing and combating terrorism, regarding the amendment and supplementing of Art. 42 paragraph (2) point a) of this draft, in order to clarify the supervisory and sanctioning powers of ASF (and the NBR) for contraventions.

establishment of a single European supervisory authority in the field of AML/CFT, called AMLA, and the translation of some of the obligations set out in AMLD IV into a directly applicable European Regulation. In this respect, an extensive internal process of impact analysis and feedback was launched at the level of representation in the EU expert groups. With a view to formulating a common position for Romania, ASF actively participated and communicated its position on the European Commission's AML package to ONPCSB. During 2022, ASF experts actively participated in the 14 meetings<sup>20</sup> of the Council of Europe expert group, with a total of 188 notifications and views communicated.

In the light of the debates at Council level EU, European Commission and Member States of the AML Legislative Package, ASF, as ML/TF Supervisory Authority, has communicated to the ONPCSB (National Office for Preventing and Combating Money Laundering) and the Permanent Representation amendments to improve the meaning of some provisions of the regulations in this package.

In order to strengthen the fight against money laundering and terrorist financing, the European Commission is proposing in this package the

<sup>20</sup> - January, 1 meeting, 24-25.01.2022; February, 1 meeting: 14-15.02.2022; March 2 meetings: 07-08.03.2022 and 28-29.03.2022; April 2 meetings: 13.04.2022 and 26.04.2022; May 1 meeting: 16.05.2022; June 3 meetings: 07.06.2022, 09.06.2022, 20.06.2022; July 1 meeting: 18.07.2022; September 1 meeting: 15-16.09.2022; October 2 meetings: 10.10.2022, 25.10.2022



ASF is the supervisor of the reporting entities National Tax Administration Agency. referred to in Art. 2 point g) (2) to (5) of Law No At the same time, in its capacity as supervisor of 129/2019 and cooperates with the national the branches of financial groups<sup>21</sup>, ASF, through authorities that are members of the national the institution's experts in the field, carried out its framework for preventing and combating money work in the AML supervisory colleges for 11 laundering and terrorist financing and with the financial groups, representing a flow of 93 supervisory authorities of other countries. notifications and exchanges of information.

During 2022, work was carried out to shape the ML/TF risk-based supervision system with a view to implementing the AML/CFT risk-based supervision model on preventing the use of regulated entities for money laundering and terrorist financing purposes.

In order to improve access to consolidated more than 2 branches in Member States, or with more than 3 databases, in 2022 actions were initiated to take branches in Member States if the head office of the financial the necessary steps for ASF to access the group is outside the European Union PatrimVen database system managed by the

<sup>21</sup>Financial groups headquartered in a Member State with more than 2 branches in Member States, or with more than 3 branches in Member States if the head office of the financial group is outside the European Union



## Coordination of ASF's activities as a member of the national framework for preventing and combating money laundering and terrorist financing

During 2022, 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”<sup>22</sup>, in which ASF is a party together with the NBR and ONPCSB, an exchange of information and data on the implementation modalities took place at the level of the presidents of the authorities, with the aim of producing the National ML/TF Risk Assessment Report and the National Action Plan.

Most of the activities have been geared towards the first deliverable - the National ML/TF Risk Assessment, a document approved in September 2022 by the Inter-Institutional Committee for the approval of the National Money Laundering and Terrorist Financing Risk Assessment Report, the National Action Plan and its updates. The Committee was set up by Prime Ministerial Decision No 454/2022, and a representative of ASF was appointed to it.

Events held in 2022 for the purpose of the project:

- workshop on the development of the Action Plan;
- meetings of the Steering Committee 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”;
- Meeting of the Inter-Institutional Committee for the approval of the National Money Laundering and Terrorist Financing Risk Assessment Report, the National Action Plan and their updates;
- public presentation at the level of institutions involved of the results of the

National Risk Assessment Report;

- public presentation to the supervised entities of the results of the National Risk Assessment Report.

In order to assess the effectiveness of the AML/CFT system implemented at the level of ASF, an on-site visit by Moneyval experts took place between September and October 2022, and in preparation for this visit, 102 notifications and exchanges of information on questionnaires took place prior to the on-site evaluation.



<sup>22</sup>EC funded project under the Structural Reforms Support Programme 2017-2020

## Work on international sanctions



ASF is the Supervisory Authority for compliance with the legal framework of the international sanctions regime (GEO No 202/2008) by the entities covered by Law No 129/2019 and is a member of the Interinstitutional Council on the Implementation of International Sanctions (ICISI).

During 2022, following the implementation of the 9 EU packages of measures against the Russian Federation due to its aggression against the territorial integrity, sovereignty and independence of Ukraine, ASF carried out activities to inform and clarify the typology of obligations of the supervised financial entities. An important role was played by meetings with representatives of supervised entities and professional associations, as well as the intensive flow of real-time updates of the section of the ASF website dedicated to international sanctions regimes, as well as those dedicated to the prevention of terrorist financing and the prevention of financing the proliferation of weapons of mass destruction (101 updates).

In the year 2022, profile activities took place on the pending European Union files for the 93 international sanctions regimes targeting the Taliban, serious human rights violations, use of chemical weapons, or jurisdictions and states under international sanctions other than Russia and Belarus.

At the same time, technical experts were appointed to the working group at CoE level for the development of the regulatory framework necessary for the implementation of Regulation (EC) No 2271/96 to protect against the effects of the extraterritorial application of legislation adopted by a non-EU country. The appointment was notified to MAE (Ministry of Foreign Affairs). 9 meetings of the national and European expert groups were held during 2022, where ASF experts actively participated.

ASF has provided ICISI with contributions on its own work in the field of international sanctions for inclusion in its annual report to be submitted to the Supreme Council of National Defence (CSAT).



## 4. REGULATION OF NON-BANK FINANCIAL MARKETS



Sound regulation is an important pillar in supporting ASF's efforts to promote and strengthen the sustainable development of non-bank financial markets.

In this context, in line with the strategic objectives set by ASF for the period 2019-2023, during 2022 ASF continued its strategy in terms of updating and reviewing primary and secondary legislation,

in order to bring it into line with European legislation, which is also constantly evolving, as well as to regulate issues relating to promoting consumer confidence in non-bank financial products and investments, ensuring the stability of competitiveness and the proper functioning of the markets supervised, and ensuring the protection of operators and investors against unfair, abusive and fraudulent practices.

#### **4.1. Transposition and implementation of EU legislation**

ASF attaches great importance to the harmonisation of national legislation with Community legislation in ASF's area of competence. In this respect, the institutional level is constantly monitoring the state of transposition of European legislation and ensuring timely submission of contributions to the institutions responsible for the adoption of national legislation.

For the transposition of the provisions of the directives, the draft laws, together with the explanatory memorandum prepared during 2022, were submitted to the Ministry of Finance (MF), as initiator.

In order to take the necessary steps to apply the Community legislative framework and to ensure the notification process of the stage of its transposition into national legislation to the institutions responsible for monitoring the transposition process, **ASF monitors compliance with the deadlines for implementing the directives and the timely start of the process of drafting normative acts.**

With the publication in June 2022 of **Law No 188/2022** amending and supplementing Law No 126/2018 on markets in financial instruments, the transposition of the following has been ensured:

- Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing;
- Directive (EU) 2020/1504 of the European Parliament and of the Council of 7 October 2020 amending Directive 2014/65/EU on markets in financial instruments;
- Directive (EU) 2021/338 of the European Parliament and of the Council of 16 February 2021 amending Directive 2014/65/EU

ASF maintains a **permanent dialogue in the inter-institutional cooperation process**, mainly with MAE and MF, both with regard to infringement proceedings (pre-litigation stage) that the European Commission has initiated for late transposition of certain directives and with regard to directives with deadlines for transposition in the coming period.

as regards information requirements, product governance and position limits, and Directives 2013/36/EU and (EU) 2019/878 as regards their application to investment firms, to help recover from the crisis caused by COVID-19.

With a view to transposing **Directive (EU) 2019/2034** of the European Parliament and of the Council of 27 November 2019 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, ASF has taken the necessary steps to **finalise Law No 236/2022** on the prudential supervision of financial investment services companies and on the amendment and completion of certain regulatory acts, published in July 2022.

Also in 2022, Regulation No 13/2022 was adopted to amend ASF Regulation No 3/2014 on certain aspects related to the application of the Emergency Ordinance No 99/2006 on credit institutions and capital adequacy and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012. **ASF has ensured coordination of the transposition of the following:**

- **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 by adopting and publishing in June 2022 the **Regulation amending and supplementing the Regulation of the Financial Supervisory Authority and the National Bank of Romania No 10/4/2018** on the protection of financial instruments and funds belonging to clients, product governance obligations and rules

applicable to the granting or receiving of fees, commissions or other types of pecuniary or non-pecuniary benefits.

- **Commission Delegated Directive (EU) 2021/1.270** 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), so that **Law No 239/2022** on 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 was also published in July 2022;

- **Directive (EU) 2019/2177** of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing, **Law No 209/2022** on amending and supplementing the Law No 237/2015 on the authorisation and supervision of insurance and reinsurance activity and on amending the Law No 236/2018 on insurance distribution will be published on 19 July 2022;

- **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 collective investment undertakings, **Law No 237/2022** amending and supplementing the

Government Emergency Ordinance No 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for amending and supplementing Law No 297/2004 on the capital market, Law No 74/2015 on alternative investment fund managers, and Law No 24/2017 on issuers of financial instruments and market operations being published on 22 July 2022;

Although compliance with European regulations is not within the scope of the follow-up process by MAE or the European Commission, given that they are part of the *acquis communautaire* and because a number of regulations related to the non-banking financial sector have been identified at the institutional level for which, although directly applicable, measures need to be introduced in national legislation (such as the designation of the Competent Authority and the imposition of

penalties for non-compliance with the regulations), ASF has decided to monitor them continuously.

ASF is involved in the process of implementing the Community framework in national legislation both directly, by ensuring the decision-making process through the discussion and approval of draft regulatory acts in Council meetings, and indirectly, through the work carried out by the specialised structures within the institution in order to comply with the obligations incumbent on it under its area of competence.

Therefore, in 2022, ASF has taken all the necessary steps to adopt the draft legislation within the deadlines set to ensure that the provisions of the European directives in the field of activity of ASF are taken on board, as well as the timely and detailed transmission of information on the transposition process to the institutions responsible for monitoring.

## 4.2. The integrated regulatory activity

The integrated regulatory activity carried out at the level of ASF aims at the unified regulation of the common areas of activity within the three non-banking financial markets regulated and supervised by the Authority, as well as the updating of existing legislation at an integrated level.

Among the relevant topics that the integrated regulatory work focused on in 2022 were:

- Analyse the EC's proposed digital finance package to identify the necessary steps for implementation;
- Revision of the regulatory act on

management of operational risks generated by IT systems used by entities authorised/approved/registered, regulated and/or supervised by ASF;

- Revision of the legal act on the legal framework on measures to prevent and combat money laundering and terrorist financing;
- Revision of the regulatory act on the control activity carried out by the Financial Supervisory Authority;
- Revision of the regulatory act on the legal framework on how to submit reports and other documents electronically to ASF.



In 2022, at integrated level, **the following the following normative acts have been issued:**

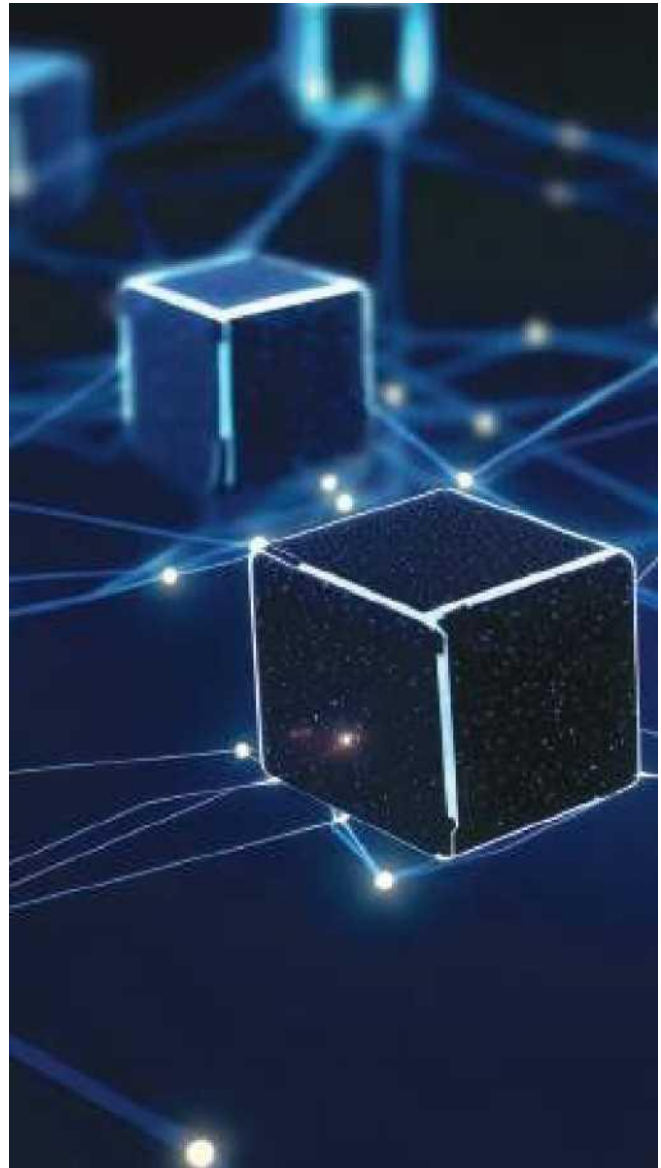
1. **Regulation No 11/2022** amending and supplementing ASF Regulation No 4/2021 on the control activity carried out by the Financial Supervisory Authority;
2. **ASF Regulation No 18/2022** amending and supplementing ASF Regulation No 13/2019 on the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by the Financial Supervisory Authority;
3. **Rule No 24/2022** amending 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 ASF;
4. **Instruction No 3/2022** amending and supplementing the Financial Supervisory Authority Instruction No 1/2021 on how to submit reports and other documents in electronic format to the Financial Supervisory Authority.

In order to achieve the Authority's strategic objectives, **a permanent cross-sector working group on digital finance was set up in 2022.**

Thus, an important part of the integrated regulatory work in 2022 was the work of this working group related to the digital finance package, given that the task of this working group is to analyse and set the steps for the implementation of the new regulatory frameworks related to the digital finance package imposed at EU level through the 3 regulations, as follows:

5. **Regulation (EU)2022/858** of the European Parliament and of the Council on a pilot scheme for market infrastructures based on distributed ledger technology (DLT) and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU;
6. **Regulation (EU)2022/2554** of the European Parliament and of the Council on digital operational resilience in the financial sector

and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA);  
7. **Draft Regulation on Markets in crypto-assets (MiCA).**





### 4.3. The regulatory activity in the financial instruments and investment sector

The main guidelines followed in the regulatory activity in the field of capital markets have been oriented

towards achieving the following objectives:

- harmonise specific national legislation with recent developments in European legislation in the field of investment services and activities, issuers and collective investment undertakings;
- continue efforts to support the process of strengthening capital market infrastructure;
- reconfiguration of the legal framework applicable to issuers and shareholders' rights with a view to transposing and/or adopting measures to implement European legislation.

#### ► Drafting of draft primary legislation and draft capital market strategies/formulation of technical opinions on primary legislation

**Law No 188/2022 amending and supplementing Law No 126/2018 on markets in financial instruments was published in the Official Journal of Romania, Part I, no. 617 of 23 June 2022.**

The law transposes the provisions of the European Directives amending Directive 2014/65/EU (MiFID II), namely Directive (EU) 2019/2177, Directive (EU) 2020/1504 and Directive (EU) 2021/338 (IFD).

**Law No 236/2022 on the prudential supervision of financial investment services companies and on amending and supplementing certain acts has been published in the Official Journal of Romania, Part I, no. 737 of 22 July 2022**

The law transposes Directive (EU) 2019/2034 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU.

Law No 237/2022 on 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, Law No 74/2015 on alternative investment fund managers, and Law No 24/2017 on issuers of financial instruments and market operations was published in the Official Journal, Part I No 741 of 22 July 2022.

Law No 239/2022 on 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 was published in the Official Journal, Part I No 735 of 21 July 2022

The law mainly ensures the transposition of 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) which amends certain provisions regarding the cross-border distribution process of UCITS and AIFs, removing or relaxing certain requirements for managers in order to facilitate the cross-border distribution of these financial products at EU level.

Also, as a novelty, the concepts of withdrawal of notification for cross-border distribution of CIUs and pre-marketing in the case of AIF/ EuVECA and EuSEF are regulated.

In addition to the transposition of the CBDF Directive, the law also introduces a series of amendments and additions to GEO No 32/2012, Law No 74/2015 and Law No 24/2017, resulting from the latest European legislative developments in the field or, where appropriate, from the conclusions drawn from the practice of authorisation and supervision by ASF of CIUs or issuers.

The law envisages the transposition in the legislation specific to collective investment in transferable securities (UCITS) of 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).

Law No 244/2022 on the establishment of implementing measures of Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European providers of equity financing services to businesses and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937 was published in the Official Journal, Part I, No 754 of 27 July 2022

The law contains legal provisions designed to provide the legal and institutional framework for the implementation of Regulation (EU) 2020/1503 on European providers of business equity finance and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

**Draft law laying down implementing measures for Regulation (EU) No 2021/23 which aims to creating the regulatory framework for the designation of the Central Counterparty Resolution Authority (CCP) and the competent ministry at national level, as well as the establishment of the penalty regime in case of infringement of Regulation (EU) No 23/2021**

In the context of the publication of 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) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) No 806/2014, the Commission has adopted a proposal for a Regulation (EU) No 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for central counterparty recovery and resolution and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) No 806/2014. 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132, the draft law on the establishment of implementing measures for Regulation (EU) No 2021/23 was prepared.

The draft law aims to create the regulatory framework for the designation of the Central Counterparty Resolution Authority and the competent ministry at national level, as well as to establish the sanctioning regime in case of breach of Regulation (EU) No 2021/23. The original draft law was supplemented with provisions determining the competent authorities for the application of Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a pilot scheme for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU, by reference to the competent authorities designated on Directive 2014/65/EU and Regulation (EU) 2014/909. Provisions have also been introduced to amend Law No 126/2018 to take over amendments to Directive 2014/65/EU and to amend Law No 24/2017 to take over amendments to Directives 2004/25/EC and 2007/36/EC

**Draft of the National  
Strategy for the  
Development of the  
Romanian Capital  
Market for the period  
2023 - 2026**

At national level, the “National Capital Market Strategy” project has been implemented since October 2020, with the involvement of ASF in partnership with the Ministry of Finance, with advice provided by the Organisation for Economic Co-operation and Development (OECD).

Taking into account Romania’s National Recovery and Resilience Plan following the crisis caused by the COVID-19 pandemic, approved by the EU Council on 28 October 2021, the National Strategy for the Development of the Romanian Capital Market for the period 2023 - 2026 has been shaped around nine general objectives that are divided into several specific objectives, namely:

- I. Improved conditions for listing on the capital market;
- II. Increased liquidity in the secondary market;
- III. Promoting, developing and growing an active SME market;
- IV. Promoting savings among retail investors and increase participation of individual investors and the business community in the capital market;
- V. Increasing the role of institutional investors;
- VI. Facilitating long-term financing through market mechanisms;
- VII. Supporting digitalisation and financial innovation;
- VIII. Supporting the development of the local private equity and venture capital market;
- IX. Stimulating green investment.

The draft Strategy was published on 07.10.2022 on the website of the Ministry of Finance for public consultation. Following the analysis by ASF of all the comments and proposals received in the framework of the public consultation, the ASF Council approved the revised form of the National Strategy for the development of the Romanian capital market for the period 2023 - 2026, as well as its transmission to the Ministry of Finance together with the related Explanatory Memorandum.

► **Secondary legislation**

► **Regulations**

**ASF Regulation No 1/2022  
amending and supplementing  
the Financial Supervisory  
Authority Regulation No 15/2018  
on the Public Register of the  
Financial Supervisory Authority,  
published in the Official  
Journal, Part I No 64 of 20  
January 2022**

The Regulation amending and supplementing ASF Regulation No 15/2018 on the Public Register of the Financial Supervisory Authority was drafted mainly with a view to harmonising its provisions with the latest changes in capital market legislation and to streamline the registration process at ASF level of entities from Member States intending to carry out specific capital market activities in Romania.

**ASF Regulation  
2/2022 amending  
ASF Regulation  
No 5/2018 on  
issuers of  
financial  
instruments and  
market  
operations,  
published in the  
Official Journal,  
Part I, No 108 of 3  
February 2022**

ASF Regulation No 2/2022 was developed in the context of issues identified in relation to underwriting arrangements in public offerings of securities where the first-come first-served allocation method is used.

ASF Regulation No 2/2022 took into account, among others, the following aspects:

- the existence of an increasing trend towards digitalisation, i.e. an increasing trend towards the use of electronic data transmission methods, including for public offers for sale;
- multiple underwriting methods are available in offers for sale, and electronic data transmission methods may involve the use of data transmission facilities, including the use of trading platforms that allow orders to be submitted/entered without a restriction on the time at which they can be transmitted;
- the fact that the use of electronic data transmission methods, including trading platforms in the underwriting process in a public offer for sale using the first-come-first-served allocation method, may lead to difficulties in interpreting the possibility of orders being taken up prior to the offer period.

This regulation specifies that the allocation of securities subscribed in the public offer is carried out in accordance with the provisions of the offer prospectus. The method of allotment and the actual allotment of the securities subscribed in the public offer shall be determined by the issuer in the case of primary public offers and by the offeror in the case of secondary public offers, respectively, without the possibility of using the “first come, first served” method of allotment.



**ASF Regulation No 4/2022 amending and supplementing the Financial Supervisory Authority Regulation No 3/2014 on certain aspects of the application of Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, published in the Official Journal, Part I, No 183 of 24 February 2022**

The Regulation ensures the transposition of the technical aspects provided for by 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 arrangements and powers and capital conservation measures, which were not transposed by the primary legislation, namely Law No 319/2021 amending and supplementing Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy.

**ASF Regulation No 6/2022 amending Art. 73 para. (1) point c) of the ASF Regulation No 5/2018 on issuers of financial instruments and market operations, published in the Official Journal of Romania, Part I, No 328 of 4.04.2022**

The amendment of ASF Regulation No 5/2018 was based mainly on the following considerations:

- according to the definitions provided for in Art. 3 para. (1) item 12 and item 13 of Law No 126/2018 on markets in financial instruments, the investment adviser is a natural or legal person authorised by ASF who provides investment advisory services on a professional basis in relation to financial instruments, and investment advice is the provision of personal recommendations to a client, at the client's request or at the initiative of the investment firm, in relation to one or more transactions in financial instruments.
- as a result of the transposition of MiFID2 into national regulations, the number of investment advisors authorised by ASF has decreased considerably, as not all requirements applicable to these entities have been met.
- regulation of situations encountered in practice.

**ASF Regulation No 7/2022  
supplementing Regulation  
No 9/2014 on the  
authorisation and  
operation of investment  
management companies,  
undertakings for  
collective investment in  
transferable securities  
and depositaries of  
undertakings for  
collective investment in  
transferable securities,  
published in the Official  
Journal, Part I No 409 of  
28 April 2022**

ASF Regulation No 7/2022 ensured that the obligations incumbent on ASF as the competent authority for CIUs and their managers to adequately and timely transpose Directive (EU) 2021/2261 of the European Parliament and of the Council of 15 December 2021 amending Directive 2009/65/EC as regards the use of key information documents by undertakings for collective investment in transferable securities (UCITS).

The overall objective of Directive (EU) 2021/2261 is to ensure that individual investors in PRIIPs who are interested in purchasing units of UCITS do not, as from 1 January 2023 (the end of the exemption of UCITS from the provisions of Regulation (EU) No 1286/2014), receive both PRIIP KIDs and UCITS KIID for the same product. The European Directive therefore provides that where an investment company or, for any of the open-ended investment funds it manages, a management company draws up, provides, revises and translates a key information document which complies with the requirements for key information documents set out in Regulation (EU) No 1286/2014 (PRIIP KID), this document has to be considered as meeting the requirements applicable to the key investor information document (UCITS KIID). In addition, for investors other than retail investors, investment firms and management companies may continue to prepare key investor information in accordance with Directive 2009/65/EC, unless they decide to prepare a KID as provided for in Regulation (EU) No 1286/2014.

**ASF Regulation No 8/2022 on the amendment and supplementing the Regulation of the Financial Supervisory Authority 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, published in the Official Journal, Part I No 423 of 02 May 2022**

The main changes introduced by this regulation concern:

- introduction of provisions on margin trading;
- introducing provisions prohibiting the placing of new buy orders on the accounts of customers on margin call until the margin deficit on these accounts has been covered;
- deletion of the reference to “elimination of the margin deficit”;
- introduction of detailed provisions on the quarterly reporting obligation for assets under custody;
- revision of the provisions on notification of investment firms and credit institutions from other Member States providing investment services and activities in Romania.

ASF Regulation No 9/2022 has been developed taking into account the strategic objectives of ASF to support a sustainable development of the Romanian capital market.

In order to facilitate the successful offer of shares on the local market, ASF Regulation No 9/2022 reduced the limit on the number of shares subject to the offer for which depositary receipts may be issued (provided for in Art. 14 of Regulation No 4/2013) from “not more than 2/3 of the number of shares subject to the offer, but not exceeding 1/3 of the total number of shares issued by the issuing company” to “not more than 1/10 of the number of shares subject to the offer, but not exceeding 1/3 of the total number of shares issued by the issuing company”.

At the same time, by ASF Regulation No 9/2022 were:

- deleted the provisions stating that ASF may derogate from the provisions establishing the limits for which certificates of deposit may be issued, in which context the rule on the limit for issuing certificates of deposit will be established in a uniform manner in all cases;
- introduced some provisions relating to the situation where the issuer would decide to delist the depositary receipts, which did not exist in Regulation No 4/2013;
- also included some amendments resulting from legislative changes (e.g. - adoption of Law No 158/2020 amending or supplementing, among others, some provisions of Law No 24/2017), as well as some amendments resulting from the need to adjust references to certain articles of Law No 24/2017, as the latter law has been republished.

**ASF Regulation No 9/2022 amending and supplementing ASF Regulation No 4/2013 on underlying shares for certificates of deposit, published in the Official Journal, Part I No 467 of 10 May 2022**

**ASF Regulation No 10/2022  
on the Investor  
Compensation Fund,  
published in the Official  
Journal, Part I no. 441 of 05  
May 2022**

The Regulation was issued in application of the Law No 88/2021 on the Investor Compensation Fund and regulates issues relating to the internal organisation of the Fund as a public entity, reviewing the way of setting and allocating contributions to the Fund among participants, reviewing the level of ex-ante available resources, establishing the basis for calculating annual and special contributions and other issues of application of Law No 88/2021.

**ASF/NBR Regulation No  
12/9/2022 amending and  
supplementing the  
Regulation of the Financial  
Supervisory Authority and  
the National Bank of  
Romania No 10/4/2018 on  
the protection of financial  
instruments and funds  
belonging to clients,  
product governance  
obligations and rules  
applicable to the granting  
or receiving of fees,  
commissions or other  
pecuniary or non-pecuniary  
benefits, published in the  
Official Journal, Part I, No  
611 of 22 June 2022**

The Regulation was drafted with a view to transposing into national law Delegated Directive (EU) 2021/1269 amending Delegated Directive (EU) 2017/593 as regards the integration of sustainability factors into product governance obligations. The amendments and additions introduced by this Regulation set out the following:

- when analysing the product governance requirements contained in ASF/NBR Regulation No 10/4/2018, consideration should also be given to sustainability factors and sustainability objectives. To this end, investment firms producing and distributing financial instruments should consider sustainability factors in the product approval process for each financial instrument and in other product governance and oversight arrangements for each financial instrument to be distributed to clients seeking financial instruments with a sustainability-related profile;
- in order to facilitate the accessibility of sustainability finance instruments and for consumers who do not have sustainability preferences, investment firms should not be required to identify client groups with whose needs, characteristics and objectives the sustainability finance instrument is not compatible.

**ASF Regulation No 13/2022 amending the Regulation of the Financial Supervisory Authority No 3/2014 on certain aspects related to the application of Government Emergency Ordinance No 99/2006 on credit institutions and capital adequacy and Regulation (EU) No 575/2013 of the of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, published in the Official Journal, Part I, No 768 of 2 August 2022**

The Regulation was drafted with a view to finalising the transposition of Directive (EU) 2019/2034 on the prudential supervision of investment firms (IFD). The main provisions concern the modification of the scope of the Regulation in line with the scope of prudential requirements under the European Prudential Supervision Package (IFD/IFR) and the removal of some exemptions in the area of capital buffers that may have previously applied to small and medium-sized FISCs.

**ASF Regulation No 14/2022 amending and supplementing the Financial Supervisory Authority Regulation No 16/2014 on the revenues of the Financial Supervisory Authority, published in Official Journal, Part I No 917 of 19 September 2022**

ASF Regulation No 14/2022 was mainly aimed at updating the provisions of ASF Regulation No 16/2014 in line with developments in the applicable capital market legislation with the enactment of Law No 244/2022 on the establishment of measures implementing Regulation (EU) 2020/1503 of the European Parliament and of the Council of 7 October 2020 on European providers of business equity finance and amending Regulation (EU) 2017/1129 and Directive (EU) 2019/1937.

**ASF Regulation No 15/2022 for the amendment and supplementation of the Regulation of the Financial Supervisory Authority No 15/2018 on the Public Register of the Financial Supervisory Authority, published in the Official Journal, Part I No 961 of 3 October 2022**

ASF Regulation No 15/2008 concerned:

- Alignment of the entities authorised, regulated and supervised by ASF - SIIF to the new requirements generated by the enactment of Law No 188/2022 on amending and supplementing Law No 126/2018 on markets in financial instruments and Law No 244/2022 on laying down measures implementing Regulation (EU) 2020/1.503 of the European Parliament and of the Council of 7 October 2020 on European providers of business equity finance and amending Regulation (EU) 2017/1.129 and Directive (EU) 2019/1.937;
- simplification and streamlining of the internal procedures of ASF regarding the registration of certain categories of entities in the ASF Register.



**ASF Regulation No 16/2022 amending the Financial Supervisory Authority Regulation No 28/2020 on training, education and professional development on the capital market, published in the Official Journal, Part I no. 1018 of 19 October 2022**

ASF Regulation No 16/2022 aimed at simplifying and streamlining the way in which professional training bodies (OFP) submit to ASF some information pursuant to ASF Regulation No 28/2020, as well as the way of keeping records of continuous professional training courses, through the electronic platform “Portal Autorizare” - module “Evidență persoane”, available on the ASF website.

In this context, ASF Regulation No 16/2022 took into account the following aspects:

- the reporting obligation according to ASF Regulation No 28/2020 on the fulfilment of the continuous training and professional development obligations for individuals authorised by ASF remains the responsibility of the financial intermediaries who transmit via the “Evidență persoane” module the situation of the persons who have participated in the continuous training and professional development programmes within 15 days of their completion;
- entities authorised, regulated and supervised by ASF and operating on the capital market shall notify the Authority within 5 days of the occurrence of the event referred to in Art. 25 para. (2);
- the reporting obligations laid down in Art. 38 of Regulation No 28/2020 are also applicable to continuing professional training and further training programmes in progress on the date of entry into force of the Regulation;
- both the entities authorised, regulated and supervised by ASF operating on the capital market and the UCITS, through their legal representative, shall submit to Authority every six months a declaration signed in holography or with a qualified electronic signature, if the declaration is submitted electronically, showing that the information provided through the “Portal Autorizare” platform on the ASF website is correct and complete.

## ► Rules

### **ASF Rule No 1/2022 for the application of ESMA Guideline on written agreements between members of CCP colleges**

ASF Rule 1/2022 takes over, at the level of ASF secondary legislation, the provisions of ESMA's Guidelines on written agreements between members of CCP colleges. The objectives of the Guideline are to establish consistent and efficient supervisory practices within the European System of Financial Supervision and to ensure common, uniform and consistent application of the provisions of Regulation (EU) 648/2012 and the Delegated Regulation on Colleges. In particular, they aim to propose a standard written agreement to ensure the timely establishment of a CCP college and its smooth functioning.

### **ASF Rule No 2/2022 for the application of ESMA's Guidelines on advertising disclosures under Regulation (EU) 2019/1156 of the European Parliament and of the Council of 20 June 2019 on facilitating cross-border distribution of collective investment undertakings and amending Regulations (EU) No 345/2013, (EU) No 346/2013 and EU No 1286/2014, published in the Official Journal, Part I No 75 of 26 January 2022**

ASF Rule No 2/2022 is addressed to UCITS management companies, including any UCITS that have not designated a UCITS management company, alternative investment fund managers, EuVECA managers and EuSEF managers, falling under the provisions of Government Emergency Ordinance No 32/2012 on undertakings for collective investment in transferable securities and investment management companies, as well as for the amendment and completion of Law No 297/2004 on the capital market, as amended and supplemented, Law No 74/2015 on alternative investment fund managers, as amended and supplemented, and Law No 243/2019 on the regulation of alternative investment funds and amending and supplementing certain regulatory acts.

ASF Rule 2/2022 applies to all "advertising communications" addressed to EU investors or potential investors in any fund (UCITS or AIF), including when they are set up as EuVECA, EuSEF, ELTIF and MMF and clarifies the notion of "alternative investment fund managers" as "AIFMs" defined in Art. 4 para. (1) point (b) of Directive 2011/61/EU and authorised in accordance with capital market legislation.

**ASF Rule No 3/2022 for the application of the ESMA Guidelines on data obligations Market rules laid down in MiFID II/ MiFIR, published in the Official Journal, Part I, No 135 of 10 February 2022**

ASF Rule 3/2022 ensures the implementation of the provisions of ESMA's Guidelines on market data obligations under MiFID II/MiFIR in the ASF secondary legislation. The Guideline applies to the market data that trading venues, independent market makers, approved publication arrangements and centralised reporting system providers are required to make public for the purposes of ensuring the pre- and post-trade transparency regime.

**ASF Rule No 12/2022 for the application of the ESMA Guideline on reporting of settlement fails under Art. 7 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on Central Securities Depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR)**

ASF Rule No 12/2022 takes over, at the level of ASF secondary legislation, the provisions of ESMA's Guidelines on reporting of settlement fails under Art. 7 of Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on Central Securities Depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012 (CSDR).

**ASF Rule No 16/2022 for the application of the provisions of the ESMA Guidelines on methodology, supervisory function and record keeping under the Benchmarks Regulation and for the amendment and completion of the Annex to the Financial Supervision Authority Rule No 21/2019 on the application of the ESMA Guidelines on insignificant benchmarks in the Benchmarks Regulation, published in the Official Journal, Part I, No 517 of 26 May 2022**

ASF Rule No 16/2022 implements at the level of national legislation the provisions of the ESMA Guideline on methodology, supervisory function and record keeping under the Benchmarks Regulation and amending and supplementing the Annex to the Financial Supervisory Authority Rule No 21/2019 on the application of the ESMA Guideline on insignificant benchmarks in the Benchmarks Regulation.

**ASF Rule no. 23/2022 for the application of the MAR Guidelines – Delay in the disclosure of inside information and interactions subject to prudential supervision, published in the Official Journal, Part I no. 777 of 4 August 2022**

ASF Rule No 23/2022 implements at national law level the provisions of the MAR Guidelines – Delay in the disclosure of inside information and interactions subject to prudential supervision, which apply to competent authorities designated under Art. 22 of MAR and to issuers and:

- sets out a non-exhaustive and indicative list of the legitimate interests of issuers that are likely to be harmed by the immediate disclosure of inside information, as well as the situations in which delaying the disclosure of inside information is likely to mislead the public, as referred to in Art. para. (11) of Regulation (EU) No 596/2014;
- provides clarification on the existence of inside information in relation to capital requirements and Pillar 2 capital guidelines.

**ASF Rule No 27/2022 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 Art. 28 of Regulation (EU) No 1131/2017 on Money Market Funds, published in the Official Journal, Part I No 1010 of 18 October 2022**

ASF Rule No 27/2022 implements at the level of national legislation the provisions of the European Securities and Markets Authority (ESMA) Guidelines on stress testing scenarios under Art. 28 of Regulation (EU) No 1.131/2017 on Money Market Funds.

The rule applies to competent authorities, money market funds and money market fund managers as defined in Regulation (EU) No 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (MMF Regulation).

**ASF Rule No 29/2022 amending and supplementing the Financial Supervisory Authority Rule No 39/2015 on the approval of the Accounting Regulations in line with International Financial Reporting Standards, applicable to entities authorised, regulated and supervised by the Financial Supervision Authority in the Financial Instruments and Investments Sector and to the Clearing Fund of Investors, published in the Official Journal, Part I, No 18 of 6 January 2023**

ASF Rule 29/2022 transposes the provisions of Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards the disclosure of information by certain undertakings and branches concerning corporate tax at the level of entities falling within the scope of ASF Rule 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 Supervision Authority in the Financial Instruments and Investments Sector, as well as the Investor Compensation Fund, as amended.

Directive (EU) 2021/2101 aims to strengthen public control of corporate tax borne by multinational entities operating in the Union in order to promote transparency and accountability of entities, thus contributing to the welfare of the Union. This public scrutiny can be achieved by means of a corporate tax information report irrespective of where the ultimate parent company is established.

#### ► Instructions

**ASF Instruction No 1/2022 amending the Financial Supervisory Authority Instruction No 1/2016 on the preparation and submission of the annual financial statement and annual reporting by entities authorised, regulated and supervised by the Financial Supervisory Authority - Financial Instruments and Investments Sector, published in the Official Journal, Part I no. 473 of 12 May 2022**

ASF Instruction No 1/2022 was issued in consideration of the amendments made to ASF Rule No 39/2015, following the provisions of Law No 88/2021 on the Investor Compensation Fund, according to which the Investor Compensation Fund was established as a legal person under public law.



**ASF Instruction No 2/2022 amending the Financial Supervisory Authority Instruction No 2/2016 on the preparation and submission of half-yearly accounting reports by entities authorised, regulated and supervised by the Financial Supervisory Authority - Financial Instruments and Investments Sector, published in the Official Journal, Part I No 845 of 29 August 2022**

ASF Instruction No 2/2022 was issued in consideration of the amendments made to ASF Rule No 39/2015, following the provisions of Law No 88/2021 on the Investor Compensation Fund, according to which the Investor Compensation Fund (ICF) is constituted as a legal person under public law. In this regard, the ICF has been included in the category of entities that are required to apply the provisions of Instruction No 2/2016 for the preparation and submission of half-yearly accounting reports to the ASF and MF territorial units.

**ASF Instruction No 4/2022 for the implementation of the provisions of Art. 97 of Law No 236/2022 on the prudential supervision of financial investment services companies, as well as for amending and supplementing certain regulatory acts and Art. 57 of the Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014, published in the Official Journal, Part I, No 1014 of 19 October 2022**

ASF Instruction No 4/2022 was issued to clarify the method of classification of FISCs already authorized by ASF on 01.08.2022 in the minimum permanent capital requirements, respectively in the new levels of initial capital provided for in Art. 12 of Law No 236/2022 on the prudential supervision of financial investment services companies, as well as to amend and supplement certain regulatory acts.

#### ► Analysis of regulations issued by capital market entities

During the reporting period, ASF issued decisions approving amendments and additions to the regulations of Bursa de Valori București S.A., consisting of the BVB Code - Regulated Market Operator and the BVB Code - Multilateral Trading System, following amendments requested by the company.

Also during the reporting period, decisions were issued authorising amendments to the Code of the Depozitarul Central SA.

During the same period, the Investor Compensation Fund's procedure for Fund participants, determination and payment of obligations to the Fund was approved.

1. **ASF's Decision No 361/25.03.2022** on the

approval of the amendment to the BVB Code - Regulated Market Operator;

2. **ASF Decision No 362/25.03.2022** approving the amendment to the BVB Code - Multilateral Trading Facility;

3. **ASF Decision No 296/14.03.2022** on the approval of the amendment of the Code of the Depozitarul Central SA;

4. **ASF Decision no. 1584/23.11.2022** approving the amendment of the Code of the Depozitarul Central SA;

5. **ASF Decision no. 603/18.05.2022** on the approval of Procedure No. 1 on Fund participants, determination and payment of obligations to the Investor Compensation Fund.

#### 4.4. The regulatory activity in the insurance-reinsurance sector

During 2022, the regulatory activity in the insurance sector focused on further developing the applicable legislative framework and strengthening the activity of the sector. To this end, a number of important draft primary and secondary legislation was prepared, both in line with the objectives and activities planned for 2022 and in view of the implementation of changes at European level (EIOPA legislation/guidelines) to promote best practice in the field. Moreover, the proposals to strengthen the legislation applicable to the insurance sector were also developed following internal analyses and decisions of the Authority, taking into account the local specificities of the Romanian insurance market.

**In terms of primary legislation**, particular interest was paid to **compulsory insurance legislation, where amendments to Law No 132/2017<sup>23</sup> were finalised**. In addition to these objectives, the amendments also included the regulation of certain aspects to improve the legislative framework. Law No 202/2022 on 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 was published in the Official Journal of Romania and entered into force on

14 July 2022.

Moreover, in order to resolve another infringement Case C-0341/2021<sup>25</sup>, the amendments made by the draft Law amending Law No 237/2015 and Law No 236/2018<sup>26</sup> were finalised, thus ensuring full transposition of European legislation. The draft mainly aimed at transposing Art. 2 (2)-(6) of Directive (EU) 2019/2177<sup>27</sup>, Art. 2 of Directive (EU) 2018/843<sup>28</sup> and, in the context of the creation of the national framework for the regulation of occupational pensions through the adoption of Law No 1/2020 and the issuing of secondary implementing legislation, Art. 304 of the Solvency II Directive (2009/138/EC), as well as the adoption of measures pursuant to Art. 14 of Regulation (EU) 2019/2088<sup>29</sup> and Art. 21 and 22 of Regulation (EU) 2020/852<sup>30</sup>, clarification of the transposition of Art. 162-172 of the said Directive, correlation with the provisions of Art. 130 of Law 24/2017<sup>31</sup>. Law No 209/2022 amending and supplementing Law No 237/2015 on the authorisation and supervision of insurance and reinsurance activity and amending Law No 236/2018 on insurance distribution was published in the Official Journal of Romania and entered into force on 15 July 2022.

<sup>23</sup>Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents

<sup>24</sup>Action for failure to fulfil obligations as an EU Member State concerning the incompatibility with the Solvency II Directive and the MTPL Directive of certain provisions of Romanian legislation on motor third party liability insurance adopted in 2017.

<sup>25</sup>Failure to comply with the obligation to notify national measures transposing the Solvency II Directive

<sup>26</sup>Law No 236/2018 on insurance distribution

<sup>27</sup>Directive (EU) 2019/2177 of the European Parliament and of the Council of 18 December 2019 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing

<sup>28</sup>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 and amending Directives 2009/138/EC and 2013/36/EU

<sup>29</sup>Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability disclosures in the financial services sector

<sup>30</sup>Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088

<sup>31</sup>Law No 24/2017 on issuers of financial instruments and market operations

In the second semester of 2022, the **joint Order with the Ministry of Health was finalized on the determination of the compensation of the injured person in case of injury to body integrity or health as a result of vehicle accidents on the basis of the trauma score established by the National Institute of Legal Medicine** “Mina Minovici” Bucharest; Order No

1/2293/2022<sup>32</sup> was published in the Official Journal of Romania, Part I, no. 880 of 07 September 2022.

Work also continued on the Draft Law for the approval of Emergency Ordinance No 102/2021<sup>33</sup>, by analysing the documents received from the Ministry of Finance or from the parliamentary committees and by submitting ASF's views.

► **Drafting primary legislation and formulating technical opinions in the field of insurance-reinsurance**

**Bill for the approval of Emergency Ordinance no. 102/2021 amending and supplementing Law No 213/2015 on the Policyholder Guarantee Fund and amending other regulatory acts (PLx 511/2021)**

The bill aims both at approving GEO No 102/2021 and at some amendments/completions to the GEO, the most important of which concern:

- protecting insurance creditors from the consequences of the insolvency of an insurer authorised in another Member State carrying on business in the territory of Romania through a branch opened in Romania and which is called a European insurer;
- the obligation for European insurers to contribute to the Fund, for the insurance activity carried out on the territory of Romania through branches established in Romania; European insurers contribute to the Fund only for that part of the activity of branches for which guarantee systems in their home Member States do not protect insurance creditors in the event of insolvency-based winding-up;
- the introduction of special contributions levied on insurers where the Fund manages insolvency situations for which it is estimated that amounts exceeding the Fund's available resources will be paid;
- the reimbursement of special contributions due and paid into the Fund to insurers when the Fund's liquid assets are sufficient to cover the amounts due to insurance creditors and to the extent that the Fund is endowed with the financial resources provided for by law.

ASF has developed views which it has forwarded to the Ministry of Finance and the two Committees (and to the Committee for Economic Policy, Reform and Privatisation for information).

ASF also attended the meetings of the Committee on Budget, Finance and Banks and the Committee for Economic Policy, Reform and Privatisation, Chamber of Deputies, in order to support the point of view on the bill approving GEO No 102/2021 (PL-x No 511/2021) and the considered amendments.

<sup>32</sup> Order No 1/2293/2022 on the determination of the compensation of the injured person in case of injury to body integrity or health as a result of vehicle accidents based on the trauma score established by the National Institute of Legal Medicine “Mina Minovici” Bucharest

<sup>33</sup> Emergency Ordinance No. 102/2021 amending and supplementing Law No 213/2015 on the Policyholders Guarantee Fund and amending other regulations

**Bill amending Law No 237/2015 on authorisation and supervision insurance and reinsurance activity and amending Law No 236/2018 on insurance distribution (Law No 209/2022<sup>34</sup>, published in the Official Journal of Romania, Part I, No 693 of 12 July 2022 - in force as of 15 July 2022)**

The bill aimed at transposing Art. 2 (2) to (6) of Directive (EU) 2019/2177 amending Directive 2009/138/EC on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), Directive 2014/65/EU on markets in financial instruments and Directive (EU) 2015/849 on the prevention of the use of the financial system for the purpose of money laundering or terrorist financing and at the same time, in view of the publication of the Law on occupational pensions, it was necessary to adjust Law No 237/2015 so that the risks that occupational pension insurers assume can be included.

In the case of the amendment of Law No 236/2018, provisions were introduced whereby **ASF has the power to request from companies as distributors the documents necessary for the supervisory process.**

ASF analysed the proposals made during the inter-ministerial consultations and highlighted the proposals accepted or gave reasons for not accepting them.

ASF actively participated in all Parliamentary Committees where the draft law was debated and obtained the necessary approvals and subsequently the vote in Parliament, the law being adopted and sent to the President for promulgation. Law No 209/2022 on amending and supplementing Law No 237/2015 on the authorisation and supervision of insurance and reinsurance activity and amending Law No 236/2018 on insurance distribution was published in the Official Journal of Romania Part I, No. 693 of 12 July 2022 - in force as of 14 July 2022.

<sup>34</sup>Law No 209/2022 amending and supplementing Law No 237/2015 on the authorisation and supervision of insurance and reinsurance activity and amending Law No 236/2018 on insurance distribution

**Bill amending and supplementing Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle accidents and trams (Law No 202/2022<sup>35</sup>, published in the Official Journal, Part I No 687 of 11 July 2022 - in force as of 14 July 2022)**

The bill took into account the European Commission's comments mentioning certain provisions of Law No 132/2017 that were not in line with European law, so that Romania could be subject to the rigours of infringement proceedings.

ASF has been in correspondence with the Permanent Representation of Romania in Brussels and has constantly informed on the steps taken. In order to support and substantiate the proposals related to the draft law, ASF participated in the Committees of the Senate and the Chamber of Deputies.

The bill was adopted by the Chamber of Deputies on 29.06.2022 and sent to the President of Romania for promulgation, subsequently being promulgated on 08.07.2022, becoming Law No 202/2022 amending Law No 132/2017.

**Draft Law amending and supplementing Law No 213/2015 on the Policyholder Guarantee Fund (Bp. 88/2022 in the Permanent Bureau of the Senate and subsequently L197/2022 in the Senate)**

The legislative initiative was aimed at amending and supplementing Law No 213/2015 on the Policyholders Guarantee Fund, in order to supplement the sources of funding of the FGA, as well as to establish a legal obligation to conduct regular stress tests on the ability of the FGA's own systems to ensure the achievement of its objectives.

ASF analysed the legislative proposal and expressed its opinion on its non-support. The Senate Committee on Economy, Industry and Services gave a negative opinion on the legislative proposal (27 April 2022) and the Senate Committee on Budget, Finance, Banking and Markets adopted a report rejecting the legislative proposal (3 May 2022) and the bill was rejected by the Senate plenary on 18 May 2022.

At its meeting of 07.09.2022, the Committee on Legal Affairs, Discipline and Immunities gave a negative opinion on the bill.

<sup>35</sup> Law No 202/2022 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.



**Bill amending Law No 132/2017 on compulsory motor third party liability insurance for damage caused to third parties by vehicle and tram accidents (Bp. 606/2022 - L713/2022)**

The bill mainly concerned the completion of the articles on risks covered in respect of the award of compensation for material damage and the amendment of the article on the settlement of claims. ASF drafted and submitted a point of view at the request of the General Secretariat of the Government and the Ministry of Finance on 26 October 2022.

The bill received a negative opinion from the majority of Senate committees where it was debated, and on 7 December 2022, the bill was rejected by the Senate.

**Draft Law for the completion of the Law on Patients' Rights no. 46/2003 (Bp.120/2022 in the Permanent Bureau of the Senate and subsequently L238/2022 in the Senate and Plx 282/2022 in the Chamber of Deputies)**

ASF analysed the draft law and communicated to the SGG-DRP (General Secretariat of the Government - Directorate of Public Relations) the reply letter on the support of the legislative proposal with some comments (April 2022). The Plenum of the Chamber adopted the bill on 15 June 2022 and sent the draft for promulgation, subsequently becoming Law No 200/2022, published in the Official Journal of Romania Part I No. 682 of 08 July 2022.

**Bill on the approval of GO 16/2022 amending and supplementing Law No 227/2015 on the Fiscal Code, repeal of certain regulatory acts and other financial and fiscal measures (PLx 483/2022)**

The legislative proposal complements the Patients' Rights Law No 46/2003 and stipulates that, when concluding insurance contracts, if the insurance distributor requests information and documents from the cancer survivor in order to assess the risk of taking out and maintaining insurance cover, the insurance distributor has the right not to provide information and documents relating to the oncological condition, if a period of 7 years has passed since the date of conclusion of the oncological protocol. In the case of a cancer survivor diagnosed before the age of 18, the time limit is 5 years from the date of conclusion of the cancer protocol. At the same time, insurance distributors are obliged to state the right clearly, concisely, easily understandable and visible in the same field of vision and in the same font size in the documents requesting the information and documents for risk assessment, under penalty of relative nullity of the insurance contract.

ASF formulated amendments to the bill on:

- the elimination of the exclusion of insurance and reinsurance intermediaries from the scope of the microenterprise income tax;
- the removal of the provisions on the introduction of health insurance premiums within the limit of EUR 400/year/employee in the monthly non-taxable income ceiling of 33% of the basic salary corresponding to the job held;
- drafting of the point of view on the amendments proposed in the Chamber of Deputies (now PLx 628/2022).

► Secondary legislation

► Rules and regulations



**Rule No 5/2022  
supplementing the Financial  
Supervisory Authority's Rule  
No 17/2015 on the  
contribution rates payable by  
insurers to the Policyholders  
Guarantee Fund, published in  
the Official Journal, Part I No  
161 of 17 February 2022**

The draft was drawn up following the analysis and proposal of the Policyholder Guarantee Fund (FGA) to increase, for the year 2022, the percentage rate of contributions for general insurance from 1% to 2.5% of gross premiums received, starting from 01.01.2022. In order to identify the level of contribution required by FGA to make payments, simulations were carried out using increased contribution rates for general insurance, which would allow the necessary funds to be available to carry on business in good conditions.

The FGA management will continuously monitor the evolution of the volume of payment claims, update the estimates of the financial, human and material resources needed to fulfil FGA's legal obligations in good conditions and propose revisions of the contribution rates and/or other measures if the situation so requires.

ASF will monitor FGA's financial resources and the situation regarding the payment of indemnities/compensation to creditors of bankrupt insurers, based on monthly reports received from FGA.

**Rule No 6/2022 amending  
and supplementing the  
Financial Supervisory  
Authority's Rule No  
24/2019 on the  
Policyholders Guarantee  
Fund, published in the  
Official Journal of the  
Republic of Moldova  
Official Journal, Part I No  
179 of 23 February 2022**

The draft was prepared following the publication in the Official Journal of Romania of the Emergency Ordinance No 102/2021 amending and supplementing Law No 213/2015 on the Policyholders Guarantee Fund and amending other regulations.

The rule mainly concerns:

- specific provisions relating to the non-takeover of an insurer's functions by FGA;
- regulating FGA's obligation to include in the income and expenditure budget, the financial resources newly specified in the law, interest on loans and interest or fees in connection with any loans or guarantees;
- the possibility of paying foreign currency receivables in lei;
- replacement of the phrase indemnities/compensation by amounts paid to insurance creditors;
- change of the deadline by which insurers pay the contribution due to FGA and therefore the reporting deadline for the contribution;
- the listing of FGA's financial resources and how they are to be used; the fact that the act by which FGA establishes the insurers' obligation to pay constitutes a debt claim and becomes enforceable in the event of non-payment of debts within the time limit laid down;
  - the fact that FGA organises and conducts the accounting records in accordance with the accounting law and the regulations issued by ASF, may carry out investigations into the entitlement to compensation/indemnity and its amount, publishes on its website the information for which the law establishes the obligation of publication;
- FGA taking over the records from the insolvent insurer;
- the obligation of the insolvent insurer to hand over the records in both paper and electronic/digital format;
- publication by the Fund of the list of potential insurance creditors; the maximum time limit for the submission of claims by insurance creditors and the procedure for their submission;
- the elimination of the obligation for FGA to submit the auditor's report and the directors' report to ASF together with the annual financial statements, as this obligation is already covered by ASF Rule No 9/2020.

**Rule No 7/2022 amending the Financial Supervisory Authority Rule No 19/2015 on the application of International Financial Reporting Standards by insurance, insurance-reinsurance and reinsurance companies, published in the Official Journal, Part I, No. 185 of 24 February 2022**

The draft was developed following the conclusions and proposals of the meeting with representatives of insurance companies and the IFRS working group. The main purpose of the rule is to abolish the obligation to prepare and file individual annual financial statements in accordance with IFRS for information purposes, to introduce the obligation for insurance companies to prepare and file the annex "Statement of IFRS value adjustments - RAS and their tax impact" for the period 2020 - 2022, in the format and within the deadlines set out in the rule and to amend the annex "Statement of IFRS value adjustments - RAS and their tax impact" which is an integral part of ASF Rule No 19/2015, in the sense of detailing some balance sheet indicators, for more clarity and following the entry into force of IFRS 16 - Leases.

**Rule No 13/2022 amending and supplementing the Rules of the Financial Supervision No 9/2020 on the closure of the financial year for insurance entities, published in the Official Journal, Part I No 388 of 20 April 2022**

The rule mainly concerns:

- the elimination of the obligation to submit a copy of the unique registration code;
- the update of the ASF-EWS application link;
- the elimination of the paper filing of individual annual financial statements/annual accounting reports, half-yearly accounting reports and accompanying documents required by law;
- the submission of notes to the annual financial statements, statement of changes in equity, cash flow statement, trial balance and accompanying documents required by law by uploading the documents in .pdf or .xls format in the ASF-EWS application.

**Rule No 14/2022 amending and supplementing the Financial Supervisory Authority Rule No 34/2020 for the implementation of the half-yearly accounting reporting system for insurance entities, published in the Official Journal, Part I No 389 of 21 April 2022**

The rule mainly concerns:

- the elimination of the obligation to submit a copy of the unique registration code;
- the update of the ASF-EWS application link;
- the elimination of the the paper filing of individual annual financial statements/annual accounting reports, half-yearly accounting reports and accompanying documents required by law;
- the submission of notes to the annual financial statements, statement of changes in equity, cash flow statement, trial balance and accompanying documents required by law by uploading the documents in .pdf or .xls format in the ASF-EWS application.

**Rule No 18/2022 amending and supplementing the Financial Supervisory Authority Rule No 20/2017 on motor insurance in Romania, published in the Official Journal, Part I No 571 of 10 June 2022**

The rule mainly concerns:

- amending and supplementing the existing provisions of the rule in order to improve the regulatory framework for compulsory motor third party liability insurance;
- repealing or amending the provisions of Rule No 20/2017 which are not in conformity with the provisions of European law and are the subject of Case 2018/4075.

**Rule No 22/2022 amending and supplementing the Financial Supervisory Authority Rule No 20/2017 on motor insurance in Romania, published in the Official Journal, Part I No 749 of 26 July 2022**

The rule aims to amend the provisions in force in order to comply with the provisions of European legislation and which are the subject of Case 2018/4075, as well as to introduce provisions governing the register of damage adjustment specialists.

**Rule No 25/2022 on the authorisation of companies and the conduct of insurance and reinsurance business, published in the Official Journal, Part I, No 984 of 11 October 2022**

A large-scale project aimed mainly at supplementing the regulatory framework with provisions specific to mutual insurance companies, but also at updating the existing rules in the light of practical experience and the objective of making certain procedures more flexible.

The rule mainly concerns:

- ensuring the transposition of the EIOPA-BoS-2021/456 Guidelines, streamlining ASF's decision making process and respecting the deadlines for settlement (six months from the submission of the request) - establishing the possibility to request ASF to organise meetings, prior to the submission of settlement applications, in order to obtain clarifications on the documentation accompanying the applications; the introduction of an obligation to provide ASF with an affidavit certifying that the documentation submitted electronically and on paper is complete and accurate; clarification of certain aspects of the entries to be registered with the Trade Registry Office;
- joint stock companies in the Solvency II regime: detailing the authorisation process and adapting the documentation submitted for authorisation according to the recommendations in the Supervisory Handbook developed by EIOPA for ASF; settlement of the application either by approval decision or rejection decision; specifying the regulations



which must be complied with for the conduct of business; the obligation to assess the trustees appointed to coordinate the business of branches established in Member States or third countries, in accordance with Regulation No 1/2019; setting requirements to ensure continuity in the performance of key functions; conditions for reducing or increasing share capital for the approval of such operations by ASF; conditions for underwriting risks or commitments in third countries or for extending authorisation to other classes and risks; special provisions for insurers carrying on business under passport in Member States deciding to withdraw from the EU; approval of other related operations prior to applying for approval of portfolio transfer, merger or division and other provisions relating to these processes; measures for companies in difficulty for the application of Art. 99 and 100 of Law No 237/2015 (elements of recovery plan and short-term financing plan, specification of conditions for initiating financial recovery proceedings under Art. 7 point a) of Law No 503/2004 ).

- Public limited liability companies under the national system: clarification of the applicable provisions of Chapter II and correlation of certain terms; specific provisions for the authorisation process, conduct of business, transfer of portfolio, merger, division, dissolution and voluntary liquidation;
- Mutual insurance undertakings in the Solvency II regime: clarification of the applicable provisions of Chapter II; adaptation of the provisions relating to the authorisation process to the provisions of Law No 71/2019; clarification of the obligation for founding members to comply with the provisions relating to the prevention of money laundering and terrorist financing in Regulation No 3/2016; elements of the memorandum and articles of incorporation and those required to be registered with the Trade Registry Office; specification of the elements for which Law No 71/2019 provides for the competence of ASF to issue regulations.

**Rule No 26/2022 amending and supplementing the Financial Supervisory Authority Rule No 15/2016 on the approval of the Accounting Regulations for the annual financial statements applicable to the Policyholders Guarantee Fund, published in the Official Journal of Romania, Part I, No 988 of 12 October 2022**

The rule complements, updates and improves the provisions of the current rule, the new elements introduced compared to the current rule, mainly addressing the following issues:

- alignment and harmonisation of terms in accordance with the provisions of GEO No 102/2021;
- introduction of new accounts in the chart of accounts applicable to FGA and introduction of provisions on the function of these accounts;
- change the name of certain accounts in the chart of accounts applicable to FGA and adjustment of the provisions on the function of the amended accounts accordingly;
- introduction of a new section on the valuation of government securities recognised as financial fixed assets;
- introducing clarifying provisions on the general principles of financial reporting, on accounting policies, valuation at the date of incorporation, recognition, depreciation and revaluation of property, plant and equipment, grants, and on commitments and other off-balance sheet items.

**Rule No 30/2022 amending and supplementing the Financial Supervisory Authority's Rule No 20/2017 on motor insurance in Romania, published in the Official Journal, Part I No. 1243 of 22 December 2022**

The rule aims to restructure and complete the database with a series of data and information relating to claims endorsed under MTPL contracts, the history of changes in the reserve of endorsed claims, payments or rejections of claims in order to guarantee, at any time, both unrestricted access of ASF to correct, accurate and unaltered information on the evolution of the reserve of each MTPL insurer's approved claims reserve, and at market level, and at the same time, the recording over time of the changes made to this reserve in relation to the date of payment or rejection of payment of the claim file for which it was established.

**Rule No 31/2022 supplementing the Financial Supervisory Authority Rule No 17/2015 on the contribution rates due by insurers to the Policyholders Guarantee Fund, published in the Official Journal, Part I, No 1257 of 28 December 2022**

The rule was drafted following the analysis and proposal of FGA to increase the percentage rate of contributions for general insurance from 2.5% to 4% of gross premiums received for the year 2023, starting from 01.01.2023; FGA has carried out simulations, using increased contribution rates for general insurance, to identify the required level of contribution income for the next period so that it can continue to operate under normal conditions allowing a cash surplus to be recorded in each financial year. In view of the estimates made regarding the evolution of its financial resources in the context of payment obligations in favour of insurance creditors of insolvent companies, FGA considered it necessary to increase the percentage rate of contributions for general insurance to a level of 4% of the gross premiums collected by insurers from general insurance business, starting from 01.01.2023.

**Rule No 32/2022 amending and supplementing the Financial Supervisory Authority Rule No 9/2020 on the financial year-end for insurance entities, published in the Official Journal, Part I No 1280 of 30 December 2022**

Since Order No 450/2016 applies to entities within the accounting regulatory area of the Ministry of Finance, and not to those referred to in Art. 4 para. (3) of the Accounting Law No 82/1991, republished, as subsequently amended and supplemented, the need arose for ASF to regulate the possibility of correcting errors, other than accounting errors, contained in the annual financial statements and annual accounting reports submitted to ASF and the territorial units of the Ministry of Finance by entities in the insurance sector.

In 2022, the following **draft Rules were in the drafting stage** (for public consultation/approval):

**Draft Rule for the amendment of the Financial Supervisory Authority's Rule No 41/2015 for the approval of the Accounting Regulations on the individual annual financial statements and financial statements of the consolidated annual accounts of entities pursuing insurance and/or reinsurance activities and of the Draft Rule amending the Financial Supervision Authority's Rule No 36/2015 on the Accounting Regulations on to the annual separate financial statements and the annual consolidated financial statements applicable to brokerage undertakings pursuing insurance and/or reinsurance distribution business**

The draft represents the partial transposition of Directive (EU) 2021/2101 which mainly aims at:

- the obligation for the most senior parent companies whose consolidated net turnover exceeded EUR 750,000,000 at their balance sheet date, for each of the last two consecutive financial years, as reflected in their annual consolidated financial statements, to prepare, publish and make available a report on corporate tax information for the most recent of those two consecutive financial years. In view of the possibility granted to Member States that have not adopted the euro to convert the threshold of EUR 750,000,000 into national currency at the exchange rate valid on 21 December 2021, the amount of RON 3,700,000,000 (equivalent to EUR 747,474,740) was used in the drafts;
- determining when a top-tier parent company is no longer subject to reporting obligations, i.e. when its consolidated net turnover at the balance sheet date falls below the value threshold mentioned for each of the last two consecutive financial years;
- regulating the reporting obligations for individual companies similar to those applicable to parent companies covered by Directive 2101/2021;
- regulating the reporting obligations on corporate tax information applicable to sole proprietorships or ultimate parent companies and affiliated entities where these entities, including their branches, are established, have their registered office or carry out a permanent economic activity in Romania and in no other tax jurisdiction;
- regulating the reporting obligations on corporate tax information applicable to subsidiaries that are controlled by a top-tier parent company not covered by national rules;

- regulating the reporting obligations on corporate tax information applicable to branches in Romania established by companies from third countries;
- determining the content of the corporate tax information report;
- introduction of provisions relating to the Corporate Tax Information Report: its publication and accessibility, the responsibility for preparing, publishing and ensuring access to this report, the role of the statutory auditor.

**Draft Rule amending and supplementing Rule No 26/2021 on the activity performed on the territory of Romania by insurers from third countries through branches**

The draft aims to amend and supplement Rule No 26/2021 in view of the fact that EIOPA has amended the guidelines transposed by this rule.

The main changes are of a technical nature, mainly concerning the annexes on reporting formats:

- elimination of opening reports;
- introduction of new reporting options for certain indicators;
- setting value thresholds for reporting certain indicators;
- introduction of indicators for insurance contracts covering cyber risks;
- introduction of indicators relating to climate risk and sustainable investment, market risk and counterparty risk;
- setting conditions for the reporting of indicators relating to exposure to voluntary reinsurance;
- introduction of indicators relating to crypto-assets, internal recapitalisation, exposures to regional governments and local authorities;
- the power of supervisory authorities to request updated reporting;
- the draft rule ensures compliance with the recommendation in the EIOPA-BoS-2021/456 Guideline to require third country insurers to obtain an LEI code for branches.

#### 4.5. The regulatory activity in the private pension sector

In 2022, in order to strengthen the legal framework applicable to the private pension system, ASF submitted contributions and points of view for all draft primary legislation and drafted secondary regulations necessary to ensure the smooth operation of all entities involved in the field.

At the level of secondary legislation, a series of draft regulations have been drafted, debated, adopted and submitted for publication in the Official Journal of Romania, aimed not only at updating the secondary regulatory framework, following legislative changes and the need to align with the new requirements imposed by national legislation, but also at detailing the legal framework necessary to regulate new situations that have arisen and supplementing secondary legislation in the field of private pensions.

ASF supported the dialogue with representatives of the Association for Privately Managed Pensions in Romania (APAPR), aimed at identifying solutions to address the problems that have arisen in practice, with a view to amending the primary legislative framework in the field of private pensions, namely **Law No 411/2004 on funds of privately managed pensions, republished, with subsequent amendments and additions, and of Law No 204/2006 on voluntary pensions, with subsequent amendments and additions.**

In the exercise of its duties, during 2022, ASF cooperated with the Romanian authorities, namely the Ministry of Finance, the Ministry of Labour and Social Protection, the Ministry of Foreign Affairs, the Ministry of Justice, the Romanian Parliament, in accordance with the law and/or agreements/protocols concluded with them, by exchanging information and technical opinions on legislative projects of interest to the private pension sector, in order to develop new forms of saving for retirement, strengthen the stability and integrity of the private pension system in Romania.

In order to update the legal framework for cooperation

with the National Public Pension Fund (C.N.P.P.) on the mutual transmission of data processed in the technical processes specific to privately managed pension funds, in order to ensure the exchange of information on participants who have requested to stop paying their contributions and who wish to return to the privately managed pension system and resume paying their contributions, the need to conclude an addendum to the ASF Protocol No. P4039/30.07.2015 and C.N.P.P. No. 159/IC/27.08.2015 was identified, which at the end of 2022 is in the process of being endorsed by the C.N.P.P.

Also, in the regulatory process, particular importance has been attached to stakeholder dialogue, best practices, guidance, studies and research published by bodies with expertise in the field (e.g. G20, IMF, World Bank, EBRD, IOPS, EIOPA).

Thus, the collaboration with EIOPA consisted in: providing answers to questionnaires sent to the Member States, answers to various requests for information, as well as participation in the work of the network of pension experts set up at EIOPA level (Expert Network 7), and collaboration with IOPS provided answers on the regulations in force concerning the investment of private pension funds, in the framework of regular requests made by this institution as part of the constant process of centralising data on private pensions from both OECD and IOPS member states.



► **Drafting primary legislation and formulating technical opinions in the field of insurance-reinsurance**

**Bill implementing Regulation (EU) 2019/1238 on a pan-European personal pension product (PEPP), certain provisions of Regulation (EU) 2020/852 establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088, and supplementing and amending certain acts**

The bill was approved by the Romanian Government meeting on 28 October 2022 and adopted by the Romanian Senate meeting on 21 November 2022, and was subsequently submitted to the Chamber of Deputies for debate and adoption. According to the law, ASF performs registration, regulation, supervision, investigation and inspection duties over providers of PEPP for which Romania is the home Member State, distributors of PEPP on the territory of Romania and asset custodians for PEPP, as well as pan-European personal pension products.

**Draft Emergency Ordinance for the amendment of some normative acts in the field of private pensions (GEO No 174/2022)**

The draft includes proposals to amend Law No 411/2004 on privately managed pension funds, Law No 204/2006 on voluntary pensions and Law No 187/2011 on the establishment, organisation and functioning of the Private Pension System Rights Guarantee Fund. It was approved at the Government meeting of 8 December 2022 and subsequently published in the Official Journal of Romania No 1201 of 14 December 2022.

**Draft Emergency Ordinance to amend paragraph (3) of Art. 43 of Law No 411/2004 on privately managed pension funds, republished, as amended and supplemented**

The draft regulation is aimed at increasing, from 1 January 2024, the contributions to privately managed pension funds from 3.75% to 4.75% of the social security contribution due to the public pension system.

**Legislative proposals to amend Law No 227/2015 on the Fiscal Code (L271/2022)**

It aims to amend Art. 99 para. (2) and art. 100 of Law No 227/2015 on the Fiscal Code, as amended, in order to include in the category of pension income the rights received under the provisions of Law No 1/2020 on occupational pensions, as amended.

It is also proposed to amend the provisions of the Fiscal Code relating to the determination of monthly taxable income for entitlements under Law No 411/2004 on privately managed pension funds, republished, as amended, Law No 204/2006 on voluntary pensions, as amended, and Law No 1/2020 on occupational pensions, as amended.

**Legislative proposal for the amendment and supplementation of Law No 256/2008 on certain measures necessary for the implementation of oil operations by holders of oil agreements relating to offshore oil fields**

It concerns the distribution of royalties to certain Romanian citizens and the imposition of an obligation on the managers of privately managed pension funds to invest in certain securities.

**Transposition of Directive (EU) 2021/2101 a European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU on the disclosure of corporate tax information by certain companies and branches**

The regulatory focus of Directive 2013/34/EU is the introduction of a corporate tax reporting obligation for certain companies and branches. Member States shall ensure that the provisions of Directive (EU) 2021/2101 enter into force by 22 June 2023. In this regard, the ASF Council approved Rule No 29/2022 on the amendment and supplementation of the Financial Supervisory Authority's Rule No 39/2015 on the approval of Accounting Regulations in accordance 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, published in the Official Journal of Romania No. 18 of 06 January 2023.

**Draft Government Decision for the approval of the Methodological Norms for the application of the provisions of Emergency Ordinance No 86/2021 on the transfer of pension rights of officials and agents of the European Union.**

It lays down rules on the methodology and procedures to be followed both by the institutions responsible for dealing with applications and by European Union officials.

► **Secondary legislation**

► **Rules**

**Rule No 4/2022 amending the Financial Supervisory Authority Rule No. 19/2021 on reporting and transparency obligations in the private pension system**

It includes provisions relating to: changing the reporting period of Annex 1G from 2 days to 7 working days for correlation with Annex 1D; amending point 11 of the “Completion Instructions” of Annex 4 to correct an error; completing Annex 10 by introducing new provisions to inform participants in voluntary pension funds of their right to request payment of net assets once they reach the age of 60, as provided for by law; introducing new columns in Annexes 1G and 1D; and introducing new provisions for the payment of net assets once they reach the age of 60. 13 - Internal Audit Plan for the year, No. 19 - Employee Status Report for the half year, No. 20 - Risk Management Plan for the year and No. 21 - Internal Control Plan for the year to highlight the reporting entity and the beginning and end of the reporting period; clarification of some aspects of the Technical Reporting Guidelines set out in Annex No. 24.

**Rule No 8/2022 amending and supplementing the Financial Supervisory Authority’s Rule No 27/2017 on the use of the net personal assets of the participant in a privately managed pension fund**

It includes provisions on the documentation that beneficiaries, individuals who do not have a personal number code, must submit to the manager of the privately managed pension fund in order to receive the countervalue of the net personal asset; introduction of the passport issued by the Romanian authorities as the document based on which the participant/beneficiary can request the countervalue of the net personal asset, for all cases provided for by the normative act, namely age limit, disability and death; correlation of the provisions of Rule No 27/2017 with the provisions of Rule No 28/2017.

**Rule No 9/2022 amending the Financial Supervisory Authority's Rule No 28/2017 on the use of the net personal assets of the participant in a voluntary pension fund**

It includes provisions on: the documentation that beneficiaries, individuals, who have a personal number, must submit to the manager of the voluntary pension fund in order to receive the countervalue of the net personal asset; introduction of the passport issued by the Romanian authorities as the document based on which the participant/beneficiary can request the countervalue of the net personal asset, for all cases provided for by the normative act, namely age limit, disability and death; extension of the deadline for payment of the consideration of the net personal asset from 10 working days to 30 days from the date of submission of the documentation, in the case where participants/beneficiaries opt for a one-off payment, for all the cases provided for in the regulatory act, i.e. age limit, invalidity and death; introduction of the 30-day deadline within which the manager of a voluntary pension fund is obliged to inform beneficiaries who have not claimed the payment of the consideration of the net personal asset of the deceased participant of their rights over the participant's asset.

**Rule No 10/2022 amending the Financial Supervisory Authority Rule No 22/2020 on the temporary amendment of the maximum limit applicable to investments of private pension funds in government securities**

Provides that, within 180 calendar days from the date of expiry of the period laid down in the rule, the manager who has applied the provisions of the rule must return to the limits imposed by Art. 25 para (14) point b) of Law No 411/2004, Art. 87 para. (1) point b) of Law No 204/2006 and Rule No 11/2011 on investment and valuation of private pension fund assets, as amended.

**Rule No 11/2022 amending and supplementing Rule No 16/2010 on the voluntary pension system prospectus, approved by the Decision of the Private Pension System Supervisory Commission No 27/2010**

It includes provisions on the regulation of issues related to the obligation of the manager to disclose whether or not it offers guarantees, as well as the type of guarantees offered, in both the detailed prospectus and the simplified prospectus.

**Rule No 15/2022 on the actuarial calculation of the technical provision for occupational pension funds**

It lays down the rules for the calculation, verification, establishment, investment and use of the technical provision for occupational pension funds. The technical provision is set up to cover the guarantee risks permitted by the legislation in this field and assumed by the managers in the prospectus of the occupational pension fund.

**Rule No 19/2022 amending and supplementing the Financial Supervisory Authority's Rule No 1/2015 on the membership and records of participants in privately managed pension funds**

It includes provisions on: the way in which a participant may request the resumption of the payment of the contribution to a privately managed pension fund; the stages of the information transmission process, by means of a report provided for by the regulatory act, in the relationship between the manager, the C.N.P.P. and ASF, concerning the modification of the participant's data in the Register of Participants, updated by C.N.P.P.; the introduction of a new annex concerning the Framework application for the resumption of the payment of the contribution to the privately managed pension fund.

**Rule No 20/2022 amending and supplementing the Financial Supervisory Authority's Rule No 18/2018 on the membership and registration of participants in voluntary pension funds**

It includes provisions on: eligible persons, Romanian citizens, living abroad, but who no longer possess a valid identity card, can join a voluntary pension fund; introduction of the passport issued by the Romanian authorities, as a document on the basis of which eligible persons, Romanian citizens, living abroad, but who no longer possess a valid identity card, can join a voluntary pension fund; correlating the deadline for the transmission by marketing agents to the manager of the individual membership documents signed on computer with biometric signature or, by electronic means of communication, those signed with qualified electronic signature, with the deadline provided for by the Financial Supervision Authority's Rule No 16/2013 on the marketing activity of the voluntary pension fund, as subsequently amended and supplemented; repeal of the provision in the Annex relating to the "Date on which the first payment is made".



**Rule No 21/2022 amending and supplementing the Financial Supervisory Authority Rule No 19/2021 on reporting and transparency obligations in the private pension system**

Includes provisions on: publication on the manager's website on a monthly basis of the structure of the investment portfolio, publication of the information/modification of the information referred to in Art. 10 of Regulation No 2019/2088, where applicable; supplementing Art. 11 of Rule No 19/2021 with provisions on the publication of relevant information in the remuneration policy applicable to the manager's staff, as well as provisions for the publication of the information referred to in Art. 3-5 of Regulation No 2019/2088.

**Rule No 28/2022 amending and supplementing the Financial Supervisory Authority Rule No 19/2021 on reporting and transparency obligations in the private pension system**

It includes provisions on: changing the frequency of transmission of the statement of assets covering the technical provision by the manager from monthly to weekly, introducing the report on the situation of the value of the fund unit of the pension fund; changing the frequency of transmission of the statement of assets covering the technical provision by the depositary from monthly to weekly, introducing the report on the situation of the value of the fund unit for each private pension fund, drawn up by the depositary and transmitted to ASF.

In 2022, the following draft Rules were at the stage of initiating public consultation:

**Draft Rule amending and supplementing Rule No 11/2011 on investment and valuation of assets of private pension funds, approved by the Decision of the Private Pension Supervisory Commission No 22/2011**

It mainly includes provisions relating to:

- the introduction of obligations for managers of privately managed pension funds and voluntary pension funds on how to carry out investment and valuation of private pension fund assets;
- the obligation for the manager to implement some early warning systems in case the value of a financial instrument in the portfolio falls by at least 10% of its acquisition value, triggering the obligation to revalue the pension fund's portfolio holdings and to take action at the level of the manager's management structure;

- the possibility for the manager to invest the assets of privately managed or voluntary pension funds in unrated or under-rated corporate bonds issued by Romanian legal entities, if the Romanian State holds, directly or indirectly, a minimum 50% stake in the share capital of the respective issuer.

**Draft Rule to supplement the Financial Supervisory Authority's Rule No 14/2015 on accounting regulations in line with the European directives applicable to the private pension system**

It concerns the transposition into the accounting rules applicable to the private pension system of the provisions of Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards the disclosure of information on corporate tax by certain undertakings and branches published in the Official Journal of the European Union, L No 429 of 1 December 2021 (Directive 2021/2101).

**Draft Rule on management fees for privately managed pension funds**

It includes provisions on the calculation of the management fee, in line with the latest amendments to the primary legislation applicable to the private pension system.

**Draft Rule amending Rule No 11/2008 on the collection of individual contributions from participants in the funds of privately managed pensions, approved by the Decision of the Private Pension System Supervisory Commission No 23/2008**

It contains provisions which relate to the identification of all situations which may lead to the application of the procedure for the regularisation of negative contributions by CNPP, as well as the elimination of provisions which instituted the deduction by managers of the management fee from the gross monthly contribution.

## 5. THE AUTHORISATION – ENDORSEMENT ACTIVITY



## 5.1. Authorisation/Endorsement in the financial instruments and investment sector

A significant aspect of the work of the licensing segment in the area of financial instruments and investments has been the continuation and acceleration of the digitalisation process.

**ASF has come to the support of authorised, regulated and supervised entities in order to resolve the requests received with speed, efficiency and transparency, while facilitating the document transmission flows required by the legal framework in force and, implicitly, shortening the period for resolving requests.**

- As part of ASF's digitalisation strategy of ASF, in order to simplify and streamline the way of transmitting information on the capacity and obligations of persons within intermediaries, market institutions and fund managers requiring authorisation/registration/notification, including in order to streamline the way of reporting by professional training bodies and keeping records of continuous professional training courses, the electronic platform "Portalul Autorizări" has developed the module "Evidență personal".
- Thus, the upload of the statements on the fulfilment of the obligations provided for by Regulation No 14/7/2018 and by ASF Regulation No 28/2020 will be done exclusively through this module, providing an up-to-date record of them. The approach was aimed at streamlining and optimising the time required to update in real time the information required in the monitoring process, with the following being carried out the necessary amendments to Regulation No 28/2020 and the amendments to Regulation No 14/7/2018 were made in the public consultation. Also, through this platform, notifications are submitted by entities on the replacement of officers of an IMC/AIFM and persons holding key internal audit functions within them.

During 2022, ASF carried out numerous **activities related to the endorsement and approval of**

**various aspects of the functioning 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 capital market level relies on the individual and collective verification and assessment of the suitability of the management structures as well as of the persons appointed to the key functions (compliance function and risk assessment and management) of regulated entities.

- ASF has authorised and entered in the Public Register new entities, namely the financial investment services company **INVESTIMENTAL S.A.** and **SEEDBLINK CROWD S.A.**, the first company to be authorised by ASF as a provider of equity financing services, shortly after the entry into force in August 2022 of Law No 244/2022

governing this area. Following the entry into force of the crowdfunding law, i.e. Law No 244/2022 on the designation of ASF as the Competent Authority responsible for performing the functions and tasks laid down in Regulation (EU) 2020/1.503, **ASF ensures that an efficient technical consultation process is carried out with a view to authorising providers of crowdfunding services**, given that according to the signals received from the market and the intentions expressed by some companies there is significant interest in authorising companies with this activity.

- **Another major impact activity carried out by ASF was to continue to support the establishment of a National Central Counterparty.** The entity that will manage the CCP was established as a legal entity at the end of 2019 (CCP.RO Bucharest SA) and will host the infrastructure that will allow the relaunch of the derivatives market in Romania. After obtaining the necessary authorizations to operate, this entity will provide new mechanisms for risk mitigation and transfer for the markets operated by BVB and OPCOM, contributing to increase investor confidence and activities on these markets. In this regard, during 2022, ASF provided the operational framework for the ex-ante discussion and analysis of the documentation required for the authorization of the national central counterparty, CCP.RO, in accordance with the requirements of Regulation (EU) EMIR, continuing the laborious process carried out in the last 2 years. ASF continued the analysis of the draft methodologies, procedures and rules that will underpin the operation of CCP.ro, and comments and proposals were communicated on the documentation submitted. Given the involvement of the NBR and ESMA in the CCP.RO authorization, meetings and exchanges of information and documents were initiated with CCP.RO, ESMA and the

NBR on this issue. Regular meetings were also held with representatives of CCP.RO and presentation sessions were organised.

- During 2022, ASF completed the process of aligning CIU documents registered with ASF to one of the categories of AIF provided for by Law No 243/2019 and ASF Regulation No 7/2020.
- From the perspective of the entities entering the Authority's scope of activity, in the context of the simplification of the rules applicable to AIFMs benefiting from the exemption from authorisation provided by Law 74/2015, during 2022, continuing the trend from 2021, **there is an interest in the sphere of registered alternative investment fund managers, which is beneficial both for the development of the collective investment undertakings segment and the capital market in general.** Thus, during 2022, **the number of CIU managers increased by 3 as a result of the registration by the Financial Supervisory Authority of 3 new entities, namely Agista Management SRL, the privately owned alternative investment company SPARKING CAPITAL S.A. and Energiea Capital SA.**
- Notable developments were also recorded in the collective investment undertakings segment, with the number of **funds reaching 125 at the end of 2022 (9 more than at the end of 2021).** During 2022, ASF also authorised the first alternative investment fund aimed at a specific category of investors with an insurance component, i.e. AIF NOVA PROTECT.



- From the perspective of undertakings for collective investment in transferable securities (UCITS), **an impactful activity carried out by ASF during 2022 was the authorisation of the first fund in Romania that promotes environmental and social (ESG) characteristics**, in accordance with the provisions of Art. 8 of Regulation (EU) 2088/2019, as well as the first feeder UCITS that invest a significant proportion of the portfolio in master funds that promote environmental and social characteristics, managed by management companies in other jurisdictions. **It is worth highlighting the growing importance of financial products promoting environmental and social features in the Romanian market as well, in line with developments in European markets, where sustainable investments and funds promoting or targeting sustainable investments have grown to meet investor demand for such products.**

The main authorisation operations carried out by ASF during 2022 relating to capital market entities were:

Operations carried out by ASF in the field of authorisation	
	Number of applications granted
<b>A. Intermediaries in Romania (Financial Investment Service Companies - FISC - and Credit Institutions)/Market Institutions</b>	
FISC authorisation	1
suspension, as a sanction, of the operating authorisation of a FISC	2
analysis of the conditions required to perform certain functions within a FISC	1
authorisation to increase/reduce the share capital/extend the scope of activity of a FISC	5
restriction of the scope of activity of a FISC	1
establishment/closure of secondary offices of a FISC	6
approval of individual qualified holdings in the share capital and total voting rights of a FISC	1
<b>B. Staff of Romanian intermediaries/market institutions</b>	
authorisation of managers (change of composition and renewal of mandates)	23
authorisation of officers (change of composition and renewal of mandates)	24
authorisation of key compliance functions	6
withdrawal of the authorisation for key compliance function	2
authorisation of key function for the risk manager	3
withdrawal of the authorisation of key function for the risk manager	1
registration of FISC's delegated agents	3
removal of the FISC's delegated agents	6
registrations/deregistrations of individuals providing advisory services on behalf of the FISC/credit institution	44

the cessation of the provision of services and activities in Romania through delegated agents - legal persons of a branch of a credit institution in another Member State	5
the intention of an investment firm in a Member State to provide services through a branch in Romania	1
<b>C. Other entities</b>	
changes to the organisational and staff structure and the salary policy of the Investor Compensation Fund (ICF) staff	1
analysis of the fulfilment of the legal conditions by the member of the Board of Directors of the ICF appointed by the Ministry of Finance	1
approval of the procedure for the regime and circulation of information and documents within the ICF	1
registration of legal entity evaluator	3
authorisation of investment adviser as legal entity	2
endorsement of financial audit firm	1
authorisation of the provider of equity financing services	1
analysis of documentation related to notifications made by the FISCs/Credit Institutions on staff providing information on financial instruments	1473
<b>D. Undertakings for Collective Investment (Undertakings for Collective Investment in Transferable Securities - UCITS – and Alternative Investment Funds-AIF-)</b>	
UCITS authorisations	6
AIF authorisations	4
withdrawal of AIF authorisation	1
approval of amendments to UCITS documents	42
approval of amendments to AIF documents	7
<b>E. Investment management companies (IMCs) and Alternative Investment Fund Managers (AIFMs)</b>	
approvals for registration as an AIFM	3
share capital increases of IMC	1
share capital increases of AIFM	1
authorisation of amendments to the AIF Articles of Incorporation	6
authorisation of the modification of the significant conditions considered for authorisation as an AIFM	1
approval of the purchase project	4
extension of activity object	1
extension of premises	1
approval of change of depositary	4
investment authorisation exceeding the limit laid down in Art. 88 para. (1) of GEO No 32/2012, i.e. the conversion of two UCITS into feeder UCITS	2

authorisation of managers (change of composition and renewal of mandates)	11
authorisation of officers (change of composition and renewal of mandates)	8
rejection of approval of members of the management structure	1
withdrawal of approval granted to certain members of the management structure	1
authorisation of persons in the key function as representative of the compliance department	8
authorisation of persons in key risk management function	2
approval of investments in third countries	4
<b>F. Financial auditors</b>	
opinions extending the maximum audit periods of 5 consecutive years for regulated entities by 2 years	4

### Free movement of services

In general, capital market activity conducted at European level has 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 2382/2017 and EU Regulation 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.

► An important aspect is **the increase in the number of notifications submitted to ASF during 2022 by the competent authorities of the Member States**, based on the provisions of Directive 65/2014/EU (MiFID II), as well as EU Regulation 2382/2017 and EU Regulation 1018/2017, compared to the situation recorded in 2021 with regard to regulated entities from other Member States that have notified their intention to conduct cross-border operations on the territory of Romania, based on the free movement of services. Thus, the changes among capital market participants from other Member States mainly concerned investment firms and credit institutions providing services and investment activities in Romania, as well as ancillary services, and there were no fluctuations among the Romanian branches of these entities.

► With regard to trading venues provided by entities established in other Member States, there was a slight increase compared to last year only for organised trading systems.

► There was a fluctuation in the number of delegated agents-entities established on the

territory of Romania by entities from other Member States, with five such entities registered in the Public Register of ASF and ten deregistered.

► With regard to the establishment of branches, an investment firm from Cyprus has expressed an interest in having a physical presence on the territory of Romania and a notification has been submitted under Art. 35 of Directive 65/2014/EU and an investment management company from France has notified its intention to have a physical presence on the territory of Romania and a notification has been submitted under Art. 17 of Directive 2009/65/EU.

- Following the notifications sent by the competent authorities of other countries, 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.

- In addition, ASF handled letters sent by competent authorities in the EU, concerning pre-marketing activities carried out in Romania by Alternative Investment Fund Managers authorized in those Member States, for Alternative Investment Funds

s that are not yet established or that are established but for which the notification on marketing has not yet been issued, i.e. for investment strategies.

Following the notifications sent by the competent authorities of other Member States in accordance with the above-mentioned European regulations, ASF carried out related procedures, such as entries/updates/deregistration in/from the Public Register of entities from Member States providing services on the basis of free movement, respectively modification of the information initially notified, thus the following operations were carried out in the ASF Register:

Entities	Registration	Write off	Deregistrations
Alternative investment fund managers from other Member States operating directly in Romania (AFIASMD)	-	-	7
Alternative investment funds from other Member States whose units are distributed in Romania (FIAM)	78	8	5
Investment management companies from other Member States (SAIM)	-	-	1
Undertakings for Collective Investment in Transferable Securities (UCITS)	5	-	7
Sub-funds (UCITS and FIAM)	45	5	-
Investment firms from other Member States (FISMD)	43	24	85
Credit institutions from other Member States (INCM)	37	-	-
Branch of an investment firm in another Member State	1	-	-
Organised Trading System (OTS)	2	-	-

## 5.2. Authorisation/Endorsement in the insurance-reinsurance sector

In 2022, the licensing process in the insurance-reinsurance sector was dominated by activities carried out with a view to:

- settlement of applications for approval of senior management of insurers;
- approval of acquisition/merger/portfolio transfer projects;
- approval of share capital increases;
- extension of audit periods and contracts between insurance companies and external auditors;
- settlement of applications for approval of amendments to the articles of incorporation of insurance and reinsurance brokers.

During 2022, as a result of the analyses and decisions of the ASF management, the following was achieved:

Operations carried out by ASF in the field of authorisation-endorsement - Insurance companies	Number of applications granted
Interviews for the assessment of persons nominated by insurance - reinsurance companies in management positions	45
Notifications on key and critical functions (of which 13 key functions and 31 functions critical)	44
Outsourcing activities and functions	40
Approvals of Supervisory Board member, newly appointed or for a new mandate	31
Approvals of Board member, newly appointed or for a new mandate	18
Approvals of newly appointed members of the Board of Directors or for a new mandate	9
Information on audit committees of insurers	9
Approvals of the Deputy General Manager for a new mandate	8
Approval of member-Vice-Chairman of the Supervisory Board, newly appointed or for a new mandate	7
Approvals of share capital increase	7
Persons notified as compliance officer/designated persons ML/TF, persons designated for the implementation of the international sanctions regime	6
Approvals of member-Chairman of the Board of Directors, newly appointed or for a new mandate	5
Approvals of Supervisory Board Chairman, newly appointed or for a new mandate	4
Approvals of newly appointed or reappointed Chairman of the Board	4
Approvals for change of registered office	4
Approvals of General Manager	3
Approvals to extend the audit period	3
Approvals of General Manager for a new mandate	2
Approvals of member-Vice-Chairman of the Board, newly appointed or for a new term of office	2
Approval of Deputy General Manager	1
Approval of the establishment of a company	1
Approval of the extension of the company's activity to the insurance class General A15 - Guarantees	1
Termination of extension of insurance activity of NN ASIGURĂRI S.A. based on freedom to provide services in the territory of Bulgaria	1
Rejection of procurement project	1
Withdrawal of ASF approval of the membership of the Board of Administration and from the position of Chairman of the Board of Directors	1



Operations carried out by ASF in the field of authorisation - endorsement - Intermediaries	Number of applications granted
Approvals concerning the change of administrators	14
Approvals of executive officers	16
Approvals for change of registered office	7
Approval of amendment of the Articles of Incorporation - identification data	7
Approvals for the sale of shares / change of shareholding	9
Approvals of share capital increase and membership structure	4
Amendments to Articles of Incorporation	9
Approvals of amendments in the field of the NACE code	12
Main intermediary approvals	2
Approvals of significant indirect shareholder	2
Approvals of change of company name	1

In addition to the above operations carried out for intermediaries, in 2022, 21 notices were issued and 86 notifications of intermediaries from EU member countries who expressed their intention to conduct insurance business on the territory of Romania were resolved.

### 5.3. Authorisation/Endorsement in the private pension system sector

The authorisation/endorsement activity in the private pension system for the year 2022 resulted in the issuance of a total of 808 decisions and opinions, following approval at the ASF level (including acts issued on the basis of the delegation of competence granted to the ASF Vice President, coordinator of the SSPP, by the ASF Council), as follows:

<b>I. Decisions/notices issued following the approval of the ASF Council, of which:</b>	<b>121</b>
<b>A. Private Pension Fund Managers</b>	<b>48</b>
<i>a) Authorisation/approval/rejection decision/notice for:</i>	
- member of the Management Board/Supervisory Board, respectively:	<b>14</b>
- Decision authorising the member of the Board of Directors issued by SSPP;	13
- Decision authorising the member of the Board of Directors issued by SAR, joint file.	1
- General Manager/Executive officer/Member of the Board, respectively:	5
- decision authorising the General Manager/Executive Officer/Member of the Board issued by SSPP;	4
- Decision authorising the General Manager/Executive Officer/Member of the Board issued by SAR/SSPP, joint file.	1
- the person in charge of the internal control structure	3
- the person in charge of the risk management structure	1
<i>b) Decision/amendment notice for:</i>	
- changes to the documents on the basis of which private pension fund managers are authorised (Memorandum/ROF/Custody Agreement/Management Agreement/Extension of Auditor Period)	25
<b>B. Private Pension Funds</b>	<b>17</b>
<i>a) Decision/amendment notice for:</i>	
- amendment of the private pension system prospectus	8
- modification of the Individual Act of Membership	9

<b>C. Voluntary Pension Funds</b>	<b>49</b>
<i>a) Decision/amendment notice for:</i>	
- the documents based on which decisions authorising voluntary pension funds were obtained (Investment Policy Statement)	2
- amendment of the voluntary pension system prospectus (prior and final approval)	27
- amendment of the Individual Act of Membership	20
<b>D. Occupational pension fund managers</b>	<b>1</b>
<i>a) Authorisation/endorsement decision/notice for:</i>	
- manager of occupational pension funds	1
<b>E. Depositaries</b>	<b>1</b>
<i>a) Authorisation/endorsement decision/notice for:</i>	
- withdrawal of the approval granting the status of depositary of privately managed pension fund assets	1
<b>F. Private Pension System Rights Guarantee Fund - FGDSPP.</b>	<b>2</b>
<i>a) Authorisation/endorsement decision/notice for:</i>	
- the appointment of the person to act as interim Chairman of the Board of Directors of the Private Pension Rights System Guarantee Fund during the suspension of the ASF Council Decision no. 93/12.12.2018 on the appointment of the Chairman of the Board of Directors of the Private Pension Rights System Guarantee Fund.	1
- appointment of the Chairman of the Board of Directors of the Private Pension Rights System Guarantee Fund for a period of 4 years starting 13.12.2022	1
<b>E. Marketing agents legal entities</b>	<b>3</b>
<i>a) Withdrawal decision for:</i>	
- withdrawal of the authorisation of the private pension broker	1
- withdrawal of the individual marketing agent's authorisation	2
<b>II. Decisions/endorsements issued following the approval of the ASF Vice President, of which:</b>	<b>687</b>
<b>A. Privately managed Pensions</b>	<b>226</b>
<i>a) Endorsement for:</i>	
- marketing agents individuals	126
- re-approval of individuals marketing agents	72 <sup>36</sup>
<i>b) Decision to withdraw authorisation/endorsement and removal from the ASF Register:</i>	54 <sup>37</sup>
- Withdrawal of marketing agent's endorsement for individuals	100
<b>B. Voluntary pensions</b>	100 <sup>38</sup>
<i>a) Endorsement for:</i>	461
- marketing agents legal entities	260
- endorsement of a specialised legal entity	1
- marketing agents individuals	2
- re-approval of individuals marketing agents	169 <sup>39</sup>
<i>b) Decision rejecting the application for approval/re-registration of individuals marketing agents</i>	88 <sup>40</sup>
<i>c) Decision of withdrawal and removal from the ASF Register:</i>	10 <sup>41</sup>
- Withdrawal of endorsement for individuals marketing agent	189
<i>d) Decision to amend the Articles of Incorporation of private pension fund managers following a change of registered office</i>	189 <sup>42</sup>
	2

In 2022, the process of authorisation of the first occupational pension fund manager under the provisions of Law No. 1/2020 on Occupational Pensions was completed, with subsequent amendments and additions, respectively the authorization of the manager BCR Pensii, Societate de Administrare a Fondurilor de Pensii Private S.A. by ASF Decision No 144/14.02.2022.

<sup>36</sup>735 individuals marketing agents were approved through the 72 decisions  
<sup>37</sup>418 individuals marketing agents were re-approved through the 54 decisions  
<sup>38</sup>1,249 individuals marketing agents had their opinions withdrawn through the 100 decisions  
<sup>39</sup>4,079 individuals marketing agents were approved

through the 169 decisions  
<sup>40</sup>693 individuals marketing agents were re-approved through the 88 decisions  
<sup>41</sup>the 10 decisions rejected the approvals of 11 individuals marketing agents  
<sup>42</sup>the 189 decisions withdrew the approvals of 2,288 individuals marketing agents



## The Investor Compensation Fund (ICF)

The Investor Compensation Fund (ICF), established as a legal person under public law under the terms of Law No 88/2021 and the ASF regulations in application of the law, aims to compensate investors 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 are 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, managing individual investment portfolios, and alternative investment fund managers authorised to manage individual investment portfolios, credit institutions registered in the ASF Register 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 ICF's activity in 2022 involved checking the reports on financial indicators and the evolution of indicators specific to the investor compensation activity and requests for clarification of some issues arising from the change in the applicable legal framework following the entry into force of Law No 88/2021.

The following conclusions were drawn from the prudential supervisory work:

- The Fund now has an optimal operating framework with a clear organisational structure, well-defined, transparent and consistent

responsibilities, processes for identifying and managing the risks to which the company is or may be exposed, and internal control mechanisms, including rigorous administrative and accounting procedures;

the Fund continued to strengthen its own risk management framework;

the management and operating expenses in 2022 were covered by the income obtained from the investment of the Fund's resources, as well as by the contributions paid by the Fund's participants and the entities authorised by ASF to manage trading venues and clearing and/or settlement systems, in accordance with Law No 88/2021;

- resources for compensation were at 31 December 2022 of RON 24.72 million being invested in a prudent manner, according to the strategy approved by ASF;
- the number of participants in the Fund increased from 28 to 31;
- the Fund did not have to use available resources to compensate investors.

**ASF reviewed and approved the Fund's Annual Financial Statements and Annual Activity Report for 2021. ASF also approved the Fund's Strategy for the financial exposure of the Investor Compensation Fund's resources for the year 2022 and the Income and Expenditure Budget for the year 2023.**



## The Bureau of Motor Insurers of Romania

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

BAAR's duties are 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 cover:

- a. the role of the national motor vehicle bureau, the compensation payment body and the compensation body;
- b. development and administration of the database on the record of MTPL contracts;
- c. management of high-risk policyholders;
- d. management and administration of border insurance;
- e. consumer information in the form of an information centre.

**ASF reviewed and approved BAAR's income and expenditure budget for 2023, as well as the execution of the income and expenditure budget for 2021 and approved the level of contributions, membership fees and the administration fee for the MTPL database, in accordance with the provisions of the legislation in force. ASF has examined BAAR's annual financial statements and the financial auditor's report.**

The policies and procedures for the management of MTPL insurance applicable to the high-risk policyholder, issued by BAAR in accordance with 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, as amended and supplemented by Law No 202/2022, made subject to review by the specialist structures and approval by the ASF Council.

ASF has had an ongoing dialogue with BAAR representatives on the forecasts for the evolution of the National Protection Fund (NPF) availability, which have also been discussed by the ASF

Council.

The NPF's liquid assets are constantly monitored by ASF to ensure that they are within the legal limits.

ASF also monitors weekly the BAAR reports on the number of high-risk policyholders and their distribution by insurance company.





### **The Romanian Policyholder Guarantee Fund**

The Policyholders Guarantee Fund (FGA) is the insurers' guarantee system set up under Law No 213/2015 on the Policyholders 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. FGA may also act as special manager 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 FGA under the terms of Law No 213/2015.

In 2022, ASF analysed the following FGA reports:

- the state of payment of indemnities/compensations by the Fund to the insurance creditors of

the bankrupt insurer;

- the state of the Fund's financial resources;
- implementation of the revenue and expenditure budget;
- the statement of contributions due and paid into the Fund by insurers, separately for general and Life insurance.

ASF has reviewed and approved the Annual Financial Statements and Annual Activity Report of FGA for 2021.

**ASF has been in constant dialogue with representatives of FGA regarding changes to contribution rates, with a view to securing its financial resources and protecting insurance creditors.**

ASF has continuously analysed the situation of payment claims, payments made and financial resources of FGA.

ASF has analysed the forecasts and scenarios made by FGA regarding financial resources for the period 2022-2027 and has approved the measures proposed by the Fund to ensure that these resources are at a level that will enable it to meet its legal obligations.

### **The Private Pension System Rights Guarantee Fund**

The Private Pension System Rights Guarantee Fund (FGDSPP) is a private pension guarantee system established as a legal person under public law, created in 2012, based on Law No 187/2011, and supervised and controlled by ASF. According to the legal provisions, the purpose of FGDSPP is to guarantee the rights of participants and beneficiaries, as the case may be, acquired within the private pension system.

FGDSPP compensates the losses of participants and/or beneficiaries of private pension funds, both during the period of accumulation of contributions and after the entitlement to a pension, arising from the inability of pension managers or providers to meet their obligations and ensures the payment of the rights of participants or beneficiaries of private pension funds, in the event of the inability to their insurance by private pension managers or providers, as

appropriate.

In 2022, following a regular inspection, the work of the FGDSPP was subject to verification and no deficiencies were identified that would require remedial measures or sanctions.

At the same time, in 2022, FGDSPP submitted the following to ASF for approval:

- FGDSPP activity report for 2021;
- Financial statements for 2021;
- Financial resources strategy for 2023;
- The budget of income and expenditure for the year 2023 of the Guarantee Fund for private pension rights.

# 7. INTERNATIONAL COOPERATION – ASF's INTERNATIONAL RELATIONS



## European and international efforts to promote and develop non-bank financial markets



In 2022, ASF continued its efforts to promote the opportunities offered by Romania's non-banking financial markets and ASF's activity at European level, in the context of strengthening bilateral relations with Romania's main European partners, through a series of meetings with high-level representatives of diplomatic missions in Bucharest.

Discussions focused on the evolution of non-bank financial markets in Romania and their growth prospects. ASF also wanted to send a message during these meetings on the steps taken to ensure stability in the markets supervised by ASF, in order to protect consumer interests and create a fair and transparent business environment. During these bilateral meetings, the focus has been on ASF's concern to encourage the presence on the Romanian markets of new companies with

experience from other developed markets to foster a competitive environment.

In the context of the concerns to promote convergence of supervisory practices, ASF has initiated a series of high-level meetings and discussions with representatives of leading supervisory authorities in the European Union with the aim of aligning with best practices in the supervision of non-bank financial markets:

- Bilateral high-level meetings with CONSOB and IVASS, Rome, Italy, 13 - 15 June 2022;
- Bilateral high-level meeting with the Federal Financial Supervisory Authority (BaFin), 31 October 2022, Bonn, Germany;
- Bilateral high-level meetings with ACPR, AMF, OECD, 10 - 12 October 2022, Paris, France.



## Contribution to European and international integration

### Involvement in the work of the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA)

In line with the strategic guidelines for 2020-2022, ASF continued to contribute to the work of ESMA and EIOPA, with a strong focus on strengthening supervisory convergence and increasing the protection of financial services consumers.

The Executive Members of the ASF Council involved in the activities of ESMA and EIOPA both directly, by participating in the decision-making process (in meetings and written procedures), as Member/Supplementary Member in the Board of Supervisors (BoS), and indirectly, by coordinating the experts appointed to the working groups of the two permanent authorities.

In 2022, ASF had 52 experts appointed to 27 ESMA working groups and 25 experts to 14 EIOPA working groups. The Board of Supervisors (BoS) is the decision-making structure for the two European authorities, including the adoption of technical standards, opinions and guidelines.

The representation of ASF in the BoS is ensured at high level by the executive members of ASF Council, with responsibilities for coordinating the specific activities in the area of competence of the two authorities.

In 2022, ASF participated in 13 ESMA BoS meetings and 9 EIOPA BoS meetings, where a number of topics were discussed, including:



### EIOPA

- Analysis of the extent to which a prudential treatment dedicated to environmental or social objectives under Solvency II would be justified. EIOPA's analysis is divided into three main areas: assets and climate change (Pillar I), underwriting risk for non-life insurance and climate change adaptation (Pillar I), assets and liabilities and social objectives (Pillar II);
- Guidelines published by EIOPA to facilitate the implementation of scenarios and lower related costs for insurance companies, especially small and medium-sized ones;
- Guidelines for the process of integrating client sustainability preferences into the appropriate assessment by insurance distributors advising on insurance-based investment products (IBIPs). The main objective of including sustainability factors in the advisory process is to ensure that it does not lead to incorrect sales practices or misrepresentation of IBIPs as meeting sustainability preferences;

- The progress report on the implementation of the Union Strategic Supervisory Priorities (USSP) defined for the period 2021-2023, in the second year of implementation - 2022. The outcome of the exercise indicates that all National Competent Authorities (NCAs) have taken the USSP into account in their supervisory priorities and approaches for 2022. The level of intensity of supervisory measures varied, depending on exposures, approaches and resources;
- The risk scoreboard on the gap in insurance protection against natural disasters. One of EIOPA's strategic priorities for the period 2023-2026 is to identify solutions to address the insurance protection gap. Following its endorsement at the BoS meeting in November 2022, EIOPA launched in December 2022 the first Europe-wide risk scoreboard on the natural disaster insurance protection gap;
- The revised guidelines on technical reserves and contractual limits, published on the EIOPA website in April 2022 and applicable from January 2023. The revision of the guidelines was necessary because EIOPA has observed diverging practices of insurance companies and supervisors in the calculation of technical provisions;
- The thematic supervisory action on bank Credit Protection Insurance (CPI) products and the warning to insurance companies and banks, as secondary intermediaries, on these products. EIOPA's recent thematic review on bancassurance has highlighted serious concerns, in particular regarding high fees and conflicts of interest between originators, distributors and consumers, leading to products that offer poor value and limited choice for consumers in the context of bancassurance business models. In the warning published in October 2022, EIOPA expects insurers and banks to place the interests of customers at the heart of their business model and take relevant measures to prevent further consumer detriment.

#### • ESMA

- The strategy for 2023-2028, which focuses on three strategic priorities: promoting efficient markets and financial stability, strengthening the supervision of EU financial markets and enhancing retail investor protection;
- The establishment of a European Single Access Point (ESAP), a flagship action of the Capital Markets Union (CMU) Action Plan. The ESAP will contribute to achieving the objectives of the CMU by providing EU-wide access to information, activities and products of different categories of entities that are obliged to disclose such information, which are relevant to capital markets, financial services and sustainable finance;
- The guidelines on the designation of investment funds using ESG (environmental, social, and governance) terms, discusses the prevention and management of "greenwashing risk" and the promotion of transparency in the collective investment undertaking segment;
- The assessment framework on draft European Sustainability Reporting Standards (ESRS) which will be used as a basis for ESMA's opinions on draft European sustainability Reporting Standards (ESRS) issued by the European Financial Reporting Advisory Group (EFRAG) for the European Commission;



- Review of the Memoranda of Understanding (MoU) on supervisory cooperation between ESMA and the UK FCA;
- Heatmap report for 2022. As part of its risk-based approach to supervisory convergence, ESMA develops an annual heatmap to identify the most relevant supervisory risks to be prioritised through convergence activities.

#### • ESRB (European Systemic Risk Board)

ASF participated in the meetings of the General Board (GB) of the European Systemic Risk Board held in March, June, September and December 2022. During the meetings, the General Board (GB) of the European Systemic Risk Board (ESRB) focused on risks to financial stability, which have increased significantly since the beginning of this year amid a significant deterioration in global economic growth prospects due to the sharp rise in energy, food and commodity prices, which has been exacerbated by the war in Ukraine and ongoing supply chain disruptions. The General Council stressed that these developments and their possible amplification have increased uncertainty and the likelihood of materialisation of extreme risk scenarios.

#### • International Organisation of Pension Supervisors (IOPS)

ASF participated in meetings organised by IOPS: IOPS Technical Committee and Executive Committee, IOPS General Meeting of Members (GMM) and the OECD/ IOPS Global Private Pensions Forum.

During these meetings, discussions were held on the impact of inflation on pension portfolios and ways to protect against inflation, topics relevant to pension funds: performance, financial education and consumer protection, consolidation of the pension market, ESG (environmental, social, and governance) integration in investments: approaches that pension funds, regulators and supervisors can adopt, digitalisation of pensions.

#### • International Organisation of Securities Commissions (IOSCO)

ASF participated in the high-level events organised by IOSCO: European Regional Committee. The main topics covered in these meetings were: recent market developments, analysing the impact of the market following recent geopolitical events and the COVID-19 pandemic; sustainable finance and work plan for 2022-2024; financial technology; operational resilience and digitalisation; recommendations on leveraged loans and collateralised loan obligations, market fragmentation; results of IOSCO's work from a risk perspective.

#### International Association of Insurance Supervisors (IAIS)

The IAIS events in which ASF participated in 2022 are: IAIS Committee Meetings and Global Seminar. The following topics were discussed at the Global seminar:

- financial inclusion and increased economic sustainability;
- effective climate risk assessment;
- addressing emerging operational and cyber risks in the insurance sector;
- building a solid foundation to reflect systemic risks - implementing the Holistic Framework;
- insurance capital standards - completion of the global solvency standard.

The IAIS work in 2022 focused on financial stability issues in the context of the conflict in Ukraine and the COVID-19 pandemic, implementation of international capital standards, alignment of supervisory practices, and setting priorities for 2022-2024.

#### • Organisation for Economic Co-operation and Development (OECD)

In the context of the acceleration of the OECD accession process in 2022, ASF has started preparations at institutional level.

To this end, representatives of the institution have been appointed to participate in the work of the OECD Committees, representatives of the Authority in the Interministerial Committee for the coordination of Romania's relations with the OECD, as well as teams of internal experts who have carried out the assessment of the state of alignment of national legislation with OECD legal instruments, for the areas under the competence of ASF. These contributions were reflected in the initial Memorandum for Romania's accession to the OECD approved by the Romanian Government.

The ASF President has been directly involved in dialogue with senior OECD representatives to discuss ASF's involvement in the work of OECD committees and contributions to the accession process.

Romania's accession process to the Organisation for Economic Cooperation and Development (OECD) is a strategic objective of Romanian foreign policy and given the opening of accession talks in early 2022, it has been included in the current government programme, being considered, after Romania's accession to the European Union and NATO, the most important country project.

#### • Provision of technical assistance to the authorities of the Republic of Moldova

In 2022, ASF supported the supervisory authorities of the Republic of Moldova in their efforts to strengthen the supervision of non-bank financial markets. This support took the form of technical assistance to the National Financial Market Commission, both in the framework of the twinning project for the consolidation of supervision, corporate governance and the risk management system in the Republic of Moldova, together with the National Bank of Romania, the National Bank of the Netherlands, the Central Bank of Lithuania and ANPC (the National Authority for Consumer Protection), as well as in a bilateral format, for the development of the secondary regulatory framework for the application of the new law on insurance and reinsurance activities.

At the same time, at the request of CNPF (National Commission for Financial Markets), ASF organised a training session on the regulation and supervision of voluntary pension funds, as well as study visits of CNPF and the NBM representatives to the ASF headquarters in order to exchange experience and expertise on the capital and insurance markets.

# 8. INSTITUTIONAL CAPACITY BUILDING AND CONSOLIDATION



## 8.1. IT Infrastructure Development

Projects with an IT component initiated by ASF aim to digitise and use financial innovation and IT solutions as widely as possible in all areas of activity within the institution.

In 2022, the hardware and software infrastructure upgrades started in previous years were continued.

To this end, resources have been allocated to integrating activities at sector level by exploring options for merging or centralising some core activities or integrating them vertically.

ASF wants to set an example for financial market players and encourage the development and implementation of innovative technologies.

### Actions in 2022 focused on the following areas:

- ▶ **Digitalisation of processes:** the digitalisation process initiated in 2021 was continued throughout 2022 (both in the context of the COVID-19 pandemic and because the digitalisation process is the only element that can bring the three sectors under supervision together);
- ▶ **Process integration:** integration of the 3 sectors (Private Pensions, Insurance - Reinsurance and Financial Instruments and Investments) in the area of authorisation and regulation through the development and implementation of two applications with a major impact both on the activity of ASF and on the regulated, authorised and supervised entities, namely: the authorisation portal and the public consultation portal;
- ▶ **Systems integration:** integrating the Authority's IT systems and business processes so that the Executive Management has at all times a clear overview of both the situation in the three supervised markets and the sensitive elements that it has to manage as a whole;
- ▶ **IT Security:** ensuring compliance in this area by defining and implementing information security policies that meet current IT requirements in order to ensure the integrity, confidentiality and availability of ASF's IT systems.

- ▶ The major projects implemented or started in 2022 followed the objectives and actions set out in the approved IT Strategy 2021-2023 and focused mainly on:

### 1. Modernisation of ASF's IT infrastructure

- ▶ Modernisation and optimisation of user terminals. The aim of this project is to equip all ASF employees with modern laptop terminals and adopt collaborative work platforms to make their work more efficient (the phase planned for 2022 has been completed);
- ▶ Re-design the architecture of the integrated telecommunications and network infrastructure based on the needs of the institution and the provisions of the security policy. The aim of this project was to



modernise the institution's data network, i.e. the replacement of active network components that were showing advanced physical and moral wear;

- Upgrade hardware infrastructure (virtualisation hardware and software). The aim of the project is to ensure the availability of the IT platforms necessary for the digital transformation of ASF;
- VOIP (voice-data and telephony infrastructure procurement was completed in 2022, with implementation to be completed in 2023).

## 2. Ensuring the security of ASF's IT infrastructure



- Connection to a national system for the protection of IT&C infrastructures of national interest. This project aimed to ensure the security of the entire infrastructure of ASF;
- Implementation of the IT security testing methodology within ASF and analysis of the behaviour of systems and applications under pre-defined cyber attack scenarios. The purpose of the tests (vulnerability identification tests or, where appropriate, penetration tests) is to analyse the behaviour of systems and applications in the context of different cyber attacks, and the identified vulnerabilities are analysed and addressed;
- Conducting an external IT security audit - with the increasing importance of data, it was considered essential to conduct an external audit to ensure that all necessary actions are taken to protect the business at system, network and application level;
- Cybersecurity Education Platform. This project aimed to raise awareness and educate employees to identify and react quickly to a possible real cyber attack (training modules: Passwords & Accounts, Email, Web Browsing, Social Networks & Messengers, PC Security, Mobile Devices, Protecting Confidential Data, Phishing, DLP- GDPR, Security Policy, etc.- planned phase completed in 2022, the platform will be extended with other modules in 2023).



### 3. **Making ASF processes and activities more efficient**

- ▶ Authorisation portal - through this project an online electronic platform has been developed to allow easy collection, processing and analysis of authorisation applications and related operations. This is part of ASF's strategy to digitise its activity and therefore to modernise and streamline the authorisation process; the project has been extended in 2022 by adding additional elements such as the electronic management of authorisation applications in order to cover the entire life cycle of applications (exclusively electronic management);
- ▶ ASF Authorized/Notified Persons Reporting Platform - through this project a platform has been developed for the collection of data related to the fulfilment of the continuous professional training obligation (according to ASF Regulation No 28/2020), respectively ASF and NBR Regulation 14/7/2018). As of 01.01.2023 Regulation 28/2020 has entered into force and reporting by OFPs will be done exclusively through the platform; the platform will be extended to IMCs and Credit Institutions;
- ▶ Public consultation platform - the project aims to streamline the process of centralising comments by implementing a platform where market entities will connect and submit comments on projects under public consultation;
- ▶ Control plan monitoring module - an IT platform has been implemented to monitor the action plans imposed as a result of inspection actions carried out by ASF through two supervisory and control structures;
- ▶ Solution for monitoring measures and actions resulting from controls in the insurance-reinsurance sector;
- ▶ Solution for monitoring claims in the insurance market - the project was started in 2022 and is being implemented;
- ▶ Tableau BI platform extension - the Tableau BI solution has been resized and extended to be used by more teams in the business area - (the project is under implementation);
- ▶ SIIF electronic trading supervision application (BVB supervision) - computer program for the supervision of trading activity on the Romanian capital market (in progress / acquisition in progress);
- ▶ Implementation of BI reporting platform (using innovative technologies/blockchain) in ASF – given the complexity and size of the project, as well as the emergence of innovative technologies with applicability to financial markets (Blockchain), it was divided into two phases:
  1. procurement of IT consultancy services for the analysis of business and technical requirements and development of procurement documentation for the implementation of the electronic reporting collection and processing platform (ongoing);
  2. procurement of IT products and services for the actual implementation of the reporting platform (planned to start in 2023).
- ▶ DMS (document management system) - the implementation of an electronic document management solution within ASF (DMS) was divided into 2 phases, as follows:
  1. procurement of IT consultancy services for the development of the procurement documentation for an electronic document management solution within ASF (under implementation);
  2. procurement of products and services to implement an electronic document management solution within ASF (planned to start in 2023).

#### 4. **Development of IT education programmes for ASF employees**

In order to reduce the risk of possible cyber security threats and raise awareness among employees of the need and importance of digitising internal processes, the following steps have been taken:

- ▶ development of an e-learning platform for cyber security within ASF;
- ▶ Raising awareness of the benefits of IT products among ASF employees, by organising weekly demo sessions of existing or developed IT applications within ASF;
  - ▶ participation in the Cydex 2022 national cybersecurity exercise to practice the ability to respond to various types of cyber threats/attacks.

#### 5. **Other internal projects requested and supported by the ASF Council**

- ▶ Office 365 (Microsoft Teams, Sharepoint) - full integration of Microsoft Office 365 into the work of Authority employees to provide a secure environment for remote collaboration and information sharing;
- ▶ ensuring qualified electronic signatures for all employees of the institution;
- ▶ IT incident management system implementation - Manage Engine Service ServiceDesk
- ▶ implementation of a VPN connection platform for secure remote access to ASF's IT resources;
- ▶ modernisation of the data communications infrastructure - replacement of all active switch equipment in the access and aggregation areas of the data network;
- ▶ activities for the administration, implementation and monitoring of DLP (Data Loss Prevention) policies;
- ▶ implementing backup and restore policy;
- ▶ technical support for all events in relation to cyber security: providing and developing the means, tools, technical and operational capabilities required to deal with all types of events, incidents and threats; internal detection and reporting, analysis and assessment (including sorting and decision), incident response and recovery, evaluation and update of incident management measures;
- ▶ update of firewall protection systems;
- ▶ update of XBRL taxonomy in the eHub system and perform functional tests;
- ▶ implementation of reports for the application for the verification of pension fund membership applications;
- ▶ implementation of reports for the Register of Secondary Intermediaries (RIS);
- ▶ update the indicators in the manual for strengthening the insurance market supervision function in Romania (EIOPA);
- ▶ implementation in the EWS electronic reporting system of a set of mixed correlations between indicators in the EWS and eHub reporting systems;
- ▶ implementation of resolution indicators in the EWS electronic reporting system;
- ▶ implementation of forms, company-level reports, centralised reports and updating of analysis reports in accordance with Rules No 46/2020 and 22/2021;
- ▶ implementation of company-wide reporting form and report - Status of MTPL files and update of reporting forms and reports on petitions according to

requests from the specialist department;

- ▶ development within the Documenta application of a standard workflow for creating, signing and archiving requests for rest leave and for time off granted in accordance with the CLA provisions for the day of birth;
- ▶ extension of the portal “Autorizări” for electronic management of authorisation applications to cover the entire application lifecycle (exclusively electronic application management);
- ▶ development of the “Access ASF” application for the registration of entries and exits of the institution;
- ▶ implementation of an XBRL (eXtensible Business Reporting Language) validation engine according to ESMA/ESEF requirements;
- ▶ Operationalisation of the Private Pensions Portal (P3) and migration to it of functionalities related to the registration of authorised entities and statistical data on the evolution of funds;
- ▶ extension of the Technical Secretariat application through the development of new functionalities (Users with access rights report, implementation of the soft-delete option for the Decisions, Reports and Acts modules for users of the Technical Secretariat department, etc.);
- ▶ update the SAR database application - add additional information;
- ▶ Updating the functionality of the portal “Petiții” as requested by the beneficiary structures;
- ▶ modification of SIR-EWS and OAM applications to allow annual reporting in ESEF format and issuer reporting on MTF/OTF;
- ▶ modification of the Arena Surveillance application for querying historical data (Daily Market Report)
- ▶ development of dashboards with indicators/KPIs and analysis on demand, in Tableau, as requested by the beneficiary structures;
- ▶ Modification of TREM application and development of analytical tests (Transaction Reporting Exchange Mechanism), according to the analysis carried out with business beneficiaries;
- ▶ FIRDS (Financial Instruments Reference Database System) technical test development version as analysed by the beneficiary person in the business;
- ▶ extension of the operational and managerial reporting/alerts solution for the “Petitions” system;
  - ▶ development of an application to automatically send alerts (to entities and internally) at predefined intervals before the expiry of the mandates of authorised persons in the capital market area;
  - ▶ control plan monitoring module - the project aims to monitor the implementation and compliance with the deadlines assumed - by the controlled entities - of the measures imposed by the plans of measures established, as a result of the inspection actions carried out by ASF through two of its structures;
- ▶ development of the SAL-FIN Procedures Register application;
- ▶ education programmes regarding the IT security culture of ASF employees;
  - ▶ weekly e-learning sessions - via Teams - aimed at deepening knowledge in terms of making work more efficient, conducting demos of applications used within the Authority or presenting solutions whose specifics can optimise work with a view to reducing the resources allocated to solving assigned tasks.

#### ▶ **Supporting technical initiatives and projects at financial market level**

ASF is actively involved in the activities of the European Supervisory Authorities' working groups on the application of IT in the non-banking financial sector, namely ESMA-ITMG (IT Management and Governance Technical Committee) and EIOPA-ITDC (Information Technology and Data Committee).

## 8.2. Human Resources Management

The HR activity in 2022 focused on three major areas:

The strengthening of institutional governance to make work more efficient continued throughout 2022. In this respect, the work of the institution was analysed both in terms of human resources and their functional organisation. The analysis is part of an ongoing process of organisational assessment, which aims to define a more efficient structure at the Authority level, with the aim of improving performance, optimising the work and governance of ASF. As a result, the process of institutional reorganisation continued at ASF level according to needs, with a view to improving the coordination of activities at ASF level and also with a view to streamlining the way key processes are carried out.

During 2022, the first internship programme was organised within the Financial Supervisory Authority, offering young people the opportunity to transition from the education system to the labour market by developing professional skills, acquiring practical skills and familiarising them with the specifics of the Authority's work.

The internship programme was aimed at 15 master students and aimed to identify young people with potential, who have the right skills and attitude to adhere to the organisational values of ASF, with the aim of recruiting from among the interns, candidates who meet the current staffing needs of ASF.

Human resources development was achieved through:

- the conduct of recruitment processes and

principle-based selection to attract the best specialists;

- running continuous professional development programmes for existing employees.

Through its recruitment and selection processes, ASF has given all candidates a fair opportunity to demonstrate their abilities and has ensured a selection based on merit, respecting equal opportunities and treatment between women and men and non-discrimination of any kind.

A common set of criteria was used in the recruitment and selection processes to evaluate all candidates involved in the recruitment processes, which ensured an objective selection, so that the best available candidates for the relevant positions were hired.

In terms of professional development, ASF has succeeded in implementing a unified training system for its own staff that responds in real time to the challenges of a constantly changing market.

According to the Annual Professional Training Plan approved by the ASF Council, in 2022 there were 154 participations in professional training programs, of which 85 participations were in online courses and 69 participations were with physical attendance in the classroom.

154 entries:

- 85 for online courses
- 69 with physical presence

41 with lecturers  
from abroad

113 with  
lecturers from  
Romania

The COVID-19 pandemic has created various challenges over the years in the area of human resources management, and since the onset of the pandemic, ASF has developed flexible working processes to increase employee safety while maximising efficiency.

In this context, ASF has been improved procedures, policies and IT infrastructure for the efficient management of working time and the management of the work of teleworkers. The staggered working hours for employees working at the institution's premises were also maintained.

### 8.3. ASF's legal work

Respect for legality is the motto that accompanies every action and activity carried out by ASF and is subsumed by the mission and values of the Financial Supervisory Authority.

In carrying out the legal activities of ASF in 2022, the objectives set by the legal provisions in force were pursued:

- ensuring a comprehensive, stable and coherent legal framework that meets the needs of the efficient and secure functioning of non-bank

financial markets;

- ensuring the legality of ASF's acts, by verifying their compliance with the applicable legislation;
- protecting the rights of ASF and preventing litigation, by representing the interests of the institution before the courts/arbitration tribunals, criminal investigation bodies and public prosecutors' offices or in the mediation procedure.

#### ► Legal activity in the field of litigation, injunctions and debt recovery

ASF's legal activity specific to the field of litigation, injunctions 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 preliminary complaints filed, pursuant to this law, against administrative acts and measures adopted by ASF.
- Specific activity in the litigation field, aiming at representing the patrimonial and non-patrimonial interests of ASF before the courts, arbitration or mediation procedures, related to civil and administrative litigation.
- Specific legal activity for the recovery of ASF receivables.



### Dispute resolution issues against ASF

In 2022, as regards the Litigation, Summons and Debt Recovery activity, 355 cases were handled (of which 270 administrative litigation/labour disputes/action for damages/other cases and 85 criminal cases), as well as 104 cases concerning debt claims and enforcement cases.

In 2022, the majority of court rulings were in favour of ASF.

Disputes concerning administrative acts and measures ordered by ASF are of particular importance, as they provide an opportunity for the courts to verify the legality and merits of such acts and measures, in the context of diverging 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 of sanctioning with fines related to the Insurance - Reinsurance Sector of ASF.

Another category of litigation concerns claims 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.

### Aspects related to the analysis of preliminary complaints and their resolution by ASF decisions

In 2022, 38 preliminary complaints against administrative acts and measures ordered by the Authority were registered and resolved, as follows:

- ▶ 19 preliminary complaints - in the field of capital markets;
- ▶ 8 preliminary complaints - in the field of insurance-reinsurance;
- ▶ 10 preliminary complaints - in the field of private pensions;
- ▶ 1 (one) preliminary complaint - relating to administrative acts outside the scope of the three sectors of activity of ASF.

Of these, 25 are, by 20 January 2023, the subject of court litigation, as follows:

- ▶ 12 legal actions against acts issued by ASF, related to the Financial Instruments and Investments Sector;
- ▶ 11 legal actions against acts issued by ASF, related to the Insurance-Reinsurance Sector;
- ▶ 2 legal actions against acts issued by ASF, related to the Private Pension System Sector.

## ► Legal work on endorsement and regulation

The advisory activity carried out in 2022 consisted in issuing 4441 endorsements, drafting 184 legal opinions and 338 replies to various requests.

In terms of regulatory activity, a total of 54 regulatory acts (18 regulations, 31 rules and 5 instructions) issued by ASF were analysed and legally endorsed.

Also, the constant dialogue between the Financial Supervisory Authority and the Romanian Parliament has been achieved either through the elaboration of points of view on draft normative acts at the request of parliamentary committees, or through participation in the work of parliamentary committees on the debate of draft laws initiated by ASF or of interest to ASF.

## 8.4. ASF's administrative and financial activity

The financial data for 2022 indicate a full implementation (100.6%) of the Authority's revenue in relation to the approved budget provisions (in the amount of approx. RON 229.6 million), against a background of expenditure savings in relation to the budget provisions (in the amount of approx. RON 227 million) of approx. 12.3%, generating a saving (surplus) of approx. RON 30.5 million, as a result of the implementation of a consistent policy of monitoring and efficiency of the resources used.

The total number of entities authorised, regulated and/or supervised by ASF, from which ASF collects revenues, according to Regulation No 16/2014, republished, entities that are recognised and tracked in ASF's accounts receivable, is 605.

From the perspective of the exercise of authorising officer capacity, the activity carried out in 2022, in accordance with the decision delegating authorising officer capacity in this respect, took the form of approval of the following documents:

<b>I. Financial accounting documents, of which:</b>	<b>4,595</b>
budgetary commitments	890
commitment proposal	890
payment orders	2,186
travel orders (internal + external)	101
expense statements	445
request for opening credits	5
salary recaps	39
pay statement (salaries)	39
<b>2. Monthly reporting to the Ministry of Finance</b>	<b>72</b>
<b>3. Annual and quarterly financial statements</b>	<b>4</b>
<b>4. Finalised documents related to public procurement procedures, of which:</b>	<b>774</b>
necessity reports	354
reports for the purchase of goods/services/works	268
contracting strategies	14
reports on the completion/termination of procurement procedures	15
framework agreement/contracts/addenda for the purchase of goods and services	94
various replies to challenges, notes	29

## 9. COMMUNICATION, DECISION-MAKING TRANSPARENCY AND FINANCIAL EDUCATION



## 9.1. Institutional communication and transparency

The Authority's public communication activity aims to establish a structured dialogue with its stakeholders, in a relevant and diverse manner, in order to genuinely respond to their interests. The dialogue on issues concerning the work of the Authority and the stability and smooth functioning of the markets has been conducted on multiple platforms, providing direct access to a wide range of audiences. This approach was supported throughout the year by ASF, through its involvement in external communication activities, in various ways and in different directions.

The communication structure of the Authority handled, in the spirit of ensuring transparency on the decisions and activities of ASF, requests made under Law 544/2001 by the general public and media representatives.



During 2022, replies were sent to 80 requests for public information on the work of the Authority, how the public institution performs its duties, the work of the ASF sectors - SAR, SSPP and SIIF, legislation/regulations, etc.

The assessment report on the implementation of Law 544/2001 for the year 2022 has also been published on the ASF website.

### Attendance at public events





During 2022, ASF played an active role in the public dialogue on major issues concerning non-bank financial market developments. In this regard, the Authority organised a series of its own events and participated in more than 40 conferences and seminars organised by other entities - institutions, professional organisations and the media, presenting the main messages related to its role and activity through the direct participation of the institution's representatives - the ASF's President, the members of the Board and the directors/specialists or the Spokesperson.

Among the high-profile events organised by the Authority was the first edition of the "Financial Education Forum", a conference held under the High Patronage of the President of Romania, with the support of the Bucharest Academy of Economic Studies and the Romanian Association of Banks.

The event benefited from the participation, as speakers, of prominent officials such as the President of Romania, the Governor of the National Bank of Romania, ministers, as well as representatives of the Romanian Government and Parliament.

Another milestone was the launch conference of the "OECD Report on the Romanian Capital Market: preparing a national strategy", an event aimed at raising the visibility of the efforts made by all parties involved in the project and to support the further development of the Romanian capital market.

Alongside the Institute of Financial Studies, high-profile events have also been organised with the support of prestigious academic partners - the European Conference on Financial Services ECFS2022, the 2022 edition of the ISF International Conference and the ICMEA 2022 Conference.

## **9.2. Media relations and online environment**

In 2022, the media will remain one of the preferred channels for conveying the Authority's relevant messages, one of the objectives being to ensure transparency in order to build a correct perception of the Authority's role and work. Thus, throughout the year, the Authority responded to approximately 130 requests for information/interviews/TV interviews/radio interviews from journalists, with information carefully documented with the help of the specialist directorates within ASF. Positions were given in writing or supported in radio and TV appearances by the Spokesperson as well as by other specialists within the Authority.

In addition, through a systematic and proactive information approach, 129 press releases were issued during the year and press releases, through which ASF ensured transparency of the decisions of

the Council of the Authority, and provided data, analysis and statistics on the evolution of the three supervised and regulated markets, while informing on actions dedicated to financial education and consumer protection.





The area of editorial content continued to be developed through the production of publicity materials, which were promoted both in central and local media and on social networks.

Increased media interest in the information provided by the Authority, as well as the real need to inform the public about issues related to the functioning of non-bank financial markets, have been the basis for the development and implementation of editorial projects in the field of financial education, developed with publishers and other content platforms. The approach has been to create financial education content in a variety of formats - video, audio, text and image,

transmitted through communication channels that provide direct access to the general public. In 2022, other projects with a financial theme were also materialized, such as those developed with Romanian Television and Radio Romania:

- Financial World (TVR1) - weekly broadcasts on financial education, with the Authority's Spokesperson as permanent guest, together with representatives of ISF and specialists from the non-bank financial markets;
- edufin contest (RRA) - 30-second educational pills and financial education contest with prizes for the general public.

### Own online platforms

After the implementation of an extensive project to restructure its own website, [www.asfromania.ro](http://www.asfromania.ro), in 2021, which brought a modern design, a more intuitive structure and new sections that allow some activities, such as authorisation or public consultation, to be carried out entirely online, ASF continued the development of new platforms.

To reflect the role and importance of the financial education approach, the dedicated section of the ASF website has been transformed by DCEF (Directorate of Communication and Financial Education) and launched in 2022 as a separate website - [www.edutime.ro](http://www.edutime.ro). The portal has thus gone beyond being a website presenting the work of ASF in this field and has become a resource of projects, programmes and information, a useful tool for all those who wish to improve their knowledge in the financial field. By the end of the year, the site had achieved a record audience: around 65,000 unique visitors and over 210,000 views.

Also last year, in partnership with the Institute of Financial Studies

(ISF), [www.studiifinanciare.ro](http://www.studiifinanciare.ro) was launched, an integrator of content relevant to the non-bank financial markets, with informative and useful value for journalists and the general public alike. Most of the material published by [www.studiifinanciare.ro](http://www.studiifinanciare.ro) is either based on research and reports by ISF and ASF, or is first-of-its-kind material produced by ISF specialists and ASF experts. Analyses covering local and international macroeconomic and financial developments can also be found on [www.studiifinanciare.ro](http://www.studiifinanciare.ro).



## Social media

The LinkedIn and Facebook profiles, as well as the Youtube channel, have been active for several years. They have reflected the information disseminated through the traditional communication channels on the work of the Authority, developments in the regulated markets and financial education projects, in a manner adapted to each platform.

In line with the strategic focus on real-time information delivery through the use of new media channels and given the differentiated age-appetite for social media presence to reach as much of the Authority's online audience as possible, the Authority also launched an Instagram page and Twitter account.

### 9.3. Public relations



**Consumer assistance activity via the Call Centre and to find out membership of the privately managed pension system**

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.

In 2022, ASF provided the necessary framework for interacting with over 235,673 consumers through the Call Centre, specific information applications and the resolution of petitions.

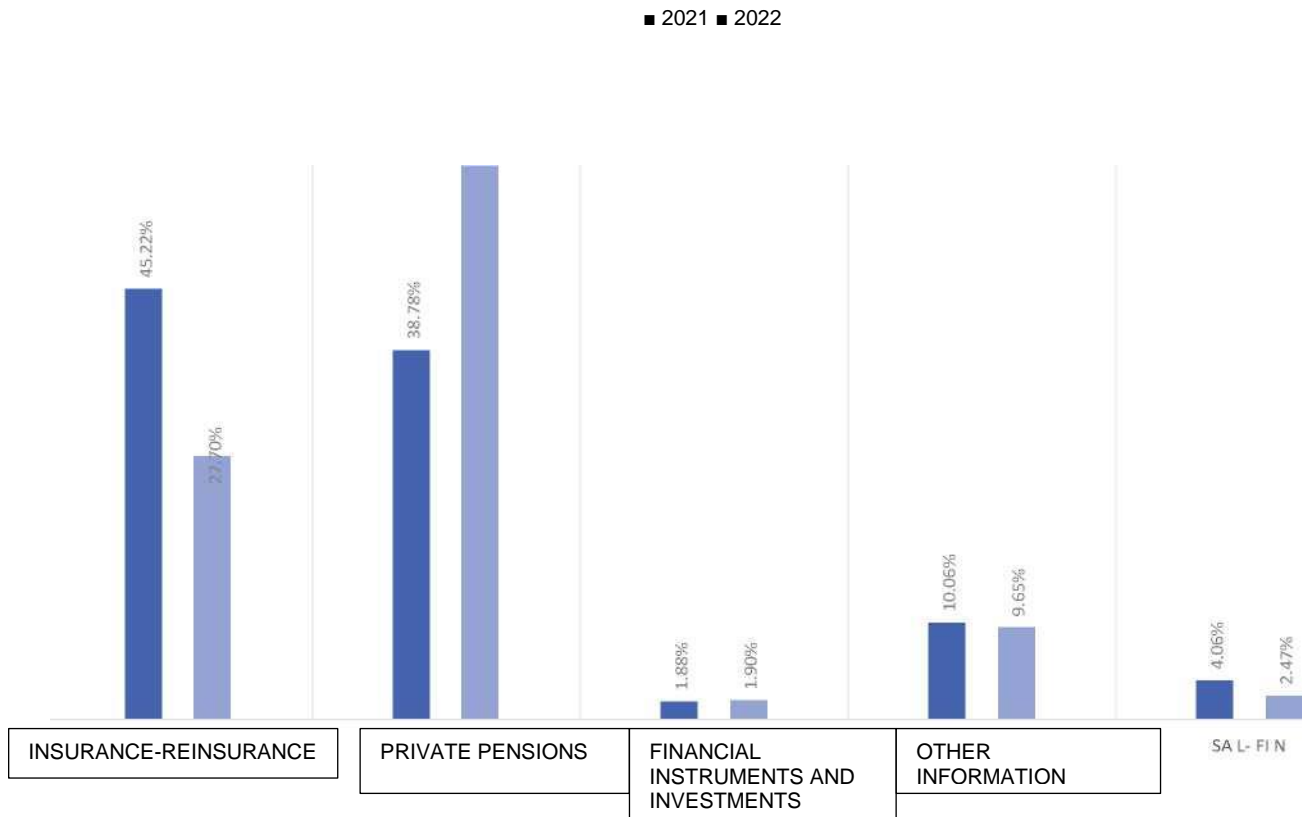
Through the Call-Center system (Freephone 0800 825 627), ASF makes a significant contribution to increasing

The quality of the expert assistance provided to consumers through the Call Centre is constantly developing within ASF. Consumers calling ASF are assessed on their level of knowledge and experience in the non-banking financial markets, and are then provided with the requested information according to their training and experience. At the same time,

are specified the risks they may be exposed to if they choose non-compliant financial products and are advised to make investment decisions only when they understand the associated risks and can financially support any losses.

During 2022, a total of 19,323 calls (19,048 calls in Romanian and 275 calls in English) were answered and resolved through the ASF Call Center, down by 25.69% compared to 2021 (26,003 calls).

As regards the comparative situation of the number of calls received, according to the area chosen by the consumer, for the period 2021, it is as follows:



- Insurance - Reinsurance: 5,277 calls (27.7% of all calls received in Romanian), down 54.01 % compared to 2021;
- Private Pensions: 11,101 calls (58.28% of all calls received in Romanian), up 12.82% from 2021;
- Financial Instruments and Investments: 362 calls (1.90% of total calls received in Romanian) down 24.11 % compared to 2021 ;
- Other information: 1,838 calls (9.65% of all calls received in Romanian), down 28.01% compared to 2021;
- Alternative Dispute Resolution Entity (SAL-Fin): 470 calls (2.47%), down 54.37% from 2021.

In English, 275 calls were answered, down 56.21% from 2021.



A total of 1,413 calls were made from the ASF Call Center outside the institution. Such calls are intended to support the consumer where it is found that they need further telephone assistance and are intended to facilitate faster access to information, thus avoiding the paper or electronic format of a petition, especially in situations where they exceed the competence of ASF.

200,815 unique applications (130,149 unique applications in 2021).

Through the application: “Find out which pension fund you are in!”, which is hosted by ASF on the website: [www.asfromania.ro](http://www.asfromania.ro) in the section “Utile”, it is possible to check membership of a privately managed pension fund.

During 2022, 971 consumers received specialist assistance at the ASF office, in addition to those who received specialist assistance through the ASF Call Center.

In 2022, 4,554 consumers created new user accounts in the petitions portal, which means that they communicated with the Authority digitally through an innovative tool, thus contributing to increased transparency and traceability of processes during the processing of the petition.

In 2022, through the “Find out which pension fund you’re in!” app, the managers of privately managed pension funds reported a

In 2022, a unique number of 13,244 petitions and reports of non-compliance submitted by consumers of non-bank financial services, down 70.44% from the total number recorded in 2021, broken down as follows:

- 77.93% petitions and non-compliance reports analysed solely by the Insurance- Reinsurance Sector;
- 6.78% of petitions examined only by the Private Pension System Sector;
- 1.27% petitions analysed only by the Financial Instruments and Investments Sector;
- 14.02% petitions analysed only by the Public Relations Service (petitions concerning ASF’s excess of settlement activity, as well as missing identification data - according to the provisions of GO No 7/2002).



#### 9.4. 9.4 Developing financial education

Based on the principle that a developed and mature financial market relies on educated and informed consumers and participants, financial education is one of the strategic directions of action of ASF in this regard. In order to support the needs of the population, the work carried out by ASF in the field of financial education is adapted and improved every year, while being oriented towards the development of programmes addressed to and appropriate for all age groups and learning environments.

The financial education programmes carried out by ASF have the general lines established by ASF's Financial Education Strategy, being personalised, carried out in a flexible format, easily accessible to beneficiaries and characterised by adaptability.

At the same time, through its education programmes dedicated to specific target groups, ASF has supported the financial education approach in addressing financial fragility, resilience and low levels of financial inclusion.

In 2022, compared to previous years, the level of participation in financial education activities increased, due to the organization of various events and programs and the production of unique educational materials in Romania.

The year 2022, in terms of financial education activity within ASF, is defined by:

- Participation in the most important event of the year - the Financial Education Forum, held under the High Patronage of the President of Romania, an event that benefited from the participation of prominent officials such as the President of Romania, the Governor of the National Bank of Romania, ministers and representatives of the Romanian Government and Parliament;





- Participation in the two important annual international events - Global Money Week and World Investor Week, thus maintaining its role as a promoter of financial education at national level and increasing Romania's visibility in the international context;
  - The biggest financial education action aimed at children - held on the occasion of 1 June - was the 1UniFest festival, where a record attendance of more than 125,000 people was estimated and where the visibility of ASF's financial education activity was noted positively by participants and significantly by the media;
  - Initiating the Start4Life programme for disadvantaged categories of children (from family-type centres and centres for children with disabilities), a target group that is extremely vulnerable, including financially. Nearly 500 children and young people are currently benefiting from this programme, which provides long-term support not only for education but also for social and employment integration;
  - Launch of the national financial education competition ASF Olympiad, dedicated to all 8<sup>th</sup> and 11<sup>th</sup> grade students in Romania;
  - Participation in the specific work of the OECD-INFE, representing Romania in this organisation, leading to the fulfilment of some of the indicators required for the country's accession to the OECD. The unique features of the Authority's new financial education website - [www.edutime.ro](http://www.edutime.ro) - have made it appreciated even by the representatives of INFE-OECD. The website has been transformed into a provider of consistent, original, multimedia content.
- ▶ Almost 135,000 children in pre-university education, over 9,400 students and over 15,800 adults participated in educational activities organised and supported by ASF. In addition, certain target groups benefited from other programmes appropriate to their needs.

ASF continued to support the public education system, with the first comprehensive financial education training course for primary school teachers being accredited through ISF in 2022.

ASF's involvement in financial education has received public recognition through two awards in 2022:

- ▶ Award for "Financial Education Forum and for the consistency and impact of extensive financial education actions" from Financial Intelligence;
- ▶ The "Best Financial Education Program Partnership" award offered by The Diplomat Bucharest.



ASF's financial education actions and campaigns for 2022 have been adapted to the concept of the European Union's NextGeneration EU programme ("we learn how to repair and recover"):

At the same time, in 2022, the ASF programme dedicated to companies - IMMHub - was launched with the aim of creating regional hubs that provide entrepreneurs with various financial market concepts necessary for business development through the use of financial products, services and instruments, as well as creating a broad information support.



Capital market financing, the use of business-specific insurance, the use of insurance or private pensions to improve employee efficiency and increase labour productivity are just a few examples of the topics covered in IMMHub. In 2022, a series of meetings were held in different regions (Alba Iulia, Cluj-Napoca and Bucharest) and a meeting for women entrepreneurs. Between meetings, the hub functions as a remote communication medium between its members, with the ASF transmitting financial market information to participants. Alongside ASF, the Institute of Financial Studies (ISF), the local academic environment, as well as financial market entities and institutions (BVB, UNSAR) that can contribute to the objectives of the programme also participate in these hubs.

ASF's Financial Wellness financial education programme is aimed at companies which, in turn, provide employees with financial education seminars in the workplace. These seminars are tailored to executive staff, management consultancy staff (financial/accounting etc.) or managers. The programme has been running since 2020 and so far, more than 31,600 companies and professional organisations have taken part, in total. The platform [studiifinanciare.ro](https://studiifinanciare.ro) developed by ASF in 2022 is an online information resource for professionals and managers, aimed at raising their awareness of various economic and financial issues and increasing financial and economic literacy.

As regards the education of young people, the ASF programmes addressed to this target group and implemented since 2015 meet the criteria set by the NCMO Recommendation (creation of a national training framework, involvement of specialists and the entrepreneurial environment, training and involvement of teachers, addressing various topics related to financial, economic and entrepreneurial education).

More than 296,700 children and young people in national pre-university education, more than 27,400 young people in universities, more than 1,400 teachers in pre-university education are just some of the statistical highlights of the ASF's national financial education programmes.

Not only programmes, but also customised modules of them are constantly developed, aiming to keep the content always up-to-date for young people, following a flexible, modern, personalised approach. The Investment Academy and the Insurance Academy are two projects of ASF and ISF, together with professional organisations of the financial markets, aimed at students and master's degree students and aimed at completing their theoretical and practical knowledge in the field. Organising seminars for the academic world by successful entrepreneurs

is also one such modular component of ASF's financial education programmes.

In 2022, an internship programme at ASF was held for BA students and master's students to help improve the theoretical and practical training of future specialists. ASF's academic programme also includes a module to support research. ASF, ISF and major university centres participate in such joint activities to support strategic decision-making. One example is the ongoing project of organising focus groups in different university centres, with the objective of observing issues related to the current financial system and informing decisions that contribute to its stability. At the same time, an extensive internship programme is run through ISF, developed by the Institute, which acts as coordinator of the regulated entities participating in this national programme. A unique platform has been created to offer such internships to young people.

In an ASE-ISF partnership, organised as a specialisation within the MRACT programme, TACT, a master's programme in actuarial techniques, has so far held 14 series with 470 participants.

Two annual international conferences are organised by ASF and ISF, addressing both the financial community and academia: the ISF International Conference on Financial Education and Certification in Romania (every autumn) and the European Conference on Financial Services ECFS (in spring), in addition to which a number of other such events are offered to support national efforts in the field of financial education.





## 9.5. The SAL-FIN activity



The non-banking financial sector - SAL-FIN was established by ASF on the basis of 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 entities supervised by ASF and proposes the creation of alternative mechanisms to the judicial system.

2016 and operates based on 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.

Through SAL-FIN, two main activities are carried out, namely:

- **specific activity of providing expert assistance to consumers** with regard to the submission and alternative dispute resolution of non-bank financial disputes, their analysis/verification of compliance, as well as the subsequent management of claims (registration, processing, settlement of claims within the deadline, sending replies to consumers, etc.).
- **specific activity in the field of litigation**, aiming at representing the interests of SAL-FIN before the courts, arbitration or mediation procedures, related to civil, criminal, etc.

### Alternative Dispute Resolution run by SAL- FIN

As a result of the measures taken by the authority, a total of 1,214 conciliation requests were registered in 2022, down by approx. 40% compared to the previous year, when a number of 2,022 requests was registered.

Of the total number of requests for settlement registered, 7 requests were suspended, 11 requests were closed, 45 requests are under analysis by the Analysis and Technical Support Service, 369 requests

were rejected and the remaining 782 requests were accepted, as the legal eligibility conditions were met, in the following situations: 8 requests were sent to the supervised entities for settlement; 138 requests are in the conciliation procedure; 636 requests were finalised.

Out of the total 782 accepted requests, consumers chose the solution imposition procedure (SIP) for 673 requestss (86%), of which:

- 663 consumers opted for online settlement (98.5%);
- 10 consumers opted for settlement in the presence of the parties (1.5%).
- For a total of 109 requests (14%), consumers chose the proposed procedure for a settlement (PPS), of which:
- 101 consumers opted for online settlement (92.6%);
- 8 consumers opted for settlement in the presence of the parties (7.4%).

A significant proportion of the consumer requests accepted in 2022 concerned the insurance sector. Under these circumstances, the structure of requests accepted by subject is as follows:

Structure of requests by subject	Number of successful requests	Percentage in total
Third Party Liability Insurance (MTPL)	734	93.86
General insurance	31	3.97
CASCO Insurance	12	1.53
Life insurance	3	0.38
PAID	1	0.13
Capital market	1	0.13
<b>Total</b>	<b>782</b>	<b>100.00</b>



The requests admitted for conciliation concerned 16 traders, with the following structure:

Structure of claims in relation to the entity in dispute	Number of successful requests	%
Euroins România Asigurare Reasigurare SA	475	61.0
Groupama Asigurări SA	81	10.3
Grawe România Asigurare SA	52	6.6
Allianz -Tiriac Asigurări SA	52	6.6
Omniasig Vienna Insurance Group SA	48	6.1
Asigurarea Românească - Asirom Vienna Insurance Group SA	31	4.0
Generali România Asigurare Reasigurare SA	24	3.0
Uniqa Asigurări SA	6	0.8
City Insurance SA	4	0.5
Gothaer Asigurări Reasigurări SA	2	0.3
Natural Disaster Insurance Policy (PAID)	2	0.3
Eurolife FFH Asigurări Generale SA	1	0.1
NN Asigurări România SA	1	0.1
Garanta Asigurări SA	1	0.1
BRD Asigurări de Viață SA	1	0.1
Tradeville	1	0.1
<b>Total</b>	<b>782</b>	<b>100.0</b>

The structure of disputes settled in 2022, by subject matter of the claims, is as follows:

Structure of settled disputes in relation to the subject matter of claims	Number of disputes settled	%
Third Party Liability Insurance (MTPL)	598	94.0
General insurance	24	3.8
CASCO Insurance	9	1.4
Life insurance	2	0.3
PAID	2	0.3
Capital market	1	0.2
<b>Total</b>	<b>636</b>	<b>100.0</b>

### Average dispute settlement time

In accordance with the provisions of ASF Regulation No 4/2016, as amended, for requests completed in 2022, the average duration was approx. 24 days for the dispute resolution procedure by proposing a solution and approx. 42 days for the dispute resolution procedure by imposing a solution (excluding rejected requests and requests not resolved by the reference date)<sup>44</sup>.

### The proportion of compliance with the results of ADR procedures, if known

In 2022, 118 judgments were challenged before the courts, of which 103 judgments were challenged by traders (relating to 7 insurance companies) and 15 judgments were challenged by consumers. Under these circumstances, the proportion of compliance with the outcome of SAL proceedings is approx. 82%.

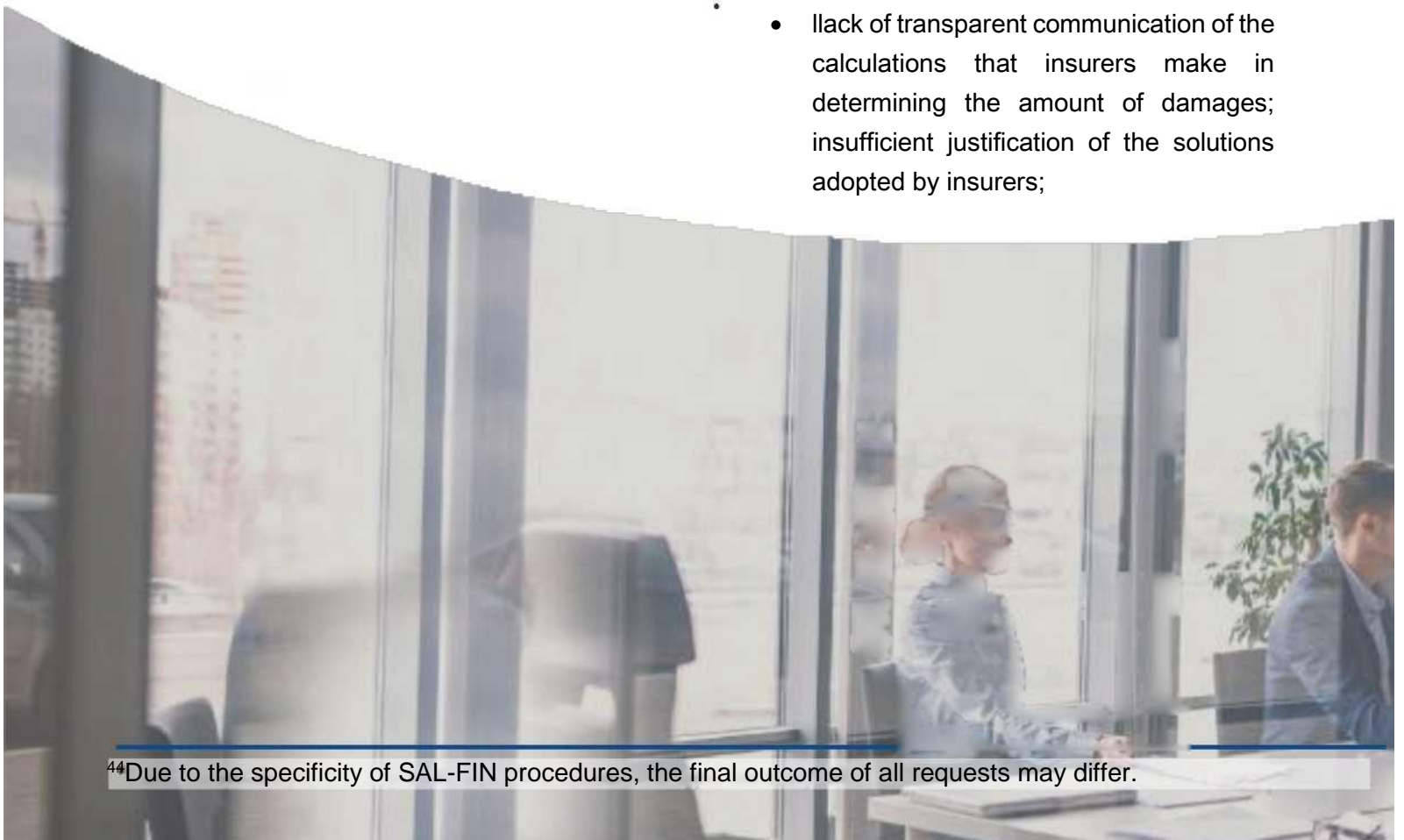
### Significant issues that frequently arise and lead to disputes between consumers and traders

The most common

disputes subject to alternative dispute resolution in 2022 were generated by the following issues (similar to those recorded in 2021):

- exceeding the legal time limit for payment of compensation for damage claims under MTPL contracts; claiming penalties due to consumers for late payment of compensation/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 workshops (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; insufficient justification of the solutions adopted by insurers;

<sup>44</sup>Due to the specificity of SAL-FIN procedures, the final outcome of all requests may differ.



- claiming amounts deemed due by consumers for car hire or non-use under MTPL contracts.

### **Evaluation of the effectiveness of the SAL procedure offered by the entity and possible ways to improve its performance**

The procedures carried out during the reference period, regardless of the method of settlement, were generally respected by the parties involved, with the solutions adopted being accepted by the parties in a proportion of approx. 82%.

The percentage of judgments in favour of consumers in 2022 stood at approx. 82% (in the previous year the level was about 83%).

### **SAL-FIN participation in networks of SAL entities facilitating cross-border dispute resolution**

Since September 2020, SAL-FIN has been 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 under contracts for the sale or provision of online services between a consumer residing in the EU and an entity established in the EU in accordance with 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).

Thus, all dispute settlement entities listed on this site offer out-of-court dispute settlement procedures, following proof of clear quality standards in the matter. On this platform are notified and recognised by the European Commission about 400 alternative dispute settlement entities.

In addition, in 2022, all information concerning the SAL- FIN activity was communicated to the European Insurance and Occupational Pensions Authority (EIOPA).



# EVOLUTION OF NON-BANK FINANCIAL MARKETS IN 2022



# 10. EVOLUTION OF CAPITAL MARKET IN 2022





## 10.1. Primary market and issuers

### 10.1.1. Public offers

According to the documents approved by ASF, the primary public offerings from January to December 2022 were for a total amount of about 832 million lei. Takeover bids during the same period totalled RON 892 million.

In 2022, a total of 11 new companies have listed their shares on the MTF market. Of these, 9 were technical listings, without an initial offer, and 2 through a public offer, with a value of approximately EUR 3.9 million. There were also 31 issues of bonds and government securities listed on BVB with a total value of approximately EUR 2.025 billion.

*Primary public offerings in the period 01.01.2022 - 30.12.2022 (according to documents approved by ASF)*

Issuer	Volume (shares sold)	Value (RON)	Stock market/ Segment
ALDANI MASTER CAPITAL S.A. Cluj - Napoca	65,361	163,402.5	MTF
I PROEB S.A. Bistrita	77,668,606	23,300,581.8	MTF
TRANSCOM S.A. București	28,450,806	2,845,080.6	MTF
SIMTEL TEAM S.A. București	686,267	12,489,647.6	MTF
HOLDE AGRI INVEST S.A. București	10,288,970	16,976,800.5	MTF
SOMETRA S.A. Copsa Mică	32,000,608	80,001,520	MTF
ONE UNITED PROPERTIES S.A. București	50,021,464	62,526,830	Main
IOR S.A. București	60,504,364	6,050,436.4	MTF
Lactate Natura S.A. Târgoviste	8,000,000	10,002,692.7	MTF
CEMACON S.A. Cluj - Napoca	429,656,885	64,448,532.75	Main
ELECTROCONSTRUCȚIA ELCO S.A. Alba-Iulia	1,454,806	247,317.02	MTF
CONTACT S.A. Buzău	10,421,559	26,053,897.5	MTF
OMV Petrom S.A.	4,460,956,331	446,095,633.1	Main
Romcab S.A. Cluj - Napoca	619,601,147	61,960,114.7	Main
Transporturi Auto Giulesti S.A. Bucuresti	2,118,800	5,297,000	MTF
Sinterom S.A. Cluj - Napoca	1,867,819	14,008,642.5	MTF
<b>TOTAL</b>	-	<b>832,468,129.67</b>	-

*Takeover bids made during the period 01.01.2022 - 30.12.2022 (according to documents approved by ASF)*

Issuer	Volume (shares bought)	Value (lei)
SIF OLTENIA S.A. Craiova/ Behboud Madadi	958,119	1,916,238
CHIMCOMPLEX S.A. Borzesti/ CHIMCOMPLEX S.A. Borzesti	900,000	20,880,000
FONDUL PROPRIETATEA S.A. București/ FONDUL PROPRIETATEA S.A. București	325,000,000	711,750,000
SIF OLTENIA S.A. Craiova/ SIF OLTENIA S.A. Craiova	25,000,000	62,500,000
SIF MUNTENIA S.A. Bucharest/SIF MUNTENIA S.A. Bucuresti	23,539,356	37,662,969.6
PREBET S.A. Aiud/PREBET S.A. Aiud	3,644,243	6,741,849.55
CHIMCOMPLEX S.A. Borzesti/ CHIMCOMPLEX S.A. Borzesti	1,000,000	23,200,000
Evergent Investments S.A./Evergent Investments S.A.	19,625,000	27,671,250
<b>TOTAL</b>	-	<b>892,322,307.15</b>

During 2022, the mandatory public takeover bid of the issuer Prebet SA was also approved, the value of which was RON 14,412,286.

### 10.1.2. Other special operations/ Other corporate events

The following arrangements for other corporate events were approved:

- a prospectus for the admission of 8,524 bonds issued by Libra Internet Bank S.A., the loan amount being EUR 4,262,000;
- a base prospectus for the UniCredit Bank S.A. bond issuance programme;
- a notice relating to the initiation of the withdrawal procedure of the shareholders of Trameco SA Oradea based on the provisions of Art. 44 of Law No 24/2017 withdrawals from trading on the multilateral trading system managed by BVB in view of the initiation of bankruptcy/ completion of the procedure established under the provisions of Art. 44 of Law No 24/2017/ following the shareholders' decision, after the repurchase of shares held by shareholders who did not agree with the adoption of this decision.

*Takeover bids made during the period 01.01.2022 - 30.12.2022 (according to documents approved by ASF)*

Issuer	Basis of the withdrawal from trading
NAPOCHIM S.A. Cluj – Napoca	EGMS Decision
AMPLO S.A. Ploiești	EGMS Decision
PARC S.A. Caracal	EGMS Decision
CONSTRUCTII MONTAJ S.A. Criseni	Bankruptcy filing
ATLAS S.A. Galati	Bankruptcy filing
ICSIM S.A. București	Finalisation of the procedure established under Art. 44
SCTB S.A.	Bankruptcy filing
IFMA S.A. București	Finalisation of the procedure established under Art. 44
ICMRS S.A. Galați	Bankruptcy filing
REGAL S.A. Galați	EGMS Decision
DAN STEEL GROUP BECLEAN S.A. Bistrița - Năsăud	Bankruptcy filing
MECANOENERGETICA S.A. Dr. Turnu Severin	Bankruptcy filing
AURORA S.A. Tg. Frumos	EGMS Decision
TRAMECO S.A. Oradea	Finalisation of the procedure established under Art. 44
LACTAG S.A. Costești	Bankruptcy filing
CONSTRUCȚII BIHOR S.A. Oradea	EGMS Decision
PRAHOVA ESTIVAL S.A. Neptun	Bankruptcy filing
FIRM RECOM S.A. București	EGMS Decision

A total of 122 certificates were issued for corporate actions carried out by issuers as follows:  
*Number of Securities Registration Certificates by type of operations, issued in the period 01.01.2022 -31.12.2022*

Type of operation	Number of Financial Instruments Registration Certificates
Increase of share capital	56
Decrease in share capital	14
Bonds	16
Companies (shares) newly admitted to trading on the MTF	11
Government securities	15
Merger/division	2
Preferential rights	2
Other	6
<b>Total</b>	<b>122</b>

### 10.1.3. 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 area, the prospectuses approved by them, the certificate and the summary in Romanian of the prospectuses, this notification, more recently, being carried out through the ESMA platform. In these cases, ASF does not initiate any approval procedure for the prospectus, but ensures publication on the Authority's website, as required by Regulation (EU) 2017/1129.

ASF has been notified of the approval of 44 such prospectuses (single document or separate documents) and 101 supplements (amendments) to already approved prospectuses, the CSSF - Commission de Surveillance du Secteur Financier (Luxembourg) being the Authority that has approved the most documents.

ASF notified three Member State authorities (Austria, Hungary and Poland) of the approval of the base prospectus of SSIF BRK Financial Group S.A. Cluj Napoca.

For structured products, on the basis of the prospectuses notified by the home Member State Authority - FMA Austria and the final terms communicated, have been issued:

69 registration certificates for structured products issued by Erste Group Bank AG Austria for trading on BVB. Certificates issued by Erste Group Bank AG are Turbo, Long and Short, with underlying assets such as commodities (gold, silver, oil), stock indices (e.g. DAX), equities (e.g. ADIDAS), foreign exchange (EUR/USD), futures, etc.

- 21 registration certificates for structured products issued by Raiffeisen Centrobank AG Vienna. The certificates issued by Raiffeisen Centrobank AG Vienna are of the Turbo Long type with equity backed assets (e.g. SNGN Romgaz SA, OMV Petrom SA, Banca Transilvania SA, One United Properties, Evergent Investments SA, Erste Group Bank AG).

Raiffeisen Centrobank AG Vienna has also issued Call Warrants with equity backed assets (eg. Fondul Proprietatea SA, BRD Groupe Societe Generale SA, Electrica SA, Evergent Investments SA, Banca Transilvania SA, Societatea Națională de Gaze Naturale Romgaz SA, OMV Petrom SA).

#### **10.1.4. New issuers listed/admitted to trading on the Regulated Market or on the MTF Segment of BVB**



##### **Issuers of shares**

In 2022, ASF issued 11 registration certificates for admission to trading on the MTF for the following companies:

- Holdingrock1 SA (now Roca Industry Holdingrock1 SA) - symbol ROC1, business activity: activities of holding companies;
- ABN INTERNATIONAL SYSTEMS - ABN symbol, business activity: wholesale of electronic and telecommunications components and equipment;
- DN AGRAR GROUP SA - symbol DN, business activity: business and management consultancy activities;
- DR. FISCHER DENTAL SA - symbol DENT, business activity: manufacture of dental medical devices, appliances and instruments;
- GRUP SERBAN HOLDING SA - symbol GSH, business activity: holding activities;
- 2B INTELLIGENT SOFT SA - symbol BENTO, object of activity: custom software development activities (client-oriented software);
- BRIKSTON CONSTRUCTION SOLUTIONS SA - symbol BKS, business activity: manufacture of bricks, tiles and other building products from clay;
- CHROMOSOME DYNAMICS SA - symbol CHRD, business activity: retail trade via order houses or via Internet;
- SIPEX COMPANY SA - symbol SPX, business activity: wholesale of wood and building materials and sanitary equipment;
- STK PROPERTIES SA - symbol STKP, business activity: development (promotion);
- META ESTATE TRUST SA - symbol MET, business activities: holding company activities.

\*Except for ABN International System SA and META ESTATE TRUST SA, which carried out an initial public offering of shares in 2021-2022 and 2022 respectively, none of the other companies carried out an offer for sale on the basis of an ASF-approved offer prospectus, the admission being a technical one, preceded by private placements.

## Issuers of fixed-income instruments

During the year, on the two markets managed by BVB (main market and MTF), the following issues of fixed-income instruments took place (15 corporate, one municipal and 15 government securities).

### *Situation of fixed-income issues*

Issuer	Value EUR *	Currency	Interest	Deadline	Segment
Elefant Online S.A.	3.56 mil.	RON	9%	26.11.2026	MTF
INOX S.A.	1 mil.	EUR	8%	08.09.2024	MTF
LIFE IS HARD SA	918 thousand	RON	8%	23.12.2025	MTF
OMRO IFN	2 mil.	RON	9.5%	01.02.2027	MTF
Romanian Commercial Bank	71.7 mil.	RON	6.76%	31.03.2027	Main
Bucharest Municipality	113,265 mil.	RON	7.33%	19.04.2032	Main
Ministry of Public Finance	188 mil.	RON	4.75%	06.04.2023	Main
Ministry of Public Finance	40.5 mil.	RON	5.50%	06.04.2025	Main
Ministry of Public Finance	110.6 mil.	EUR	1.20%	06.04.2023	Main
Ministry of Public Finance	60.9 mil.	EUR	1.60%	06.04.2024	Main
CRAMA LA SALINA SA	2 mil.	EUR	8%	10.12.2026	MTF
Banca Comercială Română SA	143.3 mil.	RON	9.079%	14.06.2027	Main
Raiffeisen Bank SA	107.14 mil.	RON	8.927%	15.06.2027	Main
Ministry of Finance	152.8 mil.	RON	7.20%	24.06.2023	Main
Ministry of Finance	36.6 mil.	RON	7.80%	24.06.2025	Main
Ministry of Finance	38.5 mil.	EUR	1.40%	24.06.2023	Main
Ministry of Finance	65.4 mil.	EUR	2.30%	24.06.2024	Main
Raiffeisen Bank SA	102 mil	RON	8.92%	17.08.2027	Main
Ministry of Finance	86.3 mil.	RON	8%	21.09.2025	Main
Ministry of Finance	44.2 mil.	EUR	1.85%	21.09.2023	Main
Ministry of Finance	76.3 mil.	EUR	2.65%	21.09.2024	Main
UniCredit Bank SA	99.7 mil.	RON	9.07%	21.12.2027	Main
Ministry of Finance	131.3 mil.	RON	7.65%	22.12.2023	Main
Ministry of Finance	43 mil	RON	8%	22.12.2025	Main
Ministry of Finance	65.4 mil.	EUR	2.70%	22.12.2023	Main
Ministry of Finance	97.3 mil.	EUR	3.70%	22.12.2024	Main
GOLDEN FOODS SNACKS SA	1.1 mil.	EUR	9.5%	29.06.2025	MTF
Banca Comercială Română SA	68.16 mil.	RON	9.57%	06.10.2028	Main
Ascendia SA	0.916 mil.	RON	10%	02.09.2027	MTF
Libra Internet Bank SA	4.262 mil.	EUR	6.50%	29.07.2032	Main
Raiffeisen Bank SA	66.4 mil.	RON	9.404%	18.10.2027	Main

\*calculated at an exchange rate of 4.9 lei/EUR



## Issuers of structured products

In 2022, 101 registration certificates for structured products issued by BRK FINANCIAL GROUP S.A. were issued for admission to trading on BVB (71 certificates) and on the regulated market in Vienna (30 certificates). The issued products are of Turbo, Long and Short type and have underlying assets of futures contracts type (Mini Sized Dow Jones Industrial Average futures contract, Gold futures, Silver futures etc.).

## Green financial instruments issued in Romania

During 2022, two green bond issues and two sustainable bond issues were registered:

- On 22 June 2022, BCR listed a second green bond issue, worth RON 702 million, with the stock symbol BCR27A;
- Raiffeisen Bank listed on 24 June 2022 a new green bond issue on the BVB for RON 525 million, representing the bank's third green bond issue. The bonds are traded under the stock symbol RBRO27;
- On 31 August 2022, Raiffeisen Bank listed its first sustainable bond issue on the BVB, in the amount of RON 500.85 million. The bonds are traded under the stock symbol RBRO27A on the Regulated Market of the BVB;
- On 2 November 2022, Raiffeisen Bank listed its second sustainable bond issue on the BVB, worth RON 325.5 million. The bonds are traded under the stock symbol RBRO27B on the Regulated Market of BVB.



10.2. Intermediaries

At the end of 2022, a total of 27 intermediaries were operating on the regulated market managed by BVB, of which:

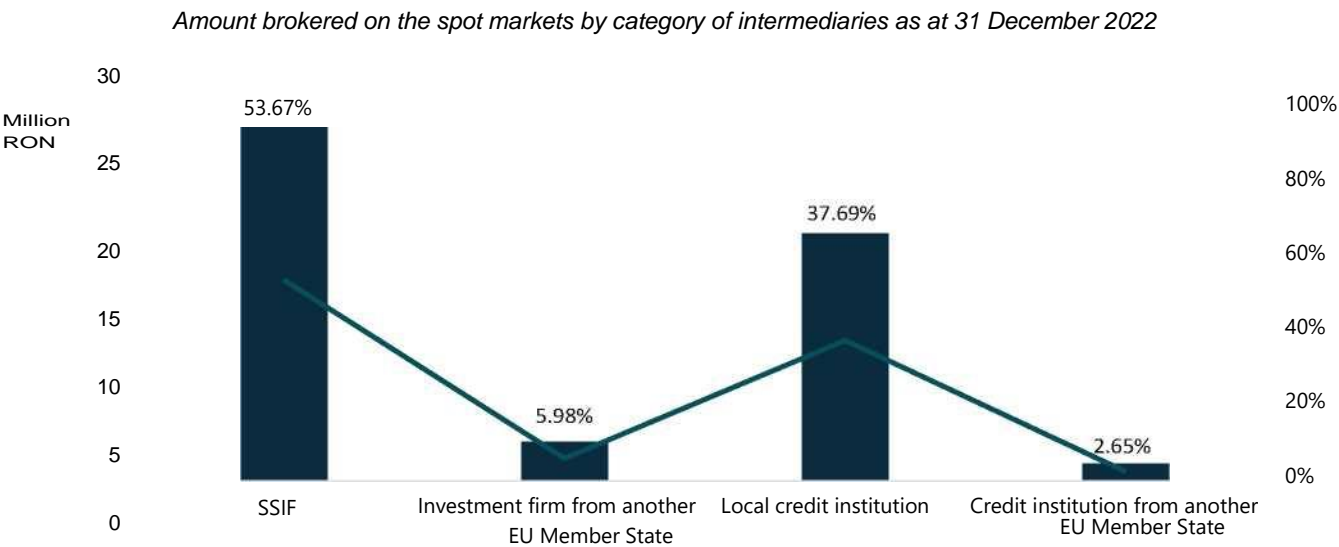
- 17 Financial Investment Service Companies (FISC)
- 3 local credit institutions
- 7 entities authorised in other EU Member States

At the same time, a total of 20 intermediaries were active in the MTF, of which:

- 16 Financial Investment Services Companies (FISC)
- 3 local credit institutions
- 1 investment firm authorised in another EU Member State

The most active intermediaries on BVB (regulated market and MTF) were the FISCs, the value brokered by them being about 25.8 billion lei.

Local intermediaries (FISCs and credit institutions) accounted for about 91% of the total value intermediated. Of the intermediaries authorised in other EU Member States that traded on the spot markets, investment firms were the most active, with a market share of 5.98%.



Banca Comercială Română ranked first in the ranking of participants on regulated markets, with a brokered value of RON 9.9 billion and a market share of 20.66%.

The top 10 companies account for about 92% of the total value brokered in 2022. Of these, 4 are Financial Investment Services Companies (FISC), 3 are local credit institutions, 2 are investment firms authorised in another EU Member State and 1 is a credit institution from another EU Member State.

*Ranking of intermediaries on the spot markets managed by BVB on 31 December 2022*

Position (year)	Name	Brokered value (RON)	Weight
1	BANCA COMERCIALA ROMANA	9,920.732,643	20.66%
2	BT CAPITAL PARTNERS	8,329.437,298	17.34%
3	SWISS CAPITAL S.A.	7,711.672,859	16.06%
4	BRD Groupe Societe Generale	6,312.302,385	13.14%
5	TRADEVILLE	3,571.505,705	7.44%
6	SSIF BRK FINANCIAL GROUP S.A.	2,711.241,634	5.65%
7	WOOD & COMPANY FINANCIAL SERVICES, a.s. PRAGA	1,939.782,411	4.04%
8	Alpha Bank Romania SA	1,870.344,606	3.89%
9	Raiffeisen Bank International	<b>1,025.771,375</b>	<b>2.14%</b>
<b>10</b>	<b>CONCORDE SECURITIES LTD</b>	<b>932,240,850</b>	<b>1.94%</b>
11	GOLDRING	926,776,823	1.93%
12	IFB FINWEST	656,796,333	1.37%
13	PRIME TRANSACTION	628,609,874	1.31 %
14	ESTINVEST	602,770,917	1.26%
15	SSIF BLUE ROCK FINANCIAL SERVICES S.A	266,394,039	0.55%
16	ERSTE GROUP BANK AG	247,605,906	0.52%
17	INTERFINBROK CORPORATION	229,942,828	0.48%
18	MUNTENIA GLOBAL INVEST	55,593,795	0.12%
19	VOLTINVEST	46,079,309	0.10%
20	Bursa Romana de Marfuri (BRM)	22,338,127	0.05%
21	S.S.I.F. VIENNA INVESTMENT TRUST	15,484,922	0.03%
22	INTERDEALER CAPITAL INVEST	3,126,166	0.01 %
23	Share Invest S.A.	455,298	0.00%
24	FINACO SECURITIES	148,181	0.00%
<b>Total brokered value as at 31 December 2022</b>		<b>48,027,154,284</b>	<b>100.00%</b>

Source: BVB

At the end of December 2022, the FISCs had in custody a cumulative value of assets of RON 18.78 billion (approximately EUR 3.82 billion), representing both client cash and securities held by clients.

The cumulative number of active client accounts of the FISCs was 40,124 (an investor may have accounts with several intermediaries simultaneously).

Among the 17 FISCs, a number of 8 FISCs made profits<sup>45</sup> in 2022, the cumulative value of their profits being about RON 54.46 million. The cumulative loss of the 9 FISCs that had negative results was about RON 22.54 million.

The total number of investors with accounts opened with financial investment services companies increased by 23.57% compared to 2021, thus maintaining the growth rate seen in previous years. The increase in the number of active accounts was due both to the increase in the trust investors placed in local intermediaries and to the improved access to financial intermediation services through electronic means of account opening and trading.

<sup>45</sup>The results presented are as per preliminary balance sheets for December 2022, audited financial results were not available at the time of reporting

Evolution of the number of clients of FISCs	2019	2020	2021	2022
Total number of customers with open accounts with a FISC	47,756	54,412	71,697	88,596
Total number of active clients	16,009	22,126	32,957	40,124

The increase in the number of investors in CIUs, albeit modest, together with the increase in the number of clients with accounts opened with investment firms shows that ASF has contributed to maintaining investor confidence in the local market through increased monitoring of risks in this segment, given that in the first quarter of 2022 the tensions that arose in the financial markets following the Russian-Ukrainian conflict generated substantial surrender requests in the CIU segment.

### 10.3. Collective Investment Undertakings



At the end of December 2022, there were operating in Romania:

- 17 managers, of which 6 exclusively authorised as investment management companies (IMCs), 2 exclusively authorised as alternative investment fund managers (AIFMs), and 9 with double authorisation
- 89 Undertakings for Collective Investment in Transferable Securities (UCITS)
- 36 alternative investment funds (AIFs) which include the 6 investment companies (IC)<sup>46</sup> and Fondul Proprietatea
- 4 depositaries

As of 31 December 2022, the total assets of collective investment undertakings (CIUs) in Romania amounted to approximately RON 42.47 billion, down by about 15% compared to the end of the previous year.

<sup>46</sup>On 07.07.2022 the privately owned alternative investment company Sparking Capital SA was authorised, for which at the date of the report there was no data available on the assets held by it.

*Number of CIUs and Mangers*

Entity categories	31.12.2021	30.12.2022
	<i>No. of entities</i>	<i>No. of entities</i>
Managers	17	17
IMC exclusive	6	6
AIFM exclusive	2	2
IMC and AIFM	9	9
UCITS (OIF)	82	89
AIFs of which:	31	36
• Investment companies	5	6
• Fondul Proprietatea	1	1
Depositories	4	4

*Depositaries of CIU assets*

Depository	Total assets
	31.12.2022 (RON)
BRD - Société Générale Group SA	28,681,644,704
Banca Comercială Română SA	7,962,369,673
Raiffeisen Bank SA	5,537,277,512
Unicredit Tiriac Bank SA	285,842,390
<b>TOTAL ASSETS</b>	<b>42,467,134,281</b>



Regarding the dynamics of investor behaviour in the local market during 2022, data as of 30.12.2022 indicate a modest increase (of around 1%) in the number of investors in CIUs compared to the end of 2021. Thus, at the end of 2022, there are 536,888 investors in the local market, of which 448,858 in UCITS (up by about 1% from the end of last year) and about 88,303 in AIFs (down by about 0.2% from the amount reported at the end of last year).

*Evolution of the number of investors in the CIU segment in 2019-2022*

Growth in the number of UCITS investors in 2022, in the context of unfavourable geopolitical and macroeconomic developments

<b>No. of investors</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>OIF investors</b>	336,343	341,598	444,352	448,585
<b>AIF investors</b>	88,709	88,562	88,454	88,303

### 10.3.1. Investment Management Companies

The dominant category of total managers is represented by banking groups, controlling the largest share of the cumulative total of assets managed by IMCs.

The top five IMCs by asset size are all affiliated to the banking system, and their assets under management amounted to about RON 15.02 billion as of 30 December 2022 (about 91% of the total assets of the investment fund industry, excluding FICs and FP).

*Main investment management companies and assets under management*

IMC	Total assets (lei) 31.12.2021	% of total assets	IMC	Total assets (lei) 30.12.2022	% of total assets
IMC ERSTE ASSET MANAGEMENT SA	5,771,427,100	23.82%	IMC BT ASSET MANAGEMENT SA	4,187,897,915	25.38%
IMC RAIFFEISEN ASSET MANAGEMENT SA	5,742,219,540	23.70%	IMC ERSTE ASSET MANAGEMENT SA	3,907,381,724	23.68%
IMC BRD ASSET MANAGEMENT SA	5,260,791,978	21.71%	IMC RAIFFEISEN ASSET MANAGEMENT SA	3,270,388,327	19.82%
IMC BT ASSET MANAGEMENT SA	4,939,628,070	20.39%	IMC BRD ASSET MANAGEMENT SA	3,135,820,728	19.00%
IMC OTP ASSET MANAGEMENT ROMANIA SA	794,175,246	3.28%	IMC OTP ASSET MANAGEMENT ROMANIA SA	515,981,863	3.13%
<b>Total assets managed by the 5 IMCs</b>	<b>22,508,241,935</b>	<b>92.91%</b>	<b>Total assets managed by the 5 IMCs</b>	<b>15,017,470,560</b>	<b>90.99%</b>
<b>Total assets other IMCs</b>	<b>1,718,811,593</b>	<b>7.09%</b>	<b>Total assets other ICPFs</b>	<b>1,486,498,688</b>	<b>9.01%</b>
<b>Total assets managed by local IMCs<sup>47</sup></b>	<b>24,227,053,528</b>	<b>100%</b>	<b>Total assets managed by local IMCs<sup>48</sup></b>	<b>16,503,969,248</b>	<b>100.00%</b>

#### Management of individual portfolios

At the end of December 2022, a total of 296 individual investment accounts were managed by 2 IMCs, with total assets amounting to approximately RON 634 million, down 11 % from the end of 2021.

*Number of individual investment accounts and assets managed by IMCs as at 30 December 2022*

IMC	31.12.2021		30.12.2022	
	No. of individual accounts	Managed assets (RON)	No. of individual accounts	Managed assets (RON)
<b>TOTAL IMC</b>	<b>317</b>	<b>712,348,962</b>	<b>296</b>	<b>610,664,255</b>

<sup>47</sup>Does not include assets of FICs and Fondul Proprietatea

<sup>48</sup>Does not include FICs and Fondul Proprietatea

## Management of collective investment undertakings (CIUs)

At the end of 2022, the total assets of collective investment undertakings (CIUs) in Romania amounted to RON 42.47 billion, down by about 15% compared to the end of 2021 (RON 49.98 billion).

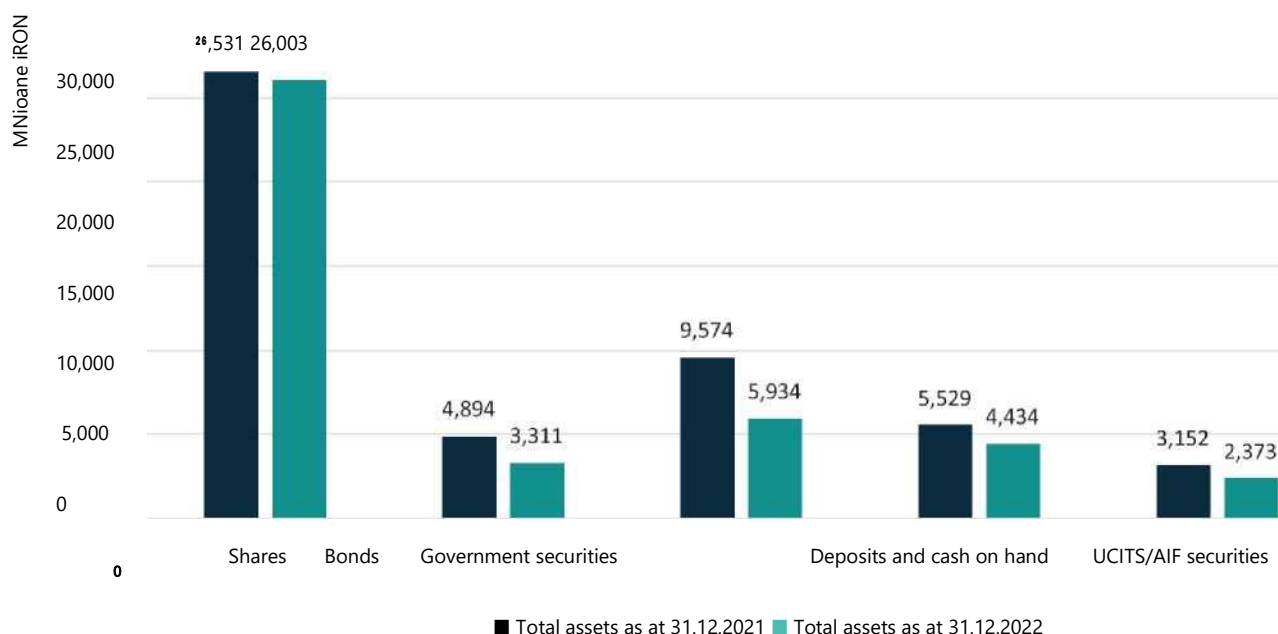
The total assets of Fondul Proprietatea amounted to approximately RON 14.68 billion at the end of 2022 and recorded an increase in total assets of about 7% compared to the end of 2021.

In terms of investment structure, UCITS are predominantly oriented towards fixed income instruments (government securities and bonds), while AIFs, FICs and PF have a dominant orientation towards equity investments.

*Evolution of total assets by categories of CIUs*



*Evolution of the strategic allocation of UCI portfolios*



### 10.3.2. Undertakings for Collective Investment in Transferable Securities (UCITS)



At the end of December 2022, 89 undertakings for collective investment in transferable securities were operating, divided into eight categories:

- 23 UCITS of the debt securities category
- 21 UCITS of the equity securities category
- 17 UCITS in the flexible multi-asset category
- 11 UCITS of other funds category
- 7 UCITS in the multi-asset balanced category
- 4 UCITS in the aggressive multi-asset category
- 3 UCITS in the defensive multi-asset category
- 3 UCITS in the absolute return category

At the end of 2022, the number of investors in UCITS stood at 448,585, an increase of 4,233 investors compared to the end of 2021.

The highest proportion of the UCITS' combined net assets is held by debt funds, approximately 55.5%.

As regards the structure of UCITS portfolios, it is mainly oriented towards fixed-income financial instruments. Of these, government securities (39.6%) account for the largest share of the total assets of collective investment undertakings in transferable securities, followed by listed corporate bonds (20%).

*Distribution of investors by category of UCITS and net asset value*

Categories of funds	31.12.2022			Net assets 30.12.2022 (RON)
	Legal entities	Individuals	Total	
Equity securities	575	41,253	41,828	1,652,185,873.04
Debt securities	7,250	216,393	223,643	8,276,309,487.17
Multi-active defensive	17	1,498	1,515	118,144,453.67
Multi-active flexible	929	57,341	58,270	1,162,454,170.82
Multi-active balanced	308	44,937	45,245	762,742,215.41
Absolute return	17	1,550	1,567	81,135,526.35
Other funds	891	73,247	74,138	2,842,957,976.32
Multi-active aggressive	43	2,336	2,379	26,657,903.24
<b>Total</b>	<b>10,030</b>	<b>438,555</b>	<b>448,585</b>	<b>14,922,587,606.02</b>

*Evolution of UCITS strategic asset allocation*

UCITS portfolio elements	31.12.2021	% of TA	30.12.2022	‰ of TA
Listed shares	2,109,593,550	9.34%	1,803,922,806	
Unlisted shares	635,260	0.00%	15,398,808	
Shares traded outside regulated markets	4,295,523	0.02%	-	
Listed corporate bonds	4,361,996,113	19.30%	2,991,464,912	
Unlisted corporate bonds	42,787,433	0.19%	1,033,875	
Listed municipal bonds	271,819,661	1.20%	160,401,461	
Current accounts and cash on hand	631,366,988	2.79%	166,810,404	
Bank deposits	3,689,869,465	16.33%	2,824,829,351	
Government securities >1 year	6,322,588,952	27.98%	5,160,655,172	
Government securities <1 year	3,154,561,744	13.96%	763,350,063	
Listed UCITS/OCIU securities	184,246,153	0.82%	94,093,604	
Unlisted UCITS/OCIU securities	1,688,029,044	7.47%	930,076,994	
Derivative financial instruments	19,422,406	0.09%	48,248,364	
Structured products	476,338	0.00%	377,306	
Dividends and other receivables	329,554	0.00%	395,748	
Other assets	115,037,083	0.51%	-5,031,777	
<b>Total assets (lei)</b>	<b>22,597,055,266</b>	<b>100‰</b>	<b>14,956,027,090</b>	<b>100‰</b>

### 10.3.3. Alternative Investment Funds (AIFs)

By investment policy, equity AIFs account for around 66% of AIFs' combined net assets, followed by flexible multi-asset AIFs with around 27%.

From the perspective of the AIF asset structure, it can be seen that AIFs are predominantly oriented towards equity investments, accounting for approximately 73% of the total AIF assets, of which 69% of the total assets are investments in listed shares. Investments in bonds and government securities account for up to 1% of total assets.

*Structure of net assets by AIF categories*

AIF according to investment policy	Net assets 30.12.2022 (RON)
Equity securities	1,023,288,441
Credit securities	3,064,293
Multi-active defensive	11,853,186
Multi-active flexible	420,201,163
Other funds	79,238,754
Multi-active aggressive	7,271,081
<b>Total</b>	<b>1,544,916,918</b>



*Evolution of AIF strategic asset allocation*

AIF portfolio elements	31.12.2021	% of TA	30.12.2022	% of TA
Listed shares	1,141,631,642	70.04%	1,068,363,329	69.02%
Unlisted shares	73,258,112	4.49%	56,513,267	3.65%
Shares traded outside regulated markets	-	0.00%	-	0.00%
Listed corporate bonds	30,844,426	1.89%	13,325,252	0.86%
Unlisted corporate bonds	11,135,729	0.68%	753,413	0.05%
Listed municipal bonds	27,322	0.00%	21,866	0.00%
Unlisted municipal bonds	-	0.00%	-	0.00%
Current accounts and cash	15,653,398	0.96%	17,985,828	1.16%
Bank deposits	117,827,861	7.23%	104,015,924	6.72%
Government securities >1 year	-	0.00%	159,728	0.01%
Listed UCITS/OCIU securities	50,725,739	3.11%	98,617,096	6.37%
Unlisted UCITS/OCIU securities	121,607,985	7.46%	36,243,009	2.34%
Derivative financial instruments	-288,812	-0.02%	- 1,204,218	-0.08%
Structured products	61,022,004	3.74%	71,468,805	4.62%
Dividends and other receivables	33,231	0.00%	5,642	0.00%
Other assets	6,410,583	0.39%	81,673,219	5.28%
<b>Total assets (RON)</b>	<b>1,629,889,220</b>	<b>100%<sub>o</sub></b>	<b>1,547,942,159</b>	<b>100%<sub>o</sub></b>

### 10.3.4. Financial investment companies (FICs)

As at 30 December 2022, the net assets of the five FICs totalled approximately RON 10.69 billion, down by about 5% compared to the end of 2021 (RON 11.28 billion). The largest net assets belong to SIF Banat-Crisana (SIF1), followed by EVERGENT Investments and SIF Oltenia (SIF5).

At the end of 2022, equity investments had the highest share in the FICs' total combined assets (around 83%).

*Summary performance of the five financial investment companies*

Date	Indicators	SIF1 Banat-Crisana	EVERGENT Investments	SIF 5 Oltenia	SIF4 Muntenia	Transilvania Investments Alliance
31.12.2021	NAV (RON)	6.6268	2.4888	4.3953	2.5268	0.6424
	Market price	2.5400	1.2250	1.6860	1.5650	0.3450
	Discount (%)	61.67%	50.78%	61.64%	38.06%	46.30%
	Net Assets (lei)	3,363,153,702	2,347,051,191	2,199,826,336	1,982,613,439	1,382,377,871
	No. of shares issued	507,510,056	957,563,544	500,000,000	784,645,201	2,152,000,000
30.12.2022	NAV (RON)	6.2093	2.3817	4.4469	2.4353	0.6320
	Market price	2.4300	1.3700	1.7200	1.2000	0.2760
	Discount (%)	60.87%	42.48%	61.32%	50.72%	56.33%
	Net Assets (lei)	3,151,290,437	2,214,741,795	2,112,294,285	1,853,545,986	1,360,257,562
	No. of shares issued	507,510,056	929,905,696	475,000,000	761,105,845	2,152,443,797

*Cumulative portfolio structure of FICs as at 30.12.2022 and 31.12.2021 respectively*

FICs portfolio items	31.12.2021	% of TA	30.12.2022	% of TA
Listed shares	8,947,179,634	74.19%	8,283,675,397	73.44%
Unlisted shares	1,054,391,443	8.74%	1,078,901,157	9.57%
Listed corporate bonds	134,226,205	1.11%	123,458,420	1.09%
Unlisted corporate bonds	41,202,643	0.34%	20,534,144	0.18%
Listed municipal bonds	59,032	0.00%	47,694	0.00%
Current accounts and cash on hand	180,734,870	1.50%	33,430,151	0.30%
Bank deposits	477,678,916	3.96%	300,838,422	2.67%
Government securities >1 year	-	0.00%	-	0.00%
Government securities <1 year	-	0.00%	9,560,805	0.08%
Listed UCITS/OCIU securities	181,472,646	1.50%	310,094,202	2.75%
Unlisted UCITS/OCIU securities	926,277,567	7.68%	904,333,821	8.02%
Dividends and other receivables	3,357,259	0.03%	-	0.00%
Other assets	113,860,711	0.94%	214,380,127	1.90%
<b>Total assets (lei)</b>	<b>12,060,440,928</b>	<b>100%</b>	<b>11,279,254,339</b>	<b>100%</b>

### 10.3.5. Fondul Proprietatea SA

The total net assets of Fondul Proprietatea stood at approximately RON 14.57 billion at the end of December 2022, up 10% compared to December 2021. FP assets were mainly concentrated in Romania. This increase derived from a favourable dynamic of one portfolio item (exposure on Hidroelectrica).

Investments in unlisted shares have the highest share in PF portfolio structure, at around 92% of net asset value.

At the end of 2022, the total number of shareholders increased by 5,333 compared to the end of 2021 (11,252 shareholders).

*Synthetic evolution of Fondul Proprietatea*

Portfolio items	31.12.2021	30.12.2022
Number of shares issued	6,412,196,967	5,668,806,128
Net Assets (lei)	13,244,639,868	14,569,538,085
NAV (lei)	2.2624	2.5701
Closing price (lei)	1.9900	2.0400
Discount (%)	12.04%	20.63%

Source: Fondul Proprietatea

*Evolution of the strategic asset allocation of Fondul Proprietatea*

FP portfolio elements	31.12.2021	% of TA	30.12.2022	% of TA
Listed shares	2,160,966,986	15.78%	167,608,857.01	1.14%
Unlisted shares	11,039,028,581	80.62%	13,528,983,081.84	92.13%
Current accounts and cash on hand	68,224,970	0.50%	73,833,144.34	0.50%
Dividends and other receivables	-	-	-	0.00%
Bank deposits	347,387,604	2.54%	912,616,396.35	6.22%
Government securities >1 year	-	0.00%	-	0.00%
Government securities <1 year	77,106,529	0.56%	-	0.00%
Other assets	298,725	0.00%	869,214.03	0.01%
<b>Total Assets (RON)</b>	<b>13,693,013,395</b>	<b>100%</b>	<b>14,683,910,693.57</b>	<b>100%</b>

## 10.4. BVB Statistics

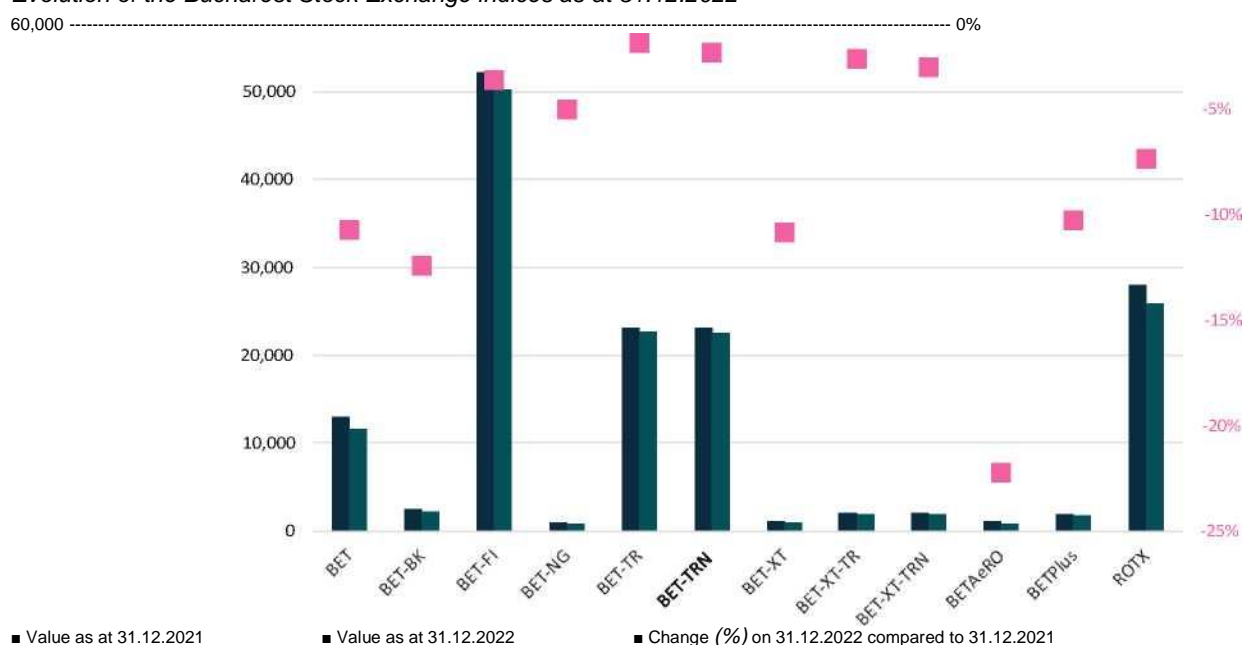
At the end of 2022, the Romanian stock market indices recorded negative developments compared to the end of 2021.

The BET benchmark index (which includes the performance of the most traded companies on the BVB regulated market) was down 10.70% at 31 December 2022 compared to the end of 2021.

The BETAeRO index, which reflects the performance of representative companies in the MTF market selected on the basis of liquidity criteria and free-float capitalisation, recorded the largest decrease of 22.23%.

The BET-NG index, which reflects the performance of companies listed on the regulated market of the BVB whose main activity is energy and related utilities, recorded a weak performance of approximately 4.98% on 31 December 2022.

*Evolution of the Bucharest Stock Exchange indices as at 31.12.2022*



Source: ASF calculations based on BVB data

In 2022, the total value traded on the regulated market and MTF exceeded RON 24 billion, up 11 % compared to 2021.

The number of trades on the BVB increased by 9% in 2022 compared to the previous year. Approximately 97% of the total value of trades took place on the regulated market of BVB, the rest being conducted on the MTF.

In 2022, the value of transactions with government securities was RON 3.65 billion, up 12% compared to 2021. Equities remain the dominant financial asset class, accounting for 57% of the total value traded on BVB in 2022.

Structure of transactions carried out on BVB (Regulated Market and SMT), by the value corresponding to each type of instrument

Type of instrument	31.12.2021			31.12.2022		
	No. of transactions	Value (RON)	%	No. of transactions	Value (RON)	%
Shares, including rights	1,333,986	12,279,089,682	56.76%	1,403,806	13,641,061,253	56.81%
Other bonds, including EUR-BOND, EUR-TBILLS and EUR-TBONDS	35,437	5,174,540,866	23.92%	42,661	5,836,501,846	24.31%
Structured products	107,295	870,785,681	4.03%	135,599	821,439,796	3.42%
Government securities	35,094	3,262,144,134	15.08%	54,143	3,653,116,935	15.21%
Fund units	19,875	46,204,978	0.21%	36,521	61,457,313	0.26%
<b>Total</b>	<b>1,531,687</b>	<b>21,632,765,341</b>	<b>100.00%</b>	<b>1,672,730</b>	<b>24,013,577,142</b>	<b>100.00%</b>

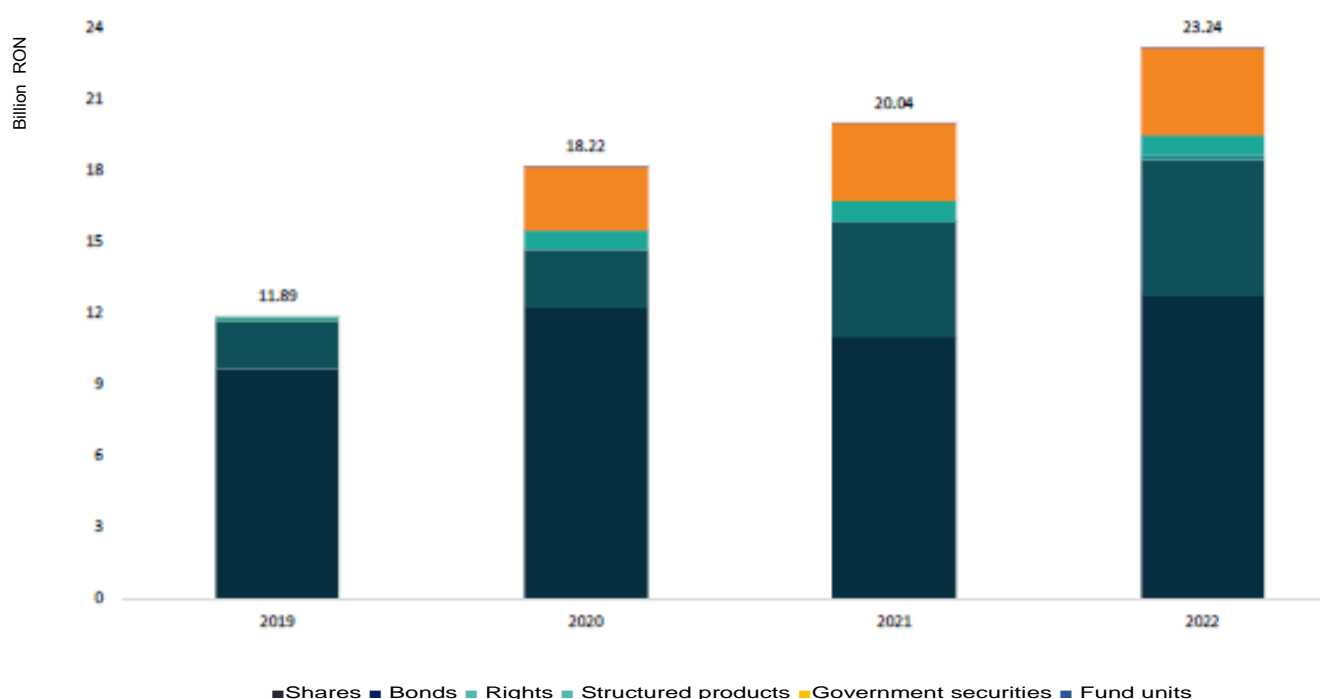
Source: BVB

### 10.4.1. Regulated Market

The total value traded on the regulated market of the BVB was about RON 23.2 billion in 2022, up 16% compared to the previous year.

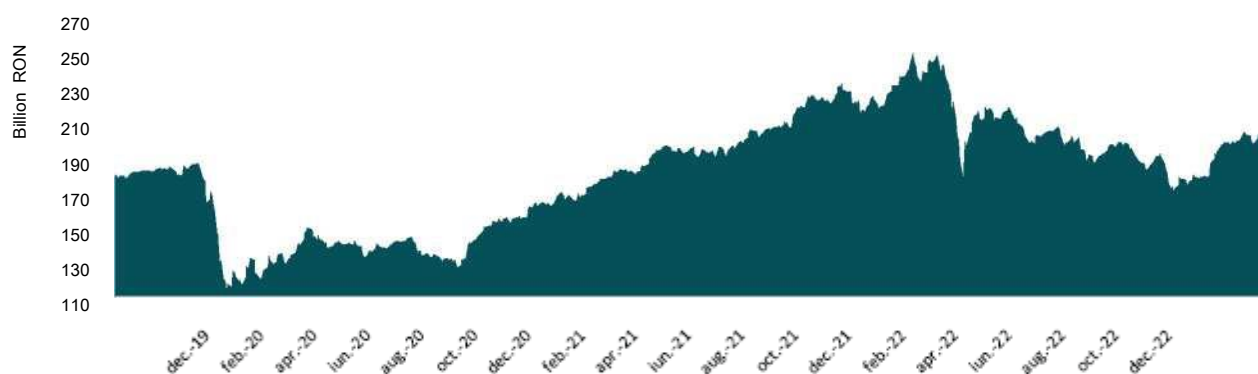
The total value traded in shares was RON 13 billion in 2022, up by about 18%, with the number of transactions increasing by about 21 %.

At the end of 2022, the market capitalisation on the regulated market reached RON 197.18 billion, down by about 14% compared to the end of 2021, amid the deteriorating geopolitical and macroeconomic context.



Source: ASF calculations based on BVB data

### Evolution of BVB capitalization (shares)



Source: ASF calculations based on BVB data

### 10.4.2. Multilateral Trading Facility (MTF)

During 2022, 225 thousand transactions were carried out on the MTF for a total value of about 777 million lei, down 51% compared to the previous year.

In 2022, the instruments preferred by investors on the MTF were equities, which accounted for about 82% of the total value traded.

Quarterly evolution of transactions on the MTF in Q1 2019-Q4 2022

Type of instrument/ Period	Shares*		Bonds**	
	Value in RON	No. of transactions	Value in RON	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
Q1 2022	309,005,065	84,183	41,204,036	7,213
Q2 2022	114,993,011	46,554	27,236,454	4,974
Q3 2022	147,475,003	40,558	38,170,239	4,011
Q4 2022	84,504,347	33,859	14,371,633	3,442

\*Shares include shares, rights and units of funds

\*\*Bonds include all bonds, including EUR-BOND, EUR-TBILLS and EUR-TBONDS



### 10.4.3. Securities settlement systems

In 2022, Depozitarul Central S.A., an entity authorised under European Union regulations, carried out clearing and settlement operations for transactions in financial instruments, custody operations for financial instruments issued by issuing companies and registry operations for issuers of financial instruments.

The number of issues for which Depozitarul Central is the issuer's depositary was 545, and the total value of holdings of financial instruments was RON 167.87 billion (EUR 33.94 billion), of which equities accounted for RON 145.72 billion (EUR 29.46 billion).

The total value of holdings of financial instruments for which Depozitarul Central is not the issuer's depositary was RON 421.52 million (EUR 85.23 million).

As of 31.12.2022, 7 issues of government securities for which Depozitarul Central is not the issuing depositary, amounting to RON 54.73 million (EUR 11.06 million), were registered with the Depozitarul Central.

The total number of transactions settled on a net basis was 1,667,398, up 8.81 % compared to the same period in 2021. At the same time, their value increased at a faster pace, to 38,263,779 thousand RON (+19.95%).

*Distribution of the number of settled transactions and net settled value*

Month	Net settlement value 2021		Net settlement value 2022	
	No. of transactions settled	Settled value (thousand RON)	No. of transactions settled	Settled value (thousand RON)
January	96,716	1,641,244	170,998	5,098,748
February	124,192	1,815,636	159,367	2,945,008
March	163,730	2,629,571	241,857	4,488,968
April	105,273	1,829,936	119,595	3,189,456
May	106,786	3,694,458	139,265	1,522,924
June	106,171	2,007,457	138,214	5,426,906
July	132,140	2,573,687	106,506	1,969,205
August	116,280	1,807,709	112,632	1,487,580
September	144,023	2,579,726	151,891	2,296,404
October	135,490	4,144,419	101,277	1,609,669
November	142,116	2,938,292	105,983	1,198,731
December	159,418	4,238,354	119,813	7,030,180
<b>TOTAL</b>	<b>1,532,335</b>	<b>31,900,489</b>	<b>1,667,398</b>	<b>38,263,779</b>

Of the total amount settled on a net basis, 53.19% came from the settlement of trades in the markets managed by BVB (20,352,904 thousand RON) and 46.81% (17,910,875 thousand RON) from the settlement of allocation trades.

The total number of transactions settled on a gross basis was 3,306, with a total value of 3,052,610 thousand RON, an increase of 41.46%, while their value increased by 28.65%.

*Distribution of the number of transactions settled on a gross basis and their corresponding value*

Month	Gross settlement value 2021		Gross settlement value 2022	
	No. of transactions	Settled value (thousand RON)	No. of transactions	Amount settled from (thousand RON)
January	191	211,076	107	230,364
February	246	143,303	114	71,255
March	196	154,751	359	440,531
April	235	169,467	291	156,938
May	176	180,324	301	175,456
June	175	120,289	204	222,301
July	197	176,503	208	319,390
August	139	177,570	161	106,791
September	161	284,744	418	431,188
October	256	281,407	168	97,201
November	240	271,949	390	116,190
December	125	201,425	585	685,005
<b>TOTAL</b>	<b>2,337</b>	<b>2,372,808</b>	<b>3,306</b>	<b>3,052,610</b>

In 2022, 11.41% of the total value of transactions settled on a gross basis was settled for transactions concluded on trading venues (348,319 thousand RON), and 88.59% (2,704,291 thousand RON) for transactions outside trading venues.

In terms of gross settlement on the T2S platform, the total value of transactions settled was 725,183 thousand EUR, of which 90.75% (658,069 thousand EUR) were transactions in euro- denominated government securities.

As regards cross-border activity, 1,000 DvP and RvP instructions for financial instruments such as shares, fund units and certificates were settled during the period under review, the total value of which was 245,696 thousand RON. The amounts represent the RON equivalent at the NBR exchange rate valid on the settlement instruction date.

# 11. EVOLUTION OF INSURANCE MARKET IN 2022



## 11.1. Insurance companies

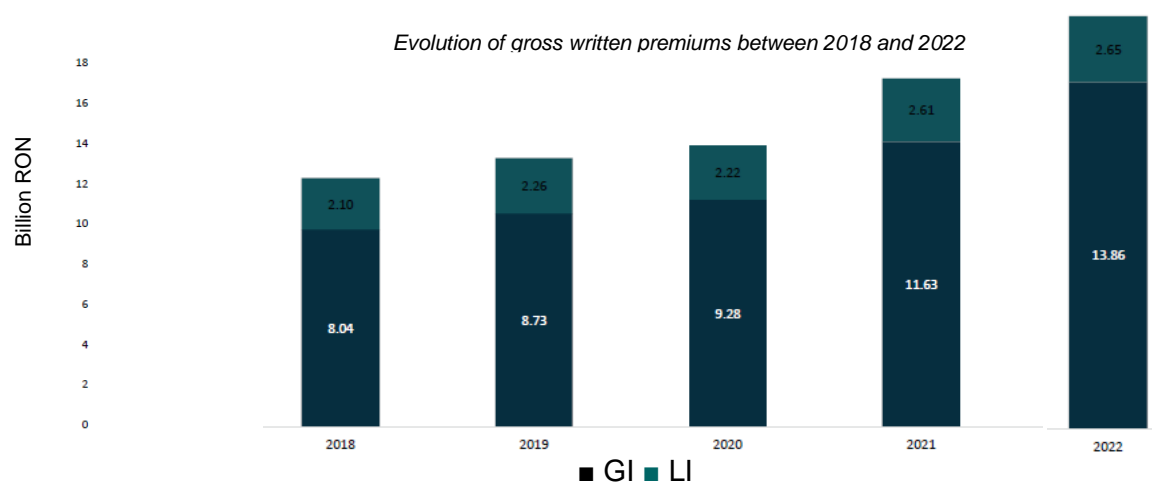
As at 31 December 2022, 26 insurance companies, authorised and regulated by ASF, were active in the insurance market, of which 13 were engaged only in general insurance ("GI"), 7 were engaged only in life insurance ("LI") and 6 in composite business.

### 11.1.1. Gross written premiums (GI and LI)

In 2022, insurers accumulated gross written premiums (GWP) of approximately 16.51 billion lei, an increase of approximately 16% compared to the previous year:

gross written premiums for general insurance (GI) are about 13.86 billion lei, up 19% from the previous year;

Gross written premiums for life insurance (LI) are around 2.65 billion lei, up 1 % compared to 2021.

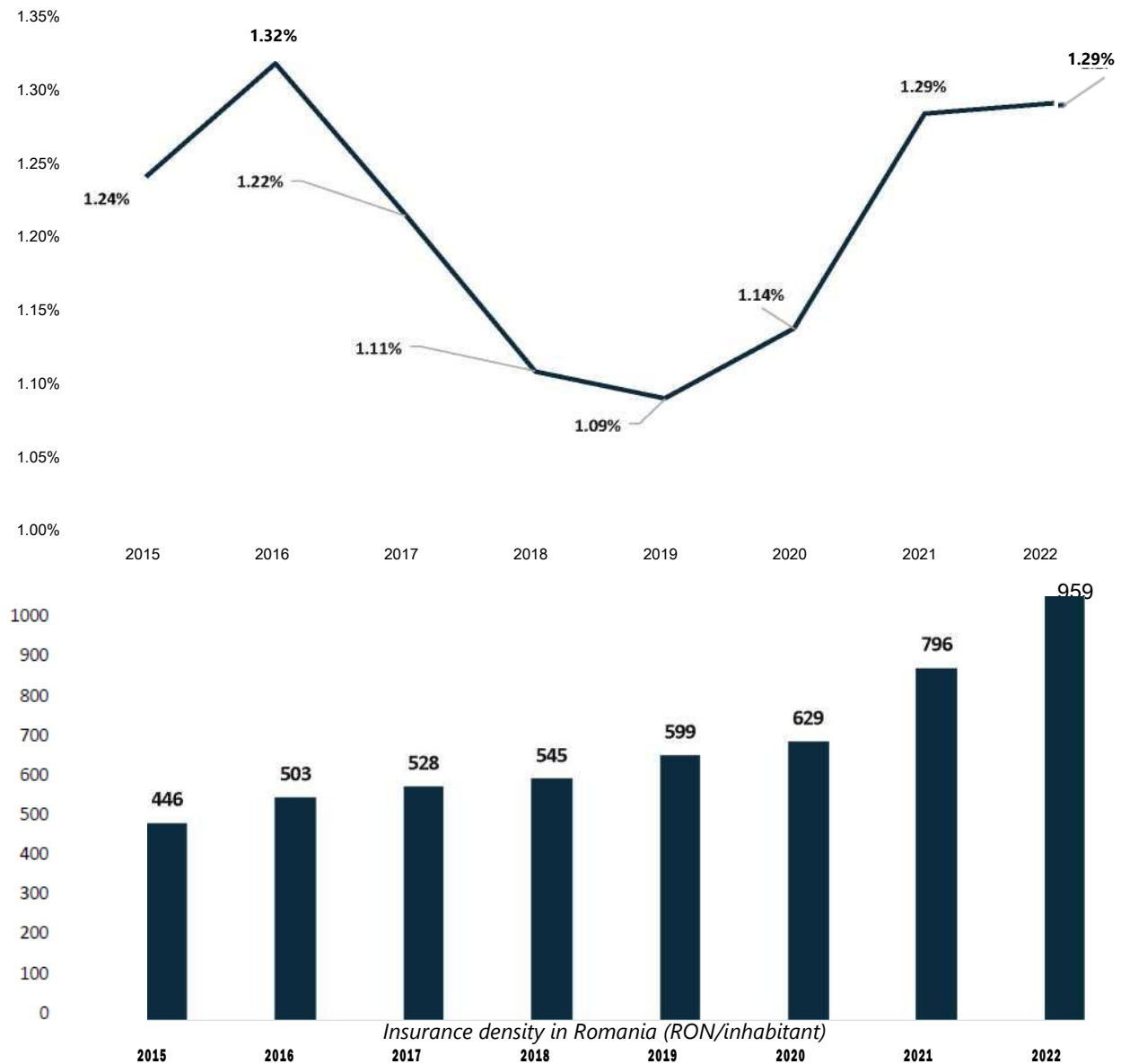


Dynamics of the distribution by insurance segments in the period 2018 - 2022

	2018	2019	2020	2021	2022
TOTAL (billions RON)	10,14	10,99	11,49	14,24	16,51
GI weighting (%)	79%	79%	81%	82%	84%
LI weighting (%)	21%	21%	19%	18%	16%

The share of insurance in 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 2022, stable compared to the previous year.

Share of Romanian insurance in GDP



Source: NSI, 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, is an indicator of how much a country's average inhabitant spends on insurance products.

In 2022, the insurance density in Romania will be 959 lei/inhabitant, an increase of about 21% compared to the previous year.

The Romanian insurance market is characterised by a medium to high degree of concentration. In 2022, approximately 92% of the total volume of gross written premiums was carried out by 10 insurance companies out of the 26 companies authorised and regulated by ASF, which carried out insurance/reinsurance activity as of 31 December 2022.



*Companies with the highest gross written premiums and their share of the total market (general and life insurance) in 2022*

No.	Company	Total market share
1	GROUPAMA ASIGURĂRI S.A.	18.02%
2	ALLIANZ - TIRIAC ASIGURARI S.A.	17.44%
3	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	16.85%
4	OMNIASIG VIG	12.84%
5	ASIROM VIENNA INSURANCE GROUP S.A.	6.95%
<b>Total 1 - 5</b>		<b>72,10%</b>
6	NN ASIGURARI DE VIATA SA	5.88%
7	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	5.49%
8	GRAWE ROMANIA ASIGURARE S.A.	3.25%
9	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP S.A.	2.79%
10	UNIQA ASIGURARI S.A.	2.32%
<b>Total 1-10</b>		<b>91.82%</b>
<b>Other companies</b>		<b>8.18%</b>
<b>Total</b>		<b>100.00%</b>

## Gross premiums written for general insurance

The total volume of gross written premiums for general insurance in 2022 was approximately RON 13.9 billion, up 19% from the previous year.

The top 10 insurance companies that wrote premiums for general insurance totalled RON 13.45 billion, which represents about 97% of the total for this segment.

*Ranking of insurance companies by gross written premiums for general insurance in 2022*

No.	Company	Total market share
1	GROUPAMA ASIGURARI S.A.	21.04%
2	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	20.07%
3	ALLIANZ - TIRIAC ASIGURARI S.A.	18.79%
4	OMNIASIG VIG	15.29%
5	ASIROM VIENNA INSURANCE GROUP S.A.	7.59%
<b>Total 1-5</b>		<b>82.78%</b>
6	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	5.72%
7	GRAWE ROMANIA ASIGURARE S.A.	3.50%
8	UNIQA ASIGURARI S.A.	2.76%
9	P.A.I.D. INSURANCE POOL	1.28%
10	ONIX ASIGURARI S.A.	0.99%
<b>Total 1-10</b>		<b>97.03%</b>
<b>Other companies</b>		<b>2.97%</b>
<b>TOTAL</b>		<b>100.00%</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 2022, the share of these three classes is about 88% 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 RON 7,594,936,723, representing about 55% of total general insurance underwriting, up by about 24% compared to 2021;
- A3 - Land vehicles, excluding railway rolling stock, with a volume of gross written premiums of 3,059,362,832 lei, representing about 22% of total underwriting for general insurance, recorded an increase of about 12% in 2022 compared to 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 RON 1,507,705,559, representing 11% of total underwriting for general insurance, an increase of more than 13% compared to 2021.

*General insurance class structure*

Class	GWP GI (RON)				
	2018	2019	2020	2021	2022
A10	3,741,919,989	3,985,774,635	4,188,128,313	6,114,228,283	7,594,936,723
A3	2,073,377,389	2,317,544,160	2,414,018,491	2,724,708,365	3,059,362,832
A8	1,064,538,857	1,165,466,756	1,234,502,125	1,330,291,736	1,507,705,559
Other classes	1,162,234,903	1,265,424,657	1,439,649,647	1,461,620,792	1,698,563,393
<b>TOTAL</b>	<b>8,042,071,138</b>	<b>8,734,210,208</b>	<b>9,276,298,576</b>	<b>11,630,849,176</b>	<b>13,860,568,507</b>

## Gross premiums written for life insurance

Gross premiums written by insurance companies for life insurance business amounted to RON 2,647,617,182 in 2022, an increase of about 1% compared to the previous year.

A high degree of concentration was also maintained at the end of 2022, so that 5 companies held a share of about 81% of the total volume of premiums written in this segment, with cumulative underwritings of about RON 2.1 billion.

*Ranking of insurance companies by gross written premiums for life insurance in 2022*

No.	Company	Total market share
1	NN ASIGURARI DE VIATA SA	36.64%
2	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP S.A.	17.37%
3	ALLIANZ - TIRIAC ASIGURARI S.A.	10.38%
4	BRD ASIGURARI DE VIATA S.A.	8.79%
5	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	7.74%
<b>Total 1 - 5</b>		<b>80.92%</b>
6	UNIQA ASIGURARI DE VIATA SA	5.82%
7	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	4.29%
8	ASIROM VIENNA INSURANCE GROUP S.A.	3.63%
9	GROUPAMA ASIGURARI S.A.	2.17%
10	GRAWE ROMANIA ASIGURARE S.A.	1.94%
<b>Total 1-10</b>		<b>98.76%</b>
<b>Other companies</b>		<b>1.24%</b>
<b>Total</b>		<b>100.00%</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, linked to investment funds, together accounting for around 90% 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, which accounts for around 66% of total life insurance underwriting, increased by around 5% in 2022 compared to the same period last year;
- Class C3 - Life insurance and annuities, linked to investment funds, which accounts for 24% of total life insurance underwriting, saw a decrease of 16% compared to 2021.

*Life insurance class structure*

Class	GWP LI (RON)				
	2018	2019	2020	2021	2022
<b>C1</b>	1,486,795,597	1,417,601,050	1,440,499,053	1,660,436,407	1,747,748,971
<b>C3</b>	505,515,736	674,633,376	596,348,126	744,507,616	625,503,755
<b>Other classes</b>	110,143,960	163,780,760	182,449,656	205,325,072	274,364,456
<b>TOTAL</b>	<b>2,102,455,293</b>	<b>2,256,015,186</b>	<b>2,219,296,835</b>	<b>2,610,269,095</b>	<b>2,647,617,182</b>

### 11.1.2. Insurance contracts

Across the insurance market as a whole, the number of insurance contracts in force at the end of 2022 was around 15.5 million, up from the previous year by around 5%.

Data for 2021 does not include City Insurance contracts still in force at the end of the year.

The number of insurance contracts in force at the end of 2022 for general insurance represents about 91 % of the total number of contracts.

The number of contracts in force at the end of the reference period for general insurance business increased by around 5.7% compared to 2021, while the number of contracts in force for LI decreased by around 3.4%.

*Evolution of the total number of insurance contracts in force for the period 2018 - 2022*

	2018	2019	2020	2021*	2022
<b>GI</b>	13,346,776	13,861,989	14,745,280	13,359,862	14,117,889
<b>LI</b>	1,646,808	1,618,694	1,474,971	1,450,565	1,401,617
<b>TOTAL</b>	<b>14,993,584</b>	<b>15,480,683</b>	<b>16,220,251</b>	<b>14,810,427</b>	<b>15,519,506</b>

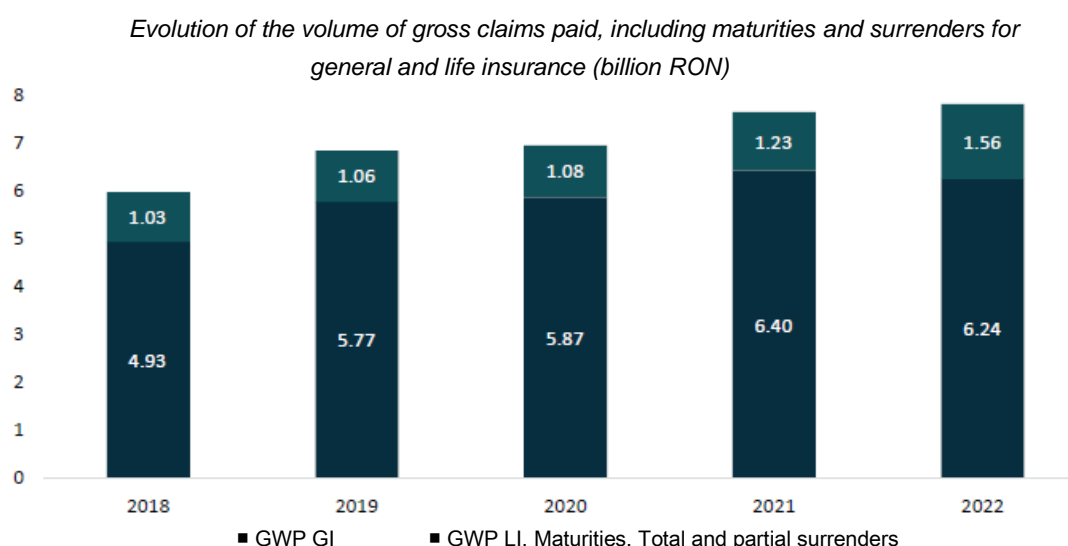
\* data do not include insurance contracts underwritten by City Insurance that were still in force at the end of the year.

### 11.1.3. Gross claims paid by insurers (GCP)

In 2022, insurance companies reported gross claims paid (excluding maturities and partial and total surrenders), cumulatively for the two categories of insurance, in the amount of RON 6,580,593,993, as follows:

- ▶ RON 6,243,956,407 are related to general insurance contracts, a decrease of about 2.5% compared to the same period last year (RON 6,401,307,368);
  - ▶ RON 336,637,568 are amounts paid for gross life insurance benefits, an increase of about 10% compared to the previous year (RON 305,428,846).

To the gross life insurance claims are added maturities, partial and total surrenders, all of which together amount to RON 1,226,211,707, an increase of approximately 32.5% compared to the previous year.



Note: Gross claims paid in 2021 include City Insurance data up to September 2021; FGA payments are not included.

*Dynamics of gross claims paid including maturities and surrenders for general and life insurance in 2018 - 2022*

Period	GWP GI + AV (RON)	Rate of change from previous period (%)	GWP GI (RON)	Rate of change from previous period (%)	GWP LI, Maturities, total and partial surrenders (RON)	Rate of change from previous period (%)
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	7,632,393,998	9.82%	6,401,307,368	9.11%	1,231,086,630	13.68%
2022	7,806,805,700	2.29%	6,243,956,407	-2.46%	1,562,849,293	26.95%

Note: not including amounts paid by the FGA

## Gross claims paid related to general insurance

Cumulatively, gross claims paid by 10 insurance companies accounted for 99% of total claims paid in the general insurance segment.

*Insurance companies with the highest gross claims paid for general insurance in 2022*

No.	Company	Market share (%)
1	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	25.90%
2	OMNIASIG VIG	17.64%
3	GROUPAMA ASIGURARI S.A.	16.87%
4	ALLIANZ - TIRIAC ASIGURARI S.A.	16.28%
5	ASIROM VIENNA INSURANCE GROUP S.A.	8.68%
<b>Total 1 - 5</b>		<b>85.36%</b>
6	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	5.75%
7	UNIQA ASIGURARI S.A.	3.17%
8	GRAWE ROMANIA ASIGURARE S.A.	3.15%
9	ALLIANZ-TIRIAC UNIT ASIGURARI S.A.	1.04%
10	ABC ASIGURARI - REASIGURARI S.A.	0.57%
<b>Total 1 - 10</b>		<b>99.04%</b>
<b>Other companies</b>		<b>0.96%</b>
<b>Total</b>		<b>100.00%</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 a volume of gross claims paid of RON 3,399,398,598, not including the amounts paid by the Policyholder Guarantee Fund (FGA), accounts for 54% of the total gross claims paid for general insurance, down 5.3% on the previous year;
- Class A3, Land vehicles, excluding railway rolling stock, with gross claims paid of RON 2,036,759,870, represents 33% of the total gross claims paid for general insurance and increased by about 1 % compared to the same period last year;
  - Class A8, Fire and natural disasters (for property other than that insurable in classes A3 - A7), with a volume of gross claims paid of RON 336,940,081, represent about 5% of the total gross claims paid for general insurance and were 6.7% lower than in the same period of the previous year.

The gross claims paid for the other classes represent about 8% of total general insurance payments, which in absolute terms amounted to RON 470,857,858.



## Gross claims, maturities and surrenders related to life insurance

In 2022, the value of gross claims, maturities and surrenders paid out on life insurance was RON 1,562,849,293, an increase of approximately 27% compared to the previous year.

Cumulatively, the gross amounts paid out (claims, maturities and surrenders) by the top 10 insurers accounted for around 99% of the total gross amounts paid out in the life insurance segment.

*Insurance companies with the highest gross claims paid, maturities and surrenders for life insurance in 2022*

No.	Company	Share in total
1	NN ASIGURARI DE VIATA SA	35.79%
2	BCR ASIGURARI DE VIATA VIENNA INSURANCE GROUP S.A.	28.63%
3	BRD ASIGURARI DE VIATA S.A.	8.21 %
4	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	7.05%
5	ALLIANZ - TIRIAC ASIGURARI S.A.	6.15%
<b>Total 1 - 5</b>		<b>85.83%</b>
6	ASIROM VIENNA INSURANCE GROUP S.A.	4.77%
7	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	3.36%
8	GRAWE ROMANIA ASIGURARE S.A.	3.21 %
9	GROUPAMA ASIGURARI S.A.	1.11%
10	UNIQA ASIGURARI DE VIATA SA	0.92%
<b>Total 1 - 10</b>		<b>99.20%</b>
<b>Other companies</b>		<b>0.80%</b>
<b>Total</b>		<b>100.00%</b>

In 2022, the largest shares in gross claims paid, totalling RON 1,438,828,506, were held by the following classes of insurance:

- class C1, Life insurance, annuities and supplementary life insurance, represent about 48% of the total payments made and amount to RON 746,587,341;
- class C3, Life insurance and annuities, related to investment funds, represents approximately 44% of the total payments made, with a value of RON 692,241,165;
- payments for the other classes amounted to RON 124,020,787 and represented 8% of the total life insurance payments.

## Amounts approved by the Policyholder Guarantee Fund (FGA)

In 2022, the amount approved for claims payments by the FGA totalled approximately RON 655 million, of which approximately 93% was for MTPL insurance.

*Amount of FGA approved in 2022*

Total approved amounts (lei)	MTPL	% of total amount	Life insurance	% of total amount
654,870,231	605,875,242	92.52%	40,950	0.006%

#### 11.1.4. Technical reserves

At the end of 2022, insurance companies had gross technical reserves totalling RON 23.63 billion<sup>49</sup>, up by about 15% compared to the end of 2021 (RON 20.56 billion), broken down by the two categories of insurance as follows:

- gross technical reserves established for general insurance amounted to RON 14.47 billion, representing 61% of total technical reserves;
- for life insurance, companies have set up reserves amounting to RON 9.16 billion, which represents 39% of total technical reserves.

#### Technical provisions for general insurance

For general insurance business, at the end of 2022, insurance companies had gross technical reserves of RON 14.47 billion.

*Structure of gross technical provisions for general insurance as at 31.12.2022*

	31.12.2022	Share in total	A10	A3	A8	Weighting of significant classes
	RON	(%)	RON	RON	RON	(%)
Premium reserve	6,412,194,503	44.31%	3,239,905,667	1,584,335,454	748,725,011	86.91%
Endorsed claims reserve	4,169,059,092	28.81%	2,348,959,803	761,209,575	445,353,729	85.28%
Unendorsed claims reserve	3,395,432,686	23.46%	3,028,591,281	113,350,671	74,124,887	94.72%
Other technical reserves	494,724,533	3.42%	7,789,783	106,102,259	279,335,006	79.48%
<b>Total reserves</b>	<b>14,471,410,814</b>	<b>100.00%</b>	<b>8,625,246,534</b>	<b>2,564,997,959</b>	<b>1,547,538,633</b>	<b>88.02%</b>

#### Technical provisions for life insurance

For life insurance business, at the end of 2022, insurance companies had gross technical reserves of RON 9.16 billion.

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 98.3% of the total.

*Structure of gross technical provisions for life insurance business as at 31.12.2022*

	31.12.2022 (RON)	Share in total (%)
Premium reserve	820,605,213	8.96%
Mathematical reserve	7,858,222,720	85.80%
Benefit reserve and returns	116,008,355	1.27%
Other technical reserves	363,911,144	3.97%
<b>Total life insurance technical provisions</b>	<b>9,158,747,432</b>	<b>100.00%</b>

<sup>49</sup>For Euroins Romania, the data as at 30.09.2022 have been taken into account to include the ASF adjustments resulting from the supervisory and inspection activity.

### 11.1.5. 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 2022, approximately 33% of gross written premiums were ceded to reinsurance, down from 2021.

*Evolution of GWP and net reinsurance premiums for the period 2018 - 2022 for general insurance*

Period	GWP (RON)	Net reinsurance premiums (RON)	Degree of retention	Ceding ratio in reinsurance (%)
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	11,630,849,176	7,521,877,687	64.67%	35.33%
2022	13,860,568,507	9,243,210,927	66.69%	33.31%

At the end of December 2022, approximately 33% of total gross claims paid were ceded to reinsurers.

*Evolution of GWP and net reinsurance GWP for the period 2018 - 2022 for general insurance*

Period	GWP (RON)	Net reinsurance claims (RON)	Degree of retention	The cession ratio in reinsurance
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	6,401,307,368	3,713,295,702	58.01%	41.99%
2022	6,243,956,407	4,176,548,217	66.89%	33.11%

Of the gross technical reserves existing at the end of December 2022<sup>50</sup> about 37% related to reinsurance cessions.

*Evolution of gross technical provisions and net technical provisions for reinsurance for the period 2018 - 2022 for general insurance*

Period	Gross technical reserves (RON)	Net technical reinsurance reserves (%)	Degree of retention	The cession ratio in reinsurance
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*	11,175,797,339	6,999,149,255	62.63%	37.37%
2022	14,471,410,814	9,146,212,083	63.20%	36.80%

\* not including City Insurance's technical reserves at 31 December 2021

<sup>50</sup> For Euroins Romania, gross technical reserves as at 30.09.2022 are included to include adjustments made by ASF as a result of supervisory and inspection activity in respect of the unendorsed claims reserve (NBR).

## 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.

*Evolution of GWP and net reinsurance premiums for the period 2018 - 2022 for life insurance*

Period	Gross written premiums (RON)	Net reinsurance premiums (RON)	Degree of retention	The cession ratio in reinsurance
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	2,610,269,095	2,396,932,537	91,83%	8,17%
2022	2,647,617,182	2,360,624,899	89,16%	10,84%

*Development of GCP and net reinsurance GCP for the period 2018 - 2022 for life insurance*

Period	GCP (RON)	Net reinsurance claims (RON)	Degree of retention	The cession ratio in reinsurance
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	305,428,846	272,578,567	89,24%	10,76%
2022	336,637,586	294,276,535	87,42%	12,58%

*Evolution of gross technical provisions and net technical provisions for reinsurance for the period 2018 - 2022 for life insurance*

Period	Gross technical reserves (RON)	Net technical reinsurance reserves (%)	Degree of retention	The cession ratio in reinsurance
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	9,381,296,696	9,292,095,409	99.05%	0.95%
2022	9,158,747,432	8,987,505,599	98.13%	1.87%

### 11.1.6. Liquidity of insurance companies

The liquidity indicator 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 2022, the liquidity ratio for each of the insurance categories and the items contributing to it were as follows:

*Liquidity indicator by each of the insurance categories as at 31 December 2022*

	Government securities (million RON)	Municipal bonds (million RON)	Securities traded (million RON)	Deposits (million RON)	Current account and cash on hand (million RON)	Short-term liabilities (RON million)	Liquidity indicator
GI	7.584	32	726	1,663	633	4,176	2.55
LI	4.152	50	1,432	227	130	1,749	3.43

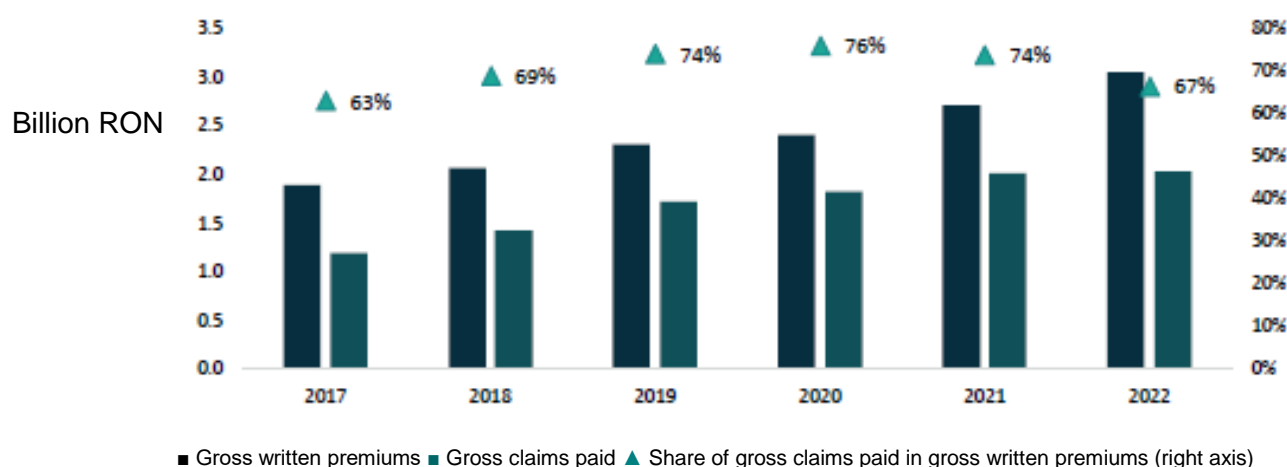
### 11.1.7. Motor insurance

The value of gross written premiums for motor insurance (class A3 - CASCO and compulsory motor third party liability insurance - MTPL) exceeded RON 11 billion in 2022, of which 28% of the volume was written for voluntary motor insurance and 72% for compulsory motor insurance. The value of gross premiums written for MTPL also includes the underwriting activity carried out by the 2 branches operating in Romania under the right of establishment.

#### Optional motor insurance market (CASCO: Class A3)

The value of gross premiums written by companies authorised and regulated by ASF exceeded RON 3 billion in 2022 for the optional motor insurance segment (CASCO: Class A3), up 12% compared to 2021. At the same time, gross claims paid by the same insurers recorded a value of RON 2 billion in the period under review. As a share of gross written premiums, gross claims paid stood at 66.5%.

*Evolution of gross written premiums and gross claims paid by companies authorised and regulated by ASF for class A3 (CASCO)*





The degree of concentration is also high in the voluntary motor insurance market (CASCO), with the top 3 insurers having a combined market share of 73% in terms of gross written premiums.

*Ranking of insurance companies by gross written premiums in the CASCO market in 2022*

No.	Company	Market share
1	OMNIASIG VIG S.A.	30.9%
2	GROUPAMA ASIGURARI S.A.	26.6%
3	ALLIANZ - TIRIAC ASIGURARI S.A.	15.8%
4	GENERALI ROMANIA ASIGURARE REASIGURARE S.A.	10.1%
5	ASIROM VIENNA INSURANCE GROUP S.A.	8.1%
<b>TOTAL (1-5)</b>		<b>91.4%</b>
6	UNIQA ASIGURARI S.A.	4.8%
7	ALLIANZ-TIRIAC UNIT ASIGURARI S.A.	1.4%
8	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	0.9%
9	GARANTA ASIGURARI S.A.	0.7%
10	SIGNAL IDUNA ASIGURARI S.A. (FORMERLY ERGO INSURANCE S.A.)	0.4%
<b>TOTAL (1-10)</b>		<b>99.6%</b>
<b>Other companies</b>		<b>0.4%</b>
<b>TOTAL</b>		<b>100.0%</b>

### **The compulsory motor third party liability insurance market**

As of 31 December 2022, the following 7 insurers authorised by ASF for MTPL insurance activities were operating on the insurance market: Allianz-Tiriac Asigurări SA, Asigurarea Românească - Asirom Vienna Insurance Group SA, Euroins Romania Asigurare - Reasigurare SA, Generali Romania Asigurare Reasigurare SA, Grawe Romania Asigurare SA, Groupama Asigurări SA and Omniasig Vienna Insurance Group SA.

Today, the number of insurers authorised by ASF to conduct MTPL insurance activities has decreased. During the first quarter of 2023, ASF withdrew Euroins' operating authorisation, and the ASF Council decided to promote a request by the Authority to open bankruptcy proceedings and appoint the Policyholder Guarantee Fund (FGA) as interim manager of the company, with the task of ensuring the management and conduct of the insurer's business and taking the necessary measures to preserve its assets. The duties of the company's management are suspended by operation of law.

In the fourth quarter of 2021, the Axeria Iard branch started its activity on the MTPL market, based on the Freedom of Establishment (FoE). In 2022, it recorded a volume of gross premiums written on MTPL of approximately RON 450 million, which represents 5.7% of the total gross premiums written for the MTPL segment. At the end of 2022, Hellas Direct entered the MTPL segment in Romania under the Right of Establishment (FoE), accumulating a volume of gross written premiums of more than RON 22 million (0.3% of the MTPL market).

## Market share

The degree of concentration remained high for the top insurers at the end of December 2022, so that the top 3 insurers combined about 72% of the MTPL insurance portfolio in Romania.

*Market share of MTPL insurance as at 31 December 2022*

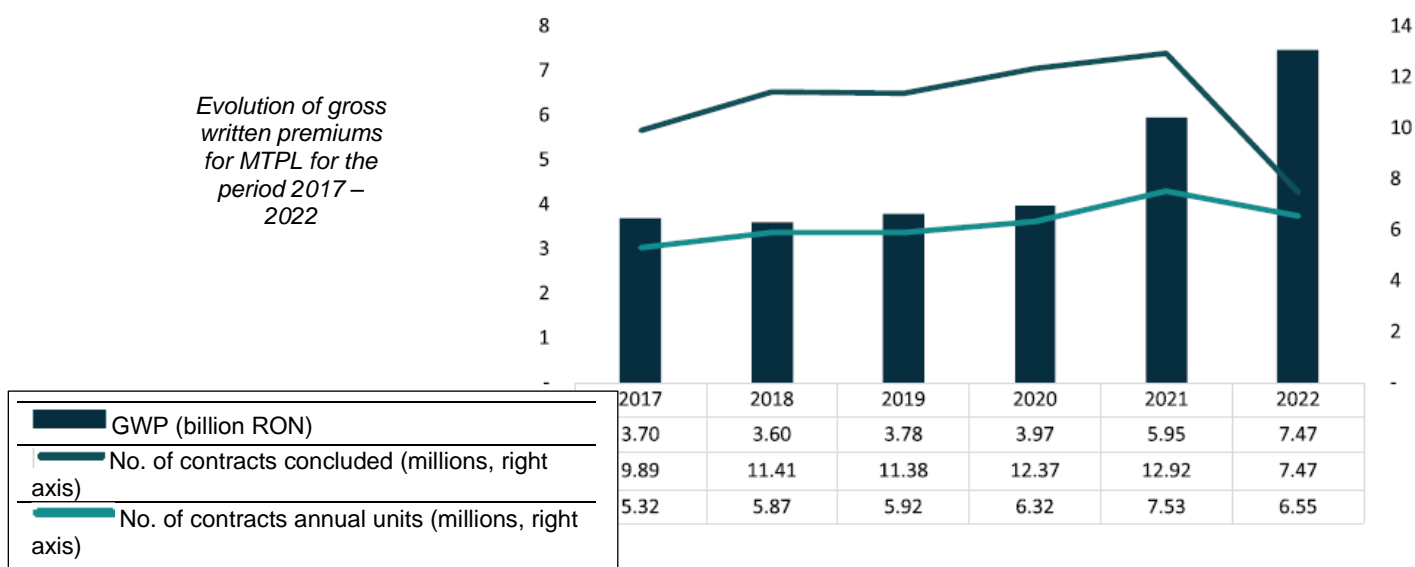
No.	Company	Market share (%)
1	Euroins Romania	32.7%
2	Groupama	20.4%
3	Allianz Tiriad	18.7%
<b>TOTAL (1-3)</b>		<b>71.9%</b>
4	Omniasig VIG	6.9%
5	Asirom VIG	6.6%
6	Grawe Romania	5.9%
7	Axeria IARD (branch)	5.7%
8	Generali Romania	2.8%
9	Hellas Direct (branch)	0.3%
<b>TOTAL</b>		<b>100.0%</b>
*Note: the ranking also includes AXERIA IARD and Hellas Direct that have underwritten MTPL in Romania based on of FoE (branches).		

## Evolution of premiums

The total amount of insurance premiums written for MTPL insurance by companies authorised and regulated by ASF in 2022 amounted to RON 7.47 billion, the remainder up to the total of class A10 representing the carrier's insurance for goods carried as a carrier and the MTPL insurance taken out in the territory of other EU Member States under the right of freedom to provide services. Compared to 2021, the value of gross premiums written increased by about 26% and compared to 2020, the volume of gross premiums increased by about 88%.

Expressed in annual units (to take into account the different duration of policies, which can be concluded for a period of between 1 and 12 months), the number of MTPL contracts concluded by 31 December 2022 was 6.55 million, down 13% compared to 2021 and up 3.7% compared to 2020.

*Evolution of gross written premiums for MTPL for the period 2017 – 2022*



\*Note: Only the companies authorised and regulated by ASF are included

The difference between the number of contracts concluded in previous periods (more than 12 million contracts in 2020 - 2021 with maturities between 1 month and 12 months) and that for 2022 (7.5 million) can also be explained by the fact that in the reference period one-year insurance contracts were dominant.

As at 31 December 2022, the highest shares were held by policies with a 12-month validity (83% of the contracts concluded in 2022 were concluded for a period of 1 year), so there is a change in consumer preferences regarding the validity of contracts concluded compared to previous years.

In terms of the structure of customer portfolios, the share of contracts concluded with individuals in the whole market was around 75% as at 31 December 2022.

### 11.1.8. Home insurance

In the overall home insurance market (compulsory and voluntary), gross written premiums increased by around 10% compared to the previous year as at 31 December 2022, while gross claims paid increased by around 25%.

*Evolution of home insurance (compulsory and voluntary)*

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 (RON)	Gross claims paid (RON)
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	3,304,760	3,148,674	577,964,302	82,697,768
2022	3,461,913	3,292,306	637,887,443	103,416,326

Voluntary home insurance underwriting during 2022 was up by around 14% compared to the previous year, while gross claims paid increased by around 29%. The number of new contracts written during the reporting period was more than 1.4 million, up 9% compared to 2021.

Compulsory home insurance is the result of the work of the Pool for Insurance against Natural Disasters (PAID). According to the law, PAID manages the compulsory home insurance system, which is designed to cover three basic risks specific to Romania: earthquake, flood and landslide.

Compared to 2021, gross written premiums increased by about 2% in 2022 and gross claims paid decreased by about 40%. The number of new contracts written during the reporting period was more than 1.8 million, a relatively similar level to that recorded in 2021.

### 11.1.9. Health insurance

Health insurance in 2022 totalled gross written premiums of about 670 million RON, up by about 35% compared to 2021 (RON 497 million).

The number of contracts in force at the end of 2022 in the whole health insurance market stood at 220,334, down by about 42% compared to the number of contracts in force at the end of 2021. The number of contracts in force in 2022 was 250,630, down by more than 50% compared to 2021

*Evolution of health insurance between 2018 and 2022*

Period	Number of contracts in force at the end of reporting period (pcs)	Number of new contracts concluded during the reporting period (pcs)	Gross written premiums (RON)	Gross claims paid (RON)
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	280,881,348
2022	220,334	250,630	669,595,598	361,795,489

In 2022, insurance companies authorised and regulated by ASF reported gross claims paid, cumulatively for the two categories of insurance, in the amount of approximately RON 362 million, an increase of 28% compared to 2021 (RON 281 million).

*Ranking of insurance companies by gross written premiums for health insurance business in 2022*

No.	Company	Market share
1	SIGNAL IDUNA ASIGURARE REASIGURARE S.A.	27.75%
2	ALLIANZ - TIRIAC ASIGURARI S.A.	22.54%
3	GROUPAMA ASIGURARI S.A.	15.57%
4	NN ASIGURARI DE VIATA S.A.	11.75%
5	OMNIASIG VIG	10.56%
<b>TOTAL (1-5)</b>		<b>88.17%</b>

### 11.1.10. Guarantee insurance

In 2022, gross written premiums for guarantee insurance amounted to about RON 298.5 million, a decrease of about 14% compared to 2021. As for the value of gross claims paid, it was about RON 48 million, up by about 2% compared to the previous year.

*Evolution of the main indicators of the guarantee insurance market between 2018 and 2022*

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 (RON)	Gross claims paid (RON)
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	52,342*	87,616	345,382,367	47,527,378
2022	61,603	82,577	298,522,924	48,413,972
* does not include contracts underwritten by City Insurance that were still in force at the end of 2021				

At the end of December 2022, the number of contracts in force stood at 61,603 contracts, an increase of about 18% compared to the same period last year.

*Ranking of insurance companies by gross written premiums for guarantee insurance  
in 2022*

No.	Company	Market share
1	ONIX ASIGURARI S.A.	45.88%
2	EXIM ROMANIA S.A.	14.01%
3	ABC ASIGURARI - REASIGURARI S.A.	13.12%
4	EUROINS ROMANIA ASIGURARE REASIGURARE S.A.	9.57%
5	ALLIANZ - TIRIAC ASIGURARI S.A.	4.70%
<b>TOTAL (1-5)</b>		<b>87.28%</b>



## 11.2. Branches

As at 31 December 2022, 15 branches<sup>51</sup> were active in the insurance market, of which 12 were engaged in general insurance ("GI") and 3 in life insurance ("LI").

### 11.2.1. Gross premiums written by branches (GI and LI)

The branches accumulated gross written premiums of RON 1.9 billion in 2022, up by about 58% compared to 2021:

- gross written premiums (GWP) for general insurance (GI) amounted to RON 1.19 billion, up by about 107% compared to 2021; the positive dynamics were mainly driven by the value of underwriting of a branch in the MTPL segment;
- gross written premiums for life insurance (LI) amounted to RON 719 million, up by about 13% compared to the previous year.

### 11.2.2. Gross compensation paid by branches (GCP)

In 2022, the branches reported gross claims paid, cumulatively for the two categories of insurance, in the amount of about RON 462 million, as follows:

- RON 233 million are related to general insurance contracts (50% of total gross claims paid by branches), an increase of about 31 % compared to 2021;
- RON 229 million represents gross claims paid (including maturities and surrenders) related to life insurance, an increase of about 18% compared to 2021.

## 11.3. Brokerage companies

As of 31 December 2022, 269 brokerage companies were registered with the Financial Supervisory Authority, of which:

265 companies without  
activity  
banned or suspended

1 company with  
temporarily  
banned activity

3 companies with  
suspended  
activity

<sup>51</sup>Branches in Romania are not legally obliged to report the statistical information contained in this chapter to ASF.

### 11.3.1. The insurance distribution business

According to the reports submitted by brokerage companies as of 31 December 2022 (provisional data), there is an increase of approximately 26% in the value of premiums distributed for general insurance and life insurance compared to 2021. This is due both to the increase in the volume of premiums distributed for the general insurance activity (+26%) and for the life insurance segment (+17%). It should be noted that these values also include insurance premiums distributed for insurers from the European Economic Area that have notified their intention to carry out insurance activities in Romania, based on the principle of free movement of services and the right of establishment, insurance premiums distributed whose value increased by about 106% compared to 2021.

*Evolution of the distribution degree*

Period	Gross written premiums (RON)			Premiums distributed (RON)			Degree of distribution (%)		
	Total of which:	GI	LI	Total of which:	GI	LI	Total	GI	LI
31.12.2018	10,144,526,431	8,042,071,138	2,102,455,293	6,380,788,060	6,143,247,895	237,540,165	62.90%	76.39%	11.30%
31.12.2019	10,990,225,394	8,734,210,208	2,256,015,186	7,203,671,303	6,963,197,545	240,473,758	65.55%	79.72%	10.66%
31.12.2020	11,495,595,411	9,280,320,842	2,219,478,274	7,859,221,295	7,572,141,348	287,079,947	68.37%	81.59%	12.93%
31.12.2021	14,241,118,271	11,630,849,176	2,610,269,095	9,911,948,538	9,560,607,626	351,340,912	69.60%	82.20%	13.46%
31.12.2022*	16,508,185,689	13,860,568,507	2,647,617,182	11,184,505,764	10,824,698,548	359,807,216	67.75%	78.10%	13.59%
31.12.2022**	16,508,185,689	13,860,568,507	2,647,617,182	12,486,647,386	12,075,672,370	410,975,016	75.64%	87.12%	15.52%

\* Premiums distributed for Romanian insurers and distribution ratio calculated on premiums distributed by brokerage companies for Romanian insurers;

\*\* Total premiums distributed and distribution ratio calculated on premiums distributed by brokerage companies for Romanian and foreign insurers

In 2022, brokerage companies distributed 75.64% of the total volume of gross premiums written by insurers for the two categories of insurance, with general insurance continuing to hold the largest share (87.12%).

If only premiums distributed for companies authorised in Romania are taken into account, the distribution ratio as at 31 December 2022 was 67.75% (for general insurance: 78.10% and for life insurance: 13.59%).

*Top 10 brokerage companies by market share*

No.	Name of brokerage company	Market share (LI+GI)
1	SAFETY BROKER DE ASIGURARE S.A.	8.39%
2	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	7.17%
3	INTER BROKER DE ASIGURARE S.R.L.	6.42%
4	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	6.38%
5	TRANSILVANIA BROKER DE ASIGURARE S.A..	6.37%
6	DAW MANAGEMENT - BROKER DE ASIGURARE S.R.L.	4.46%
7	CAMPION BROKER DE ASIGURARE SI REASIGURARE S.R.L.	4.45%
8	UNICREDIT INSURANCE BROKER S.R.L.	2.77%
9	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	2.41%
10	PORSCHE BROKER DE ASIGURARE S.R.L.	2.07%
TOTAL 1-10 in total market		50.89%

## General insurance

Analysing the structure of premiums distributed by brokerage companies by general insurance classes, it can be seen that, in 2022, a significant share of the total premiums distributed (RON 12,075,672,370) is held by the following classes:

- class A10, Third party liability insurance for vehicles (MTPL + MTPL), represents 61.5% (RON 7,426,086,309);
- class A3, insurance of means of land transport (CASCO), represents 18.6% (RON 2,246,265,652);
- class A8, Fire and other natural disasters insurance, represents 6.36% (RON 768,603,804);
- class A9, Insurance against damage to or loss of property other than that referred to in classes 3 to 7, represents 3.52% (RON 425,190,152);
- class A2, Health insurance, represents 3.33% (RON 402,105,202);
- class A13, General liability insurance, excluding that referred to in classes 10-12, represents 2.8% (RON 338,169,806);
- Class A15, Guarantee insurance, represents 1.31% (RON 157,757,532);
- the remaining classes representing 2.58% of total premiums distributed general insurance.

## Life insurance

In 2022, insurance premiums distributed by life insurance brokerage companies, amounting to RON 410,975,016, increased by 16.97% compared to the same period of the previous year.

As regards the breakdown of these premiums by insurance class, the situation is as follows:

- class C1 (Life insurance, annuities and supplementary life insurance) in the amount of RON 250,093,251, i.e. 60.85% of the total premiums distributed for the life insurance category;
- class C3 (Life insurance and annuities, which are unit-linked) in the amount of RON 160,858,257, i.e. 39.14% of the total premiums distributed for the life insurance category;
- Class C2 (Birth and marriage insurance) accounted for 0.01 % of the premiums distributed for the life insurance category.

### 11.3.2. Income from insurance distribution

At the end of 2022, brokerage companies reported revenues from insurance distribution activity (life and general) in the amount of RON 2,021,625,308, up by about 16.38% compared to the same period of 2021 (+16.30% for general insurance and +17.14% for life insurance).

*Evolution of insurance distribution revenues 2018-2022*

Income from intermediation	2018	2019	2020	2021	2022
	1,095,337,930	1,261,778,661	1,394,616,111	1,737,127,690	2,021,625,308
Annual dynamics	-	+15.20%	+10.53%	+24.56%	+16.38%

The share of insurance distribution revenues in total premiums distributed in the brokerage market was 16.19% (average commission), down about 1.34% from 17.53% in 2021. In the general insurance segment, the average commission decreased to 15.25% from 16.57% (average commission as of 31 December 2021). In the life insurance segment, the average commission was 43.68%, which is similar compared to 2021 (43.61 %).

### Income from distribution of insurance products

The revenues reported by brokerage companies as at 31 December 2022, obtained from the distribution of general insurance products, amounted to RON 1,842,130,053.

*Top 10 brokerage companies by general insurance distribution revenue*

No.	Name of brokerage company	Market share
1	SAFETY BROKER DE ASIGURARE S.A..	8.93%
2	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	7.39%
3	INTER BROKER DE ASIGURARE S.R.L.	7.03%
4	TRANSILVANIA BROKER DE ASIGURARE S.A..	7.00%
5	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	5.33%
6	DAW MANAGEMENT - BROKER DE ASIGURARE S.R.L.	4.50%
7	CAMPION BROKER DE ASIGURARE SI REASIGURARE S.R.L.	4.40%
8	UNICREDIT INSURANCE BROKER S.R.L.	2.92%
9	MILLENIUM INSURANCE BROKER (M.I.B.) S.A.	2.64%
10	PORSCHE BROKER DE ASIGURARE S.R.L.	2.27%
<b>TOTAL 1-10 Share in total income from general insurance distribution</b>		<b>52.40%</b>

### Income from the distribution of life insurance products

The income of brokerage companies from the distribution of life insurance products amounted to RON 179,495,255.

As for the top 10 brokerage companies by life insurance distribution revenue, it is as follows:

*Top 10 brokerage companies by life insurance distribution revenue*

No.	Name of brokerage company	Market share
1	AMSTERDAM INSURANCE BROKER S.R.L.	45.52%
2	OVB ALLFINANZ ROMANIA BROKER DE ASIGURARE S.R.L.	40.73%
3	KUNDEN BROKER COMPANIE DE ASIGURARE S.R.L.	3.20%
4	MARSH - BROKER DE ASIGURARE-REASIGURARE S.R.L.	2.12%
5	AON ROMANIA BROKER DE ASIGURARE-REASIGURARE S.R.L.	1.54%
6	DESTINE BROKER DE ASIGURARE-REASIGURARE S.R.L.	1.51%
7	WILLIS TOWERS WATSON ROMANIA-BROKER DE ASIGURARE-REASIGURARE S.R.L.	0.81%
8	TRANSILVANIA BROKER DE ASIGURARE S.A..	0.49%
9	PROFESSIONAL BROKER DE ASIGURARE S.R.L.	0.47%
10	CAMPION BROKER DE ASIGURARE SI REASIGURARE S.R.L.	0.37%
<b>TOTAL 1-10 Share in total income from general insurance distribution</b>		<b>96.76%</b>



## **12. EVOLUTION OF PRIVATE PENSIONS IN ROMANIA IN 2022**



On 31 December 2022, 8.59 million participants were registered in the 17 private pension funds, compared with 8.36 million at the end of the previous year. The number of registered participants in the privately managed pension system on 31 December 2022 was 7.96 million, compared to 7.79 million registered in December 2021, and the number of registered participants in the voluntary pension system was 627 thousand, compared to 564 thousand registered on 31 December 2021.

Private pension funds in Romania had accumulated assets of RON 100.08 billion at the end of December 2022, up 8.17% compared to the end of the previous year.

Financial instruments in the portfolios of private pension funds that are traded on financial markets are marked to market, regardless of the time period for which they are intended to be held in the portfolios. In this situation, the evolution of the unit value of the net assets of private pension funds may include potential episodes of volatility in the short term and be influenced by them. However, the investment horizon of private pension funds is long-term, with funds showing good resilience to shocks that have affected financial markets in the past.

The investment policy in the asset portfolios of private pension funds continues to be concentrated in the local equity market, while the share of investments in fixed income instruments accounted for 71% of the total investment portfolio of private pension funds. At the end of 2022, 22% was invested in shares.

## **12.1. Privately managed pension funds - Pillar II**

At the end of December 2022, seven privately managed pension funds were registered in the Electronic Register of the Financial Supervisory Authority. They are managed by seven private pension fund managers and their assets are entrusted to three Romanian banks as custodians. The total value of privately managed pension fund assets was RON 96.46 billion at the end of 2022, up by about 8.25% compared to the same date in 2021. Compared to September 2022, the value of total assets increased by 8.74%. The number of registered participants in the privately managed pension system as at 31 December 2022 was 7.96 million, up from 7.79 million at the end of the previous year.

At the Pillar II level, the average contribution of participants with contributions paid in December 2022 was about RON 237 /participant, while on 31 December 2021 it was RON 204 /participant. In 2022, the contributions paid into the privately managed pension system amounted to RON 10.99 billion, an increase of about 12% compared to 2021.

At the end of 2022, government securities and equities remained the main financial instruments in which privately managed pension funds invested. Private pension funds' investments in government securities accounted for 62% at 31 December 2022, up from 60%.

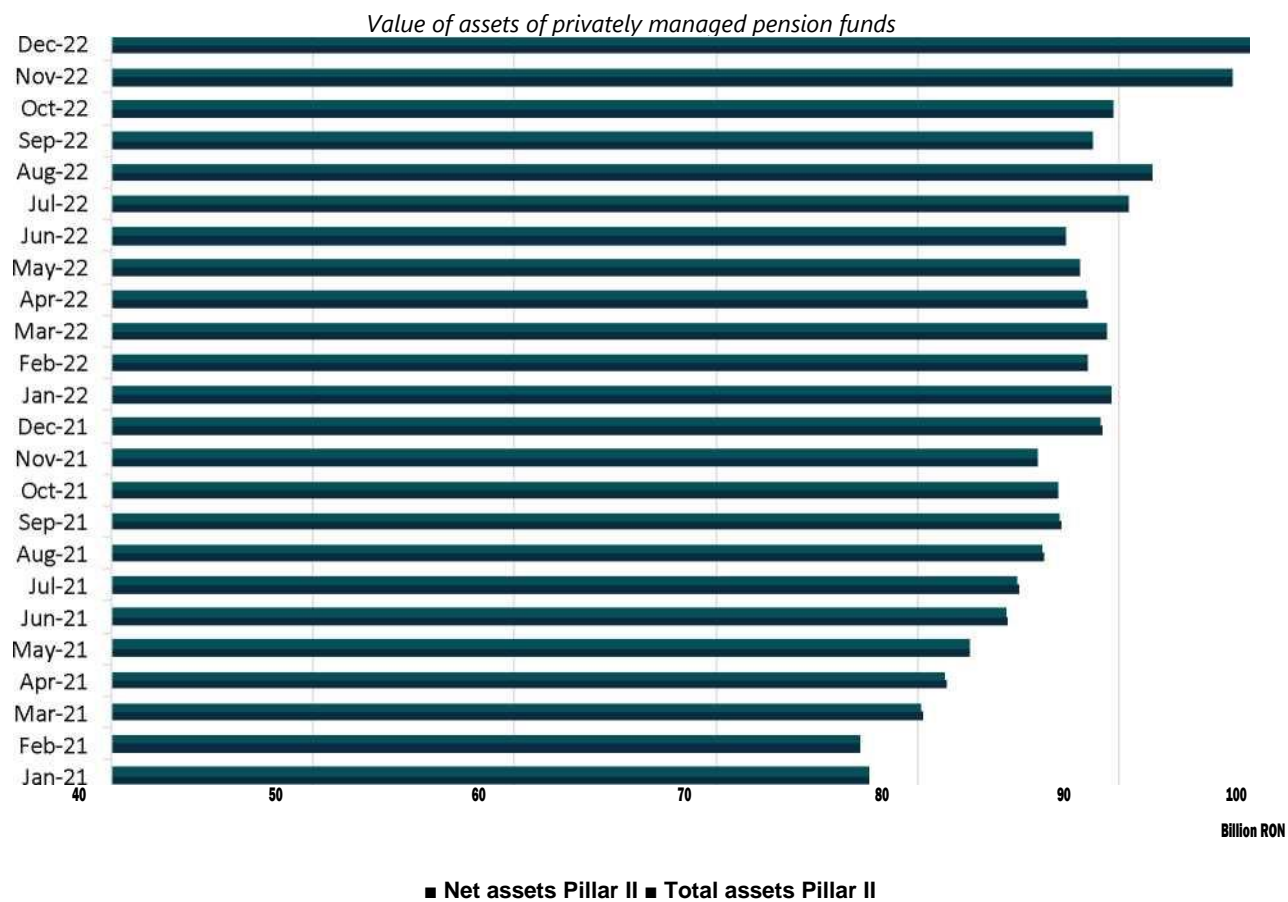
invested on 31 December 2021 in this type of financial instrument. At the same time, investments in equities accounted for 22% of the total assets of Pillar II pension funds. Significant proportions were also invested in corporate bonds (7.6%) and bank deposits and current accounts (4%).

The weighted average rate of return of all privately managed pension funds was 4.12% in December 2022, down from 5.79% at the end of 2021.

At the end of December 2022, the average asset value of a participant in the privately managed pension system was RON 12,242, an increase of 5.7% compared to the same period of the previous year 2021 and an increase of 7.8% compared to the previous quarter. During 2022, payments of net personal assets to participants in the amount of RON 407 million were made to approximately 23 thousand participants and beneficiaries.

12.1.1. Value of assets

At the end of December 2022, the total assets of privately managed pension funds amounted to RON 96.46 billion and the net assets reached RON 96.43 billion.

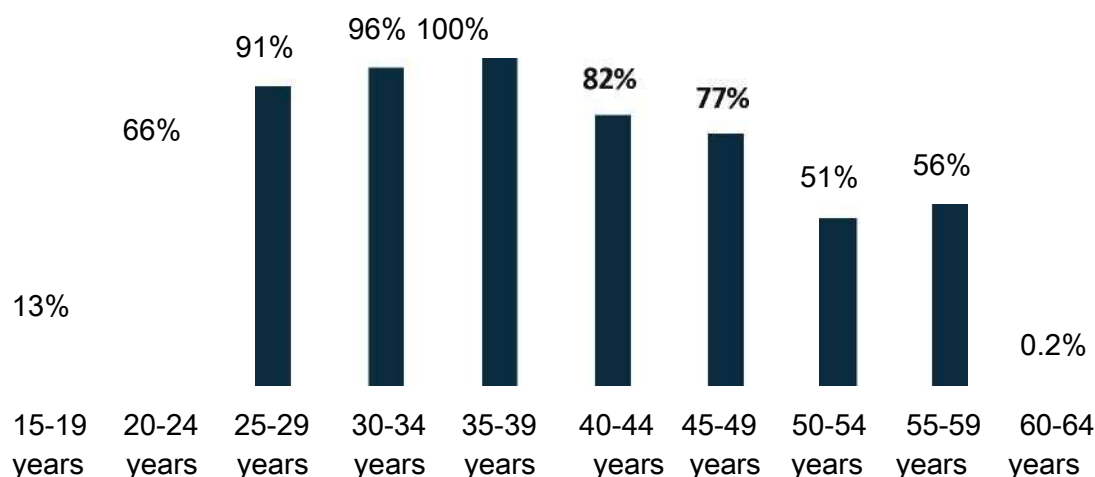
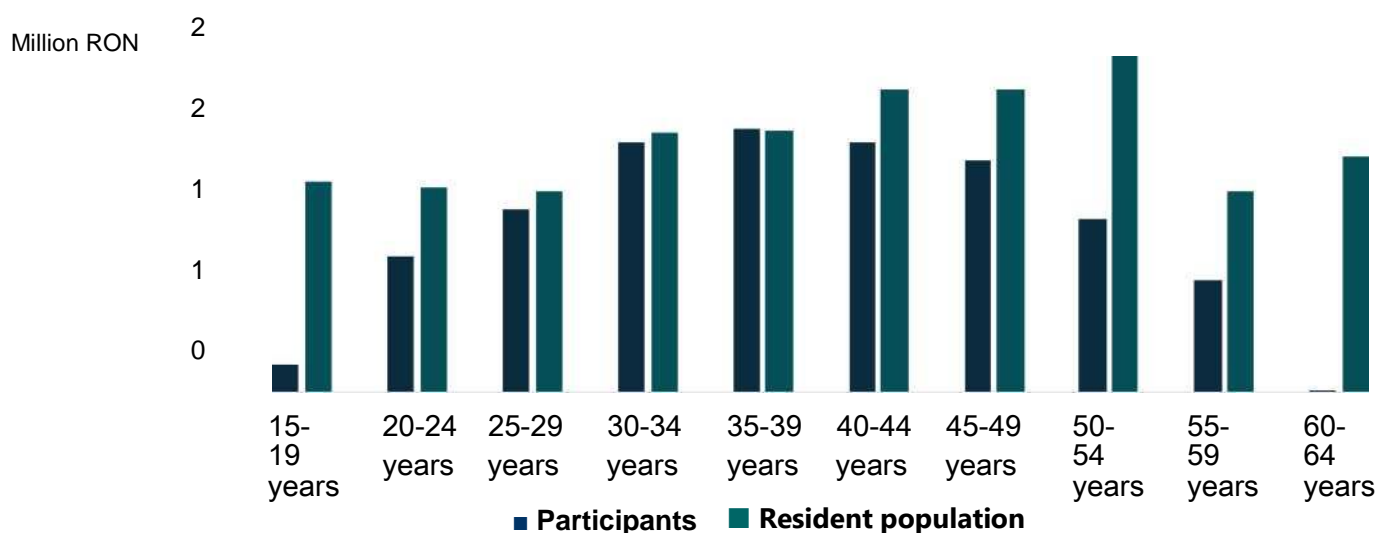


### 12.1.2. Participants

The total number of participants in the privately managed pension system on 31 December 2022 was 7.96 million, up 2% compared to the same date last year. From the beginning of the year up to and including December, aprox. 201 thousand people were registered in the system, up 16% on the previous year. The top three privately managed pension funds by number of participants, FPAP NN (26%), FPAP AZT Viitorul Tău (21 %) and FPAP Metropolitan Life (14%), together account for 61 % of the total number of people registered in the system.

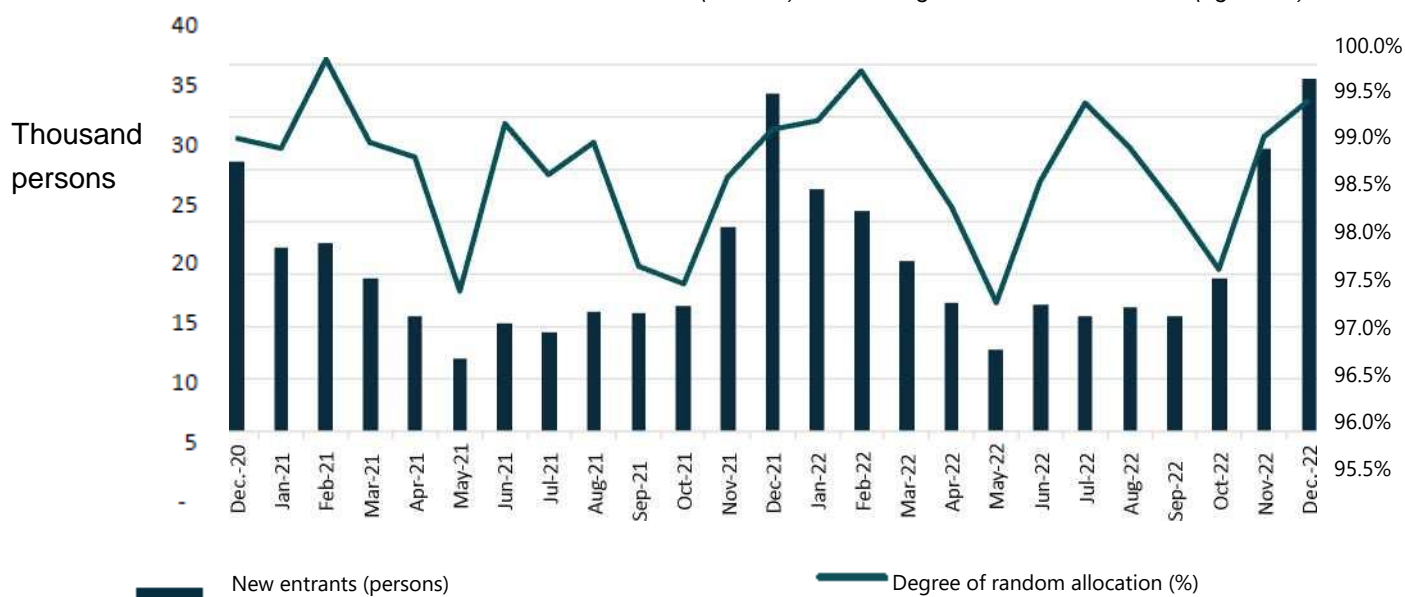
The distribution by age group at the end of 2022 was as follows: the share of participants aged under 35 years was 37% of all participants and the share of those aged over 35 years was 63%. The distribution of participants by gender remains constant, with the share of female participants in the total number of participants being 48% and the share of males 52%.

*Age structure at 31 December 2022 - participants and resident population and penetration of private pensions*



In terms of the penetration of private pensions among the resident population, there is a good coverage of the middle age groups (25-39 years), with an increasingly pronounced decline for ages closer to retirement age, as people over 45 were not eligible for membership when the privately managed pension system was introduced in 2008 (for those aged 35-45, membership was optional).

*Evolution of the number of new entrants (left axis) and the degree of random allocation (right axis)*



Some 199,000 people were randomly allocated to a privately managed pension fund in 2022, representing 99% of all new entrants to the system.

### 12.1.3. Contributions and payments in the event of retirement, invalidity and death

From the beginning of the year to December 2022, gross contributions to privately managed pension funds amounted to RON 10.99 billion, 12% more than in the same period last year. In December 2022, gross contributions were paid in the amount of about RON 940 million, an increase of 14% compared to December 2021 (RON 823 million). The average contribution per participant was about RON 237 in December 2022, 16% more than in the same period of the previous year.

During 2022, payments of net personal assets amounting to about RON 407 million were made to 23 thousand participants or beneficiaries. Of the total amount of payments made, 88% are related to the opening of pension rights, 11 % due to the death of the participant and 1 % due to disability.

In 2022, 67% of participants/beneficiaries preferred lump-sum payments over instalments as a way of paying out net personal assets. Following the opening of the pension entitlement, one-off payments amounting to RON 224 million and instalment payments amounting to about RON 133 million were made. One-off payments amounting to RON 32 million and instalments of RON



12 million to the beneficiaries of the net personal assets following the death of the participant. For invalidity, the amount of net personal assets paid out was approximately RON 3.5 million in one-off payments and RON 1.1 million in instalments.

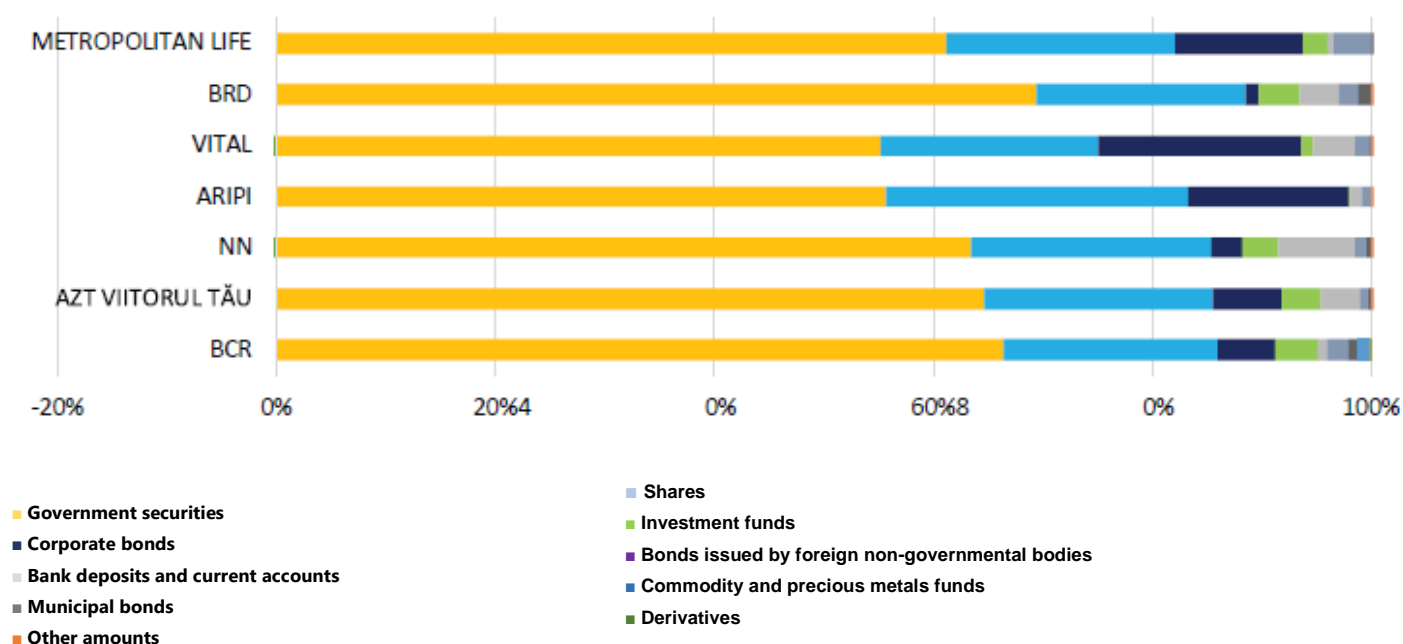
The highest shares of total net personal asset payments in 2022 were recorded by FPAP NN (35%), FPAP AZT Viitorul Tău (23%) and FPAP Metropolitan Life (14%), being also the funds with the highest number of participants. Open pension entitlements account for the largest share of privately managed pension fund payouts.

#### 12.1.4. Investment structure

Under current legislation, private pension funds follow a generally conservative strategy, investing mainly in sovereign bonds, but also in companies listed on the capital market, which are transparent and comply with corporate governance, thus stimulating the development of the primary and secondary market. At the same time, private pension funds have a long-term investment horizon and represent a stable source of capital to finance the Romanian economy and the Romanian state.

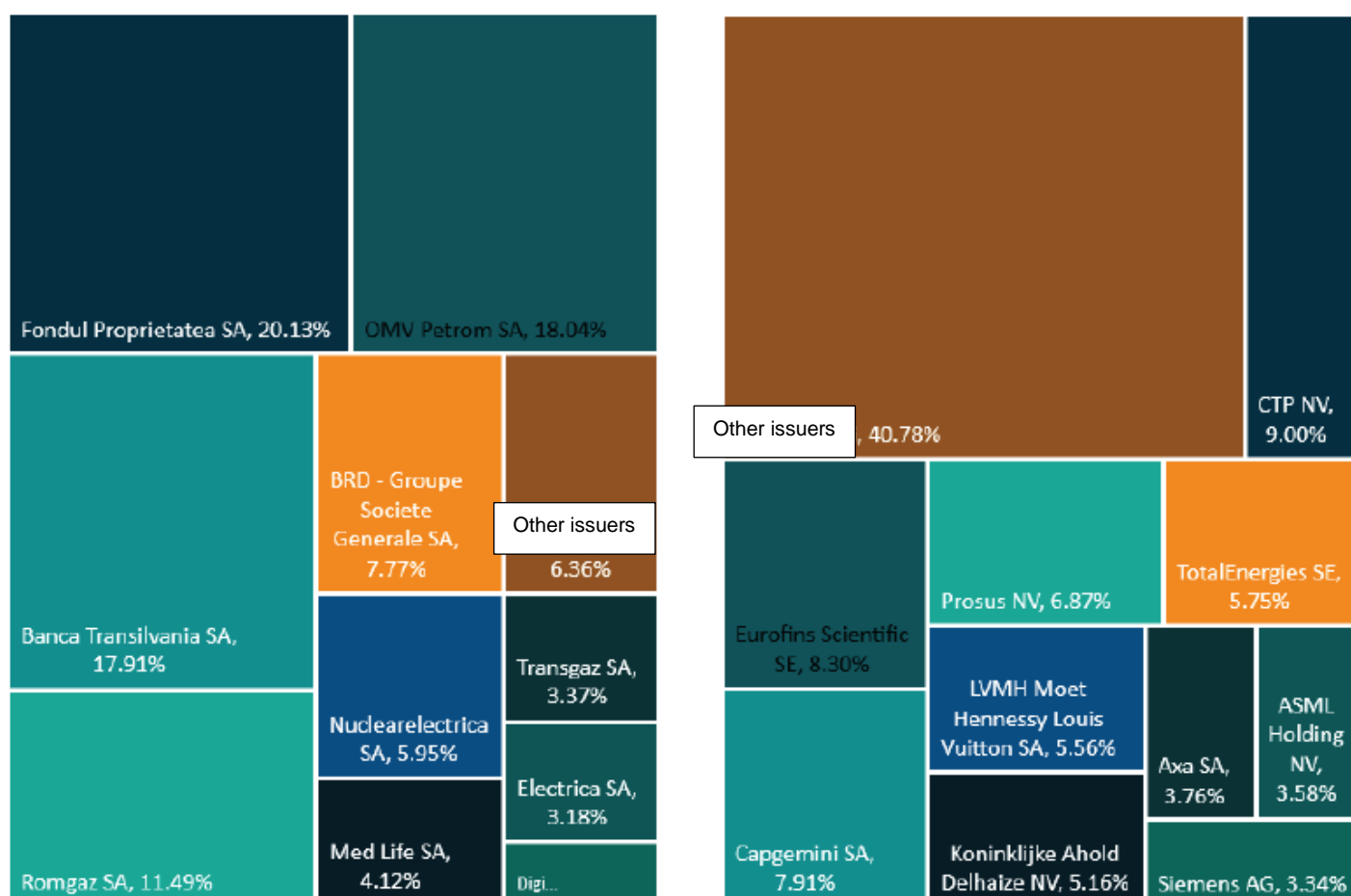
Privately managed pension funds invested mostly in sovereign bonds, accounting for more than 54% of total assets. Of the seven privately managed pension funds, the BRD FPAP invested the highest percentage of assets in government securities, around 69.5%. Other financial instruments, such as equities or corporate bonds, are found in the investment portfolios of pension funds in significant percentages.

*Structure of investment portfolios of privately managed pension funds as at 31 December 2022*



Private pension funds invest in issuers that respect corporate governance and are transparent. As of 31 December 2022, approximately 22% of the Romanian privately managed pension system was invested in equities. The largest share of equity issuers is represented by Romanian issuers (93%), the rest being issuers from other countries (7%).

*Issuers of shares in Pillar II private pension fund portfolios in Romania (left) and other countries (right) on 31 December 2022*



As of 31 December 2022, the main issuers of shares are the companies in the top of the most traded companies on the main segment of BVB. As for foreign issuers, most of them are from France, the Netherlands or Germany.

Since 2013, financial instruments in the portfolios of private pension funds traded on financial markets are marked to market. In this situation, the evolution of the unit value of the net assets of private pension funds may include potential episodes of volatility in the short term, and is influenced by them. By their very nature, private pension funds are long-term investors, not speculative, but rather holding instruments until maturity and regularly receiving their entitlements (coupons, dividends, etc.).

Throughout its history, Romania's private pension system has weathered both previous financial crises and other episodes of volatility and downturns in the financial markets, returning to a positive trajectory soon after. Even in this context, past performance cannot be a guarantee of future results, especially as current developments pose many structural challenges, given the global geopolitical dynamics and the transition to climate-sustainable economies.

### 12.1.5. Rates of return

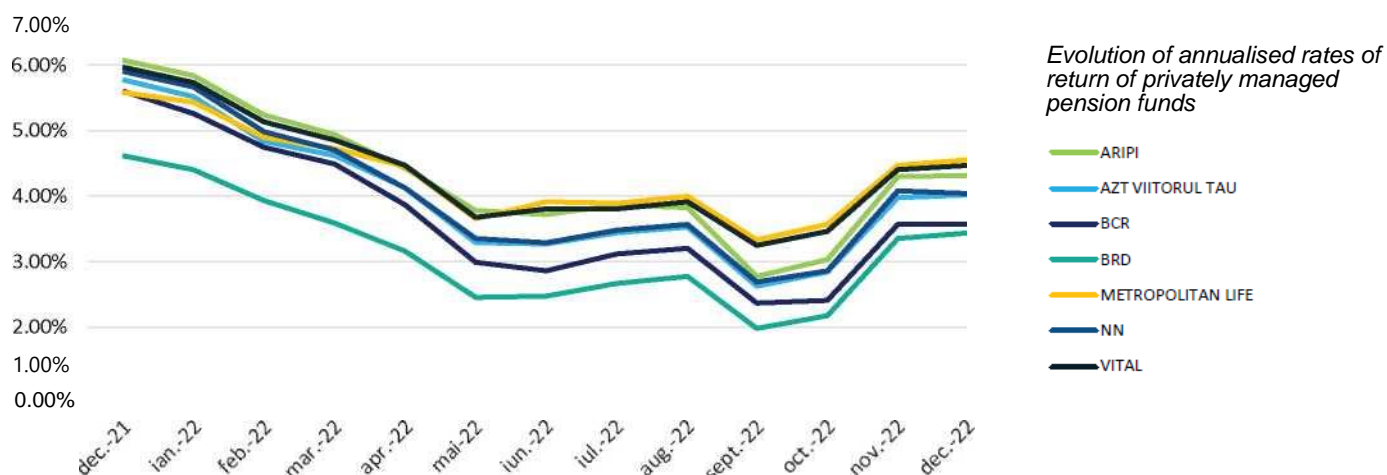
The rate of return of a privately managed pension fund over a period is the difference between the value of the fund unit on the last business day of the period and the value of the fund unit on the last business day preceding that period, all in relation to the value of the fund unit on the last business day preceding that period. The annualised rate of return of a privately managed pension fund shall be measured for the period of the last 60 months preceding the calculation.

The annualised rates of return of privately managed pension funds were as follows at the end of December 2022 compared to the same month last year:

*Annualised rates of return of privately managed pension funds*

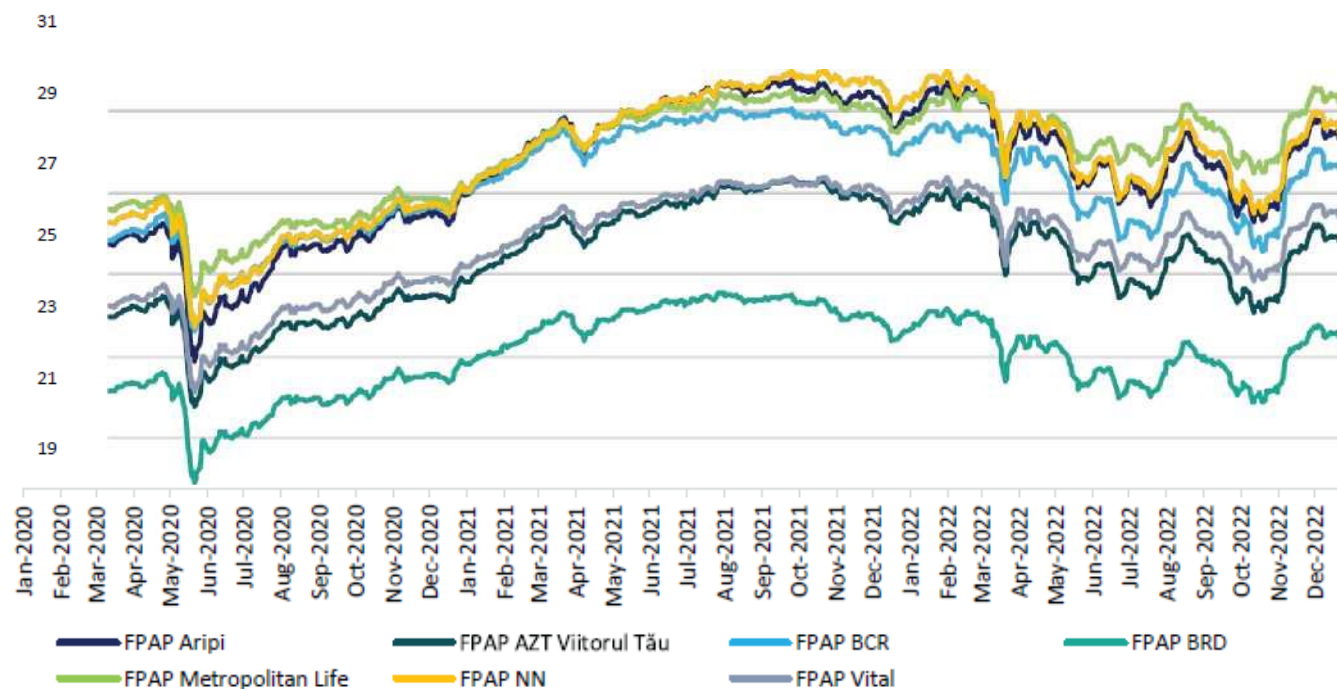
Name of privately managed pension fund	December 2021	December 2022
ARIPI	6.0746%	4.3189%
AZT VIITORUL TAU	5.7763%	4.0181%
BCR	5.6116%	3.5707%
BRD	4.6228%	3.4464%
METROPOLITAN LIFE	5.5931%	4.5650%
NN	5.9138%	4.0463%
VITAL	5.9777%	4.4764%

All privately managed pension funds experienced decreases in annualised rates of return at the end of December 2022 compared to the same period last year, amid heightened risks in the financial markets at the beginning of the fourth quarter of 2022, when market risk increased. However, by the end of the year, policies adopted internationally and locally had led to a decrease in risk perception, positively influencing the value of assets in the portfolios.



The unit value of the fund (NAV) is the ratio of the net asset value of the pension fund on a given date to the total number of units in the fund on the same date. At end-December 2022, privately managed pension fund net asset values per unit have recovered much of the declines during the year (particularly at the end of the third quarter of 2022), as a result of the improving outlook in financial markets.

*Evolution of the Unit Values of Net Assets of Pillar II pension funds (RON)*



Interest rates recorded major increases in the first months of 2022, driven by rising inflationary pressures, but also by the war in Ukraine and its repercussions (persistently high sovereign risk premium for Romania). Given the significant share of bonds in pension funds' portfolios, especially government securities, there was a slight decrease in the value of total assets of privately managed pension funds in the third quarter of 2022, but this was recovered by the end of the year, with the total value of Pillar II assets increasing by about 8% compared to December 2021.

## 12.2. Voluntary pension funds - Pillar III

At the end of December 2022, 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 assets of voluntary pension funds amounted to RON 3.62 billion at the end of December 2022, an increase of about 6.12% compared to the same period last year. Compared to September 2022, the value of total assets increased by 8.52%. The number of registered participants in the voluntary pension system as of 31 December 2022 was 627 thousand, up 11 % from the end of the previous year.

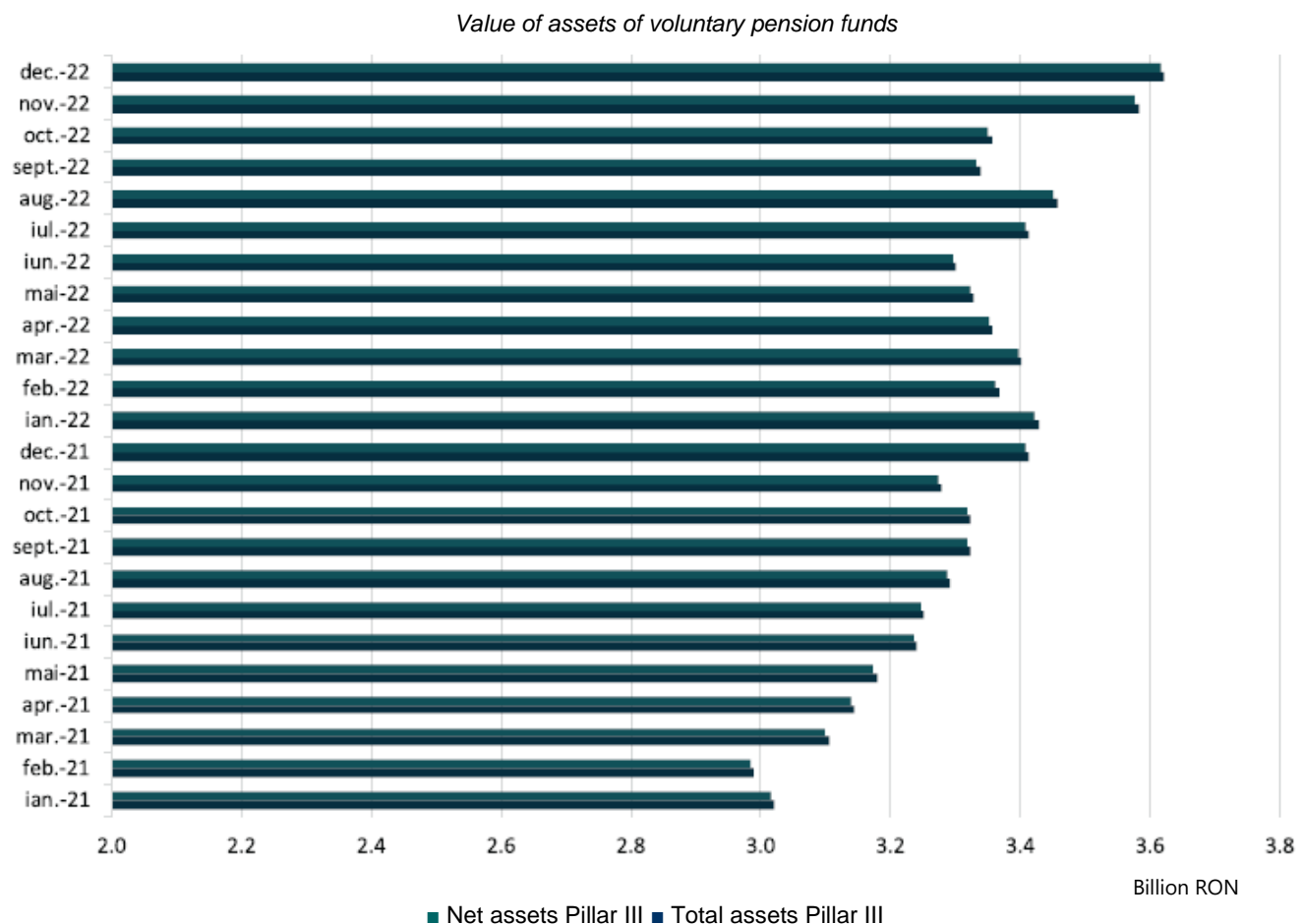
At the Pillar III level, the average contribution of participants with paid-in contributions as of 31 December 2022 was approximately RON 170 /participant, down 18% compared to December 2021.

In 2022, contributions paid into the voluntary pension system amounted to approximately RON 502 million, up 17% compared to 2021.

The weighted average rate of return of all high-risk voluntary pension funds was 3.52% in December 2022, while the weighted average rate of return of all medium-risk voluntary pension funds was 2.62%. At the end of December 2022, the average value of an account in the voluntary pension system was RON 5,771, 4% lower than at the end of the previous year. In the period January-December 2022, payments of net personal assets to participants amounting to RON 101 million were made for more than 10 thousand participants and beneficiaries.

### 12.2.1. Value of assets

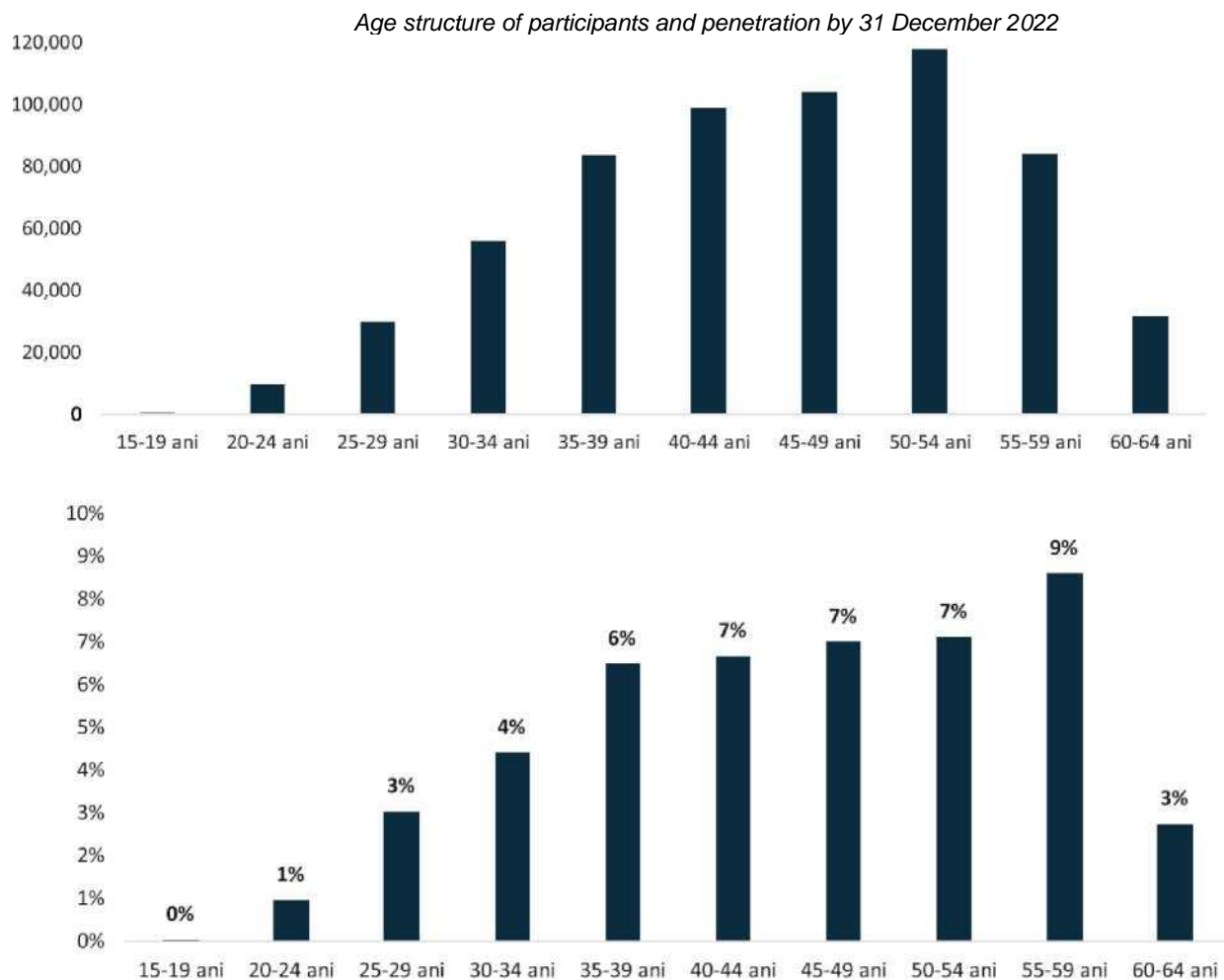
At the end of December 2022, the total assets of voluntary pension funds amounted to RON 3.62 billion, an increase of about 6.12% compared to the same period last year.





At the end of 2022, the total number of participants in the voluntary pension system was 627 thousand, up 11 % compared to the same period of the previous year. From the beginning of the year up to and including December, some 71.6 thousand people were registered in the system, 50% more than the previous year. The top three voluntary pension funds by number of participants, FPF NN Optim (37%), FPF BCR Plus (23%) and FPF NN Activ (11%) remained in the top positions, accounting for around 71% of the total number of people registered in the system.

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 2022, the share of participants aged 16-29 was 6.4% of all participants, the share of those aged 30-44 was 38.1% and the share of those over 45 was 55.6%. 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%.



\* ani = years

There is a low share of voluntary pensions, ranging from 4 to 9% of the population for most age groups.

### **12.2.2. Contributions and payments in case of retirement, disability and death**

From the beginning of the year up to and including December 2022, gross contributions to voluntary pension funds amounted to RON 502 million, an increase of 17% compared to the same period in 2021. In December 2022, gross contributions of approximately RON 49 million were paid, 7% less than in December 2021.

The average contribution per participant was around RON 170 in December 2022, 18% lower than in the same period last year.

During 2022, payments of net personal assets amounting to approximately RON 101 million were made to approximately 10 thousand participants or beneficiaries. Out of the total amount of payments made, 93.23% are related to the opening of pension entitlement, 6.40% due to the death of the participant and 0.36% due to disability.

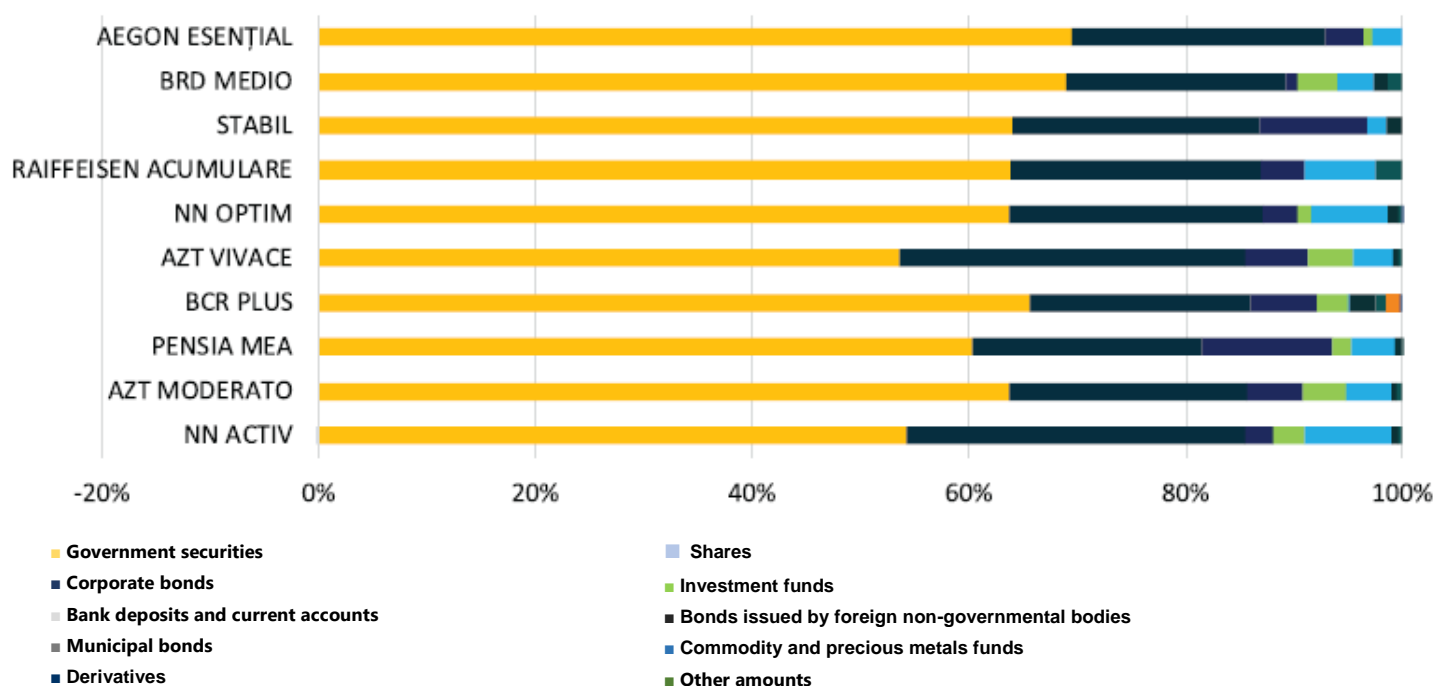
The preferred method of payment of net personal assets by participants/beneficiaries in 2022 was a one-off payment, accounting for 58% of the total number of payments made by voluntary pension funds. As a result of the opening of pension entitlement, one-off payments amounting to RON 44 million and instalment payments amounting to RON 50 million were made. One-off payments of RON 4.2 million and instalments of RON 2.3 million were made to beneficiaries of net personal assets following the death of the participant. For invalidity situations, the amount of net personal assets paid out was approximately 238 thousand RON in one-off payments and 132 thousand RON in instalments.

### **12.2.3. Investment structure**

At the end of December 2022, government securities and equities remained the main financial instruments in which voluntary pension funds invested. Investments in government securities accounted for 63% of total assets and investments in shares for 24%. Another important category of financial assets in which voluntary pension funds invested was corporate bonds and bank deposits.

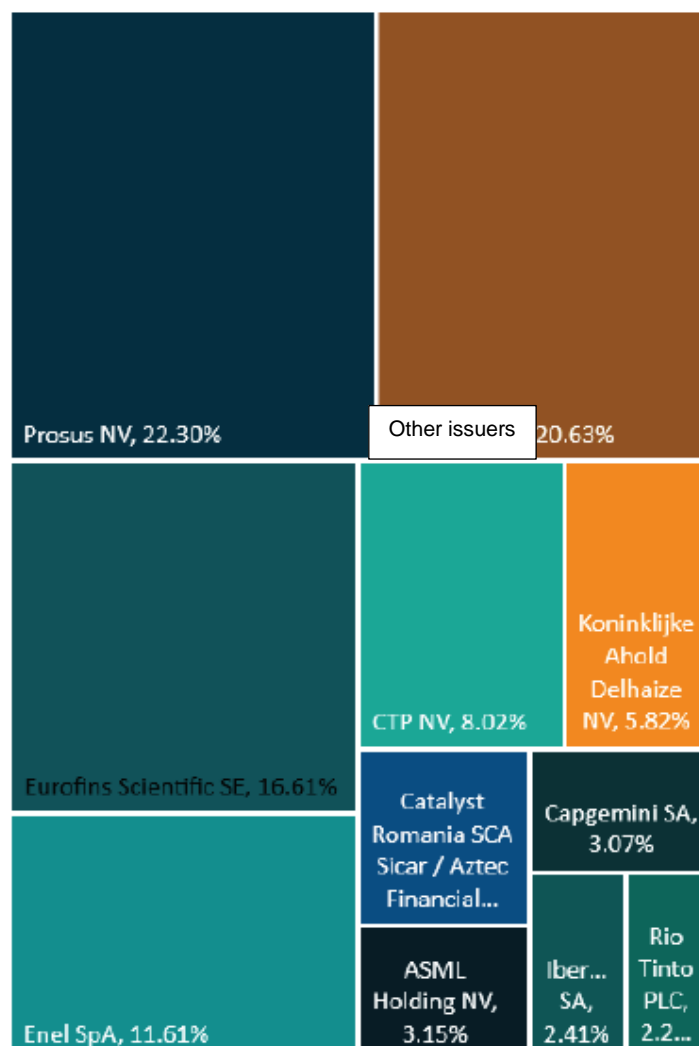
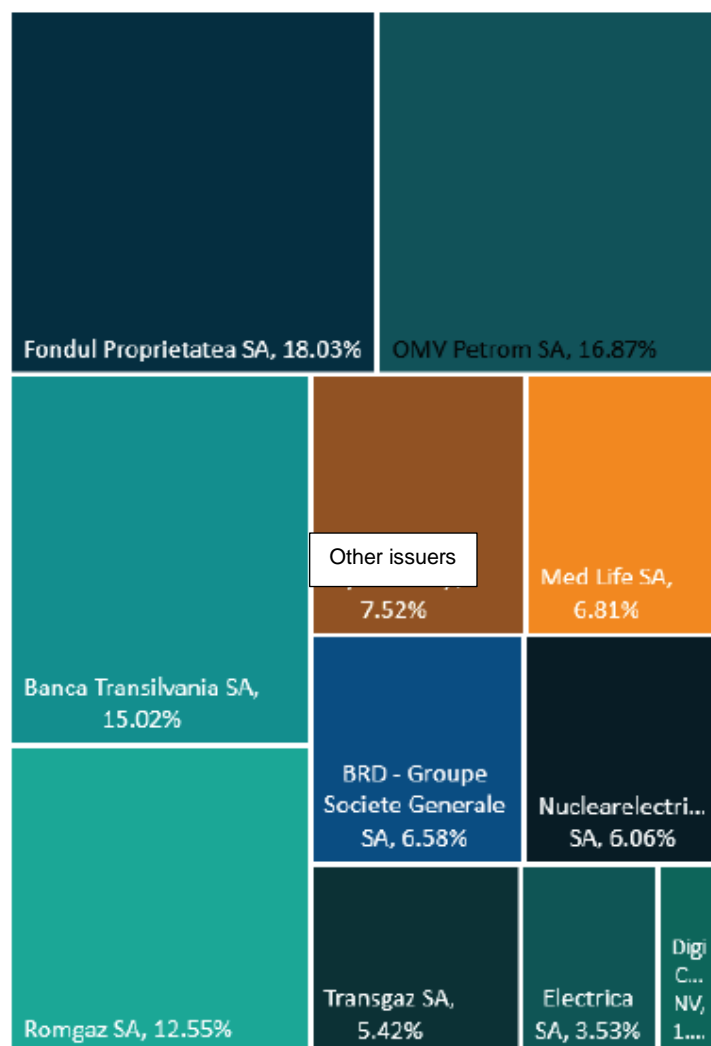
All voluntary pension funds invested mostly in government securities, accounting for more than 54% of total assets. Of the ten voluntary pension funds, FPF BCR Plus, FPF BRD Medio and FPF Aegon Esențial invested the highest percentage in government securities, with levels between 66 and 70%. Other financial instruments, such as equities or corporate bonds, are found in the investment portfolios of voluntary pension funds in significant percentages.

Structure of investment portfolios of voluntary pension funds as at 31 December 2022



Pillar III pension funds invest in issuers that respect corporate governance and are transparent. As of 31 December 2022, approximately 24% of the Romanian voluntary pension system was invested in equities. The largest share of equity issuers is represented by Romanian issuers (94%), the rest being issuers from other countries (6%).

Issuers of Pillar III private pension fund portfolios in Romania (left) and other countries (right)



As in the case of Pillar II, voluntary pension funds have invested the highest percentage of their shares in issuers listed on the regulated market of BVB. As for foreign issuers, most are from the Netherlands, Luxembourg or Germany.

#### 12.2.4. Rates of return

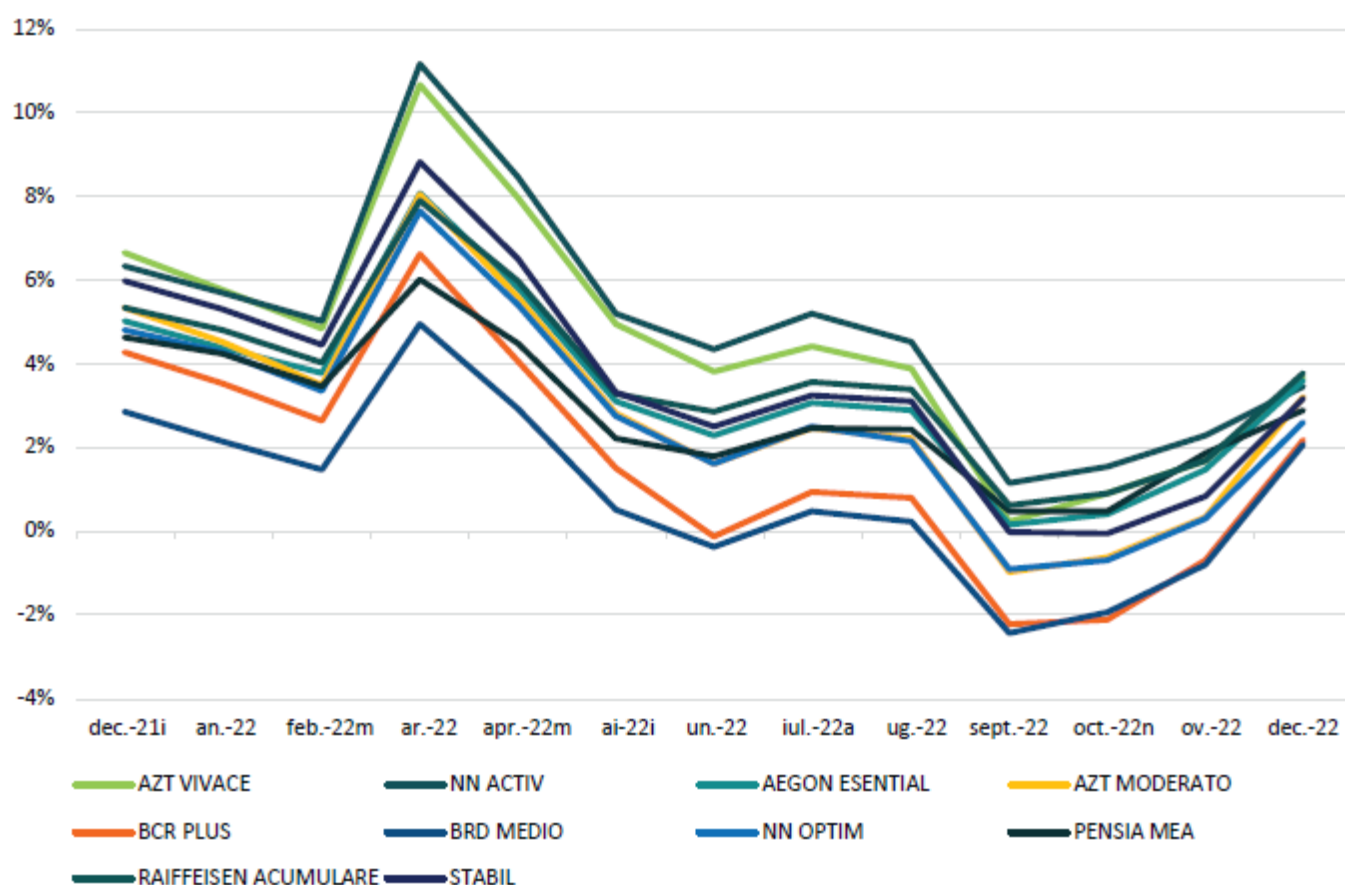
The rate of return of voluntary pension funds is the annualised rate of the product of daily returns, measured over a 24-month period. The annualised rates of return of voluntary pension funds were as follows at the end of December 2022 compared to the same month last year:

*Annualised rates of return of voluntary pension funds*

Voluntary pension fund name	December 2021	December 2022
AZT VIVACE	6.6472%	3.6797%
NN ACTIV	6.3409%	3.4656%
AEGON ESENTIAL	5.0071 %	3.5835%
AZT MODERATO	5.3304%	3.1948%
BCR PLUS	4.2546%	2.1654%
BRD MEDIO	2.8586%	2.0857%
NN OPTIM	4.8013%	2.5877%
PENSIA MEA	4.6112%	2.8858%
RAIFFEISEN ACUMULARE	5.3414%	3.7808%
STABIL	5.9573%	3.1867%

All voluntary pension funds recorded decreases in annualised rates of return at the end of December 2022 compared to the same period last year.

*Evolution of annualised rates of return of voluntary pension funds*



Against the backdrop of high market risk and rising interest rates, voluntary pension funds have faced declines in unit values of net assets, which has implicitly led to declines in the rates of return of voluntary pension funds. Voluntary pension funds have recovered by the end of the year the decreases in assets recorded during the year.

### 12.3. Private pension depositaries

#### Depositaries of privately managed pension funds

In Pillar II, the concentration of privately managed pension fund depositaries remains high, with BRD - GSG SA having a market share of 82%, followed by Raiffeisen Bank SA (14%).

*Custodians of privately managed pension funds*

Depositary	Pension fund	% Assets Pillar II
BRD - GROUPE SOCIETE GENERALE SA	FPAP NN	34.3%
BRD - GROUPE SOCIETE GENERALE SA	FPAP AZT VIITORUL TAU	21.2%
RAIFFEISEN BANK NV	FPAP METROPOLITAN LIFE	14.2%
BRD - GROUPE SOCIETE GENERALE SA	FPAP VITAL	10.2%
BRD - GROUPE SOCIETE GENERALE SA	FPAP ARIPI	9.0%
BRD - GROUPE SOCIETE GENERALE SA	BCR FPAP	7.0%
BANCA COMERCIALA ROMANA SA	FPAP BRD	4.2%

#### Depositaries of voluntary pension funds

Similar to Pillar II, the level of depositaries concentration is high for voluntary pension funds, with BRD - GSG holding 95% of Pillar III assets.

*Depositaries of voluntary pension funds*

Depositary	Pension fund	% Assets Pillar III
BRD - GROUPE SOCIETE GENERALE SA	FPF NN OPTIM	43.4%
BRD - GROUPE SOCIETE GENERALE SA	FPF BCR PLUS	16.5%
BRD - GROUPE SOCIETE GENERALE SA	FPF NN ACTIV	12.0%
BRD - GROUPE SOCIETE GENERALE SA	FPF AZT MODERATO	10.1%
BANCA COMERCIALA ROMANA SA	FPF BRD MEDIUM	5.2%
BRD - GROUPE SOCIETE GENERALE SA	FPF PENSIA MEA	4.2%
BRD - GROUPE SOCIETE GENERALE SA	FPF RAIFFEISEN ACUMULARE	3.8%
BRD - GROUPE SOCIETE GENERALE SA	FPF AZT VIVACE	3.6%
BRD - GROUPE SOCIETE GENERALE SA	FPF GENERALI STABIL	1.0%
BRD - GROUPE SOCIETE GENERALE SA	FPF AEGON ESEŢIAL	0.3%



# ASF's FINANCIAL STATEMENTS FOR 2022 AND THE AUDIT REPORT





The Financial Supervisory Authority is an autonomous, specialized, administrative authority with legal personality, independent, self-financed, established under Art. 1 par. (2) of GEO 93/2012 on the establishment, organization and functioning of the Financial Supervisory Authority approved by Law No 113/23.04.2013, with subsequent amendments and additions, which exercises its powers by taking over and reorganizing all the powers and prerogatives of the National Securities Commission, the Insurance Supervisory Commission and the Private Pension System Supervisory Commission.

The financial statements as at 31 December 2022 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 with subsequent amendments and additions and the Order of the Minister of Finance no. 596/11.01.2023 on the submission of annual centralised financial statements prepared by public institutions as at 31 December 2022 and for the amendment and completion of certain orders of the Minister of Finance in the field of accounting of public institutions.

ASF's financial statements are drawn up in accordance with the accounting principles and rules laid down by the legislation in force and include:

#### **The balance sheet**

#### **Balance sheet and income statement**

#### **Statement of cash flows**

#### **Annexes to the financial statements**

#### **Budget implementation account**

The financial statements are drawn up in RON, 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 31.12.2022.

## ASF's BALANCE SHEET as at 31.12.2022

RON

No.	NAME OF INDICATORS	Line code	Balance at the beginning of the year	Balance at the end of the period
A	B	C	1	2
1.	ASSETS	01	X	X
2.	NON-CURRENT ASSETS	02	X	X
3.	Intangible fixed assets (acc.2030000+2050000+2060000+2080100+2080200+ 2330000-2800300-2800500-2800-2900400-2900500-2900800-2930100*)	03	1,860,052	2,480,549
4.	Technical installations, means of transport, livestock, plantations, furniture, office equipment and other tangible assets (acc.2130100+2130200+21303 00+2130400+2140000+ 2310000 - 2810300-2810400-2910300-2910400-2930200*)	04	3,441,920	6,850,701
5.	Land and buildings (acc.2110100+2110200+2120101+2120102+2120201+2120301+2120401+ 2120501+2120601+2120901+2310000-2810100-2810200-2910100-2910200-2930200)	05	13,275,129	13,070,832
6.	Other non-financial assets (acc.2150000)	06	0	0
7.	Non-current financial assets (long-term investments) over one year (acc.2600100+2600200+2600300+2650000+2670201+ 2670202+ 2670203+2670204+2670205+2670208-2960101-2960102-2960103-2960200), of which:	07	0	0
8.	Participation certificates (acc. 2600100+2600200+2600300-2960101-2960102-2960103)	08	0	0
9.	Non-current receivables - amounts to be collected after a period of more than one year (acc. 4110201+4110208+4130200+4280202+4610201+ 4610209-4910200+4960200), of which:	09	0	0
10.	Non-current trade receivables - amounts to be collected after a period longer than one year (acc. 4110201+4110208+4130200+4610201-4910200-4960200)	10	0	0
11.	TOTAL ASSETS (line 03+04+05+06+07+09)	15	18,577,101	22,402,082
12.	CURRENT ASSETS	18	x	x
13.	Stocks (acc. 3010000+3020100+3020200+3020300+3020400+3020500+ 3020600 +3020700+3020800+3020900+3030100+3030200+3040100+3040200+3 050100+3050200+3070000+3090000+ 3310000+3320000+3410000+345 0000+3460000+3470000+ 3490000+3510100+3510200+3540100+35405 00+3540600+ 3560000+3570000+3580000+3590000+3610000+3710000 + 3810000+/-3480000+/-3780000-3910000-3920100-3920200-3930000- 3940100-3940500-3940600-3950100-3950200-3950300-3950400-3950600- 3950700-3950800-3960000-3970000-3980000-4420803)	19	1,690,207	1,773,666
14.	Current receivables - amounts to be collected in a period shorter than one year	20	x	x
15.	Receivables from trade, advances and other settlements acc. 2320000+2340000+4090101+4090102+4110101+4110108 +4130100+4180000+4250000+4280102+4610101+4610109+ 4730109**+4810101+4810102 +4810103+4810200+4810300+4810900+482 0000+4830000+4890101+4890301 - 4910100-4960100+5120800 ), of which:	21	25,725,206	21,274,619
16.	Settlements on the closure of the implementation of the state budget for the current year (item 4890101+4890301)	21.1		
17.	Trade receivables and advances (acc. 2320000+2340000+4090101+4090102+4110101+4110108+4130100+418 0000+4610101-4910100-4960100), of which which :	22	25,725,206	20,125,977

18.	Advances granted (acc.2320000+2340000+4090101+4090102)	22.1	2,900	2,193
19.	Budgetary receivables (acc.4310100**+4310200**+4310300**+4310400**+43 10500**+ 4310700**+4370100**+4370200**+4370300**+4420400+ 44 20800**+4420802+4440000**+4460000**+4460100**+ 4460200**+44 80200+4610102+4610104+4630000+4640000+4650100+4650200+4660 401+4660402+4660500+4660900+ 4810101**+4810102**+ 4810103**+ 4810900**+4820000**+4970000), of which:	23	2,163,019	0
20.	Receivables from the general consolidated budget (acc.4630000+4640000+4650100+465 0200+4660401+ 4660402+ 4660500+4660900-4970000)	24	0	0
21.	Receivables from operations with non-reimbursable external funds and funds from budget (acc. 4500100+4500300+4500501+4500502+4500503+ 4500504+4500505+45 00700+4510100+4510300+4510500+ 4530100+4540100+4540301+4540302 +4540501+4540502+ 4540503+4540504+4550100+4550301+4550302+4550 303+ 4560100+4560303+4560309+4570100+4570201+4570202+ 4570203+ 4570205+4570206+4570209+4570301+4570302+ 4570309+4580100+45803 01+4580302+4610103+4730103**+ 4740000+4760000), of which:	25	0	0
22.	Amounts receivable from the European Commission / other donors (acc.4500100+4500300+4500501+4500502+4500503+4500504+4500505+ 4500700)	26	0	0
23.	Short-term loans granted (acc. 2670101+2670102+2670103+2670104+2670105+ 2670108+ 2670601+2 670602+2670603+2670604+2670605+ 2670609+ 4680101+4680102+46801 03+4680104+4680105+ 4680106+ 4680107+4680108+4680109+4690103+4 690105+ 4690106+ 4690108+4690109)	27	237,434,184	195,607,500
24.	Total current receivables (line 21+23+25+27)	30	265,322,409	216,882,119
25.	Short-term investments (acc.5050000-5950000)	31		
26.	Accounts with treasuries and credit institutions	32	x	x
27.	Treasury accounts, cash on hand (acc. 5100000+5120101+5120501+5130101+5130301+5130302+ 5140101+5 140301+5140302+5150101+5150103+5150301+ 5150500+5150600+51601 01+5160301+5160302+5170101+ 5170301+5170302+5200100+5210100+52 10300+5230000+ 5250101+5250102+5250301+5250302+5250400+526000 0+ 5270000+5280000+5290101+5290201+5290301+5290400+ 5290901+53 10101+5500101+5520000+5550101+5550400+ 5570101+5580101+558020 1+5590101+5600101+5600300+ 5600401+5610101+5610300+5620101+562 0300+5620401+ 5710100+5710300+5710400+5740101+5740102+5740301+ 5740302+5740400+5750100+5750300+5750400-7700000)	33	20,631,607	19,036,434
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.	Accounts with credit institutions, the NBR, cash in foreign currency (acc. 5110101+5110102+5120102+5120402+5120502+ 5130102+5130202+51 40102+5140202+5150102+5150202+ 5150302+5160102+5160202+5170102 +5170202+5290102+ 5290202+5290302+5290902+5310402+5410102+5410 202+ 5500102+5550102+5550202+5570202+5580102+5580202+ 5580302+ 5580303+5590102+5590202+5600102+5600103+ 5600402+5610102+56101 03+5620102+5620103+5620402)	35	52,949,116	128,614,755
31.	Interest receivable, treasury advances (acc.5180702+5420200)	35.1	514,256	3,642,670
32.	Deposits	36	x	X
33.	Total cash and other assets (line 33+33.1+35+35.1)	40	74,096,743	151,295,623
34.	Cash accounts of the Central Treasury and territorial treasuries (acc. 5120600+5120700+5120901+5120902+5121000+ 5240100+ 5240200+5 240300+5550101+5550102+5550103 -7700000)	41	0	0

35.	Interest receivable, other receivables, treasury advances (acc.5320400+5180701+5180702)	41.1	0	0
36.	Expenditure in advance (acc. 4710000 )	42	48,917	127,400
37.	TOTAL CURRENT ASSETS (line 19+30+31+40+41+41.1+42)	45	341,158,276	370,078,808
38.	TOTAL ASSETS (line 15+45)	46	359,735,377	392,480,890
39.	DEBTS	50	x	x
40.	NON-CURRENT LIABILITIES - amounts to be paid after a period longer than one year	51	x	x
41.	Non-current amounts - amounts to be paid after a period longer than one year (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.	Long-term loans (acc. 1610200+1620200+1630200+1640200+1650200+1660201+1660202+16 60203+1660204+1670201+1670202+)	54	0	0
44.	Provisions (acc. 1510201+1510202+1510203+1510204+1510208)	55	29,399,760	37,046,626
45.	TOTAL NON-CURRENT DEBTS (line 52+54+55)	58	29,399,760	37,046,626
46.	CURRENT DEBTS - amounts to be paid within a period of up to one year	59	x	x
47.	Trade debts, advances and other settlements (acc. 2690100+4010100+4030100+4040100+4050100+4080000+4190000+46 20101+4620109+4730109+4810101+4810102+4810103+4810200+4810300+4810900+4820000+4830000+4890201+5090000+5120800), of which:	60	891,755	1,363,979
48.	Settlements on the closure of the execution of the state budget for the current year (acc. 4890201)	60.1	0	0
49.	Trade debts and advances (acc. 4010100+4030100+4040100+4050100+ 4080000+ 4190000+4620101), of which:	61	293,349	1,098,800
50.	Advances received (acc.4190000)	61.1		
51.	Debts to budgets (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	4,535,172	5,267,963
52.	Public institutions' debts to budgets	63	x	x
53.	Social contributions (acc. 4310100+4310200+4310300+4310400+4310500+4310700+4370100+43 70200+4370300)	63.1	3,837,450	4,447,111
54.	Amounts due to the budget from non-reimbursable external funds (acc.4550501+4550502+4550503)	64	0	0
55.	Debts from operations with non-reimbursable external funds and funds from the budget. other debts to other international bodies (acc. 4500200+4500400 +4500600+4510200+4510401+4540402+4540409+4510601+4510602+4510 603+4510605+4510606+4510609+4520100+4520200+4530200+4540200+4540401+4540402+4540601+4540602+4540603+4550200+4550401+45504 02+4550403+4550404+4550409+4560400+4580401+4580402+4580501+45 80502+4590000+4620103+ 4730103+4760000)	65	0	0
56.	of which: amounts due to the European Commission / other donors (acc.4500200+4500 400+4500600+4590000+4620103)	66	0	0



57.	Short-term loans - amounts to be repaid over a period of up to one year (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.	Long-term loans - amounts to be paid during the current year (acc. 1610100+1620100+1630100+1640100+1650100+1660101+1660102+16 60103+1660104+1670101+1670102+1670103+1670108+1670109+1680100 +1680200+1680300+1680400+1680500+1680701+1680702+1680703+1680 708+ 1680709 - 1690100)	71	0	0
59.	Employee salaries (acc. 4210000+4230000+4260000+4270100+4270300+4280101)	72	6,245,411	7,160,736
60.	Other entitlements due to other categories of persons (pensions, unemployment benefits, grants) (acc. 4220100+4220200+4240000+4260000+4270200+ 4270300+4290000+4380000), of which:	73	0	0
61.	Pensions, unemployment benefits, grants	73.1	x	x
62.	Prepaid income (acc.4720000)	74	0	0
63.	Provisions (acc.1510101+1510102+1510103+1510104+1510108)	75	21,821,204	22,929,684
64.	TOTAL CURRENT DEBTS (line 60+62+65+70+71+72+73+74+75)	78	33,493,542	36,722,362
65.	TOTAL DEBTS (line 58+78)	79	62,893,302	73,768,988
66.	NET ASSETS = TOTAL ASSETS - TOTAL LIABILITIES = EQUITY (line 80= line 46-79 = line 90)	80	296,842,075	318,711,902
67.	EQUITY	83	x	x
68.	Reserves, funds (acc.1000000+1010000+1020101+1020102+1020103+1030000+1040101+1040102+1040103+1050100+1050200+1050300+1050400+1050500+1060000+1320000+1330000+1390100)	84	5,361,017	5,551,267
69.	Retained earnings (acc.1170000- credit balance)	85	247,473,546	291,089,844
70.	Retained earnings (acc.1170000- debit balance)	86		
71.	Net result for the year (acc.1210000- credit balance)	87	44,007,512	22,070,791
72.	Net result for the year (acc.1210000- debit balance)	88		
73.	TOTAL EQUITY (line 84+85-86+87-88)	90	296,842,075	318,711,902

## ASF's balance sheet and income statement as at 31.12.2022

RON

No.	INDICATOR NAME	Line code	Previous year	Current year
A	B	C	1	2
I.	OPERATING REVENUE	01		
1.	Revenue from taxes, duties, insurance contributions and other revenue of budgets (acc.7300100+7300200+7310100+7310200+7320100+7330000+7340000+7350100+7350200+7350300+7350400+7350500+7350600+7360100+7390000+7450100+7450200+7450300+7450400+7450500+7450900+7460100+7460200+7460300+7460900)	02	0	0
2.	Revenue from economic activities (acc.7210000+7220000+7510100+7510200+/- 7090000)	03	0	0
3.	Financing, subsidies, transfers (acc.7510500+7710000+7720100+7720200+7740100+7740200+7750000+7760000+7780000+7790101+7790109)	04	213,106	209,315

4.	Other operating revenue (acc.7140000+7180000+7500000+7510300+7510400+7810200+7810300+7810401+7810402+7770000)	05	229,065,955	227,050,835
	TOTAL OPERATING REVENUE (line 02+03+04+05)	06	229,279,061	227,260,150
II.	OPERATIONAL EXPENDITURE	07		
1.	Salaries and social contributions of employees (acc.6410000+6420000+6450100+6450200+6450300+6450400+6450500+6450 600+6450800+6460000+6470000)	08	149,560,244	167,501,501
2.	Grants and transfers (acc.7000000+6710000+6720000+6730000+6740000+6750000+6760000+6770000+6780000+6790000)	09	9,442,351	10,478,615
3.	Stocks, supplies, works and services performed by third parties (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	12,415,484	14,753,044
4.	Capital expenditure, depreciation and provisions (acc.6290200+6810100+6810200+6810300+6810401+6810402+6820101+6820109+6820200+6890100+6890200)	11	18,848,101	26,024,652
5.	Other operational expenditure (acc.6350000+6350100+6540000+6580101+ 6580109)	12	1,537,535	682,657
6.	TOTAL OPERATING EXPENDITURE (line 08+09+10+11+12)	13	191,803,715	219,440,469
III.	RESULT FROM OPERATIONAL ACTIVITY	14		
	- SURPLUS (line 06- line 13)	15	37,475,346	7,819,681
	- DEFICIT (line 13- line 06)	16		
IV.	FINANCIAL INCOME (acc.7630000+7640000+7650100+7650200+7660000+7670000+7680000+7690000+7860300+7860400)	17	6,630,128	14,035,968
V.	FINANCIAL EXPENDITURE (acc. 6630000+6640000+6650100+6650200+6660000+6670000+6680000+6690 000+6860300+6860400+6860800)	18	97,962	60,639
VI.	RESULT FROM FINANCIAL ACTIVITY	19		
	- SURPLUS (line 17- line 18)	20	6,532,166	13,975,329
	- DEFICIT (line 18- line 17)	21		
VII.	RESULT FROM CURRENT ACTIVITY	22		
	- SURPLUS (line 15+20-16-21)	23	44,007,512	21,795,010
	- DEFICIT (line 16+21-15-20)	24		
VIII.	EXTRAORDINARY REVENUE (acc.7910000)	25		275,781
IX.	EXTRAORDINARY EXPENDITURE (acc.6900000+6910000)	26		0
X.	RESULT OF EXTRAORDINARY ACTIVITY	27		
	- SURPLUS (line 25-line 26)	28		275,781
	- DEFICIT (line 26-line 25)	29		
XI.	NET RESULT FOR THE YEAR (GROSS)	29.1		
	- SURPLUS (line 23+28-24-29)	29.2	44,007,512	22,070,791
	- DEFICIT (line 24+29-23-28)	29.3		

## STATEMENT OF CASH FLOW as at 31.12.2022

RON

INDICATOR NAME	Line code	TOTAL	5310101	5600101*. 770*	Other availabilities (acc.5xx)
A	B	1	2	3	4
<b>I. CASH FROM OPERATING ACTIVITIES</b>	<b>1</b>				
1. Receipts	2	220,692,749	117,299	220,490,144	85,306
2. Payments	3	192,079,552	117,299	191,850,113	112,140
3. Net cash from operating activities (line 02-line 03)	4	28,613,197	0	28,640,031	-26,834
<b>II. CASH FROM INVESTMENT ACTIVITY</b>	<b>5</b>				
1. Receipts	6	0	0	0	0
2. Payments	7	7,208,370	0	7,208,370	0
3. Net cash from investing activities (line 06-07)	8	-7,208,370	0	-7,208,370	0
<b>III. CASH FROM FINANCING ACTIVITY</b>	<b>9</b>				
1. Receipts	10	-23,000,000	0	-23,000,000	0
2. Payments	11	0	0	0	0
3. Net cash from financing activities (line 10-line 11)	12	-23,000,000	0	-23,000,000	0
<b>IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (line 04+line 08+line 12)</b>	<b>13</b>	<b>-1,595,173</b>	<b>0</b>	<b>-1,568,339</b>	<b>-26,834</b>
<b>V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>14</b>	<b>20,631,607</b>	<b>0</b>	<b>20,559,097</b>	<b>72,510</b>
- Amounts recovered in the previous year's surplus**)	14.1	9,000,000	x	9,000,000	x
- Amounts used from previous year's surplus/ amounts transferred from surplus to local budget/ amounts transferred from surplus to establish treasury deposits***)	14.2	9,000,000	x	9,000,000	x
Amounts transferred from unused cash at the end of the previous year (****)	14.3		x	x	x
<b>VI. CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (line 13+line 14+line 14.1 - line 14.2 - line 14.3)</b>	<b>15</b>	<b>19,036,434</b>	<b>0</b>	<b>18,990,758</b>	<b>45,676</b>

# STATEMENT OF CASH FLOWS with commercial banks as at 31.12.2022

RON

INDICATOR NAME	Line code	Total	5310402	5500102. 5600402. 5120402.550
A	B	1	2	3
<b>I. CASH FROM OPERATING ACTIVITY</b>	<b>01</b>			
1. Receipts	02	813,001,862	510,461	812,491,401
2. Payments	03	737,297,081	510,410	736,786,671
3. Net cash from operating activity (line 02- line 03)	04	75,704,781	51	75,704,730
<b>II. CASH FROM INVESTMENT ACTIVITY</b>	<b>05</b>	<b>0</b>		
1. Receipts	06	0	0	0
2. Payments	07	0	0	0
3. Net cash from investing activity (line 06-07)	08	0	0	0
<b>III. CASH FROM FINANCING ACTIVITY</b>	<b>09</b>	<b>0</b>		
1. Receipts	10	0	0	0
2. Payments	11	0	0	0
3. Net cash from financing activity (line 10-line 11)	12	0	0	0
<b>IV. NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> (line 04+line 08+line 12)	<b>13</b>	<b>75,704,781</b>	<b>51</b>	<b>75,704,730</b>
<b>V. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>14</b>	<b>52,949,116</b>	<b>0</b>	<b>52,949,116</b>
1. Favourable exchange rate differences	15	1,418	2	1,416
2. Unfavourable exchange rate differences	16	40,560	53	40,507
<b>VI. CASH AND CASH EQUIVALENTS AT END OF PERIOD (lines 13+14 +15-16)</b>	<b>17</b>	<b>128,614,755</b>	<b>0</b>	<b>128,614,755</b>

## EXECUTION OF THE 2022 REVENUE AND EXPENDITURE BUDGET

RON

Name of indicators	Budget code	Annual forecasts 2022	Budget execution 31.12.2022	% achievement
1	2	3	4	5=4/3
<b>TOTAL OWN REVENUE, of which:</b>	<b>00.01.10</b>	<b>228,329,110</b>	<b>229,633,486</b>	<b>100.57</b>
<b>I. INTEREST REVENUE</b>	<b>31.10</b>	<b>8,734,495</b>	<b>9,143,342</b>	<b>104.68</b>
<b>II. FINES, PENALTIES AND SEIZURES</b>	<b>35.10</b>	<b>4,493,476</b>	<b>4,816,636</b>	<b>107.19</b>
<b>III. CURRENT REVENUE, of which:</b>		<b>215,101,139</b>	<b>215,673,508</b>	<b>100.27</b>
1. Quotas related to transactions in financial instruments and public offerings, of which:	36.10.50	16,780,300	16,585,195	98.84
Quotas of the value of transactions in financial instruments carried out in supervised trading systems, excluding transactions in derivatives	36.10.50	6,753,400	6,173,546	91.41
Quotas charged for the monetisation of transactions executed outside trading systems (turnaround)	36.10.50	622,400	654,919	105.22
Quota of the value of public bids	36.10.50	500,000	848,814	169.76
Registration document/universal registration document fee	36.10.50	4,500	0	0.00

Quota of the value of takeover bids	36.10.50	8,900,000	8,907,916	100.09
2. Quotas and charges applicable to the operation/administration/supervision of collective investment undertakings/private pension funds and insurers/insurance-reinsurance intermediaries, of which:	36.10.50	191,539,265	191,536,845	100.00
Monthly quota of net asset value of investment funds (collective investment undertakings)	36.10.50	44,083,826	43,032,966	97.62
Monthly quota of the total management fee of the privately managed pension fund (Pillar II)	36.10.50	36,679,149	33,903,757	92.43
Monthly quota of net assets of voluntary pension funds (Pillar III)	36.10.50	4,053,140	4,067,534	100.36
Monthly fee on the value of gross contributions received by voluntary pension funds (Pillar III)	36.10.50	1,179,274	1,265,348	107.30
Operating fee applicable to depositaries of privately managed pension funds	36.10.50	695,749	705,111	101.35
Operating fee applicable to insurance intermediaries	36.10.50	2,127,281	2,021,097	95.01
Contribution for the exercise of supervision and inspection of the general insurance business, except motor third party liability insurance	36.10.50	23,299,005	24,305,980	104.32
Contribution for the exercise of supervision and inspection of life insurance business	36.10.50	8,009,157	7,830,325	97.77
Contribution for the exercise of supervision and inspection of motor third party liability insurance activity	36.10.50	71,412,684	74,404,727	104.19
3. Revenue from other activities, of which:	36.10.50	6,279,958	6,956,898	110.78
Tariff/ fee for processing applications for authorisation/ endorsement/ approval/ attestation and withdrawal of authorisation of regulated entities	36.10.50	1,413,800	1,372,775	97.10
Tariff/ fee for entry/ registration/ maintenance/ deletion in/ from ASF's records and registers	36.10.50	248,200	290,800	117.16
Quotas/tariffs/fees charged for monitoring entities regulated by ASF referred to in Art. 2 para. (1) point a) of Government Emergency Ordinance No 93/2012 on the establishment, organisation and functioning of the Financial Supervision Authority, approved with amendments and additions by Law No 113/2013, as amended (GEO No 93/2012), with the exception of investment companies	36.10.50	4,171,958	4,728,723	113.35
Fees and charges from other activities carried out by ASF	36.10.50	446,000	564,600	126.59
Other income		501,616	594,570	118.53
TOTAL EXPENDITURE, of which:	80.01.30	227,179,795	199,091,255	87.64
CURRENT EXPENDITURE (10 + 20 + 30 + 55), of which:	80.01.30	216,625,445	194,236,813	89.66
STAFF EXPENDITURE, of which:	80.01.30.10	180,729,930	168,452,525	93.21
Salary expenditure in cash	80.01.30.10.01	172,906,955	161,594,097	93.46
Salary expenses in kind	80.01.30.10.02	3,857,144	3,214,063	83.33
Contributions	80.01.30.10.03	3,965,831	3,644,365	91.89
GOODS AND SERVICES, of which:	80.01.30.20	24,120,393	14,953,016	61.99



Goods and services	80.01.30.20.01	12,290,948	8,015,211	65.21
Current repairs	80.01.30.20.02	269,000	107,794	40.07
Goods in the nature of inventories	80.01.30.20.05	488,181	209,632	42.94
Travel	80.01.30.20.06	915,000	362,355	39.60
Books, publications and documentary material	80.01.30.20.11	94,605	22,463	23.74
Advice and expertise	80.01.30.20.12	1,978,355	645,108	32.61
Professional training	80.01.30.20.13	457,017	130,205	28.49
Labour protection	80.01.30.20.14	908,584	613,347	67.51
Judicial and extrajudicial expenses	80.01.30.20.25	35,000	7,286	20.82
Other expenses	80.01.30.20.30	6,683,703	4,839,615	72.41
TRANSFERS - membership fees to international bodies	80.01.30.55	11,151,122	10,449,258	93.71
INTERNSHIP ALLOWANCES	80.01.30.59.02	624,000	382,014	61.22
CAPITAL EXPENDITURE, of which:	80.01.30.70	12,690,733	7,208,370	56.80
TITLE X NON-FINANCIAL ASSETS. of which:	80.01.30.71	12,690,733	7,208,370	56.80
Fixed asset	80.01.30.71.01	12,359,391	7,208,370	58.32
Capital repairs related to fixed assets	80.01.30.71.03	331,342	0	0.00
Payments made in previous years and recovered in current year	80.01.30.85.01.03	-2,136,383	-2,353,928	110.18
CURRENT SURPLUS		1,149,315	30,542,231	

## REPORT ON THE BALANCE SHEET AND PROFIT AND LOSS ACCOUNT AS AT 31.12.2022

The total assets of ASF as at 31 December 2022 amounted to RON 392,480,890, RON 32,745,513 higher than their value as at 31.12.2021, an increase generated mainly by the positive evolution of the financial availabilities resulting from the collection of revenues.

The total liabilities in the balance sheet as at 31.12.2022, amounting to RON 73,768,988, comprise, for the most part, provisions for litigation, retirement, unused vacation leave.

The estimated amount of provisions for risks and charges recognised in the financial statements is RON 59,976,310, of which the amount of provisions for labour disputes in which ASF is involved is RON 22,929,684. The other provisions for litigation of a patrimonial nature, as well as provisions for untaken leave, provisions for retirement, etc. were valued at RON 37,046,626.

The other liabilities represent, for the most part, staff entitlements relating to December 2022 paid in January 2023.

The net result is positive, up from the previous year, mainly due to higher operating income.

## BUDGET IMPLEMENTATION ACCOUNT

In accordance with the provisions of Art. 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 Regulation No 16/2014 on the revenues of ASF, republished, with subsequent amendments and additions.

Expenditure is determined by ASF's annual budget in accordance with its objectives and responsibilities.

**The budget implementation account comprises on the revenue side - receipts and on the expenditure side - payments. The budget surplus was established as the difference between revenue collected and payments made.**

The current surplus of the execution of the ASF budget for 2022 was RON 30,542,231.

### ASF's revenue situation in 2022

In accordance with the above-mentioned legal provisions and with the structure of the approved ASF Income and Expenditure Budget for 2022, the structure of expected and received revenues is as follows:

RON			
Article	Annual forecasts 2022	Budget execution 2022	Degree of achievement against plan (%)
1	2	3	4=3/2
Interest revenue	8,734,495	9,143,342	104.68
Revenue from fines	4,493,476	4,816,636	107.19
Operating revenue, of which:	215,101,139	215,673,508	100.27
quotas related to transactions in financial instruments and public offerings	16,780,300	16,585,195	98.84
quotas and fees applicable to the operation/administration/supervision of collective investment undertakings/private pension funds and insurers/insurance intermediaries	191,539,265	191,536,845	100.00
Revenue from other activities	6,279,958	6,956,898	110.78
Other revenue	501,616	594,570	118.53
TOTAL REVENUE	228,329,110	229,633,486	100.57

According to Regulation No 16/2014 on the ASF's revenues, republished, as amended and supplemented, the revenues received are presented as follows:

The revenue from quotas related to transactions with financial instruments and public offerings recorded a volume of receipts in the year of RON 16,585,195, representing a realization rate of 98.84% of the forecast value for the period. The most relevant quotas within this revenue category are as follows:

- quota of the value of transactions with financial instruments carried out within supervised trading systems, excluding transactions with derivatives (up to 0.06%): RON 6,173,546, a 91.41% achievement rate compared to the forecast value for the period;

- quota of the value of public offers for sale (between 0.05% and 0.1%, but not more than RON 500,000 and RON 1,000,000 respectively): RON 848,814, a degree of achievement of 169.76% of the value;
- quota of the value of takeover bids (between 1% and 1.5%): RON 8,907,916, 100% achievement of the budgetary forecast.

The revenue from these sources generated, in 2022, 7.22% of ASF's total revenue for the same period. The revenue from quotas and fees applicable for the operation/administration/supervision of collective investment undertakings, private pension funds and insurance/reinsurance insurers/ intermediaries recorded a volume of receipts in 2022 in the amount of RON 191,536,845, representing a realization rate of approx. 100% of the forecast value for the period.

The main sources of revenue in this category are as follows:

- 0.0078% of the net asset value of investment funds (collective investment undertakings): RON 43,032,966, 97.62% of the budgeted amount;
- 10% of the total amount of the management fee for privately managed pension funds (Pillar II): RON 33,903,757, 92.43% of the budgeted amount;
- 0.01 % of the net assets of the voluntary pension funds and a monthly fee of 0.25% of the gross contributions received by the voluntary pension funds (Pillar III) and of the operating fee applicable to depositaries: RON 6,037,993, 101.85% of the budgeted amount;
- contributions applicable to insurers and insurance intermediaries: 0.3% operating tax applicable to insurers/ 0.1% operating tax applicable to insurance intermediaries, contribution for the exercise of supervision and inspection of general insurance activity (0.4%)/ for life insurance (0.3%)/ for motor third party liability insurance (1%): RON 108,562,129, 103.54% of the budgeted amount.

The revenue from these sources generated, in 2022, 83.41% of ASF's total revenue for the same period.

Revenues from other activities, which include revenues from fees, authorisation/ endorsement/ approval/ attestation/ withdrawal of authorisation fees, entry/ registration/ maintenance/ deletion fees, monitoring quotas/ tariffs/ fees and other fees/ charges as set out in Annex 3 to Regulation 16/2014. republished. with subsequent amendments and additions, recorded a total amount collected in 2022 of RON 6,956,898, i.e. a degree of achievement of 110.78% of the budgeted amount.

The revenue from these sources generated, in 2022, 3.03% of ASF's total revenue for the same period.

The revenue from fines collected from the entities belonging to the Insurance Reinsurance Sector amounted to RON 4,816,636 during the period under review.

Financial revenue, obtained from the placement of ASF's liquid assets in deposits, government securities: RON 9,143,342.

**Other revenue: RON 594,570 (asset disposals, penalties, other revenue).**

## Execution of ASF expenditure in 2022

The total expenditure in 2022 amounted to RON 199,091,255, representing a rate of achievement of 87.64% compared to the provisions for the period. The cumulative expenditure incurred as at 31 December 2022 is structured as follows:

RON

Article	Annual forecast 2022	Budget execution 2022	Degree of achievement against plans %
1	2	3	4=3/2
Staff expenditure	180,729,930	168,452,525	93.21
Expenditure on goods and services	24,120,393	14,953,016	61.99
International transfers	11,151,122	10,449,258	93.71
Internship allowance	624,000	382,014	61.22
Capital expenditure	12,690,733	7,208,370	56.80
Payments made in previous years and recovered in the current year	-2,136,383	-2,353,928	112.36
<b>TOTAL EXPENDITURE</b>	<b>227,179,795</b>	<b>199,091,255</b>	<b>87.64</b>

Staff expenditure, totalling RON 168,452,525 (93.21% of the budgeted provisions), represent basic salaries and other rights as established by the Collective Labour Contract in force, plus the institution's contributions.

Expenditure on goods and services totalled RON 14,953,016, which represents 61.99% of budgeted provisions. Among the most important expenditure in this chapter we mention:

- purchases of office supplies, cleaning materials, fuel, utilities, telephone, internet, security services, car service, heating plant maintenance services, archiving services, press agencies (e.g. Bloomberg, Reuters): RON 8,015,211, 14.73% more than in 2021 and representing 65.21% of the amount foreseen for this period;
- consultancy and expertise: RON 645,108, representing 32.61% of the budgeted provisions and consisting of payments made under contracts for consultancy, legal assistance, external financial audit services;
- other expenditure: RON 4,839,615, mostly representing rent payments due by ASF, other expenditure for goods and services as provided by law: RON 612,476.

International transfers, representing membership fees to international bodies of which ASF is a member (ESMA, EIOPA, IOSCO, IAIS, IOPS), amounted to RON 10,449,258 (5.24% of total ASF expenditure).

Capital expenditure, totalling RON 7,208,370, represents 3.62% of ASF's total expenditure, i.e. a commitment rate of 56.80% of the budgeted amount. This amount represents the total amount paid in 2022 both for the continued implementation of centralised and decentralised IT infrastructure development projects and for the smooth running of the Authority and consisted of the main purchases:

- purchase of hardware and other IT equipment (laptops, MFPs, firewall equipment, SAN system): RON 2,576,828;
- purchase of licences and software development: RON 1,144,630;
- purchase of cars needed to renew the Authority's vehicle fleet: RON 2,773,415;
- purchase of office equipment, furniture: RON 559,110.

Payments made in previous years and recovered in the current year: RON - 2,353,928 representing, for the most part, amounts received from the National Health Insurance House FNUASS (related to the period 2020 - 2021). According to the specific accounting rules, the amount of these receipts will affect the total expenditure with a "-" sign.

**The current surplus for 2022 (current revenue received - expenses paid)**

**The current surplus for 2022 is RON 30,542,231.**

The achievement of this surplus is mainly the result of ensuring full revenue collection (100.1% realisation rate), against the background of a saving on total expenditure (-12.36%), resulting from savings on all forecasted expenditure items.



# AUDIT REPORT



Building a better  
working world

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## INDEPENDENT AUDITOR'S REPORT

### To the Council of the Financial Supervisory Authority

Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of Financial Supervisory Authority („ASF”), with official head office in Bucharest, 15 Splaiul Independentei street, district 5, identified by sole fiscal registration number 31588130, which comprise the balance sheet as at 31 December 2022, 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 31 December 2022”.

The English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of Interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.



In our opinion, the accompanying financial statements give a true and fair view of the financial position of ASF as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance No 1917/2005 with all subsequent modifications and clarifications and the accounting policies described in the "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2022".

Basis for opinion

Emphasis of matter

We draw attention on Note 4 "Provisions for risks and expenses" from "Report regarding financial statements of Financial Supervisory Authority as at 31 December 2022", which presents details on litigations for which ASF was requested to pay damages. The ASF management assessed the matter and has recorded a non-current provision for litigation of 33,445 thousand RON as at 31 December 2022 (25,879 thousand RON as at 31 December 2021). We also draw attention to note 5.2. "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.

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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.

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

The ASF 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.

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to 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.

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- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ASF's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ 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 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.\*
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

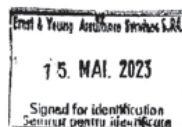
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

On behalf of,

**Ernst & Young Assurance Services SRL**  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania  
Registered in the electronic Public Register under No. FA 77



Bucuresti, Romania  
*Bucharest, Romania*  
15 mai 2023  
15 May 2023

Name of the Auditor/ Partner: Alina Dimitriu  
Registered in the electronic Public Register under No. AF1272

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ANNEX

# ASF's PROGRAMME OF ACTIVITIES FOR 2023





The Programme of Activities for 2023 contains those steps and activities that the Authority envisages to circumscribe and contextualise the general objectives of the Authority, adapting them to the new financial, social and operational requirements and realities, both internally within the Authority and, in particular, in the financial markets it regulates and supervises. It represents the continuation of the institutional development commitments and is updated annually in order to define and plan the activities, projects and steps to be taken in the year in question to achieve the permanent legal objectives and the multiannual strategic objectives set at Authority level.

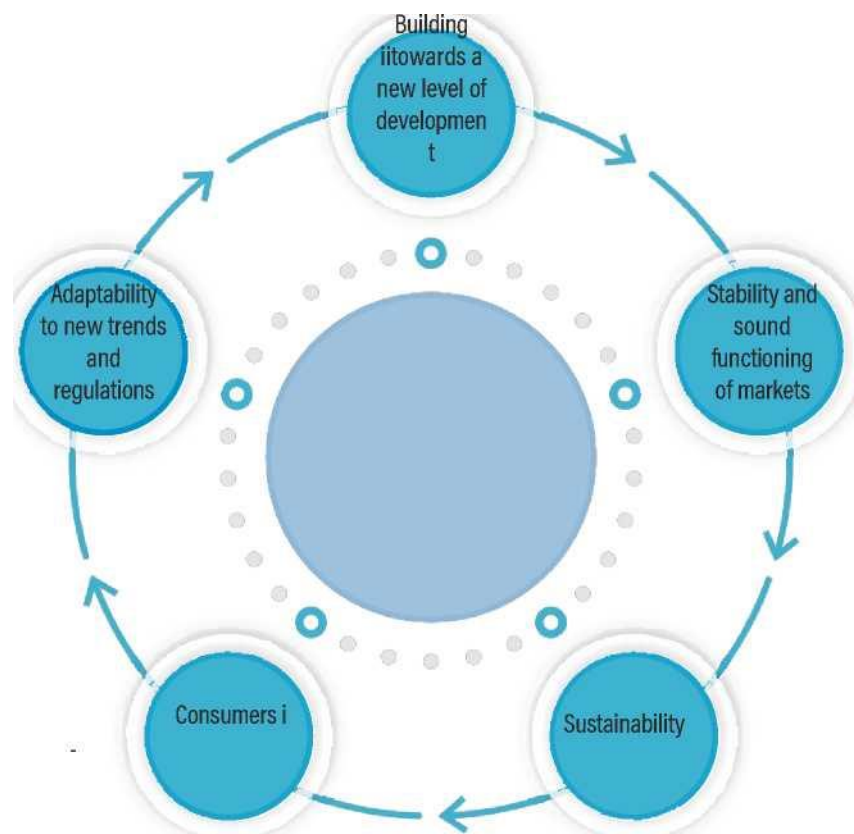
In order to outline its priorities and goals for the year 2023, in a social, economic and geopolitical context characterised by challenges, risks, but also opportunities and developments, the Financial Supervisory Authority is focusing its efforts on strengthening institutional capacity to ensure the proper functioning of the supervised non-bank financial markets, by protecting the interests of consumers, as well as by increasing the level of confidence in financial products and services.

At the same time, in 2023, ASF will start implementing the new regulatory framework on the digital finance package adopted by the European Commission. We will also continue to address the challenges of integrating environmental, social and governance factors (ESG factors) into all regulated entities' processes, in particular given the key role of private pension funds, investment funds and insurance companies as institutional investors in directing capital flows towards sustainable investments and facilitating the transition towards a more sustainable and resilient economy.

Taking into account that the foundation of good supervision is determined by the regulatory framework aligned and convergent with European practices, ASF will monitor and ensure the implementation of the revisions to the European directives and regulations affecting non-bank financial markets.

For 2023, we aim to make the most of the allocation and use of internal resources, with a focus on the following areas, which are important in the light of new European and international trends:

- ▶ **Financial innovation and digital finance** - monitor, analyse and increase understanding of the use of financial innovation in financial products and in the Authority's processes and activities (FinTech, InsurTech);
- ▶ **Sustainable finance** - integrating the principles of sustainable finance and monitoring the risks posed by regulated entities' exposure to issuers and counterparties that may be adversely affected by ESG factors;
- ▶ **Improving the reporting framework for regulated and supervised entities** - developing new solutions and functionalities to improve supervision;
- ▶ **Harmonised regulatory framework** - preparing for the implementation of the various new European regulatory frameworks, in line with the priorities of the European Commission and the European Parliament;
- ▶ **Improving the supervisory framework on AML/CFT issues** - developing new solutions and functionalities to improve AML/CFT supervision and ISR;
- ▶ **Supporting inter-institutional efforts on Romania's accession to the OECD;**
- ▶ **Twinning project "Strengthening supervision, corporate governance and risk management in the financial sector"**, implemented in the Republic of Moldova with the support of the European Union" - Alignment of the legal framework on insurance market supervision and motor liability insurance to the EU acquis;
- ▶ **Strengthening institutional capacity and improve operational work**, with a focus on the following milestones to guide the organisation, adaptation and planning of work in 2023:



.. increasing confidence in non bank financial products

... integration of the principles of sustainable finance into the work of regulated and supervised entities

Thus, for 2023, we envisage cross-cutting (cross-sectoral) and sectoral strategic priorities and objectives, together with a series of specific activities, projects and actions to achieve them, as follows:

## **Cross-cutting (cross-sectoral) priorities**

### **1. Sustainability and resilience of non-bank financial markets**

#### **Integrating the principles of sustainable financing**

In the context of climate, social and governance changes impacting the performance of financial market participants and financial stability, ASF will continue to support supervised entities' efforts to implement their own sustainability risk management policies.

To this end, we will continue to publish and update the information presented in the dedicated section on the ASF website, present summaries of the legislation in force with direct application at EU level and provide guidelines in the form of recommendations or guidelines addressing sustainable finance and the integration of ESG risk factors into existing risk categories that could negatively impact the value of investments, assets or reputation of regulated and supervised entities.

In the authorisation, supervision and control processes and in the thematic reviews carried out, we will pay particular attention to how regulated entities have developed their system of governance and internal inspection to integrate sustainable principles and identify related risks considered relevant to their business, and we will also analyse the measures taken and how these risks are managed.

Given the scale of the phenomenon resulting from greenwashing and the damage to consumers who want to spend resources on sustainable investments, legislative changes are being adopted at EU level to ensure that such practices are banned and penalised while giving consumers additional rights to promote sustainable products.

Thus, in the context of increasing demand for and supply of sustainable products and the rapidly evolving European regulatory framework, ASF intends to continuously monitor potential greenwashing practices in order to obtain a more detailed understanding of the phenomenon and thus facilitate the implementation of sustainability supervision policies adopted or being adopted at EU level.

Implementing key policies, in parallel with monitoring greenwashing, is important because risks from greenwashing can arise in different parts of non-bank financial markets, including those not covered by sustainability rules and policies.

The effectiveness of sustainable finance policies depends on an adequate level of supervision and enforcement across the EU, with actions taken or proposed by the European Supervisory Authorities providing guidelines for ASF in organising and carrying out its work to combat greenwashing.

Thus, ASF will consider analysing and supervising greenwashing through four main dimensions:

- ▶ the role that market participants can play in the case of possible environmental disinformation practices, grouped into three possible categories: trigger, disseminator and receiver of sustainability information;
- ▶ the actual topics on which sustainability claims can be made, grouped into three broad categories:
  - claims about an entity's governance and remuneration in relation to sustainability;
  - claims about the sustainability strategy, objectives, characteristics or qualifications of a product, entity or service;
  - sustainability-related indicator claims based on historical data or future targets.
- ▶ the misleading nature of a sustainability claim by selectively disclosing positive information and/or omitting relevant negative information;
- ▶ the channels through which sustainability claims are communicated to other entities/participants in the sustainable investment business chain (e.g. ratings/ benchmarks/labels, marketing materials) or the different stages of the product life cycle<sup>1</sup>.

At the same time, given the important role of retail investors in financing the transition and given that they are vulnerable to greenwashing practices in a context where the sustainability characteristics of products are highly complex, ASF will work to maintain investor confidence in ESG<sup>2</sup> (environmental, social and governance) investments by providing transparent, high-quality information on sustainability and reducing the risk of greenwashing.

In parallel with the integration of ESG factors, which focuses on environmental and climate issues, ASF will progressively pay more attention to integrating social and governance factors into its activities. In view of the multiple concerns at both European and national level and to facilitate the transition to a green economy, ASF will continuously support the entities it supervises to facilitate their implementation of a risk management system appropriate to the new requirements.

At the same time, ASF will pay increased attention to the situation of green finance in the Romanian non-bank financial market, the way regulations in this field are applied and the prospects for long-term sustainable financing.

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<sup>1</sup> The term "Product" is used in this context as a generic term that includes all financial instruments, securities, investment, insurance or pension products, as well as all services relevant to each business sector.

<sup>2</sup> ESG - environmental, social and governance



In this context, ASF will continue to increase transparency in the area of sustainable finance and will continue to bring to the attention of non-banking financial market participants the importance of developing sustainable activities and prudently addressing climate and environmental risk.



In order to align with the EU objectives of promoting the green transition and the European regulatory framework on sustainable finance, the Authority is receiving advice under the project “Implementation of the Sustainable Finance Framework in Romania” funded by the European Commission through the Technical Support Instrument 2022. It has been included in a multi-country umbrella project with three other similar supervisory authorities in the European Union as beneficiaries, in addition to ASF.

The project aims to establish a set of tools to raise awareness of the importance of green investment in stimulating sustainable economic growth and improved oversight of sustainable finance issues in non-bank financial markets. The main objectives are to assess the regulatory framework and issue recommendations to promote the green transition, promote the green transition through awareness raising campaigns and strengthen the supervisory capacity for reporting requirements on sustainable finance in line with the European framework and best practices in EU Member States.

The uptake of the principles introduced by the European legislation in the field of sustainable finance by financial market participants (IMCs<sup>52</sup>, FISCs<sup>53</sup>, pension funds, insurance companies, listed issuers) is a prerequisite for creating financial products that enjoy a high level of investor interest in mature markets and for obtaining funding on favourable terms.

ASF has launched a first awareness-raising exercise among them, while at the same time carrying out promotional activities and workshops, both following European funding programmes and through the courses it organises at academic level. Following the dissemination of the set of recommendations on a prudent approach to climate risk to market entities and the European guidelines in this area, an analysis of the implementation of these principles in the activities, procedures and policies of regulated and supervised entities is being undertaken at the level of ASF to form the basis for action to improve the extent to which ESG risks are included in the entities’ risk frameworks.

<sup>52</sup>Investment Management Company

<sup>53</sup>Financial Investment Services Company



## Digitalisation and financial innovation

Technological innovation and efficient use of data serve as a means to achieve the mission of the Financial Supervisory Authority. In this respect, ASF will focus on:

- supporting market development opportunities where appropriate while reducing potential risks;
- identifying emerging trends, risks and vulnerabilities that may have a high impact on investor protection and/or financial stability;
- monitoring and assessing operational resilience and cyber risk threats in the supervision of regulated and supervised entities;
- authorisation and supervision of new types of entities or new business models that fall within the scope of regulation and supervision of ASF;
- supporting convergence of supervisory practices and ensuring cross-border supervisory cooperation with other competent authorities in the EU.

In 2023, ASF will focus resources to best implement the provisions of Regulation 2022/858 on a pilot regime for market infrastructures based on distributed ledger technology (DLT)<sup>55</sup> in order to respond quickly to market needs. Through the implementation of this pilot regime, there is an opportunity to contribute to the development of financial markets and to gain experience on the benefits as well as the challenges of the use of DLT by market participants. In this respect, ASF will continue to support the traditional entities in Romania, which currently manage capital market infrastructure, to identify and use the opportunities created by the pilot scheme, i.e. to assess the possibilities of implementing and developing trading/settlement platforms based on DLT technology. ASF will also continue to disseminate legislative news in the field of financial innovation and within the associations representing fintech firms in Romania, in order to contribute to a better understanding of them and thus identify directions in which to develop.

With regard to the regulatory framework for crypto-assets established by the MiCA<sup>55</sup> Regulation draft, ASF will consider different options on the optimal approach for implementation in view of the definition of powers and tasks to be shared with other national authorities. As activities in the issuance and trading of crypto-assets have steadily increased in recent years, the MiCA project to be adopted at EU level in the first part of 2023 aims at a harmonised approach to the crypto-asset market and at limiting fraud and market manipulation activities using these instruments.

The third piece of draft normative act in the European digital finance legislative package is the DORA Regulation<sup>56</sup> which entered into force at the end of December 2022 and will be applicable from 17 January 2025 and introduces a single European regulatory framework for the digital operational resilience of financial entities. Following the entry into force of

<sup>54</sup> Adopted in May 2022, to apply from 23 March 2023.

<sup>55</sup> Markets in Crypto Assets

<sup>56</sup> Regulation (EU) 2022/2554 of the European Parliament and of the Council on digital operational resilience in the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011

this Regulation, specific measures will be ordered for its implementation, with a view to identifying how the requirements for ensuring operational resilience can be applied in optimal conditions from the perspective of ASF and the regulated and supervised entities to which this Regulation applies and, where appropriate, reviewing the relevant national regulatory framework.

In 2023, ASF will continue the activities of the internal working groups set up to understand and deepen the implications arising from the application of the MiCA and DORA Regulations, with a view to preparing the Authority for their application, including by participating in the development by the European authorities of the technical standards that will be issued in application of the Regulations, once approved.

As regards the innovation facilitators set up at the ASF level, FinTech Hub and InsurTech Hub, their work continues to take on different aspects and address topical issues such as tokenisation or other technologies used in the development of platforms for supervised markets, etc. At the same time, we are continuing our initiatives to organise joint meetings with the market and the fintech/insurtech players involved, thus aiming to provide an institutional framework for stakeholder collaboration. Through this dialogue, we aim to support the controlled development of financial innovation activities in the non-bank financial markets in order to strengthen an innovation space where all stakeholders (market entities, innovative companies, consumers of financial products, authorities) benefit.

Last but not least, in 2023, we are continuing our efforts to improve the communication framework for stakeholders so that the Authority communicates more openly with market associations, but also with applicants who submit proposals for innovative solutions and viable ideas for financial markets through the FinTech Hub and InsurTech Hub channels.

In order to achieve the objectives aimed at strategic information development at internal level, in 2023, the Authority will allocate resources both for the integration of specific sectoral activities by exploring options for unifying or centralising some core activities, but also for their cross-sectoral integration, as already achieved in the area of authorisation in 2022.

For 2023, ASF is considering not only a renewal of hardware and software platforms, but also a change of approach in the IT infrastructure to meet the needs of the Authority for the coming years, providing comprehensive, innovative, flexible, online and real-time services across various communication channels.

As regards internal projects with an IT component, the Authority allocates significant resources in this area, and these are managed appropriately, taking into account the objectives and risks involved, in relation to the planning of available time, human and material resources.

The main objective in this area is to align the Authority's strategy with the identified operational requirements and delivery capacity of the internal IT function, both from a strategic (small, medium and large projects) and operational (service availability and response parameters to requests) point of view. Major activities include:

- automation of work processes through the purchase and implementation of efficient solutions: DMS- Document Management System, the programme for the implementation of an integrated “business intelligence” (BI);
- further securing the ASF infrastructure;
- implementation of the modern Disaster Recovery (DR) solution;
- implementation of an upgraded solution to supervise trading activity on the Romanian capital market;
- assisting market participants and promoting innovation to make markets more attractive.

Last but not least, the internal work within the IT function also covers cyber security issues and the related IT infrastructure and processes must ensure data integrity, availability, authenticity and confidentiality at all times. Thus, the design of IT systems and related processes is generally based on well-defined and agreed best practice standards. In this context, it is necessary to outline appropriate IT risk monitoring and mitigation processes by defining IT risk criteria, identifying IT risks, determining the protection requirement, protection measures for IT operations derived from it and defining measures to manage and mitigate risks. Based on the Information Security Policy, the Authority started in 2022 a comprehensive process of implementing information security measures and operational processes and will continue it in 2023.

Digital transformation is a challenge, both to improve and simplify workflows and to increase efficiency in licensing and supervision.

Based on the need to strengthen the institutional capacity in terms of eliminating bureaucratic processes and improving communication between the Authority and the entities regulated and supervised by it, in order to ensure efficiency and optimise the time taken to process and resolve applications for authorisation/approval, work will continue on the development of the Authority’s existing IT applications for the transmission of documentation and electronic reporting to ASF.

During 2023, work will continue on identifying and implementing new IT solutions, with the aim of improving the process of uploading, retrieving, storing and using the data submitted to the Authority, streamlining the way in which they are analysed and increasing the accuracy of the analysis required to monitor compliance with the conditions laid down in the regulations in force.

The Authority also intends to launch further IT applications, as well as develop existing ones, through which intermediaries can transmit and centralise in a standardised way information on persons providing MiFID services and on the fulfilment of continuing professional development requirements.

All of the above initiatives are essential to support the adoption of digital finance in non-bank financial markets in a safe and secure environment and to the benefit of investors and consumers as well as regulated entities.

## **2. Strengthening confidence in non-bank financial product markets**

### **Financial education**

The communication strategy of ASF is one of the key elements supporting the achievement of the Authority's objectives, in particular those aimed at increasing understanding of its mission and building confidence in the three markets it regulates and supervises.

In this respect, it is of particular importance to promote clearly and debate in the public space the relevant issues related to the proper functioning of the markets, through all the channels available - in direct contact with consumers, in relation with the media or through partnerships developed with specialists and/or the academic world - both in the virtual space and offline.

Through the involvement of its specialists, the Financial Supervisory Authority intends to participate at least as actively in the coming period in the dialogue with all stakeholders for the development and stability of the non-bank financial market. As far as the consumer of financial products and services is concerned, the recognition of the consumer as part of the market, as a demand generator, is based on the value chain model, where a properly informed consumer identifies and understands financial products, services and instruments, can pay for them, feels protected. Thus, the actions of an informed consumer contribute significantly to financial stability and, consequently, to increased welfare throughout the economy. Financial education covers the whole financial system and the entire life cycle of a financial product, service or instrument. The level of financial education not only allows the market to develop through increased demand and diversification, but also allows disputes between parties to be eliminated, thus contributing to increased confidence and stability in the financial market.

With a view to future economic and financial developments, the financial education programmes run by ASF will be strengthened and intensified, equally addressed to all typological categories of consumers or future consumers, as it is obvious that the population needs to have specific information, notions and skills in order to make correct financial decisions in an increasingly complex financial system. The financial difficulties of consumers and families can affect the development of communities and the financial market in general, with the maintenance and growth of people's living standards based on their level of financial education and financial inclusion.

From the perspective of the contribution of ASF to Romania's economic development, the role assumed by the Authority in the process of financial education continues in the coming period, and in order to achieve its strategic objectives, ASF is considering in 2023 an approach focused on supporting national programmes designed according to the needs of beneficiaries and their social and professional characteristics. Thus, the following lines of action have been identified and will be addressed in the Authority's financial education programmes:

- projects for the entrepreneurial environment, including according to the stage of development of the companies (start-up, scale-up), with a mix of basic financial education elements and elements specific to the activities carried out by entrepreneurs. The creation at the end of 2022 of the SME Hub programme for the Romanian entrepreneurial environment aims to form a platform to develop and

strengthen entrepreneurs' financial knowledge, skills and behaviours, thereby supporting the development of entrepreneurship;

- the adult population and its need for information will be further addressed through financial education and awareness campaigns tailored to financial products, carried out at national level through different communication channels, respectively at the level of typological sub-groups with a personalised approach to their specific needs. Modular programmes incorporate elements of financial education on protection against risks such as insurance protection in case of cyber attacks, financial protection in case of personal budget imbalances, financial decision making in case of financial education available through social networks or media, etc;
- In order to link current and future social and economic development and to ensure the sustainability of this development, the Authority approaches financial education from a progressive perspective, preparing from the pre-university and university years of study the knowledge and skills needed to make financial decisions that support financial behaviour appropriate to economic and financial developments and with the individual objective of well-being. Separately, specific modules are addressed for vulnerable groups in order to support the inclusion process, on the one hand, and for topical issues that require special attention from a financial education perspective (such as areas of interest like green finance, greenwashing, etc.), on the other;
- approaching the beneficiary of financial education through trainers or by developing public collaborative relationships in the interest of beneficiaries in a flexible manner. New educational resources will be developed for all target audiences, in different formats, in order to achieve the easiest possible access and effective knowledge transfer. One of the focal points of this approach is the development of a national network of trainers. The objective of this approach is to strengthen efforts and ensure the necessary consistency in raising awareness of the importance of this type of education for the development and stability of the economy and financial markets, and for the development of a level of financial resilience that is important in the current economic and social context.

These projects will be developed in collaboration with the Institute of Financial Studies (ISF), both in terms of financial education programmes and the communication of these activities. As in the past, ISF remains a key partner in the delivery of broad-based financial education and training activities.

Financial education also ensures consumer protection, trust and the correct use of financial products, services and instruments by consumers, which are essential in developed markets. Flexibility in organisation, accelerated transferability of knowledge to maximise the desired effect, complementarity of programme modules, continuity of activity, targeted construction of approaches to particular typological sub-groups, customisation of approach, mix of methods of delivering education, cooperation in sustainable partnerships, formal or informal - all these principles of management of the ASF financial education programmes are taken into account so that ASF maintains its role as a promoter of financial education at national level. It is also this role that has contributed and continues to contribute to increasing Romania's visibility internationally, contributing to the OECD accession process.

## Consumer protection



In order to protect consumers of non-bank financial products and services, the Financial Supervisory Authority aims to communicate intensively, as before, on the risks they may face, by publishing alerts and warnings. Campaigns will also be carried out to publicise the ways in which market participants can protect themselves, using the most diversified information platforms possible, in order to disseminate this information as widely as possible.

ASF will also actively support outreach efforts on alternative dispute resolution, such as the services provided by SAL-Fin, aimed at providing tangible benefits to consumers, such as faster and free resolution of disputes they may have with entities operating in the non-bank financial market.

In 2023, ASF will pay increased attention to the protection of consumers in relation to regulated entities, by avoiding or preventing conflicts of interest, ensuring fair and equitable treatment, transparency and full and accurate information to consumers on the benefits, risks and significant features of financial products/services.

Consumer protection will be ensured both by means of control and monitoring tools and by providing expert assistance, using modern, digitised information applications as a means of communication, as well as assistance provided to consumers of non-bank financial products directly at ASF's head office.

A two-way, interactive communication channel will therefore be kept open and operational, including informing the Authority of the views of consumers with whom it interacts directly.

At the same time, ASF will continue to pursue the process of digitalisation, aimed at reducing bureaucracy, by implementing modern tools that allow consumers to quickly and easily access the useful information needed to exercise their procedural rights of petition.



Through the toll-free telephone line - Televerde - and directly at the ASF headquarters, information activities will continue to be carried out, 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, conditions and legal procedures required to be fulfilled in order to achieve their interests.

Activities will also be carried out to support the public relations activity, such as: the development of thematic surveys, mystery shopping actions and statistics to collect useful and relevant data and information on the public perception of the activity of ASF, its activities and products in the three supervised markets, as well as the development of statistics and reports based on its own activity.

All these activities aim, in addition to fulfilling the main purpose of consumer protection, to continuously improve the proactive attitude of the Authority so that risks additional to those inherent in the business of supervised entities are avoided or, when they arise from independent causes, can be managed and mitigated (such as increasing the level of investor awareness of fraud avoidance, including in the light of the increasing digitalisation of financial services, which brings new challenges for investors but also for the Authority).

In order to ensure the protection of capital market investors, ASF will continue to monitor and assess possible negative effects for them and will ensure that:

- the information about the financial products and services offered is accurate, clear and not misleading;
- the existing consumer protection rules will be updated in line with changes agreed at European level;
- prejudicing investors and consumers of non-bank financial products will be firmly sanctioned according to the law;
- alerts will be issued in situations where deviations from the rules of conduct are detected or major risks to potential consumers are identified.

From the perspective of insurance consumer protection, with a view to strengthening the insurance-reinsurance market, the Financial Supervisory Authority carries out supervision and control of insurance companies in the management and settlement of claims, the handling and settlement of claims, and the settlement of petitions received from policyholders or injured parties, which are targeted at the risks and vulnerabilities related to the identified compliance component with an impact on insurance consumers, as follows:

- supervisory and inspection activities carried out in the insurance market with regard to:
  - managing and settling claims, investigating and settling damages by identifying potential deficiencies in the work of supervised entities and taking appropriate action;
  - monitoring the reports submitted by the main companies and intermediaries, pursuant to ASF Rule No 18/2017 on the procedure on the settlement of complaints relating to the activity of insurance and reinsurance companies and insurance brokers, by drawing up reports, information notes and

statistical situations in order to identify potential risks and vulnerabilities with an impact on the policyholder/injured persons.

- activities to resolve petitions and reports of non-compliance addressed to ASF for the insurance-reinsurance field by beneficiaries, injured parties or reporting persons, by verifying compliance with the applicable legal framework in the processing and resolution of claims files related to petitions by insurance companies, in order to ensure respect for the rights of policyholder/injured parties.

### **3. Cooperation with European supervisory authorities and international relations**

In the context of its role as a member of European and international bodies in the field of non-banking financial markets, ASF will ensure the necessary resources to be involved during 2023 in the achievement of the strategic objectives set by ESMA and EIOPA, as well as to carry out the actions incumbent on it in the context of Romania's accession to the OECD.

ESMA's and EIOPA's strategic priorities for 2023 are reflected in ASF's work programme and reflect actions on sustainable finance, digitalisation and financial innovation, supervision and risk-based approach, in the context of prudential supervision and conduct of business supervision of regulated entities.

To this end, ASF allocates significant resources to participate in the technical and decision-making structures of these European bodies, adapts its internal organisation and allocation of teams to ensure the necessary expertise for contributions in the areas mentioned above and engages in projects to strengthen the implementation capacity of the legislative framework. Representatives of the management of ASF will participate in high-level meetings of the authorities of which ASF is a member (ESMA and EIOPA Board of Supervisors, ESRB General Board<sup>57</sup>, annual meetings of IAIS<sup>58</sup>, IOSCO<sup>59</sup>, IOPS<sup>60</sup>, INFE<sup>61</sup>, IFREFI<sup>62</sup>). In addition, the ASF experts involved in working groups and specialist committees will participate in the work of these groups.

In the context of the energy crisis and the geopolitical risks generated by Russia's aggression in Ukraine, the European authorities ESMA, EIOPA, ESRB will continue to monitor the impact of these developments on financial markets and ASF will monitor the risks in the markets it supervises.

From the perspective of 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. ASF allocates the necessary resources to the European-level work on the drafting of EU legislation and will subsequently contribute to the transposition and implementation into national law of provisions affecting the non-bank financial sector.

<sup>57</sup> ESRB - European Systemic Risk Board

<sup>58</sup> IAIS - International Association of Insurance Supervisors

<sup>59</sup> IOSCO - International Organisation of Securities Regulators

<sup>60</sup> IOPS - International Organisation of Pension Supervisors

<sup>61</sup> INFE - International Network for Financial Education

<sup>62</sup> IFREFI - Institut Francophone de Réglementation Financière

In 2022, the Organisation for Economic Co-operation and Development has opened accession talks with six candidate countries: Romania, Bulgaria, Croatia, Brazil, Argentina and Peru. Romania's accession to the OECD is a strategic national objective of Romanian foreign policy, included in the current government programme and in the multi-year strategic objectives of ASF. The aim of the accession process is to achieve convergence of Romania's legislative framework with OECD standards and best practices and policies.

In order to ensure an adequate infrastructure for the management of this objective of major importance for Romania, a cross-sector working group of experts from the Authority has been set up at the level of ASF, which will contribute in 2023 to the preparation of the accession process, related to ASF's area of competence, taking into account the legal instruments identified in the following areas: insurance, private pensions, financial education, consumer protection, corporate governance, financial regulation and digitalisation. ASF will also ensure participation in relevant OECD committees and structures.

At the same time, in 2023 ASF will continue to provide assistance to the Republic of Moldova together with other authorities from Romania, the Netherlands and Lithuania in the framework of the European Commission Twinning project "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 in the Republic of Moldova, which started at the end of 2021.

The development of cooperation relations of ASF with European supervisory authorities will continue in 2023 through high-level bilateral visits. The aim of these meetings is to strengthen collaboration for the development of financial markets, as well as to identify new elements of common interest and investment opportunities in the Romanian financial market.



# Sectoral priorities

## 4. Updating the regulatory framework

The calendar of the Financial Supervisory Authority in the field of regulation is a busy one and is constantly being updated and adapted to new trends and requirements imposed at European level. Thus, in the event that, from the internal analyses carried out, or from practice, the need to implement a set of unitary rules applicable to all entities regulated, authorised and supervised by the Authority is identified, ASF will issue integrated regulations in application of primary legislation.

For 2023, the regulatory objectives in the area of anti-money laundering/combating the financing of terrorism and the international sanctions regime (AML/CFT and ISR) aim to update and create an effective framework to increase the level of sectoral compliance, effective implementation and uniform application of the obligations set out in the national framework as well as the relevant international/European standards in this area by:

- developing targeted institutional policies to increase awareness/understanding by regulated entities of AML/CFT obligations and risks;
- continuous monitoring of the need to update the sectoral or integrated regulations issued by ASF for the application and implementation of AML/CFT requirements and obligations, in relation to changes in international/European reference standards, guidance, guidelines and guidance documents issued for the implementation of specific institutional obligations and responsibilities.

At the same time, in 2023, ASF will prepare or, where appropriate, update sectoral or integrated regulatory acts in order to implement new European directives or regulations, technical standards and guidelines developed at the level of the European authorities ESMA, EIOPA, EBA.

Thus, the priorities for 2023 are:

- Regulation (EU) 2022/858 of the European Parliament and of the Council of 30 May 2022 on a Pilot Regime for Market Infrastructures Based on Distributed Ledger Technology (DLT) and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU

The Regulation lays down requirements for market infrastructures based on distributed ledger technology and their operators, in terms of granting, modifying and withdrawing specific exemptions from the existing legislative framework, rules for the operation and supervision of such infrastructures, as well as on cooperation between operators of such market infrastructures. The Regulation entered into force in March 2023, for which national options for defining thresholds in view of local market size were discussed with capital market infrastructures.

- Markets in Crypto Assets (MiCA)

The draft Regulation introduces a new regulatory framework on the issuance of crypto-assets and provides for specific rules on transparency and disclosure requirements for the issuance and admission to trading, authorisation and supervision of crypto-asset issuers and service providers, as well as the operation, organisation and governance of issuers of asset-backed tokens (ARTs) and electronic money tokens (EMTs). According to planning at the level of the authorities

the Regulation is due to be adopted in the first part of 2023 and will be implemented in stages, depending on the type of activity carried out. It will apply from 2023, with the note that entities already active in the crypto-asset market will be granted a grace period in which to take the necessary measures to comply with the new requirements. In this context, the powers and competences shared with other authorities will be identified, and for the implementation of this regulation, a regulatory act will need to be issued to designate national competent authorities.

- Regulation (EU) 2022/2554 of the European Parliament and of the Council on digital operational resilience in the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011 (DORA)

The Regulation introduces a single European regulatory framework on digital operational resilience in the financial sector. Its provisions aim at creating the prerequisites for a unified approach to ICT risks while introducing specific requirements on ICT risk management, major incident reporting, digital operational resilience testing, the creation of a supervisory framework for critical third-party ICT service providers, provisions for contractual arrangements between ICT service providers and financial entities and so on.

The Regulation was published in the Official Journal of the EU at the end of December 2022 and is to apply from 17 January 2025.

During 2023 and 2024, the European Supervisory Authorities are expected to issue the necessary secondary legislation to implement the Regulation, through the development of technical standards in a joint committee set up at the level of the three financial supervisors. ASF will participate in this process and identify the best way to transpose it into national law.

- The new Anti Money Laundering/Combating Financing Terrorism (AML/CFT) legislative package

The AML/CFT legislative package comprises a set of regulations and directives aimed at establishing a single EU regulatory framework on AML/CFT/ISR, reducing differences between Member States' approaches to supervision and establishing a specific European authority with enhanced AML/CFT/ISR powers to strengthen the international dimension of the EU AML/CFT framework.

The legislative package includes the following legislative acts:

- 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;
- Regulation on the establishment and operation of an authority to combat money laundering and terrorist financing, called AMLA;
- Regulation on information accompanying transfers of funds and certain electronic money (sent to the European Parliament for first reading), repealing Regulation (EU) 2015/847 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/200;
- AML/CFT Directive, which will repeal Directive 2015/849 (AMLD IV).

ASF is monitoring the evolution of this legislative package and will initiate the necessary steps for transposition/implementation into national legislation, in line with the planning proposed at European level.

At the same time, with regard to the recovery and resolution activity, ASF proposes to clarify the legislative framework on resolution by amending Law No 246/2015, so that it fully meets the needs of applying the principles of the resolution mechanism to the specific features of the Romanian non-bank financial market. This legislative improvement will be carried out both in the context of the need to transpose the future European Directive on Insurers Recovery and Resolution (IRRDI-Insurance Recovery and Resolution Directive), a draft adopted by the EC in September 2021 and currently under discussion at expert level in the working group set up at EU Council level, and in the application of EU Regulation 2021/23 on the framework for the recovery and resolution of central counterparties, following the authorisation of such an institution in Romania. The IRRDI process is one in which ASF is and will remain involved at institutional and expert level, in the context of the experience gained in this area, which is relatively new for most other European countries.

### **The Financial Instruments and Investments Sector**

The regulatory activity related to the Financial Instruments and Investments Sector for the year 2023 aims at improving the regulatory framework and will take the form of draft regulatory acts or amendment, where appropriate, of the applicable regulatory acts in the field of capital markets, as follows:

- ▶ Review and update primary legislation mainly applicable to IMCs/AIFMs/CIUs/Issuers, by preparing a draft GEO to amend and supplement certain regulatory acts, as well as to establish measures to prevent and combat advertising and aggressive communication techniques practiced by entities that are not registered in the ASF Register, and a draft law amending and supplementing the provisions of GEO No 32/2012, Law No 74/2015 and Law No 243/2019;
- ▶ Review and update secondary legislation mainly applicable to IMCs/AIFMs/CIUs/Issuers, by drafting the following draft regulations/rules/instructions:
  - draft regulation amending and supplementing ASF Regulation No 10/2015 on the management of alternative investment funds, as amended;
  - draft Regulation amending and supplementing ASF Regulation No 7/2020 on the authorisation and operation of alternative investment funds, as amended;
  - draft regulation amending and supplementing ASF Regulation No 9/2014 on the authorisation and operation of investment management companies, undertakings for collective investment in transferable securities and depositaries of undertakings for collective investment in transferable securities, as amended and supplemented;
  - draft Regulation amending and supplementing ASF Regulation No 5/2018 on issuers of financial instruments and market operations;
  - draft Regulation amending and supplementing ASF Regulation No 15/2018 on the Public Register of the Financial Supervisory Authority;
  - draft amending and supplementing ASF Instruction No 1/2016 on the preparation and submission of the annual financial statement and annual reporting by entities authorised, regulated and



supervised by the Financial Supervisory Authority - Financial Instruments and Investments Sector and by the Investor Compensation Fund;

- draft amending and supplementing ASF Instruction No 2/2016 on the preparation and submission of half-yearly accounting reports by entities authorised, regulated and supervised by the Financial Supervision Authority - Financial Instruments and Investments Sector, as well as by the Investor Compensation Fund;
- draft rule approving the Guideline on the scope of Regulation ARC<sup>63</sup> (Regulation (EC) No 1060/2009 (ESMA 80-196-6345).

► Review and update the secondary legislation on FISCs and regulated markets by preparing the following draft regulations:

- draft Regulation amending and supplementing 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 - the draft regulation aims to adapt the current provisions to the new provisions of Law No 126/2018 on markets in financial instruments, as amended by Law No 188/2022, and to take over the provisions of the guidelines issued by ESMA in the field covered by Directive 2014/65/EU (MiFID II);
- draft Regulation amending ASF Regulation No 13/2018 on trading venues, in order to update the provisions of the regulatory act;
  - draft Regulation amending ASF Regulation No 15/2021 on the use of the global accounts system and the application of mechanisms without pre-emption of financial instruments - the draft regulation aims to clarify the scope of application of securities lending operations;
- draft Regulation amending ASF Regulation No 16/2021 on the creation, disclosure and enforcement of security interests - the draft Regulation aims to supplement and adjust certain provisions, amendments required as a result of practical situations resulting from the application of the Regulation and following the actual conduct of operations of creation, disclosure and enforcement of security interests;
- draft Regulation implementing Regulation (EU) No 858/2022 on a pilot scheme for market infrastructures based on distributed ledger technology and amending Regulations (EU) No 600/2014 and (EU) No 909/2014 and Directive 2014/65/EU;
- draft Regulation amending and supplementing Regulation No 10/2022 on the Investor Compensation Fund - the draft regulation will revise and adapt the current requirements in the context of the Law No 236/2022 on the prudential supervision of financial investment services companies, as well as for amending and supplementing certain regulatory acts.

► Preparation of rules to incorporate the ESMA and EBA guidelines for investment firms and central counterparties into the secondary legislation of ASF.

<sup>63</sup> Credit rating agencies

## **The Insurance-Reinsurance Sector**

In 2023 ASF will ensure the technical transposition of the provisions of the new Motor Directive, Directive (EU) 2021/2118 of the European Parliament and of the Council of 24 November 2021 amending Directive 2009/103/EC relating to insurance against civil liability in respect of the use of motor vehicles and the enforcement of the obligation to insure against such liability. At the time of adoption of the primary legislation, ASF will also amend the relevant secondary legislation. The transposition of the said Directive also involves amending the primary and secondary legislation on the Policyholder Guarantee Fund.

Also, in the course of the practical application of primary and secondary legislation on the authorisation and supervision of insurance and reinsurance activity and insurance distribution, the need for its amendment has been identified. Thus, Laws No 237/2015 on the authorisation and supervision of insurance and reinsurance activity and No 236/2018 on insurance distribution will be amended and, by implication, all secondary legislation implementing them.

Although the draft directive amending and supplementing the Solvency II Directive (adopted by the EC in September 2021, currently in trialogue at EC - EP - EU Presidency level) does not bring fundamental changes to the supervisory philosophy, the draft aims in particular at improving the proportionality principle, introducing a simplified requirement for certain small and low complexity companies, long-term guarantee measures, cross-border supervision issues, creating macro-prudential and liquidity management tools, and incentivising insurance companies to invest in the economy in the long term. To the extent that the directive amending and supplementing the Solvency II Directive is adopted at EU level, the identification of the provisions of Law No 237/2015 requiring amendments and the structuring of the draft regulatory act to transpose the future revision directive will be ensured at technical level.

During 2023, it is also envisaged to systematise and consolidate secondary legislation implementing the EIOPA guidelines on qualitative and quantitative requirements applicable to companies supervised under Solvency II, to improve secondary legislation in the field of reinsurance, insurance distribution and professional training of distributors, as well as to establish the contribution due to the Policyholder Guarantee Fund, correlated with the need to ensure adequate protection of insurance creditors.

Following the transposition of Directive (EU) 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards the disclosure of information by certain undertakings and branches concerning corporate tax, accounting regulations concerning the annual separate financial statements and the annual consolidated financial statements of entities carrying on insurance and/or reinsurance activities and of brokerage companies engaged in insurance and/or reinsurance distribution activities will be amended this year.

## **The Private Pension System 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 will continue to be the basis for the development of the regulatory framework for private pensions in 2023.

At the same time, in the regulatory process, particular importance is attached to stakeholder dialogue, best practices, guidelines, studies and research produced by bodies with expertise in the field (e.g. G20, IMF, World Bank, EBRD, IOPS<sup>64</sup>, EIOPA and OECD).

The general and specific objectives of a permanent nature within the private pension system sector in the area of regulation are as follows:

- promoting legislative measures for the development of private pension funds by issuing regulations aimed at increasing the efficiency of the functioning of the private pension system;
- inventory and review the active body of secondary legislation and, where appropriate, consolidate, republish or delete/repeal those rules that are no longer needed by 2023.

The private pension sector is considering a number of projects to revise the secondary legal framework, such as: rules on investment and valuation of assets of privately managed pension funds, receipts and payments through private pension fund accounts, collection of individual contributions from participants in privately managed pension funds.

There will also be an update of the accounting rules applicable to the private pension system in the light of national and European regulatory developments, market developments and, above all, adjustments required from a legislative point of view (regular updating of annual financial statements and half-yearly accounting reports). The draft regulation will transpose the provisions of Directive 2021/2101 of the European Parliament and of the Council of 24 November 2021 amending Directive 2013/34/EU as regards disclosure of income tax information by certain undertakings and branches published in the Official Journal of the European Union, L series, No 429 of 1 December 2021 (Directive 2021/2101) into the accounting rules applicable to the private pension system.

## **5. Strengthening prudential supervisory functions and conduct of business**

The Financial Supervisory Authority contributes to strengthening an integrated framework for the functioning and supervision of non-bank financial markets, participants and operations in these markets.

The Authority's increased pro-active manifestations to contribute to the efficient management of supervised markets in the described context requires the need to strengthen the prudential supervisory functions and conduct of business based on the risk-based supervision model. Thus, the Financial Supervisory Authority intends to intervene at the level of supervised markets in a preventive manner so that the interests of consumers of non-bank financial products are adequately protected. This implies that participants in the markets supervised by the Authority take all necessary measures to mitigate the risks to which they are exposed and which may lead to the detriment of consumer interests.

New supervisory trends include the risk-based approach from both prudential and conduct of business perspectives, reviewing the tools needed to ensure convergence with European best practice, and monitoring the inclusion of sustainable investments in the plans and activities of supervised entities and how they address climate risks.

The supervisory architecture is underpinned by common supervisory principles of ASF with those promoted

<sup>64</sup> International Organisation of Pension Supervisors

by ESMA and EIOPA. Thus, throughout the supervisory cycle of regulated entities, ASF will continue to ensure effective, risk-based and outcome-oriented supervision of regulated entities, based on a consolidated supervisory process which is, in effect, the joining of supervisory components, including from the AML/CFT/ISR perspective, to make the process as smooth, concise and comprehensive as possible across the Authority. At the same time, in order to strengthen common risk assessment and supervisory approaches, ASF will deepen cooperation on data and information collection and exchange with ESMA, EIOPA and other competent authorities in the EU, with a view to developing common analysis and statistics. The supervisory culture and processes of ASF will build on the expertise accumulated so far and lessons learned, continuing to use the data collected in supervision and focusing on key priorities and risks derived. ASF's approach to supervision will also be primarily outcome-oriented and will promote thematic supervision of regulated entities, for example in relation to the risk assessment framework. Ultimately, the supervisory work of ASF aims at a positive supervisory outcome by pursuing high compliance standards in the current context of new challenges and risks arising from new business models and changes in business behaviour.

In the coming period, in order to strengthen the supervisory function, following the 5<sup>th</sup> round of the Moneyval mutual evaluation, specific actions undertaken at the level of ASF in the area of AML/CFT will continue, one of the important objectives in this respect being the completion and regular updating of the national risk assessment.

Following the changes to the approach to the international sanctions regime brought about by the EU's restrictive measures packages against the Russian Federation, ASF will proceed with the supervision of compliance with the new obligations imposed on financial entities to identify financial transactions having as direct/indirect beneficiaries designated persons or entities and aimed at the use of financial assets or services for their benefit, by ensuring effective asset freezing mechanisms in such situations, including through the exchange of information between competent authorities.

Thus, for the coming period, the objectives of the AML/CFT and ISR are to create an effective framework for the establishment of measures to prevent and combat money laundering and terrorist financing through the financial sectors supervised by ASF and will be achieved by:

- ▶ Provide technical expert support to the persons responsible for coordinating and implementing AML/CFT policies at the level of the regulated entity, and strengthen the communication channel (feedback) with them;
- ▶ the formation, within the limits of the institutional framework, of a AML/CFT community in the non-bank financial sectors;
- ▶ strengthen and improve the ML/TF/ISR supervisory mechanism by implementing the policies and fundamental principles of a risk-based approach (RBA-FATF) by:
  - Review procedures, operational processes and working tools in the supervisory activity (including sanctioning procedures) with a view to streamlining and, where appropriate, developing methodological tools to ensure effective implementation of risk-based supervisory principles (mainly issued by FATF and EBA);
  - development, (re)analysis and revision of internal technical tools to allow the streamlining and, where appropriate, implementation of new analytical parameters, assessment steps (risk

model) and internal operational processes specific to the risk-based supervision system (RBS - FATF, EBA);

- developing internal mechanisms to streamline and, where appropriate, deepen the processes for identifying and assessing ML/TF/ISR risks at sector level, by type of entity and non-bank financial product.

### **The Financial Instruments and Investments Sector**

Strengthening supervisory convergence is a core activity in the financial instruments and investment sector. In the current macro-economic and geopolitical context of adverse developments and increased volatility in international financial markets, the financial instruments and investment industry is kept abreast of developments, measures adopted and supervisory tools developed and practised at European level through ESMA's working groups.

The main strategic objective from the perspective of prudential supervision is therefore to monitor with increased frequency the impact of the situation created by the current crisis, as well as the extreme risk scenarios that may materialise in the financial markets supervised, in order to ensure that the financial stability of the capital market and the protection of investors function within normal parameters.

For 2023, we continue to support efforts to lay the foundations for the operation of a central counterparty (CCP) at national level, in terms of finalising the necessary documentation for authorisation, but also by organising presentations and events to raise awareness in the market about how the CCP operates.

At the same time, the integration of sustainability risks into the risk supervision process at the level of supervised entities is an important step towards strengthening convergent, risk-based and outcome-oriented supervision. Sustainability risks may be a distinct risk at supervised entities, but they may also be factors with the potential to accentuate other types of risks, such as, but not limited to, market risks, operational risks, liquidity risks or counterparty risks.

At the level of supervised entities, the implementation of the EU Regulation 2019/2088 on sustainability reporting in the financial services sector (SFDR) and the EU Regulation 2020/852 establishing a framework to facilitate sustainable investment and amending the EU Regulation 2019/2088 (Taxonomy) is creating challenges for both financial market participants and the Financial Supervisory Authority, as investors have started to consider financial products that incorporate environmental, social and governance (ESG) factors.

In addition, the obligation to integrate sustainability risks into the procedures and processes developed for the purpose of risk management at the level of managed funds, as well as those considered within the overall governance structure, as set out in Regulation (EU) 2021/1255<sup>65</sup> and Directive (EU) 2021/1270<sup>66</sup>, entered into force on 1 August 2022.

<sup>65</sup> amending Delegated Regulation (EU) No 231/2013 as regards sustainability risks and sustainability factors to be taken into account by alternative investment fund managers

<sup>66</sup> amending Directive 2010/43/EU as regards sustainability risks and sustainability factors to be taken into account for undertakings for collective investment in transferable securities (UCITS)

To this end, the Financial Supervisory Authority aims to develop procedures and processes for identifying, assessing and monitoring ESG risk factors that may affect the business and performance of supervised entities in the coming period, in order to enhance risk-based supervision and promote investor protection.

In the same context, we underline that the supervision of funds authorised under Art. 8 or Art. 9 of the SFDR brings new challenges in supervisory practices, with the Authority analysing the consistency of the portfolio structure with the sustainability provisions undertaken by the manager.

Also, at the level of the financial instruments and investments sector, the planning of inspection actions is based on risk-based supervision principles, using the risk matrix used by the off-site supervision services.

At the same time, taking into account the principles of risk-based supervision, prior to the notification and triggering of each periodic supervisory action on capital market entities, in order to substantiate and finalise the supervisory theme, up-to-date information on each supervised entity, resulting from off-site supervisory activity, will be assessed and potential vulnerabilities and areas of focus of supervisory action will be determined specifically for that entity. In addition, the European supervisory priorities identified in the risk mapping exercises (ESMA Heatmap) will be taken into account when setting the periodic inspection objectives for entities supervised by the SIIF.

Specifically, the priority activities for the year 2023 for supervisory activity in the capital market sector are mainly aimed at streamlining the supervisory and oversight function to ensure the integrity, stability and proper functioning of the market for financial instruments and investments, with a focus on increasing retail investor protection.

By strengthening prudential supervisory functions and conduct based on the risk-based supervision model, ASF aims to:

- Strengthening prudential and conduct of business supervision, off-site and on-site, of investment firms and investment managers, based on best practices in the European Union (by implementing the guidelines contained in ESMA Q&As, Guidelines and Supervisory Briefings);
- changing the supervisory approach, by moving from the traditional model based largely on compliance (compliance-based) to a risk-based supervision model;
- intensifying supervision and inspection of entities in high risk categories and profiles and focusing resources predominantly on activities/financial products/entities that may affect the achievement of the Authority's core objectives;
- allocation of adequate resources at Authority level (human, IT tools, etc.) to ensure that it can exercise robust supervision;
- orienting the supervisory act towards detailed knowledge of the activity of entities and the risks to which they are exposed and/or which they may induce - developing dedicated questionnaires by type of entity to assess the conduct of entities and identify high-risk activities within entities;
- development of unitary benchmarks for the manifestation of the proactive side of the supervision process;
- strengthening the preventive role by focusing on recommendations/requests for remediation and follow-up;



- improving internal control and organisational maturity for supervised entities through differentiated requirements depending on the category they fall into:
  - internal risk assessment;
  - organisation of the activity by process/establishment of samples directly proportional to the complexity and dynamics of the activity performed and the volume of assets managed;
  - implementation of key risk indicators.

At the same time, in the supervisory practice of ASF, the specialised organisational structures are constantly collaborating with the representatives of the national competent authorities in the working groups organised at ESMA level in order to continuously reassess national supervisory practices and identify new supervisory standards.

In relation to the general objective of promoting confidence in securities markets and investment in financial instruments, specific supervisory activities in the area of issuer transparency and enforcement of shareholders' rights will focus on issues related to compliance with corporate governance principles, timeliness and quality of disclosure by issuers.

Thus, the following will be followed in particular:

- compliance of issuers' financial statements with International Financial Reporting Standards (IFRS);
- implementation of ESEF<sup>67</sup> reporting requirements;
- ensuring that shareholders/investors are adequately informed of transactions carried out in relation to and by issuers of securities in terms of current/periodic reporting obligations;
- ensuring the rights arising from shareholder status.

At the same time, developments in Community regulations will be monitored in the light of the process of digitalisation of some specific functions of the authorities concerning the specific mechanism by which the fulfilment of reporting obligations by issuers is to be ensured.

Last but not least, real-time monitoring of trading in financial instruments markets will continue and investigations into violations or potential violations of applicable market abuse legislation will be swiftly launched. In order to strengthen the capacity to monitor indications of market manipulation or insider dealing, we are considering both the development of algorithms (together with other European authorities) and the acquisition of software dedicated to the identification of market abuse. Ensuring a better quality of data on transactions reported to ASF by market participants (market/system operators/brokers/other entities) is also important.

<sup>67</sup> European Single Electronic Format

## **The Insurance - Reinsurance Sector**

In order to ensure supervisory convergence in the insurance-reinsurance sector, the supervisory tools developed within the Authority as a result of the implementation of the procedural framework developed following the Project carried out in collaboration with EIOPA (which aimed at aligning and harmonising the specific supervisory methodologies at the level of the Authority with the EIOPA recommendations on the European supervisory framework), allow to intensify and focus supervisory activities on high and medium high-risk areas. The implementation of an IT system for the automated calculation of risk indicators specific to insurance companies allows for the early identification and continuous monitoring of risks impacting the solvency, liquidity, asset quality, technical reserves and own funds of companies.

Similar tools are also used to identify conduct risks with a potential impact on customers of insurance products.

The planning of supervisory activities is closely linked to the Union-wide Strategic Supervisory Priorities (USSP), which are constantly adapted to the evolution of macroeconomic risks and risks specific to the insurance and reinsurance sector. Thus, the main strategic objectives from the perspective of prudential supervision are oriented towards monitoring the impact of inflation and deteriorating macroeconomic conditions on the Romanian insurance market and monitoring the impact of cyber risks and IT risks impacting the business model of insurance companies.

The main strategic objectives from the perspective of the supervision of the conduct of insurance companies are geared towards the distribution of insurance products that provide fair value for customers and are aligned with their objectives, needs and interests, including those related to sustainability. Thus, the insurance sector will continue to monitor the actions taken by insurance companies to comply with the provisions of EU Regulation 2088/2019 on integrating sustainability risks into their investment decision-making processes.

From the perspective of prudential supervision of insurance companies, for the year 2023, supervisory actions are intensified towards emerging risks identified to have a potential impact on the sustainability and viability of the business model of insurance companies, respectively:

- assessment of the corporate governance system, with a focus on the assessment of the risk management system;
- monitoring the evolution of the values of assets held by insurance companies and their volatility to increasing financial risks in the current macroeconomic context (risk of rising interest rates, risk of rising inflation, currency risk, liquidity risk, etc.);
- assessment of business model sustainability, solvency and profitability projections;
- continue monitoring the implementation of the measures/recommendations ordered following the BSR (Balance Sheet Review) exercise and previous control/supervision actions;
- monitoring the impact of cost increases on insurance underwriting, particularly in the motor insurance segment;
- monitoring the results of the ORSA stress tests (Risk and Solvency Self-Assessment) and the inclusion of EIOPA's views in the risk scenarios.

From an insurance company conduct supervision perspective, supervisory actions are targeted at identified conduct risks/vulnerabilities impacting insurance product customers, respectively:

- supervisory actions carried out at market level, based on the assessment of identified conduct risks, such as: pre-contractual information to clients; contractual documents and distribution channels used in the companies' business;
- supervisory actions targeted at company-specific risks, according to the conduct risk assessment identified at company level, such as: providing fair value to customers of insurance products, information flow between insurance companies as creators of insurance products and insurance intermediaries.

At the same time, one of ASF's priorities is to improve the recovery and early intervention process and to harmonise overlapping legislative elements in the field of insurance company recovery. As regards resilience, this continues to be one of the cross-cutting and cross-sectoral priorities of ASF, with recovery and resolution playing a key role in this context. Recovery planning, recovery itself, early warning and proactive resolution of potential obstacles to recovery are the most effective ways to ensure financial stability and resilience and to counter potential threats to the safe and reliable functioning of markets. In this way, undesirable situations can be avoided which may have a negative impact on financial users or other stakeholders.

### **The Private Pension System Sector**

As regards the supervisory activity in the private pension sector for the period 2023-2025, the ongoing objectives of protecting the interests of participants and beneficiaries, increasing the quality of supervision and the level of transparency of information available are maintained as follows:

- ▶ protecting the interests of participants and beneficiaries by ensuring the efficient operation of the private pension system and ensuring their access to appropriate information;
- ▶ maintaining low risk in the private pension fund market and ensuring the stability of the private pension system;
- ▶ improving the quality of the inspection act;
- ▶ ensuring an appropriate level of transparency of information;
- ▶ strengthening confidence in the private pension system;
- ▶ implementing effective and efficient supervisory practices to build the resilience of the private pension system to external and internal shocks;
- ▶ ensuring transparency by providing reliable and relevant data;
- ▶ updating the reporting information system and adapting on-site and off-site supervision activities following legislative changes;
- ▶ preventing or mitigating risks to the private pension system by ensuring prudential supervision;
- ▶ development of methodologies on the supervisory activities of entities in the private pension system with a view to assessing the risk profile and the supervised entities and taking decisions on the necessary supervisory measures;

- maintaining high quality standards of specific operations/activities carried out at sector level, in the context of the development and innovation of financial products offered in the private pension market.

In line with the provisions of Art. 3 of EU Regulation 2088/2019, all 10 private pension managers ensure transparency and public communication on sustainability factors by publishing on their own website information on policies developed internally or at group level on integrating sustainability risks into their investment decision-making processes.

Thus, during 2023, pension funds' investments in issuers will be monitored and it will be verified how managers have included ESG risks in their pre-investment analyses, in accordance with the specifications of internal procedures.

Moreover, in order to improve the reporting framework of regulated and supervised entities in the private pension sector, in the current context of deteriorating macroeconomic balances in the European Union financial markets and an increasing level of market risk, the Financial Supervisory Authority proposes to engage in an analysis of how private pension fund managers proceed to limit the effects of volatility in financial markets on the asset portfolios of private pension funds and how they take the necessary measures to protect the assets of participants and beneficiaries in the private pension system.

Thus, in order to have a clearer and more up-to-date picture of the investment and divestment operations carried out with private pension fund assets, in addition to the information reported so far to ASF, new reporting requirements will be introduced on transactions carried out by private pension fund managers, reflecting positive or negative value differences of financial instruments in the portfolio.

**ANNEX**

# **LIST OF ABBREVIATED TERMS**



ADP/AS	=	Association for Privately Managed Pensions in Romania
AIFM	=	Alternative Investment Fund Managers
AIFASMD	=	Alternative investment fund managers from other Member States operating directly in Romania
AFIASMS	=	Branches of alternative investment fund managers from other Member States operating in Romania
GI	=	General Insurance
AIFMD	=	Alternative Investment Fund Managers Directive
AMLA	=	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
OCIU	=	Other Collective Placement Undertakings
APAPR	=	Association for Privately Managed Pensions in Romania
ARB	=	Romanian Association of Banks
ARIS	=	Absolute Return Innovative Strategies
ASE	=	Bucharest Academy of Economic Studies
ASF	=	Financial Supervisory Authority
LI	=	Life Insurance
BAAR	=	Bureau of Motor Insurers of Romania
EBRD	=	European Bank for Reconstruction and Development
BET	=	Bucharest Exchange Trading
NBR	=	National Bank of Romania
BSR	=	Balance Sheet Review
BVB	=	Bucharest Stock Exchange
CAEN	=	Classification of activities in the national economy
CASCO	=	Insurance of land transport means
CBDF	=	Cross-border distribution of funds
EC	=	European Commission
CMU	=	Capital Markets Union
CNPF	=	National Commission for Financial Markets
CNSM	=	National Committee for Macroprudential Supervision
CNSP	=	National Strategy and Forecasting Commission
CNVM	=	National Securities Commission
COVID-19	=	Infectious disease caused by newly discovered coronavirus
CR	=	Concentration Rate
CRD	=	Capital Requirements Directive
CRR	=	Capital Requirements Regulation
CSA	=	Insurance Supervisory Commission
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
CSSPP	=	Private Pension Supervisory Commission
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
EIOPA	=	European Insurance and Occupational Pensions Authority
EFAMA	=	European Fund and Asset Management Association
EMIR	=	European Regulation 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
ICF	=	Investor Compensation Fund
OIF	=	Open Investment Funds
FGA	=	Policyholder Guarantee Fund
FGDSP	=	Private Pension System Rights Guarantee Fund
AIF	=	Alternative Investment Funds
FIAM	=	Alternative investment funds from other Member States whose units are distributed in Romania
OIFMDR	=	Open-ended investment funds from other Member States whose units are distributed in Romania
AIFRI	=	AIFs for retail investors
FinTech	=	Financial Technology
CIF	=	Closed-ended Investment Funds
FIRDS	=	Financial Instruments Reference Data System
FISMD	=	Investment companies from other Member States operating directly in Romania
FITRS	=	Financial Instruments Transparency System
FMA	=	Financial Market Authority
IMF	=	International Monetary Fund
FNP	=	National Protection Fund
FoS	=	Free movement of services
FoE	=	Freedom of establishment
FP	=	Fondul Proprietatea
GME	=	Global Monitoring Exercise
GMW	=	Global Money Week
G-SII	=	Global institutions of systemic importance
HRG	=	Homogeneous risk groups
IAIS	=	International Association of Insurance Supervisors
IAM	=	Identity and Access Management
HICP	=	Harmonised Index of Consumer Prices
IFRS	=	International Financial Reporting Standards
IFREFI	=	Institut Francophone de la Régulation Financière
IGC	=	Institute of Corporate Governance
SME	=	Small and Medium Enterprises
INCM	=	Credit institutions in other Member States
INFE	=	International Network for Financial Education, OECD
IOPS	=	International Organisation for Pension Supervision
IOSCO	=	International Organisation of Securities Commissions
IRRD	=	Insurance Recovery and Resolution Directive
ISF	=	Institute of Financial Studies
IT	=	Information Technology

FATF	=	National SB/FT risk assessment
LB	=	Central Bank of Lithuania
LEI	=	Legal Entity Identifier
MAE	=	Ministry of Foreign Affairs
MAR	=	Market Abuse Regulation
MCR	=	Minimum Capital Requirements
MF	=	Ministry of Finance
MiCA	=	Regulation of crypto-asset markets
MiFID II	=	Markets in Financial Instruments Directive
MIFIR	=	Regulation on Markets in Financial Instruments
MMFR	=	European regulation on money market funds
MMPS	=	Ministry of Labour and Social Protection
NGFS	=	Network of Central Banks and Supervisors for the Greening of the Financial System
OECD	=	Organisation for Economic Co-operation and Development
OECD-INFE	=	(Organisation for Economic Co-operation and Development - International Network on Financial Education
ONPCSB	=	National Office for the Prevention and Combating of Money Laundering
CIU	=	Collective Placement Undertakings
OPCOM	=	Electricity and Natural Gas Market Operator
UCITS	=	Undertakings for Collective Investment in Transferable Securities
ORC	=	Trade Register Office
ORSA	=	Own Risk and Solvency Assessment
OTC	=	Over-The-Counter
GEO	=	Government Emergency Ordinance
PAD	=	Disaster Insurance Policy
GWP	=	Gross Written Premium
BCP	=	Business Continuity Plan
PEPP	=	Pan-European personal pension product
GDP	=	Gross Domestic Product
PIS	=	Procedure for imposing a solution
PNRR	=	National Recovery and Resilience Plan
PPS	=	Procedure for proposing a solution
RAF	=	Risk Assessment Framework
RBS	=	Risk-based supervision
MTPL	=	Compulsory Motor Third Party Liability Insurance
ROF	=	Rules of Organisation and Operation
RRA	=	Radio Romania Actualități
RvP	=	Receive vs. Payment
IMC	=	Investment Management Company
SAIM	=	Investment management companies from other Member States
SAL-FIN	=	Alternative Dispute Resolution Entity for Nonbank Financial Disputes
SAR	=	Insurance - Reinsurance Sector
SARS-CoV-2	=	New coronavirus
SARIS	=	Suspensions and Restorations Instruments System
SCR	=	Solvency capital requirements
SFTR	=	Regulation on securities financing transactions
SGG-DRP	=	General Secretariat of the Government - Directorate of Public Relations
IC	=	Investment companies

SIEM	=	Security Information and Event Management
SISA	=	Investment companies from other Member States whose units are distributed in Romania
FIC	=	Financial Investment Company
FICMS	=	Financial investment companies from other Member States
SIIF	=	Financial Instruments and Investments Sector
MTF	=	Multilateral Trading Facility
SOL	=	Online dispute resolution
OTS	=	Organised trading system
SRSP/SRSS	=	Structural Reforms Support Programme
FISC	=	Financial Investment Services Company
SSPP	=	Private Pension System Sector
STS	=	Special Telecommunications Service
T2S	=	Target2-Securities
ICT	=	Information technology
TRACE	=	Access to Trade Repositories Project
TREM	=	Transaction Reporting Exchange Mechanism, ESMA
TSI	=	Technical support instrument
UCITS	=	Directive 2009/65/EC
EU	=	European Union
UNSAR	=	National Union of Insurance and Reinsurance Companies in Romania
NAV	=	Net asset value
UNAV	=	Unit net asset value
WIW	=	World Investor Week

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## Notes

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Some statistical data are provisional and will be revised in subsequent publications of the Financial Supervisory Authority. Due to rounding off, the totals may not correspond exactly to the sum of the components or there may be small differences from the percentage changes shown in the graphs or tables.

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