

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



TERMS OF REFERENCE

Project: Rating Agencies Development

Project Team: National Securities Commission,

**National Bank of Romania, banking community representatives,
local rating agencies**

Proposed Technical Anchor (TAN): International Finance Corporation

I- Background

Under Basel II, banking regulators can allow banks to use credit ratings from certain approved credit rating agencies (called "ECAIs" - "External Credit Assessment Institutions") when calculating their capital requirements, provided that the ECAIs that produce those assessments have been recognised as eligible for that purpose by the competent supervisory authorities.

The Capital Requirements Directive (CRD) that transposes the provisions of the Basel II requirements allows EU member states to recognise an ECAI as eligible in two ways: direct recognition, in which the competent authority carries out its own assessment of the ECAI's compliance with the CRD eligibility criteria; and indirect recognition, in which the competent authority relies on the recognition of the ECAI by the competent authority of another member state. In broad terms, the CRD eligibility criteria for ECAIs refer to their objectivity, independence, international access/transparency, disclosure, resources, and credibility.

In Romania, which will fully transpose the CRD provisions as of January 2007, most of the local companies cannot afford to be clients of international rating agencies. Since borrowers unrated by ECAIs will be assigned a 100% risk weighting according to CRD, initially most domestic credits may end up under this category. Likewise, Basel II/CRD assigning a higher risk weighting of 150% for entities rated below BB(-), thereby providing the companies a perverse incentive to remain unrated. Therefore, in order to increase the risk sensitivity of the new capital framework, there is a perceived need for developing domestic ECAIs.

At present, in Romania there are only three local so called "rating agencies", whose main activities consist of drafting business credit reports, data quality checks, debt recovery, receivables management, and risk management consulting. Local rating agencies are not allowed to carry out rating activities due to lack of legislation in this area. The National Securities Commission (NSC) has drafted a regulation in this respect, which has not been

issued as yet. Following the enactment of the NSC regulation, the NBR will have to issue distinct regulations stating the eligibility criteria for ECAIs, based on which the ratings assigned by local ECAIs could be used by banks for determining their capital requirements according to Basel II.

II - Project Objective

To prepare a set of draft regulations that will enable local rating agencies to carry out rating activities, and will establish eligibility criteria for ECAIs in conformity with the Basel II/CRD requirements, to be accompanied by a document on implementation constraints and criticalities.

III – Intended Strategy

The project management group (Project Owner, Project Manager, Deputy Project Manager, supported by the SPI Secretariat) acts based on the mandate received from the SPI Committee to achieve the project objective.

In order to have an adequate representation of all the stakeholders, the PMG should form a project working group (PWG) with meaningful representation by authorities (NBR and NSC) and by market players (local rating agencies and banks).

The project management group (PMG) will start by reaching a common level of understanding of the issues raised by the creation of a consistent legal and institutional infrastructure for the credit rating activity in Romania. The development of the legal framework should be conceived downstream from the design of the institutional characteristics that would be required from ECAIs to undertake credit rating activities at a level of reliability and consistency that would allow use of their work for capital adequacy purposes.

In this respect, the PMG should acquire an understanding of the technical skills, organizational set-up and business mix requirements for ECAIs from EU member states that currently qualify for Basel II/CRD purposes. For this purpose, the NBR should seek guidance from the Committee of European Banking Supervisors on the necessary institutional set-up of ECAIs as resulted from its previous research on the matter. Likewise, the SPI Secretariat will prepare (possibly with IFC support) an international benchmarking of the institutional characteristics of ECAIs operating in the EU. Based on these contributions, the SPI Secretariat will prepare a paper on international experience on necessary ECAIs institutional characteristics.

The PWG will then start designing the regulatory principles needed to underpin an adequate institutional set-up, in line with international regulations and practices. To help document the PWG work, the SPI Secretariat will prepare an issues paper based on the following contributions:

- a. NSC: the existing draft regulation for enabling local CRAs to carry out rating activities and any other relevant documentation (i.e. technical assistance received on the matter), together with a presentation of the perceived drawbacks in issuing the regulation;

- b. NBR: a paper on the relevant Basel II/CRD requirements regarding the eligibility criteria for ECAIs, outlining the envisaged regulatory and institutional solutions for transposing the international standards into the domestic legislation;
- c. SPI Secretariat: paper on international experience on necessary ECAIs institutional characteristics.

The PWG will analyze the NSC draft regulation and will outline possible improvements from the perspective of the institutional set-up requirements previously highlighted. Likewise, the PWG will discuss the drawbacks perceived by NSC in issuing and enforcing the regulation and will agree on possible solutions to overcome these difficulties.

The PWG will then conceive the main elements of a proposed regulation on the eligibility criteria for ECAIs, in line with the Basel II/CRD requirements and with the international experience on the matter. To help strengthen the applicability of the proposed regulatory principles, the PWG will explore the drawbacks perceived by market players in complying with these requirements. In this respect, the PM/DPM/SPI Secretariat will ask:

- a. Local CRAs: to prepare a presentation of possible difficulties in complying with Basel II/CRD eligibility requirements, outlining possible solutions;
- b. Banks: to prepare a presentation on the perceived benefits from using ratings issued by local ECAIs and on the foreseen implementation difficulties and possible ways to overcome them.

The PWG will analyze the draft regulation on ECAIs eligibility criteria to be prepared by the NBR based on the agreed regulatory principles and the input received from the market players on the implementation drawbacks and possible solutions. The “impact” of the proposed new regulatory framework should be measured on how many existing “rating companies” could become eligible to conduct Basel II-relevant rating activities and on how likely it will be that it will enable new entrants.

The PWG will finalize the regulatory proposals and will prepare a document on the implementation constraints and criticalities requiring the attention and guidance from SPI Committee, to accompany the set of draft regulations.

IV- Methodology: from kick off to the accomplishment of the project

Project Strategy Meeting – June 8

The PWG will reach a common level of understanding of the issues raised by the creation of a consistent legal and institutional infrastructure for the credit rating activity in Romania.

Also, the PWG will discuss and approve the project TORs and the next steps and individual contributions.

Preparation of PWG 1st meeting (PM/DPM and SPI Secretariat) - June 11 – July 13

The PWG will start by acquiring an understanding of the technical skills, organizational set-up and business mix requirements for ECAIs from EU member states that currently qualify for Basel II/CRD purposes. For this purpose:

- a. NBR: will seek guidance from the Committee of European Banking Supervisors on the necessary institutional set-up of ECAIs as resulted from its previous research on the matter;
- b. SPI Secretariat: will prepare (possibly with IFC support) an international benchmarking of institutional characteristics of ECAIs operating in the EU.

Based on these contributions, the SPI Secretariat will prepare a paper on international experience on necessary ECAIs institutional characteristics.

To help document the PWG work, the SPI Secretariat will prepare an issues paper based on the following contributions:

- a. NSC: the existing draft regulation for enabling local CRAs to carry out rating activities and any other relevant documentation (i.e. technical assistance received on the matter), together with a presentation of the perceived drawbacks in issuing the regulation;
- b. NBR: a paper on the relevant Basel II/CRD requirements regarding the eligibility criteria for ECAIs, outlining the envisaged regulatory and institutional solutions for transposing the international standards into the domestic legislation;
- c. SPI Secretariat: paper on international experience on necessary ECAIs institutional characteristics;
- d. Local CRAs: a presentation of the foreseen difficulties in complying with Basel II/CRD eligibility requirements, outlining possible solutions;
- e. Banks: a presentation on the perceived benefits from using ratings issued by local ECAIs and on the foreseen implementation difficulties and possible ways to overcome them.

PO/PM will send to the PWG members the SPI Committee Mandate Letter together with the following documents, before the PWG 1st meeting:

- a. the issues paper prepared by the SPI Secretariat;
- b. draft TORs prepared by SPI Secretariat and endorsed by PO and PM/DPM.

PWG 1st meeting - July 16 – 20

1. PWG members discuss the characteristics of the needed institutional infrastructure for the credit rating activity in Romania, in line with international regulations and practices;
2. PWG members analyze the NSC draft regulation and outline possible improvements from the perspective of the institutional set-up requirements previously highlighted;
3. PWG members discuss the drawbacks perceived on issuing and enforcing the proposed NSC regulation and agree on possible solutions to overcome these difficulties;
4. PWG members take note of Basel II/CRD requirements on ECAIs eligibility criteria and of the international experience/practices on the matter;
5. PWG members discuss the market players' concerns (local rating agencies and banks) regarding the foreseen difficulties in applying the Basel II/CRD framework and outline possible ways to overcome them;
6. PWG members outline the main elements of a proposed regulation on the eligibility criteria for ECAIs, in line with relevant international regulation and practices and taking into account suggestions of market players;
7. PWG members agree on TORs prepared by SPI Secretariat and endorsed by PO and PM/DPM;

8. PM/DPM establish **homework** for PWG members:

NSC: finalize the draft regulation enabling local rating agencies to carry out rating activities based on possible necessary improvements as resulted from the PWG discussions;

NBR: prepare a proposal of a draft regulation on ECAIs eligibility criteria in line with international regulations and practices on the matter and with the input received from the market players on implementation drawbacks and possible solutions;

Rating Agencies, Banks: prepare a proposal for a set of practical measures that the rating agencies and banks could jointly take to facilitate the implementation of the proposed legislation.

The individual contributions will be sent to PM/DPM/SPI Secretariat. SPI Secretariat will circulate a package of documents before the PWG 2nd meeting.

PWG 2nd meeting - July 30 – August 3

1. PWG members analyze the and agree on the draft regulation establishing eligibility criteria for ECAIs in conformity with the Basel II/CRD requirements;
2. PWG member from MOPF provides an opinion on the proposed draft regulations;
3. PWG members discuss and agree on the set of practical measures that the rating agencies and banks could jointly take to facilitate the implementation of the proposed legislation;
4. PWG members start preparing the document on the implementation constrains and criticalities requiring the attention and guidance from SPI Committee, to accompany the proposed set of draft regulations.

Homework:

Rating Agencies: assess the “impact” of the proposed new regulatory framework in terms of how many existing “rating companies” could become eligible to conduct Basel II-relevant rating activities and on how likely it will be that the regulation will enable new entrants;

PM/DPM: prepare the document on implementation constrains and criticalities requiring the attention and guidance from SPI Committee, to accompany the proposed set of draft regulations and the “impact” assessment prepared by the local rating agencies.

PWG 3rd meeting - August 20 - 24

PWG members approve the actionable proposal for SPI Committee.

V- Output

PWG 1st meeting

- PWG members outline the issues raised by the creation of a consistent legal and institutional infrastructure for the credit rating activity in Romania;
- PWG members analyze the NSC draft regulation;
- PWG members outline the main elements of a proposed regulation on the eligibility criteria for ECAIs.

PWG 2nd meeting

- PWG members analyze the NBR draft regulation;
- PWG members agree on the set of practical measures that the rating agencies and banks could jointly take to facilitate the implementation of the proposed legislation;
- PWG members draft the document on the implementation constraints and criticalities;
- PWG members perform an impact assessment.

PWG 3rd meeting

- PWG members approve actionable SPI Committee proposal;
- SPI Secretariat sends SPI Committee Actionable Paper to Convergence.

VI - Project Team

The team will be composed of:

- NBR:
 - 2 experts from the Regulation and Licensing Department and from the Financial Stability Department.
- NSC:
 - 3 experts from the Regulation Department.
- Banks:
 - 3 experts from the RBA Basel II Technical Commission.
- Credit Rating Agencies:
 - 1 expert with background on credit rating and Basel II.
- Ministry of Public Finance
 - 1 expert from the General Department for Legislative Harmonization and European Integration.

The team will be chaired by the Project Manager and co-chaired by the Deputy Project Manager.

PM/DPM have to report to PO at least after each meeting of the PWG.

Technical anchor: expert with financial policy/institutional development background.

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



**SPI Project on Credit Rating Agencies Development
Project Strategy Meeting
June 8, 2007
Romanian Banking Institute
SPI Romania Office**

Participants:

Project Management Group

Doina Ionescu, Banc Post, Project Manager

Project Working Group

Bogdan Moinescu, Financial Stability Department, National Bank of Romania

Iulia Pruna, National Securities Commission

Oana Marinoiu, National Securities Commission

Radu Oniga, National Securities Commission

Laurentiu Badita, Coface Romania

SPI Secretariat (Oana Nedelescu, SPI Director for Analytics and Policy, Ramona Bratu, SPI Director for Bank Products and Services)

MINUTES

I. Project background

The SPI Secretariat has provided a background on the SPI project working groups' governance and activities. Likewise, a brief introduction has been made on the SPI project on credit rating agencies and its terms of reference.

While the initial project objective was to explore the development of local External Credit Assessment Institutions (ECAIs), the practical difficulties of setting up Basel II eligible rating agencies suggest that a more feasible approach would be to encourage the creation of domestic rating agencies able to carry out rating activities for listed companies, with the potential of further building their capacity to become ECAIs over time.

Therefore, the project objective is being modified to *prepare a set of draft regulations (and associated documentation) that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies. This documentation will include considerations on implementation constraints and criticalities, in order to allow for the further development of these rating agencies into local ECAIs, in conformity with the Basel II/CRD requirements.*

II. Project working group discussions

National Bank of Romania (NBR) outlined its initiatives in the area of rating agencies. In this respect, the NBR stressed its interest in the development of credit rating agencies as External Credit Assessment Institutions – ECAIs in the Basel II context.

The NBR has performed a technical study on the opportunity of establishing an ECAI function within the central bank in the context where the Financial Stability Department has developed an advanced model for assessing the credit risk well exceeding the scoring function¹. The study has been performed in the context of the twinning arrangement with Bank of France and Bank of Italy and is inspired by the example of Bank of France, which has been accepted to operate as ECAI.

The study is presenting an analysis of the pros and cons of this initiative, as well as of the requirements for the methodological tools, the infrastructure, and the organization of an ECAI. One of the main risks identified by the study refers to the crowding out effect on private local initiatives of establishing ECAIs that would be generated by the integration of such a function within the central bank.

The study has been analyzed by the NBR department and has been debated in the NBR Supervisory Council. The Supervisory Council has approved the continuation of the analysis in this area, but outlined that at present it would not be opportune to set up an ECAI within the central bank.

Regarding the regulatory framework, the general eligibility criteria for ECAIs have been stated in *NBR and National Securities Commission (NSC) Regulation no. 14/19/2006 regarding the treatment of credit risk by credit institutions and investment firms according to the standardized approach*. In broad terms, eligibility criteria for ECAIs refer to their objectivity, independence, international access/transparency, disclosure, resources, and credibility. The NBR Regulation Department is currently developing an ECAI evaluation procedure, based on the relevant CEBS guidelines.

The NBR representative has outlined the division of functions within the NBR with respect to the ECAIs: while regulation lies with the Regulation Department, the ECAIs will have to be agreed by the Supervision Department and the Financial Stability Department which has developed the models that could potentially support an ECAI function.

In terms of data availability for performing an ECAI function, it would be important to mention that the NBR does not dispose of adequate information for the time being (i.e. 7-10 years statistical time series). One practical solution to the data shortage would be overcome if banks would agree to put their data together in a common database.

National Securities Commission has outlined the distinct nature of the two sets of regulations pertaining to credit rating agencies:

- a) NSC regulation for allowing credit rating agencies to carry out rating activities for companies listed on the stock exchanges – this regulation has been drafted and it is

¹ The model uses NBR Credit Register data, as well as data provided by the Ministry of Economy and Finance.

- currently undertaking a public consultation process. The regulation promotes a “soft assessment” of credit rating agencies which will not be supervised by the NSC;
- b) NBR-NSC regulation stating the ECAI evaluation procedure – this regulation is currently being drafted by the NBR in the application of the NBR-NSC Regulation no. 14/19/2006.

The NSC has outlined the need for the two regulations to be correlated as the ECAI regulation will most likely impose higher recognition standards than the one referring to regular rating activities for capital market purposes. Therefore, the NSC would like to wait for the NBR drafted regulation on ECAIs before issuing its own regulation on local rating activities for listed companies, in the assumption ECAI regulations will be issued shortly.

Credit rating agencies have outlined that a relatively large number of companies provide services in the area of “commercial information” and suggested that it would be important to also get their point of view. The local credit rating agencies analyze the commercial companies’ financial and non-financial information in order to develop the credit rating.

In particular, the credit rating agency represented has created a complex credit rating scoring model based on “financial scoring” (based on company financial data) and “soft scoring” (based on non-financial information) which produce together a “general scoring” for a particular company.

Regarding the access to information, the credit rating agency represented revealed that it is in practice confronted with a lack of relevant data and information. In this regard, the agency outlined that it has placed a request to access NBR Credit Register data, which has been refused due to the fact that the register can only provide information to those entities that also contribute with information (i.e. banks).

Also, from discussions with the NBR it resulted that the NBR could agree a scoring model proposed by a local credit rating agency which is a subsidiary of an international rating agency whose scoring model has been approved by another ESCB central bank (provided that the two models are identical).

Banks have also outlined that in relation to credit scoring they play a dual role: on the one hand banks can be assigned credit ratings, on the other hand they can use the ratings assigned to client companies in order to make a more informed credit assessment and to diminish the capital requirements.

In terms of the demand for rating, the banks representatives consider that there is little awareness on the benefits of obtaining a credit rating. This point was endorsed by the rating agencies representative who outlined that only large companies request to be rated, usually as a guarantee for their creditworthiness in relationship with external partners. At present, about 10 Romanian companies listed on the stock exchange are rated.

Other issues raised refer to the solicited versus the unsolicited rating. In this regard, the NSC has outlined the potential danger that unsolicited ratings could harm the image of listed companies. In this regard, it would be important to determine when it would be opportune to demand the approval of the respective companies in order to disclose assessments performed based on public data. Likewise, the ratings issued are likely to depend on the credibility of the rating agency. The project working group will further study this issue.

III. Project next steps

The project working group has approved the TORs and the project objective. The project working group has approved the following work plan for the next period:

Banks – will prepare a presentation on the perceived benefits from using ratings issued by local ECAIs and on the foreseen implementation difficulties and possible ways to overcome them (by July 6);

Credit Rating Agencies – will provide the SPI Secretariat with contacts of other local agencies which should be consulted throughout the project (by June 25) and will provide feedback on the NSC draft regulation as well as on the perceived difficulties in complying with its requirements (by July 6); will also analyse the eligibility criteria for ECAIs proposed by NBR and will outline the implementation constraints (by July 13);

NSC – will provide the existing draft regulation for enabling local CRAs to carry out rating activities and any other relevant documentation, together with a brief presentation of the perceived drawbacks in issuing the regulation (by June 26); will get in touch with the NSC Basel II group representatives in order to announce the intention of having the ECAI regulation debated within the SPI project working group (by June 26);

NBR Financial Stability Department – will provide the project working group with an extract from the Financial Stability note with relevant information on the methodological and organizational requirement for ECAIs and any other relevant issues that could support the project working group in performing its analysis (by June 26);

NBR Regulation Department – will be asked to provide a brief presentation of the relevant Basel II/CRD requirements regarding the eligibility criteria for ECAIs, outlining the envisaged regulatory solutions for transposing the international standards into the domestic legislation (by June 29) and will be asked to provide an input of the NSC draft regulation on rating activities for listed companies (by July 6);

SPI Secretariat – will contact the Regulation Department and will ask it to contribute to the SPI project (by June 25); will contact other local credit rating agencies and will inform them about the project and ask for their feedback on relevant matters (by July 6); will contact the IFC in order to determine if it could support the project working group with a technical anchor (by June 29), and will prepare a) an intermediate paper based on the input received from the Financial Stability and the Regulation Departments (by June 29) and b) a centralized issues paper on the regulatory and implementation options, constraints and criticalities based on the input received from the project working group (by July 17).

IV. Next project working group meeting

Depending on the relevant information availability, the next project working group meeting could be held in the week July 16-20.

Convergence Romania Financial Sector Modernization Special Projects Public-Private Initiative Steering Committee



Credit Rating Agencies Development

<http://www.spi-romania.eu/program-2007/rating-agency-development/>

SPI Committee Meeting July 25, 2007

Project Objective:

Prepare a set of draft regulations (and associated documentation) that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies. This documentation will include considerations on implementation constraints and criticalities, in order to allow for the further development of these rating agencies into local ECAIs, in conformity with the Basel II/CRD requirements.

Project Working Group Activities

PWG members: 6

PWG meetings: 1

Public stakeholders

- National Securities Commission;
- National Bank of Romania.

Private stakeholders

- Banks (2);
- Credit rating agencies (2)

Project Main Steps

June 8, 2007: Project strategy meeting outlining a feasible objective for the project, which will be focused on developing local credit rating agencies allowed to carry out rating activities for listed companies as a intermediate step for the development of ECAIs;
June 2007: NBR representative sends a document outlining the requirements for setting up ECAIs; SPI Secretariat holds discussions with NBR Regulation Department in order to receive feedback on the approach for the ECAIs regulation; SPI Secretariat asks the support of IFC for identifying a suitable technical anchor for the project; NSC draft regulation is sent to PWG members for their review and comments.

Summary of Impact Assessment:

Government: RON 7 mil. as tax revenues
Companies: RON 143 mil. in increased lending
Banks: RON 46 mil. as additional interest income

For more information, please contact:

1. SPI Secretariat: Ms. Oana Nedelescu, Ms. Ramona Bratu, tel: +40 21 323 66 10; e-mail: oana.nedelescu@convergence-see.eu, ramona.bratu@convergence-see.eu.
2. Project Management Group: Ms. Doina Ionescu, Banc Post, tel: +40 21 313 06 53; e-mail: doina.ionescu@bancpost.ro.

SPI Project on Credit Rating Agencies Development

Project Team

Project Management Group

Project Owner (PO): -

Project Manager (PM): Doina Ionescu, Banc Post

Project Working Group

Bogdan Moinescu, NBR

Radu Oniga, NSC

Oana Marinoiu, NSC

Ilia Pruna, NSC

Laurentiu Badita, Coface

Convergence Romania Financial Sector Modernization Special Projects Public-Private Initiative Steering Committee



SPI Project on Credit Rating Agencies Development

Project Status Report

Prepared by the SPI Secretariat
Oana Nedelescu, SPI Director of Analytics and Policy

I. Actions undertaken

The project strategy meeting was held on June 8, 2007, with the participation of NSC, NBR, banks and credit rating agencies representatives. While the initial project objective was to explore the development of local External Credit Assessment Institutions (ECAIs), the practical difficulties of setting up Basel II eligible rating agencies suggested that a **more feasible approach would be to encourage the creation of domestic rating agencies** able to carry out rating activities for listed companies, with the potential of further building their capacity to become ECAIs over time.

Therefore, the project objective was modified to *“prepare a set of draft regulations (and associated documentation) that will spell out the institutional, financial and organizational conditions under which local rating agencies could be licensed to carry out rating activities for listed companies. This documentation will include considerations on implementation constraints and criticalities, in order to allow for the further development of these rating agencies into local ECAIs, in conformity with the Basel II/CRD requirements”*.

The PWG has outlined the distinct nature of the two sets of regulations pertaining to credit rating agencies, which will have to be correlated:

- a) NSC regulation for allowing credit rating agencies to carry out rating activities for companies listed on the stock exchanges – this regulation (promoting a “soft” assessment) has been drafted and it is currently undertaking a public consultation process;
- b) NBR-NSC regulation stating the ECAI evaluation procedure – this regulation is currently being drafted by the NBR in the application of the NBR-NSC Regulation no. 14/19/2006, which has been drafted and is currently undergoing a NBR internal review.

So far, the PWG has started the revision of the NSC regulation in order to outline the implementation constraints. Also, the NBR will shortly send for PWG information the draft ECAIs regulation, which will allow a correlation of the two regulations (the NSC regulation will have to be less demanding than the ECAIs-Basel II related one).

The NBR PWG representative also sent a document outlining the methodological and organizational requirement for ECAIs, which would represent an important reference for

local credit rating agencies in further building their capacity for undertaking Basel II-recognized rating activities.

The SPI Secretariat asked the support of IFC for identifying a suitable technical anchor for the project.

II. Project next steps

The following steps are envisaged for the project:

PWG feedback on the NSC regulation and its implementation constraints:

Credit rating agencies, banks – will provide their feedback on the NSC draft regulation as well as on the perceived difficulties in complying with its requirements (by end July);

NBR – will provide input of the NSC draft regulation, outlining the envisaged Basel II/CRD requirements regarding the eligibility criteria for ECAIs (by mid August);

TAN input on the international experience with credit rating agencies development:

TAN - will make a presentation to the PWG on the international experience with credit rating agencies development, outlining institutional building constraints and ways to overcome them (by mid September);

NSC finalization of draft regulation

Based on the input received from PWG and TAN, NSC will finalize the draft regulation (by end September);

PWG finalization of document on implementation constraints and criticalities:

The PWG will finalize the considerations on implementation constraints and criticalities, in order to allow for the further development of rating agencies into local ECAIs, in conformity with the Basel II/CRD requirements (by end September).

III. Proposed SPI Committee decision

The SPI Committee takes note that the SPI project, focusing on analyzing the conditions for credit rating agencies development, addresses an important gap in Romania's financial sector.

It encourages a closer cooperation between the NBR and NSC representatives on the one hand and the market participants on the other hand, in order to ensure that the proposed regulatory solutions will be favourable to the development of credit rating agencies.