

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



TERMS OF REFERENCE

Project: Amendment of the law on goods safeguard, values and persons protection

Project Owner: George Michelis (on behalf of RBA)

Project Manager: Ioan Arghiroiu (Manager, BancPost SA)

Deputy Project Manager: ... (a Ministry of Internal Affairs senior staff)

Technical Anchor: TBD

PROJECT WORKING GROUP (PWG)

I- Background

At present, Law no. 333/2003 regulates the goods safeguard, values and persons' protection, whose provisions apply to all commercial companies, including banks. Banks are confronted with some practical difficulties in applying the provisions of the law, of which the most important are:

1. Each territorial unit of banks has to draw up safeguard plans, which are subject to a complicated and lengthy approval procedure by the police. This can delay the setting up of new territorial units by two months. Also, any subsequent modification of the safeguard plans has also to get the approval of the police that can request new safety measures resulting in additional costs for banks;
2. Each territorial unit of banks has to draw up transportation plans for valuables, which are also subject to police approval, regardless the fact that in some cases banks have externalized the transport of valuables to specialized companies. Any change in the transportation plans for valuables has also to be approved by the police;
3. The banks have to dispose of non-stop video monitoring in each of the territorial units. The full records of the monitoring have to be archived for 30 days, even if monitoring sensors have not been activated during this time, resulting in the storing of a large amount of "blank" records;
4. The requirements for the physical security of the banks' managers are cumbersome (*to be further clarified*);
5. The provisions of the law do not provide clear guidance on how to correlate the security requirements with the degree of criminality corresponding to the location of the territorial units of banks.

The provisions of the law apply to all territorial units of banks, estimated at 4000 units at the end of July 2006 (the growth rate of the banking network is of 24%/year). In practice,

the above mentioned drawbacks of the law generate additional costs for banks and complicate their organizational structures. In this context, RBA wants to propose amendments to the current law to reduce the cost of compliance to the banking system.

II - Project Objective

To prepare a draft law amendment to the relevant legislation, which will reduce the operational costs of banks and help improve their organizational structure, while adequately substantiating alternative risk-mitigation measures that the banking system will undertake on a self-regulatory basis in order to address the authorities' concern about maintaining high standards on goods safeguard, values and persons protection.

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 prepare the law amendment proposals, supported by benchmarking with existing international practices and a RIA highlighting the costs and the risks arising from the current and proposed regulatory changes, together with alternative risk-mitigation measures that the banking system could undertake on a self-regulatory basis.

The project management group (PMG) should build a common understanding on the drawbacks perceived by banks (problems, costs, and risks) in the application of the current legislation on goods safeguard, values, and persons protection. On behalf of the PMG, the SPI Secretariat will ask for any information compiled by the RBA Bank Security Technical Commission and will arrange for interviews with a representative sample of banks.

The PM/DPM will ask the NBR to provide a supervisory perspective on the internal regulations that the banks should have in place in order to mitigate and monitor the operational risk pertaining to bank security. Also, the PM/DPM will ask the Ministry of Internal Affairs to provide an overview on how it solves the requests received from banks and the problems encountered in the application of the law.

The project working group (PWG) will analyze the costs and risks incurred by banks in applying the current legislation and will outline possible ways to mitigate them and their implied effects in terms of costs and risks for banks. The point of view of the Ministry of Internal Affairs representative on how the present situation could be changed in order to make the process of solving the requests from banks more efficient would greatly help the identification of solutions that would meet both public and business sector requirements.

These inputs should provide adequate background for agreeing on possible law amendments and a parallel set of measures that the banking community could undertake on a self-regulatory basis, meant at mitigating the authorities concerns about maintaining high standards on goods safeguard, values and persons protection.

The PWG will need to support the law amendments proposals by a benchmarking with existing international practices and a RIA highlighting the costs the risks arising from the current and proposed regulatory changes as provided by the SPI Secretariat.

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

Preparation of PWG 1st meeting (PM/DPM and SPI Secretariat) - October (23 - 27)

PM/DPM/SPI Secretariat will ask the RBA to provide insights on the issues outlined in the discussions on the matter held within the RBA Bank Security Technical Commission. Likewise, the PM/DPM/SPI Secretariat will meet with a sample of banks (with large territorial networks) in order to determine the drawbacks perceived by banks (problems, costs and risks) in the application of the current legislation.

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

1. PM/DPM/SPI Secretariat: a summary document on the results of the interviews with the banks and the discussion with the RBA Bank Security Technical Commission;
2. NBR: a document outlining a supervisory perspective on the internal regulations that the banks should have in place in order to mitigate and monitor the operational risk pertaining to bank security;
3. Ministry of Internal Affairs: an overview on how it solves the requests received from banks in the application of the law (outlining procedures for solving requests, number and types of requests made by banks, number and types of requests solved, length of solving the requests and practical problems encountered in the application of the current legislation by banks);
4. PM/DPM/ SPI Secretariat: prepare a draft questionnaire for gathering needed data for RIA, based on the information on costs and risks received from the PWG members, to be discussed at the PWG 2nd meeting.
5. Draft TORs prepared by SPI Secretariat and endorsed by PO and PM/DPM.

PWG 1st meeting - November (13-17)

1. PWG members discuss the information collected from banks and RBA and the document prepared by NBR;
2. PWG members take stock of the costs and risks incurred by banks in applying the current legislation;
3. Ministry of Internal Affairs presents the document on how it solves the requests received from banks in the application of the law, outlining its point of view on the problems encountered in the application of the law, followed by discussions;
4. PWG members discuss and approve the questionnaire;
5. PWG members agree on TORs prepared by SPI Secretariat and endorsed by PO and PM/DPM;
6. PM/DPM establish **homework** for PWG members:
Banks: a stock taking of the costs and risks incurred by banks in applying the current legislation, outlining possible ways to mitigate them, implied effects in terms of costs and risks for banks and possible self-regulatory measures; send responses to questionnaire;

Ministry of Internal Affairs: a presentation on how the present situation could be changed in order to make the process of solving the requests from banks more efficient;

SPI Secretariat: prepare a compilation of relevant international laws;

The individual contributions will be sent to the PM/DPM and SPI Secretariat. SPI Secretariat will centralize the contributions and circulate a paper on costs and risks incurred by banks in applying the current and proposed legislation, outlining possible self-regulatory measures, together the presentation of the Ministry of Internal Affairs and a compilation of relevant international laws before the PWG 2nd meeting.

PWG 2nd meeting - January (22-29)

1. PWG members discuss the paper on the costs, risks and possible self-regulatory measures and the presentation of the Ministry of Internal Affairs;
2. PWG members take note of the relevant international practices;
3. PWG members agree on a list of issues that can be translated into law amendments and a parallel set of measures that could be taken by the banking industry on a self-regulatory basis;
4. PWG members will identify the law amendments proposals corresponding to the agreed issues in line with international practices;
5. PWG member from the Ministry of Public Finance provides an opinion on the proposed regulatory changes;
6. PM/DPM establish **homework** for PWG members:

Each PWG member: draft specific law amendments proposals on several issues as decided by PM/DPM.

The individual contributions will be sent to the PM/DPM and SPI Secretariat. SPI Secretariat will prepare a centralized law amendment proposal and circulate it before the PWG 3rd meeting. PM/DPM will draft a position paper to support the agreed law amendments proposals and the proposed self-regulatory measures to be taken by banks and circulate it before the PWG 3rd meeting.

PWG 3rd meeting - February (19-24)

1. PWG members discuss and approve the law amendments proposals;
2. PWG members approve the position paper;
3. PWG members validate RIA findings.

V- Output

PWG 1st meeting

- PWG members send individual contributions;

PWG 2nd meeting

- PWG members agree on a list of issues;
- PWG members identify law amendments proposals;
- PWG members approve questionnaire;
- PM/DPM prepare draft position paper.

PWG 3rd meeting

- PWG members approve centralized law amendments proposals;
- PWG members approve position paper;
- SPI Secretariat sends SPI Committee Actionable Paper to Convergence.

VI - Project Team

The team will be composed of:

- Banks
 - 3 experts from banks with large territorial networks with background on bank security, of which one from the RBA Bank Security Technical Commission;
- National Bank of Romania
 - 1 expert from Supervision Department with operational risk background;
- Ministry of Internal Affairs
 - 1 expert with experience in applying Law 333/2003;
- 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.

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



Amendment of Law on Goods Safety and Persons Protection

SPI Committee
April 27, 2007 Meeting

Project Objective:

The amendment of Law no. 333/2003 regarding the goods safety and persons protection in order to provide for the possibility that banks design their safety plans based on their own analyses of risk, in line with international practices.

Project Working Group Activities

PWG members: 10

PWG meetings: 2

Public stakeholders

- National Bank of Romania;
- Gendarmerie.

Private stakeholders

- Banking sector (4 banks).

Project Main Steps

Dec. 15, 2006: 1st PWG meeting

Dec. 19, 2006: PWG (banks and NBR representatives) endorse proposed law amendments

Dec. 20, 2006: SPI Committee members approve the law amendments and decide to support the legislative enactment

Jan. 12, 2007: SPI Committee members from NBR and RBA send proposed law amendments to Ministry of Administration and Internal Affairs

Mar. 2007: SPI Committee MEF member follows up with Ministry of Administration and Internal Affairs

Summary of Impact Assessment:

Government: RON 8.1 mil. (5 year net present value) as tax revenues

Banks: RON 35.4 mil. (5 year net present value) as additional profits

For more information, please contact:

1. SPI Secretariat: Ms. Oana Nedelescu, Ramona Bratu, tel: +40 21 323 66 10; e-mail: oana.nedelescu@convergence-see.eu, ramona.bratu@convergence-see.eu.

2. Project Management Group: Mr. Ionel Arghiroiu, Bancpost, tel: +40 21 318 41 83; e-mail: ionel.arghiroiu@bancpost.ro.

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



Amendment of Law on Goods Safety And Persons Protection

Project Team

Project Owner (on behalf of RBA): Constantin Barbu, RBA

Project Manager: Ionel Arghiroiu, Manager, Bancpost

Deputy Project Manager: Gavrilă Popo, Gendarmerie

Project Working Group Members:

Traian Pometcu, NBR

Marian Georgescu, BCR

Alin Lupea, BRD

Eugen Bezdedeanu, Raiffeisen Bank

Sergiu Boga, Unicredit

Nicolae Craciun, Unicredit

Chiriac Lazar, Gendarmerie

Nicolae Magercu, Gendarmerie

Convergence Romania Financial Sector Modernization

Special Projects Initiative Public-Private Steering Committee



((Romanian version to be made available at the SPI Committee meeting))

April 27, 2007

Bucharest

To: Mr. Cristian David
Minister of Internal Affairs and Administrative Reforms

Dear Mr. Minister,

*Law no. 333/2003 regarding the Goods Safety and Persons Protection
Amendment Proposals*

The SPI Committee has submitted a note to the Ministry of Internal Affairs and Administrative Reforms (formerly Ministry of Administration and Internal Affairs) with proposed amendments to the *Law on goods safeguard and persons protection* on January 10, 2007 (letter attached). Also, in March 2007, the Ministry of Economy and Finance has asked the Ministry of Internal Affairs and Administrative Reforms about the status of the proposed legislative changes.

As we have not received any feedback from the Ministry of Internal Affairs and Administrative Reforms on the above mentioned matter, we would like to ask you, Mr. Minister, to facilitate a discussion between the Ministry's representatives and the members of the public-private working group who drafted the legislative proposal in order to discuss its provisions and agree on an enactment timeline.

We would appreciate if you could communicate to the SPI Secretariat (copied below) the names of the persons designated from the Ministry of Internal Affairs and Administrative Reforms to participate in the discussions with the SPI working group.

Thank you for your support.

Sincerely,

Florin Georgescu
First-Deputy Governor
National Bank of Romania
Member of the SPI Committee

Radu Gratiian Ghetea
President
Romanian Banking Association
Member of the SPI Committee

Sebastian Vladescu
Secretary of State
Ministry of Economy and Finance
Member of the SPI Committee

Gheorghe Ciubotaru
President
National Authority for Consumer Protection
Member of the SPI Committee

SPI Project on Amendment of Law on Goods Safety And Persons Protection

Project Status Report

I. Actions undertaken so far

In December, 2006, the project working group, composed of representatives of banks and of the National Bank of Romania has prepared the proposals for amending Law no. 333/2003 on goods safety and persons' protection. The main amendments refer to:

- the establishment by banks, based on their own analyses of risk, of the requirements, measures, means and forms to ensure the security of banks' endowments, staff, and clients;
- the projects for executing the electronic systems of security for individual units can be done based on standardized projects designed per categories of units of the network, to be approved on an annual basis by the Gendarmerie;
- clarifying the requirement for providing information by security agents / companies without the approval of the banks, etc.

The law amendment proposals have been endorsed by the SPI Committee members, who submitted them in January 2007 to the competent authority – the Ministry of Administration and Internal Affairs. In lack of any feedback from the competent Ministry, the SPI Committee Ministry of Economy and Finance member has followed up with the Ministry of Administration and Internal Affairs in March 2007.

So far, no feedback has been received from the Ministry of Administration and Internal Affairs.

II. Proposals for continuation of follow up on the law amendment proposal enactment

The SPI Secretariat proposes the following actions that could be undertaken to speed up the law amendment proposal enactment:

- a) SPI Committee members **request a follow up meeting** between the representatives of the Ministry of Administration and Internal Affairs and the project working group members (from RBA and NBR) in order to determine the status of the law amendment proposals (early May, 2007);
- b) The **members of the project working group meet with the representatives of the Ministry of Administration and Internal Affairs** in order to discuss the proposed law amendment proposals and agree on an enactment timeline (mid May, 2007);
- c) The SPI Secretariat writes the minutes of the meeting between the project working group members and the representatives of the Ministry of Administration and Internal Affairs and submits them to the SPI Committee members in order to allow them to **monitor the progress of the negotiations with the competent authority** (mid May, 2007);
- d) The SPI Committee members follow up with the Ministry of Administration and Internal Affairs on the **law amendment proposal enactment** (end of May, 2007).

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



Amendment of Law on Goods Safety and Persons Protection

<http://www.spi-romania.eu/program-2007/law-on-goods-safeguard-values-and-persons-protection/>

SPI Committee Meeting July 25, 2007

Project Objective:

The amendment of Law no. 333/2003 regarding the goods safety and persons protection in order to provide for the possibility that banks design their safety plans based on their own analyses of risk, in line with international practices.

Project Working Group Activities

PWG members: 10

PWG meetings: 2

Public stakeholders

- National Bank of Romania;
- Gendarmerie.

Private stakeholders

- Banking sector (4 banks).

Project Main Steps

Dec. 15, 2006: 1st PWG meeting

Dec. 19, 2006: PWG (banks and NBR representatives) endorse proposed law amendments

Dec. 20, 2006: SPI Committee members approve the law amendments and decide to support the legislative enactment

Jan. 12, 2007: SPI Committee members from NBR and RBA send proposed law amendments to Ministry of Internal Affairs and Administrative Reform (MIAAR)

Mar. 2007: SPI Committee MEF member follows up with MIAAR

Apr. 27, 2007: SPI Committee writes to the MIAAR, requesting it to designate ministry representative to meet with the PWG in order to get updated on enactment process

July 9, 2007: MIAAR response to SPI Secretariat, outlining enactment process progress

July 20, 2007: Meeting between PWG and MIAAR to discuss PWG proposals.

Summary of Impact Assessment:

Government: RON 8.1 mil. (5 year net present value) as tax revenues

Banks: RON 35.4 mil. (5 year net present value) as additional profits

For more information, please contact:

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2. Project Management Group: Mr. Ionel Arghiroiu, Bancpost, tel: +40 21 318 41 83; e-mail: ionel.arghiroiu@bancpost.ro.

SPI Project on Amendment of Law on Goods Safety And Persons Protection

Project Team

Project Owner (on behalf of RBA): Constantin Barbu, RBA

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Sergiu Bogea, Unicredit

Nicolae Craciun, Unicredit

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SPI Project on Amendment of Law on Goods Safety And Persons Protection

Project Implementation Report

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

I. Actions undertaken from April to June 2007

The law amendment proposals, endorsed by the SPI Committee members, were submitted to Ministry of Internal Affairs and Administrative Reform (MIAAR) in January 2007. In lack of any feedback from the competent Ministry, at the April SPI Committee meeting, the SPI Committee members decided to continue the follow up actions.

April 27, 2007: A new SPI Committee letter is sent to MIAAR in order to determine the progress with the enactment of the law amendment proposals and to propose that a meeting takes place between the PWG representatives and the delegates from MIAAR;

July 9, 2007: MIAAR sends its response to SPI Secretariat, outlining enactment process progress. Namely, MIAAR is considering the issuance of a new Law on the goods and persons security that is going to repeal the old law (Law no. 333/2003) and is going to incorporate some of the PWG proposals. According to MIAAR, the new draft law is undergoing a ministry internal review process and will be subject to public consultations in August 2007;

July 11, 2007: SPI Secretariat follows up with MIAAR requesting that a meeting takes place between the Ministry's and the PWG representatives;

July 20, 2007: Meeting between PWG and MIAAR takes place to discuss how the PWG proposals have been taken into consideration in the new draft law. The draft law incorporated the main PWG proposals, namely:

- the establishment by banks, based on their own analyses of risk, of the requirements, measures, means and forms to ensure the security of banks' endowments, staff, and clients;
- the projects for executing the electronic systems of security for individual units can be done based on standardized projects designed per categories of units of the network, to be approved on an annual basis by the Gendarmerie;
- the security plans of territorial units are prepared and submitted for competent authorities' approval only if the risk analysis reveals that there is a need for ensuring security with specialized personnel.

II. Proposals for next steps

The SPI Secretariat will continue to support the SPI Committee in monitoring the progress with the new law enactment.

III. Proposed SPI Committee decision

The SPI Committee is pleased to take note that the Ministry of Internal Affairs and Administrative Reform law proposal takes into account the main PWG proposals. The SPI Committee will continue to monitor the progress with the new law enactment.