

Contents

Acknowledgments	vii
Acronyms and Abbreviations	ix
Executive Summary	xi
1. Introduction.....	1
Background	1
Objective of the Study	2
2. Recent Evolution of NBFIs in Romania	5
Overall Financial Sector Development.....	5
Macroeconomic Environment	5
Corporate Sector Developments	8
Banks in Romania	10
Non-Bank Financial Sector Development.....	13
Capital Markets	16
Equity Markets.....	16
T-bills	19
Government Bonds.....	21
Sub-sovereign and Municipal Bonds.....	24
Corporate Bonds	27
Non-bank Financial Institutions.....	28
Insurance	28
Pension Funds	31
Investment and Mutual Funds	33
Leasing	34
Factoring	36
Mortgage and Housing Finance.....	36
Credit Insurance	38
Corporate Governance.....	39
3. Capital Markets and NBFIs: Key Challenges	
and Recommended Policy Reforms.....	41
Impact of Macroeconomic and Sectoral Policies.....	41
Structural Impediments to Growth.....	44

Legal, Regulatory, Supervisory, Tax, and Infrastructure Impediments	45
Securities Markets	45
Bond Market	50
Insurance	51
Pensions	57
Leasing	61
Factoring	62
Mortgage and Housing Finance.....	63
Corporate Governance	65
Accounting, Transparency, and Disclosure	67
4. Proposed Action Plan	69
Recent Government Reforms Supported By PAL	69
Legal and Regulatory Reforms	69
Capacity Building for Supervisory Authorities.....	70
Strengthening Capital Market Infrastructure	71
Structural Reforms	72
Corporate Governance Reforms	72
Legal and Regulatory Issues	73
Securities Market Regulation and Supervision Among Regulatory Agencies ...	74
Accounting, Transparency, and Disclosure	81
Market Infrastructure	82
Equity Mobilization and Credit Enhancement.....	85
Bibliography	89

LIST OF TABLES

1. Macroeconomic Profile of Romania, 1996–2003	6
2. Macroeconomic Comparison with EU-15 and CE-3 Countries, 1997–2003.....	7
3. Data on Privatized Firms and Outstanding State Enterprises, 1992–2003.....	9
4. Structural Comparison of Romania, the EU-15 and the CE-3, 1997–2003	11
5. Profile of Romania’s Banking System, 1996–2003	12
6. Comparison of Romania’s Banking System, the EU-15 and the CE-3, 1996–2003. . .	14
7. Profile of Romania’s Financial Sector, 2003.....	15
8. Romania’s Market Indicators vs. Czech Republic and Hungary, 1996–2003	16
9. Market Capitalization in Romania, 1996–2003	17
10. Trade Volume and Turnover on the Romanian Exchanges, 1996–2003	18
11. Adjustments to Market Capitalization and Turnover for Float, 2003.....	19

12. Romania's, EU-15 and CE-3 Market Indicators, 1996–2002	20
13. T-bills in Romania, 1996–2003	21
14. T-bill Yields in Romania, 1996–2003	21
15. T-bills Rates, 1996–2003	22
16. Government Bonds and Domestic Debt Securities: 1996–2003	22
17. Trading Volume and Turnover of Domestic Government Securities: 2000–2003 ..	23
18. Sovereign Debt Securities in the Eurobond Market: 1999–2003	23
19. International Rating Agencies' Perceptions of Romania	24
20. Public Debt Securities in Romania, the EU-15 and CE-3 Markets: 1996–2003 ..	25
21. Municipal Bonds in Romania: 2000–2003	26
22. Profile of Romanian Municipal Bond Features, 2003	26
23. Profile of Romanian Domestic Corporate Bond Features, 2003	27
24. Insurance Sector Indicators for Romania, 1997–2003	30
25. Insurance Market Indicators for Selected EU Countries, 2002	30
26. Insurance Market Indicators for CE-3 Countries for 2002	31
27. Financial Performance of the Pension System, 1995–2003 (% of GDP)	32
28. Investment Fund Indicators for Romania, 1998–2003	34
29. Summary of Leasing Data for Romania, 2001–2003	35
30. Factoring Volume Indicators, 1997–2002	37
31. Structural Targets	72
32. Corporate Governance Reform Targets	74
33. Strengthening Coordination Between Regulatory Authorities Targets	75
34. Targets for CNVM and Securities Market Regulation/Supervision	77
35. Pension: Legal and Regulatory Reform Targets	78
36. Insurance: Legal and Regulatory Reform Targets	79
37. Mortgage and Housing Finance: Legal and Regulatory Reform Targets	80
38. Municipal and Corporate Bond: Legal and Regulatory Reform Targets	81
39. Leasing: Legal and Regulatory Reform Targets	81
40. Accounting and Disclosure Targets	83
41. Market Infrastructure Targets	84
42. Targets for Credit Enhancements	87

LIST OF FIGURES

1. Financial Sector Development Indicators: Romania vs. EU-15, 2002	xi
---	----