

**PROJECT FICHE FOR PHARE 2006**

**for**

**Improvement of the institutional capacity of  
the Romanian National Securities Commission**

**PHARE 2006/018-147.03.08**

## INDEX OF CONTENT

1.	BASIC INFORMATION .....	3
1.1.	CRIS Number: .....	3
1.2.	Title: .....	3
1.3.	Sector: .....	3
1.4.	Location: .....	3
1.5.	Duration .....	3
2.	OBJECTIVES.....	3
2.1.	Overall Objective: .....	3
2.2.	Project purpose.....	3
2.3.	Accession Partnership (AP) and NPAA priority .....	3
2.4.	Cross Border Impact .....	4
3.	DESCRIPTION .....	4
3.1.	Background and justification: .....	4
3.2.	Sectoral rationale.....	5
3.3.	Results.....	5
3.4.	Activities (including Means).....	5
3.5.	Linked Activities:.....	6
3.6.	Lessons learned:.....	7
4.	INSTITUTIONAL FRAMEWORK .....	7
5.	DETAILED BUDGET .....	7
6.	IMPLEMENTATION ARRANGEMENTS.....	8
6.1.	Implementing Agency.....	8
6.2.	Implementing Authority.....	8
6.3.	Twinning.....	8
6.4.	Non-standard aspects .....	8
6.5.	Contracts .....	8
7.	IMPLEMENTATION SCHEDULE.....	9
7.1.	Start of tendering/call for proposals .....	9
7.2.	Start of project activity.....	9
7.3.	Project completion .....	9
8.	EQUAL OPPORTUNITY.....	9
9.	ENVIRONMENT .....	9
10.	RATES OF RETURN.....	9
11.	INVESTMENT CRITERIA .....	9
11.1.	Catalytic effect: .....	9
11.2.	Co-financing: .....	9
11.3.	Additionality .....	9
11.4.	Project readiness and size .....	9
11.5.	Sustainability.....	9
11.6.	Compliance with state aids provisions .....	9
12.	CONDITIONALITY AND SEQUENCING .....	10
	ANNEXES TO PROJECT FICHE .....	10
	ANNEX 1 - LOGFRAME .....	11
	ANNEX 2 - DETAILED TIME IMPLEMENTATION CHART .....	1
	ANNEX 3 - CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE .....	2
	ANNEX 4 - REFERENCE LIST OF FEASIBILITY/PRE-FEASIBILITY STUDIES .....	1
	ANNEX 5 - REFERENCE LIST OF RELEVANT LAWS AND REGULATIONS .....	1
	ANNEX 6 - REFERENCE LIST OF RELEVANT STRATEGIC PLANS AND STUDIES.....	1
	ANNEX 7 – LESSONS LEARNT.....	1

## **1. BASIC INFORMATION**

### **1.1. CRIS Number:**

PHARE 2006/018-147.03.08

### **1.2. Title:**

Improvement of the institutional capacity of the Romanian National Securities Commission (CNVM)

### **1.3. Sector:**

Financial Sector

### **1.4. Location:**

Romania, Bucharest, Headquarter of the Romanian National Securities Commission

### **1.5. Duration**

15 months

## **2. OBJECTIVES**

### **2.1. Overall Objective:**

To improve the institutional capacity of NSC in order to enforce the *acquis communautaire* in the securities field

### **2.2. Project purpose**

To ensure the necessary infrastructure for the enforcement of the *acquis communautaire* on capital market and to create awareness on the impact of the new legal framework transposing the EU requirements.

### **2.3. Accession Partnership (AP) and NPAA priority**

This project is strictly following the priorities and objectives set out in the Accession Partnership and the NPAA:

- Improve the institutional framework of financial supervision and continue to pursue alignment of legislation, particularly in the area of securities and insurance;
- Reinforce the supervision of financial services and make adequate human resources available to implement new legislation;

- Make further progress in the alignment with the acquis on company law and accounting and pursue improvement of administrative capacity in this area, in particular with regard to law enforcement.

#### **2.4. Cross Border Impact**

N/A

### **3. DESCRIPTION**

#### **3.1. Background and justification:**

In order to achieve the objectives of our institution in the light of the EU Accession this project follows the recommendations formulated by Member States experts within the peer review reports (2003 - 2005) and Country Regular Reports (2003 - 2005) with respect to proper and continuous training for the CNVM personnel in order to give them adequate skills required for the performance of their supervisory tasks and to increase the number of CNVM resources dedicated to the supervision of regulated entities. Also, the peer review experts recommended to complete and the constant update the internal electronic market surveillance system.

Taking into consideration the CNVM objectives as regulatory and supervisory authority and the specific of the Romanian capital market it is important to increase the development of the market, by attracting new potential investors, by diversification of the investment portfolios and by increasing the market liquidity.

In order to reach its objectives, CNVM is concentrating its efforts on investors' protection and education, especially referring to individual investors. The objective of CNVM is to develop a financial environment that may lead to a capital market culture within the framework of the EU single integrated financial market. In this respect, CNVM envisages to create the framework for proper and continuous training of both the CNVM staff and the capital market main actors including individual investors.

CNVM will benefit for the project "*Improvement of the institutional capacity of the Romanian National Securities Commission (CNVM)*" included under Annual PHARE Program 2005. This project envisages to create the necessary infrastructure for the enforcement of the applicable legal and regulatory framework on capital market and to support investors' education. The specific objectives of this project are as follows: To enforce the International Accounting Standards/ International Financial Reporting Standards for the capital market (IAS/ IFRS); To ensure the necessary equipment for customizing the internal database of CNVM in order to comply with the reporting requirements set by the acquis communautaire in the field; To customize the internal database of CNVM in order to comply with the reporting requirements set by the acquis communautaire in the field; To train the CNVM staff in order to deal with the internal surveillance system; To implement a public awareness campaign in order to improve investors' education.

The project proposed for Annual PHARE Program 2006 is complementary to the project "*Improvement of the institutional capacity of the Romanian National Securities Commission (CNVM)*" included under Annual PHARE Program 2005 as it is intended to create the necessary framework for ensuring proper and continuous training for CNVM staff and market participants with respect to the impact of transposition of the acquis communautaire in the securities field. Also, this project considers the recommendations formulated by the Members States experts within peer review reports with respect to complete and constant update of the internal electronic market surveillance system in relation to the IT infrastructure of CNVM in

order enable the implementation of the regulations issued for the enforcement of the Capital Market Law no. 297/2004 and transposing the *acquis communautaire* in the securities field.

### **3.2. Sectoral rationale**

N/A

#### **3.2.1. Identification of projects**

N/A

#### **3.2.2. Sequencing**

N/A

### **3.3. Results**

**Task 1:** To organize a CNVM's Research and Training Centre, located at the CNVM premises

1. Internal procedure and rules, and curricula for the CNVM's Research and Training Centre elaborated;
2. Training for trainers program organized for the CNVM staff, market participants and other relevant entities, for the curricula developed within the Centre;
3. CNVM staff trained with respect to the impact of the transposition of the *acquis communautaire* in the securities field, including the field of supervision of groups and financial conglomerates;
4. Information sessions organized for journalists with respect to the impact of the transposition of the *acquis communautaire* in the securities field;
5. Information sessions organized for the market participants and other relevant entities, with respect to the impact of the transposition of the *acquis communautaire* in the securities field;

**Task 2:** To endow CNVM with additional IT equipment and to ensure the necessary IT equipment for the CNVM's Research and Training Centre.

1. Additional IT equipment for CNVM for enabling the implementation of the regulations issued for the enforcement of the Capital Market Law no. 297/2004 and transposing the *acquis communautaire* in the securities field delivered
2. Necessary software and hardware for enabling the functioning of the CNVM's Research and Training Centre organized within the Technical Assistance component delivered.

### **3.4. Activities (including Means)**

**Task 1. To organize a CNVM's Research and Training Centre, located at the CNVM premises**

1. Drafting the internal procedures and rules and the curricula for the CNVM's Research and Training Centre;
2. Organizing "training for trainers program" for the CNVM staff and market participants, for the curricula developed within the Centre;

3. Training the CNVM staff at CNVM's Research and Training Centre with respect to the impact of the transposition of the *acquis communautaire*, including the field of supervision of groups and financial conglomerate
4. Organizing information sessions for journalists with respect to the impact of the transposition of the *acquis communautaire* in the securities field;
5. Organizing information sessions for the market participants with respect to the impact of the transposition of the *acquis communautaire* in the securities field.

***Task 2. To endow CNVM with additional IT equipment and to ensure the necessary IT equipment for the CNVM's Research and Training Centre.***

1. Endowing CNVM with additional IT equipment in order to enable the implementation of the regulations issued for the enforcement of the Capital Market Law no. 297/2004 and transposing the *acquis communautaire* in the securities field;
2. Endowing the CNVM's Research and Training Centre with necessary software and hardware equipment.

### **3.5. Linked Activities:**

Starting with 2002, CNVM started a large process for revising the existing legal and regulatory framework, in order to transpose the *acquis communautaire* in the capital market field.

During December 2004 – July 2005, CNVM was the beneficiary of the twinning light project “Strengthening the regulatory framework of CNVM”, financed through Phare 2002. The aim of this project is to support the strengthening of the Romanian capital market regulatory framework, in particular the institutional framework of financial supervision, by completing the alignment with the *acquis communautaire* in the securities field, as a completion of the Phare Twinning project RO.0005.03 – “Strengthening Securities Market Regulation”, which started in august 2002 and was completed in November 2003. The project has provided support for drafting CNVM regulations on disclosure for issuers, regulated markets, alternative trading systems, settlement, clearing and depository of the financial instruments, as well as the elaboration of the internal procedures on investment services providers. The regulations on disclosure for issuers and regulated markets have entered into force starting with 1st of July 2005.

CNVM is the beneficiary of several technical assistance projects financed under the Dutch Grant funds (World Bank), out of which:

“Technical assistance for functional capacity assessment of National Securities Commission (CNVM) and development of multi-year building program”. Under this project, the Consultant recommended to ensure ongoing training for CNVM staff, especially in the field of capital market supervision. Also, the consultant suggested to draft a strategy in order to raise both the public and market awareness of the CNVM. This strategy would include, at least, the following areas:

- raising Industry awareness of the powers and duties of the CNVM to the industry and consumers;
- guidance for the industry and consumers about the licensing process; the continuing obligations and duties of licensed firms and enforcement powers and sanctions;
- establishing CNVM as at the forefront in the provision of high quality training for the industry;
- developing a forum for exchange of information between agencies connected with financial markets;
- developing a program of judicial training aimed to enhance Judicial understanding of the structure and operation of the regulatory framework.

“Technical Assistance for public awareness campaign”. The result of this project will be a draft strategy for a public awareness campaign. The implementation of this strategy will follow after the assistance is finalized and will be in the responsibility of CNVM.

CNVM will benefit for the project “*Improvement of the institutional capacity of the Romanian National Securities Commission (CNVM)*” included under Annual PHARE Program 2005. This project envisages to create the necessary infrastructure for the enforcement of the applicable legal and regulatory framework on capital market and to support investors’ education. The specific objectives of this project are as follows: To enforce the International Accounting Standards/ International Financial Reporting Standards for the capital market (IAS/ IFRS); To ensure the necessary equipment for customizing the internal database of CNVM in order to comply with the reporting requirements set by the acquis communautaire in the field; To customize the internal database of CNVM in order to comply with the reporting requirements set by the acquis communautaire in the field; To train the CNVM staff in order to deal with the internal surveillance system; To implement a public awareness campaign in order to improve investors’ education. The component related to the implementation of the public awareness campaign will be complementary to the related World Bank assistance project.

### 3.6. Lessons learned:

See annex 7

## 4. INSTITUTIONAL FRAMEWORK

In accordance with Law no. 514/2002 regarding its Statute, CNVM is the supervisory authority of the securities market, regulated commodities markets and financial derivative instruments as well as related institutions and operations. CNVM was established in 1994 as an autonomous administrative body, with legal personality, reporting to the Romanian Parliament.

The regulations and instructions issued by CNVM establish norms and rules regarding the enforcement of the specific legislation for the capital market, regulated markets for commodities and financial derivative instruments, collective investment schemes and the related institutions and operations.

## 5. DETAILED BUDGET

	<b>Phare/Pre-Accession Instrument support</b>	<b>Co-financing</b>			<b>Total Cost</b>
<b>€M</b>		<b>National Public Funds (*)</b>	<b>Other Sources (**)</b>	<b>Total Co-financing of Project</b>	
<b>Year 2006 - Investment support Jointly co-funding</b>					
Contract 1 (Task 2)	1.00	0.34		0.34	1.34
<b>Investment support – total</b>	1.00	0.34		0.34	1.34

<i>% of total public funds</i>	<i>max 75 %</i>	<i>min 25 %</i>			
<b>Year 2006</b>					
<b>Technical assistance</b>					
Contract 2 (Task 1)	0.50				0.50
<b>Total technical assistance</b>	<b>0.50</b>				0.50
<b>Total project 2005</b>	<b>1.50</b>	<b>0.34</b>		<b>0.34</b>	<b>1.84</b>

(\*) contributions from National, Regional, Local, Municipal authorities, FIs loans to public entities, funds from public enterprises

(\*\*) private funds, FIs loans to private entities

## **6. IMPLEMENTATION ARRANGEMENTS**

### **6.1. Implementing Agency**

For the entire project, the Implementing Agency will be CFCU, that will be responsible for tendering, contracting, administration, accounting, payments and financial reporting.

Contact details for PAO: Mrs. Carmen Roşu, General Director of CFCU, 44 Mircea Vodă Avenue, phone: (+4021) 326 87 03; fax: (+4021) 326 87 30.

### **6.2. Implementing Authority**

The beneficiary institution will be CNVM through the Program Implementing Unit (PIU) that will be responsible for the procedural and administrative management of the program.

### **6.3. Twinning**

N/A

### **6.4. Non-standard aspects**

Non-standard procedures are not foreseen.

### **6.5. Contracts**

The CNVM PHARE project envisages the signing 2 contracts.

- Technical assistance will be achieved through one contract (**Task 1**) – budget EUR 500,000
- Investment support for additional IT equipment for CNVM and necessary equipment for the CNVM Training and Information Centre (**Task 2**) – budget EUR 1,340,000 (including CNVM co-financing)



## **7. IMPLEMENTATION SCHEDULE**

### **7.1. Start of tendering/call for proposals**

April 2007

### **7.2. Start of project activity**

October 2007

### **7.3. Project completion**

December 2008

## **8. EQUAL OPPORTUNITY**

The project will ensure equal participation by women and men. Women's participation will be measured by recording (i) gender breakdown of trainees (ii) emphasizing equal opportunities aspects inside CNVM.

## **9. ENVIRONMENT**

No environmental changes will be induced by the implementation of this investment support project.

## **10. RATES OF RETURN**

These indicators are not relevant for the investment project. This project, after been completed, will not induce profit.

## **11. INVESTMENT CRITERIA**

### **11.1. Catalytic effect:**

The PHARE investment projects will catalyze the process of setting up the surveillance and management information system. In the absence of this program, the CNVM's resources are insufficient to develop such systems.

### **11.2. Co-financing:**

This investment project will be co-financed by CNVM's resources.

### **11.3. Additionality**

N/A

### **11.4. Project readiness and size**

N/A

### **11.5. Sustainability**

N/A

### **11.6. Compliance with state aids provisions**

All the state aids provisions of the Europe Agreement will be followed and complied with.

## **12. CONDITIONALITY AND SEQUENCING**

N/A

### **ANNEXES TO PROJECT FICHE**

1. Log frame
2. Detailed implementation chart
3. Contracting and disbursement schedule
4. Reference list of feasibility/pre-feasibility studies,
5. Reference list of relevant laws and regulations
6. Reference list of relevant strategic plans and studies
7. Lessons Learnt

## Annex 1 - LOGFRAME

<b>Project:</b>		Programme name and number	<b>PHARE 2006/018-147.03.08</b>
Improvement of the institutional capacity of the Romanian National Securities Commission (CNVM)''		Contracting period expires: November 2008	Disbursement period expires: November 2009
		Total budget : <b>1,833,000 Euro</b>	Phare budget : <b>1,500.000 Euro</b>
<b>Overall objective</b>	Relates to Copenhagen criterion and acquis chapter	List of other projects with same objectives	<b>Assumptions</b>
To improve the institutional capacity of NSC in order to enforce the acquis communautaire in the securities field	Negotiation Chapter no. 3 – Free movement of services	Development of an integrated database for CNVM and equipment acquisition	
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>	
<b>Project purpose</b> To ensure the necessary infrastructure for the enforcement of the acquis communautaire on capital market and to create awareness on the impact of the new legal framework transposing the EU requirements.  <b>Task 1:</b> To organize a CNVM's Research and Training Centre, located at the CNVM premises  <b>Task 2:</b> To endow CNVM with additional IT	<ul style="list-style-type: none"> <li>▪ CNVM Training and Information Center organized</li> <li>▪ Additional CNVM IT equipment delivered</li> <li>▪ Necessary IT equipment for enabling the functioning of the CNVM's Research and Training and Center development delivered</li> </ul>	EU Regular Reports Peer Review Missions Project Reports Evaluation by EC	Legislation for the enforcement of the relevant acquis communautaire with respect to groups and financial conglomerates in place





Capital Market Law no. 297/2004 and transposing the acquis communautaire in the securities field; 2. Endowing the CNVM's Research and Training Centre with necessary software and hardware equipment.	Supply contract	
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## ANNEX 2 - DETAILED TIME IMPLEMENTATION CHART

### Improvement of the institutional capacity of CNVM

	2006						2007												2008												2009											
Calendar months	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D
Activities – Contract 1 (TA Contract)	D	D	D	D	D	D	D	D	D	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I	I	I	I													
Activities – Contract 2 (Supply Contract)	D	D	D	D	D	D	D	D	D	C	C	C	C	C	C	I	I	I	I	I	I	I	I	I	I	I	I	I	I													
	<b>D = Design</b> <b>C = Contracting</b> <b>I = Implementation</b>																																									

### ANNEX 3 - CUMULATIVE CONTRACTING AND DISBURSEMENT SCHEDULE

("Improvement of the institutional capacity of CNVM")												
	31/03/07	30/06/07	30/09/07	31/12/07	31/03/08	30/06/08	30/09/08	31/12/08	31/03/09	30/06/09	30/09/09	31/12/09
<b>Contract 1 – TA</b>												
<b>CONTRACTING</b>			0,50									
<b>DISBURSEMENT</b>				0,30	0,30	0,40	0,40	0,50				
<b>Contract 2 - Supply contract</b>												
<b>CONTRACTING</b>			1,00									
<b>DISBURSEMENT</b>				0,60	0,70	0,80	0,90	1,00				
NB: 1. All contracting should normally be completed within 6-12 months and must be completed within 24 months of signature of the FM. 2. All disbursements must be completed within 36 months of signature of the FM.												



#### **ANNEX 4 - REFERENCE LIST OF FEASIBILITY/PRE-FEASIBILITY STUDIES**

Not Applicable

#### **ANNEX 5 - REFERENCE LIST OF RELEVANT LAWS AND REGULATIONS**

Not Applicable

#### **ANNEX 6 - REFERENCE LIST OF RELEVANT STRATEGIC PLANS AND STUDIES**

Not Applicable

#### **ANNEX 7 – LESSONS LEARNT**

This project considers the recommendations made by Peer Review missions (2003 – 2005), Country Regular Report 2003 - 2005, Financial Sector Assessment Program Report 2003 (drafted by a joint team of International Monetary Fund and World Bank), Report on the Observance of Standards and Codes on Accounting and Auditing (2004).

The recommendations of Peer Review Report and Country Regular Report specifically suggest taking steps to complete the implementation of the acquis communautaire in securities field and to ensure proper and continuous training for the CNVM personnel in order to give them adequate skills required for the performance of their supervisory tasks and to increase the number of CNVM resources dedicated to the supervision of regulated entities. Also, the peer review experts recommended to complete and the constant update the internal electronic market surveillance system.