

NATIONAL BANK OF ROMANIA

NORM No. 3/2005 **on the operation of interbank foreign exchange market**

Having regard to the provisions of Art. 10 of Law No. 312/2004–The Statute of the National Bank of Romania and Art. 7 of NBR Regulation No. 4/2005 on the foreign exchange regime,

Pursuant to Art. 48 of Law No. 312/2004,

The National Bank of Romania issues this Norm.

Art. 1. The interbank foreign exchange market is the market where foreign exchange transactions are performed by intermediaries as well as by the National Bank of Romania.

I. Participants

Art. 2. Intermediaries on the interbank foreign exchange market (hereinafter referred to as “intermediaries”) are the credit institutions authorised to operate in Romania, which perform operations on the interbank foreign exchange market within their scope of activity, as laid down in the authorisation and by observing the conditions stipulated herein.

Intermediaries on the interbank foreign exchange market may conclude foreign exchange transactions both on their own behalf and account and on the behalf and the account of their customers.

II. Requirements for participants

Art. 3. The (minimum) requirements which must be fulfilled in order to participate in the interbank foreign exchange market as an intermediary are the following:

- a) existence of a distinct organisational structure and of a specific, secured location for performing transactions;
- b) segregation of duties and the breakdown of foreign exchange market activities into distinct sections according to international practices (front office, back office, encrypted code, banking correspondence);
- c) regulation through own norms of at least the following elements:
 - c₁) working procedures with customers;
 - c₂) working procedures for the bank’s department authorised to perform transactions on the interbank foreign exchange market, including:
 - (i) relationships with other intermediaries, particularly those governing the manners in which transactions are communicated, confirmed and settled;
 - (ii) duties and trading limits for every dealer, as well as trading limits with the other intermediaries (counterparties);

- (iii) penalties agreed on in the relationships with the customers, as well as with other intermediaries for failure to observe the deadlines for settling the transactions;
- d) appointment of the personnel for performing transactions;
- e) existence of correspondent relationships established through accounts opened abroad for at least the following two convertible currencies, i.e. EUR and USD;
- f) existence of an operational system comprising at least:
 - f₁) specific equipment such as Reuters, Bloomberg, etc.;
 - f₂) technical equipment specific to payments and communication (local and international telephone lines, taping system for telephone conversations, telex, SWIFT, fax, etc.).

III. Principles governing the interbank foreign exchange market operation

Art. 4. The interbank foreign exchange market in Romania operates every banking day between 9:00 A.M. and 4:00 P.M.

Art. 5. (1) The intermediaries must display, during the working hours of the interbank foreign exchange market, the exchange rates of the domestic currency – *leu* (bid/ask), spot and forward through information dissemination systems such as Reuters, Bloomberg, etc. for at least the following foreign currencies:

- a) Euro (EUR);
- b) United States Dollar (USD).

(2) The forward exchange rate shall be quoted for at least the following maturities:

- a) one month (1M);
- b) three months (3M);
- c) six months (6M);
- d) nine months (9M);
- e) twelve months (12M).

Art. 6. The exchange rates quoted by credit institutions may differ, depending on the nature of the operation (cash or account operation) or the intermediaries relationships with the customers, as well as in line with their own treasury policy.

Art. 7. (1) Transactions between intermediaries are concluded on their own behalf, between dealers (by telephone, telex, Reuters dealing, Internet), and confirmed in writing or via telex, SWIFT or Internet, coded appropriately (in writing - signature specimen, telex - telegraph keys, SWIFT - SWIFT keys, Internet - electronic signature).

(2) Confirmations in writing by telex or Internet shall include all identification elements specific to SWIFT messages in the third category.

Art. 8. Payment and settlement instructions shall be submitted within the shortest delay, usually on the same day.

Art. 9. The foreign exchange transactions concluded shall be unconditionally performed by intermediaries and confirmed to the customers by account statement.

Art. 10. The National Bank of Romania shall compute and publish on each banking day at 1:00 P.M., the exchange rates of the foreign exchange market (in Romania), based on quotations published by intermediaries on the interbank foreign exchange market.

Art. 11. (1) The National Bank of Romania may arbitrate litigations occurred when applying the provisions of this Norm, but only after the parties involved prove that they explored every avenue to solve the matter in an amiable manner.

(2) In such cases, the parties shall previously agree in writing on the principle of unconditional acceptance of the decision to solve the litigation, as adopted by the National Bank of Romania.

Art. 12. The intermediaries shall notify the National Bank of Romania – Monetary Policy Department about the date of starting their activity on the interbank foreign exchange market. In addition, they shall submit to the National Bank of Romania – Market Operations Department the list with the names of dealers, their length of service, including in the field of foreign exchange transactions, as well as the appointment of the chief dealer; any change to the data in this list shall be communicated within three banking days from its occurrence.

IV. Final provisions

Art. 13. With a view to ensuring the smooth functioning of the interbank foreign exchange market and the harmonisation with international practices, the National Bank of Romania recommends that intermediaries on the interbank foreign exchange market should comply with the provisions of the Code of Conduct adopted by ACI – The Financial Markets Association.

Art. 14. Non-compliance with the provisions of this Norm shall be punished in accordance with Law No. 58/1998 on banking activity, as republished.

Art. 15. Within the meaning of this Norm, the terms and phrases used herein shall have the meanings specified in Annex “Nomenclature” to this Norm.

Art. 16. The Annex is an integral part of this Norm.

Art. 17. This Norm shall enter into force on 11 April 2005.

Mugur Constantin Isărescu

Chairman of the National Bank of Romania Board

Done at Bucharest, 1 April 2005

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