

National Bank of Romania

Norms No. 4 of 29 May 1995 on the functioning of the interbank money market

Published in *Monitorul Oficial al României*, Part One, No.126 of 22 June 1995

I. General provisions

1. Within the meaning of the present Norms, the interbank money market is defined as a continuous market on which spot and forward deposit-taking and investment operations in domestic currency are carried out, at interest rates set freely by participating banking companies.

2. In accordance with the provisions of Article 1 of Law 34/1991, the National Bank of Romania shall:

- a) regulate and monitor the interbank money market;
- b) monitor the banking companies participating in the interbank money market;
- c) publish on a daily basis a reference level of the interest rates on deposit-taking operations (BUBID) and investment operations (BUBOR).

II. Principles governing the performance of interbank money market operations

A. General principles

3. All banking companies participating in the interbank money market must steadily contribute to raising the professional standard and the reputation of the interbank money market in Romania.

4. The interbank money market in Romania shall operate on a daily basis between 9:00 AM and 2:00 PM.

5. Banking companies participating in the interbank money market shall post the indicative interest rates on a continuous basis via wire services, such as Reuters, Telerate.

The spread between interest rates on deposits and interest rates on investments shall be set freely on the market.

Market quotations shall be based on the interest rate with two decimals.

Banking companies participating in the interbank money market shall quote the following maturities:

- one week;
- one month;
- 3 months;

- 6 months;
- 9 months;
- 12 months.

6. Banking companies participating in the interbank money market shall post firm or information quotations, for the other participating banking companies.

7. Where the firm quotation is accepted, the operation is considered completed and is performed unconditionally.

B. Principles governing the relations between interbank money market participants

8. The executive management of banking companies participating in the interbank money market shall be responsible for and shall control the activity of the staff performing such operations and shall ensure that the staff is familiar and complies with the provisions of the present Norms and other legal regulations.

9. Banking companies participating in the interbank money market shall take all the necessary measures to ensure observance of confidentiality by their staff members.

10. The executive management of banking companies participating in the interbank money market shall clearly define the powers and the responsibility of the staff performing such operations and shall also ensure that each staff member performing operations on behalf on the institution has the required qualifications and training to engage the institution, through every transaction legally completed (including in terms of assets).

11. The executive management of banking companies participating in the interbank money market shall take measures to formulate their own norms which shall regulate at least the following:

- a) working procedures with the other banking companies;
- b) sanctions agreed upon in the relations with the other participants for failure to observe the settlement cut-off dates;
- c) manners and procedures for recording operations;
- d) eligibility criteria; instruments accepted as collateral for transactions.

12. The executive management of banking companies participating in the interbank money market shall make sure that the staff performing such operations may not perform, based on doubtful agreements or for personal benefit, operations outside the money market.

13. The executive management of banking companies participating in the interbank money market shall ensure that their staff shall not:

- disclose or discuss facts related to certain transactions concluded with the other participants;
- pay mutual visits at their workplace without the express approval of the executive management.

14. The executive management of banking companies participating in the interbank money market shall take measures to clearly define the responsibilities and segregate the

money market activities by separate units, according to international practices (front office, back office, code and bank correspondence).

15. Bank-to-bank transactions shall be completed on own behalf, via confirmation (by telephone, telex, Reuters dealing), and written reconfirmation and telex or SWIFT, coded as appropriate (written – signature specimen, telex – telegraph keys, SWIFT – SWIFT keys).

Reconfirmation shall include at least the following elements:

- counterparty;
- date of completing the transaction;
- traded amounts;
- type of the transaction;
- interest rate;
- party correspondents;
- the manner in which the transaction is completed (telephone, telex, Reuters dealing).

16. Payment and settlement instructions shall be sent within the shortest delay, generally on the same day. The use of standard payment instructions between counterparties may have a significant contribution to precluding the occurrence of potential differences or errors in the settlement of traded amounts.

17. Upon receipt, the above-mentioned documents shall be subject to checking and, where differences may arise, the parties shall get in contact in order to find an amiable solution. In case of dispute, the parties may lodge appeals with the pre-agreed arbitration courts.

The National Bank of Romania may arbitrate the disputes arising from the implementation of provisions of the present Norms only after the parties involved require this in writing and provide evidence that they pursued all the other amiable ways.

In such cases, parties shall unconditionally accept the decision to deal with dispute made by the National Bank of Romania.

18. The executive management of banking companies participating in the interbank money market shall ensure the appropriation and use by the staff performing such operations of the usual phrases, as well as the generally-accepted meanings of the concepts used in international practices.

III. Control of operations

19. The executive management of banking companies participating in the interbank money market shall check and be held liable for the observance of the conditions to participate in the money market, consistent with the legal provisions and the present Norms.

20. Banking companies participating in the interbank money market shall set procedures to allow them check the compliance with the present Norms and other legal provisions, and shall submit the National Bank of Romania all the required information and documents.

IV. Penalties

21. Being aware of the provisions of the present Norms is needed to ensure the fulfilment of minimum integrity and professional standards; failure of banking companies participating in the interbank money market to comply with the said principles shall entail firm action by the National Bank of Romania with a view to finding an immediate correction in respect of their behaviour on the money market.

22. Should the banking companies participating in the interbank money market not quote all the maturities mentioned under point 5 of the present Norms, the National Bank of Romania shall impose one of the following sanctions:

- written warning;
- fine ranging between ROL 5,000,000 and ROL 50,000,000 if, albeit warned, the concerned banking companies perpetrate another offence.

23. Where the banking companies participating in the interbank money market fail to comply with the provisions under points 6 and 7 of the present Norms regarding firm or information quotations, the National Bank of Romania shall impose one of the following sanctions:

- written warning;
- fine ranging between ROL 8,000,000 and ROL 80,000,000 if, albeit warned, they perpetrate another offence;
- revocation of the licence in case they repeat the offence even after the fine is imposed.

24. Where banking companies participating in the interbank money market fail to send the National Bank of Romania the required reports in the specified form and at the pre-set dates, the National Bank of Romania shall impose one of the following sanctions:

- written warning;
- fine ranging between ROL 2,000,000 and ROL 20,000,000 if, albeit warned, they perpetrate another offence.

V. Final provisions

25. For each day of delay in the settlement of operations performed on the interbank money market, the injured party may claim material compensation for damage.

26. After-hours trading and particularly the transactions carried out elsewhere than in the designated locations shall be allowed only under extraordinary circumstances, with the prior approval of the executive management of the banking companies participating in the interbank money market.

Bucharest, 29 May 1995.

No. 4.