



## MINISTRY OF PUBLIC FINANCE

Minister cabinet

No. 6780/28.02.2019



**Mr. Gabriel Forss**

Associate Director

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Dear Mr. Forss,

First of all, I would like to thank you on behalf of Romania for the excellent cooperation we have had so far with your esteemed company.

With reference to the concerns expressed in the rating report, and in particular the negative effects of the bank asset tax, introduced through the Government Emergency Ordinance no. 114/2018<sup>1</sup> (GEO 114/2018), on the sustainability of public finances, the real economy and the investor sentiment of investors and the business environment, I would like to emphasize the following:

The General Council of the National Committee for Macro-prudential Supervision (NCMM), in its meeting on 4 February 2019, decided to set up a working group consisting of representatives of the Ministry of Public Finance (MPF) and the National Bank of Romania (NBR) to analyze the implications of the tax on financial assets of credit institutions, introduced by GEO no. 114/2018.

At the NCSM meeting of February 18, the conclusions of the working group were presented. As such, the NCSM has identified a number of solutions and possible scenarios for adjusting the tax mechanism provided by EGO no. 114/2018 and it was agreed that the NBR should provide the necessary support.

According to the statements made by the prime minister Mrs. Viorica Dăncilă and myself, we are in favour of a balanced legal framework to the benefit of all parties involved.

Currently, the representatives of the Ministry of Public Finance are working to adjust the legal framework, as follows:

a) the replacement of the tax on financial assets that is calculated by reference to the Robor index with an annual fixed tax that will apply to a tax base of certain categories of assets, including by removing some financial assets from the tax base;

<sup>1</sup> *Government Emergency Ordinance no. 114/2018 regarding the introduction of measures in the field of public investments and fiscal-budgetary measures, the modification and completion of some normative acts and the extension of some deadlines*

- the tax will be adjusted downwards, depending on the developments registered at the level of the credit institution on the margin resulting from the difference between the interest rate on attracted deposits and credits granted in lei, as well as in relation to the increase of the financial intermediation;

b) replacing the ROBOR reference index (based exclusively on quotes) used for the credit agreements denominated in local currency with an index calculated exclusively based on the effective interbank transactions, in compliance with the provisions of Directive 2008/48 / EC of the European Parliament and of the Council of 23 April 2008 on Contracts credit for consumers.

The National Committee for Macro-prudential Supervision was established on the basis of the Law no.12 / 2017 on the macro-prudential supervision of the national financial system, thus ensuring the implementation of the Recommendation of the European Systemic Risk Board (ESRB) no. 3/2011 on the macro-prudential mandate of national authorities. The NCSM includes representatives of the National Bank of Romania, the Financial Supervisory Authority and the Government. The NCSM mission is to coordinate macro-prudential oversight of the national financial system by establishing macro-prudential policy and appropriate instruments for its implementation.

Sincerely yours,

Eugen Teodorovici

Minister of Public Finance

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke, positioned below the printed name and title.