

## Template for notifying national macroprudential measures not covered by CRR/CRD

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1. Notifying national authority and scope of the notification		
1.1	Name of the notifying authority.	National Bank of Romania
1.2	Name of the macroprudential measure that is notified.	Measures on consumer credit granted by non-bank financial institutions engaged in lending (NBFIs).
2. Description of the measure		
2.1	Description of the measure.	<p>The measures aim at introducing two additional criteria for non-bank financial institutions engaged in lending (NBFIs) to become subject to the NBR's prudential supervision (listing in the Special Register) depending on (i) the volume of new consumer loans (exceeding lei 75 million over the past three quarters), in order to capture the activity of creditors focused on granting short- and very short-term loans, and on (ii) the average interest rates applied, which show the potential of building-up excessive risks at NBFIs level. Regarding the second criterion, NBFIs will be subject to NBR supervision if the levels below are exceeded (Table 1). In addition, for NBFIs granting less prudent consumer loans at annual percentage rate of charge (APRC) levels above those specified in Table 1, requirements for building up additional capital were introduced at two thirds of the loan amount (1000% risk weights).</p> <p>The requirements are only applicable to loans granted after 1 October 2017.</p> <p><b>Table 1. Criteria on APRC level for becoming subject</b></p>

		to NBR supervision		
		Maturity	APRC level for lei-denominated loans	APRC level for foreign currency-denominated loans
		Up to 15 days	> 200%	> 133%
		16-90 days	> 100%	> 67%
		More than 90 days	> 10 x NBR's Lombard rate	> 6.7 x NBR's Lombard rate
2.2	Legal basis and process of implementation of the measure.	<p>The legal basis is represented by the <i>Law 93/2009 on non-bank financial institutions</i> and The National Bank of Romania Act.</p> <p>The measures were implemented by <i>NBR Regulation no. 1/2017 amending and supplementing the NBR Regulation No. 20/2009 on non-bank financial institutions</i></p>		
2.3	Coverage	The measures apply to non-banking financial institutions, Romanian legal persons, and to branches in Romania of non-banking financial institutions, foreign legal persons.		
2.4	Any other relevant information.			
<b>3. Timing</b>				
3.1	Timing of the decision	12 September 2017		
3.2	Timing of the publication	The new regulation was published in the Romanian Official Gazette on 25 September 2017		
3.3	Disclosure	The measures were subject to public consultation process. A draft of the Regulation was disclosed on the NBR website		

3.4	Timing of the application	The new regulation by which the measures were implemented entered into force on 1 October 2017, except for the increased risk weight which is applicable as of 1 February 2018
3.5	End date (if applicable)	Not applicable
<b>4. Reason for the activation of the measure</b>		
4.1	Description of the macroprudential risk to be addressed.	The need for strengthening the regulatory and supervisory framework applicable to NBFIs has arisen following recent developments in the sector. Specifically, as mentioned previously, NBFIs lending gained momentum and there is notable growth potential especially for household lending. Moreover, the recent period showed the rise in short-term, low-value lending at high costs, mainly accessed by vulnerable household segments which are already experiencing difficulties in managing current payment obligations.
4.2	Description of the indicators on the basis of which the measure is activated.	Entering in the Special Register of the National Bank of Romania is based on two indicators which quantify the importance of the NBFIs for the sector (through the volume of new loans granted) and the sustainability of its lending practices (through the average interest rate applied).  Furthermore, the implementation of the risk weights for loans with high costs is based on the thresholds defined in Table 1.
4.3	Effects of the measure.	The NBR has revised the regulatory framework applicable to NBFIs, in order to better capture the specifics of this business model, to reduce regulatory arbitrage as well as to address the issue of potential systemic effects which might stem from the NBFIs sector.
<b>5. Cross-border and cross-sector impact of the measure</b>		

5.1	Assessment of cross-border effects and the likely impact on the internal market (Article 133(11)(d) of the CRD IV and Recommendation ESRB/2015/2)	Considering the size of the sector, the fact that the measures are applicable to the NBFIs operating in Romania and their exposures are predominantly domestic ones, the likely impact on the internal market is limited.
5.2	Assessment of leakages and regulatory arbitrage within the notifying Member State	The NBR considered a threshold for the APRC, that takes into account the whole cost of the loans, in order to reduce the regulatory arbitrage. Also, the scope of the measure was to reduce regulatory arbitrage within the NBFIs sector (by including under the NBR's supervisory regime the NBFIs with significant flows of new loans within a time-period, in addition to the already existed criterion based on the outstanding loans) and within the whole financial sector.
5.3	Request for reciprocation	No
<b>6. Miscellaneous</b>		
6.1	Contact person(s) at notifying authority.	Mr. Eugen Rădulescu Director, Financial Stability Department, National Bank of Romania and NCMO secretariat Phone: +40311 32 1100 Email: <a href="mailto:eugen.radulescu@bnro.ro">eugen.radulescu@bnro.ro</a> <a href="mailto:secretariat.cnsrmro@bnro.ro">secretariat.cnsrmro@bnro.ro</a>
6.2	Any other relevant information.	