Journal of Financial Crises

Volume 4 | Issue 2

2022

Romania: Bank Deposit Guarantee Fund

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Yale Program on Financial Stability Case Study
July 15, 2022

Abstract

Following international calls to strengthen deposit-insurance systems during the Global Financial Crisis (GFC), Romanian authorities increased their deposit-insurance coverage from EUR 20,000 to EUR 50,000 (USD 26,800 to USD 67,000) on October 14, 2008, with the change coming into effect the next day. The Fondul de Garantare a Depozitelor Bancare (FGDB), Romania's existing deposit insurer, implemented it. Membership was mandatory for all banks registered with the National Bank of Romania (NBR), and local branches of foreign banks could apply for supplementary coverage if their home coverage was below EUR 50,000. The FGDB covered most deposit accounts and charged participating institutions fees. FGDB-insured institutions were also required to extend the FGDB standby credit lines. In March 2009, the EU adopted a directive requiring all member states to increase their deposit-insurance coverage to EUR 100,000 by December 31, 2010. Economic conditions in Romania continued to worsen, and Romanian authorities signed a Stand-By Agreement (SBA) with the International Monetary Fund (IMF) in April 2009. The SBA required Romania to alter the FGDB's funding and governance structure, eliminating standby credit lines and removing private officials from its governance structure. Romanian officials complied with the EU's directive and the IMF's terms in 2010. Ultimately, no institutions failed between 2008 and 2010.

Keywords: Account guarantees, Fondul de Garantare a Depozitelor Bancare, Global Financial Crisis, International Monetary Fund, Romania

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[1] This case study is part of the Yale Program on Financial Stability (YPFS) selection of New Bagehot Project modules considering account guarantee programs. Cases are available from the *Journal of Financial Crises* at https://elischolar.library.yale.edu/journal-of-financial-crises/.

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Overview

On January 1, 2007, Romania joined the European Union (EU), leading to large capital inflows and high economic growth (IMF 2007; IMF 2008).[3] The International Monetary Fund (IMF) said in 2007 that Romanian banks appeared well positioned to absorb potential shocks and that, leading into 2008, the country's growth prospects remained positive (IMF 2007). However, by late 2008, the Global Financial Crisis (GFC) had severely affected the Romanian economy. Capital inflows declined, exports fell, and risk indicators skyrocketed (IMF 2010b).

On October 7, 2008, EU officials urged member states to increase their deposit-insurance thresholds to a minimum of EUR 50,000 (USD 67,000) (EC 2008).[4] On October 10, 2008, the G-7 countries adopted a statement committing to sound deposit-insurance systems (G-7 2008). Romanian officials heeded these recommendations and altered their deposit-insurance system (Government of Romania 2008a). On October 12, 2008, Romanian authorities announced that they would increase deposit-insurance coverage from EUR 20,000 to EUR 50,000 (FGDB 2009). Two days later, on October 14, 2008, the Romanian government adopted an emergency ordinance to increase its deposit-insurance coverage to EUR 50,000 for natural persons (Government of Romania 2008a). The prime minister announced the change, emphasizing that the Romanian financial system was safe (Ghiseul Bancar 2008). The change came into effect on October 15, 2008 (Government of Romania 2008a). At the

Key Terms

Purpose: To maintain confidence in the financial system and to ensure its proper functioning in the global financial context

Launch Dates	*Increase to EUR 50,000* Announcement: Oct. 12, 2008 Authorization: Oct. 14, 2008 Operation: Oct. 15, 2008 *Increase to EUR 100,000* Announcement: Dec. 28, 2010 Authorized: Dec. 28, 2010 Operation: Dec. 31, 2010
End Dates	Adopted as permanent, with the ultimate guarantee set at EUR 100,000
Eligible Institutions	All institutions registered with the National Bank of Romania; foreign banks also eligible for coverage
Eligible Account(s)	Various deposit accounts
Fees	0.1% on covered deposits in 2008, 0.2% in 2009 and 2010
Size of Guarantee	Originally EUR 50,000. Later raised to EUR 100,000
Coverage	Covered RON 75.3 billion in 2009
Outcomes	No failures between 2008 and 2010
Notable Features	The FGDB was partially funded by standby credit lines until 2010 The FGDB could mandate banks to make payouts on its behalf

[3] The author would like to thank the FGDB for their comments on this case study.

[4] Per Yahoo Finance, on October 10, 2008, EUR 1 = USD 1.34.

end of 2008, total deposits in insured accounts were 113.8 billion Romanian lei (RON; USD 40 billion), up 14% from a year earlier; the portion of those deposits under the insurance cap rose more than 50%, from RON 40.3 billion to RON 61.9 billion, during that period (FGDB 2009).[5]

Later, on June 30, 2009, Romania raised its coverage of legal persons—including corporations treated as persons under the law—from EUR 20,000 to EUR 50,000 (FGDB 2010).[6]

The Fondul de Garantare a Depozitelor Bancare (FGDB), Romania's existing deposit insurer, implemented the increase (FGDB 2009; Government of Romania 1996, Articles 1-2). The FGDB was a public-interest legal entity overseen by a board of directors comprising both public and private officials (Government of Romania 1996, Article 26). Membership in the FGDB was compulsory for all institutions registered with the National Bank of Romania (NBR) (Government of Romania 1996, Article 3). Foreign-bank branches could also apply for supplementary coverage, to make up the difference between Romania's guarantee and the branch's home-country's (Government of Romania 1996, Article 3). FGDB-insured institutions paid the FGDB fees on covered deposits (Government of Romania 1996, Article 9). In 2008, institutions were charged a 0.1% fee on covered deposits, with the rate increasing to 0.2% in 2009 and 2010 (FGDB 2009; FGDB 2010; FGDB 2011). In addition to fees, following legislation in 2006, FGDB-insured institutions were also required to extend the FGDB standby credit lines (Government of Romania 2006, Article 1[5]). The FGDB used these funds and credit lines to insure a variety of deposit accounts (Government of Romania 1996, Article 2[2]).

In March 2009, the EU adopted a directive requiring all member states to increase their deposit-guarantee coverage to EUR 100,000 by December 31, 2010, and to lower the payout time associated with deposit guarantees (EC/EP 2009). Simultaneously, economic conditions in Romania continued to deteriorate, leading Romanian authorities to sign a Stand-By Agreement (SBA) with the IMF in April 2009 (IMF 2010b; IMF 2009). In addition to imposing fiscal-austerity policies, the SBA stipulated that Romanian officials alter the FGDB's funding and governance structure (IMF 2010b). Specifically, the IMF required Romanian authorities to eliminate the FGDB's use of standby credit lines for funding and to remove private company officials from its board of directors (IMF 2010b). Romanian officials complied with the IMF's terms in 2010 (Government of Romania 2010a; Government of Romania 2010b; FGDB 2011). Moreover, in order to comply with the EU's March 2009 directive, Romanian officials raised the deposit-insurance cap to EUR 100,000 on December 28, 2010 (Government of Romania 2010b). The increase in the deposit-insurance cap came into effect on December 31, 2010, for both natural and legal persons (FGDB 2011).

[5] Per Yahoo Finance, on October 10, 2008, USD 1 = RON 2.82.
[6] A "natural person" refers to a living human being who has certain rights and responsibilities. A "legal person" refers to a group of people who are legally considered to be acting as a single individual.

Despite the country's economic difficulties, no Romanian banks failed between 2008 and 2010 (FGDB 2009; FGDB 2010; FGDB 2011).

Summary Evaluation

The IMF said in a 2010 report that while the Romanian deposit-insurance system met minimum EU requirements, the FGDB was inadequate in several respects (IMF 2010a). The IMF noted that the FGDB's funding regime, based on premiums and standby credit lines, was insufficient to cover the failure of a medium-size or large bank (IMF 2010a). It also criticized the FGDB's payout time, which would be started within three months of a bank's failure. The IMF required Romanian officials to address these concerns as part of the IMF-Romanian SBA (IMF 2010a; IMF 2010b). FGDB officials later said that amendments to the deposit-insurance system increased its capacity to make payouts more quickly (FGDB 2010).

In its 2008 annual report, the FGDB highlighted the need to improve the way that deposits were classified by credit institutions and to more adequately inform depositors of its coverage (FGDB 2009).

Context: Romania 2008–2010	
GDP (SAAR, nominal GDP in LCU converted to USD)	\$214.2 billion in 2008 \$175.9 billion in 2009 \$165.9 billion in 2010
GDP per capita (SAAR, nominal GDP in LCU converted to USD)	\$10,435 in 2008 \$8,548 in 2009 \$8,214 in 2010
Sovereign credit rating (five-year senior debt)	Data for 2008–2010: Moody's: Not available S&P: BBB- Fitch: BBB-
Size of banking system	\$83.8 billion in 2008 \$80.6 billion in 2009 \$84.2 billion in 2010
Size of banking system as a percentage of GDP	39.1% in 2008 45.8% in 2009 50.8% in 2010
Size of banking system as a percentage of financial system	84.7% in 2008 87.2% in 2009 89.2% in 2010
Five-bank concentration of banking system	81.2% in 2008 78.2% in 2009 71.1% in 2010
Foreign involvement in banking system	Data not available for 2008–2010
Government ownership of banking system	Data not available for 2008–2010
Existence of deposit insurance	Yes in 2008 Yes in 2009 Yes in 2010
Sources: Bloomberg; World Bank Global Financial Development Database; World Bank Deposit Insurance Dataset.	

Key Design Decisions

1. **Purpose: In October 2008, Romania increased the deposit-insurance limit to maintain depositor confidence and to conform to EU guidance. By 2010, the government had further altered the deposit-insurance system and again raised the deposit-insurance limit to comply with EU and IMF agreements.**

On October 7, 2008, EU officials urged member states to harmonize their deposit-insurance caps at no less than EUR 50,000, up from EUR 20,000 (EC 2008). Three days later, on October 10, 2008, the G-7 urged countries to maintain sound deposit-insurance schemes (G-7 2008). Romanian officials heeded these international calls, increasing the maximum deposit-insurance coverage from EUR 20,000 to EUR 50,000 (Government of Romania 2008a). The increase was meant to bolster depositor confidence amid poor market conditions (Government of Romania 2008a).

Market conditions continued to deteriorate into March 2009, prompting the EU to pass a directive requiring all member states to increase their deposit-insurance coverage first to EUR 50,000 and then to EUR 100,000 by December 31, 2010 (EC/EP 2009). Owing to continued economic distress, Romanian officials signed a Stand-By Agreement (SBA) with the International Monetary Fund (IMF) in April 2009 (IMF 2010b; IMF 2009). The terms of the IMF SBA included changes to the deposit-insurance system (IMF 2010b). Romanian authorities later used legislation to comply with both the EU's March 2009 directive and the IMF's SBA (Government of Romania 2010a; Government of Romania 2010b).

2. **Part of a Package: No additional measures accompanied the changes to Romania's deposit-insurance system.**

Scholars have reported that Romania did not enact any financial interventions to combat the GFC (Petrovic and Tutsch 2009).

3. **Legal Authority: The Romanian government used emergency ordinances to increase the deposit-insurance cap and to take other measures to comply with EU and IMF directives.**

The FGDB was originally established in August 1996 through legislation (Government of Romania 1996). In the midst of the GFC, Romanian authorities implemented Emergency Ordinance No. 129 of October 14, 2008, which increased the deposit-insurance threshold to EUR 50,000 (Government of Romania 2008a). An emergency ordinance is a legally binding ordinance that the Romanian government can adopt in exceptional situations, circumventing the normal legislative process (Government of Romania 2021, Article 115[4]).

The Romanian government again used an emergency ordinance in 2009 to comply with parts of the EU's deposit-insurance directive (Government of Romania 2009). This emergency ordinance reduced the payout time from three months to 20 days for depositor claims and provided the FGDB with potential government backing in the form of loans (Government of

Romania 2009, Articles 1[5, 16-17]). In March 2010, the Romanian government passed Law No. 44 of March 2010, which validated the provisions of Emergency Ordinance No. 80 of June 24, 2009 (Government of Romania 2010a).

4. Administration: The FGDB administered Romania's deposit guarantee. It was subject to legislation that determined the extent of its coverage and participation. The FGDB also cooperated with the NBR to set fees.

The FGDB was created in August 1996, pursuant to Ordinance No. 39 of August 28, 1996 (Government of Romania 1996). As Romania's standing deposit insurer, the FGDB administered the Romanian deposit-insurance scheme along with its increase in coverage (Government of Romania 1996, Articles 1-2). The FGDB was a public-interest legal entity, though its governance structure originally included individuals from the private sector (Garcia 2009). A director oversaw its operations, implementing the board of directors' decisions, and proposing documents to the board for approval (Government of Romania 1996, Article 33).

The legislature determined the extent of the FGDB's coverage and which institutions were required to participate in it (Government of Romania 1996, Article 3; Government of Romania 2008a). The FGBD cooperated with the NBR to determine its annual-fee rate and its target exposure-coverage ratio (Government of Romania 1996, secs. 7, 9).

5. Governance: A board of directors governed the FGDB. It was subject to audits and worked closely with the NBR. Following the IMF SBA, the governance structure of the FGDB was changed to include public officials only.

A seven-member board of directors oversaw the FGDB (Government of Romania 1996, Article 26). Three members were appointed by the NBR, two by the Romanian Association of Banks, one by the ministry of public finance, and one by the ministry of justice (Government of Romania 1996, Article 26). One of the NBR's appointees would become the board's chairman (Government of Romania 1996, Article 26). Board members served three-year terms, which could be renewed (Government of Romania 1996, Article 26). Romanian law required board members to be licensed in the economic or legal field, with a good reputation and honorability, and at least five years' experience in the financial-banking field, and not to have retired in the past five years (Government of Romania 1996, Article 27). The board of directors was required to meet at least once a month (Government of Romania 1996, Article 30). Its duties included managing the FGDB, controlling annual expenses, setting annual fees, implementing special-contribution fees, securing loans and credit lines, approving reports and financial statements, approving liquidators, and appointing auditors (Government of Romania 1996, Article 31). The chairman of the board set its agenda, conducted meetings, and managed the FGDB's director (Government of Romania 1996, Article 32).

As part of its SBA, IMF officials required that all officials from credit institutions be removed from the FGDB's board of directors (IMF 2010b). Romanian officials complied with the IMF's terms in 2010 (Government of Romania 2010b).

The FGDB was also subject to audits and internal control mechanisms, including rules and regulations (Government of Romania 1996, Article 34). In 2010, the FGDB established the Internal Audit Department, which bolstered its internal controls (FGDB 2011).

Pursuant to Romanian law, the FGDB was required to submit its balance sheets to the NBR and the minister of public finance (FGDB 2010; Government of Romania 1996, Article 34). The FGDB was required to submit its annual reports to the NBR and to make them publicly available (Government of Romania 1996, Article 39). The NBR had to approve the FGDB's financial statements to ensure its compliance with EU objectives relating to credit institutions, nonbanking financial institutions, and the deposit-guarantee fund (FGDB 2010; Government of Romania 2008b).

The FGDB could request information from the NBR or credit institutions if it deemed it necessary to fulfilling its obligations (Government of Romania 1996, Article 40).

6. **Communication: In 2008, Romanian officials communicated that they had raised the deposit-insurance cap to bolster market confidence and to comply with EU guidance. In 2009 and 2010, Romanian authorities said that changes to the deposit-insurance system aimed to comply with EU and IMF requirements.**

On October 7, 2008, and October 10, 2008, EU officials and the G-7, respectively, urged states to maintain sound deposit-insurance systems and set their deposit insurance at no less than EUR 50,000 (EC 2008; G-7 2008). In light of these recommendations, on October 12, 2008, Romanian officials put out a press release stating their intent to raise the deposit-insurance cap to EUR 50,000 (FGDB 2009). On October 14, 2008, the government authorized the increase through an emergency ordinance, citing the need to maintain market confidence in light of the GFC (Government of Romania 2008a). The Romanian prime minister announced this increase and said that the banking system remained safe (Ghiseul Bancar 2008).

In 2009 and 2010, as the Romanian economy continued to suffer, the EU adopted a directive altering its deposit-insurance regulations (EC/EP 2009; IMF 2010b). By April 2009, the Romanian government had agreed to an SBA with the IMF (IMF 2010b; IMF 2009). When Romanian officials adopted Emergency Ordinance No. 80 of June 24, 2009, they cited the need to comply with the EU's directive (Government of Romania 2009). Again, when policymakers adopted Emergency Ordinance No. 131 of December 28, 2010, they highlighted that such changes were responses to EU and IMF requirements (Government of Romania 2010b).

Given the global economic downturn, the FGDB sought to increase public awareness of its deposit guarantee to shore up depositor confidence; a 2008 survey had revealed that people had little knowledge of the deposit guarantee (FGDB 2009). In its annual report, the FGDB recognized the need to improve the way that deposits were classified and to more adequately inform depositors of its coverage (FGDB 2009).

To increase depositor knowledge and confidence, the FGDB used its website, distributed its publication materials, and answered inquiries through a variety of media (FGDB 2009; FGDB 2010). Meanwhile, it sought to reduce the number of credit institutions that did not adhere to its regulations on depositor communication (FGDB 2009). In 2010, the FGDB created a specialized department to address public relations and communication (FGDB 2011).

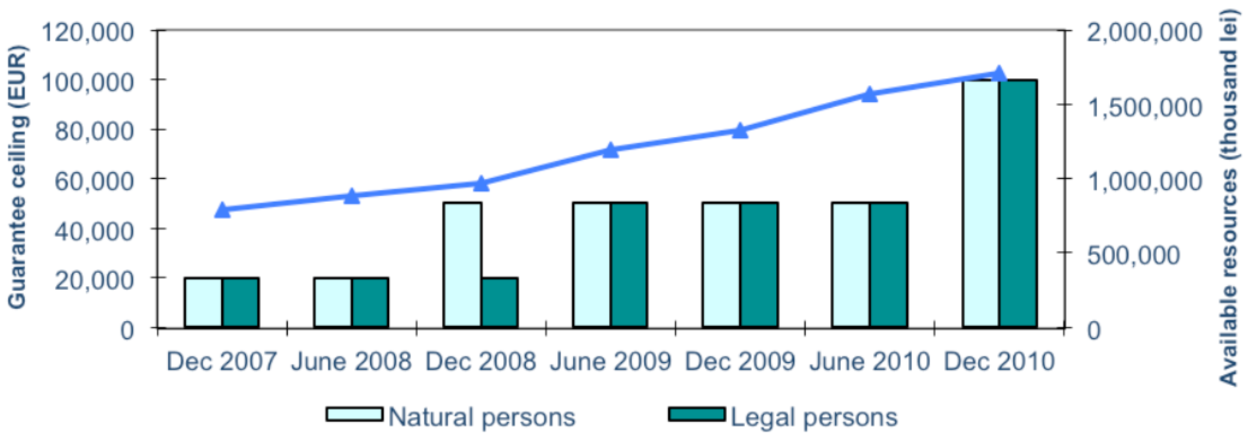
7. Size of Guarantees: In October 2008, Romanian authorities raised the deposit-insurance cap from EUR 20,000 to EUR 50,000, to comply with EU guidance. In December 2010, government officials raised the cap to EUR 100,000 to comply with an EU directive.

Before the GFC, the FGDB had insured deposits up to EUR 20,000 (Government of Romania 2006, Article 1[3(b)]). However, in light of the global financial turbulence and international pressures, Romanian policymakers increased the deposit-insurance cap to EUR 50,000 for natural persons on October 15, 2008 (Government of Romania 2008a). Romanian officials later raised coverage for legal persons—including corporations—to EUR 50,000 on June 30, 2009 (FGDB 2010).

In March 2009, EU authorities adopted Directive 2009/14/EC, which, among other things, required member states to increase their deposit-insurance thresholds to EUR 100,000 by December 31, 2010 (EC/EP 2009). To comply with this directive, on December 28, 2010, Romanian officials increased the deposit-insurance cap to EUR 100,000 (Government of Romania 2010b). This increase came into effect on December 31, 2010, for both natural and legal persons (FGDB 2011). Figure 1 illustrates the evolution of Romanian deposit coverage over time compared to the FGDB's resources.

Total deposits in insured accounts rose 14% in a single year, going from RON 99.5 billion at the end of 2007 to RON 113.8 billion at the end of 2008 (FGDB 2009). The portion of those deposits under the insurance cap rose more than 50% during that period, from RON 40.3 billion to RON 61.9 billion (FGDB 2009). Deposits under the cap amounted to RON 75.3 billion at the end of 2009 (FGDB 2010).

Figure 1: Evolution of FGDB Coverage and Resources, 2007–10



Note: "Natural persons" refers to living human beings who have certain rights and responsibilities. "Legal persons" refers to a group of people who are legally considered to be acting as a single individual.

Source: FGDB 2011.

8. Source(s) and Size of Funding: The FGDB was primarily funded through fees charged to insured institutions. From 2006 to 2010, insured institutions were obligated to extend standby credit lines to the FGDB. The FGDB could also receive loans from the Romanian government.

Prior to the GFC, the FGDB targeted an exposure-coverage ratio of 1.5%, measured as the ratio of the FGDB's resources and standby credit lines to the total deposits that it guaranteed (FGDB 2009). After increasing the deposit-insurance cap in October 2008, the FGDB lowered that target to 1.2%, a reflection of the larger guaranteed-deposit base. The FGDB reported an exposure-coverage ratio of 1.39% at the end of 2008, exceeding the target (FGDB 2009).

The FGDB primarily received funds from fees, which were charged to participating institutions (Government of Romania 1996, Article 7). These fees included an initial fee, valued at 1% of each institution's capital (Government of Romania 1996, Articles 7-8). Institutions also paid annual fees and special-contribution fees, which were determined by the FGDB and the NBR (Government of Romania 1996, Article 7). The FGDB also received subrogated funds (Government of Romania 1996, Article 7). Institutions could loan the FGDB funds (Government of Romania 1996, Article 7). The FGDB could also draw income from investments, donations, and financial-assistance resources (Government of Romania 1996, Article 7).

Beginning in 2006, each FGDB-insured institution was required to extend the FGDB a standby credit line in case it needed additional funds to pay out depositors of a failed bank (Government of Romania 1996, Article 7). If these credit lines were not used, the FGDB would pay banks a nonuse commission of 0.5% of the credit line's amount (Government of Romania

1996, Article 7). These standby credit lines were discontinued as a condition of the IMF SBA (Government of Romania 2010a; Government of Romania 2010b).

In cases where the FGDB's liabilities exceeded its resources, the Romanian government could provide the FGDB with a loan (Government of Romania 2009, Article 1[16]).

In 2008, the FGDB received RON 97.4 million in fees and had credit lines totaling EUR 190 million, none of which was utilized (FGDB 2009). In 2009, it collected RON 225.84 million in fees and increased its credit lines to EUR 300 million, none of which was used (FGDB 2010). In 2010, it amassed RON 325.5 million in fees and maintained EUR 300 million in credit lines (FGDB 2011).

9. Eligible Institutions: Membership in the FGDB was compulsory for NBR-approved institutions. Certain foreign-bank branches could request coverage.

The FGDB covered all institutions authorized by the NBR to take deposits, including all foreign-bank branches domiciled outside of the EU (Government of Romania 1996, Article 3; Bichi 2002). Foreign-bank branches domiciled in EU member states were not required to participate in the FGDB, instead receiving coverage under their domicile country's guarantee (Government of Romania 1996, Article 3). These institutions could request coverage if the amount guaranteed by their EU domicile country was lower than that guaranteed by the FGDB (Government of Romania 1996, Article 3). Romanian bank branches domiciled outside of the EU could request coverage from the FGDB, covering the difference between Romania's guarantee and the host country's guarantee (Government of Romania 1996, Article 3).

From 2008 to 2010, the FGDB reported that it insured 33 institutions (FGDB 2009; FGDB 2010; FGDB 2011).

10. Eligible Accounts: The FGDB covered most types of deposit accounts, excluding deposits held by institutions, authorities, and cooperatives, pursuant to Romanian law.

Romanian law defined a "deposit" as "any credit balance, including interest due, in a bank account of any type, including a common account, or in temporary situations arising from banking operations and which a credit institution owes to the account holder, in accordance with the applicable legal and contractual conditions, as well as any debt of the credit institution evidenced by a certificate issued by it, except for the bonds purchased by the collective investment undertakings" (Government of Romania 1996, Article 2[a]). The FGDB also covered foreign depositors in Romanian banks and foreign currency deposits (Government of Romania 1996, Articles 4-5).

While not specifying which deposits were covered, Romanian law included an annex of non-guaranteed deposits (Government of Romania 1996, Annex). Excluded deposits included deposits of those with special relations to credit institutions—namely, administrators—financial institutions, central and public authorities, and cooperatives (Government of Romania 1996, Annex).

11. Fees (A): The FGDB charged insured institutions a one-time initial fee and annual fees.

Institutions were charged a one-time initial fee when first joining the FGDB (Government of Romania 1996, Article 7). This initial fee was valued at 1% of the institution's capital base, which differed according to the type of institution (Government of Romania 1996, Articles 7-8).

In addition to initial fees, the FGDB charged participating institutions annual fees (Government of Romania 1996, Article 7). These were levied against guaranteed deposits; each credit institution was required to submit statements to determine the fees it owed (Government of Romania 1996, Article 9). These fees were legislatively established from 2006 to 2007, after which the FGDB and the NBR established the annual-fee rate (Government of Romania 1996, Article 9). Pursuant to Romanian law, the annual-fee rate could not exceed 0.5% (Government of Romania 1996, Article 9). The FGDB, in cooperation with the NBR, could double the fees charged to a given institution if it engaged in risky and imprudent policies (Government of Romania 1996, Article 9). Institutions were informed in advance of fee increases (Government of Romania 1996, Article 9).

In 2008, the FGDB charged a flat-rate fee of 0.1% on covered deposits (FGDB 2009). In 2009 and 2010, it charged a flat-rate fee of 0.2% on them (FGDB 2010; FGDB 2011). The FGDB increased the fee to 0.2% to counterbalance the effects of increasing the guarantee ceiling relative to its capacity to make payouts (FGDB 2010).

In 2008, the FGDB collected RON 97.4 million in fees (FGDB 2009). In 2009, it collected RON 225.8 million in fees (FGDB 2010). In 2010, it collected RON 325.5 million in fees (FGDB 2011).

Following IMF-required changes to its structure, the FGDB planned to charge a flat-rate fee of 0.3% on covered deposits in 2011 (FGDB 2011).

Fees (B): The FGDB initially required all member institution to extend it standby lines of credit, later abandoning this requirement at the IMF's insistence.

In addition to annual fees, the FGDB required all FGDB-insured institutions to grant the FGDB a standby line of credit, denominated in Romanian lei (Government of Romania 1996, Article 7). The value of the credit line, which was annually re-established, was proportional to an institution's insured funds divided by the FGDB's total insured funds (Government of Romania 1996, Article 7). Withdrawals from standby credit lines were only made when the FGDB needed additional resources to complete depositor payouts after a bank's failure (Government of Romania 1996, Article 7). If institutions did not establish a credit line, they paid additional fees (Government of Romania 1996, Article 7). Such fees were calculated to ensure that the FGDB met its target coverage-exposure ratio (Government of Romania 1996, Article 7). If the credit lines were not used, the FGDB paid banks a nonuse commission of 0.5% of the credit line's amount (Government of Romania 1996, Article 7).

In 2008, the FGDB had credit lines totaling EUR 190 million, none of which was utilized (FGDB 2009). In 2009, it increased its credit lines to EUR 300 million, none of which was used (FGDB 2010). In 2010, it maintained EUR 300 million in credit lines (FGDB 2011).

Following the IMF-Romania SBA, FGDB funding through standby credit lines was eliminated (FGDB 2011).

Fees (C): The FGDB, with NBR approval, could charge additional fees.

Pursuant to Article 10 of Ordinance No. 39 of 28 August 1996, if the NBR's board of directors considered that the FGDB's funds were insufficient to meet payouts, the FGDB could demand a special contribution from each FGDB-insured institution (Government of Romania 1996, Article 10). The NBR's board of directors determined the amount of the special-assessment fee, which could be as much an institution's annual contribution for that financial year, along with the terms of its payment (Government of Romania 1996, Article 10).

12. Process for Exercising Guarantee (A): The FGDB was activated upon an institution's bankruptcy. Depositor payment could take three to nine months. To comply with an EU directive, the payout time was reduced to 20 days in 2009.

According to its practices in 2008, the FGDB would be activated on the first day of a credit institution's bankruptcy procedure (Government of Romania 1996, Article 16). Within 10 days of this, the FGDB's board of directors would determine if payouts would be made (Government of Romania 1996, Article 16). Within 30 days of a liquidator's appointment, including if the FGDB itself was the liquidator, the FGDB would receive a list of eligible depositors (Government of Romania 1996, Article 17). Based on this information, the FGDB would determine the total amount owed to each (Government of Romania 1996, Article 18). The FGDB would then pay depositors out within two months, not including the 30 days afforded to the liquidator (Government of Romania 1996, Article 18). The FGDB could request two extensions of up to three months each (Government of Romania 1996, Article 18).

The FGDB was required to inform depositors of an institution's failure through a variety of media, including the FGDB's website and two newspapers (Government of Romania 1996, Article 17). Information it was legally required to make public included the possibility of receiving compensation from the FGDB, deadlines for compensation, and the documentation required for compensation (Government of Romania 1996, Article 20).

EU Directive 2009/14/EC required all member states to reduce the payout time of their respective deposit-insurance systems (EC/EP 2009). To comply with this directive, Romanian authorities utilized an emergency ordinance in June 2009 to shorten the payout time to 20 working days (Government of Romania 2009, Article 1[19, 33]). To cut the payout time, the FGDB required credit institutions to provide it with the requisite depositor information on the day following its activation (FGDB 2010). It also required member institutions to maintain an adequate IT system for records; the FGDB was permitted to regularly test an institution's capacities to ensure the verification and transmission of this information (FGDB 2010).

Process for Exercising Guarantee (B): The FGDB could mandate credit institutions to make payments on its behalf.

Pursuant to Romanian law, the FGDB could permit one or more credit institutions to pay out guaranteed funds under conditions it established (Government of Romania 1996, Article 21).

Process for Exercising Guarantee (C): The FGDB was required to periodically test its payout capacity.

In the emergency ordinance it passed in response to the EU's deposit-insurance directive, the Romanian government also stipulated that the FGDB, in coordination with the NBR, periodically test its capacity to make payouts (Government of Romania 2009, Article 1[27]).

13. Other Restrictions on Eligible Institutions/Accounts: There were no additional conditions.

There were no additional conditions associated with the changes to the Romanian scheme.

14. Duration: The changes to the Romanian deposit-insurance system were adopted as permanent changes.

The changes to the Romanian deposit-insurance system were adopted as permanent changes without any sunset date (Government of Romania 2008a; Government of Romania 2010b).

References and Key Program Documents

Documents cited in the text are introduced with a parenthetical author-date citation. Documents that are relevant to this case but have not been cited in text do not include this parenthetical reference.

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