



This series of national factsheets provides a snapshot of the various legislative frameworks concerning the provision of microcredit in Europe by non-bank financial intermediaries. The national factsheets cover the following thematic areas:

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- 3 Products
- 4 Incentives and support
- 5 Development of existing framework for non-bank microcredit provision
- 6 Inclusive entrepreneurship and microenterprise development
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Regulation of Lending Activity

Since 2005, the Romanian legal scheme allows non-bank lenders to directly disburse loans to the public. As the non-bank financial sector has evolved and grown, the National Bank of Romania (NBR) unified the various legal frameworks regulating non-bank lenders, which includes MFIs, leasing companies, mortgages companies, credit unions (CUs), consumer lenders etc., under a unique law (Law on Non-Bank Financial Institutions no. 93/2009).[1] This law regulates all non-bank financial activities and established a department within the NBR for the specific regulation, supervision and registration of all NBFIs. Under the law, NBFIs are not allowed to collect savings from their clients. In addition, although microcredit is explicitly mentioned in the law, MFIs do not have any distinct status compared to the other financial institutions.[2]

Law 243/2024, effective since November 2024, regulates consumer protection concerning the total cost of lending and the assignment of receivables. It imposes limits on interest rates applied by non-NBFIs for both consumer and real estate investment loans. Specifically, the effective annual interest rate (DAE) cannot exceed the National Bank of Romania's (NBR) reference rate (variable) by more than 8%, and the total payable amount cannot surpass double the value of the contracted personal credit.

During 2022–2023, the Romanian economy was adversely affected by the pandemic, the crisis resulting from Russia's aggression against Ukraine, and the pedological drought in 2023/2024. In response, the lending activities of NBFIs have also been regulated through Government Emergency Ordinances (GEOs), such as GEO No. 7/February 2024, which approved the state aid scheme "Farmer's Credit," and GEO No. 121/October 2024, which introduced a credit moratorium for affected farmer clients.

CUs are regulated by laws 93/2009 and 122/1996, which determine the legal framework and functioning of employees and self-employed CUs as a self-financing mutual association that may also be certified as a social enterprise.

[1] Law 93/2009 along with regulation No. 5/2012 represents the legal basis for NBFIs to operate.

[2] Contemporary Legal and Economic Issues V, Editors: Ivana Barković Bojanić and Mira Lulić.

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Supervisory Framework for Non-Bank Lending

NBFIs are supervised by the NBR. The National Association of Credit Unions (UNCAR) is the supervisory body for affiliated CUs.

Law 93,122/1996 and 122/2004[3] represent primary legislations; the NBR is entitled to issue secondary legislation related to the operations of NBFIs (e.g. provisioning policy, capital adequacy, risk policies, reporting according to the International Reporting Standards (IFRS) etc.) through the [1] Republication of the Law 93, 122/1996.

Non-Bank Supervisory Department.

The minimum capital requirement for NBF registration can range between EUR 200.000 and EUR 3.000.000 (in case the NBF issues mortgages). CUs are exempted from this rule. For the registration of NBFIs, the NBR has opened two registries:

- 1.The general registry for all NBFIs, with specific sub-registries based on the type of financial product(s) provided (e.g. microcredit, leasing, factoring, consumer lending, etc.).
- 2.The special registry, for large NBFIs. NBFIs with capital exceeding EUR 5 million and a portfolio exceeding EUR 10 million are transferred from the general registry to the special registry where they are subject to enhanced the secondary regulations, supervision and control with certain exemptions.
- 3.Entry Register for CUs, pawnshops and entities without patrimonial purpose (non-profit organisations). In accordance with Art. 35 of the Law no.93 / 2009, NBFIs registered in the Entry Register are not subject to the prudential monitoring or supervision of the NBR (chapter. III of the Law 93/2009).

Furthermore, the NBR operates the credit bureau for defaulted loans and banking incidents of loans exceeding EUR 5.000, which is compulsory for banks and large NBFIs. In addition, the Romanian Banks Association operates another credit bureau for overdue loans and other financial products extended to individuals and legally registered companies. Access to this database is restricted to banks that report to this credit bureau. CUs and small NBFIs are not required to report to either credit bureau, and thus, they have no access them.

UNCAR oversees the activities of its affiliated Credit Unions (CUs) and has established an internal credit bureau operating at both county and national levels. This bureau is exclusively for affiliated CUs, which are required to report and share client data regarding overdue loans. Moreover, all annual financial reports are audited, centralised at the county/regional and national levels, and submitted by UNCAR to the Romanian Ministry of Finance.

Additionally, the CUs Association from Region Vest has established an internal credit bureau for all 25 affiliated CUs operating in the western counties of Romania.

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Products

All NBFIs are allowed to disburse business and personal loans, including microloans and loans to social enterprises and NGOs. They can also offer other financial products such as factoring, leasing, and mortgages.

CUs are only allowed to disburse personal loans to their members and microloans for income generating activities to registered farmers and self-employed entrepreneurs.

Under the legal framework for NBFIs, there is no value limit for business or personal microloans. However, the NBFIs implementing the EU funded guarantee and/or capital financial facilities are considering the EU microcredit definition (EUR 50,000) while implementing and reporting. The framework does not impose any interest rate cap on business microloans.

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Incentives and Support

In Romania, two state-owned guarantee funds operate at both national and regional levels: the Romanian Guarantee Fund for SMEs[4] and the Rural Guarantee Fund[5], which provide guarantee services to medium-sized enterprises and large farms. Furthermore, CUs are operating an internal on-lending fund, also known as a liquidity fund, which is administered by UNCAR or Regional CUs Associations. However, the current context has no incentive support in the form of tax deductions for organisations that provide financial support for microcredit providers in the country.

[3] Republication of the Law 93, 122/1996.

[4] <https://fgcr.ro/>

[5] <https://www.fngcimm.ro/>

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Development of the Existing Framework for Non-Bank Microcredit Provision

In 2016, the Social Enterprise legal framework allowed CUs to register as social enterprises. Nonetheless, some current challenges include the restrictive legal framework for CUs related to the provision of business microcredits, secondary legislation related to provisioning procedures for large NBFIs and the lack of access to the national credit bureaus. Suggestions to help improve the situation include the revision of the CU legal framework and enabling access for all financial institutions to the centralised national credit bureaus.

The Romanian Microfinance Association advocates for and promotes amendments to legal initiatives proposed by the Romanian Government and National Central Bank, with the aim of supporting the development of the microfinance sector and protecting vulnerable microfinance customers.

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Inclusive Entrepreneurship and Microenterprise Development

In the Romanian context, there are simplified administrative procedures in place for entrepreneurs, such as business and self-employed registration processes and registration costs. There currently are three legal registration types for the self-employed: Authorized Individual Person (PFA), Business Family Association (AF), and Individual Enterprise (II). There is a legal registration of agricultural producers at the commune level that issues a farmer certificate.

The legal registration for micro-enterprises was also simplified, especially for young entrepreneurs who may register for free as 'debutante micro-enterprise' (SRL-D); however, after three years, the company transitions from an SRL D into an SRL, which means higher costs than those normally paid to establish a business.

The legal framework governing the taxation of microenterprises was amended at the end of 2023 through GEO 115/2023 and Law 296/2023. Starting from the quarter in which a microenterprise's income exceeds EUR 60,000, the tax rate on income increases from 1% to 3%.

There is a mandatory welfare bridge in the country for self-employment out of unemployment, although once one registers as self-employed and reports income that exceeds the minimum income of EUR 400 per month, the welfare benefits are cut.

Finally, the Government is not running any educational campaign for inclusive entrepreneurship and microenterprise development or entrepreneurial education as part of school curricula. The Employment Agencies (national and county offices) are providing subsidies and reduced costs for entrepreneurship training programs for the unemployed, support to SMEs employing unemployed people and grant schemes for SMEs located in the under-developed regions or communities. Credit subsidies from the national and European Structural Funds for investment are also available.

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Digital Transformation

Over the past three years, the digitalization of the Romanian microfinance sector has accelerated significantly. Currently, 65% of Romanian MFIs that are members of the Romanian Microfinance Association operate on integrated credit platforms, 94% use electronic signatures for credit applications, and 53% facilitate loan disbursements and repayments via online bank transfers.[6]

When it comes online sales, marketing and subsequent data management (security and storage), Romanian NBFIs are required, like other companies in Europe, to implement the GDPR regulation on data protection. Compliance with the Romanian legislation transposing the Anti-Money Laundering directive is relevant to MFIs that want to shift towards the clients' distant identification and further automate the client assessment process (e.g., gathering data from multiple external sources).

Additionally, for client identification, NBFIs can only work with providers that are compliant with the national and eIDAS regulation on electronic identification and trust services (e.g., digital signature)

The technology available for generating electronic signatures has now surpassed the original vision outlined by Law No. 455/2001, which governs digital signatures and their legal implications. This law recognizes extended electronic signatures and grants them the same legal force as holographic signatures, provided they are accompanied by a qualified certificate issued by an accredited certification service provider.

[6] Benchmarking Microfinance in Romania: 2019-2023 Overview – AFM

However, for electronic signatures with a lower level of trust - those not accompanied by a qualified certificate - Law No. 455/2001 does not establish a clear legal framework for the consequences of signing documents electronically. These gaps in national legislation are addressed by EU Regulation No. 910/2014, a binding legislative act applicable across all EU member states.



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