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Intro

- Economic Crisis, Financial Crisis, Trust Crisis

Economic Crisis, Financial Crisis, Trust Crisis

That Romanian economy gives no sign of redress, to the contrary, anyone can see. While for this year's first 9 months Romania was still relatively remote from the epicenter of the global hurricane, the local market entered fall like a sick man in dire need of perfusion. In our market's particular case, the vital injection means money from the IMF, credit flows, infrastructure and energy investment, foreign capital. But, before any of these could nourish to the economy's drained body, we need stability and trust in the political, judiciary and administrative systems. Of such trust, the authorities – the state, in general – seem to be less and less worthy.

“ We need stability and trust in the political, judiciary and administrative systems. Of such trust, the authorities seem to be less and less worthy.

Let us take it one at a time…

The legislative – a coalition said to be “against nature” – constitutes the outcome of the unlikely cooperation between two political parties that had proffered total war against each other. The authority of the Parliament itself, as an institution, is increasingly contested with the President officially launching his initiative of transforming it from bi – to unicameral. This initiative is bound to bring to boil a political debate that already seemed to win more interest among the politicians than the acute pains of the economic crisis.

The executive has recently suffered a rupture one may only expect will throw the entire administration into chaos: all the Social-Democrat ministers decided to resign out of solidarity with a party colleague dismissed by the Prime Minister. Due to this en masse resignation, the decimated Cabinet was left in minority and seems now preoccupied exclusively with consolidating its position in the aftermath of the recent earthquake. The economic crisis and the imperative of successfully weathering it seem now of secondary concern for the Government..

The judiciary was, till very recently, consumed by the strike of the magistrates protesting against non-payment by the Ministry of Finance of long outstanding salary rights despite irrevocable court orders. We add therefore to the picture a full blown →

conflict between the judiciary and the executive: the former arguing the court orders should be enforced as such, the latter, desperate for both resources and solutions to rationally manage those, arguing that the court decisions in question are biased toward the judges and therefore nothing more than paper trash. The quarrel blocked the work in tribunals and commercial courts and caused huge loss to the economy. Another stone around the neck of our chocking economy.

So, each state power has its own crisis – all kitschy ornaments to the already somber picture of a feeble – though still emergent, is it not? – economy...

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Focus

- Project Finance, Syndicated Lending and the Credit Crunch

Project Finance, Syndicated Lending and the Credit Crunch

"The crisis will happen again but it will be different", Alan Greespan, former Chairman of the Federal Reserve, has recently told in an interview.

Although each economic crisis has its own ingredients, it is probably something in the human nature which generates such crisis. Something which makes economic growth to transform into bubbles that ultimately burst. The best argument for this statement

> " It is worth paying attention to what typically happens during periods of prosperity and, more importantly, during periods of relative stagnation and decline.

is the number of major financial crisis which occurred during the last hundred years. This may sound pessimistic but in essence it is rather an acknowledgement of the fact that recurrent fluctuations in economic and business activity are inherent to the functioning of the modern economy and that no market is able to ensure a steady and permanent growth or to avoid economic cycles.

Although knowing the history of the past economic crisis seems not to prevent future crisis from happening, it is worth paying attention to what typically ocurrs during periods of prosperity and, more importantly, during periods of relative stagnation and decline.

Below is an overview, given from a Romanian legal standpoint, with regard to the impact of the financial crisis on the project finance activities in Romania.

What is Project Finance

Project finance is defined as the financing of a project (such as infrastructure, energy or industrial projects) based upon a non-recourse or limited recourse financial structure where project debt and equity used to finance →

the project are paid back from the cashflow generated by the project.

This definition may sound complicated to one who has not been involved in a project finance transaction, as there is a certain jargon which the project finance professionals tend to use. Therefore it may be useful to summarize what the terms most frequently used in project finance and syndicated lending actually mean.

- Project Company: typically a special purpose vehicle (or SPV) incorporated exclusively for the purpose of developing and operating a Project, having no trade and no assets other than those related to the Project, but borrowing money for developing the Project.
- The Sponsors: the investors who undertake the development of the Project, having the corporate control of the Project Company and investing the Equity into the Project.
- Syndicated Lending: lending made by a group of credit and financial institutions (as opposed to bilateral transactions which involve one lender and one borrower). In a syndicated lending transaction the Finance Parties undertake various roles: the arranger (who originates the lending transaction and arranges the syndication), the lenders (who fund the loans, according to their commitments to finance), the facility agent (undertaking an administrative role, acting for the finance parties and mediating the relation with the borrower(s)), the security agent (who administrates the securities created in favor of the finance parties) and sometimes the hedging counterparties (who are entering into hedging agreement(s) with the Project Company).

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- The Senior Lenders: the parties who provide financing which is to be serviced with priority by the Project Company and which benefit of first ranking securities on the Project Company’s assets.
- The Mezzanine Lenders: credit institutions, financial institutions and investors providing finance to Project Company which is subordinated to the Senior Lenders’ debt but senior to the equity invested by the Sponsors. The mezzanine debt is either unsecured or secured with second ranking securities over the Project Company’s assets. Mezzanine capital is at the border between senior debt and equity and depending on the financing structure, may be qualified either as debt or equity.
- Debt: the financing provided by the Senior Lenders and sometimes (depending on how the mezzanine finance is structured) by the Mezzanine Lenders.
- Equity: the funds provided by the Sponsors, which are the last in priority for being repaid by the Project Company. Depending on the specific attributes of a financing, mezzanine funds could also be qualified as equity.
- Leverage: the ratio between Debt and Equity.
- Non-recourse financing: the Lenders have no recourse against the Sponsors as they look only to the cashflow of the Project for the purpose of ensuring that the Debt is serviced (in other words, the Project produces enough money for payment of the interest and reimbursement of the principal due to the lenders). Further, the obligations of the Project Company towards the lenders are secured with the Project Company’s assets (movable and immovable, present and future).
- Limited recourse finance: in limited recourse finance, the Lenders have recourse (but not full recourse) against the Sponsors in case the Project is not successful enough to service the Debt.
- LMA: the Loan Market Association, which reunites credit and financial institutions, law firms and other professionals participating to the European syndication market.
- LMA Standard Documents: the set of standardized finance documentation →

which was developed by the LMA and which is commonly used for documenting a syndicated lending transaction (such as the mandate letter, the term sheet, the facility agreement and the security documents).

The Bubble that Burst

Lending during the good times

Prior to the real estate boom which started some five years ago in Romania, the Romanian financing market saw only very few transactions structured on a project finance basis. It was the real estate finance which started to use the principles of project finance on a large scale. The financing of office, commercial and residential developments undertaken in Romania has been structured in many cases as limited or non-recourse financing. The common ingredients were:

- On the basis of very liquid financial markets, the Sponsors were given easy access to funds and had strong negotiating positions with the credit institutions, having access to cheap money and loose lending conditions.
- The financial covenants (such as the ratios between the loan and the value of the financed assets or the debt service coverage ratio) became more and more permissive as the risk appetite of the Senior Lenders increased and the transactions were more and more leveraged.
- The Equity required by the Senior Lenders was in many cases over-valued, as a result of the self-fueled real estate bubble. The Sponsors were required to invest little or no cash into their Projects, in some cases being sufficient to contribute with the Project land (valued at a price determined by the booming real estate market).
- The pre-sale or pre-lease conditions were negotiated in the context of the real estate boom.

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The frenzy of a rapidly growing economy, the booming real estate market and the excess of cash on the financial markets made the players believe that the market could only go up and that any real estate project is predestined to be successful.

As a sign of the market becoming more mature and experienced but also as a result of the projects becoming larger and larger in terms of Debt requirements (up to hundreds of millions of Euro of senior Debt being made available for each of the bigger Projects) the transactions were documented based on the LMA standard documentation, which became a market reference, not only for cross-border lending but also for deals made by the local credit institutions lending together with their related parties based abroad.

The credit crunch

Charles Prince, the former CEO and Chairman of Citigroup is credited with saying “when the music stops, in terms of liquidity, things will be complicated”. Imported from abroad, the financial crisis radically changed the perspectives of the Romanian financing market, as liquidity dried up. Projects that were undergoing stopped. Investors sustaining a speculative market, walked away. Both the financial and the real estate markets froze.

As a finance lawyer interacting with international lawyers who experienced the ups and downs of other economic cycles, it was legitimate to expect that the long-working hours put in for taking projects after projects to their financial closing (i.e. the moment when the Project Company has access to the Lenders’ money) cannot last forever. The perspective of lawyers reinventing themselves and metamorphosing from finance lawyers into restructuring and insolvency lawyers, became more credible than during the economic boom. →

The Leftover: Legal Concerns during the Economic Crisis

Provisions of the finance documentation

Besides the liquidity problems, which affected most (if not all) the Romanian credit institutions, the cost of funds (which the credit institutions are paying for borrowing money from the interbank markets) surged, in reflection of the increased credit risk for CEE countries.

In the fall of 2008, Romania's credit rating was downgraded by the rating agencies below the investment grade, shortly followed by similar downgrading of the credit rating of most Romanian major credit institutions.

To avoid losses, the Lenders have tried to pass the additional costs (of funds) on to the Project Companies. Probably the most discussed clause in the facility agreements based on a LMA format was the "Market Disruption" clause. Without going into too many technical details, the interest rate payable by a borrower is calculated as the base rate (e.g. Euribor, Robor, Libor, depending on the currency in which the loan is denominated) and the margin. The base rate is deemed to cover the cost of funds of the Lenders. If the Lenders cannot fund themselves at the base rate, the Market Disruption clause may become applicable. But as a matter of reputational risk, the credit institutions are not willing to disclose their true cost of funds being higher than the average cost of funds on the interbank market, as this could be perceived by the market as a sign of lack of liquidity. In any case, Market Disruption clause only refers to the base rate and therefore cannot be invoked to increase the margin.

This is one example of the credit institutions starting to look more closely to the provisions in the facility agreements and further in the finance documentation. Although during the good times the applicability of clauses such as "Market Disruption" seemed remote, the recent experiences have made the professionals involved in financing transactions much more attentive to the way the finance documents are drafted and interpreted.

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Restructuring

Another hot topic which emerged from the difficulties faced by certain Project Companies was the restructuring of the troubled Projects, so as to give the Project Companies and the Sponsors the chance to get through the difficult times.

The restructuring exercise of a Project Company would generally involve some of the following lines of action:

- Revise the Debt to Equity ratio, by increasing the Equity invested into the Project. Some Senior Lenders could be interested in taking a direct or indirect participation in the Project Company's share capital, through a Debt to Equity swap (this being subject to regulatory restrictions and consolidation requirements).
- Dispose of Project Company's non-core assets and use the proceeds of such disposal for repaying a part of the senior Debt or for making additional cash available to the Project Company.
- Revise the terms and conditions in the credit documentation, including by revising the pricing structure.
- Create new or improved security package in favor of the Senior Lenders (and the other finance parties).
- Give the Senior Lenders and the other finance parties a tighter control over the Project Company's corporate life.

Further, the Senior Lenders could also be interested in disposing of the non-performing loans in their portfolios, but such disposal could raise additional legal concerns:

- The confidentiality matters regarding the due diligence which any new lender would be interested to conduct on the Project, →

the Project Company and the finance documentation.

- Statutory restrictions regarding the disposal of loan portfolios.
- The matters regarding the transfer of securities, including costs, registrations, hardening periods and vulnerability to insolvency.

Insolvency

Used by some borrowers as a negotiation tool against the lenders, insolvency has become one of the hot topics among professionals participating to the financing markets. Matters like cherry picking (or the power vested in the syndic judge to maintain or terminate the agreements entered by the insolvent company), enforcement of securities, reorganization plans and the powers of the creditors' assembly are just a few of the legal matters which the Senior Lenders would face if the Project Company goes insolvent.

There is little or no precedents in Romanian with regard to insolvency of Project Companies party to a syndicated financing transactions and it is therefore difficult to predict on how would a transaction of this type would pass the reality test if put in front of the Romanian insolvency officials and the Romanian courts of law. It could be an enriching experience to have the syndicated finance documents (which are based on Anglo-Saxon models, slightly adapted to accommodate Romanian legal concepts) analyzed and interpreted by Romanian law practitioners.

Perspectives: From Real Estate Financing to Energy and Infrastructure

Troubled real estate market

The change occurred on the Romanian real estate financing market could not have been more radical. Some of the bigger players (such as the German mortgage banks), which in 2007 were willing to take exposures in excess of EUR 100,000,000 per project, ceased committing any new money for the Romanian market.

> "The change occurred on the Romanian real estate market could not have been more radical: some of the bigger players ceased committing any new money for the Romanian market.

Other credit institutions downsized or cancelled their budgets for real estate projects. Even the most experienced Sponsors, with a proven record of successful deals and willing to invest significant amounts of Equity, have started to face major difficulties in finding Lenders prepared to fund their Projects (despite the deleveraging process and the tougher financing conditions). It is now certain that the revival of the real estate market and the real estate financing would not happen in 2009, with both the Sponsors and the Lenders being confronted with significant uncertainties for 2010 and beyond.

Energy projects

The financial groups with healthier balance sheets and better liquidity positions have maintained some lending appetite, moving on from real estate finance to other industries. Energy projects seem to attract most of the attention of the financiers, with a special focus on cleaner energy. There are arguments in favor of such energy projects, only to mention that they are eligible for benefiting from incentives from the law makers and from grants made available by the EU and the national authorities.

Although a part of the projects continue to be structured on a syndicated basis (using LMA standard documents), in some cases the actual lending structure is bilateral, as it has become more and more difficult to find other lenders to team up with in syndicated financing (or even in club deals).

It is worth mentioning that in some of the projects a part of the credit risk is passed on to Fondul Național de Garantare a Creditelor pentru IMM-uri or FNGCIMM, a fund whose sole shareholder is the Romanian state and which offers credit support to small and medium enterprises (SMEs) and their projects. The credit institutions which are financing SMEs, may enter into guarantee conventions with FNGCIMM (such conventions being deal-specific) under which FNGCIMM undertakes →

to cover the credit risk related to the borrowing SMEs.

Infrastructure

One of the typical measures which governments take during the economic downturn is to increase public spending so as to compensate the slowdown in privately run businesses. Considering the poor conditions of the Romanian infrastructure and the economic necessity to revive the construction industry, the Romanian authorities could be expected to allocate resources for large infrastructure projects. The long time resistance to using project finance structures for investments in infrastructure seems to finally fade away as the first project, the Comarnic-Brasov highway, has been started on such project finance basis.

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Case by Case

- Pensions Fund Mergers Implemented by BCR Administrare Fond de Pensii

Pensions Fund Mergers Implemented by BCR Administrare Fond de Pensii

Directly affected by the financial and economic downturn which swept across Europe during 2009, the M&A market in Romania underwent a steep regression in terms of both number and value of transactions, as compared to the solid years 2007 and 2008.

One of the few bright spots on the local M&A market was the field of private mandatory pensions. This is a relatively new industry in Romania, set-up as part of the broader legislative effort to reform the domestic pensions system by adding a new business segment (private mandatory pensions - pillar II), besides the already existing public mandatory pension system (pillar I) and the private optional pension system (pillar III).

Pillar II pension fund business commenced on the second part of 2007, when powerful financial groups active on Romanian market established start-up entities and competed throughout a 4-month period for initial market shares, by attracting subscribers to their pension fund.

As a result, a relatively polarized market emerged, dominated by two main players, but also with a number of smaller entities, each holding less than 10% of the market share. In order to develop a profitable business, such medium-size managers of pension funds have been markedly interested in reaching a critical number of clients, reason for which they sought various opportunities of merger with other players. Moreover, the natural consolidation of the industry was also enhanced by a statutory requirement imposing on pillar II pension funds to reach a minimum level of clients

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(50,000 individuals) within 3 years as of their establishment. As such, the managers of pension funds falling below such legal threshold are compelled to find exit deals (via merger procedures) in order to cash-out their start-up investment.

Țuca Zbârcea & Asociații (TZA) was retained by one of the most active medium-sized managers of mandatory pensions fund, →

BCR Administrare Fond de Pensii (BCR AFP), as legal advisor in connection with three prospective merger transactions. BCR AFP is the specialized entity active in pension funds field, affiliated to the prominent financial group Erste. This major Austrian group also controls on the local market Banca Comercială Română (the largest universal bank in Romania) and its financial subsidiaries active, inter alia, in leasing and asset management industry.

After the completion of the initial period for allocation of market share, BCR AFP contemplated to boost its client portfolio by the absorption of the pension funds managed by three smaller players namely, Omniasig Pensii (a Vienna Insurance Group affiliate), OTP Pensii (part of the Hungarian financial group OTP) and Prima Pensie (the local subsidiary of the Slovenian group Prva).

TZA team was involved in virtually all phases of the projects, dealing as master advisor with the fundamental legal issues related to M&A projects in general, as well as with the specific matters raised in connection with the highly-regulated pensions field, in particular.

The core team of TZA lawyers consisted of Ştefan Damian (deputy managing partner) who ensured the master coordination of the projects and Horia Ispas (senior associate) entrusted with day-to-day management of the projects, with various specialized lawyers joining the core team during various stages of the projects.

Undoubtedly, the most challenging task was that of identifying and tailoring a suitable transaction structure, adequate from the parties' commercial perspective, but also acceptable for the local regulatory body, the Supervisory Commission of Private Pensions System (CSSPP).

The main hurdles were posed by the newly-enacted (and perfectible) legal framework on pillar II pension funds. Such special statutory background imposed certain limitations which prevented the implementation of "classical" M&A arrangement (e.g. the takeover of the target managers and subsequent intra-group merger of the pension funds). Moreover, the CSSPP norms regulated a special procedure whereby only the pension funds merge (the pension fund managed by BCR AFP basically absorbs the pension funds of the aforesaid other three managers) and at the end of the funds' merger, the authorizations granted to the managers of the absorbed pension funds are withdrawn by the CSSPP.

> "Our firm was retained by one of the most active medium-sized managers of mandatory pensions fund in connection with three prospected mergers.

Consequently, TZA designed various models of transaction and was actively involved in negotiation sessions with the CSSPP for agreeing on a structure also satisfactory for the local regulator.

In parallel, TZA performed legal due diligence on all three entities, aimed to provide an overview of managers' and their pension funds' status and condition from a broad array of legal angles. The first challenge of such legal audit exercises was to establish a model of analysis able to provide to the client a useful tool for assessing the target businesses. This is because, the legal due diligence reviewing methods (and the resulting reports) customary used in conventional M&A transactions could not be entirely applied. As such, TZA lawyers had to assimilate a highly-specialized statutory area, to adapt to the particulars of the industry and to customize issue-oriented legal audit reports.

As next step, TZA prepared the discussion drafts of the transaction documents. During the protracted negotiations with the partners on vendor side, parties needed to accommodate the legal procedure unfolding in front of CSSPP (for obtaining the authorizations for merger) with the aim to design a fair and flexible contractual mechanism mutually acceptable for the parties.

The transaction with Omniasig Pensii (the most advanced of the three) was closed in July 2009 further to the completion of the transfer of the subscribers and related assets from the absorbed pension fund managed by Omniasig Pensii towards the absorbing pension fund managed by BCR AFP. The transaction documents for the merger deals with OTP Pensii and Prima Pensie have been signed at the beginning of September. As a subsequent step to the signing, the CSSPP granted the preliminary authorization of the two mergers, while their completion is expected before the end of this year. →

Further to the finalization of all the three transactions, BCR AFP is expected to acquire the management right over the accounts of approx. 250,000 clients. Such outcome would consolidate its overall position on the market and improve the prospects of developing a profitable business on the long-term.

The involvement of TZA in such complex type of transactions was both an opportunity to share its extensive experience in M&A transactions and a test for its capacity to draw-up and design models for particular deals. Even though, in terms of financial value, these transactions do not match other deals in which TZA acted as "legal mind", they are significant because required composite and innovative legal advice.

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News and Views

- Crisis in the News

Crisis in the News

While the current financial turmoil has dominated headlines over the past months, worries of a prolonged recession prompted reaction at both national and international levels. Below are some of the most recent developments in the implementation of the various anti-crisis measures worldwide.

International Developments

- The G20 leaders gathered in London in April 2009 have agreed to take any necessary measures in order to rebuild trust in the financial system and to restore economic growth, including with regard to domestic lending and international capital flows, to preserve long-term fiscal sustainability, to strengthen financial regulation and supervision, as well as to promote global trade and investment. To this end, leaders of the world`s largest economies have further agreed over USD 1.1 trillion of additional resources for international financial institutions, largely to sustain growth in emerging markets.
- In September, the G20 leaders gathered in Pittsburgh to review the progress that has been made since the London Summit in April 2009. An agreement to maintain the steps towards supporting economic activity until recovery was reached. Further steps to ensure strong, sustainable and balanced growth, to build a stronger international financial system, to reduce development imbalances, and to modernize the architecture for international economic cooperation will be taken gradually.
- The U.S. House of Representatives approved a USD 700 billion financial bailout package under the "Emergency Economic Stabilization Act of 2008" (the "EESA") with a view to restoring liquidity and stability to the financial system of the United States. A "Troubled Asset Relief Program" was established under the EESA to shore up credit institutions` capital. The credit institutions' stress tests conducted by the →

Federal Reserve and the Treasury and the capital injections into the banking system have raised confidence in the stability of the major financial institutions. The fiscal stimulus package is estimated to reach USD 5 billion in 2010.

- The United Kingdom also developed and implemented anti-crisis measures, including public capital being injected into weakened credit institutions and troubled assets being insured against further major losses. The Bank of England's aggressive easing monetary policy implied cutting the policy rate to its lower bound, and buying public and private debt securities financed by creation of base money. The new Banking Act, creating a special regime for failing credit institutions, and the recent Turner Review and the Treasury's white paper on reforming financial markets presenting important proposals for improving the regulatory and supervisory system, are major steps towards strengthening the United Kingdom's prudential framework.
- The European Central Bank initiated a series of measures for the continuation of the main refinancing operations, including widening the corridor of standing facilities (the corridor between the rate of the marginal lending facility and the overnight deposit facility) to 200 basis points (from 100 basis points previously), decreasing the interest rates for the main refinancing operations (to 1.00%), for marginal credit facility (to 1.75%) and for deposit facility (to 0.25%).
- Germany has primarily decided to provide significant stimulus to the economy, at the beginning of 2009 amounting to about EUR 50 billion to be spent over two years. This materialized in sizeable cuts in personal income taxes, corporate income taxes and plans to increase spending on infrastructure, largely on transportation networks by stepping up support for strategic or vulnerable sectors, such as construction.
- France developed and implemented an economic re-launch plan, including a fiscal stimulus package worth more than 1.5% of GDP for 2009–10 with an emphasis on temporary investment expenditures and various tax breaks. Inter alia, this materialized in numerous investments projects aimed at boosting the economy and increasing the employment. In addition, France's continued strong support for reform of Europe's financial stability rules is important to achieve European regulatory reform and to strengthen international coordination on financial sector exit strategies from the economic stimulus, once the crisis has passed.
- Earlier this year, the IMF's Executive Board has approved a flexible credit line for Poland of USD 20.6 billion to help it weather the global economic crisis. As a result, the local currency stabilized at a new lower level, CDS spreads declined, and the government saw a decline in the interest rate it was paying on its bonds. The National Bank of Poland has gradually reduced interest rates since the onset of the international financial and economic crisis. However, given that a large share of the Polish banking system is foreign owned, the stabilization of financial markets in Poland will, to a large degree, depend on normalizing such markets globally.
- Hungary was one of the countries hardest hit by the global financial crisis. The main measures taken by its government included receiving an emergency USD 25 billion financing package from the IMF and other institutions in October 2008 and selling bonds on international capital markets for EUR 1 billion in July 2009 (signaling thus the return of investor confidence in this country).

Romania: Managing the Crisis

- One of the most important events was the execution of the IMF Stand-by Arrangement for EUR 12.9 billion in early April 2009. The Stand-By Arrangement will be combined with other multilateral financial support to fill the country's 2009-2010 financing gap, →

totaling EUR 19.9 billion, with the European Union providing EUR 5 billion, the World Bank EUR 1 billion, and the EBRD, the EIB, and the IFC a combined EUR 1 billion.

- As a condition precedent to the IMF Stand-by Arrangement, the largest financial groups having a significant presence in Romania (Erste Group Bank, Raiffeisen International, Eurobank EFG, National Bank of Greece, UniCredit Group, Société Generale, Alpha Bank, Volksbank, Piraeus Bank) agreed to maintaining their overall exposure towards Romania and to increasing the capital of their subsidiaries, as needed.
- The National Bank of Romania (NBR) has adopted a prudent monetary policy, by the moderate decrease of the monetary policy interest rate from 10.25% in February 2008 to 9.5% May 2009 (in order to avoid further increases of inflation).
- The NBR has also implemented stress tests for the major credit institutions (holding at least 1% of the market) and requiring the credit institutions to bring new capital in order to reach the capital adequacy ratio of at least 10%, although the legal limit is at 8%.
- In an attempt to revive the construction and the financial markets, but also the agriculture, the Romanian government enacted a legislative package regarding state-secured loans available to the retail customers. Thus, state-secured loans are granted by the credit institutions to individuals, for financing the acquisition of residential premises (“First House” – “Prima Casa”) and to farmers - for development of their agricultural activities (“First Silo” – “Primul Siloz”).
- Attention has been given to measures for increasing the absorption of structural funds provided by the EU to Romania, which are expected to have deeper economic effects.

/ **The materials included herein are prepared for the general information of our clients and other interested persons. They are not and should not be regarded as legal advice.**

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