

## Credit institutions to apply IFRS starting 1 January 2012

On 30 June 2010 the National Bank of Romania (“NBR”) published Order no. 9 on the application of the International Financial Reporting Standards (“IFRS”) by credit institutions as basis of accounting and on preparation of annual individual financial statements, starting with 2012 financial year.

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The new Order is applicable to all credit institutions carrying out activities in Romania, including Romanian branches of foreign credit institutions.

Starting 1 January 2012, accounting records will be maintained in accordance with the accounting treatments prescribed by the International Financial Reporting Standards in accordance with the Regulation (EC) no. 1606/2002 on the application of international accounting standards.

The National Bank of Romania will issue regulations for application of the Order, which will mainly set out:

- the rules to be applied when accounting for economic-financial operations in accordance with IFRS
- the preparation, approval, auditing, filing and publication of annual financial statements
- the chart of accounts and the content of accounts, as well as the correspondence with the chart of accounts currently used by credit institutions

- provisions related to accounting documents, forms and journals and norms related to their preparation and utilisation

All credit institutions, except for Romanian branches of foreign credit institutions and foreign branches of Romanian credit institutions, must prepare and publish financial statements in accordance with IFRS in local currency and in Romanian language.

The persons in charge with the administration and/ or management of credit institutions are responsible for applying the stipulations of the Order, especially with regards to:

- setting up the internal organizational framework
- developing action plans, which will comprise at least the objectives stipulated in the Appendix to the Order and their implementation schedule
- submitting the action plans approved by management to NBR until 31 December 2010

- informing NBR quarterly on the status of implementation of proposed measures
- mapping the account balances, including required reclassifications and restatements, into the accounts prescribed by the new chart of accounts to be issued by NBR
- ensuring the accuracy and reliability of information included in the annual individual financial statements.

The annual individual financial statements prepared in accordance with IFRS will be audited and submitted to NBR according to the legal provisions in force.

#### **Appendix to the Order – Objectives to be met for IFRS implementation**

##### **General objectives**

- Development and approval of action plans, which must comprise specific measures and responsibilities for the departments involved and implementation deadlines
- Assessment of impact on prudential and financial performance indicators and implementation of adequate measures to comply with NBR limits
- Monitoring and control by the management of IFRS implementation process at the level of departments involved

- Delivery of data and information required for assessment of impact of IFRS implementation, at NBR's request
- Communication with NBR, through the Romanian Association of Banks, with regard to the significant issues arising in the IFRS implementation process

##### **Specific objectives**

- Preparation of accounting monographs for implementation of accounting treatments prescribed by IFRS
- Identification of differences between accounting treatments prescribed by IFRS and fiscal treatments
- Development of internal procedures/ norms, mainly with regards to:
  - calculation of cash flows for fixed income receivables and liabilities which require calculation of effective interest rate
  - calculation of impairment of financial assets at individual and portfolio level;
  - development of internal models for financial instruments measured at fair value;
  - identification, separation and measurement of embedded derivatives;
  - identification and calculation of deferred tax assets and liabilities.

- development of procedures for converting account balances at 31 December 2011 into opening balances for 2012 financial year
- Customisation of IT systems in order to meet the requirements of IFRS implementation;
- Training of personnel involved in IFRS implementation process.

## **About us**

The Accounting Advisory Services team has significant practical experience in developing and implementing IFRS models and methodologies for the financial-banking sector and can be a reliable partner in the process of conversion to IFRS as basis of accounting.

Our assistance covers the following areas:

- Impact assessment and development of IFRS implementation strategy;
- Development of detailed implementation plan;
- Development and customisation of methodologies, policies and internal procedures;
- Customisation of accounting and financial reporting information systems;
- Development and implementation of models for measurement of and accounting for financial instruments;

- Development of methodology and accounting treatment for financial instruments measured at amortized cost using the effective interest method;
- Assistance in implementation of an IT solution for calculation of amortized cost using the effective interest method;
- Preparation of accounting monographs for implementation of accounting treatments stipulated by IFRS;
- Analysis of prudential impact of new accounting regulations;
- Preparation of templates of financial statements in accordance with IFRS;
- Resolution of difficulties encountered during IFRS implementation process;
- Identification and definition of new roles and responsibilities at the level of departments and persons involved in the application of IFRS;
- Development and implementation of customized training programs to staff involved in application of IFRS
- Overall project management for IFRS implementation.



## Contact details

### **Șerban Toader**

Senior Partner  
Mobile: +40 (744) 557 304  
E-mail: [stoader@kpmg.com](mailto:stoader@kpmg.com)

### **Richard Perrin**

Partner  
Mobile: +40 (744) 557 302  
E-mail: [rperrin@kpmg.com](mailto:rperrin@kpmg.com)

### **Cezar Furtună**

Partner  
Mobil: +40 (745) 124 452  
E-mail: [cfurtuna@kpmg.com](mailto:cfurtuna@kpmg.com)

### **Angela Manolache**

Senior Manager  
Mobile: +40 (740) 100 649  
E-mail: [amanolache@kpmg.com](mailto:amanolache@kpmg.com)

### **Andrei Dochia**

Manager  
Mobil: +40 (751) 222 716  
E-mail: [adochia@kpmg.com](mailto:adochia@kpmg.com)

Victoria Business Park,  
DN1, Soseaua Bucuresti Ploiesti  
nr. 69-71  
Sector 1, Bucharest 013685,  
Romania  
P.O. Box 18-191

Tel: + 40 741 800 800  
Fax: + 40 741 800 700

Internet: [www.kpmg.ro](http://www.kpmg.ro)

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