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ECONOMIC AND FINANCIAL AFFAIRS
Macrofinancial Stability
Economic aspects of regulatory policy

DG ECFIN

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NOTE TO THE ATTENTION OF MIHNEA IOAN MOTOC

Ambassador Extraordinary and Plenipotentiary, Permanent Representative

Subject: law no. 118 / 30.06.2010 regarding the wage cut in Banca Națională a României.

Dear Mr Motoc,

The attention of the European Commission has been drawn by the European Central Bank and several National Central Banks on the newly adopted Law no. 118/30.VI.2010 regarding specific measures needed in order to restore budgetary balance.

The Commission acknowledges the very difficult economic situation in Romania and the efforts of the Romanian authorities to stabilise the public finances by different means, including the legislative measure in question. However, it should be stressed that the law provisions related to staff matters (including wage) of Banca Națională a României (BNR) must remain within the exclusive competence of the Central Bank and cannot be regulated unilaterally by the Romanian State. It is the Romanian Central Bank Board's exclusive competence to make the appropriate decisions concerning its staff, including its remuneration. A law transferring this competence to the State would violate the financial independence of the Central Bank and, thus, Article 130 of the Treaty.

**Mr Mihnea Ioan MOTOC
Ambassador Extraordinary and Plenipotentiary, Permanent Representative
Permanent Representation of Romania
Rue Montoyer 12
1000 Bruxelles**

Article 3 of the law contains furthermore a mechanism for deducting and transferring 25% of the BNR staff salaries to the state budget (detailed in a separate act no. 477/12.VII.2010 approved by the Minister of Public Finance). Without contesting the general capacity of the Member State to tax Central Banks, the Commission wishes to draw the attention of the Romanian authorities on the fact that a forced transfer of BNR's financial resources to the State would lead to monetary financing, which is clearly prohibited under Article 123 of the Treaty.

Furthermore, we want to draw your attention to the fact that the 25% reduction in wages for BNR employees is not in line with article 8 of the second Supplemental Memorandum of Understanding of the Balance-of-Payments programme to which the Romanian authorities have just committed. This is the second time Treaty provisions appear to be breached after the emergency government ordinance to combat tax evasion.

Therefore, the law no. 118/30.06.2010 should be amended with a view to ensuring its full compliance with the Treaty provisions. I thank you in advance for informing us as soon as possible of your intentions. Should your services need further explanations, they can get in touch with Mrs Ewa Klima (+322 299 42 19, ewa.klima@ec.europa.eu).

If the Romanian authorities maintain the law unchanged, the Commission could decide to open an infringement procedure in accordance to Article 258 of the Treaty.

Yours sincerely,



Marco Buti

Copy:

Mr Mugur Isarescu, Governor of the Banca Națională a României

Mr Bini-Smaghi, Member of the Executive Board of the ECB