

WAYS OF ADJUSTING OF THE ROMANIAN BANKING SYSTEM TO THE EUROPEAN MARKET

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Abstract:

An economy's money supply is controlled by its central bank. The central bank directly regulates the amount of currency in existence and also has indirect control over the amount of checking deposits issued by private banks. The procedures through which the central bank controls the money supply are complex.

During the period of transition to a free market economy (because this period is not yet over in Romania), the state assumes the role of creating the economic, institutional and legal frame in order to ensure the functionality of the competition market, which should play the key role in the adjustment or self-adjustment of the economic processes.

The Romanian banking system from the period prior to the financial reform (before the Revolution) was a mono-banking system, dominated by the National Bank and there existed other 4 specialized banks: The Trade Bank, The Romanian Bank for Foreign Trade, The Romanian Bank for Agriculture, and The Romanian Bank for Development. The National Bank was the central bank but was also the main commercial bank of Romania. After the Revolution, important changes took place within the banking with the adopting a modern banking system, in which The National Bank assumed her traditional functions as a central bank, but her activities which had a commercial character were transferred to the commercial banks, as the specialized banks became commercial ones and so the private banks emerged within a legal frame. As a consequence, the banks, which are independent and profit-oriented units, have the right to engage in any kind of banking operation and to operate anywhere on the territory of the state, but must comply with the regulation and bank supervision frame established by the National Bank.

CEC (Savings and Consignation Institute) holds a special place in the Romanian banking system. Its history begins in 1864 in the time of Alexandru Ioan Cuza. We will not go into details concerning this bank. We mention only the fact that it is (still!) the only bank with state guaranteed deposits. Of course, this "privileged status" will soon be removed, as it is an unfair practice in a free economy.

The adjustment of the banking system to the requirements and mechanisms of a free market also implies free competition on the banking market confirmed among others by private property over bank assets. In this context, the recent privatization of BCR (Romanian Commercial Bank) – January 2006 – the most powerful commercial bank in Romania is a convincing argument. In the near future the privatization of CEC is expected.

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