

INVESTING IN ROMANIA



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LEGAL BACKGROUND

The reforming process of the capital market, as initiated after 1990, was materialized in 2004 by the passing of Capital Market Law no. 297/2004, which came into force on July 29, 2004 ("Capital Market Law"). Also known as the "consolidated capital market law", it created the legal framework for the organization and functioning of the regulated markets of financial instruments and alternative trading systems, for the organization and functioning of the intermediaries and for conducting transactions on these markets. The Capital Market Law regulates the establishment of a supervised system for depository and settlement of transactions with securities and creates increased conditions of transparency and protection for the investors, including the establishment of the Investors Compensation Fund. The Capital Market Law also regulates the activities of the undertakings of collective investment in transferable securities. The provisions of the capital market Law are supplemented by the secondary legislation issued by the National Securities Commission

(regulations, and instructions), and by the technical norms and regulations issued by the authorized entities.

The provisions of the Capital Market Law do not apply to the money market instruments, which are regulated by the National Bank of Romania, to the treasury bills issued by the Ministry of Finance, traded on markets other than the regulated markets, nor do they apply to the regime of management of public debts, which involves the National Bank of Romania, the central banks of the EU member states and other national entities in the EU member states with duties similar to those of the same, the Ministry of Finance, as well as other public entities. The provisions of the Capital Market Law do not also apply to the commodities markets, which are functioning under the authority of the Romanian Chamber of Industry and Commerce, but are applicable to transactions with derivatives, including those having commodities as underlying assets.

THE NATIONAL SECURITIES COMMISSION (CNVM)

The regulation and operation of the capital market is ensured by CNVM (www.cnvmr.ro), an institution established in 1994 by Government Decision no. 936/1994, on the basis of Law no. 52/1994 regarding securities and stock exchanges. At this moment the main legal norm regulating the CNVM activity is its Statute, approved through the Government Emergency Ordinance no. 25/2002.



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THE REGULATED MARKETS AND ALTERNATIVE TRADING SYSTEMS

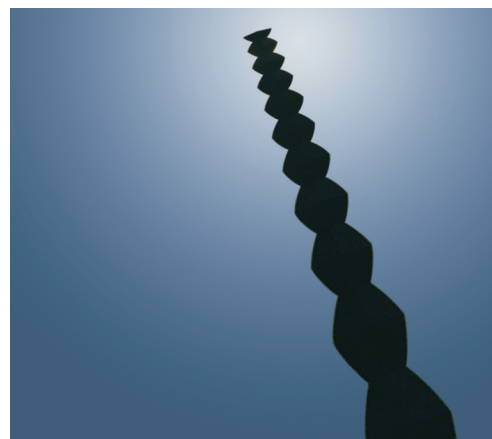
Regulated markets of financial instruments

The regulated markets of financial instruments are organized and managed by a legal entity, established in the form of a joint stock company, which issues nominative shares and is authorized and supervised by the CNVM ("market operator"). In order to assure a good dispersion of the shareholding of a regulated market, a shareholder of a market operator may not hold, either directly or through affiliated persons, more than 5% of the shares of such market operator. Moreover, it is stated that majority shares of a regulated market shall be owned by intermediaries authorized to operate on the respective market, if no contrary provisions are included in the articles of association.

The method of organization and functioning of the regulated market, including the management, is set out by means of such regulated market's own regulations, issued by the market operator and approved by the CNVM.

At present in Romania there are two authorized market operators by the CNVM: the Bucharest Stock Exchange (www.bvb.ro), operating the BVB Regulated Market (which trades stocks, bonds and rights) and the Rasdaq Market as an

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alternative trading system (which trades stocks), respectively the Sibiu Monetary-Financial and Commodity Exchange (www.bmfms.ro) operating a regulated market, which trades derivatives: futures and options, and, as of January 2010, its own stock market (spot).

Alternative trading systems

In order to assure a higher diversity of available financial instruments, the Capital Market Law established the alternative trading systems where are traded securities that do not meet the requirements for listing on a regulated market. The alternative trading system is established with the authorization of the CNVM and may be managed either by authorized brokers ("system operators") or by a market operator. The CNVM approves the method of management of the alternative trading system and the rules of functioning of the alternative trading system that it manages, and may appoint an inspector to this effect.

The system operators authorized by CNVM are currently the alternative trading system – the Rasdaq Market which is managed by S.C. Bursa de Valori S.A. Bucuresti, and the alternative trading system managed by S.C. Bursa Monetara – Financiară si de Marfuri S.A. Sibiu, authorized by CNMV in December 2009.

Common rules

Only operators authorized by the CNVM may operate on the regulated markets and on the alternative trading systems. The conditions for obtaining and maintaining the capacity of member of a regulated market or of the alternative trading system, for the admission of securities for trading purposes, are set out by their own regulations, authorized by the CNVM. In order to be traded on a regulated market or in an alternative trading system, securities and other financial instruments must ensure equal access of the investors to information.

Market operations

The category of financial instruments that may be traded currently includes: securities (stocks, treasury bills with a maturity higher than 12 months, bonds issued by a central or local public administration or by companies); derivatives (futures and options having other

financial instruments or commodities as underlying assets); titles of participation in the undertakings of collective investment; money market instruments, including treasury bills with a maturity lower than 12 months titles and certificate of deposit; forward and swap contracts on interest, exchange rate, stocks or any other instrument traded on a regulated market in a member state or for which an application for trading was submitted to such market.

The clearing and settlement of transactions with securities, save for derivatives, are carried out through the Central Depository (www.depozitarulcentral.ro) or the Sibex Depository (www.depozitarulsibex.ro), legal entities established in the form of a joint stock company, authorized and supervised by the CNVM. The clearing and settlement of transactions with derivatives are performed through a clearing house and the central counterpart (which stands between the authorized brokers and the clearing house), both authorized by the CNVM.

Investors' Protection. Market Abuse

The Capital Market Law imposes a number of special rules for the purpose of increasing the protection of investors on the regulated markets and the alternative trading systems.



Companies admitted for trading are obligated to register with the CNVM and to comply with the reporting requirements regulated by the CNVM. The convening of general meetings, the access of the shareholders to information regarding the company, the appointment of the members of the board of administration, the company's conclusion of contracts with a value exceeding a certain amount, as well as other activities carried out by such a company must comply with the requirements expressly provided for under the law. In-kind contributions to the increase of the share capital of companies admitted for trading must be approved by the extraordinary general meeting of the shareholders, with a majority of at least 75% of the voting rights and number of shareholders.

Mandatory public takeover bids. Any person who acts on his/her own or jointly in order to obtain over 33% of the voting rights of an issuer is obligated to perform a public takeover offer the object of which is represented by all securities of the respective issuer. An exception to this rule is represented by the situations where the acquisition of over 33% of the voting rights occurs as a result of an exempted transaction provided for under the law (i.e. the acquisition of shares within the privatization process). In the event that the acquisition of over 33% of the voting rights occurs as a result of an unintentional transaction, the investor has a right to opt between submitting a public takeover offer and selling the shares corresponding to the loss of the position unintentionally acquired.

The Capital Market Law interdicts the market abuse and non-ethical practices such as market manipulation, as well as the disclosure or use of privileged information for the purpose of carrying out operations with financial instruments to which the respective privileged information refers are prohibited.

Withdrawal of Shareholders from the Listed Company

If, pursuant to the performance of a public purchase offer addressed to all shareholders and for all shareholdings of the same, the investor acquired shares representing over 95% of the share capital or if the same acquired,

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under the public purchase offer addressed to all shareholders and for all shareholdings of the same, shares representing more than 90% of the shares referred to within the offer, the investor has the right to request the shareholders who failed to subscribe within the offer to sell the respective shares to such investor, at an equitable price. Also, pursuant to a public purchase offer addressed to all shareholders and for all shareholdings of the same, a minority shareholder has the right to request the offeror holding over 95% of the share capital to purchase the shares of the same at an equitable price.

Withdrawal of Securities from Trading

The securities admitted for trading on a regulated market and the securities traded, with the issuer's consent, solely within an alternative trading system, may be withdrawn from trading in the following cases: (i) as a result of the completion of the procedure of withdrawal of the shareholders from a company, according to the provisions of the Capital Market Law ; (ii) pursuant to a decision of the CNVM, if considered that, due to special circumstances, one may no longer maintain an ordered market for the respective securities; (iii) if the requirements set out, to this effect, under the regulations specific to the respective regulated market and approved by the CNVM are met, or (iv) pursuant to a resolution of withdrawal from trading adopted by the Extraordinary General Meeting of Shareholders, granting at the same time the right held by the shareholders disapproving of the aforementioned resolution to be paid the counterpart value of shares, the price per share being set out by a qualified expert.

The withdrawal of the securities entails the erasing of the securities from the CNVM, save in the case where the withdrawal from trading on a regulated market is followed by the trading of the respective securities, with the issuer's consent, within an alternative trading system and, on a mutual basis, the withdrawal of the securities from trading within an alternative

trading system entails the erasing of the securities from the CNVM, save in the case where the securities are to be traded on a regulated market, under the law.

FINANCIAL INVESTMENT SERVICES COMPANIES AND OTHER AUTHORIZED INTERMEDIARIES

According to the Capital Market Law, the intermediation of financial instruments is performed by financial investment services companies (SSIF), credit institutions authorized by CNVM to perform services on the capital market, as well as the equivalent of the financial investment services companies and credit institutions authorized by competent authorities from member states of the European Union, based on a prior notification procedure.

A large number of intermediaries from member states of the European Union fulfilled the prior notification procedure for the performance of financial investment services in Romania. Apart from the authorized intermediaries, on the regulated markets there may also act the following entities (i) traders (legal entities authorized by the CNVM, which carry out, exclusively in their own name and on their own behalf, transactions with derived financial instruments, such as futures and options contracts), (ii) investment consultants (performing investment consulting services on

a professional basis, with respect to the financial instruments in the conditions set out under the CNVM regulations, and which exclude the performance of services consisting in taking over or carrying out the orders of the investors for the purchase or sell of financial instruments, the management of the investors' portfolios, as well as the settlement of transactions, including the holding of cash available funds or financial instruments in the investors' account) and (iii) rating agencies (recognized by CNMV in compliance with the approval criteria set out by CNMV Instruction no. 4/2007) aimed to assess and register the issuers authorized to trade and the financial instruments traded on the regulated markets, and to inform CNMV about any achieved ratings.

UNDERTAKINGS OF COLLECTIVE INVESTMENT

Undertakings of collective investment in transferable securities ("OPCVM")¹

The Capital Market Law regulates two types of OPCVM: (i) open investment funds (established as a civil partnership) and (ii) investment companies (which are established as legal entities on the basis of articles of association), both requiring the authorization of the CNVM, subject to meeting the requirements provided for under the Capital Market Law and the special regulations of the CNVM (the same are currently provided for under CNVM Regulation no. 15/2004). Special rules are provided for with respect to the minimum share capital of an investment company, as well as for the investment policy, prudential portfolio management, transparency and publicity of the OPCVM.

The OPCVM are managed as follows: the investment funds are managed by an investment management company (SAI) and the investment companies are managed either by their own board of administration, or by an SAI. The SAI are legal entities, established as joint stock companies, which operate according



¹ UCITS

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to the authorization and under the supervision of the CNVM. The object of activity of such companies must include: the management of OPCVM, the management of other collective investment schemes, as well as the management of individual investment portfolios on a discretionary basis and related services consisting in investment consulting with respect to financial instruments. The SAI must produce proof of a minimum subscribed and fully paid in capital, and restrictive rules are also provided for the shareholding and the managers of the same.

The OPCVM issues differentiated participation titles, as follows: the investments funds may only issue capital units of a single type, registered and dematerialized, which are fully paid at the time of subscription by the investor and attested to by an investor certificate and investment companies issue nominative shares, fully paid at the time of their subscription.

Other collective investment schemes ("AOPC")

Apart from the OPCVM, the Capital Market Law also regulates two types of AOPC, which are obligated to register with the CNVM, namely: (i) closed investment funds, established as a civil partnership, which are obligated to redeem participation titles at pre-set time intervals or at certain dates, in accordance with the constitutive documents and are managed by an SAI; and (ii) closed investment companies, which are established under articles of association, issue a limited number of shares, are traded on a market and may be managed by either an SAI or their own board of administration. The rules provided for closed investment companies also apply to financial investment companies, established in

accordance with the provisions of Law no. 133/1996 for the transformation of the Private Ownership Funds into financial investment companies. The prudential portfolio management rules for AOPC are in principle less restrictive than in case of OPCVM.

The assets of an OPCVM and those of an AOPC are entrusted for keeping, in conditions of safety, to a trustee authorized by the CNVM, which trustee is a credit institution that will constantly check on the lawfulness of the operations developed by the investment management companies acting on behalf of the administered OPC as well. SAI from the member states of the European Union can perform activity in Romania based on a prior notification procedure, as well as OPCVM and AOPC can distribute participation titles in Romania based on a similar notification procedure.

Currently there are 24 SAI in Romania administering 54 OPCVM as open Romanian investment funds. A number of 6 SAI from other European Union Member States are authorized by CNVM, and 30 OPCVM as open investment funds from other State Members following to fulfilling the prior notification procedure for the purpose of distributing titles of participation on the Romanian territory, according to the procedure set out by CNVM Instruction no. 5/2007. There are also 19 AOPC out of which 16 are closed investments funds and 5 are closed investment companies.

THE INVESTORS' COMPENSATION FUND

The Investors' Compensation Fund (the "Fund"), established as a legal entity in the form of a joint stock company, was established for the purpose

of compensating investors in the event of the Fund members' incapacity to return the cash funds and/or financial instruments due or belonging to the investors, which were held in the name of the same, on the occasion of the performance of financial investment services or of management of the individual investment portfolios. The Fund's shareholders (which in fact are obligated to make initial and annual or special contributions) are the brokers and the investment management companies, the object of activity of which includes the management of the individual investment portfolios, as well as (optionally) market operators, the central depository and other entities regulated and supervised by the CNVM.

THE PUBLIC REGISER OF CNVM

Regulation no. 4/2009 sets out the method for the establishment and functioning of the CNVM Register, which shall set forth the active entities provided for under the Capital Market Law. The entities shall be recorded on a chronological basis, after the payment of the related tariff. The register shall be kept in computerized form and shall be issued upon request in print form. In the event of the withdrawal of the authorization of any of the entities recorded in the Register, such entity shall be erased on the basis of a decision regarding the withdrawal of the recording. The number and the date of recording in the CNVM Register shall be specified by the recorded entity in all official documents and in correspondence, together with the identification data.