Country Profile: Romania
Raiffeisen Research. As in March 2017.

The Romanian Financial Market

Currency: Leu

Gross Domestic Product and Budget

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017e</th>
<th>2018f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP growth, % p.a.</td>
<td>3.9</td>
<td>4.8</td>
<td>4.2</td>
<td>3.5</td>
</tr>
<tr>
<td>Nominal GDP, €bn</td>
<td>160.0</td>
<td>169.1</td>
<td>181.1</td>
<td>193.0</td>
</tr>
<tr>
<td>Per capita GDP, PPP basis, €</td>
<td>16,196</td>
<td>16,963</td>
<td>18,045</td>
<td>19,094</td>
</tr>
<tr>
<td>Growth in industrial output, % p.a.</td>
<td>2.6</td>
<td>1.7</td>
<td>5.0</td>
<td>4.0</td>
</tr>
<tr>
<td>Consolidated budget deficit, % of GDP</td>
<td>-0.8</td>
<td>-2.6</td>
<td>-3.6</td>
<td>-3.8</td>
</tr>
</tbody>
</table>

Inflation and Employment

<table>
<thead>
<tr>
<th>Parameter</th>
<th>2015</th>
<th>2016</th>
<th>2017e</th>
<th>2018f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jobless rate, annual average, %</td>
<td>6.8</td>
<td>6.0</td>
<td>5.4</td>
<td>5.1</td>
</tr>
<tr>
<td>Average monthly gross wage, €</td>
<td>574.7</td>
<td>642.3</td>
<td>713.5</td>
<td>759.8</td>
</tr>
<tr>
<td>Consumer price inflation, annual average, % p.a.</td>
<td>-0.6</td>
<td>-1.5</td>
<td>0.9</td>
<td>2.9</td>
</tr>
</tbody>
</table>

Balance of Trade and Current Account

<table>
<thead>
<tr>
<th>Component</th>
<th>2015</th>
<th>2016</th>
<th>2017e</th>
<th>2018f</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods exports, €bn</td>
<td>49.1</td>
<td>52.1</td>
<td>56.3</td>
<td>61.9</td>
</tr>
<tr>
<td>Goods imports, €bn</td>
<td>56.9</td>
<td>61.4</td>
<td>68.2</td>
<td>75.7</td>
</tr>
<tr>
<td>Current account deficit, €bn</td>
<td>-1.9</td>
<td>-4.1</td>
<td>-6.6</td>
<td>-7.3</td>
</tr>
<tr>
<td>Current account deficit, % of GDP</td>
<td>-1.2</td>
<td>-2.4</td>
<td>-3.6</td>
<td>-3.8</td>
</tr>
<tr>
<td>Foreign debt, % of GDP</td>
<td>56.5</td>
<td>54.7</td>
<td>53.0</td>
<td>52.8</td>
</tr>
</tbody>
</table>

Rates of Exchange and Interest Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Local currency/US$ (average)</th>
<th>Local currency/€ (average)</th>
<th>3-month money market rate (ROBOR), average, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>4.0</td>
<td>4.4</td>
<td>1.02</td>
</tr>
<tr>
<td>2016</td>
<td>4.1</td>
<td>4.5</td>
<td>0.90</td>
</tr>
<tr>
<td>2017e</td>
<td>4.4</td>
<td>4.5</td>
<td>1.55</td>
</tr>
<tr>
<td>2018f</td>
<td>4.3</td>
<td>4.5</td>
<td>2.60</td>
</tr>
</tbody>
</table>

Country Ratings

<table>
<thead>
<tr>
<th>Agency</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>BBB-</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Baa3</td>
</tr>
<tr>
<td>Fitch</td>
<td>BBB-</td>
</tr>
</tbody>
</table>

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Important:

Despite thorough research and the use of reliable sources, we cannot accept responsibility or liability for the completeness or accuracy of this brochure’s contents. The purpose of this brochure is to give you initial, general information to help you develop business relationships in Romania. The content of this brochure does not constitute any form of advice or offer or invitation to make an offer.

Prepared in cooperation with AUSSENWIRTSCHAFT AUSTRIA at WKÖ (the Austrian Federal Economic Chamber).

Sources:

Raiffeisen Bank International AG
WKÖ: Romania Country Report; Special Reports: Setting up a Company and Taxes in Romania, Property and Receivables in Romania of the AUSSENWIRTSCHAFT AUSTRIA

Copy deadline: May 2017.
1. The Economic and Political Situation in Romania

Romania has a GDP per capita equivalent to EUR 8,552, which is approximately 30% of GDP per capita in the Eurozone; in terms of purchasing power parity, GDP per capita corresponds to EUR 16,917 (approx. 50% of the Eurozone). GDP per capita has increased markedly in recent years because of dynamic economic development and a stable exchange rate. Romania’s real GDP even increased by 4.8% in 2016 compared to the previous year. Economic growth has therefore increased again compared to the previous years. Economic growth was mainly driven by private consumption (growth of 7.4% p.a.). The latter was fuelled by expansive fiscal policies. In view of consumption dynamics, imports have grown by more than exports; net exports have had a negative effect on GDP growth in 2016. We expect GDP to grow in 2017 and 2018 by 4.2% and 3.5% as compared to the respective previous years. Private consumption will continue to be the most important growth factor, and will profit from additional fiscal incentives. Tax cuts and increases in public sector wages and pensions should drive up the real disposable income of households in 2017 and therefore their inclination to spend. In spite of dynamic economic development, annual average consumer prices fell to 1.5% in 2016 compared to the previous year. Romania also experienced slight deflation in 2014 and 2015, which was due to international trends and one-off domestic effects (mainly tax relief).

However, we expect inflation to return in 2017 and continue in the following years. The rate of inflation could once again approach the 3% mark. The unemployment rate in 2016 was 6.0%. We expect unemployment to fall further during 2017 and 2018, which, in turn, could contribute to increased inflationary pressure. The budget deficit for 2016 amounted to a moderate 2.6% of GDP. However, we expect to see a trend towards higher budget deficits in 2017 and 2018, due to the current expansive and pro-cyclical orientation. Besides the fiscal incentives which have already been decided on for 2017, the new parliamentary majority have adopted additional liberalisation measures, including tax cuts and an increase in public expenditure on higher public sector salaries and social transfers. If no corrective measures are taken, we expect to see the budget deficit increasing to around 3.6% of GDP in 2017, and to get even higher in the subsequent year. National debt in 2016 was low, at 37.6% of GDP. In view of the above described development in the budget deficit, we expect the national debt ratio to increase in the coming years; certain economic policy-related frictions with the EU could occur with regard to budget development. Romania’s current account had a deficit of -2.4% of GDP in 2016 and the trend towards rising current account deficits is set to continue. Foreign debt amounts to 54.7% of GDP (2016) and has therefore seen a downwards trend in the last few years. We expect the foreign debt ratio to fall in the coming years. However, the country’s macro-financial situation is currently deteriorating due to the budget and current account developments as described above. The local currency’s exchange rate against the euro fluctuated between 4.43 and 4.55 in 2016. For the coming years, we expect to observe lateral movement around a EUR/RON exchange rate of 4.50. At the end of 2016, the base rate was historically low, at 1.75%.

We do not expect the base rate to change by 2018, although the Romanian central bank (as the first in the region) will probably have to tighten up the monetary policy reins sooner rather than later because of the expected economic and inflationary developments. The political situation in Romania is largely stable, although there are frequent political scuffles within a party structure characterised by polarisation (this almost certainly being accelerated by mobilisation on the streets). Therefore, fiscal policy is often pro-cyclical and populist; financial markets (returns, currency) are also prone to react to these developments.

2. Company Law

Romanian company law, which regulates the founding, organisation, dissolution, division, merging and liquidation of companies with their headquarters in Romania as well as European companies, is based mainly on Law no. 31 of 16 November 1990 (reproduced in the Official Gazette of Romania no. 1066 of 17 November 2004) and on Emergency Ordinance no. 32 of 16 June 1997, Law no. 441 of 27 October 2006 and Emergency Ordinance no. 82 of 28 June 2007.

It should be noted that in Romanian company law, the difference between partnerships and corporations is not particularly clearly defined: being based on the fact that all types of company defined by law are legal persons. Because of this statute, Romanian companies (even those with 100 per cent foreign capital) can acquire real estate and land.

Furthermore the company, through its position as a legal person, owns the company’s assets, which are comprised of assets (rights in rem and receivables) and liabilities (balance sheet or payables). Cash investments are required for all company types. Assets in kind must have a value established by a corresponding expert report.

Foreign and Romanian investors have the same rights under Romanian law. The capital of any of these forms of company can be partly or totally foreign. Contributions from Romanian partners can be freely negotiated.

Foreign investors have the right to sell their business shares and rights in a company to other investors, whether Romanian or foreign, and to freely transfer the amounts or dividends generated in Romania.

2.1. Forming a company

When forming a company in Romania, it is essential to consult a lawyer and a tax advisor. The trade register authority (Oфициал National al Registrului Comertului) has one-stop offices (Romanian: Birou unic) that are responsible for registering new companies in the trade register and obtaining all the necessary certificates and permits (fire certificate, health certificate, sanitary and veterinary certificate, environmental certificate, labor safety certificate). The trade register offices nationwide are listed at www.onrc.ro.

The application for the registration of a company must be made using a standard form. The customary documents (most recent income statement and balance sheet of the parent, memorandum and articles of association, lease, credit report from the parent’s bank and confirmation from the bank in Romania that the company’s capital has been deposited, proofs regarding contributions in kind; in the case of individuals: CV and police report/certificate) must be enclosed with the application. The Birou unic will issue a certificate of registration. The registration number from the trade register that it contains will also be the tax reference number of the particular company.
Romanian tax law can be seen as attractive by both Romanian and foreign investors. By maintaining a 16% flat tax rate over the last three years, which have been difficult for the domestic economy, Romania has succeeded in maintaining its position as the second most sought after investment location in Europe after Poland. In comparison to other countries, no group taxation has yet been introduced. Within the framework of the customs regulations, which have been fully adjusted to the EU Directive, customs duties correspond to the WTO standard.

3.1. Taxes affecting enterprises

Romanian income and profit tax must be paid on the Romanian and foreign income of Romanian legal entities. The basis for the taxation of enterprises is the Fiscal Code of Romania, which was published as Law no. 571 on 22 December 2003 and has gone through many changes and additions since as it has been constantly adapted to European standards. Corporation tax and income tax (and likewise wage tax) are each 16%. So-called microenterprises (up to nine employees, turnover up to a maximum of €100,000) can choose between taxation calculated with the normal tax rate and on the basis of profit, and a reduced rate of 3% calculated on the basis of income. Representative offices of foreign enterprises are taxed a lump sum of €4000 per year. The tax year corresponds to the calendar year. Romanian branches of foreign firms, subsidiaries or lower-tier subsidiaries of foreign parent companies can however select a tax year that differs from the calendar year and inform the competent authorities at the Ministry of Finance of this in advance.

3.2. Valued added tax/ VAT number

In Romania, the standard VAT rate is 20%. The reduced rate (e.g. for museum entry, drugs, books, trade fairs and exhibitions, etc.) is 9% or 5% (building social housing).

It should be noted that if a firm registers as a VAT payer with the competent financial authorities, the firm must also register in a "Register of Intra-Community Operators".

An application (form 095) must be submitted to the competent fiscal authority for the firm’s Romanian headquarters along with a certificate of good conduct for the associates/ shareholders – both natural and legal persons – or the managing director. Form 095 can be found at http://goo.gl/Qn2W together with instructions for filling out the form (in Romanian). Sending the form electronically is unfortunately not possible.

Certificates of good conduct/ extracts from criminal records are issued by the police authorities at the place of residence/headquarters of the applicant/ their representatives in Romania, even where this regards foreign natural or legal persons. These certificates and records confirm that these persons are not subject to legal penalties in Romania. The certificate of good conduct is issued within a maximum of three days and is valid for six months.

The competent authority for applying for a Romanian VAT identification number is the General Directorate of Public Finances. The authority’s contact details are: Directia Generala a Finantelor Publice a Municipiului Bucuresti (Str. Dimitrie Gerota, Nr.13, RO-020027 Bucharest, Romania, T/F +4021 3057081-0.) EU firms that want to register directly can send the following documents by registered post:
• Form as per Regulation no. 2.157 of 18 December 2006.
• Austrian registration certificate – certified copy and a translation into Romanian undertaken by a sworn translator.

The Romanian VAT identification number can either be disclosed by registered post or by email (the email address is entered on the form).

3.3. Reverse Charge System

Tax liability may be transferred where the supplier a) has no fixed establishment in Romania and b) is also not registered in Romania for VAT purposes and c) the beneficiary is a “Romanian” enterprise or d) is not a “Romanian” enterprise but the beneficiary is registered via fiscal representatives in Romania. Where the reverse charge system is applied, the invoice should be shown without VAT with a note regarding the transfer of the tax liability.

3.4. Excise Duty

Goods subject to excise duty can be supplied to:
• A bonded warehouse “antrepotiz fiscal” (which has a VAT identification number)
• Registered/ unregistered importers (which have VAT identification numbers)
• End users (which do not have a VAT identification number)

Alcoholic drinks, tobacco and energy products are subject to harmonised excise duty. A revenue stamp must be affixed to alcohol and tobacco goods. The importer orders a certain number of revenue stamps from the competent tax office. They are sent to the foreign supplier who attaches them to the products. The remaining revenue stamps are returned to the importer.

Those who trade excise goods across borders must register on the EMCS. A requirement for this process is that the sender and the recipient have a permit and excise ID number from the customs office. It is important that the ARC code provided automatically by the system is marked on the invoice, delivery or consignment note that is sent with a wine delivery. It is usual to send a print-out of the electronic administrative document (Romanian abbreviation: e-DA) with the shipment.
3.5. Double Taxation Agreement

The provisions of the double taxation agreement between Romania and Austria (Austrian Federal Law Gazette (BGBl III) of 9 February 2006 – no. 29) have priority over domestic law. It should be noted that this is only applicable where the Austrian legal person, which is carrying out the corresponding services, has a valid tax residency certificate, which proves their tax residency in Austria. If this is not possible, Romanian tax law regulations are applied.

Construction and assembly work that is carried out in Romania generally requires the creation of a permanent establishment. For the purposes of classifying the construction site, construction project, assembly project, or installation project; supervisory activities in connection with this or other similar activities as a permanent establishment, the following aspects must be taken into account under the Fiscal Code of Romania (Law no. 571/2003):

- The conditions that a construction site must fulfill correspond to Directive 89/391/CEE on the introduction of measures to encourage improvements in the safety and health of workers at work.
- The start date for activities, which is provided in the agreements, must be agreed with the Romanian legal persons as beneficiaries.
- The elapsed duration for executing related agreements, which is directly linked to the first agreement, is added to the elapsed duration for executing the base contract.
- Other information that verifies the start of activities.

It should be noted that the Romanian Fiscal Code (Law no. 571/2003, with all subsequent amendments and supplements) considers a construction site, construction project, assembly project, or installation project; supervisory activities in connection with this or other similar activities as a permanent establishment where the construction site, project, or relevant activity lasts more than six months.

3.6. Input Tax Deduction/ Rebate Procedure

Enterprises that are obliged to pay value added tax can deduct the taxes on inputs shown on invoices as well as value added tax declared for intra-Community acquisitions and import value added tax. This input tax deduction can be carried out immediately.

A taxable person is eligible where, during the refund period, he/she:

- Is neither registered for value added tax nor obliged to be registered for value added tax in Romania under Article 153 of the Fiscal Code of Romania under the regulations mentioned and
- Is not resident of Romania and did not have a permanent establishment, from which economic activities are carried out and
- Does not supply items or provide services in Romania, with the exception of

1. Transport services and related services, which are not subject to value added tax according to specific regulations of the Fiscal Code, on the provision that their value is contained in the assessment basis for value added tax on the imported goods.

2. Services where the tax is only owed by the beneficiary under specific standards of the Fiscal Code of Romania.

The following are not eligible: value added tax owed or paid by taxable persons for:

- The acquisition of goods, for which the supply is exempted from or can be exempted from value added tax under specific regulations of the Fiscal Code of Romania;
- The rendering of services which are exempted from or can be exempted from value added tax under specific regulations of the Fiscal Code of Romania;
- The acquisition of goods/ services, for which the supply/rendering is not attributed a right to deduct input tax in Romania under the provisions of specific regulations of the Fiscal Code;
- Operations linked to their own economic activities, for which he/she would be eligible for an input tax deduction where the affairs had been carried out in Romania or operations that are exempt from value added tax under specific standards of the Fiscal Code of Romania;
- Services where the tax is only owed by the beneficiary under specific standards of the Fiscal Code of Romania.

Taxable persons who are residing in non-member countries and are not registered for valued added tax purposes in Romania and are not obliged to register for valued added tax purposes, can also request reimbursement of input tax in Romania while observing a few legal particularities, in comparison to the process for EU residents. This is provided that taxable persons residing in Romania also have a right to input tax reimbursement in the corresponding non-member country under the applicable laws there (reciprocity).

With regard to the fulfillment of further prerequisites for a refund of input tax in Romania, the applicant residing in a non-member country must name a representative in Romania, who acts on behalf of the applicant and for his/her account and who assumes joint and several liability with the applicant with regard to the rights/obligations in the refund application.

3.5. Input Tax Rebate/ Accounting

An application for a refund of value added tax is made in Austria by Austrian firms under Directive 2008/9/EC.

Experience shows that it can take some time to get input tax refunded. Depending on the period of time an application for a refund refers to, certain minimum applications are also standardised in Romania:

- If the refund application relates to a period of less than a calendar year but not less than three months, the minimum amount claimable is RON 250 (€1 = c. RON 4.4);
- If the refund application relates to a period of a calendar year or the remainder of a calendar year, the minimum amount claimable is RON 25.
3.6. Income Tax

Income tax and profit tax (a type of corporate tax) is to be paid on domestic and foreign incomes of Romanian and foreign natural and legal persons in Romania. The tax rate is 16% (= flat rate). Capital profits and income from the transfer of real estate of natural persons is also taxed at 16%. Additionally, wages and salaries are subject to the same tax rate.

Every taxable person needs a tax number. This also applies to foreign persons carrying out activities in Romania, who must register at the tax office where they are residing within 15 days. Foreign persons must nominate a tax representative who is responsible for the payment of yearly income taxes. This occurs via a mandate agreement or power of attorney, which must be certified at a notary’s office. The tax representative’s agreement must accompany the power of attorney.

4. Arbitration

As experience shows that court trials in Romania can take some time, we recommend considering the alternatives to an arbitration court procedure. There has been an international court of arbitration within the Romanian Chamber of Commerce since 1953. You can find more information in English at arbitration.ccir.ro.

Unlike the judgements of state courts, arbitral awards can be enforced practically worldwide. For a dispute to be settled by a court of arbitration, its jurisdiction must have been agreed upon beforehand in writing. It is therefore advisable to include an arbitration clause in the contract with your foreign counterparty.

The Austrian Federal Economic Chamber offers institutional arbitration as a service through the International Arbitral Centre of the Austrian Federal Economic Chamber.

The arbitration clause of the International Arbitral Centre of the Austrian Federal Economic Chamber reads as follows (versions are also available in the languages that are most important for Austrian exporters):

‘All disputes arising out of this contract or related to its violation, termination or nullity shall be finally settled under the Rules of Arbitration and Conciliation of the International Arbitral Centre of the Austrian Federal Economic Chamber in Vienna (Vienna Rules) by one or more arbitrators appointed in accordance with these Rules.’

Useful agreements to supplement this arbitration clause:
• the number of arbitrators shall be ....................... (one or three);
• the applicable law shall be ............................;
• the language used during arbitration proceedings shall be ......................................

Detailed information:

Internationales Schiedsgericht der Wirtschaftskammer Österreich
International Arbitral Centre of the Austrian Federal Economic Chamber
Dr. Manfred Heider; Phone: +43-5-90 900-4398; Fax: +43-5-90 900-216,
E-mail: arb@wko.at; Internet: wko.at/arbitration

The fact that you as an Austrian company are a member of the Federal Economic Chamber can in some circumstances be a cause for concern for a strong foreign counterparty. In this case we recommend that you agree on a different arbitral court, such as the one belonging to the International Chamber of Commerce. This has its headquarters in Paris and is represented in Austria by ICC Austria.
Therefore you have the following options:
• If your company has a strong starting position in contract negotiations or if you and your counterparty are roughly equal, we recommend you use the arbitration clause of the Austrian Federal Economic Chamber.
• If on the other hand your company holds a weaker position, or if your counterparty is of equal strength and will not agree to the Austrian Federal Economic Chamber’s arbitration clause, then we recommend that you agree on a different arbitral court, such as that of the International Chamber of Commerce (ICC).

The arbitration clause of the International Chamber of Commerce (ICC) reads as follows: ‘All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules.’ This arbitration clause is also available in other languages.

Detailed information:
ICC Austria, International Chamber of Commerce
Dr. Maximilian Burger-Scheidlin; Phone: +43-5-90 900-3701; Fax: +43-5-90 900-3703; E-mail: icc@wko.at; Internet: www.icc-austria.org.

5. Subsidies and Support

EU cohesion policy / regional policy 2014-2020

Initial situation / status quo
The various regions of Europe, especially Central and Southeastern Europe, exhibit large differences in economic and social development. To strike a balance between the regions, the EU has set the following targets as part of its Europe 2020 strategy:
• Creation of jobs
• Strengthening companies’ competitive position
• Promotion of economic growth and sustainable development
• Improvement in EU citizens’ life quality

The cohesion / regional policy is aimed at all regions in the EU in order to create intelligent, sustainable and integrative growth. The cohesion policy is defined for a seven-year period (2014-2020). A budget of EUR 351.8 billion, i.e. almost one third of the entire EU budget, is set aside for achieving the above targets in the timeframe mentioned. Within the scope of this budget, funding is granted in the form of non-repayable grants.

Structure of the funding programmes / from the EU target to the national funding programme
The individual EU member states use the EU targets set under the Europe 2020 strategy to define their national and regional priorities, from which the individual Operational Programmes (OPs) are derived. The Operational Programmes are structured according to region and topic. Within these programmes “priority axes” are defined, which are subject to guidelines approved by the European Commission. The following topics are priorities for the individual countries: Innovation, research & development, job creation, environmental protection, education, SMEs, transport and regional development.

Dedicated national funding agencies (ministries and investment agencies) are responsible for awarding the grants. While grants can be applied for continuously in framework programmes in Austria, they are mostly awarded in the context of “calls” (tender exercises) in Eastern Europe.

For each priority axis mentioned above, tender exercises are held once or twice a year and are open for one to three months. The main assessment criteria for company grants are company size, location, content and impact of the funding project.

How can your company obtain funding?
Clearly defined projects can be submitted during the period when the tender exercise is open. Only complete applications (project description, approvals, budget,...) in the respective national language are accepted. The submitted projects are then evaluated by assessors using a points system based on the guidelines specified/defined in the program. All projects within a “call” take part in a competition. Only those with the highest score are shortlisted for funding commitments.
Getting from the application to the possible disbursement of grants involves going through a complex, time-consuming process. It requires experience in dealing with public authorities and their targets.

**National grants**

In addition to the EU structural funds, companies can also apply for funding from national resources.

The economic importance for the country or region is very important for determining whether the investment project can be funded. The criteria for evaluation are: Minimum investment volume and the number of jobs created as well as the minimum period for which these jobs will exist.

The following investment incentives are possible:

- Tax reductions, tax deferrals and tax exemptions
- Grants
- Loans
- Sureties
- Equity participations
- Discounted land purchases

However, these are subject to the respective national regulations and must be applied for at regional funding agencies.

**Warning:**

- The application must be made before the project begins (= first legally binding obligation).
- The details of the guidelines can change during the tender exercise and must therefore always be kept in view.
- Make contact with the company’s bank/funding agency as early as possible.

### 6. Risk Hedging and Financing

**Risk hedging of Austria Wirtschaftsservice Gesellschaft mbH (aws, federal funding agency)**

**Legal framework conditions:**

The legal framework conditions of the guarantees issued by aws were redrafted on 1 January 2017. In detail, the regulations are based on the guidelines of the Austrian Federal Ministry of Finance (BMF) for accepting guarantees by aws pursuant to the Guarantees Act 1977, including supplementary conditions for grants.

The aws offers small and medium-sized companies (max. 3,000 employees) with their registered office and operating site in Austria guarantees for loans and lease financing as part of domestic and foreign investments.

**Guarantees for national investments:**

aws guarantees the financing of economically desirable projects by Austrian companies, i.e.: Construction/expansion investments, modernisation of production facilities, the innovation of processes and procedures, environmental measures or the purchase of, or participation in, companies.

aws guarantees up to 80% (max. EUR 25 m) of the financing amount in the form of a financing guarantee and covers the economic risk of the investor (loan default due to the insolvency of the domestic company) for the bank. In the case of large projects, aws guarantees up to a maximum of one third of the project volume.

**Guarantees for international investments:**

aws supports Austrian companies (max. 3,000 employees) with direct investments abroad, i.e. establishment of subsidiaries/joint ventures, acquisition of companies/company shares, expansion investments and investments in environmental technologies.

The risk hedging of aws is provided either in the form of a project guarantee or a financing guarantee.

Under the project guarantee, aws hedges the economic risks (insolvency or similar circumstances) of a company’s investment project and undertakes to provide a certain amount of capital up to the maximum guaranteed amount in the event of damage or loss.
aws guarantees up to 50% of the loan used (for large projects up to 1/3 of the project volume). The guarantee fee is dependent on the ratings result calculated when examining the respective project, as well as the term of the guarantee.

Under the international financing guarantee, aws guarantees the financing of Austrian companies for economically desirable projects abroad, i.e.: construction/expansion investments, modernisation of production facilities, the innovation of processes and procedures, environmental measures or the purchase of, or participation in, companies.

aws guarantees up to 80% (max. EUR 25 m) of the financing volume and thereby covers the economic risk of the investor for the bank.

Conditions of the aws guarantee:

**National guarantees:**
- Processing fee: 0.25% (one-off) of the assessment basis (max. EUR 30,000)
- Guarantee fee: The guarantee fee depends on the ratings result calculated when examining the respective project as well as the term of the guarantee

**International guarantees:**
- Processing fee: 0.25% (one-off) of the assessment basis (max. EUR 50,000)
- Guarantee fee: The guarantee fee depends on the ratings result calculated when examining the respective project as well as the term of the guarantee.

OeKB (Oesterreichische Kontrollbank AG)

In order to achieve sustainable success in the export business and for investments made abroad, companies need good risk management and attractive financing arrangements. With federal export guarantees and OeKB refinancing packages, the OeKB offers instruments via the respective house banks that strengthen Austrian companies and their partners in global competition. By processing export guarantees, the OeKB acts as the Export Credit Agency (ECA) of the Republic of Austria.

Export guarantees protect the entrepreneur against payment defaults (for economic or political reasons) related to export transactions. In the case of foreign investments, export guarantees provide protection against political risks.

Federal export guarantees also offer an attractive way to access financing for export and investment activities. Export guarantees can be utilised by all large, medium and small companies whose guaranteed transactions have a positive impact on Austria’s current account balance or are in the national interest.

Companies can learn more about the ideal kinds of guarantee from the OeKB Export Service (www.exportservice.at) or from their house bank. OeKB’s export financing process provides the possibility of refinancing exports and equity participations abroad. This export financing process is available as a source of refinancing at domestic and foreign commercial banks and is offered to companies via these banks within the scope of their export business and foreign investments.

The prerequisites for this type of financing are
- A federal guarantee as required by the Export Funding Act (EFA), or
- A guarantee from a credit insurer within the meaning of the EFA
- A guarantee from aws, or
- A guarantee of an international organisation within the meaning of the EFA.

Furthermore, the financing of the underlying supplies/services must bring about a direct or indirect improvement in the Austrian current account balance or be in the Austrian national interest.

ERP fund

The ERP fund is a fund with its own legal personality, which was attached to aws in 2002. ERP loans are reduced-interest loans with multi-year redemption-free periods and multi-year redemption periods, and are collateralised by a guarantee from aws or a bank.

**ERP financing programme**

Companies are eligible to apply which have their registered office and operating site in Austria and which are active in one of the following sectors: industrial or commercial production, research and development services, transport, processing of agricultural products, and trading companies.
The following provides an overview of the available ERP financing programmes:

- ERP - Micro-Credit
- ERP - Technology Programme
- ERP - SME Programme
- ERP - Regional Programme
- ERP - Tourism Programme
- ERP - Transport Programme
- ERP - Forestry Programme
- ERP - Agriculture Programme

Conditions of ERP loans
The maximum financing volume is EUR 30 m.
- Term: 6 years (up to 15 years is possible)
- Utilisation period: 0.5 years
- Redemption-free period: 2-3 years, interest fixed at 0.50% p.a.
- Redemption period: 3-4 years, interest fixed at 0.75% p.a.
- Longer redemption-free and redemption periods are offered for some programmes, i.e.:
  - Future industries, research infrastructure within the scope of the technology programme
  - Infrastructure measures within the scope of the Regional Programme
- Interest rate and redemption costs are anticipatory
- Processing fee: 0.5% - 0.9% of the ERP loan
- The guarantee fee of the guaranteeing bank must be added to these costs.

The fundable projects/costs are dependent upon the respective ERP financing programmes, based on the purpose and mandate of the respective programme.

ERP loans for large companies:
For large companies, ERP loan financing is provided by the ERP Regional Programme and the ERP Technology Programme. Within the scope of these two programmes, large companies in particular can apply for funding for the following projects/costs:

Fundable projects for large companies:
- Initial investment in NEW economic activities (new NACE-4 provider)
- Construction of a NEW independent operating site
- Within the de minimis limits (max. fundable value of EUR 200,000 within the last 3 years), further projects can also be funded (product and process innovations, innovative services through implementation of in-house research results, purchase and adaptation of new technologies, modernisation and expansion investments, construction/acquisition of start-up, technology and innovation centres)
- Research/development projects for the introduction of new/significantly improved products
- Projects for prototype production
- Construction of pilot/demonstration/testing facilities

Fundable costs for corporations:
- New investments and in-house services to be capitalised
- Construction investments
- Land purchases for founding new companies, business expansion and business location to the extent required by the business
- Costs for intangible assets (patents, licences, etc.) and consultancy costs
- Regarding R&D projects: Staff costs, laboratory facilities, costs of consultancy and provision of services, equipment costs for pilot and demonstration facilities
7. Payment and Account Services at Raiffeisen Bank S.A.

7.1. Cash management products

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Local Currency (LCY)</th>
<th>Foreign Currency (FCY)</th>
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<tr>
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<tr>
<td>Non-resident</td>
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<tr>
<td>Overdraft Facility</td>
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<table>
<thead>
<tr>
<th>Account Type</th>
<th>Local Currency (LCY)</th>
<th>Foreign Currency (FCY)</th>
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<tbody>
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<tr>
<td>LCY Deposit</td>
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</tr>
<tr>
<td>FCY Deposit</td>
<td>✓</td>
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</tr>
</tbody>
</table>

Cash Management local Products and Services

- Conditional payment orders
- Cash deposits / withdrawals LCY
- Cash deposits / withdrawals FCY
- Regional Cash Distribution Service (RDS)
- Cash Plus
- TreasuryNet
- eFactur (e-invoicing)
- Conditional payment orders
- Cash deposits / withdrawals LCY
- Cash deposits / withdrawals FCY
- Regional Cash Distribution Service (RDS)
- Cash Plus
- TreasuryNet
- eFactur (e-invoicing)

Liquidity Management

- Zero Balancing
- Cross Account drawing
- National Pooling
- Cash Collection
- Cash Concentration (Sweep)
- Collections Management
- Cash Collection – distribution by Post Office

Electronic Banking

- MultiCash
- SWIFT MT 940/MT942
- SWIFT MT 101 (only receiving)
- EDIFACT (PAYMUL)
- Internet Banking (Raiffeisen Online)
- Free-Way (electronic confirmation of payments towards customs)

* however, restrictions due to local regulations

7.2. Legal & Foreign Exchange Regulations

Domestic Payments

- There are no legal restrictions or limits for the execution of payments in RON between resident account holders or between non-resident account holders.
- Payments in RON between a resident and a non-resident account holder are permitted.

Foreign Payments

- Residents and non-residents account holders may perform freely and without restrictions current and capital transactions.
- Foreign currency payments within Romania can be effected without restrictions for non-resident account holders.
- Collections and payments between residents which are subject to goods and services trade may be performed only in domestic currency, except of some operations which can be performed also in foreign currency.
- For statistical purposes, residents who perform payments in favor of non-residents shall report to the National Bank of Romania only those transactions amounting EUR 50.000 or RON equivalent and above.
- Cross-border payments in foreign currency are effected in the original currency of the payment order and in strict compliance with Romanian legislation and the foreign currency regulations in force.
- Full access of residents and non-residents to foreign currency purchases, without proving documents.
- Non-residents can freely open and keep current accounts and term-deposit accounts in local currency.
- Foreign currency payments can be instructed without presenting original proving documents.
- Foreign exchange operations are not required anymore to be authorized by NBR.
7.3. Clearing Mechanisms

Mechanisms

- Description: From an architectural point of view, the electronic payment system (SEP) has the following components:
  - **ReGIS**, the real-time gross settlement, which ensures the exchange of payment instructions among participants, the final settlement of interbank funds transfers, on a continuous, transaction-by-transaction basis. ReGIS is used for the processing and settlement of large-value (over RON 50,000) or urgent payments in domestic currency;
  - **SENT**, the automated clearing house, which ensures the clearing of low-value payment instructions (such as credit transfer-lower than RON 50,000 and interbank direct debit – no maximum limit) between credit institutions and between these credit institutions and the State Treasury. At present, three clearing sessions are held every day. An additional module was implemented since October 10th 2008 ensuring the electronic processing of payments related to paper-based debit payment instruments (cheques, promissory notes, bills of exchange);
  - **SaFIR**, the depository and settlement system of operations in government securities.

In order to ensure the processing of paper-based debit instruments (old format, which cannot be electronically processed) that are still on the circuit, and considering the fact that NBR closed the paper-based Clearing House on May 1st, 2009, the Romanian banks signed an agreement for interbank paper-based debit instruments’ processing. In this case, the settlement circuit measures 11 business days.

- Type:
  - Electronic processing of credit payment instruments (payment orders, direct debit interbank route)
  - Electronic clearing of debit payment instruments (cheques, promissory notes, bills of exchange)
  - Paper-based clearing of debit payment instruments (cheques, promissory notes, bills of exchange).

- Settlement cycle: Credit payment instruments (payment orders):
  - ReGIS: online settlement
  - ACH: 3 sessions per day
  - Direct Debit: minimum 3 and maximum 6 business days
  - Electronic Debit payment instruments: 2 business days
  - Paper-based Debit payment instruments: 11 business days

Clearing Membership of the Bank  Transfond (small and large value LCY electronic clearing system)
9. Your International Business
Specialists at Raiffeisen Bank S.A. and
the Global Raiffeisen Network

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