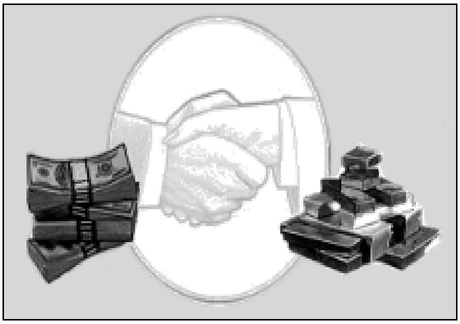

CHAPTER 1

RATES OF EXCHANGE

❅ ***Objectives:***

After studying this chapter you should understand:

1.1 General concepts

1.2 The foreign exchange market

1.3 Buying and selling foreign currency

1.4 The balance of payments

1.5 The foreign exchange market in Romania

1.1 General concepts

You know that every businessperson involved in the international trade will have to make or receive payments in foreign currency.

What is an exchange rate?

An **exchange rate**[1] is simply the price of one currency in relation to another (say Euros per dollar), or it is the price at which one currency can be bought or sold in exchange for another currency. Other authors define the **exchange rate** as the number of units of domestic currency required to purchase 1 unit of the foreign currency.

E.g. If 1 sterling pound can be exchanged for 4 DM in Munchen, it will cost you 20 pounds to purchase any article priced at 80 DM.

If the rate moves to 4,25 DM for 1 pound, the article would cost 18,82 pounds (80 DM/4,25 DM = 18,82 pounds).

The exchange rate affects the economy and our daily lives because when the US dollar becomes less valuable relative to foreign currencies, foreign goods become more expensive. When the US dollar rises in value, foreign goods become cheaper.

When a currency increases in value, it experiences **appreciation**; when it falls in value and it's worth fewer US dollars, it undergoes **depreciation**.

Exchange rates are important because they affect the relative price of domestic and foreign goods and services, and the price of financial assets and liabilities denominated in foreign currencies, and are among the most important prices within an economy. The dollar price of French goods to an American is determined by the interaction of two factors: the price of French goods in francs and the franc/dollar exchange rate.

The conclusion is: *When a country's currency appreciates (rises in value relative to other currencies), the country's goods abroad become more expensive and foreign goods in that country become cheaper (holding domestic prices constant in two countries). Conversely, when a country's currency depreciates, its goods abroad become cheaper and foreign goods in that country become more expensive.*

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[1] Kirițescu Costin – Relații valutar-financiare internaționale, Ed. Ştiințifică şi Enciclopedică, Bucureşti, 1978

The exchange rate can be classified, as follows:

- *The nominal exchange rate*. It is that rate at which actual transactions occur.
- *The nominal effective exchange rate.* It is a measure of the value of a currency against a weighted average of several foreign currencies.
- *The real exchange rate (or real effective exchange rate)* equals a nominal exchange rate or nominal effective exchange rate index divided by measures of relative change in general price levels, the prices of traded products, an index of changes in labour costs, or other measures of relative competitiveness.
- *The official exchange rate.* It is established by the monetary authority (the Central Bank, the Treasury) through a foreign exchange law or regulation;
- *The market foreign exchange rate.* It is freely established in the foreign exchange market in accordance with the supply and demand of foreign currency;
- *The bid exchange rate.* It is established in the stock exchange in accordance with the offer and demand of foreign currency. It is the price at which a dealer will buy foreign exchange.
- *The offered rate or asked rate.* It is the price at which a dealer will sell foreign exchange.
- *The black bid exchange rate.* It is established in the "black stock exchange".
- *The single exchange rate.* It is the exchange rate established by the monetary authority for each currency;
- *The multiple exchange rates.* It is the case when the monetary authority establishes many exchange rates for the same currency, or
- *The commercial exchange rate;*
- *The non-commercial exchange rate;*
- *The spot exchange rate.* It is the rate of the day, used by banks in carrying out the spot operations, with the settlement in 48 hours from the date of the transaction or in two working days;
- *The forward exchange rate.* It is utilized in the forward transactions, with the settlement over 48 hours (1, 2, 3, 6, 9, 12 months);

- *The Telegraphic Transfer exchange rate.*
- *The fixed (or pegged) rate.* It is set by law or policy to hold a specific value or is held within a specific range compared to another currency, basket of currencies, some commodity, or other measures of value.
- *The floating (or flexible) rate* is allowed to vary in value against other currencies. Many variations exist, depending on national policy; some rates are allowed to move freely, others are subject to frequent intervention by authorities to limit the extent or speed of movements, others fluctuate freely within a band/an interval, others are allowed to appreciate or depreciate at specific paces dictated by policy, etc.

The **foreign currency must be freely convertible**, that is, one must be able to:

- Sell it;
- Swap it;
- Exchange it for another currency.

Exchange rates are quoted in the financial press at middle rates (i.e.: the difference between the buying rate and selling rate, for acceptable currencies). Most banks have their own foreign exchange department and provide daily sheets or screens of up-to-date rates.

1.2 The foreign exchange market

The foreign exchange rate is established in *the foreign exchange market,* concentrating the supply and demand of currencies.

The foreign exchange market allows payments to be made across national boundaries by establishing the prices of national currencies in terms of other currencies.

The foreign exchange market in one country is a market where foreign currency is traded in exchange for the home currency or for currencies of other countries. Although foreign exchange is a means of payment of another country, this does not mean that the entire stock of that country's currency is foreign exchange. Rather it is only part of the money stock, which becomes foreign exchange when it is traded in exchange for another currency or when residents of countries other than the country of the currency hold it.

Like many other markets, however, the foreign exchange market is not free of government intervention; central banks regularly engage in international financial transactions called foreign exchange interventions in order to influence exchange rates. In our current international financial arrangement, called **a managed float regime** (or a **dirty float**), exchange rates fluctuate from day to day, but central banks attempt to influence their countries' exchange rates by buying and selling currencies. The first step in understanding how central bank intervention in the foreign exchange market affects exchange rates is to see the impact on the monetary base from central bank sale in the foreign exchange market of some of its holdings of assets denominated in a foreign currency, called **international reserves.**

A central bank's purchase of domestic currency and corresponding sale of foreign assets in the foreign exchange market leads to an equal decline in its international reserves and the monetary base.

A central bank's sale of domestic currency in order to purchase foreign assets in the foreign exchange market results in an equal rise in its international reserves and the monetary base.

The intervention, in which a central bank allows the purchase or sale of domestic currency to have an effect on the monetary base, is called **an unsterilized foreign exchange intervention**[2]. **An unsterilized foreign exchange intervention in which domestic currency is sold to purchase foreign assets leads to a gain in international reserves, an increase in the money supply, and a depreciation of the domestic currency.** At the same time, **an unsterilized foreign exchange intervention in which domestic currency is purchased by selling foreign assets leads to a drop in international reserves, a decrease in the money supply, and an appreciation of the domestic currency.**

A foreign exchange intervention with an offsetting open market operation that leaves the monetary base unchanged is called a **sterilized foreign exchange intervention.**

[2] Mishkin F. – The economics of money, banking, and financial markets, sixth edition, Columbia University, USA, 2001

The main types of exchange rate regime emphasized by the specialized literature **are:**

1. flexible or floating exchange regime;
2. fixed or pegged exchange rates;
3. managed floating, and
4. exchange controls.

There are also a number of mixed or intermediate cases.

The **simplest regime** is the **flexible** or **floating exchange rate**. Under such a regime, the demand for and supply of each currency in the foreign exchange market are allowed to determine the exchange rate. The market for foreign exchange can be treated as competitive, because millions of individuals and firms participate, foreign exchange is a homogeneous commodity, information is good, and entry and exit are unrestricted. The market for foreign exchange under a flexible exchange rate works much like the market for any other good. In the case of the foreign exchange market, the good in question is an asset in the form of a bank deposit denominated in a foreign currency. The exchange rate adjusts until the quantity of foreign-currency-denominated deposits that individuals wish to hold equals the quantity available.

Under the **fixed** or **pegged exchange rates**, the demand for and supply of foreign exchange still exist, but they are not allowed to determine the exchange rate as in a flexible rate system. Central banks (US Federal Reserve, the Bank of England etc.) must stand ready to absorb any excess demand for or supply of currency to maintain the pegged rate.

It should be mentioned the **types of exchange rate arrangements according to a classification used at the International Monetary Fund.** In all cases, classifications should be based on the substance of the arrangement. For example, some countries peg their official rate against a single currency, but most transactions are at market rates determined at currency auctions.

Types of exchange rate arrangements[3]:

	Pegged rates
Pegged against a single currency	Mostly pegged against the US dollar or French franc. Also includes several small countries that peg to the currency of a large neighbour and several countries in formal currency unions
Pegged against a currency composite	Currencies of about 25 countries are pegged against currency composites. A small number of other currencies are pegged against the SDR.
	Limited flexibility
Against a single currency	An arrangement for several Mid-eastern countries that formally use a flexible band around the SDR, but do not always observe margins in order to maintain a more stable relationship to the US.
Cooperative arrangements	Countries participating in the exchange rate arrangement of the European Monetary System.
	More flexible
Adjusted according to sets of indicators	Most use a band around a weighted composite of the currencies of major trading partners.
Other managed floating	Currency may float, but authorities may intervene or take other policy actions in order to affect the direction and size of movements
Independently floating	Currencies ale allowed moving freely in markets.

In Romania, in accordance with the National Bank of Romania Act, the central bank establishes and pursues enforcement of the foreign exchange regime on the Romanian territory.

The following ideas are worth mentioning concerning the foreign exchange regime in Romania:

- There is no foreign exchange law, but only an foreign exchange regulation issued by the National Bank of Romania;

[3] IMF - Money and Financial Statistics Manual, Washington, 1996

- On March 25 1998, Romania notified the IMF's Board of its acceptance of Article VIII obligations, sections 2, 3 and 4 of the IMF's Articles of Agreement;
- The move involves the following:
    - authorities shall abolish current account restrictions;
    - no other restrictions shall be introduced;
    - creation of more favourable conditions for resumption of economic reform;
    - foreign exchange policy underwent no significant changes;
- The regulation on foreign exchange operations issued by the National Bank of Romania, establishing current account convertibility, has been in force since 30 January 1998.

The harmonization of Romanian legislation with the European Union one involves:

- Current account operations are generally performed in line with provisions under the IMF's Articles of Agreement (Art. XXX);
- Capital account operations are performed largely in line with the similar legislation of European Union and OECD countries;
- In July 1999, the National Bank of Romania's Board decided to liberalize capital inflows – the decision is to be fully implemented.

Foreign exchange consists of: paper money, coins, and transaction balances at banks, all denominated in foreign currency units. In addition, foreign exchange includes other financial instruments arising from international transactions and nearing maturity, such as near-maturity foreign drafts or bankers' acceptances, which can readily be converted into foreign means of payment.

Under the provisions of the National Bank of Romania's Circular No. 26/2001[4], **foreign exchange** represents the national currency of another state, the single currency of a monetary union, as well as the composite currencies such as: the Special Drawing Rights (SDR).

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[4] Circular issued in Monitorul Oficial al României, Part I, No. 769/03.12.2001, in order to amend and complete the Regulation No. 3/1997 concerning the foreign exchange operations.

The foreign exchange market basically performs *four major functions*, such as:

- It converts the purchasing power, which can only be exercised within a national boundary of a country to that of other countries. Such conversions often result in transfer of purchasing power from residents of a country to those of others.
- It functions as a clearing house for foreign exchange demanded and supplied in the course of international transactions by residents of various countries. Without this, buyers and sellers themselves must find their prospective counterpart sellers and buyers.
- It provides facilities for hedging foreign exchange risks. This function has become increasingly important since the International Monetary Fund – sponsored international monetary system - abandoned the fixed exchange rate regime in 1973.
- It provides credit for international trade, particularly as it functions as a secondary market for international trade finance instruments.

Market participants can be split into five groups[5]:

- *End users of foreign exchange*: firms, individuals and governments who need currency in order to acquire goods and services from abroad or to move capital as part of their regular activities;
- *Market makers:* large international banks who hold stocks of currencies to allow the market to operate continuously and who make their profits through the spread between buying and selling rates of exchange;
- *Speculators:* banks, firms and individuals who attempt to profit from outguessing the market;
- *Arbitrageurs:* banks that make profits from buying in one market at the same time as selling in another, taking advantage of small inconsistencies which develop between markets;
- *Central banks* who, on behalf of their governments, enter the market to attempt to influence the international value of their currency.

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[5] Howells P.& Bain K. – The Economics of Money, Banking and Finance, Pearson Education Limited, Edinburgh Gate, Harlow Essex CM 20 2JE England.

Other authors[6] consider that the **participants in the foreign exchange market** are:

- *central banks*;
- *specialized institutions* (commercial banks and other financial institutions);
- *large commercial companies* and
- *a few wealthy individuals,* as well as
- *brokers* who arrange deals between banks.

The participants represent the total of the banks, companies, institutions, individuals of a country, who order directly, or by intermediaries, the purchase or sale of currencies on the account of the specialized institutions.

The establishment of the exchange rate of a currency against another in the foreign exchange market is called **quotation[7].**

The **exchange rate can be expressed** against:

➢ **A monetary unit**, for the US dollar, British pound, etc.

E.g. 1 USD = ‘’x’’ FRF
1pound = ‘’y’’ FRF.

➢ **Hundred monetary units**

E.g. 100 DM = ‘’x’’ FRF

➢ **Thousand monetary units**

E.g. 1000 Lit. = ‘’x’’ FRF.

Foreign exchange rates are frequently quoted in the following methods:

1. Direct quotation;
2. Indirect quotation.

The **direct quotation** is the quotation by which the foreign monetary unit is constant (1, 100, 1000) and the national monetary unit varies.
E.g. 1 USD = ‘’x’’ lei
1000 Lit. = ‘’z’’ lei.

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6 Davies Audrey & Kearns Martin – Banking Operations, Pitman Publishing, London 1994, p.20

7 Negruş Mariana – Tehnici de calcul valutar-financiar, Editura Militară, Bucureşti, 1992, p. 29

The **indirect quotation** shows how many foreign monetary units are equal to one national monetary unit (English, Canadian, etc.)
E.g. 1 pound = ''x'' USD
1 pound = ''y'' FRF.

The market undertakes trade in two distinct areas:

- ♦ The wholesale market: mainly for inter-banking trading or very large commercial companies;

- ♦ The retail market: for normal trading and commercial customers.

Major currencies traded were: US dollars, German marks, sterling pound, Japanese yen, and Swiss francs. All quotations are made against the US dollar, as it is the world's most available currency.

Each bank or broker must be authorized to deal in foreign exchange and they are controlled by the Central Bank.

What is the business carried out on the market?

The English literature[8] describes **three kinds of transactions** carried out on the market:

- Spot transactions;
- Outright transactions;
- Swap transactions.

In the Romanian literature, Costin Kirițescu[9] classifies these operations into the following:

- ❖ **Spot operations** are operations with the settlement within two working days. These businesses are made using the exchange rate of the day, meaning spot exchange rate. In the world, about 40 per cent of foreign exchange transactions are spot transactions – purchases/sales of foreign currency for immediate delivery.

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[8] Davies Audrey & Kearns Martin – Banking Operations, Pitman Publishing, London 1994, p. 17

[9] Kirițescu Costin – Relații valutar-financiare internaționale, Ed. Ştiinţifică şi Enciclopedică, Bucureşti, 1978, p. 230

❖ **Forward operations** are operations with the settlement at a future time that is over 48 hours, but less than one year. Each exchange rate is established in advance in the moment of the negotiation of the deal. Forward rates of exchange relate to contracts entered into force now for promised delivery in the future. The most common periods for forward contracts are one-month and three-months, although longer periods are possible especially for heavily traded currencies.

The forward operations can be classified into:

- **simple (outright)** – it represents a single forward sale/purchase operation (settlement is at some future date).
- **complex - swap** it represents a purchase/sale of currency in the spot market, combined with a simultaneous sale/purchase in the forward market.

As a conclusion, it should be mentioned the following:

- Spot operation represents the sale of currency and the purchase of another at *spot exchange rate. So,* a spot rate of exchange is a rate of exchange for a foreign currency transaction, which is to be settled within two working days of agreeing the rate.

The main factors that can affect the movement of spot rates are:

(a) international interest rate differentials (e.g. If one country raises its interest rates, this could lead to increased short-term investment in that country, which will strengthen that country's home country);

(b) political and economic trends (examples are balance of payments, money supply figures, government policy changes, and industrial relations. All these matters influence the opinions of dealers and traders, and thus affect the supply or demand for a currency.);

(c) central bank actions (central banks may purchase or sell a particular currency in an attempt to influence its exchange rate);

(d) formal arrangements (the European Monetary System is a prime example of a formal arrangement. Here governments agreed that their currencies would not be allowed to fluctuate outside certain defined parameters.)

- Forward represents the settlement at a future date. The important thing is that the price of the foreign exchange is agreed *now for future* *delivery.* So, a forward rate is a rate of exchange that is fixed now for a deal that will take place at a fixed date, or between two dates, in the future.

Forward rate:

$$\boxed{F_{wd} = \frac{\Delta d \times K \times N_z}{360 \times 100}}, \text{ where:}$$

Δd = the difference of interest rate for both currencies (spread);
K = spot exchange;
N_z = number of days for the calculation period of forward.

In practice, the forward exchange rate is made from the spot exchange rate, adding or subtracting a difference given by two terms called pips (which corresponds to the buying or selling exchange rate).

Thus, under direct quotation when the forward exchange rate is greater than the spot one, the currency has a discount and the differences are added to the spot exchange rate.

When the forward exchange rate is less than the spot one, the procedure is reversed and the differences are subtracted from the spot exchange rate.

E.g. we want to establish the forward exchange rate for one month for the Swiss Frank against the US dollar using the following elements:

- spot exchange rate USD/CHF = 1.70;
- interest rate for one month for the US dollar = 15%;
- interest rate for one month for CHF $= 4\frac{11}{16}\%$;

$$\boxed{P = \frac{1.70 \times \left(15 - 4\frac{11}{16}\right)}{360 \times 100} \times 30 = \frac{1.70 \times 10.3125 \times 30}{36{,}000} = 0.0146}$$

The forward exchange rate will be:

USD 1 = CHF 1.6854 (1.70 – 0.0146 = 1.6854)
Spot Operations:

E.g. the Romanian Bank ‘X’ S.A. wants to sell to the Bank of Austria USD 2 million.

Beforehand, the Bank ‘X’ S.A. asks which is the exchange rate USD/DM in Austria.

The spot exchange rate is 1.4150 DM/USD.

The deal is concluded.

The Bank ‘X’ S.A. sells 2 million USD to ING Bank Austria (exchange rate 1.4150 DM/USD) and buys DM, meaning 2,830,000 DM (2 million USD × 1.4150).

In two bank-working days, the amounts will be in the accounts of the banks.

The deal:

Deal concluded with:	ING Bank;
Sold:	USD 2,000,000;
Bought:	DM 2,830,000;
Exchange rate:	1.4150 DM/USD;
Value date[10]:	15th of November 1997.

Forward Operations:

E.g. the Romanian Bank ‘X’ S.A. concludes a contract with a bank from Germany on the 15th of December 1997.

It sells USD 1 million and buys DM 1,415,000.

The exchange rate is 1.4150.

The value date is 15th of January 1998.

On the 15th of January 1998, the exchange rate USD/DM could be 1.5200.

[10] The date when the discounting of the transaction is made.

So, using a forward operation under a spot exchange rate, the bank can buy cheaper or more expensive. At the end, the bank will make the following document:

Deal concluded with Deutsche Bank AG Frankfurt/Main;

Sold: USD	1,000,000;
Bought: DM	1,415,000;
Exchange rate:	1.4150;
Value date:	15th of January 1998.

Swap operations:

The Romanian Bank 'X' S.A. concludes a deal with ING Bank Vienna, on the 15th of July 1998.

Sold: USD	1,000,000;
Bought: DM	1,415,000;
Exchange rate:	1.4150;
Value date:	15th of July 1998.

At the same time,

it sells: DM 1,410,000;

it buys: USD 1,000,000;

the exchange rate: 1.4100;

the value date: 21st of July 1998.

In two working days (on 17th of July, 1998), the Bank 'X' S.A. will deliver the US dollars to the Chase Manhattan Bank New York, where the Austrian Bank has an account opened in US dollars.

At the same date, Bank 'X' S.A. will receive the amount of DM 1,415,000.

On the 21st of July, the Bank 'X' S.A. will send in the United States for Barclays Bank PLC London the amount of DM 1,410,000, and at the same date the Bank 'X' S.A. will receive (by order of The English Bank) the amount of USD 1,000,000.

The profit of the operation is DM 5,000.

In practice, the swap operation is used if the result of the operation is greater or equal with the difference between the currencies.

$$\boxed{R_s = \frac{F_{wd}}{C_s} \times \frac{360}{N_z}}, \text{ where:}$$

C_s = spot exchange rate;

N_z = number of days.

It should be mentioned that in the foreign exchange market there is a **foreign exchange risk**. A market agent bearing risk is said to have *an open position in the market*. There are two types of open position – an agent may go *long* (take a long position) by having assets in a currency greater than his liabilities in the same currency. The risk then is that the currency will weaken, reducing the value of the position. An agent who goes *short* (takes a short position) has liabilities in a currency to a greater amount than assets. The risk is that the currency will strengthen, increasing the debt in that currency. The act of moving from an open position to a closed position in the market (that is, covering exchange rate risk) is known as *hedging*.

Hedging is the way to transfer the foreign exchange risk inherent in all transactions, such as international trade, that involves two currencies. For example, suppose you are a US importer who has just purchased 1,000 sterling pounds of goods from a British exporter; payment is due in pounds in 30 days. You face at least two choices:

- you can enter the spot foreign exchange market now, buying a 1,000 pounds deposit at the current spot exchange rate and earning interest on it until the payment to the exporter is due in 30 days, or
- you can hold your dollars in a deposit and earn interest for 30 days until the payment is due, at which time you enter the spot foreign exchange market and buy your 1,000 pounds deposit at what is then the current spot exchange rate.

If you choose the first option, you are hedging. If you wait (take option 2), the exchange rate might rise during the 30-day period, meaning that you will have to pay more dollars for each of the 1,000 pounds you must buy. During the 30-day period under option 2, you are said to be holding a short position in pounds – that is, you are short of pounds that you will need at the end of the 30 days. Option 1 allows you to avoid this short position and the associated foreign exchange risk. Once you have purchased the pounds, changes in the exchange rate no longer affect you. You are then said to be holding a balanced or closed position in pounds. You own just as many pounds as you need to cover your upcoming payment due in pounds.

Entering the foreign exchange market to hedge in a way to avoid foreign exchange risk; it provides a means of insulating wealth from the effects of changes in the exchange rate.

Speculation is just the opposite of hedging. It means taking a deliberately risky position by:

- purchasing a deposit denominated in foreign currency (taking a long position) in the hope that the currency's price will rise, allowing you to sell it later at a profit, or
- waiting to purchase a foreign currency deposit that you will need in the future (taking a short position) in the hope that its price will fall.

In the OECD countries, there are no foreign exchange restrictions and there is not a foreign exchange control. This means that a person can buy and sell foreign currency freely and without any restrictions. Some countries (Romania and the other former communist states) have specific regulations that allow foreign exchange control measures to be introduced to regulate or restrict the flow of money, to ensure that the country has sufficient reserves of foreign currencies to pay its international debt. For example, travellers may transfer only a certain amount in lei in or out of Romania.

According to the type of underlying transactions, banks offer different rates of exchange, grouped into two categories:

1. Commercial rates;
2. Note rates.

All commercial rates are based on the spot market. By convention, foreign exchange deals are arranged for settlement in two working days' time. The delay allows instructions to be given and received for the movement of funds between the correspondent bank accounts. These deals are called "spot" transactions.

The commercial rates vary according to the size of the transactions. Some rates will incorporate interest costs during the period that the bank is out of funds (i.e.: for negotiation of currency cheques).

Note rates
The rates of exchange for the purchase and sale of foreign currency notes and coins are loaded in favour of the banks to take account of the expensive cost of handling, transportation etc.

1.3 Buying and selling foreign currency

When a bank gives a quotation, it will give two rates:

1. A selling rate;
2. A buying rate.

The difference between these rates, called the “spread”, will be adjusted to attract or deter business and represents the bank’s profit. All transactions are looked at from the bank’s point of view. A bank sells high and buys low, which means that it will sell you less currency in exchange for a pound, for example, but it will expect you to pay more than a pound for that currency.

In order to avoid any possible loss for either of the participants to a foreign exchange transaction, because of the free pressure of market forces, they will need to act promptly on a customer’s instruction, which involve foreign exchange transactions.

1.4 The balance of payments

Different countries use different currencies; therefore, international arrangements across borders often involve currency exchanges. Doing business in an international framework can mean using various currencies for business transactions. To understand these transactions, it is necessary to understand the balance of payments system currently used by countries around the world as well as the international monetary system.

The **balance of payments** system is used to report monetary transactions between countries. The international monetary system comprises the agreements, institutions, laws, and practices governing the movement of currency from one country to another. The international monetary system facilitates transactions, and the balance of payments system reports them.

The international monetary system can be seen as providing a financial context that enables international companies to function across borders.

The balance of payments accounts provide a system for documenting economic transactions during a given period between the residents of a country and residents of the rest of the world, in a globally consistent manner and following generally accepted guidelines. Governments and international institutions, such as the World Bank publish balance of payments information.

The balance of payments records all transactions that cross a country's borders. The simplest way to think about it is as a record of all payments going out to foreigners (with the reasons for those payments), and all payments coming into the country from foreigners (with the reasons for those payments). A plus sign is given to the payments coming in, and a minus sign to the payments going out.

A country's balance of payments statement is like a company's annual cash flow, or sources and uses of funds statement. A balance of payments statement provides a record of a how funds were generated from abroad (inflows from outside the home country) and used in foreign transactions (outflows to other countries) during a particular year. The balance of payments statements are compiled on an annual basis, but interim data are often available on a monthly or quarterly basis.

Because the balance of payments is merely a summary of all the transactions undertaken by residents of one country with the rest of the world, it can be divided into sub-accounts that correspond to the various categories of international transactions in which individuals, firms, and governments participate.

The balance of payments is a **double-entry bookkeeping system**. This means that any international transaction is entered twice, because every transaction has two "sides".

The balance of payments statements are divided into four major sections: a) the current account, b) the capital account, c) errors and omissions, and d) the official reserves account.

a) The current account includes imports and exports of goods and services, interest and dividend payments, and unilateral transfers of money such as gifts or inheritances.

b) The capital account records investments and loans. Investments in the home country by foreigners are considered a source of funds, and investments by locals in foreign countries are a use of funds. Money that is borrowed from abroad is a source of funds and money that is lent to foreigners is a use. Interest payments on loans are recorded in the Current Account.

c) Errors and Omissions

The accounting system is not entirely accurate, and discrepancies can occur because of errors and omissions. The errors and omissions section compensates for these discrepancies.

d) The official reserve account

The official reserve account is a compensatory account that changes in response to surpluses or deficits in the current and capital accounts. A surplus implies an inflow of funds greater than the outflow and consequently an increase in reserves. A deficit has the reverse effect and reduces a country's reserves.

There are five categories of balances reported in a balance of payments statement:

1. The **balance of trade** reports a country's exports and imports of goods. The balance may be positive (a surplus) if exports are greater than imports (the country is selling more abroad than it is buying) or negative (a deficit) if exports are less than imports (the country is buying more abroad than it is selling).
2. The **balance of goods and services** reports exports and imports in both goods and services. This balance can likewise be either a surplus or a deficit.
3. The **balance of current account** reports short-term transfers of capital in addition to trade in goods and services. This balance can also be either a surplus or a deficit one.
4. The **balance of capital account** reports long-term transfers of capital.
5. The **official settlements balance** reports changes in a country's reserves needed to balance its surplus or deficit.

In Romania, the National Bank of Romania in accordance with the provisions of the Balance of Payments Manual makes out the balance of payments. The International Monetary Fund in order to issued this be a guide for member countries, which submit regular balance of payments reports to this institution.

The Manual provides standards for concepts, definitions, classifications, and conventions. At the same time, it facilitates the systematic national and international collection, organization and comparability of balance of payments and international investment position statistics.

Under the provisions of this Manual, the balance of payments is a statistical statement that systematically summarizes, for a specific time period, the economic transactions of an economy with the rest of the world. Transactions[11] (between residents and non-residents) consist of those involving goods, services, and income, and those involving financial claims on, and liabilities to, the rest of the world.

The balance of payments of Romania (it can be seen in Annex no.1) includes the same items as we have just been discussed.

1.5 The foreign exchange market in Romania

Before studying the foreign exchange market in Romania, it is necessarily to define some terms under the provisions of the Romanian legal framework[12], such as:

Residents are:

- *Legal persons* including the following categories:

- Public institutions, autonomous Regies, companies, associations, clubs, etc. registered or authorized to conduct activities in Romania;

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[11] A transaction itself is defined as an economic flow that reflects the creation, transformation, exchange, transfer, or extinction of economic value and involves changes in ownership of goods and financial assets, the provision of services, or the provision of labor and capital.

[12] National Bank of Romania – Regulation no. 3/1997, concerning the performing of the foreign exchange transactions, issued in Monitorul Oficial al României, Part I, No. 395/1997, with subsequent amendments

- Individuals and family associations authorized according to the provisions of the Decree Law no. 54/1990;

- Branches, subsidiaries, representations, agencies of foreign companies registered and authorized to conduct activities in Romania;

- Embassies, consulates or other representations of Romania abroad;

- Branches, subsidiaries, representations, agencies of Romanian companies that carry out business abroad, but are not registered abroad as legal entity.

- *Individuals* including:

- Individuals, Romanian citizens, domiciled in Romania, as certified by an identity card issued by the bodies entitled by law;

- Individuals with other citizenship and individuals with no citizenship domiciled in Romania certified with an identity card issued by the bodies entitled by law;

Non-residents are:

- *Legal persons* including:

- Legal persons with their headquarters abroad and which are not registered and authorized to conduct activities in Romania;

- Embassies, consulates or other representations of other countries in Romania, as well as the international organizations or the representations of such organizations functioning in Romania;

- Branches, subsidiaries, representations, and agencies of Romanian companies, which conduct activities and are registered abroad as legal persons.

- *Individuals* including:

- Individuals, foreign citizens, who work within embassies, consulates and representations of other countries in Romania or within certain international organizations or their representations which function in Romania;

- Individual, foreign citizens, as well as individuals with no citizenship domiciled abroad;
- Individuals, Romanian citizens, domiciled.

The **foreign exchange transactions** represent the proceeds, payments, compensations, transfers, credits, as well as any other transactions denominated in foreign currencies and which banking transfer, in cash, with payment instruments or other means of payment agreed or accepted by the banks can carry out. In this category are also included the transactions made in the domestic currency, when performed between residents and non-residents.

The foreign exchange transactions can be:

- *Current transactions* – the transactions performed between residents and non residents which are not of a capital nature and which derive from:
  - international trade transactions with goods and services;
  - other transactions which are not of a capital nature as they were defined in the item 1.17.2 of the Regulation No. 3/1997, such as taxes, fees, commissions, legal charges, fines, technical assistance;
  - amounts which derive from operational leasing, governmental expenses, subscriptions to publications, participation fees to organizations and clubs;
  - the repatriation of the net income under the form of dividends, interest, rents, resulting from capital transactions;
  - remittance of moderate amounts representing current expenses for supporting the family members;
  - expenses with are not of a capital nature made by residents abroad for vocation, sport, business, visits to friends, conferences, health care, education, religion.
- *Capital transactions* – the foreign exchange transactions carried out between residents and non residents, resulting from:
  - direct investment (in Romania of non residents; abroad of residents);
  - real estate investments (in Romania by non residents, abroad by residents);

- transactions with capital market securities (admission of domestic securities on the foreign capital market for issuance by placement or public offer or introduction on a recognised foreign capital market;
- transactions in Romania with securities made by non residents;
- transactions abroad with securities made by residents);
- transactions with money market instruments;
- transactions in collective investment securities;
- international trade credits (granted by non residents to residents; granted by residents to non residents);
- financial credits and loans;
- guarantees (granted by non residents in favour of residents or granted by residents in favour of non residents);
- current account operations (opened by non residents with banks or with other entities or opened by residents abroad with banks and with other similar institutions);
- deposit account operations (opened by non residents with banks or with other entities or opened by residents abroad with banks and with other similar institutions);
- life insurance resulting from the life insurance contracts; transfers of the individuals (presents, donations, inheritances, etc).

Foreign exchange capital account operations of residents and non-residents are subject to the National Bank of Romania licensing with the exception of:

- most capital inflows of non-residents in Romania;
- banks:
  - money market-specific operations performed abroad;
  - foreign exchange current account and deposit operations;
  - loans and borrowings with up to 12-month maturity;
  - guarantees, endorsements, and other additional financial facilities.

Since January 1st, 2002, the following transactions are not subject to the National Bank of Romania:

- direct investments abroad of the residents;
- real estate investments abroad by residents;

- admission of domestic securities and admission of domestic collective investment securities on foreign financial market;
- international trade credits on medium- and long-term granted by residents to non residents;
- guarantees granted by non residents to residents;
- transfers related to life insurance;
- personal capital transfers meaning short-term credits granted by non residents to residents;
- personal capital transfers such as presents and donations, inheritance, etc.

Since January 1st, 2003, the following capital transactions shall not be subject to the National Bank of Romania:

- real estate transactions of residents and of foreign collective investment securities;
- financial credits and loans on short-term granted by non residents to residents;
- financial credits and loans and personal loans granted by residents to non residents;
- guarantees granted by residents to non residents.

At the same time, since January 1st, 2004, the following capital transactions shall not be subject to the National Bank of Romania:

- admission of foreign real estate transactions and collective investment securities on the Romanian capital market;
- deposit account operations in leu currency opened by non residents in Romania
- the import or export of financial assets.

The National Bank of Romania's Regulation No.3/1997 stipulates that till the date when Romania will become member of the European Union, the following capital operations shall not be subject to the National Bank of Romania:

- transactions with real estate securities or other instruments marketed in the monetary market;
- current account and deposit account operations opened by residents abroad.

In Romania, the National Bank of Romania is responsible for the organization and function of the foreign exchange market.

The legal framework of the foreign exchange market is set by the Regulation no. 3/1997.

Under the provisions of the Regulation No. 3/1997, **the foreign exchange market** is defined as a continuous market, where sales and purchases of foreign currencies are carried out, for the domestic currency or other foreign currencies at rates freely determined by intermediaries authorised by the National Bank of Romania to operate in their own name and account and in their own name and the account of their clients.

Only authorized intermediaries (credit institutions, exchange offices, and other non-banking entities authorized by the National Bank of Romania to operate in the foreign exchange market as brokers or dealers) may perform transactions in the foreign exchange market.

Under the provisions stipulated in its statute, the National Bank of Romania:

- Regulates and supervises the inter-banking foreign exchange market;
- Authorizes and supervises the intermediaries of the inter-banking foreign exchange market;
- Participates in the inter-banking foreign exchange market in order to manage its monetary policy and to protect the national currency;
- Publishes a reference exchange rate for the “leu” currency on a daily basis.

In order to develop the brokerage activity on the foreign exchange market, residents – legal persons from Romania must obtain the authorization from the National Bank of Romania.

The minimum conditions, which must be fulfilled for the participation on the foreign exchange market as an authorized broker, are the following:

a) the existence of an adequate share capital;

b) the existence of an operating authorization; the participation on the foreign exchange market of brokers, who are undergoing a legal procedure of reorganization and judicial liquidation may not be authorized;

c) the existence of a distinct organization structure and a specific space for the activity of foreign exchange brokerage;

d) the regularization through own norms regarding:

- procedures concerning the work with clients;
- the relation with other brokers (the communication, confirmation and settling method of transactions);
- competencies and value limits up to which any arbiter may engage himself, as well as the limits of work with the other authorized brokers;
- the due penalties in the relation with the clients, as well as with other brokers, in case of failure to observe the settling terms of transactions;
- the bookkeeping system of foreign exchange operations;

e) the appointing of personnel involved in the activity of foreign exchange activity, respectively the nominal list of the arbiters, the work experience, including the experience in the activity of foreign exchange, as well as the appointment of the chief-arbiter;

f) the relations of a correspondent established through accounts opened abroad, for at least 4 currencies: USD, EUR, GBP, CHF;

g) the existence of a specific operating system:

- specific informational equipment Reuters or Dow Jones;
- specific technical equipment for payments and communications (internal and international telephone lines, a recording system of phone conversations, telex, SWIFT, fax, etc.)

The inter banking foreign exchange market from Romania operates on every working day from 9:00 a.m. to 2:00 p.m.

Brokers authorized to participate on the foreign exchange market must post permanently during the hours when the inter-banking foreign exchange market operates, *both at their counter for the work with clients, and through spreading systems of information as the Reuters or Dow Jones type,* the informational exchange rates of the Leu (selling/buying), spot[13] and forward[14], *for at least the following currencies*[15]:

- the American dollar (USD);
- the Euro (EUR);
- the pound sterling (GBP);
- the Swiss franc (CHF);
- etc.

Thus, till February 28, 2002, the National Bank of Romania up-dated the foreign exchange rates list daily published by eliminating the leu quotations against each IN foreign exchange rates (e.g. the Irish pound IEP – February 9th, 2002; the French Franc FRF – February 17th, 2002; German Mark DEM – February 28th, 2002).

The quotation shall be direct and it shall be based on the monetary unit of Romania – the Leu (without subdivisions).

The informational forward exchange rate shall be quoted for at least the following deadlines:

- one month (1 M);
- three months (3M);
- six months (6M);
- nine months (9M);
- twelve months (12M).

Brokers authorized to participate on the inter-banking foreign exchange market must quote both for the clients and for the other authorized brokers, firm or informational exchange rates, on their request.

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[13] An operation of selling/buying foreign currency with the settlement within two days after the date of concluding the transaction, at the exchange rate established between the parties (*spot* rate).

[14] An operation of selling/buying foreign currency with the settlement after more than two days since the date of concluding the transaction at the exchange rate established between the parties (*forward* rate).

[15] Since the appearance of Euro, the foreign exchange rates list published by the National Bank of Romania will include the leu rates against Euro and against IN currencies.

If the firm quotation meaning the amount in foreign currency and the date of the foreign currency are accepted by the client or the authorized broker, the transaction is considered concluded and it shall be performed unconditioned.

The spread between the selling rates and the purchasing ones shall be freely determined on the inter-banking foreign exchange market.

The selling/buying orders of the clients (residents and non-residents – natural and legal persons), account owners, shall be completed according to the attached models issued by the National Bank of Romania (forms 1 and 2 – see Annex no. 2, and 3). Annexes no. 2.1 and 3.1 reflect a particular implementation of the above mentioned forms. The spot and forward purchase orders of the resident and non-resident legal persons shall be accompanied by the justifying documentation (including the form DPVE/form CDA).

For capital foreign exchange operations, the documentation related to the purchase order shall be also completed with the authorization of the National Bank of Romania, as the case may be.

Residents may participate on the inter-banking foreign exchange market with purchase order of foreign currency for the reimbursement of credits and the payment of interest and commissions related to a credit or loan in foreign currency granted by a resident bank.

The transactions among intermediaries shall be concluded on their own behalf, by confirmation among dealers (on telephone, telex, Reuters dealing) and re-confirmations by letters and telex or SWIFT, codified correspondingly (letter – sample of signature, telex – telegraphic keys, SWIFT – SWIFT keys). The reconfirmation must include at least the following elements:

- the transaction partner;
- the date of concluding the transaction;
- the date of the foreign currency;
- the transacted foreign currency (currencies);
- the transacted amounts;
- the type of transaction;
- the spot or forward exchange rate;
- the correspondents of the parties;

- the method of concluding the transaction (telephone, telex, Reuters dealing).

As a conclusion, it should be mentioned the following:

- Purchases and sales of foreign exchange shall be made only through intermediaries (dealers) licensed by the National Bank of Romania;
- Purchases of foreign exchange by resident legal entities and non-residents shall be made only against documents;
- Purchases of foreign exchange by resident individuals via exchange bureaus and banks are unlimited.

Progress test

1. What is an exchange rate?
2. Explain what is the appreciation and depreciation of a currency.
3. List at least 8 types of foreign exchange rates and explain them.
4. Where is the exchange rate established?
5. Explain the sterilized and unsterilized foreign exchange intervention.
6. List the main types of foreign exchange rate regime and explain them.
7. What is the foreign exchange?
8. What are the major functions of the foreign exchange market?
9. List the market participants.
10. What represents the difference between a bank's buying and selling rate?
11. When is settlement made for spot deals?
12. When is settlement made for forward deals?
13. What are the swap deals?
14. What is a quotation?
15. How many types of quotations do you know? Give the definitions.
16. Which two categories of rates of exchange do banks offer?

17. What is the balance of payments of a country?
18. List the four major sections of the balance of payments.
19. Define the residents.
20. Define the non-residents.
21. What are the foreign exchange transactions?
22. List the transactions included in the foreign exchange transactions.
23. Identify the legal framework of the foreign exchange market in Romania.
24. List the minimal conditions, which must be fulfilled for the participation on the foreign exchange market as an authorized broker.
25. Describe the inter-banking foreign exchange market in Romania.
26. What is a spot rate?
27. List the main factors that affect the movement of spot rates.
28. What is a forward rate?
29. What are the main exchange rate arrangements?
30. Define a foreign exchange risk.

ANNEX No 1

The Balance of Payments

A. Goods and Services
a. Goods fob (exports/imports)
b. Services
– Transportation
– Tourism
– Other services
B. Income
– Compensation of employees
– Direct investment income
– Portfolio investment income
– Other capital investment (interest)
C. Current transfers
– Government sector
– Other sectors

A. Capital account
a. Capital transfers
– Government sector
– Other sectors
b. Purchases/Sales of non-produced – non-financial assets
B. Financial account
a. Direct investment
– Abroad
– In Romania
b. Portfolio investment
– Assets
– Liabilities
c. Other capital investment
– Assets
1. Long–term loans and credits
2. Short–term loans and credits
3. Long–term outstanding exports bills
4. Short–term outstanding exports bills
5. Currency and cheques

6. Residents' deposits abroad
7. Other assets
   – long–term
   – short–term

– Liabilities
1. Credits and loans from the Fund
2. Long–term loans and credits
3. Short–term loans and credits
4. Long–term outstanding imports bills
5. Short–term outstanding imports bills
6. Currency and cheques
7. Non–residents deposits in Romania
8. Other liabilities
   – long–term
   – short–term

d. In transit accounts
e. Barter and clearing accounts
f. Reserve assets (NBR)
   – Monetary gold
   – SDRs
   – Reserve position with the International Monetary Fund
   – Foreign exchange

NET ERRORS AND OMISSIONS

ANNEX No 2

FORM No.1

Denomination/Name of the client ....………… Address/Head office... Tel./telex ....… Persons of contact ....… No.from the Trade Registry ....… Fiscal code...................................………… Non-resident*	ACCEPTED/REJECTED (reason)..…… ....…… at the FIRM QUOTATION RATE and accepted by the client of ……….. Leu/ or at a LIMITED RATE requested by the client of……………………..Leu/……………. EXECUTED AT THE RATE of………Leu/……. Authorized client's signature L.S. It must be filled in by the broker at his head office in the presence of the client

PURCHASE ORDER OF FOREIGN CURRENCY (SPOT)/ FORWARD
Valid till the date ....
To ....

BUY the amount of .... / ....with the value date…..
(figures) (letters)
You shall recover the equivalent in Leu currency from our account of availability no. ……………opened with …………………………………………

The purchased amount in foreign currency shall be paid with the same value date in our account no. .... opened with ....

1. We attach the following documents, which prove the nature of the foreign currency operation:
………………………………………………………………………………………..
………………………………………………………………………………………..
………………………………………………………………………………………..
………………………………………………………………………………………..

2. The purpose of buying currency is:
- ❑ **Current foreign exchange operation;**
- ❑ **Capital foreign exchange operation representing:**
- ❑ **Direct investment;**
- ❑ **Portfolio investment;**
- ❑ **Securities investments;**
- ❑ **Other capital foreign exchange operations.**

3. Hereby we declare that we agree that the amount in foreign exchange purchased on basis of the present order and not used within 30 days after the expiration of the payment term according to the initial destination or for other current foreign operations, must be purchased through the bank, which executes the present order.

.. **...**

Issuing date **Authorized signature**

L.S.

<u>**Notes**</u>

1. **Tick the fields, if the case.**
2. **Only residents, legal entities, shall fill in point 2.**
3. **Points 1si 2 shall not be filled in by residents, natural persons.**
4. **The provisions of point 3 shall not be applied to residents and non-residents, natural persons.**

***) Non-residents from the foreign exchange point of view, according to point 1,2 of the regulation**

ANNEX No 2.1

ORDIN DE CUMPĂRARE VALUTĂ
FOREIGN CURRENCY BUY ORDER

Denumire / Nume client:

Adresa / Sediul:

Tel. / Telex:

Persoane de contact:

Nr. din Reg. Comerțului:

Cod fiscal:

Nerezident *

ACCEPTAT / RESPINS (motivul:

La CURSUL COTAT FERM si acceptat de client
de lei /

sau la CURSUL LIMITAT solicitat de client
de lei /

EXECUTAT LA CURSUL de lei /

Semnătura autorizată — Semnătura clientului

L.S. — L.S.

Se completează de intermediar la sediul acestuia în prezența clientului

ORDIN DE CUMPĂRARE VALUTĂ : ☐ LA VEDERE (SPOT) / ☐ LA TERMEN (FORWARD)

Valabil până la data de :

Către: **THE COMMERCIAL BANK** ………………. S.A.

CUMPĂRAȚI suma de : (cifre) / (litere)

cu data valutei de :

Echivalentul in lei il veți recupera din contul nostru de disponibil nr.:
deschis la dvs..Suma in valuta cumparată o veți vira cu aceeasi dată de valută (sus menționată) in contul nostru nr.
deschis la dvs.

Anexăm urmatoarele documente care probează natura operațiunii valutare

2. Scopul schimbului valutar este:

- ☐ Operațiune valutară curentă;
- ☐ Operațiune valutară de capital reprezentând:
- ☐ Investiție directă;
- ☐ Investiție de portofoliu;
- ☐ Investiție imobiliară;
- ☐ Alte operațiuni valutare de capital.

3. Declarăm că suntem de acord ca sumele in valută cumpărate in baza prezentului ordin si neutilizate in termen de 30 de zile de la data expirării termenului de plată conform destinatiei inițiale sau pentru alte operațiuni valutare curente să fie cumpărate de banca prin care se execută prezentul ordin.
4. Menționăm că nu avem datorii neachitate la intern.

Observații:
Se marchează căsuțele, după caz.
Punctul 2 se completează numai de către rezidenți persoane juridice.
Punctul 1 si 2 se completează numai de către persoane fizice rezidente.
Prevederile pct. 3 nu se aplică persoanelor fizice rezidente si nerezidenților.

Data întocmirii

Semnătura autorizată.
L.S

ANNEX No 3

FORM NO.2

Client	Broker
Denomination/Name of the client ....…………… Address/Head office.....................................…………… Tel./telex ....…………… Persons of contact ....…………… No. from the Trade Registry ....…………… Fiscal code....................................……….. Non-resident*	ACCEPTED/REJECTED (reason)...................……………………….. at the FIRM QUOTATION RATE and accepted by the client of .... Leu/ .... or at a LIMITED RATE requested by the client of………………………Leu/……………..… EXECUTED AT THE RATE of………Leu/……. Authorized client's signature L.S. It must be filled in by the broker at his head office in the presence of the client

SELL ORDER OF FOREIGN CURRENCY (SPOT)/ FORWARD
Valid till the date ....
To ....

SELL the amount of ....……….…….. / ....…….…......with the value date ....……………
(figures) (letters)
from our foreign exchange account no......……………..opened with.........................………………
The equivalent value in Leu currency shall be paid with the same value date in our account no. ....………..…….opened with………………………

1. The purpose of the foreign exchange is:
- ❑ **Current foreign exchange operation;**
- ❑ **Capital foreign exchange operation representing:**
- ❑ **Direct investment;**
- ❑ **Portfolio investment;**
- ❑ **Securities investments;**
- ❑ **Other capital foreign exchange operations.**

………………….. **………………………………**
Issuing date **authorized signature**
L.S.

Notes:
1. **Tick the fields, if the case may be.**
2. **Only residents, legal entities, shall fill in point 1.**

***) Non-residents from the foreign exchange point of view, according to point 1.2 of the regulation.**

ANNEX No 3.1

ORDIN DE VÂNZARE VALUTĂ
FOREIGN CURRENCY SALE ORDER

Denumire / Nume client:

Adresa / Sediul:

Tel. / Telex:

Persoane de contact:

Nr. din Reg. Comerțului:

Cod fiscal:

Nerezident *

ACCEPTAT / RESPINS (motivul:

La CURSUL COTAT FERM si acceptat de client de ______ lei / ______

sau la CURSUL LIMITAT solicitat de client de ______ lei / ______

EXECUTAT LA CURSUL de ______ lei / ______

Semnătura autorizată

L.S.

Semnătura clientului

L.S.

Se completează de intermediar la sediul acestuia în prezența clientului

ORDIN DE VÂNZARE VALUTĂ : ☐ LA VEDERE (SPOT) / ☐ LA TERMEN (FORWARD)

Valabil până la data de :

Către: **THE COMMERCIAL BANK** ………………. S.A.

VINDEȚI suma de : ______ (cifre) / ______ (litere)

cu data valutei de :

din contul nostru valutar nr.: ______ deschis la dvs.

Contravaloarea în lei se va vira cu aceeași dată a valutei în contul nostru în lei nr.: ______ deschis la dvs.

Scopul schimbului valutar este:

- ☐ Operațiune valutară curentă;
- ☐ Operațiune valutară de capital reprezentând: ______
- ☐ Investiție directă;
- ☐ Investiție de portofoliu;
- ☐ Investiție imobiliară;
- ☐ Alte operațiuni valutare de capital.

Data întocmirii

Semnătura autorizată.
L.S

Observatii:

Se marchează căsuțele, după caz.

Punctul 1 se completează numai de către rezidenți.

*Nerezident din punct de vedere valutar, conform pct. : 1. 2. din regulament.