



## MEMORANDUM

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**Re / Réf.** Redenomination of the Romanian Currency

**Date** June 14, 2005

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Dear Katherine and Peter,

We refer to our telephone conversation of May 31, 2005 where you have asked us to provide you with a brief memorandum on the redenomination of the Romanian currency. This note does not intend to provide detailed advice but rather to alert you on the timing and main issues raised by such redenomination.

We authorize you to forward this memorandum to ISDA's members or to give them access to it through your website.

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Starting July 1, 2005 Romania shall revalue its legal tender, the *leu* (plural "*lei*"). The fixed conversion rate between the old *leu* (ISO code ROL) and the new *leu* (ISO code RON) is 10.000 ROL to 1 RON, rounding up or down to the nearest hundred ROL (RON second decimal). One new *leu* shall be divided in 100 subunits named *bani*. The redenomination laws are available in English on the official site of the National Bank of Romania at [http://www.bnro.ro/def\\_en.htm](http://www.bnro.ro/def_en.htm).

Implementation of the new currency shall be made according to the following schedule:

- July 1, 2005: introduction of the new *leu* (RON). All account balances, credit and debit, shall be converted to RON and all banking transfers, accounting documents and supporting payment instruments, starting on this date, shall be performed and drawn up only in RON;
- July 1, 2005 – June 30, 2006: double posting of prices, both in old and new *leu*, including forex exchange rates. The exchange rates shall be expressed with four decimals, without any rounding;

- December 31, 2006: Until this date both the old and new *leu* shall be accepted for cash payments. There is no time limit for exchanging ROL notes and coins for RON notes and coins at the National Bank of Romania branches performing cash operations and at the credit institutions authorised to perform such operations by order of the National Bank of Romania Governor (para 4, article 2 of Law no. 348/2004 as amended).

The redenomination will not eliminate current Romanian legal tender but is instead designed to simplify domestic monetary transfers and calculations. Furthermore, the redenomination is seen to be a necessary transition phase in preparation for Romania's integration into the European Union and the country's eventual adoption of the Euro as its domestic currency.

The redenomination should not affect - other than for its strict division purpose - outstanding money market transactions involving the old ROL. In order to ensure legal certainty and continuity of outstanding contracts, the redenomination laws provide that the conversion shall take place automatically by virtue of law, *i.e.* without the need for agreements or contractual amendments to existing documentation. As regards payment instruments and trade bills issued before July 1, 2005 in old currency and payable after this date, the conversion shall be made on the settlement date, at the same fixed conversion rate. The principle, as stipulated in the redenomination laws, may be applied by counterparties to any other outstanding transactions.

It should be noted that on June 30, and July 1, 2005 banks, credit institutions and State treasury units are closed for business in Romania in order to reconfigure their systems for the redenomination.

Please note also that the redenomination entails a change of Section 4.3. (av) of Annex A to the 1998 FX and Currency Options Definitions (September 25, 2000 version) stating the national currency of Romania which shall be changed to RON effective July 1, 2005.

We remain at your disposal should you have any questions regarding the above.

**Christian Mindru**

**Bruno Leroy**