

Briefing

24 November 2017

Proposed legislation on setting up the Romanian Sovereign Fund for Development and Investments

A draft law regarding the establishment of the Sovereign Fund for Development and Investments (the "**Sovereign Fund**") has been registered with the Romanian Senate on 16 November 2017.

The Sovereign Fund will be a state-owned fund, set up to make profit by developing and financing (through own resources or by attracting institutional investors such as banks, investment funds, pension funds) bankable and sustainable projects in various sectors of the economy, including infrastructure, energy, agriculture and healthcare.

Organization and management

The Sovereign Fund will be organized as a joint stock company wholly owned by the Romanian State throughout its entire existence. The Sovereign Fund will operate under the rules of budgetary deficit and public debt (provided by the EU) and will be subject to the corporate governance rules in accordance with the Santiago Principles drawn up by the International Forum of Sovereign Wealth Funds. Moreover, the Sovereign Fund will carry out its activity and take decisions independently (i.e. without involvement of or approval from the Romanian State).

Resources

The Romanian State will contribute approximately EUR 2 billion in cash (EUR 11 million upon the incorporation, the rest will be paid-in over a 2-year period from privatizations). In addition, the Romanian State will transfer to the Sovereign Fund (upon its incorporation) the shares held by the Romanian State in 89 companies ("**Portfolio of Companies**") as contribution in kind - the Sovereign Fund may freely dispose of these shares, except transactions which would cause the Sovereign Fund to lose its position as majority shareholder.

The Sovereign Fund will finance its operations through various means, including:

- dividends from the shares of the companies from the Portfolio of Companies;
- trading of financial instruments issued by the companies from the Portfolio of Companies;
- transactions with own financial instruments;
- sale of shares of the companies from the Portfolio of Companies;
- loans, including by issuing bonds.

We note that the Portfolio of Companies includes, among others, some of the largest and most significant Romanian companies with State shareholding from infrastructure (air, water and rail), energy (gas and electricity) and natural resources.

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