THE LEGAL FRAMEWORK FOR THE IMPLEMENTATION OF IFRS AND THEIR IMPLICATIONS IN THE BANKING SYSTEM FROM ROMANIA

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At the level of the European financial system, banks are the basic institutions which provide financing for the private sector, it preferring bank financing at the expense of financing through the capital market. The current stage of the international accounting harmonisation process focuses on obtaining similar economic decisions taken by investors and other users of the financial statements – decisions based on equivalent financial statements, prepared according to the set of International Financial Reporting Standards - *IFRS* developed by the IASB. Therefore, the aim of this study is to provide an overview of the implementation of IFRS in the world as well as in Romania by providing some information about the adoption process and the issues identified through the implementation of IFRS, especially in the banking field in Romania.

Keywords: IFRS, NBR regulations, prudential filters, prudential model.

JEL code: M41, M48, M49.

1. Introduction

The adoption of the new standards fall within the global trend of harmonisation of the national standards with the international financial reporting ones, given the current economic and financial developments towards the globalisation of the banking operations and hence the growing need for the international uniformity of the accounting rules underlying the published information. The implementation and adoption of IFRS was and is a topic of great interest to researchers.

The international speciality literature includes numerous studies which refer to one or several countries in relation to the effects of applying IFRS. However, nationally, we have identified no extensive literature containing publications related to the application of IFRS. Although there is a growing literature on the application of IFRS in Romania, the complexity of the process leads to the need of fundamental research, undertaken from various theoretical and methodological perspectives.

The conclusion reached by the majority of studies is that the adoption of IFRS is a long term process which involves costs and controversial results in different countries, economic sectors and companies.

Regarding the implications of IFRS on the banking system in Romania, it can be said that the transition to IFRS generates an impact on the calculation of the capital requirements for the credit risk according to the standard approach, towards the increase of both the level of one's own funds and of the net value of the risk-weighted assets, mainly through the issuance of provisions.

2. General aspects of the application of IFRS in the banking system in Romania

The reform of the Romanian accounting system which started in 1991 continues today through the promotion of certain normative acts of reference, considered true accounting rules or accounting standards.

The need for the standardisation of accounting on a superior plane than the national one derives directly from the globalisation of the capital flows. Thus, to increase profits, investors from one country invest in other countries. In order to invest in other countries, entrepreneurs must have information on the economic situation and financial performance of the companies of those countries.

This information should be similar to that available to them in their own country – it should be relevant, accurate and consistent. The international accounting harmonisation becomes a reconciliation of the different points of view (Wilson J.A, 1969;), the presentation of the information in a unified manner no longer being required, instead the provision of a unified understanding, even for those who use different standards, being needed. Other authors define harmonisation as a process in which the conceptual components of accounting are standardised, compatible and correlated. (Nobes, Ch., Parker, R., 2008)(David, 2013, pp. 384-385).

Under the agreement signed with the EU, IMF and WB in 2010, the Romanian authorities have committed to introducing the Financial Reporting Standards (IFRS) in the banking sector starting with 1 January 2012(RSF, 2011, p.127).

In the banking sector, as well as in the entire economy, the FRS have been implemented gradually according to a certain calendar. The implementation deadline and timetable have been established based on the conclusions of the assessment made by the NBR on the readiness to transition to IFRS of the banking sector, in close consultation with the Romanian Banking Association and the Ministry of Public Finance.

In the implementation process of IFRS, NBR was supported by a renowned institution with extensive experience in IFRS, namely The Institute of Chartered Accountants in England and Wales – ICAEW. The application of IFRS on at an individual level by the credit institutions of Romania was done sequentially. The implementation of the IFRS provides mainly a series of advantages and disadvantages as shown in the table below.

Table no.1 Advantages and disadvantages of IFRS implementing

Advantages of IFRS implementing	Disadvantages of IFRS implementing
correct perception of financial reports, regardless of users origin;	the occurrence of specific risks of an operational nature given that IFRS is based on professional judgment;
avoid competitive disadvantages for credit institutions that operating on the global market, including in terms of access to international capital markets;	the need to review the regulatory framework in prudential and statistical areas, including software applications used by credit institutions and central bank (SIRBNR);
ensure higher transparency and better comparability of financial performance;	the necessity of assuming additional costs of adaptation /update the information system and internal methodological system at credit institutions.
ensure uniformity in accounting treatments and the information submitted by applying to all credit institutions of uniform accounting standards at both the individual and consolidated level;	
ensure comparability between the information contained in the published annual financial statements, consolidated and individual and, where appropriate, between them and presented data for purposes of prudential supervision.	

Source elaborated upon RSF 2011, www.bnr.ro, p. 127

The innovations introduced by the accounting rules consistent with IFRS focus mainly on:

- using experience-based judgement to estimate any impairment loses;
- assessing the impairment of a financial asset or of a group of financial assets based on the appearance of some objective events which have an impact on the future cash flows, viably estimated; the expected losses as a result of future events, regardless of their likeliness, are not recognised;
- the obligation in applying the effective interest rate method for the rescheduling of amounts related to the effective yield of a financial instrument;
- the introduction of new accounts, the restructuring and elimination of some accounts;
- the harmonisation of the terminology consistent with IFRS (RSF, 2011, p.127).

Mădălina Gîrbină, Mihaela Minu, Ştefan Bunea and Marian Săcărin (2012) have conducted a study on the perception of those who draw up the financial statements at bank level in Romania regarding the benefits of applying IFRS to the banking system and have found that some preparers of financial statements deem the IFRS application beneficial, claiming that the use of IFRS in financial

reporting gives greater transparency to the financial statements which would facilitate access to the acquisition of capital at lower costs. Furthermore, they argue that he application of IFRS in the banking system leads to greater investor confidence in the information disclosed in the financial reports, allows a better understanding of the performance and risks of credit institutions, the financial statements prepared by them actually reflecting the economic reality. At the same time, a number of deficiencies have been identified in the application of IFRS such as the complexity of the framework and methodology for their application as well as permanent adaptation to their change. Most of those who prepare financial statements are concerned about the costs of adapting the internal record systems implied by the application of IFRS and about the need to meet multiple reporting requirements (accounting, prudential and fiscal), about the impact on the indicators for banking prudence and about the insufficiency of the resources allocated foe this process.

3. NBR regulations in the context of IFRS implementation

Given that the National Bank of Romania, in its capacity as regulatory authority and supervision of the banking system in our country, has permanently followed the harmonisation of its regulations and practices with the best practices in the field, in order to increase transparency and ensure the comparability of information at the banking sector level, the effective implementation of IFRS is part of the preoccupations of the central bank. One of the main objectives of the National Bank in the field of accounting regulation is the adoption of an accounting system, one applicable to the institutions regulated and supervised by NBR, which to ensure the satisfaction of information requirements of the different users of financial statements, in accordance with the requirements of the European Directives and of the International Financial Reporting Standards (IFRS) (RA, 2013, p. 67)
The legal framework drawn up at a national level by NBR which allows the application of IFRS in the banking sector includes the following normative acts:

- *Order NBR or. 9/2010* on the application of the International Financial Reporting Standards by the credit institutions, as a basis for accounting and for the preparation of individual annual financial statements, starting with the financial year of 2012;
- *Order NBR no. 27/2010* on the approval of the Accounting regulations compliant with the International Financing Reporting Standards, applicable to credit institutions;
- *Order no. 29/2011* on the amendment and supplementation of Order NBR no. 27/ 2010;
- O*rder NBR no. 2/2013* on the amendment of the accounting regulations approved by Order NBR no. 27/2010.

The International standards which are held as reference for the financial system and implicitly for the banking sector are IFRS 7 and IFRS 9. IFRS 7 "Financial Instruments: Disclosures" was the result of revision project of IAS 30. It appeared in 2005 and it applies to all entities which own financial instruments, particularly banks and other financial institutions. Furthermore, the information in IAS 32 has been transferred to IFRS 7 so that all the information regarding financial instruments is contained by a single standard. IFRS 9 "Financial Instruments: Recognition and Measurement" appeared as a result of the need for clarification of the provisions of IAS 39. The role of IFRS 9 is to improve the users' ability to understand the financial reporting of financial assets by: reducing the number of categories of classification, the existence of a unique methodology of depreciation, applicable to all financial assets which are not valued at fair value, as well as the provision of a clear reasoning for the assessment in a certain manner of the financial assets. The objective of IFRS 9 is to establish the principles for the financial reporting of financial assets and of financial liabilities which will present relevant and useful information to the users of the financial statements for the assessment of the amounts, timing and the uncertainty of the entity's future cash flows.

In Romania, starting with 2007, the application of IFRS became mandatory for the preparation of an entity's consolidated financial statements, along with the preparation of the individual financial statements compliant with national regulations. Order no. 907/2005 of the Ministry of Finance has asked banks to prepare a set of consolidated financial statements for 2006 in accordance with IFRS, request subsequently confirmed through Order no. 1.121 / 2006 of the Minister of Finance. In addition, Order no. 1.121 / 2006 of the Ministry of Finance has established and approved the mandatory use of IFRS, starting with 2007, for the consolidated financial statements of the listed companies. The entities of public interest, others than banks and the listed companies, can prepare consolidated financial statements, either in accordance with IFRS, or by applying the national accounting regulations (RAS) in accordance with Directive 7. The entities of public interest could use IFRS for the preparation of a second set of financial statements for specific informational needs.

The adoption of the new standards falls within the global trend of harmonisation of national standards with the international financial reporting ones, given the current economic and financial developments towards the globalisation of the banking operations and hence the growing need for unity at an international level of the accounting rules underlying the financial information published (RSF, 2011, p.127).

4. The challenges of transitioning to IFRS in the prudential plan

The transition to IFRS was preceded by a long process of preparation both at the central bank level and at the level of credit institutions. At the accounting level, as a measure prior to the adoption of IFRS, NBR established through regulations, at the end of 2009, the obligation of compiling a set of individual annual financial statements in accordance to IFRS by the credit institutions for information purposes, for the years 2009, 2010 and 2011, obtained by restating the information presented in the annual financial statements prepared according to the accounting regulations compliant with the European directives as well as a situation which reflects the differences between the national accounting treatment and the one presented in IFRS. (RSF, 2012, p.154).

Ştefan and Muşat (2011) explain that this compromise was necessary because of the heterogeneity of the manner of preparing financial statements by the credit institutions, given that all of them have to apply IFRS (some banks already had had sufficient experience with financial reports consistent with IFRS for many years, while other banks had to apply IFRS for the first time) (Gîrbină, M., Minu, M., Bunea, Ş., şi Săcărin, M., 2012, p. 196).

By emitting Order no. 9/2010 by NBR, the transition to the application of IFRS by the credit institutions as an accounting basis and for the preparation of individual annual financial statements, starting with the financial year of 2012. By the end of 2010, NBR completed the entire set of accounting rules applicable to credit institutions in order to implement IFRS by emitting NBR Order no. 27/2010 (the update of the Chart of Accounts and of the account contents, the presentation of the nature of the changes, including that of the consistency between the accounts in the old chart of accounts and the new one) and has adapted the reporting system for prudential purposes FINREP and COREP (RSF, 2012, p.154). NBR Order no. 27/2010 contains provisions regarding the approval, audit and completion of financial statements, of the chart of accounts, provisions regarding primary documents and additional records of information used, but it does not provide a standardised form of the financial statements or other rules for the recognition, measurement and classification, different from those prescribed by IFRS.

Essentially, the preparation for the transition to IFRS has required:

- Changing the regulatory framework. In this regard, NBR issued Order no. 9/2010 on the transition to the application of IFRS by the credit institutions, as an accounting basis, and for the preparation of individual annual financial statements, starting with the financial year of 2012;
- the elaboration and submission towards NBR of their own strategies and programs for the implementation of IFRS by each credit institution
- the adaptation of the computer systems of accounting records and financial reporting
- the provision by NBR of a slow adaptation of the transition towards IFRS in the prudential plan as well.

Prior to the entry into force of NBR Order no. 27/2010 on the approval of Accounting regulations consistent with the International Financial Reporting Standards, applicable to the credit institutions, as amended and supplemented, the banks applied, as an accounting basis, the Accounting regulations consistent with the European Directives, applicable to credit institutions, non-banking financial institutions and to the Deposit Guarantee Fund in the banking system, approved through NBR Order no. 13/2008, as amended and supplemented (in force until 31 December 2011).

5. The implications of IFRS concerning the created reserves (provisions) for loans quality impairment

The calculation of provisions proved to be one of the biggest challenges for the application of IFRS in the banking system. Thus, given the substantial changes in the accounting methodology, particularly with regard to determining the adjustments for impairment of loans and investments (accounting reserves) and extend the use of fair value measurement of items in the financial statements, it was intended that the transition to IFRS be achieved without recording a significant impact on prudential indicators. This goal was achieved primarily by avoiding cyclical fluctuations caused by the transition to IFRS, at the level of own funds resulting from the application of different models of calculation of the value adjustments (RSF 2012, pp. 154-156).

The treatment impairment of loans under RAS and IFRS

According to national regulations - NBR Regulation no. 16/2012 on classification of loans and investments, and also the determination and use of prudential value adjustments, loans to customers are classified into five categories: standard; in observation; under standard; doubtful and loss.
Under IFRS, impairment adjustments are considered only after the occurrence of a triggering event of a loss, while the principles of prudential regulations require provisioning for expected losses; prior to the trigger event occur, given including estimates based on historical data. In other words, between the prudential model and the IFRS model of determining expected losses and also the adjustments, there are a number of differences (see Table no. 2):

Table no. 2. *Differences between the prudential model and the IFRS model for the recognition of losses*

Prudential model	IFRS model
Name: Prudential adjustments of value	*Name: adjustments for impairment*
provide a foretaste of future losses through ex ante recognition in the financial results of the effects of the loss triggering event towards the effective date of its	adjustments for impairment is established only after the occurrence of a triggering event of a loss

Recognition of losses before the trigger event through prudential provisioning affects directly the diminishing of profit because the level of prudential provisions is higher than the level calculated in accordance with IFRS model. Considering that the NBR pursued in the context of persistent financial crisis to avoid the cyclical increase of own funds due to changes of accounting methodology calculation and therefore undue appreciation of prudential indicators, it decided to implement prudential filters. They were established in order to correct its own funds by reducing its, both with the level of adjustments value determined in accordance with IFRS and also with additional provisioning determined according to the prudential model. Prudential filters aim to adjust the accounting value of the equity so their recognition of prudential own funds to meet the criteria of permanence, credibility of assessment and unconditional capacity to cover losses (RSF 2012, pp. 154-156). The most important prudential filter specific to the banking system in Romania relates to the positive difference between prudential value adjustments of value and adjustments for depreciation (IFRS provisions) on loans to non-banks customers to which the banks determine minimum capital requirements for credit risk, individually, according to standard approach.

In 2012, banks have calculated the level of provisions under both prudential banks rules (called prudential adjustments of value in accordance with the rules in force since 1 January 2012, date when he ceased recording of amounts) (which is 35.9 billion in June 2012 with 16.8 percent more than at the end of 2011) and under IFRS standards (called "impairment adjustments" their balance was 25.5 billion lei in June 2012). It should be noted that since 2012, banks have accounted for only adjustments for depreciation calculated in accordance with IFRS accounting standards, the positive difference between the total prudential adjustments of value and the total of impairment allocated adjustments being used as a prudential filter for own funds calculation and the prudential banks indicators. For purposes of analysis, the central bank uses indicators to assess the adequacy of provisions (Chart 1) as calculated under prudential rules and under the new accounting regulations applicable from 1 January 2012 (RSF 2012, p. 61).

The differences between prudential adjustments of value and adjustments for impairment under IFRS are determined mainly by way of recognition collateral for nonperforming loans provided in NBR Regulation no. 16/12.12.2012 concerning the classification of loans and investments, and determining and use of prudential adjustments value. The decision on the application of prudential filters in 2013 was based on an analysis with available data for 31 December 2011 and 31 March 2012, analysis focused on the impact of placing filters on the solvency ratio of credit institutions. It can be seen from the following table that there were significant differences between the two treatments for determining adjustments of value.

Table no.3. *Evolution of the solvency ratio level*

Indicator	**Period**	**Value**
The value of solvency ratio determined by taking into account adjustments for depreciation calculated in accordance with IFRS	31.12.2011	18,75%
	31.03.2012	18,74%
The value of solvency ratio under prudential regulations, applying the prudential filters	31.12.2011	14,85%
	31.03.2012	14,63%

It may be noted that the aggregate solvency ratio for December 2011 and March 2012, determined by taking into account adjustments for depreciation calculated according to IFRS, recorded a level much higher than calculated in terms of applying prudential filters (by 3.9 percentage points in December 2011 and 4.1 percentage points in March 2012,

Prudential filters have contributed for the maintenance of own funds level used to determine prudential banks indicators similar to that of credit institutions before the introduction of the new accounting standard. In the absence of prudential filters, increase of the equity accounted as a result of the new standards, followed by an eventual dividend distribution form part of reservations or early repayment of subordinated loans, could affect both the liquidity position of credit institutions and their ability to absorb some shocks in terms of adverse developments of the macroeconomic framework (RSF 2012, pp. 154-156).

For purposes of financial stability analysis, started from 2012, the central bank uses the indicator *"The coverage of NPLs with provisions of IFRS and prudential filters related to this category"* to assess the adequacy of provisioning. The inclusion of the prudential filters in the calculation of the indicator, along with IFRS provisions recorded in accounting is justified by the fact that prudential filters represents an amount deducted from own funds in order to increase their ability to absorb losses from credit risk. The central bank decided to continue the use of prudential filters introduced with the transition to IFRS in 2012 and 2013, and phasing them during 2014-2018 (gradually diminishing of deductible portion from own funds in order to determine the prudential bank indicators with 20 percent per year) in terms of implementing Basel III requirements by legislative package CRD IV/ CRR (RSF 2012 P58). The coverage of NPLs with IFRS provisions and prudential filters related to this category can be evaluated as comfortable throughout the period analyzed, and recorded a level of 86.3 percent in December 2012 and 89.5 percent in August 2013. The same conclusion it emerges from the analysis of the indicator determined based accounting, the NPL coverage with IFRS provisions devoted to this category recorded an upward trend (from 61 percent in December 2012 to 63.3 percent in August 2013) (RSF 2012 p. 59).

6. The implications of applying IFRS on equity (own funds)

The level and quality of own funds related to Romanian banking system can be assessed as suitable, given that:

- continue to support a high level of solvency ratio (17 percent in June 2014);
- consist overwhelmingly of Tier 1 (own funds), which has a permanent character;
- NBR decided to continue the use of prudential filters for own funds calculation and prudential banking indicators during 2013 year and the gradual abandonment them during the implementation of additional capital requirements demanded by Basel III regulations (2014-2018).

From estimates by the central bank, the solvency ratio, calculated by excluding the prudential filters, is about 4 percentage points higher than the level reported in accordance with prudential banking regulations in force; the estimated level of the indicator in the absence of prudential filters shows a higher capital adequacy to risk many countries (RSF 2013, p. 40). In Table 4 we can see an evolution of own funds and capital adequacy indicators during 2008-2014.

Table no.4. *Development of own funds and capital adequacy indicators (%)*

	Dec .2008	Dec. 2009	Dec. 2010	Dec. 2011	Dec. 2012	Jun. 2013	Dec. 2013	Mar. 2014	Jun. 2014
Percentage from (own funds) equity	100	100	100	100	100	100	100	100	100
(own funds) Equity tier I	77,3	78,6	80,8	90,7	92,3	92,5	91,1	88,9	87,7
(own fund) Equity tier 2	22,7	21,4	19,2	19,3	7,7	7,5	8,9	11,1	12,3
Total equity (own funds) ratio (> 8%)	13,8	14,7	15,0	14,9	14,9	14,7	15,5	16,3	17,0
Total equity (own funds) ratio (> 6%)	-	-	12,1	12,0	13,8	13,6	14,1	14,5	14,9
Coverage with IFRS impairment adjustments	-	-	-	-	61,10	-	69,1	-	69,8

Source: RSF, 2014, www.bnr.ro p. 33

The volume of own funds held by banks, Romanian legal entities continue to be comfortable, arguing that a high level of capital adequacy indicators, well above the regulatory minimum level of the CRD IV/CRR (total equity (own funds) rate, calculated at an aggregate level it was over 16 percent in the first two quarters of 2014, against the minimum requirement of 8 percent). (Source: RSF 2014, p. 33).

As shown in Chart 2, (Own funds) Tier 1 continue to support in high proportion (Table 4.) own resources of credit institutions and the (Own funds) Tier 1 ratio is very close to the solvency ratio, situation which reflects the high quality of own funds of banks, Romanian legal persons and their ability to cope with potential losses generated by the materialization of specific banking risks. The coverage with IFRS provisioning and the solvency of the banking system remain at a high level (see Table 4).

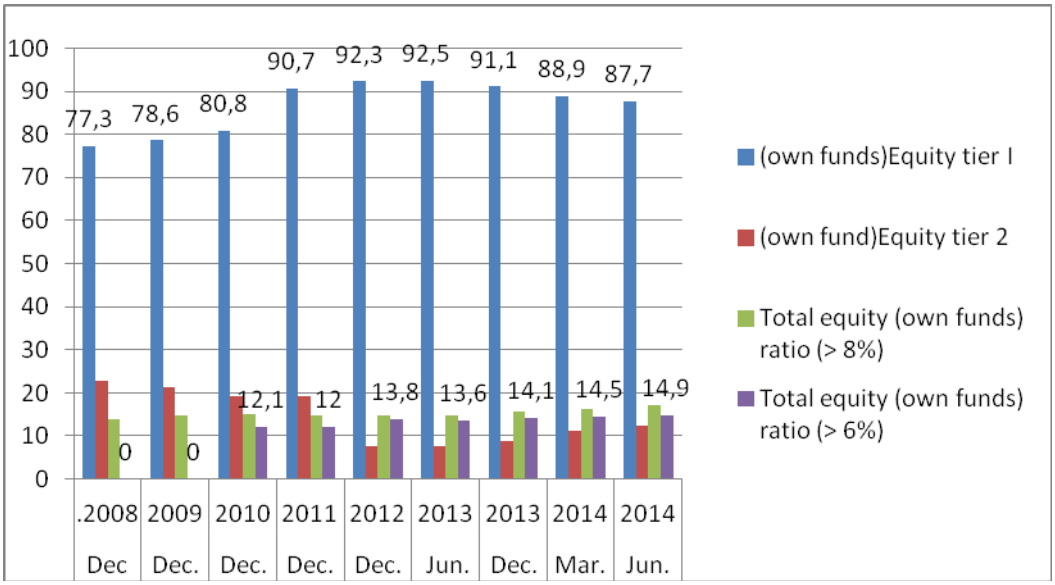

Figure 2. *The development of own funds and capital adequacy indicators in 2008-2014 period*

7. The implications of applying IFRS on the degree of solvency and capital adequacy

Further analysis on the adequacy of capital, based on monitoring the solvency ratio determined at the level of groups of banks in terms of assets held (Figure 2) reveals improve the situation of large banks (solvency ratio gained 0.5 percentage points in June 2013 compared to June 2012, up from 13.4 percent). Solvency calculated under the other two groups of banks has been on a downward trend during the period June 2012 - June 2013, amid negative financial results that have affected the volume of own funds. However, it should be noted that, in both groups, the solvency ratio system is above average of system.

National Bank of Romania classified the credit institutions according to the percentage of assets held by them in total assets of banking system, as follows: large banks, which have a share of the assets exceeds 5 percent of the total; medium banks, which have a share of between 1 and 5 percent of the total; small banks, accounting for less than 1 percent of aggregate assets.

NBR regularly has conducted exercises of stress testing of capital adequacy of credit institutions. The latest stress test exercise of solvency cover a period of three years, from 2014 to 2016, witch is based on a respective series of macroeconomic scenarios used by the European Banking Authority. These scenarios are quite severe and are considering: the reentry into a persistent recession; the sharp depreciation of the national currency against the euro (15 percent), increasing efficiency required by investors long-term government securities market; reducing the market value of the shares; decline in the value of the housing market; unemployment increased by approximately 2 percentage points. The results of this exercise stress test indicates a strong erosion of own funds held by credit institutions. However the banking sector records a comfortable level of the capital adequacy indicators, with values above the minimum required thresholds (to base Tier 1 ratio, 4.5 percent, to Tier 1, 6 percent, respectively to Total own funds of 8 percent). The results obtained are found in the 4th quarter of 2016 the indicator "(own funds equity ratio)" should declining by about 5 percentage points, reaching to 14.65%, while the ratio of (own funds) basic Tier 1 would be about 12%. There is the possibility that a number of small credit institutions to deal with problems, requiring additional

capital contributions to be able to maintain the solvency ratios at the minimum regulated level. One of the causes of this risk at small banks is the low proportion in total assets of financial assets, high efficiency carrier, such as for example, shares, corporate bonds (RSF, 2014, pp. 60-61).

7. General aspects regarding the effects of implementation of IFRS

The global financial crisis has reminded us the importance of financial reporting in the banking field. The role of the accounting rules in the recent financial crisis is currently a controversial topic. In the literature of the field, there are various studies which have conflicting results regarding the effects of IFRS adoption.

By applying IFRS in Europe, it was expected that a greater comparability and transparency of financial reporting would be achieved (Jermakowicz & Gornik-Tomaszewski, 2006), as well as the improvement of the manager's monitoring actions, the reduction of the information asymmetry while reducing the cost of capital. Some of the previous studies have examined the obstacles and difficulties identified in the full implementation of IFRS (Larson & Street, 2004; Jermakowicz and Gornik-Tomaszewski, 2006) and how these standards are applied in different countries Delvaille et al., 2005). Among the obstacles reported we find the complexity of IFRS (Larson & Street, 2004; Hoogendoorn, 2006; Gornik Tomaszewski Jerrmakowicz, 2006) and the insufficiency of for their implementation guidelines (Gîrbină, Minu, Bunea and Săcărin, 2012, p. 195).

For banks, the change in the manner of calculating the provisions has proven to be one of the greatest challenges regarding the application of IFRS. Gebhardt and Novotny-Farkas (2011) have examined the implications of the mandatory adoption IFRS regarding accounting quality in the banks of twelve EU member states and have concluded that the implementation of the recognition method of the losses incurred in accordance to IAS 39 leads to a delayed recognition of the expected future losses. Furthermore, some studies have analysed the negative effects of IFRS on regulatory requirements. Bushman & Landsman, (2010) have analysed these effects on Spanish banks and have concluded that the adoption of IFRS has forced the Spanish banks to move from the calculation of provisions in accordance with the internal accounting norms concerning the application of the provisioning model provided by IAS 39. Bushman & Landsman (2010) have underlined the fact that this could affect the banks' ability to assess their own capital needs, as well as determine the Spanish banking regulators to use more resources for the assessment of the risk profile of each bank.

However, some studies on the effects of the application of IFRS in Europe have come to different conclusions. Thus, Daske (2006) and Jermakowicz and Gornik-Tomaszewski (2006) have found that the application of IFRS has not led to a reduction of capital costs, while Li (2010) noticed a significant reduction. Paananen & Lin (2009) have noticed a decrease in the quality of the accounting information published after the mandatory application of IFRS, while Armstrong et al. (2010) and Lenormand & Touchais (2009) have found an improvement in its quality. After applying IFRS in the EU countries, Hoogendorn (2006) observed an increased volatility of the results reported which makes it harder to assess the performance of companies (Jermakowicz & Gornik-Tomaszewski, 2006; KPMG, 2007) (Gîrbină, Minu, Bunea şi Săcărin, 2012, p. 195).

Some studies (for example, Ball, Kothari, Robin, 2000;. Leuz et al,2003; Ball şi Shivakumar, 2005; Burgstahler colab., 2006) suggest that the quality of the accounting reporting and even that of the accounting standards is not imperative. These studies have shown that quality financial reporting is mainly a result of institutional factors. An important institutional factor is the supervision and regulation of the banking field. Thus, the banking regulatory and supervision authorities use the financial statements as the fundamental documents in order to determine the level of own equity and capital adequacy. The main concern of the banking regulatory and supervision authorities is financial stability and they prefer provisions for credit risk, which is contrary to the approach regarding losses in IAS 39, the current IFRS 9. Thus, the banks under strict supervision regimes can turn to the recognition of higher losses on loans, even after the adoption of IFRS (Günther Gebhardt, Zoltan Novotny-Farkas, 2011).

The results of other researches in the field reveal that financial statements influence management decisions, affect how investors perceive a company and, therefore, have an impact on their investment decisions. Consequently, the financial and accounting statements influence the behaviour of financial institutions, which in turn could have an effect on financial stability.

Cipullo Nadia, Vinciguerra Rosa (2014), in a study they conducted, have analysed the impact of the accounting norms on bank liquidity. The main conclusion reached was that IASB should, among others, pay more attention to the banks' business model and to the characteristics associated with the financial instruments regarding their behaviour towards liquidity. In addition, the study highlights the

fact that in IFRS 9 the term does not exist and that the concept of liquidity should first be defined and then a series of accounting principles on this issue should be established.

Conclusions

The mandatory adoption of the IAS / IFRS norms in force, for the preparation of the financial statements of European companies – and especially of those listed - was and is a necessary step to achieve the full integration of the financial markets of each member state of the European Union.
As such, we can say that the changes which have appeared in terms of the quality of the financial information - due to the issuance and adoption of IFRS- influence the informational efficiency of the financial markets which, ultimately, is a reflection of the overall functional efficiency of the financial markets and, more widely, the economic system as a whole.

At the level of the banking system in Romania, we believe that NBR's main lines of action should be oriented towards:

- the continuation of the efforts made to maintain the solvency, provisions and liquidity of the banks at adequate levels (including after implementing IFRS);
- the identification of new solutions for the resumption of a more balanced crediting by category of coins, while ensuring a level of debt of the borrower who is more sustainable;
- the development and improvement of the management solutions applicable to the credit institutions in difficulty.

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