

Jean Monnet Chair EUFIRE
Research and Teaching Activities on European Union Financial Regulation



PROGRAMME & ABSTRACTS

*INTERNATIONAL CONFERENCE ON
EUROPEAN FINANCIAL REGULATION*
EUFIRE

MAY 18-19, 2018

IASI - ROMANIA

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Research and Teaching Activities on European Union Financial Regulation

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CONFERENCE PROGRAM

Friday, the 18th of May 2018

9.00 – 9.30	Registration: Aula Magna Hall, Alexandru Ioan Cuza University of Iasi, Building A, blvd. Carol nr. 11, Iasi
9.30 – 10.00	Opening: Aula Magna Mihai Eminescu, University “Alexandru Ioan Cuza” of Iasi, Building A <i>European Week at University “Alexandru Ioan Cuza” of Iasi Celebrating Romania 100 years</i>
10.00– 11.15	Plenary Session <i>International Conference on European Financial Regulation EUFIRE</i> Aula Magna of the University “Alexandru Ioan Cuza” of Iasi Keynote speakers: PhD. Georgios Zagouras, European Central Bank, Germany PhD. Cosmin Flavius Costas, University Babes Bolyai Cluj Napoca Chair: Prof. Mihaela TOFAN, holder of the <i>Jean Monnet Chair European Financial Regulation EUFIRE</i>
11.15 - 11.30	Coffee break: Hall of Ferdinand Room University “Alexandru Ioan Cuza” of Iasi
11.30 – 12.30	Panel Taxation Reform in Romania: demands, goals and present effect Prof. Simona Gherghina, University Bucharest Assoc. Prof. Ciprian Păun, University Babes Bolyai Cluj Napoca Assoc. Prof. Alin Andrieș, University “Alexandru Ioan Cuza” of Iași Assoc. Prof. Ioan Lazăr, University “1 st December” of Alba Iulia Ferdinand Room, A Bulding
13.00 – 14.00	Lunch – <i>Akademios</i> Restaurant University “Alexandru Ioan Cuza” of Iași
14.00 – 15.45	Parallel Sessions Building R, University “Alexandru Ioan Cuza” of Iași <ul style="list-style-type: none"> • Section 1 EU Financial Regulation and Financial Stability • Section 2 EU Financial and Banking Regulation • Section 3 EU Financial Regulation and Administrative Area • Section 4 EU Public Spending and Control • Section 5 EU Tax Law
15.45 – 16.15	Coffee break – Building R – IV th floor hall
16.15 – 18.00	Parallel Sessions Building R of University “Alexandru Ioan Cuza” of Iasi
19.00	Cocktail – Celebrating Romania 100 years – Museum of the Union

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EUFIRE 2018 SECTIONS AND EVENTS

Section 1 EU Financial Regulation and Financial Stability/R411

Chairs: Assoc. Prof. Alin-Marius Andries, University “Alexandru Ioan Cuza” of Iași

Lect. Simona Nistor, Babes Bolyai University, Cluj

Section 2 EU Financial and Banking Regulation/ R407

Chairs: Assoc. Prof. Angela Roman, University “Alexandru Ioan Cuza” of Iași

Assoc. Prof. Irina Bilan, University “Alexandru Ioan Cuza” of Iași

Section 3 EU Financial Regulation and Administrative Area R404

Chairs: Assoc. Prof. Jarmila ŠEBESTOVÁ, Silesian University in Opava, Czech Republic

Assoc. Prof. Ana Maria Bercu, University “Alexandru Ioan Cuza” of Iași

Section 4 EU Public Spending and Control/R420

Chairs: Prof. Simona Gherghina, University of Bucharest

Assoc. Prof. Ada Popescu, University “Alexandru Ioan Cuza” of Iași

Section 5 EU Tax Law/R402

Chairs: Assoc. Prof. Ciprian Paun, Babes Bolyai University, Cluj

Lect. Sandra Gradinaru, University “Alexandru Ioan Cuza” of Iași

Open lecture: Present demands for EU financial regulation/C610

Prof. Violeta Cojocaru, State University of Moldova, Chisinau

Workshop for students: EU Law – Present Achievements and Demands/C810

Chairs: Lect. Elena Cigu, University “Alexandru Ioan Cuza” of Iași

Lect. Dan Lupu, University “Alexandru Ioan Cuza” of Iași

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Section 1 EU Financial Regulation and Financial Stability

Room R411

Chairs: Assoc. Prof. **Alin-Marius Andrieș**, Alexandru Ioan Cuza University of Iași

Lect. **Simona Nistor**, Babes-Bolyai University, Cluj

Registered papers:

- **CONSUMER CREDIT DEFAULT ANALYSIS FOR NON-BANKING FINANCIAL INSTITUTIONS¹**

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Abstract

Using a large dataset of a commercial bank's consumer credit applications we assess the role of FICO score in estimating the consumer credit default. The methods we employ rely on decision tree models which have been recently proposed for credit risk analysis, but also on the classical logistic regression. The findings of both models show that clients with a younger age, a lower education or part of a family with few members are significantly associated with overdue loans. Also, the distribution channels could significantly impact the performance of loans. When comparing the performance of the models it appears that the decision tree technique is the most successful in predicting the behaviour of the clients and in establishing the cut-off of the scorecards. This method could provide useful information for credit analysts in assessing ex-ante the clients' probability to not service the loans at maturity, in addition to the widely used FICO score.

Keywords: Consumer credit default, FICO score, Credit scoring, Decision tree, Logistic regression

¹ This work was supported by a grant of the Romanian National Authority for Scientific Research and Innovation, BRIDGE GRANT DSS-Direct, project number PN-III-P2-2.1-BG-2016-0447.

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- **DETERMINANTS OF CREDIT RATIONING IN THE EUROPEAN BANKING SYSTEM**

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Abstract

Driven by the importance of external financing for the development of SMEs, this paper studies credit rationing along the European territory, contributing to the literature by analyzing the banking sector using five alternative measures - the HHI, 5-bank asset concentration, the Lerner Index, the Boone indicator and the H-statistic. We empirically test for the Market Power Hypothesis against the Information Hypothesis using Probit regression. Based on the Survey on the Access to Finance of SMEs and querying a sample of approximately 18,000 firms, the investigation supports the Market Power Hypothesis, outlining that more concentrated banking markets are characterized by higher levels of credit rationing. Financial constraints are dwindled in more competitive markets. Addressing the heterogeneity of the results issue, the size of the firm impacts the access to external financing, small firms being more intensively credit rationed due to their increased levels of risk and firm opacity. Financial constraints are more intense in the countries with low levels of financial intermediation and firms from Austria, Belgium, Finland, France, Germany and the Netherlands face eased access to external sources of funds.

- **THE IMPACT OF FISCALITY AT MACRO AND MICROECONOMIC LEVEL IN ROMANIA**

Ciprian APOSTOL, Alexandru Ioan Cuza University of Iași, ciprian.apostol@uaic.ro

Abstract

The notions of "fiscality" have emerged to meet the economic, financial and social needs of the state. On this notion there are many interpretations, understandings and definitions in the conceptual, methodological and applicative sense. Taxes are how the state budget revenues supplies needed to finance public expenditure. At the same time, they represent an instrument of intervention in the economic and social life, because, by establishing their level, the state intervenes in

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carrying out economic and social activities and influences the population's consumption capacity.

Each state promotes its own fiscal policy. It establishes the number, type and size of taxes and duties that are structured in relation to different criteria to assess and analyze the effects of taxation on the dynamics of the economy. The tax strategy changes quite frequently, depending on economic, social and political, domestic and international developments.

Companies must comply with the accounting and tax rules and to keep records of all transactions according to regulations. The accounting principles, rules or rules are not, in some cases, the same as those in fiscality. Thus, the link between fiscality and accounting is complex.

The objective of the research is to identify the main tax changes and to highlight their impact on the formation of budgetary revenues, but also on the economic and financial activity of the companies. The research method is the non-participatory observation. The results of the research aim at highlighting the effects of macroeconomic and microeconomic fiscal changes in Romania.

Keywords: fiscality, accounting, company, taxes, Romania

- **THE IMPACT OF CORPORATE GOVERNANCE ON THE FIRMS' RISK-TAKING AND GROWTH**

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Daniela BALUȚEL, Alexandru Ioan Cuza University of Iași, danielabalutel@yahoo.com

Abstract

This study focuses on the impact of the level of corporate governance on the risk-taking investment behavior of firms and its implications on firms' growth rate. The paper has two contributions, first it introduces a corporate governance index to document its impact on investment risk-taking behavior of firms and second, this study is one of the first that emphasize the impact of the firm-level corporate governance on investment risk-taking that further will lead to corporate growth. The analysis is using a cross-country/firm-level sample, covering the period from 2004 to 2009. The paper uses a multi-level analysis to capture these effects. In the first stage, the relationship between corporate governance and risk taking is modelled, while in the second stage, the instrumented risk-taking is used to capture the firm's growth. The results show that for the risk-taking model, corporate governance has a nonlinear effect, in particular an inverted U-shape relationship is identified. For the growth in sales and assets models the results show that corporate risk-taking and corporate growth rate are positively associated with the level of corporate governance in line with John, Litov, and Yeung (2008).

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- **SYSTEMIC RISK SPILLOVERS AND INTERCONNECTEDNESS BETWEEN SYSTEMICALLY IMPORTANT BANKS**

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Nicu SPRINCEAN, Alexandru Ioan Cuza University of Iași, sprincean.nicu@uaic.ro

Abstract

In this paper we assess the degree of interconnectedness and quantify the linkages between the two groups of systemically important institutions (G-SIB and O-SII) and the system, defined as the MSCI World Financials index. We document an increase in interconnectedness during the crisis, especially between G-SIBs and the system. As we expected, G-SIBs are the main contributors to system wide distress being at the same time the most exposed to systemic risk. However, on average, the O-SIIs have a greater idiosyncratic risk as measured by VaR, reiterating again the drawbacks of a micro-prudential supervision. Also, G-SIBs and the system appear to be the transmitters of return spillovers, whereas O-SIIs are the receivers of return spillovers.

- **THE ROLE OF MACROPRUDENTIAL POLICY IN MANAGING CREDIT GROWTH**

Florentina MELNIC, Alexandru Ioan Cuza University of Iași,
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Abstract

One of the causes of the recent financial crisis was the excessive credit growth during 2001-2006 that gone into bust following the subprime borrowers' default or real estate investors' default. Therefore, it is important to establish the effectiveness of macroprudential policy in limiting credit growth and to define the existing asymmetries between macroprudential policy and credit growth. Using an international sample of 414 banks located in 61 countries, this paper assesses the effectiveness of macroprudential policies in controlling short-term and long-term credit growth. Empirical findings indicate that macroprudential policies have a stabilizing effect on short-term, reducing credit growth, while on long-term tight macroprudential policies increase credit growth. These results confirm the literature conclusion that the impact of macroprudential policy is generally more immediate but shorter-lasting comparative with the impact of monetary policy (Zdzienicka, Chen, Diaz Kalan, Laseen, &

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Svirydenka, 2015). In addition, in a difference-in-difference approach, we explore if there are asymmetric effects of macroprudential policy on credit growth across different types of countries, banking systems, policy regimes and banks' characteristics.

- **DISCIPLINARY EFFECTS OF FINANCIAL INTEGRATION AND THEIR INFLUENCE ON GROWTH PATH**

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Anca Florentina GAVRILUȚĂ (VATAMANU), Alexandru Ioan Cuza University of Iași, gavriluta.anca@yahoo.com

Abstract

Given the fact that in the context of financial integration, to influence economic growth it is also necessary a consolidation of fiscal policy and the stability of public finances, in this paper we analyse the relationship between financial integration and fiscal policy, highlighting the importance of the disciplinary effects by reducing fiscal deficits and (discretionary) spending volatility of first concept. Basically, in our analysis, we want to build a research that stressed the importance of interplay between the variables involved, with the objective of economic growth. Our results suggest a high level of interconnectedness between the three variables namely financial integration, fiscal policy and economic growth and highlight that international financial integration has increased the importance of financial sector policies. In addition, we find that financial integration affects the composition of government debt and enhances risk-sharing by increasing the share of foreign debt to the total. So, countries need strong macroprudential policy frameworks. For our analysis, we retrieved data from the Eurostat and World Bank, including the EU 28-member states over the 2000-2014 period.

Keywords: financial integration, fiscal policy, economic growth.

- **THE INFLUENCE OF OFFSHORE LINKS ON FINANCIAL INDICATORS. EMPIRICAL STUDY ON COMPANIES LISTED ON THE BUCHAREST STOCK EXCHANGE**

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Abstract

Tax havens have been and continue to be the main way through which companies elaborate tax optimization strategies in order to reduce their tax expenses. In this respect, companies are constantly seeking tax benefits and asset protection opportunities in offshore jurisdictions. This paper investigates the financial characteristics of the Romanian quoted companies with links to offshore jurisdictions by comparison with the companies without such connections. We involved quantitative variables in the study, which reflect the financial characteristics of the listed companies, such as: return on equity ratio, return on assets ratio, gross margin, indebtedness (financial leverage), turnover taxation rate, effective tax rate, intangible assets rate, tangible assets rate and revenue per employee. To analyse the data, we have used, complementary to the descriptive methods, the correlation analysis, the multiple regression analysis and the factorial multiple correspondences analysis. The analysis of the financial profile of the Romanian listed companies depending on the existence of connections to tax havens has emphasized a series of differences regarding their financial performance, indebtedness, structure of the assets and their tax burden.

Keywords: tax havens, offshore jurisdictions, tax optimization, financial performance, effective tax rate

- **THE IMPACT OF FINANCIAL INTEGRATION ON FINANCIAL DEVELOPMENT: EVIDENCE FROM THE EUROPEAN UNION**

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Cristina DUHNEA, "Ovidius" University of Constanta, cristina@duhnea.net

Abstract

In 2004, the European Union had the largest expansion since its creation, with ten states joining the European community. Since then, three more countries have become EU members. The process of financial integration has been perceived by specialists as raising problems for both new members and the EU as a whole, but has equally been regarded as a development opportunity for the financial systems of the newly admitted countries. This paper aims to analyse the extent to which financial integration has had a positive effect on the level of financial development of the 13 countries that joined the EU after 2004. Since their financial systems are mostly bank-based, we will focus on the evolution of size and efficiency indicators of the banking sector prior and post accession, without neglecting the developments of other financial intermediaries'

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statistics. The conclusion we hope to draw from the analysis is that financial integration has a positive effect on the financial systems of the "youngest" EU member countries, contributing to the levelling of disparities between them and the financial systems of the developed countries.

Keywords: financial integration, financial development, European Union

- **IMPLEMENTATION OF AIFS' REGULATION IN THE REPUBLIC OF MOLDOVA, BASED ON LUXEMBOURG EXPERIENCE**

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Abstract

Contemporary financial relations between investors and recipients related to effective management of financial resources have evolved in necessity of more effective application of flexible and efficient fund product structuring solution and asset management frameworks.

Meeting of the needs of different types of investors makes legal regimes favorable and convenient, allowing implementation of various alternative investment strategies and permitting investments in a large variety of eligible asset classes. The current European aligning regulatory tendencies have not affected the stable functioning of AIFs, but on the contrary, offer conditions for more legally certain investment environment. The adoption of AIFMD on the level of EU brought the regulation of AIFMs at another level through the opportunities it has introduced. Many countries have placed AIFMD in operation fast and successfully. AIFMD regulates managers of AIFs, while regulation of AIFs remains at national discretion that is why the mentioned draft may be significantly improved. Implementation of a comprehensive and consistent legal and regulatory framework for AIFs operation will offer a good tool for speeding-up and enhancing the quality of certain investment processes in Moldova. From the date of Republic of Moldova's independence proclamation in 1991, Moldova has evolved sufficiently so that organic necessity in appearance of AIFs has arisen. The first attempts to institute a national legal regime for AIFs started in 2008 and, currently, NCFM has prepared a draft of AIF Law which comes to compile into a single law transposition of AIFMD, ELTIF and EVCF Regulations. Owing a rich heritage dated back nearly one hundred years and more in offering very flexible investment vehicles, Luxembourg is one of the globally highest developed financial centers and first one in Europe. Authors disclose the research topic, based on the Luxembourg best and tested experience, which,



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adapted to the national specifics of Moldovan market, may serve a good example of AIFs regulation.

Keywords: Alternative Investment Funds, Non-UCITS, Undertakings for Collective Investments, Collective Investment Vehicles, AIFs' Regulation, AIFMD, Asset Management, Structured Finance, Investment Funds, Risk-spreading Investments.

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Section 2 EU Financial and Banking Regulation

Room R407

Chairs: Assoc. Prof. **Angela Roman**, Alexandru Ioan Cuza University of Iași

Assoc. Prof. **Irina Bilan**, Alexandru Ioan Cuza University of Iași

Registered papers:

- **COMPETITION-STABILITY IN THE BANKING SECTOR AND ECONOMIC GROWTH IN CENTRAL AND EASTERN EUROPEAN COUNTRIES**

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Abstract

The stability of the financial system represents an important requirement for sustained economic growth. The academic literature dedicates numerous studies to the pair-wise effects between banking competition, banking stability, and economic growth, the results being different for countries and regions. The purpose of our paper is to analyse the causal relationship among banking competition, banking stability, and economic growth for a panel of 11 Central and Eastern European countries. The study deploys a Vector Error Correction modelling (VECM) and the panel Granger causality is used to examine the direction of causality between the variables. The analysis is based on different measures of banking competition and respectively several variables to represent the level and status of banking stability. The empirical results highlight that the variables are cointegrated, indicating the presence of long-run equilibrium relationship between banking competition, banking stability and GDP per capita growth. The results of our empirical study indicate both unidirectional and bidirectional causality between banking competition and economic growth and, respectively, non-uniform results for the relationship between banking stability and economic growth. The paper is relevant because, from the perspective of the dimension and interconnections between the institutional sectors, the banking sector is strongly interconnected with both the non-bank financial sector and the real sector, and competition-stability trade-off is important in order to maintain the economic performance of CEE countries.

Keywords: Banking competition, banking stability, economic growth, CEE countries, VECM

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- **WHAT DRIVES BANK COMPETITION? EMPIRICAL EVIDENCE FROM EUROPEAN BANKING SECTOR**

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Nicoleta-Livia PINTILIE, Alexandru Ioan Cuza University of Iași and Laboratoire d'Economie d'Orléans (LEO), nicoleta.pintilie@etu.univ-orleans.fr

Abstract

In this paper, we identify the major determinants of competition at bank-level based on an extensive sample of 4,477 commercial, cooperative and savings banks from 28 countries belonging to European Union. The timeframe under analysis is 2000-2016. As regressand, we introduce adjusted Lerner index, an efficiency-adjusted non-structural measure that accounts for market power and is inversely related to bank competition. Moreover, we consider macro-economic conditions (i.e. GDP per capita, annual GDP growth, annual inflation rate), foreign ownership of the financial institutions, market contestability (i.e. activity restrictions and barriers to foreign investments), the degree of financial intermediation (i.e. domestic credit to private sector as a fraction of GDP) and national institutional differences (i.e. property rights index, regulation index and banking freedom). We estimate the model using system GMM and as robustness check, we utilize two alternative measures like Boone indicator, an index of profit-efficiency and Herfindahl-Hirschman, a structural variable of competition. Fiercer competition determines banks to consolidate, making competitive financial institutions activate in concentrated markets. The presence of foreign investors and a favorable environment for them enhances the competition level. Activity restrictions impede the competition among large banks, whereas tighten policies make banking sector more competitive.

Keywords: Bank competition, market power, concentration, Boone indicator

- **FINANCIAL INCLUSION AND BANKING STABILITY: EFFECTS OF INSTITUTIONAL QUALITY**

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Valentina Diana RUSU, Alexandru Ioan Cuza University of Iași, valentinadiana.ig@gmail.com

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Abstract

In the last years, financial inclusion has become a priority for policymakers due to its effects on economic growth, employment and financial stability. The objective of our research is to empirically assess and analyse the potential relationship between financial inclusion and banking stability in EU countries. In addition, our study aims to investigate whether the impact of financial inclusion on bank stability is differentiated according to the quality of governance institutions in countries where banks operate. By using panel data estimation techniques, we estimate empirically the effects of various indicators of financial inclusion and of institution quality on bank stability (expressed as the ratio of non-performing loans and bank Z-score). We also take into account several macroeconomic and bank sector specific variables as control variables. The results of our panel data regression analysis indicate that a high level of financial inclusion leads to higher banking stability. In addition, we find that the positive impact of financial inclusion on banking stability is amplified in countries with better quality of institutions. On the whole, our paper reinforces the idea that increasing financial inclusion through measures taken by policymakers would help strengthen financial stability.

Keywords: Financial inclusion, Banking stability, Institutional quality, Governance quality, EU countries.

• **CONSIDERATIONS ON THE INFLUENCE OF THE FUTURE EUROPEAN MONETARY FUND ON THE ROMANIAN FISCAL POLICY**

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Abstract

Over the last years, the European financial crisis generated different proposals including the proposal to establish a European Monetary Fund which was considered in 2010 to be a solution to manage the public debt of the EU member states. The proposal took into consideration the fact that the Member States should coordinate their economic policies and challenges.

Based on the proposal made in the last speech “State of the Union Address” of the Jean-Claude Juncker, the European Commission President, on 13 September 2017 the European Commission presented on 6 December 2017 a set of proposals regarding the next steps for further deepening Europe's Economic and Monetary Union (EMU). One of

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the proposal included in COM (2017) 827 final referred to a Council Regulation for the establishment of the European Monetary Fund.

The paper is a continuation of an analysis published by the authors at the beginning of this year on the proposal of the European Commission to create a post of an Economy and Finance Minister. As already stated, the EU member states have the obligation to cooperate, to coordinate and to ensure sound public finance in order to prevent excessive macroeconomic imbalances. The aim of this paper is to present the role of the new to be created European Monetary Fund in the EU overall structure, its responsibilities but also its influence on the future Romanian fiscal policy that should apply the rules of the Fiscal Compact and reduce debt-to-GDP ratio.

Keywords: European Monetary Fund, fiscal policy, Fiscal Compact, public debt, fiscal and financial rules

• EFFECTS OF INTERNAL AUDIT CHARACTERISTICS ON BANK PERFORMANCE

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Abstract

The aim of the paper is to find if the internal audit characteristics have effects on bank performance. The data used in our paper is from 2003 to 2015 period. We conducted a panel data regression data (fixed, random effects and first-difference). We used data from Romanian, Bulgarian, Poland and Albanian commercial banks as reported by Bureau Van Dijk database. The variable that we are interested in is a categorical variable manually collected by analysing the annual reports of the banks from our sample, reflecting the internal audit component for our model. Our results showed that there are some statistically significant effects of our categorical variable on bank profitability in all countries and that an independent internal audit committee has an important role for the bank's performance in our analysed countries.

Keywords: Audit characteristics; Financial Reporting; Bank Profitability

• LEGALIZATION OF RISK NOTIONS IN BANK CREDIT AGREEMENTS

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Abstract

The institution of hardship is a remedy for the contractual imbalance, and it should not be or become a remedy for the imbalance between the property of the debtor and the property of the creditor, as it is intended to protect the contractual debtor.

The giving in payment, as matter of principle, involves risk-sharing between debtor and creditor, if the debtor is unable to pay, by giving up the property, with the consequence that the debt is discharged. Therefore, the debtor has to be in a situation of inability to pay.

Although art. 4 of Law no. 77/2016 regulates the conditions for the establishment of the right to settle the claim arising from a credit agreement and its accessories by the giving in payment of the immovable property, as a result of Constitutional Court Decision no. 623/2016, the law can no longer be applied without making a distinction between debtors acting in good faith and those acting in bad faith.

It remains to be seen how the courts will find the most adequate and correct variants of harmonization of the hardship mechanism with the specificity of the forced giving in payment, as well as the general rules of giving in payment provided for by the Civil Code.

Meanwhile, the notion of risk applicable to banking business seems to leave its well known path in the credit contracts and face a legalization process in order to protect the consumer's rights. In analyzing this phenomena our article will also focus on the analysis of risk sharing, the EU Regulation no 575/2013, the National Bank regulations concerning credit risks and the relevant Court of Justice of the European Union case law.

Keywords: inability to pay; division of risks; legalization; division of benefits; contractual imbalance in relation to own investment; binding force of agreement; incapacity of execution; stage negotiations.

• **BITCOIN AND THE ISSUE OF ITS REGULATION**

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Abstract

The appearance of Bitcoin has brought an alternative to traditional money. However, beside its advantages consisting in secured, cheaper and faster transactions, borderless use, anonymity of the participants and lack of inflation, which makes it attractive for many people, Bitcoin also generates significant threats not only towards banks and economy, in general, but also to the society. Its private nature, beyond the supervision of any authority and especially the anonymity ensured for the participants in transactions with Bitcoin opens possibilities of using it in money laundering and terrorism activities, but also for speculative attacks on traditional currencies.

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Moreover, intermediating the sales of goods and services it interferes with traditional payment systems and may affect the monetary policies of governments from all over the world, including European Union countries. Therefore, debating on the issue of finding ways to regulate the use of Bitcoin in order to prevent such threats become justified and led us to the conclusion that beyond the need of regulations to be created by each country, because of its borderless use, there needed also regulatory measures to be taken on global scale by institutions like IMF or European Commission. Moreover, because of its dual nature, for regulating Bitcoin there is a need to combine the legislation applicable to traditional currencies with the one applicable to financial assets.

Keywords: Bitcoin, currency, financial asset, regulations, IMF

- **NUMERICAL FISCAL RULES IN THE EUROPEAN UNION COUNTRIES: A POST-CRISIS ASSESSMENT**

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Abstract

The international economic and financial crisis of 2008 and debt crisis of 2010 reiterated in the EU Member States the need to strengthen or introduce new mechanisms aimed at constraining governments' behaviour and ensuring the long-term sustainability of public finance. Such mechanisms generally include numerical fiscal rules, or indicators of fiscal performance established as ceilings or targets that are used to set constraints on fiscal policy. This paper aims to assess the changes in the domestic fiscal rules frameworks of the countries in the European Union in the aftermath of the crisis, compared to their pre-crisis composition and features. In particular, we will refer to the nature of these rules (budget balance, public debt, expenditure or revenue rules), their coverage, the monitoring bodies and the mechanisms implemented to ensure that deviations from the rules are timely corrected, and therefore the rules are effective in ensuring sound fiscal policies in the future. Our analysis reveals an increase in the number of domestic fiscal rules in force in the EU countries, supported by the strengthening of EU fiscal governance, although some deficiencies still persist.

Keywords: fiscal rules, public finance sustainability, correction mechanisms

- **MACROECONOMIC VOLATILITY EFFECTS ON STOCK MARKET VOLATILITY IN CEE COUNTRIES**

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Abstract

The researches carried out on the transmission of volatility from developed stock markets to emerging stock markets from Central and Eastern Europe reveals that the latter are slightly influenced by the volatility of the former. Also, stock markets in Central and Eastern Europe are much more affected by new shocks and information occurring on their own market, than by the shocks in the developed markets. In this context, our work aims to continue analyzes of the transmission of volatility, with the study of the emerging countries' own factors that determine the volatility of the stock markets. The paper aims to determine whether the volatility of the stock markets of emerging countries in Eastern Europe is influenced by the volatility of macroeconomic and financial factors. The study, also, seeks to identify macroeconomic variables whose volatility exerts a greater influence on the volatility of stock markets. The volatility of Central and Eastern European stock markets is influenced by the volatility of the same macroeconomic indicators? The study considers the Central and Eastern European countries with the highest capitalization of the stock markets: the Czech Republic, Poland and Hungary. We considered potential factors whose volatility influences the volatility of stock markets: industrial output, consumer price index, nominal exchange rate dollar / currency of the country considered, broad money supply (M3). In order to determine the volatility of the stock markets considered, as well as the macroeconomic and financial factors, heteroscedastic models were used. The obtained results confirm the asymmetric nature of stock market volatility in the Czech Republic and Hungary. Thus, their volatility is higher in periods of downward evolution than in ascending evolution periods. This feature is not specific to the Polish capital market.

Keywords: stock market, macroeconomic volatility, risk, heteroscedastic models

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Section 3 EU Financial Regulation and Administrative Area

Room R403

Chairs: Assoc. Prof. Jarmila ŠEBESTOVÁ, Silesian University in Opava, Czech Republic
Assoc. Prof. Ana Maria Bercu, Alexandru Ioan Cuza University of Iași

Registered papers:

- **A COMPARATIVE ANALYSE OF SOCIAL DIALOG IN EUROPEAN ADMINISTRATIVE AREA**

Ana-Maria BERCU, Alexandru Ioan Cuza University of Iași, bercu@uaic.ro

Abstract

Due to the challenges from social and economic environment, the labour relations in European Union faces a fast changes. The diversity of national systems is one of the most important factors that reflect the discrepancies among European member states. Our paper proposes a comparative analyse of social dialog in European member states. Our analyse reveal that in the countries where the social dialog is most structured, the competitiveness and resilience of economic and social system are assured, and in the countries where social dialog is not widely establish, the social dialog becomes part of a mix of social and political decisions with a great impact in society (i.e. financial aid, Troika – European Commission, European International Bank and International Monetary Fund). The methodology approach is based on the reports of European Commission, data from Eurostat, National Statistical Authority, and International Labour Organization.

Keywords: social dialog, labour relations, European administrative area

- **TRANSPARENCY IN THE MUNICIPALITY SPENDING: THE FINANCIAL HEALTH INDEX**

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Abstract

Local governments in the Czech Republic have an advisory role to their municipalities. A ministry of finance defined a set of financial indicators (SIMU system) which could be used for financial health evaluation, but only two of them are obligatory. The SIMU system comprises a total of four units indicators, of which only two are monitored by Ministry of Finance (a share of liabilities to total assets in %, and the current ratio. Indisputable advantage is its standard form of financial evaluation for all municipalities and relatively simple method of calculation based on delivered data. Main disadvantage can be seen in the fact that the municipality receives feedback only for two indicators, which have a recommended value. The municipality does not get a clear idea of the state of its cash position and this approach is not taking into account short-term and long-term indebtedness as well as the size of the municipality.

As citizens or members of local government we both want to know how effectively public money has been spend and how to change the situation in the near future. Financial health of municipalities is closely connected with performance management. Main goal of the paper is to present results of project made in cooperation with local government in Moravian-Silesian region to support transparency in the municipality spending, when own methodology of financial health of municipalities was developed and tested. This approach supports citizen's engagement into public matters through standardized approach to each municipality based on eleven ratios. The results could be transparently seen on a special website.

Keywords: financial ratios, financial health, performance management, spending transparency

• OVERVIEW ON FISCAL DECENTRALIZATION IN EUROPEAN UNION COUNTRIES

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Abstract

The architecture of fiscal decentralization in the European Union countries is diverse due different historical perspectives and different needs. The paper will try to provide an overall survey on the design of fiscal decentralization in the landscape of the 28th countries of European Union taking into account theoretical aspects and empirical evidences and to propose some policy recommendations to strengthen the fiscal role and performance of local governments in the EU countries. We estimate the analysis to offer us a new viewpoint on the architecture of fiscal decentralization in EU-28 with positive aspects that define sustainable local public finances, but also aspects that require new solutions and fiscal policy options. This research paper can be considered

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a useful viewpoint in understanding the complexity of financial decentralization, being an addition to the existing literature on the field of local public finances.

Keywords: fiscal decentralization, subnational government, local budget, European Union countries

• THE ECONOMIC AND SOCIAL IMPACT OF ENTREPRENEURIAL ACTIVITY

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Abstract

The successful entrepreneurship is a component of sustainable development and It is a multidimensional phenomenon with positive impact on job creation but also an innovative process.

The entrepreneurial activity generates significant changes in product offers, new logistic processes and business models.

In this paper we analyze the entrepreneurship contribution to economic and social development, referring to a set of indicators that reflect the creation of jobs and, also innovation in entrepreneurial activity.

• ECONOMIC MODELS OF FINANCING HEALTH SERVICES IN THE EUROPEAN UNION

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Abstract

In most countries, governments decide on the percentage of GDP allocated to the healthcare system and the amount of population contribution, based on fundamental arguments, to cover the demands of the sector. These arguments can be multiple,

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related to ethics, history, political, economic, etc., which outline a general framework that analyzes the main economic considerations for designing healthcare funding. Although the universally binding health care right for a minimum uniform set of services can be guaranteed by the state, this is not a certainty, especially for people that do not have compulsory health insurance. Thus, the higher the minimum set of health services taken into account as the basis and the number of people that do not contribute to the mandatory national health insurance system, the higher the cost of services and, implicitly, the contributions of the contributing this sense. In an attempt to find a balance between accessibility and efficiency goals, a variety of sources of funding health care have emerged across the EU, combining state spending as a percentage of GDP, own spending, additional health insurance, and funding on a tax or social health basis.

Keywords: economy, financing, health, services, models

- **ASSESSMENT OF IMPACT OF THE UKRAINE'S HYDRO POWER EXPANDING PROGRAM ON SUSTAINABLE DEVELOPMENT OF AQUATIC ECOSYSTEMS IN THE BLACK SEA REGION**

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Abstract

The basic principle of ensuring environmental security is to determine the level of permissible environmental risk, taking into account economic and social factors in the process of human activity.

In order to prevent the aggravation of the environmental problems, to prevent a potential environmental damage and destruction ecosystem of the Dniester in particular, the public health, as well as the economic foundations, not only for the Republic of Moldova and the Ukraine, but for the whole Black Sea region, should consolidate the efforts of all interested structures and actors (including the non-governmental sector), to block the implementation of the Ukraine hydro power expanding program.

Now, the Dniester cascade of hydro power plants have already led to negative consequences, but the future construction of another complex of six hydroelectric power stations will cause even more environmental problems. Additional six hydroelectric power stations have been planned for construction in the next 10 years according to Ukrainian Government Program of Hydropower Development until 2026.

The lack of basin approach in the usage of aquatic resources of this transboundary river, as well as the noncompliance with provisions of the Convention on the Protection

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and Use of Transboundary Watercourses and International Lakes can lead to an ecological catastrophe both for the Dniester River, Black Sea wetlands and Black Sea by itself.

That's why in the decision making process about six hydro power plants, the states should achieve a harmonious combination of the three components of the concept of sustainable development (environmental, economic and social), which are closely interconnected and only such a combination, would achieve the necessary balance in development.

Taking into account the prevailing situation in the region, it is necessary to elaborate and adopt special convention on the Dniester based on a unified concept by the coastal states. Implementation of environmental policy of the states is not possible outside the context of the law-making process.

Keywords: sustainable development, environmental security, transboundary river, hydro power plants, convention.

- **PERCEPTIONS ON RURAL VOLUNTEERISM AND ITS CONTRIBUTION TO SUSTAINABLE DEVELOPMENT IN ROMANIA. A CASE STUDY**

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Abstract

The seventeen Sustainable Development Goals, which will have to be reached by 2030, will require significant human and financial resources, including increased volunteer – based participation. Over the past years, at the European Union level, increased focus was being put on the importance of developing a quantification method for the social and economic value that volunteerism brings in the society. In Romania, the percentage of people who did not get involved in volunteerism remains high, although is decreasing (from 80% in 2010 to 72% in 2016), as revealed by a recent report published by the Civil Society Development Foundation. The aim of the case study subject to the current research was to identify the social and economic values of volunteerism in a rural Romanian commune, as they are perceived by three major community leaders – mayor, school principle and priest. Data were collected using key informant interview method, and then analysed using content analysis. The findings of the research showed that the concept of volunteerism is more understood at an informal level. Additionally, no management processes and practices of volunteerism were identified. In relation with sustainable development, the social value of volunteerism was identified under the form of collective education, while lacking awareness on its economic value.

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Keywords: volunteerism, management, sustainable, development, rural.

• THE IMPACT OF CORRUPTION ON ENTREPRENEURSHIP IN EMERGING EUROPEAN COUNTRIES

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Abstract

Entrepreneurial activities are affected by many factors, both at the micro and macro level. At the micro level, the emphasis is on the entrepreneur as a person, his skills, capacities, and personal and individual traits that give him the ability to identify and exploit entrepreneurial opportunities. At the macro level, entrepreneurship plays a critical role in economic growth and public policy. It is also assumed that entrepreneurial activities are affected by institutions, which are critical determinants of economic behavior and economic transactions.

Many empirical studies have analyzed the relationship between entrepreneurial framework conditions and entrepreneurial activities. However, little attention has been paid to the impact of corruption on entrepreneurship. To fill this gap, our research aims to analyze the effects of the control of corruption, as one of the institutional economics dimensions, on entrepreneurship in emerging European countries. The analysis is conducted on annual data covering 13 years (2004-2016) and 8 countries (namely, Bosnia and Herzegovina, Bulgaria, Croatia, Latvia, Poland, Romania, Slovak Republic and Hungary). The baseline model is a two-way fixed-effects panel data model, where different measures of entrepreneurship are used as independent variables, and an index of control of corruption as the main dependent variable. The main sources of data are the publicly available databases of the World Bank and the IMF (Worldwide Governance Indicators, Doing Business Project, International Financial Statistics and Balance of Payments) and GEM (Global Entrepreneurship Monitor) database.

Our hypothesis, confirmed by our results, is that a better control of corruption is connected with a high level of entrepreneurial activities. It is argued that when corruption is present, the entrepreneur faces a highly increased risk that those involved in its value chain will be opportunistic.

Keywords: corruption, entrepreneurial activities, emerging economies

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- **ASPECTS REGARDING THE PROTECTION OF EMPLOYED WOMEN. COMPARATIVE LAW ELEMENTS**

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Abstract

Both women and young people are considered vulnerable and require a special protection regime. Roman law assigns an important part to the conferring of these rights. The present article analyzes briefly the elements of protection of employed women, but basically draws out comparative law elements and indicates a series of proposals for legislative improvements.

Keywords: employed women, comparative law, labour law.

- **THE FINANCIAL NATURE OF THE MARKET OF VOLUNTARY MEDICAL INSURANCE IN THE COUNTRIES OF THE EUROPEAN UNION**

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Abstract

Within the framework of this article, it is advisable to consider trends and mechanisms for reforming health systems that are key elements in achieving success.

The review of national health models of the EU countries shows a rather wide range of possible approaches to financing, organising and providing medical care. While expectations related to health care systems are growing, and cost justification is constantly being questioned, governments need to find the answer to the cardinal question: what is the most appropriate way to finance our health care?

As a rule, not one country has only one net source of income. Historically, most countries in Europe have developed primary financing systems of health care, either from the budget or through health insurance. To a greater or lesser extent, the primary health financing system is being developed in the presence of other forms. Currently, all existing health systems are reduced to three main economic models. These are: paid medicine, based on market principles using private health insurance, state medicine with a budgetary financing system and a health system based on the principles of social insurance and market regulation with a multi-channel financing system. It is interesting to note that the principles of insurance medicine in most countries of the world still dominate both completely private and fully public funding.

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The corpus of data on the impact of various methods of financing is growing. The present study explores ways to mobilise revenues and the consequences of choosing a funding mechanism or a combination of mechanisms. Different mechanisms are evaluated on the basis of various criteria, one of which is the impact on social justice. Do we want to put a paying heavy burden on the poor and the sick? Existing evidence suggests that the mobilisation of revenues for health market mechanisms are limited. Privatisation can lead to the violation of the principles of social justice and equal access to services: private health insurance is very regressive, and user charges are a gross political tool.

The purpose of our study is to analyze the nature and characteristics of the market for private (voluntary) health insurance in the European Union in terms of market structure and financing functions.

Keywords: health system, market, voluntary medical insurance, financing, income, health models

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Section 4 EU Public Spending and Control

Room R 411

Chairs: Prof. **Simona Gherghina**, University of Bucharest

Assoc. Prof. **Ada Popescu**, “Alexandru Ioan Cuza” University of Iași

Registered papers:

- **UNFAIR TERMS IN CONTRACTS CONCLUDED BY LAWYERS FROM THE PERSPECTIVE OF THE EUROPEAN UNION LAW AND THE COURT OF JUSTICE OF THE EUROPEAN UNION JURISPRUDENCE**

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Abstract

Present paper aims to examine to what extent Council Directive 93/13 / EEC of 5 April 1993 on unfair terms in consumer contracts is applicable to contracts concluded by lawyers.

This analysis addresses the lawyer's contractual position from two perspectives. The first aspect is to qualify the legal assistance contract as a contract that falls within the scope of regulating abusive clauses and implicitly qualifying lawyer as a "seller or supplier" within the meaning of the Directive. The second direction of the research concerns, on the one hand, the applicability of the European Union law and the national transposing law regarding the abusive clauses in the credit agreements concluded by a lawyer with a banking institution, and on the other hand, to what extent a lawyer's office, a legal person, can be considered a "consumer" from the point of view of the Directive.

The present study focuses mainly on addressing the issues raised by the jurisprudence of the Court of Justice of the European Union which, although it has not changed its optics, has qualified the lawyer both as a "seller or supplier" and as a "consumer".

The academic and practical interest of the work derives from the fact that it addresses both law theorists and lawyers from all EU Member States or even the other liberal legal professions, notary, judicial executor, etc.

Keywords: EU Law, unfair terms, abusive clause, consumer contracts, lawyer.

- **STUDY ON THE AUDIT OF PROJECTS FROM EUROPEAN FUNDS IN 2007-2013 AND IMPACT ON PRESENT AND FUTURE OF GRANTS**

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Abstract

Starting with January 2014, it was considered that only financial auditors can participate in auditing European projects, in accordance with the Protocol concluded between the Ministry of European Funds and the Chamber of Financial Auditors in Romania. Even if a financial auditor's financial statements were audited by a financial auditor, however, the audit report drawn up in connection with them does not replace the auditor's report on a project financed by European funds that the entity benefited from and which be drawn up in accordance with a particular reference. Of course, all of these aspects looked at the projects to be funded from the 2014-2020 Programs. But, in the context of the current regulations on the implementation of the 2014-2020 operational programs, the independent financial audit of European funded projects is no longer a mandatory activity. As a result, the Collaboration Protocol has become obsolete and has therefore been terminated (in May 2017) by a number of specialists disputed. Given the conditions, the audit of the projects remains under the responsibility of the Audit Authority within the Court of Accounts of Romania.

This study aims at identifying the most frequent irregularities with financial impact of the beneficiaries of European projects found during the 2007-2013 period, given that the last report of the Court of Accounts on these aspects signals that the Audit Authority has detected irregularities in fish € 50 million in expenditure declared for settlement by the European Commission in 2013 by Romanian entities benefiting from a Grant from Structural and Cohesion Funds. Starting from the results of the study, it is intended to identify the most risky systems that are considered the most risky, encountered at the level of the beneficiaries of funds by the Audit Authority in the period 2007-2013, precisely in order to draw an alarm signal in this regard for the audit of the projects launched from 2014 onwards. In addition, it is also envisaged to support the reintroduction of the obligation for independent audit of projects funded by European funds.

Keywords: financial audit, structural funds, cohesion funds, Chamber of Financial Auditors in Romania, Court of Accounts, Audit Authority

- **THE FIFTH ELEMENT. PUBLIC BUDGETS AND VALIDITY OF CONTRACTS**

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Abstract

A well-established legal routine seems to have neglected to include in the current domain of legal analysis the relation between the budgetary allocations from public funds and the contracts by which specific payment obligations are undertaken by public sector entities. The analysis of this necessary relationship between budgetary allocations and contractual obligations, of its underlying principles and ensuing consequences, is likely to emphasize specific causes of nullity of the contracts entered in disregard of this relationship. This contribution proposes a review of certain cases when either the contract that is entered into or amended without due consideration to the budgetary allocations, or the award procedure organised for such contract, may not be valid, focusing on the legal consequences as well as exploring potential remedies.

- **ENSURING INTEGRITY IN ROMANIA'S PUBLIC PROCUREMENT**

Ada Iuliana POPESCU, Alexandru Ioan Cuza University of Iași, ada.popescu@uaic.ro

Abstract

Public procurement has always been a sensitive issue in Romania because the spending of public money was done inefficiently due to an array of factors such as corruption, lack of knowledge or lack of political will. The new EU directives on public procurement have forced all EU member states, including Romania, to improve their legislation in order to avoid unlawful behavior and enhance integrity in the public procurement procedures. However, these new provisions cannot improve integrity by themselves but should be corroborated with other administrative and penal rules in order to achieve it. This paper presents some of these provisions that combined, should make public procurement “cleaner”.

- **LOCAL FINANCIAL MANAGEMENT UNDER LEGISLATIVE CONSTRAINTS – THE ROMANIAN CASE**

Florin OPREA, Alexandru Ioan Cuza University of Iași, foprea@uaic.ro

Abstract

Managing local governments' incomes and expenditures in the framework of local administrative autonomy appears to be at the first sight just a matter of local public choice, since local authorities have the possibility to freely decide about a large part of their revenues, expenditures destinations or contracting loans. However, central authorities are required to keep under a reasonable control the entire fiscal system, in order to ensure the overall budget balance, thus being necessary to enforce by law a set

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of specific arrangements. In this context, our paper proposes a qualitative analysis of the Romanian legislative framework of local financial management, aiming to reveal the main sources of malfunctions and to propose the corresponding solutions, as public policy recommendations.

- **THE EFFICIENCY OF PUBLIC SPENDING ON TERTIARY EDUCATION IN EU. A STOCHASTIC PRODUCTION FRONTIER APPROACH**

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Mircea ASANDULUI, Alexandru Ioan Cuza University of Iași, mircea.asandului@uaic.ro

Abstract

Tertiary education is a major factor of economic growth, since the increase in productivity is strongly dependent on highly qualified labour force. A stochastic production frontier is estimated together with a technical inefficiency model using data regarding resources used in tertiary education and research and education outcomes. We estimated the technical inefficiency component of public spending on tertiary education of Romania and of the other EU countries. The empirical findings show a high average efficiency at EU level, with notable differences among countries, the most efficient being the Netherlands, Finland and Ireland. The results also indicate that the outcomes of the tertiary education can be significantly improved, in all the cases, since none of the countries delivers the maximum output they could deliver if they were fully efficient.

- **PROTECTING EU FINANCIAL INTERESTS IN ROMANIA BY MEANS OF CRIMINAL LAW: DOES DLAF (ROMANIAN ANTI-FRAUD DEPARTMENT) HAVE INVESTIGATIVE POWERS REGARDING CRIMINAL INVESTIGATIONS?**

Daniel ATASIEI, Alexandru Ioan Cuza University of Iași, datasiei@gmail.com

Abstract

The article focuses on DLAF's competences and on the legal instruments that have been made available to it at national level to help identify and investigate criminal offenses affecting the financial interests of the European Union. From the point of view of substantive criminal law, our findings were that Law no. 78/2000 on the prevention,

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detection and sanctioning of corruption acts designated in art.5 par. (3) which were the crimes against the financial interests of the European Union, namely those described in articles from 18[^] 1 to 18[^] 5.

From the procedural point of view, the same law assigns investigative powers during the criminal investigation phase to the specialized structure for the anti-corruption fight within the Public Ministry, namely the National Anticorruption Directorate. DLAF is not mentioned either in Law no. 78/2000 or in the Code of Criminal Procedure as a body with judicial powers (criminal prosecution body); so, apparently, the law does not confer any competence on the investigation for these crimes to DLAF. On the other hand, according to art. 61 of Code of Criminal Procedure, for a number of administrative bodies, criminal procedural law recognizes the right to make a minimal preliminary investigation when, in their field of activity, (such administrative structures being also DLAF) it discovers elements of criminal nature - the results of this minimum investigation must, however, together with the collected data, be immediately reported to the criminal judicial authorities (the Antic -corruption Directorate in our case). In this respect, the procedural provision is complemented by Article 10 of Law 61/2001 on DLAF, which even allows DNA prosecutors to request DLAF to carry out controls on compliance with legal provisions on the protection of the financial interests of the European Union. In the final part, the article analyzes the extent to which the acts drawn up by DLAF have probative value in the criminal proceedings and may lead to the conviction of a person by reference to the extent to which the administrative investigations carried out under these controls are compatible with the observance of rights and guarantees for persons investigated.

- **CONSIDERATIONS ON CIVIL FINE. BETWEEN THE TRADITION OF REGULATION AND THE NEED FOR REFORM**

Dan Constantin MĂȚĂ, Alexandru Ioan Cuza University of Iași, danmata@uaic.ro

Abstract

The civil fine is an administrative sanction, which represents a sum of money that the person committing a contravention is obliged to pay and which turns into revenue to the state budget or to the administrative-territorial units. Unlike the criminal fine, the civil one does not result in revocations or prohibitions for the sanctioned persons nor is it a precedent influencing a future sanction.

The civil fine may be applied to any offender, natural or legal person, and is the most frequent main civil sanction due to its advantages for the sanctioning body. Currently, Government Ordinance no. 2/2001 stipulates the minimum and maximum limits of the civil fine, depending on the category of normative act, and determines the destination of the amounts resulting from the application of the civil fines. The amounts paid by the legal entities are, as a rule, revenue to the state budget, and the amounts resulting from

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the fines imposed on the natural persons according to the legislation in force are integral revenue to the local budgets.

The article analyses the main controversies in the doctrine regarding the legal amount of the civil fine, the destination of the amounts paid as a fine and the possibility of increasing the fines imposed on the persons with repeated contraventional behaviour.

Keywords: civil fine; the state budget; local budget; contraventional relapse

- **FUNDAMENTAL PRINCIPLES OF PUBLIC PROCUREMENT AND THEIR LIMITS**

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Abstract

The paper on the Fundamental principles of public procurement and their limits addresses one of the most important and complex issues regarding the regulatory framework and the application of public procurement regulations, both in the European Union and in Romania.

These fundamental principles draw the guiding lines for conducting public procurement in order to avoid distorting the free competition and the free markets in European, since, according to the experience of the European Commission and of governments of the Member States as well as to the practice of the European Court of Justice, public procurement represents one of the greatest challenges we are facing at European level.

Failure to comply with the fundamental principles has led to a vast European judicial practice and to adapting the European and national legislation in this field, and therefore, we believe that this subject remains open for debate and can lead to further developments applicable to other national and European regulations in this area.

The formulation of these fundamental principles in the European legislation is the result of an ongoing practice, and the current study aims to bring the attention on public procurement regulations and practices in Romania that would improve the activity in the public administration and raise the efficiency of public spending.

Keywords: public procurement, fundamental principles, applicable sanctions, judicial practice.

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- **PROPENSITY TOWARD EXPANDING SHADOW ECONOMY UNDER THE PRESSURE OF TAXATION'S CONFISCATORY NATURE. EU HIGHLIGHTS**

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Mihaela IFRIM, Alexandru Ioan Cuza University of Iași, mihaela.ifrim@uaic.ro

Abstract

The propensity of most European governments to increase the level of tax burden in order to support higher governmental expenditures oriented towards boosting economic activity became a trend in the post crisis period. When such measures are accompanied by complementary decisions such as the increase of minimum wage, a more pronounced state intervention and a weakening of the rule of law, the reality reveals a totally opposite perspective regarding long term prosperity. Using VECM, variance decomposition and Granger causality analyses on an unique dataset consisting in tax burden, shadow economy index, tax revenues and institutional effectiveness indicators, the purpose of this paper is to highlight the harmful effect of oppressive taxation and institutional fragility on the long run economic perspective, and moreover its direct contribution to the expansion of the underground economy. As results point out, such negative deep implications are more pronounced for developing EU countries, where the fiscal expansionary policies act on a fragile and vulnerable economy and social system.

Keywords: shadow economy, tax burden, institutions

- **CORRUPTION AND PUBLIC SPENDING. EASTERN EUROPEAN COUNTRIES CASE STUDY**

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Abstract

The effects of corruption on government spending are a serious debate; and fewer studies are on this subject in East Europe. This paper analyses these effects using an ARDL methodology for 3 Eastern European countries in the period 1995-2017. The results indicate that there is interaction between corruption and public spending, undermining the positive effects of last one.

Keywords: corruption, public spending, ARDL model

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Section 5 EU Tax Law

Room R402

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Registered papers:

- **FIRST STEP IN A CONFLICTING DIALOGUE: PRELIMINARY PROCEDURE IN BUDGETARY AND FISCAL LITIGATION**

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Abstract

Our study is conducted based on the general observation that contemporary procedures in administering public resources tend to solve conflicting hypothesis in a similar manner. The central piece of our work is the preliminary procedure (the administrative appeal) within the framework of budgetary and fiscal litigation. In this perspective, we can identify three working platforms: the budgetary procedure of managing public resources, the fiscal procedure of collecting public resources and a particular context of the budgetary procedure for European funds. These platforms share a significant number of similarities regarding litigation, including within the preliminary procedure (a filter effect, strict substantive and formal requirements for the application, and a short deadline for submission). The current study leans on analyzing the functions and constraints of this particular preliminary procedure, the role of these elements and also outlining the frame of the concept of preliminary procedure in accordance to the requirements of the right to a fair trial. All these elements generate a rather rigorous path of litigation solving with a background of protecting the weaker side.

Keywords: administrative appeal, preliminary procedure, budgetary litigation, fiscal litigation

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- **REFLECTIONS ON THE TAXATION OF HOUSEHOLD INCOME IN ROMANIA**

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Abstract

The taxation of personal income in Romania is currently based on the individual income, with no reference to the marital status and/or the income of the household. In recent years a strong debate raised on the reform of the current system, by adopting the taxation of the global income of the household. Around the world, the individual income tax is largely marriage neutral, and countries that have taxes on households do leave the choice to the taxpayers to be treated separately or joint. This paper analyses the practices in use around the world, the advantages and disadvantages of the taxation of the household income and the main implications of its adoption in Romania. Policy recommendations are made accordingly.

Keywords: household income, income tax, tax equity, tax efficiency

- **FISCAL ILLUSION – AN ACTUAL PERSPECTIVE**

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Abstract

The ongoing pro-development strategies that countries are promoting in the current era are based on the idea of finding as much public financial resources as possible to cover the growing financial needs. The more citizens understand less the financial / tax-related changes, the more they will transfer a larger part of their income or wealth to the state. This creates the phenomenon of "tax illusion" first developed by Italian economist A. Puviani in 1903.

After more than a century, governments behave in the spirit of this concept, making non-transparent public financial decisions that lead to an increased size of government and imprudence in the tax matters.

Thus, taxpayers are in the situation of not fully understanding the tax burden related to the income earned as a result of truncated information transmitted by public decision makers and uncorrelated fiscal measures proposed and applied by governments.

In this sense, a fiscal measure that wants to have a positive impact on the disposable income of individuals, such as the reduction of the income tax of individuals, becomes, in fact, a tax illusion, since it is accompanied by a transfer of social contributions from

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the employer to the employee, which thus cancels out the effects of a supposed measure to stimulate consumption/saving taxpayer decisions.

- **NON-CURRENT ASSETS DEPRECIATION AND IMPAIRMENT BETWEEN LEGAL, ACCOUNTING AT TAX RULES: EVIDENCE FROM ROMANIA**

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Abstract

The study analyzes the evolution of the Romanian accounting rules on the depreciation and impairment of tangible assets, with the identification of several characteristic indicators for Romanian listed companies. In terms of evolution, the rules are fairly stable over time, but with numerous adaptations that bring them closer to international standards and with a de jure evolution that leads to the disconnection of accounting from taxation. The share of tangible assets in the listed companies' balance sheets is significant (around 50% on the regulated market and 60% on AeRo). This also leads to a significant impact of the depreciation and impairment charges on the financial indicators of listed companies (over 50% and 80% of EBITDA respectively). The most-used method of depreciation is the straight-line method, with a severe decrease of the use of the accelerated method when applying IFRS. In audit reports for quoted companies, in the case of amended opinions, there are often references to depreciation, impairment and revaluation of fixed assets.

Keywords: non-current assets, depreciation, amortization, material impact on EBITDA, book-tax (dis)connection

- **TIME TO ASSUME THE FUTURE OF VAT**

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Abstract

The transitional arrangement provided by the Sixth Directive is 40 years-old now. Throughout this period, the economic environment has drastically changed. Transactions are made online and payments are made in digital currency under blockchain solutions, people are accommodated via AirBNB and not by contacting a hotel,

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traditional services were largely delocalized and replaced with electronical ones. On top of that, not even current deliveries of goods are functioning properly from a VAT perspective, raising problems with respect to the proof of transport.

Maybe the good old European VAT system shows its age and it is time for a refresh. For certain, in the new shape it is expected to be more flexible, more visionary, but rational at the same time.

From a legislative point of view, a lot has happened in VAT in the last two years: proposals by the Commission in 2016, 2017 and 2018, OECD International VAT/GST Guidelines published in 2016 and 2017 and a lot more is yet to come.

The EU Commission announced that it is „time to decide“ for a „single EU VAT area“, based on the destination principle, as the definitive arrangement would enable the appropriate fighting against fraud, the decrease of the administrative burden and the due adjustments to the challenges of today's global, digital and mobile economy.

- **TAXPAYERS FOR THE INCOME TAX. PARTICULARITIES IN THE ROMANIAN LAW FOR INDEPENDENT ACTIVITIES**

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Abstract

The paper makes a brief overview of income tax regulation in our country, by reference to the categories of taxpayers and the legislative novelties concerning the regime of income tax exemptions. The categories of taxable income are presented, but also elements related to the residents' regime and the jurisprudential inputs related to the delimitation of activities dependent on independent activities.

Income tax is a direct and subjective tax aimed at the collection by the competent authorities of a share of the earnings made by individuals. In tax practice, two different ways of settling and calculating the income tax on individuals can be used, namely separate taxation of any income and global taxation of individuals' incomes.

Although the Romanian legislator abandoned this method, the global identification of incomes earned by individuals is the current trend in the domestic tax systems. It is in fact the result of the gradual shift towards a different way of levying public revenues on the budget. More public revenue comes from indirect taxes, which means that their weight in relation to indirect taxes is getting bigger. The paper also presents the particularities of the income taxation for the independent activities and the transformation of the legal framework in this field.

Keywords: income tax, independent activities, regulation

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• THE CONCEPT OF PRESCRIPTION IN TAX LAW. TRADITION AND CONTEMPORARY REGYME

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Abstract

The prescription of material right to action is one of the institutions with tradition in the history of legal science. As a consequence, it is also analyzed in the tax law doctrine, especially due to the nuances conferred by the legal nature of the tax relationships.

The differences in Romanian regulation for the prescription of the substantive right to action (three years and five years long, respectively, when the holder of the prescribed right is the state) has generated controversy over the violation of fiscal equity and the observance of the principle of equality before the law. These polemics were solved in favor of the longer period for the prescription of the material right to action for all prescriptive rights in the fiscal law, whether individuals or public authorities. The effects of the prescription are always the same: the limitation of the possibility to obtain the execution of a violated right. Being an absolute impediment, the prescription blocks not only the legal actions for the recovery of damages but any other procedure to obtain the execution of the law, except voluntarily execution. Recently, there is a concept change in the material tax law, in the sense of modifying the effects of the prescription and this legal concept as a whole. In fact, it is not the first time when the CJEU creates new rules, affecting fundamental values that seemed untouchable. Thus, in the very recent opinion of this court in the matter of VAT, the right to reimbursement of the tax can be claimed after the period of limitation has been fulfilled, in certain circumstances. This jurisprudence will modify the internal legal framework governing the fiscal establishment and, in our opinion, it will open up new horizons for research and development of tax law theory at EU level, in general, and at the level of Member State legislation in particular.

Keywords: prescription, taxation, CJEU jurisprudence, VAT

• PARADIGM SHIFT IN AUDITING THE EUROPEAN PUBLIC INTEREST ENTITIES' ANNUAL REPORTS

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Abstract

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One of the most dynamic features of the capital markets and the audit profession are financial reporting and auditing. In the last twenty years, many and fundamental changes impacted the content, format, and reliability of business information that is exchanged in the capital markets. For a long time, the public interest entities (PIEs) were associated with listed companies. The auditors were seen as confidence providers for the information published by PIEs. At the same time, a fall in confidence in the integrity of the financial market was caused by a number of financial reporting and auditing failures. For these reasons, the role and responsibilities of auditors in the recent financial crisis are still under the scrutiny. As a consequence, in the European Union, new rules on statutory audit and this adoption generated a revised definition of the public interest entities (PIEs) in most European countries. In this context, the purpose of this study is to identify the changes and the challenges for the audit profession in Europe. Because the primary objective of the European reform on the statutory audit for PIEs is to increase the quality of audits, we will also analyze the direct and indirect implications of new rules on the public oversight of statutory auditors and audit firms in EU member states for the quality of audit and for the activities of the audit firms. For this purpose, we identified the current state of affairs regarding the organization of public oversight of statutory auditors and audit firms in European countries and the characteristics of these activities. Our research confirms the fact that the role of statutory audit cannot be separated from the role of financial and non-financial information, which is likely to vary across institutional settings, stakeholder categories and types of companies.

Keywords: statutory audit, public interest entities, audit quality, public oversight of audit profession.

• **THE USE OF LEGALLY UNDEFINED CONCEPTS IN THE PRACTICE OF ROMANIAN TAX AUTHORITIES**

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Abstract

The practice of tax authorities to motivate their administrative-tax acts by referring to the terms “carousel”, “pipeline”, “bucket”, and “ghost” is contrary to the principle of legality, and attacks the essence of taxpayers’ subjective rights when it comes to tax matters. This administrative practice is inconsistent and parallel to the binding jurisprudence of the Court of Justice of the European Union. Therefore, it is necessary to either normalize these concepts for reasons of legality, certainty, fiscal predictability, or to abandon them in administrative practice.

Keywords: legal rules, tax fraud, carousel operations, tax concepts, jurisprudence.

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- **THE RESEARCHER IN TAX LAW, BETWEEN THE FULFILLMENT AND THE FAILURE OF HIS CALLING. AN ANALYSIS OF THE ANTI-ABUSE TAX RULES IN THE EU**

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Abstract

The main research problem which this papers addresses is a summary of all the research obstacles that the author has met with when writing his own doctoral thesis on the topic of abuse of tax law. Particularly, the author has faced an acute lack of points of reference in his specific research field, those cognitive elements meant to offer theoretical support and stability to one's study. It is distinctly relevant to note that most of the doctrine analyzing the juridical phenomenon of abuse of tax law within the EU find its "ultima ratio" argument in the EUCJ jurisprudence or in the EU legislation, without even attempting any critical assessment of these sources.

In this context, besides many other subsidiary research questions, the main research question guiding the present study is: why is it important for the abuse of tax law researcher to look for reference points in his investigation outside of the formal EU law sources he is examining?

We will try to answer this question throughout the two main parts of this paper which will present (I.) the hyper-specialization of the EU tax law researcher and (II.) the side effects of this hyper-specialization.

To sum up, the answer to the research question (and of the thesis this paper will defend) will be that unless the researcher will look for reference points outside of the formal law sources he is studying, he will ultimately fail to fulfill his calling. Namely, by disregarding the points of reference of classical law epistemology, he will ultimately become a mechanical repeater and an ideologist following shallow formalism.

Keywords: Abuse of tax law in the EU – Tax law researcher's hyper-specialization – Tyranny and Anarchy – Classical law epistemology.

- **DREAMING AT THE EUROPEAN COMMON TAX CODE. NEW PERSPECTIVES AND CHALLENGES**

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Abstract

Tax policy in the European Union has two major components - Direct Taxation and Indirect Taxation. In theory the direct taxation remains the sole responsibility of Member States, but the CCCTB and CCTB brings a new perspective on the issue. Indirect Taxation affects free movement of goods and freedom to provide services in the single market. With regard to direct taxation, the EU has however established some harmonised standards for company and personal taxation and member states have taken joint measures to prevent tax avoidance and double taxation. The Member Countries are very conservative and rejected the proposed idea of European Tax Code. The Member States exert this resistance as tax law is one of the last resorts in economic policy-making whereby national governments may exercise their influence with a view to improving the competitive edge of their economies. In addition to noble economic objectives, tax measures constitute the means whereby politicians may influence the level of their electors' income, thereby indirectly influencing their choice in casting their votes.

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