

## A managerial approach regarding the Romanian municipal bonds market in regional context

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*Abstract:* The universe of bonds is huge because the innovative process is very intense. For this reason, the issuers have multiple choices in order to finance their activity and the investors have many possibilities to buy different types of bonds. In Romania, the offer of bonds is limited, the public securities being the most important type of bonds listed on exchange. The municipal bonds are new instruments used by many Romanian local authorities in order to finance their development's activity. These securities are important not only for issuers, but also for local and foreign investors. Many of these securities are traded on the official Romanian stock market - the Bucharest Stock Exchange. For many years, the municipal bonds were the only securities traded on the bonds market of the Bucharest Stock Exchange. In time, even if the dimensions of this market have grown, the share has decreased because new bonds are listed on official stock exchange: corporate bonds and treasury bonds.

*Key words:* bond, securities, municipalities, loan, interest rate, capital market, maturity

### 1 Dimension of bonds at international and regional level

The bonds market is in a development process at international level, and quantitative and qualitative aspects could be remarked. The innovation process is intense and the investors have many possibilities to buy different types of bonds like income bonds, catastrophe bonds, floating rate notes, convertible bonds, zero-coupon bonds, mortgage-backed bonds, dual-currency bonds or junk bonds. In recent years, the necessity to protect public companies against hostile acquisition brought a new type of bonds on capital market: the bonds with anticipated redeem call or put provisions. These provisions are activated when an invader buys majority stake in target companies. In other cases, specific types of bonds like catastrophe

bonds or mortgage-backed bonds are issued in order to transfer the risk.

In the last year, the interest of individual and institutional investors for bonds have been increased because the international financial crises has been affected the return of shares and derivative securities. For this reason, the value of bonds traded on exchanges increased, and some exchanges recorded important positive changes between 2007 and 2008. Taking in account the value of bonds traded, at international level, the most important exchanges are European exchanges like BME Spanish Exchanges, London Stock Exchange and OMX Nordic Exchange (table no 1).

The specialists draw attention that the innovation process has some limits and the securitization have increased connectedness across financial institutions and countries.

*Table 1 The largest exchanges according to the total value of bonds traded*

Exchange	2008 (USD bn)	2007 ( USD bn)	% changes
BME Spanish Exchanges	6,823	5,854	16.5%
London Stock Exchange	6,118	3,605	69.7%
OMX Nordic Exchange	2,546	2,797	-9.0
Colombia Stock Exchange	468	526	-11.0%
Istanbul Stock Exchange	406	480	-15.3%

Source: Focus no 191/2009, p. 33, World Exchanges Federation, <http://www.world-exchanges.org/files/focus/pdf/Focus%200109.pdf>

*Table 2 The number of bonds listed at the main European exchanges at the end of 2008*

	<b>Total</b>	<b>Domestic private</b>	<b>Domestic public</b>	<b>Foreign</b>	<b>% Change 2007- 2008</b>
BME Spanish Exchanges	5,128	4,665	432	31	6.9%
Deutsche Börse	25,045	10,957	1,654	12,434	-3.8%
London SE	15,519	8,903	121	6,495	5.6%
Luxembourg SE	32,933	0	1	32,932	4.7%
NYSE Euronext (Europe)	4,044	0	341	3,703	27.5%
OMX Nordic Exchange	5,068	4,412	323	333	5.0%
Oslo Børs	1,041	892	95	54	69.8%
SIX Swiss Exchange	1,350	366	105	879	1.2%

<http://www.world-exchanges.org>

Different factors like optimism, underestimation of risk, leverage, globalization and securitization have started the financial crises that have affected the international capital market.

At international level, the European exchanges are the leaders regarding the number of bonds listed. Taking in account this criterion, the most important bonds market is Luxembourg Stock Exchanges, followed by Irish Stock Exchange and Deutsche Börse. At these exchanges, the principal segment is foreign segment. We remark a rise of number of bonds listed on secondary capital market in the case of Oslo Börse and NYSE Euronext.

The Luxembourg Stock Exchange is almost a market exclusively for foreign bonds, many of the listed bonds being issued by international financial institutions.

Taking in account the number of bonds issued by public authorities, at Deutsche Börse over 1,600 of public securities are listed. But for many

European exchanges, the main sector of bonds market is domestic private bond segment (table no 2).

In Central and Easter Europe, the stock exchanges could be divided in two sectors: traditional exchanges that have long activity like Wiener Börse and new exchanges established since 1990. Some of them like the Budapest Stock Exchange, the Wiener Börse, the Ljubljana Stock Exchange and the Warsaw Stock Exchange are members of the Federation of World Exchanges and some of them are members of the Federation of European Securities Exchanges (FESE). The exchanges from the former socialist countries were set up in order to facilitate the privatization of state owned companies. Because of that, the first and most important segment of these exchanges is equity market and these exchanges have small dimensions compared with exchanges like London Stock Exchange or Euronext.

*Table 3 The value of bonds trading, 2008*

Exchange	Trading Days	Electronic	Off - Electronic	Total	Turnover (EUR m)
		Order Book Transactions	Order Book Transactions		
Bratislava Stock Exchange	246	360.5	23,969.3	2,301	24,329.8
Bucharest Stock Exchange	65	89.6	2.9	8,863	92.4
Budapest Stock Exchange	251	1,549.9	83.1	12,978	1,633.0
Bulgarian Stock Exchange	250	126.6	4.8	1,421	131.3
Ljubljana Stock Exchange	250	257.1	0.0	5,384	257.1
Prague Stock Exchange	252	145.2	25,270.2	8,754	25,415.5
Warsaw Stock Exchange	251	626.3	67.8	29,740	694.2
Wiener Börse	250	807.1	//	27,133	807.1
<b>TOTAL FESE</b>		<b>358,819.7</b>	<b>11,364,546.7</b>	<b>7,419,543</b>	<b>11,723,366.3</b>

Source: <http://www.fese.be/en/?inc=art&id=4>

Table 4 Total Bonds Trading, 2008 vs 2007

Exchange	Total 2008		Total 2007	
	Trades	Turnover (EUR m)	Trades	Turnover (EUR m)
Bratislava Stock Exchange	2,301	24,329.8	2,036	10,361.7
Bucharest Stock Exchange	8,863	92.4	205	141.8
Budapest Stock Exchange	12,978	1,633.0	17,264	839.9
Bulgarian Stock Exchange	1,421	131.3	1,246	203.4
Ljubljana Stock Exchange	5,384	257.1	7,778	434.8
Prague Stock Exchange	8,754	25,415.5	7,333	18,374.6
Warsaw Stock Exchange	29,740	694.2	28,983	461.5
Wiener Börse	27,133	807.1	28,648	569.9
TOTAL FESE	7,419,543	11,723,366.3	8,686,350	9,678,533.3

Source: <http://www.fese.be/en/?inc=art&id=4>

The bonds markets were set up later in the countries from Central and Eastern Europe. The liberalization of the capital and the launch of benchmark bonds by public authorities were factors that favored the development of bonds market in Central and Eastern Europe. So, the public authorities have supported the development of main segments of capital market: the equity segment and the bonds segment. The impact of international financial crises was different for local bonds markets. Per global, at the level of European exchanges, the interest of local and foreign investor was high for bonds, because these securities are an alternative for shares or derivatives that have a higher risk. Taking in account the data presented in table no 4, we remark an increase of total bonds trading for majority of stock exchanges excepting the less developed markets – the Bulgarian Stock Exchange, the Bucharest Stock Exchange, the Ljubljana Stock Exchange.

Even some exchanges recorded important increases of value of bonds trading like the Bratislava Stock Exchange and the Prague Stock Exchange, we remark the marginal position of the exchanges from Central and Eastern Europe in the Federation of European Securities Exchanges (FESE).

For many European exchanges, the domestic public sector is the most important segment of bonds market. Taking in account the data reported by FESE, around 70% of bond trading is concentrated on domestic public sector. For exchanges from Central and Eastern Europe, the weight of domestic public sector is higher, for some exchanges being over 90% (the case of the Bratislava Stock Exchange, the Prague Stock Exchange, the Warsaw Stock Exchange). In other cases, the private sector is the most important segment of bonds market, because only few public securities are listed and traded on exchanges.

Table 5 Domestic Public Sector bond trading, 2008

Exchange	Off - Electronic		Trades	Total
	Electronic Book	Order Book Transactions		
	Turnover (EUR m)	Turnover (EUR m)		Turnover (EUR m)
Bratislava Stock Exchange	296.2	23,897.3	2,035	24,193.5
Bucharest Stock Exchange	13.7	0.0	193	13.7
Budapest Stock Exchange	1,335.5	0.0	1,106	1,335.5
Bulgarian Stock Exchange	0.4	0.0	20	0.4
Ljubljana Stock Exchange	210.4	0.0	5,090	210.4
Prague Stock Exchange	2.0	24,228.6	7,802	24,230.6
Warsaw Stock Exchange	622.6	67.8	29,290	690.4
Wiener Börse	23.3	//	2,415	23.3
TOTAL FESE	299,841.3	7,748,603.9	3,453,054	8,048,445.2

Source: <http://www.fese.be/en/?inc=art&id=4>

For example, the situation from the Bucharest Stock Exchange could be explained by later listed of treasury bonds on this exchange from august 2008. Before this date, the only public securities traded were municipal bonds. The interest of investors is higher on treasury bonds because the risk is low. In Romania, after the start-up period, the bonds market has a sinuous evolution regarding the value of traded bonds. In comparison with other exchanges from the region, the dimensions of the Romanian exchange traded bonds market are small. On the Central and Eastern European market, the leader is the Budapest Stock Exchange, with a strong public sector. In fact, the Budapest Stock Exchange and the Warsaw Stock Exchange are remarked at international level for the largest growth of total value of bond trading in 2008: 122.3% and 57%. At international level, seven European exchanges are on top ten regarding the total value of bond trading. The Romanian bonds market has taken modest steps in the development process. The first bonds issue was in 1997, and the local companies were not very interested in this financing method. Some local companies like banks (Raiffeisen Bank, Romanian Commercial Bank, Transilvania Bank, Romanian Development Bank, Finansbank, Procredit Bank or Carpatica Bank), leasing companies (Romanian Commercial Bank Leasing, TBI Leasing, International Leading) or real estate developers have issued bonds in order to finance their activity.

The year 2001 brought a premiere on the Romanian bonds capital –the launch of the first municipal bonds. The initiative belonged to the city of Predeal that offered for sale 50,000 bonds with a nominal value of ROL 1000.000. The selling price of the bonds was equal to the nominal value. The destination of the funds was to arrange new ski runs. Other municipalities followed this initiative. The Romanian bonds market is sustained by the initiatives of the public authorities (municipalities and government). In Romania, the public securities are usually traded on bank market, but since 2008, they have been available for spot transactions on the Bucharest Stock Exchange. So, a new segment of capital market has been set up and investors have an important instrument in order to diversify their portfolio.

## 2 General aspects regarding the Romanian bonds market

The Romanian capital market is in a development process and its establishment and evolution are connected with the privatization program started by the public authorities after 1990.

The development of the Romanian capital market is slow, but some steps have been taken.

The local capital market has two components – the Bucharest Stock Exchange (BSE) and the Monetary-Financial and Commodities Exchange from Sibiu. The Bucharest Stock Exchange was set up in 1995, on public initiative, in order to offer an organized market for trading of shares issued by companies that were included in Mass Privatization Program. After the American model - NASDAQ, an interdealer market was created – RASDAQ (Romanian Association of Securities Dealers Automated Quotation) as electronic platform for shares trading. For many years, only spot contracts for shares have been traded on these exchanges.

The Monetary-Financial and Commodities Exchange from Sibiu was established in 1994, on private initiative. The derivatives contracts – futures and options are available on this exchange and the underlying assets are shares, currencies, interest rate, indices and commodities (in fact, only gold is traded on this exchange).

On these exchanges, the local and foreign investors have the possibility to trade spot and derivatives contracts for assets like shares, indices, currencies and interest rate.

The main sector is **equity market**, according to the Mass Privatization Program; more than 5,000 companies have been listed on official stock exchanges - the Bucharest Stock Exchange and RASDAQ. The process of mergers and acquisitions took place in Romania, too, and the two institutions of capital market (BSE and RASDAQ) merged and RASDAQ ceased its activity as autonomous company. Today, the RASDAQ market is a component of the Bucharest Stock Exchange. Despite oscillations extended on short term, we notice the boom of stock exchange's activity since 2000, the annual growth rate is impressive, especially as, during this period, the inflation cut down, and consequently the registered increase is real.

After the year 2000, we remark a high concentration on equity market because many companies were unlisted in order to meet the criteria imposed by the Bucharest Stock Exchange.

So, quantitative and qualitative improvements took place in the activity of the Bucharest Stock Exchange. The positive trend registered by value of shares traded from 2000 was interrupted by financial crises that affected dramatically the Romanian equity market. In time, the offer of the Bucharest Stock Exchange has been improved and futures contracts are available since 2007.

Table 6 The dimensions of Romanian spot equity market

Year	No of shares traded	Value of shares traded (USD)	Daily Value of shares traded (USD)	No of issuers
1995	42.761	964.374,58	192.874,92	9
1996	1.141.648	5.279.262,90	62.848,37	17
1997	593.893.605	263.622.324,01	1.273.537,80	76
1998	986.804.827	213.589.535,14	837.606,02	126
1999	1.057.558.616	89.510.594,07	353.796,81	127
2000	1.806.587.265	86.904.761,06	346.234,11	114
2001	2.277.454.017	132.015.138,58	534.474,25	65
2002	4.085.123.289	213.740.130,54	865.344,66	65
2003	4.106.381.895	302.220.205,87	1.254.025,75	62
2004	13.007.587.776	748.152.938,28	2.957.126,24	60
2005	16.934.865.957	2.672.689.146,44	10.820.603,83	64
2006	13.677.505.261	3.514.548.785,99	14.171.567,69	58
2007	14.234.962.355	5.680.600.844,13	22.722.403,38	59
2008	12.847.992.164	2.828.139.731,12	11.312.558,92	68

Source: [www.bvb.ro](http://www.bvb.ro)

So, the investors have many possibilities for arbitrage, spread and hedging strategies because the same underlying assets are traded on the Bucharest Stock Exchange and the Monetary-Financial and Commodities Exchange from Sibiu.

As compared with the exchanges from other European countries, the offer of Romanian exchanges is modest but the private and public initiative has major implications in the improvement of activity and the innovation process.

The regional leaders are the Budapest Stock Exchange, the Warsaw Stock Exchange and the Wiener Borse.

The equity market is the most developed segment of the Romanian capital market, like in many countries in the Central and Eastern Europe. Despite its fast growth, the dimensions of the Romanian stock market are smaller as compared to the European counterparts.

**The public authorities are implicated in the process of sustain the local capital market** and some state owned companies like Transelectrica or Transgas launched initial public offers (IPOs) and now are listed on the Bucharest Stock Exchange. On the equity segment from the Bucharest Stock Exchange, besides shares, the preferential rights, the allocation rights and the attribution rights are available.

In addition, **the international financial institutions have supported the development of local capital market.**

The international financial institutions could use many financing methods in order to raise funds from international market and to encourage the development of local capital markets.

The prestigious international institutions like the International Bank for Reconstruction and Development, the European Investment Bank have launched bonds in 2007 and have decided to list these bonds on the Bucharest Stock Exchange.

In February 2009, the European Bank for Reconstruction and Development has launched bonds and has announced the intention to list these securities on the Bucharest Stock Exchange.

So, in Romania, the bonds are listed only on the Bucharest Stock Exchange and only spot transactions can be made with these securities. After the starting year of bonds market, the offer has been improved, and now four types of bonds are listed: corporate bonds, municipal bonds, bonds issued by international financial institutions and treasury bonds.

In present, the most important segment is treasury bonds segment; the interest of individual and institutional investors is high for these securities because of the low risk of them.

*Table 7 Elements of the bonds segment of the Bucharest Stock Exchange*

Year	No of trading sessions	No of transactions	No of bonds sold	Value of bonds RON	Value of bonds USD	No of issuers	No of new issues listed
2001	17	5	45	481	153	2	2
2002	247	10	59,050	782,679	236,817	4	2
2003	241	39	187,870	17,135,352	5,137,571	10	8
2004	253	1,116	530,466	289,794,852	88,053,235,	22	16
2005	247	394	39,101	127,369,059	44,677,765	19	6
2006	248	570	3,917,457	985,517,593	360,507,426	19	5
2007	250	268	6,652,467	794,335,511	325,861,100	22	11
2008	250	552	1,214,353	231,929,951	87,266,684	50	33

Source: [www.bvb.ro](http://www.bvb.ro)

### 3 The municipal bonds- new financing instruments for the Romanian authorities

The Romanian municipalities are important actors on the capital market. According to the local public financing law, the municipalities have the possibility to finance their activity by issuing bonds. This financing method is not used on a large scale, because the public authorities prefer bank loans that are more flexible. However, bonds loans have some advantages, such as the rapidity of collecting the funds and a lower cost as compared to bank loans.

Because of that, starting with the year 2001, on the Romanian capital market, the municipal bonds are available as a financing method and investment instrument for the local and foreign investors.

Therefore, there is a tough competition between the financing instruments of the capital market and the monetary market.

In fact, the sales of municipal bonds are made through the securities divisions of the most important banks in the Romanian bank market: the Romanian Commercial Bank, the Romanian Developments Bank – Societe Generale, Raiffeisen, Transilvania Bank.

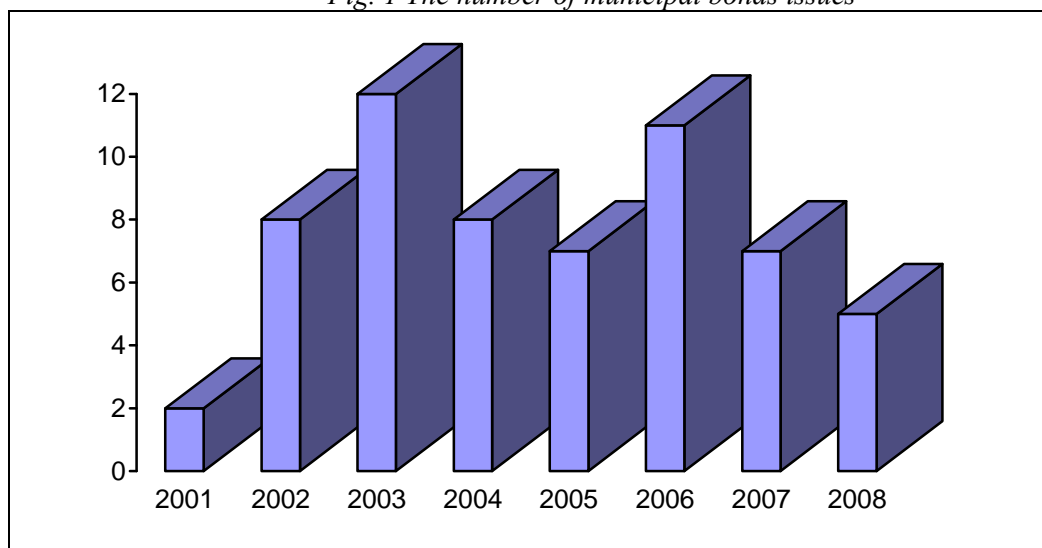
So, even if the local banks lose important clients from the monetary market, they gain new clients from the intermediation activity on the capital market.

After the year 2001, many municipalities have issued bonds, and some similarities can be noticed, because the company VMB Partners is

providing the advisory services for Romanian municipalities:

- the issuer guarantees with the full tax power according to the law and prospectus; the guarantee agreements are recorded in the Archives of the Real Guaranties, and the bond creditors' claims have priority over any subsequent claims of third parties to the local public administration ;
- the issuer pledges to repay debt and to pay interest and fees related to debt only from the local public administration incomes, and the government does not have any obligation to pay this debt
- the bonds are registered, dematerialized and nonconvertible;
- the bonds are issued „al pari”, namely the sale price is equal to the nominal value;
- the interest rate is variable and is calculated quarterly according to the formula  $(ROBID+ROBOR)/2 + \text{a margin of } 0,1-3\%$ ;
- after the year 2005, the increase of maturity involved the establishment of a second formula for the interest rate after the adoption of Euro by our country (EURIBOR+ spread);
- the bonds loan is reimbursed in equal half-yearly or quarterly installments;
- after concluding the public offer, the bonds are listed and traded on the Bucharest Stock Exchange;
- the sale of the bonds is made, usually by means of banks such as the Romanian Commercial Bank and the Romanian Development Bank;
- the bond redemption takes place at face value.



*Fig. 1 The number of municipal bonds issues*

Source: [www.kmarket.ro](http://www.kmarket.ro), [www.vmbpartners.ro](http://www.vmbpartners.ro)

In the analyzed period, 2001 – 2008, there were issued over 50 bond loans (with a notional value of more than RON 1,100 million) by over 30 Romanian municipalities and there can be delimited two sub periods:

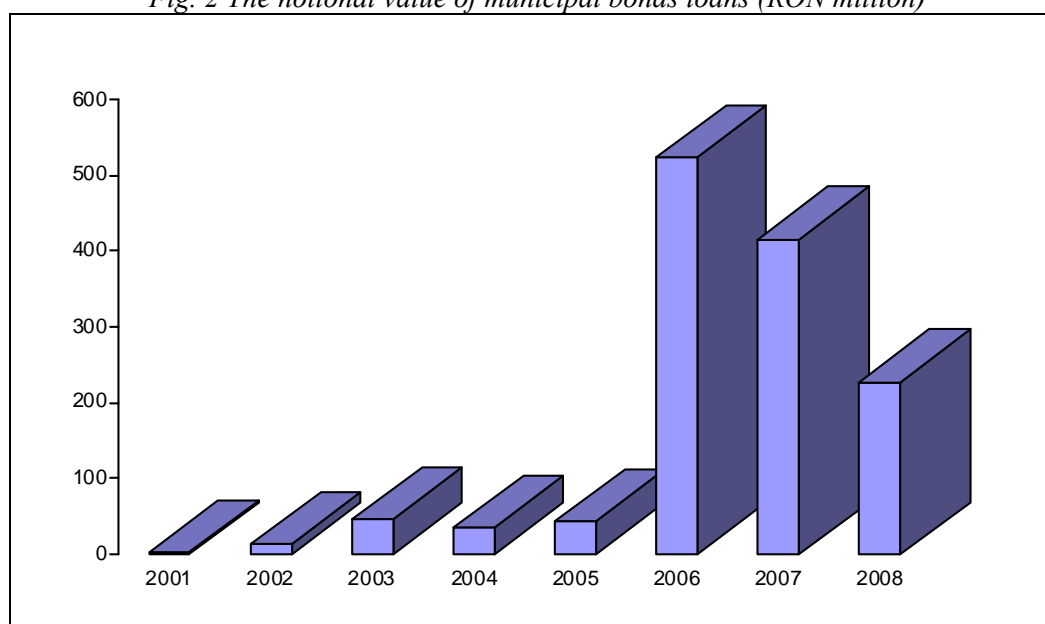
- between 2001-2005, the maturities of bonds loans were short, between 1-5 years, with some exceptions: for example, the bond issued by the Oradea municipality in 2004 has 6 years maturities and the bonds issued by Timisoara, for the second time in 2005, have a maturity of 5.5 years.
- after 2005, the maturity of these loans was extended to 14-20 years, with an exception:

the municipality of Lugoj issued, for the second time, bonds with maturity of 8 years.

The extension of the bonds' maturity can be explained by the needs of municipalities to finance long-term development programs, the trust of investors in the payment capacity of the Romanian municipalities and the use of a new financing technique: prefinance bonds.

This technique implies a bridge loan used during the investment period, after which bonds are issued to payback this loan.

The Predeal municipality used this financing method in 2005, and after this period, 18 municipalities did the same.

*Fig. 2 The notional value of municipal bonds loans (RON million)*

Source: [www.kmarket.ro](http://www.kmarket.ro), [www.vmbpartners.ro](http://www.vmbpartners.ro)

The evolution of notional value of municipal bonds loans has not been linear, and two sub periods can be noticed:

- between 2001-2005, the notional value of loans was modest, because each loan had small dimensions; the market was in the first stage of development and the interest of local and foreign investors was low;
- after 2005, the notional value knew a dramatic increase; some explications consist in the development of the municipal bonds market, the use of prefinance bonds and the rise of share of public revenues that can be used for the repayment of municipal bonds (from 20% to 30%).

Taking in account the issuers of Romanian municipal bonds, we remark that:

- this financing technique has been used by small and large municipalities such as Aninoasa, Săcele or Iași and Cluj Napoca;
- some municipalities, such as Predeal, Cluj Napoca or Timișoara have launched 2-4 issues;
- the municipal bonds market is highly concentrated, because 10 municipalities that have launched bonds with a value of over RON 50 millions have a market share around 80%;
- the municipalities that use this financing technique are spread all over the country, but the most important loans have been raised by the municipalities from Moldavia and Transilvania;
- over 80% of municipal bonds issues used the advisory services of VMB Partners;
- almost all the loans are denominated in the local currency – RON, only the last loan issued at the end of 2008 was denominated in EURO and the interest rate is connected with EURIBOR.

The listing of municipal bonds to the official stock exchange – the Bucharest Stock Exchange –

is an important asset in order to improve the attraction of municipal bonds for local and foreign investors.

In fact, the municipal bonds were the first bonds traded on the Bucharest Stock Exchange. For three years, the bonds segment of official stock exchange contained only municipal bonds. In 2001, only two municipal issues were listed, but in the next years, the number of listed bonds increased to 6 in 2002 and 10 in 2003. Even if the first corporative bonds were issued in 1997, the corporative bonds were listed on the Bucharest Stock Exchange in 2004. Some local banks have decided to raise funds through bonds and to list these bonds on official Romanian stock exchange. Therefore, the bonds segment has a new component: corporate bonds. The year 2006 brought a new type of bonds listed on the Bucharest Stock Exchange.

The International Bank for Reconstructions and Developments listed its bonds on international segment of bonds market from the Bucharest Stock Exchange.

This initiative was a good signal for foreign investors: an important international financial institution recognized the progress made by the Bucharest Stock Exchange. The next important event in the development of the Romanian bonds market was the listing of treasury bonds in 2008. So, the Romanian bonds market has three segments: municipal bonds, corporate bonds and treasury bonds.

At the beginning of the year 2009, the bonds market from the Bucharest Stock was dominated by treasury bonds, the last type of securities listed on this exchange.

For many years, the municipal bonds segment was the main sector of the Romanian bonds market, but now it has a marginal position and the leader position belongs to treasury bonds.

Table 8 The bonds segment of the Bucharest Stock Exchange

	No of issuers	Notional value of bonds issues (RON bn)	The interval of interest rate
Municipal bonds	20	439.1	8.25-18.00%
Corporate bonds	6	1,149.67	6.50-16.67%
Treasury bonds	25	9,573.57	6.00-11.00%

Source: [www.bvb.ro](http://www.bvb.ro), Monthly Bulletin 1/2009



## 4 Conclusions

The Romanian bonds market was established and has developed on the base of public authority's initiative. The municipalities have been financing through bonds issuance since 2001 and have listed these securities on the local exchange: the Bucharest Stock Exchange.

Many municipalities have launched bonds in order to raise funds for local development. Some towns, such as Predeal or Timișoara, made several issues in order to benefit of extra funds available in the Romanian economy.

The public local authorities have many possibilities to finance their activity. The analysis of the financial sources of villages and municipalities in the period 1999-2007, suggest that over 70% of funds represents transfers from other public budgets.

This situation suggests a high level of financial dependence for local authorities that intend to sustain rural development because in the villages, the population has an inferior financial capacity (in the villages, the medium income per capita and tax collection level are low).

For Romanian towns, municipalities and villages, the values of Hunter's index (that measured the level of local financial decentralization) are small because the local public budgets are dependent to the state public budgets. In the period 1999-2007, the Hunter index is an ascending trend especially for municipalities.

The financial structure of municipalities that have issued bonds reveals a higher decentralization level.

The best examples are municipalities of Predeal, Timișoara, Oradea, Cluj Napoca, Alba Iulia. For municipalities that issued municipal bonds, the values of Hunter's index are high, and the municipalities that realized more than one issue have values of this index closer to one. So, the decentralization level is correlated with the use of capital market's mechanisms and with the increase of the maturity of the bonds loans.

The municipal bonds market has a slow development, but the local and foreign investors are interested in these securities because of the low risk associated. As compared with corporate and treasury bonds, the municipal bonds offer high interest rate correlated with low risks. Consequently, the bonds are important for institutional investors for the diversification of portfolios. In the period between 2001 and 2008, we remark the increase of the notional value and maturity of municipal bonds loans.

For many years, the municipal bonds were the only securities traded on the bonds market of the Bucharest Stock Exchange. In time, even if the dimensions of this market have grown, the share of these bonds has decreased because new bonds are listed on the official stock exchange: corporate bonds and treasury bonds. The international financial crises has affected the Romanian bonds market and, even if the number of transactions and number of issuers have increased dramatically, the value of bonds traded has been reduced by almost 5 times. Taking into account the value of the bonds traded in the first month of 2009 (USD 18.5 millions), the market seems to be on the proper way, but the value of the last year will not be reached.

The municipal bonds are important for two points of view: these bonds are investment instruments and the issues of these bonds reveal the level of financial autonomy of local authorities. In addition, the municipal bonds are the effect of the local decentralization, but in the same time, they are a cause of this phenomenon.

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