

The Financial Monitor:

An analysis of main reforms in the financial sector of Moldova

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Author: Eugen Ghiletschi

Translation: Mirabela Osadci

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About the Financial Monitor

The Financial Monitor is a periodical publication produced by EXPERT-GRUP aiming to present to the general public the main actions undertaken (or not undertaken) by the authorities in order to stabilize and reform the financial and banking sector of Moldova, to provide analytical assessments of undertaken measures, as well as to issue recommendations towards the optimization of reform efforts in the sector.

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Abbreviations

NBM	National Bank of Moldova
NCFM	National Commission for Financial Markets
NCFS	National Committee for Financial Stability
IMF	International Monetary Fund
p.p.	Percentage points
EU	European Union
USA	United States of America

Executive Summary

In spite of a certain progress in reforming the banking sector, the qualitative changes, especially concerning transparency and governance, fail to appear. In February 2016, Expert-Grup presented a plan for strengthening the banking sector¹, which focused on 7 directions of reform. Since the last analysis as of April 2017, we notice a relatively slow progress in their implementation. Up until the time being, out of a total of 35 recommendations formulated by Expert-Grup, *11 actions were implemented, 8 have not been implemented, 16 were implemented partially or are still in progress*. However, after the approval of the new law on bank activity, an important number of recommendations will be considered implemented, although, obviously, their effective implementation will be a major challenge.

One of the important developments of the recent period refers to preparing the sector for taking on the Basel III requirements regarding the main prudential indicators. The new Law on bank activity that is to be voted in the Parliament in the final reading during the fall session, as well as the Regulation on bank activity administration framework, transpose the latest international standards and best practices in the process of bank authorization, regulation and supervision. Nevertheless, on some aspects, the national regulation exceeds the framework established by European legislation, granting prerogatives too broad to the NBM with respect to the banks. At the same time, there is no clarity as to how the systemic risks will be assessed, as well as how the systemically important entities will be determined. In the context of the banking crisis of 2014-2015, it is extremely important that these notions be defined as clearly as possible in order to avoid abuse and the eventuality of new government guarantees being issued without objective criteria to determine the adequacy of granting emergency credits.

Although the reform process aiming to align with the best international practices continues, special attention should be paid to the capacity of the banking sector to adapt to the new principles. In this sense, a wide assessment of the domestic banking sector and the individual capacities of each bank should be correlated with the implementation timeframe for the new provisions. The example of Central and East European countries in the process of the Basel III Agreement implementation shows an activation of mergers and acquisitions in the financial and banking environment, but the intensification of the effect of bank concentration around banks with unclear shareholder situation may be a risky element.

A series of recommendations formulated by Expert-Grup in February 2016 regarding the banking system reform still remain valid to this day, and their lack of implementation leaves the system vulnerable to many risks. The main deficiencies are related to the weak regulation of requirements for government guaranteed credits issued by the NBM for banks in difficulty, especially in the context of the terms of systemic risk and systemically important entity being introduced in the new Law on bank activity. Another major problem is the delay in reforming the National Committee for Financial Stability. According to the Law on bank recovery and resolution², the operation framework for the macro-

¹ http://expert-grup.org/ro/biblioteca/item/download/1500_005d91cf506b9b30109d2815bbe3b14f

² Law nr. 232 as of 03.10.2016 on bank recovery and resolution, Art. 322, para. (8), <http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

prudential authority was to be finalized in April 2017. The delay of this reform leaves the financial system open to a significant level of risk, since the cooperation of authorities with supervision functions in the financial system is insufficient. Not lastly, the shareholder situation and transparency of certain local banks, the continuing offshorization of the banking sector, as well as the lack on investors in the share packages for sale remain to be major problems. The low level of corporate governance seems to be the reason the special regime for three banks is still maintained (Moldova-Agroindbank, Moldincobank, Victoriabank). The excessive prolongation of this situation inevitably renders the future of the banking sector uncertain.

For an effective reform of the banking system and in order to increase its resilience to shocks and strengthen the financial intermediation function of banks, we recommend the following priority actions:

1. To define terms such as systemic risk and systemically important entity in the draft Law on bank activity, along with the criteria for them, accurately aligned to the European standards.
2. To eliminate from the draft Law on bank activity the right of NBM to request commercial banks to replace the members of the management body and/or the persons holding key functions based on indications to the fact that the bank would not comply with the standing regulation in the near future.
3. To eliminate from the draft Law on bank activity the provisions related to prevention and combating money laundry and terrorism financing, since this area is exhaustively regulated by a framework law.
4. To improve cooperation between entities involved in the supervision of the financial system by facilitating the operative data exchange between institutions.
5. To finalize the NCFS reform and transform it in the national macro-prudential authority that would be mainly focused on preventing financial crises and not their resolution.
6. To make the entire banking sector more transparent, closely following the action plan developed in coordination with the IMF³, with the later elimination of any exposure of banks to offshore areas.
7. To increase the deposits guarantee threshold to MDL 100.000 by 2020, to extend the guarantee for legal entities and to grant legal early intervention tools for the Fund in order to prevent crises and maintain financial stability.

³ <https://www.imf.org/en/Publications/CR/Issues/2017/05/01/Republic-of-Moldova-First-Reviews-Under-the-Extended-Credit-Facility-and-Extended-Fund-44870>

Introduction

In February 2016, Expert-Grup presented a plan for strengthening and recovery of the national banking sector⁴, based on two fundamental principles: (1) one central bank, independent and well equipped, with modern monitoring and banking regulation tools; (2) commercial banks that are owned and managed by professional persons with integrity, with a solid corporate governance model, and with enough capital to absorb on their own eventual losses due to faulty management or unfavorable economic conditions.

In this context, Expert-Grup engaged to monitor the actions of the authorities aimed at stabilizing the banking sector and preventing similar crises in the future. Thus, the proposed recovery plan was produced based on the 7 systemic deficits that became the main causes of the frauds and the crisis in the sector, namely:

1. Low independence of the National Bank of Moldova;
2. Insufficient banking monitoring and supervision tools;
3. Low transparency regarding actual beneficiaries of bank shares;
4. Low quality of corporate governance in most banks;
5. Insufficient accountability mechanisms for bank shareholders and managers;
6. The „Offshorization” of the banking sector
7. Limited capacity of banks to absorb losses.

The current edition of the Financial Monitor starts with the analysis of two regulatory documents, one already approved, and another one pending approval, documents that are directly touching on the recommendations formulated by Expert-Grup. At the same time, we set out to emphasize the strengths, but also to point out the aspects that require improvement/removal, the focus being on the international experience, as well as the realities of the domestic banking sector. These documents are:

1. The draft Law on bank activity⁵;
2. The Regulation on the bank activity administration framework⁶.

Onwards we will evaluate the level of implementation for each recommendation proposed based on the 7 deficiencies and using the following categories and with the necessary comments:

- **Implemented** – for the recommendations that were fully implemented through legislation amendments or consistent changes in other specific acts regulating the banking sector.
- **Partially implemented/in progress** – for the recommendations that were implemented partially or have firm commitment of implementation in the near future.
- **Not implemented** – for recommendations on which there was no notable progress or that have not even been discussed during the monitoring period.

⁴ http://expert-grup.org/ro/biblioteca/item/download/1500_005d91cf506b9b30109d2815bbe3b14f

⁵ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

⁶ <http://bnm.org.ro/content/regulamentul-privind-cadrul-de-administrare-activitatii-bancii-aprobat-prin-hce-al-bnm-nr146>

The draft Law on bank activity

On June 2, 2017, the Parliament of Moldova adopted in the first reading an act that will undoubtedly have a special impact on the domestic banking sector – the draft Law on bank activity⁷. The new law is derived from the commitments Moldova has taken under the EU Association Agreement and is to replace the Law on financial institutions⁸ approved as early as 1995 which suffered tens of amendments over time. The Law on bank activity aims to perfect the legislative activity framework for banks considering the best international standards and practices. This document will also lay the foundation for the transit from the Basel I to Basel III standards on bank authorization, regulation, and supervision.

The main objectives of the draft law include the optimization of supervision for domestic banks, prevention and minimization of deficiencies of bank activity at an early stage, ensuring consolidated supervision and data exchange with other countries. The innovation of the new law is in including the additional types of risks such as the credit, market, liquidity, concentration, operational or reputational risks in the process of determining the assumed risk. Each bank is to hold enough internal capital so that, depending on the risk, it will be adequate distribution, quality and quantity wise. Regarding the administrative and organization requirements, the law adopted in the first reading transposes the provisions of the law on financial institutions, including the latest amendments such as strengthening the internal governance and shareholder quality.

An important aspect of the law, intensely discussed globally as well, concerns the notions of *systemic risk* and *systemically important entity*. According to the draft law, a *systemic risk* is a risk that can cause a disturbance of the financial system, which can have extremely negative consequences on the financial system, the economic system, or the general security of the country. On the other hand, a *systemically important entity* is the entity, which in case of bankruptcy or faulty operation may trigger a systemic risk. The banks should have enough own funds available to cover the buffer associated with systemically important entities and the buffer associated with the systemic risk. The text of the draft shows that NBM is to identify the banks that are systemically important entities to which the systemic risk buffer will be applied accordingly. Still, the fact that it does not indicate the identification methodology for systemically important entities is a problematic aspect, it also does not specify if the NBM is to develop such methodology in an act subordinated to the Law. According to Directive 2013/36/UE⁹, systemically important entities are assessed based on criteria such as size, importance for the EU or national economy, sale of cross-border activities or interconnection of the institution with the financial system. In order to unify the approach, the European Banking Authority produced a guidebook on assessing systemically important entities, based on the criteria from the directive¹⁰. Competent authorities from each country easily calculate a score for each relevant entity based on the 4 criteria, and the entities with score over a certain threshold are considered systemically important. Considering the fact that the

⁷ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

⁸ <http://lex.justice.md/index.php?action=view&view=doc&id=338489>

⁹ Directive 2013/36/UE as of 26 June 2013 on access to credit institutions activity and prudential supervision of credit institutions and investment companies

<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:Ro:PDF>

¹⁰ https://www.eba.europa.eu/documents/10180/1045622/EBA-GL-2014-10_RO_GL+on+O-siis.pdf/6db72da6-f8e7-4ab7-9cc4-38e49f4bfd2d

Moldovan government issued guarantees during 2014-2015 precisely under the pretext of an imminent systemic crisis, it is extremely important that the definition of notions such as systemic risk and systemically important entity, as well as the criteria for their identification as such are accurately aligned to the European standards.

The law adopted in the first reading provides a wide range of rights and powers for the NBM in aspects related to the bank supervision process. At the same time, it promotes the idea of significantly increasing and diversifying sanctions and remediation measures that can be applied to banks in case violations of the legislation are identified. Moreover, in order to prevent banking crises at an early stage, NBM will have the right to order the necessary measures not only if a bank does not observe the legal provisions, but also if there are indications that over the following 12 months it is probable that a bank will not comply with the legal provisions. This provision grants the regulatory body significant breathing room increasing the potential of crisis prevention in the system. At the same time, the decisions based on some indications of future developments may impose a course of actions less favorable for one bank or another, in the context of the low institutional capacity proven by the weak management of the most recent banking crisis in Moldova. This aspect also carries an even higher risk, considering that the range of supervision measures included in the new law exceeds in some aspects the framework established by the Directive 2013/36/UE¹¹. One of the additional measures is related to the NBM's right to request commercial banks to replace members of the management body and/or persons holding key positions¹². Such a provision exists for the eventuality that the financial situation of a bank deteriorates significantly, which triggers the early intervention measures according to the Law on bank recovery and resolution¹³. Granting NBM this right only based on some indications of the fact that the bank will not comply with the legal provisions in the near future seems to exceed the intention of the European Directives, but also the spirit of protecting the right to private property.

According to the text of the draft law, prevention and combating money laundry and terrorism financing by banks¹⁴ is to be one of the action areas of the law, even though there currently already is another draft law that was voted in the first reading, which is to establish the framework for prevention and combating money laundry and terrorism financing¹⁵. In this sense, Chapter VII of the Law on bank activity establishes measures to be applied by banks to prevent and combat money laundering and terrorism financing. Since this chapter only includes one article, it is impossible for its provisions to be exhaustive. Consequently, incorporating certain sporadic provisions on such sensitive topics for Moldova, such as money laundering, is not a suitable approach. According to the Community framework requirements, as the comment note from the National Anticorruption Center¹⁶ on the new law mentions, the provisions on the necessary banking activity requires regulation separate from the money laundering and terrorism financing prevention and combating activities. Such an approach is much more efficient

¹¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0338:0436:Ro:PDF>

¹² Art. 139 par.(3), letter .h) of the draft Law on banking activity

¹³ <http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

¹⁴ Art.1 letter f) of the Law on bank activity

¹⁵ Draft law nr.22 on preventing and combating money laundry and terrorism financing was voted in the first reading in the Parliament on March 30th, 2017. <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

¹⁶ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

also from concerns of future amendments to the legislation related to money laundering, which is an area developing at a very rapid pace.

According to the international approach, harmonizing each country's national legislation with the Basel III provisions implies correcting the deficiencies revealed by the previous sets of regulations, namely Basel I and Basel II. The inevitable result of shifting to a new standard includes much more sophisticated legal provisions, additional capital reserves for unwanted shock absorption, but also a more thorough supervision from the regulating authorities. At the same time, aligning the domestic framework to the most recent Basel standards cannot automatically guarantee the elimination of other eventual crises in the domestic financial system. The fact that more than several provisions of the law on bank activity were transposed from the existing legal framework which was standing at the time the crisis was triggered in 2014-2015 is an eloquent example. Thus, besides a high-end framework, it is imperative that the regulating and supervision authority take measures appropriate for the situation of each bank, eliminating any suspicion of actions in concert between banks and the regulating authority or tacit inaction from the authorities.

Recommendations for improving the draft law on bank activity:

- To define notions such as systemic risk and systemically important entity, and state the criteria for their identification as such with accurate alignment to European standards. This will contribute to avoiding abuse and potential new government guarantees being issued without objective criteria to determine whether granting such emergency credits is adequate.
- To remove NBM's right to require commercial banks to replace members of their management body and/or persons holding key functions, based on indications that the bank might not comply with the legal provisions in the near future.
- To remove the provisions related to money laundering and terrorism financing from the draft law, since this area is exhaustively regulated in a framework law. Additionally, the Parliament approved a new law¹⁷ in the first reading, it is to transpose the most recent European Directive¹⁸ in the context of money laundering and terrorism financing.

The Regulation on bank activity administration framework

On June 23, 2017, the NBM Executive Committee approved the Regulation on bank activity administration framework¹⁹, its provisions referring to the corporate governance structure, the internal control mechanism and methods to manage risks in banks. Among other things, the regulation established criteria regarding the remuneration, management of risks resulting from bank activity, the internal control mechanism, the organization of independent control functions, etc. This regulation will enter into force on May 31st, 2018, which will provide banks with sufficient time to comply with the new

¹⁷ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

¹⁸ http://eur-lex.europa.eu/legal-content/ro/TXT/PDF/?uri=OJ:JOL_2015_141_R_0003&from=ES

¹⁹ <http://bnm.org/ro/content/regulamentul-privind-cadrul-de-administrare-activitatii-bancii-aprobat-prin-hce-al-bnm-nr146>

requirements. This will be the support and a first stage of transition to the new prudential requirements promoted by the NBM through the implementation of Basel III standards starting with January 1st, 2018.

A particularity of the new regulation is related to the special emphasis placed on the responsibilities of the boards, which is the bank administration body with supervision and organization functions. In this sense, the board is to define the administration framework of the bank by ensuring the development, approval and annual revision of internal regulation for all bank activity areas. Consequently, the board will have a much more important role in the activity of the bank, which in turn, could increase accountability with bank management bodies in order to ensure a long-term stability of the institution. Additionally, point 184 of the regulation established that bank management bodies hold the final responsibility over the institutional framework for stress-tests. An express mention that the executive body is obliged to approve models and results of stress simulations, so that a higher responsibility is ensured when major decisions are made with respect to the banks.

The largest chapter of the regulation, the one on risk management, describes in detail the measures to be taken by the bank in order to manage the risks it is exposed to as efficiently as possible. Touching upon the crediting risks, point 69 of the regulation obliges the bank to have a system for timely remedy of deteriorating credits, as well as for the management of nonperforming credits. Starting with January 2016 and until 2017, the share of nonperforming credits increased by almost 6,6 p.p. It is surprising that over 99% of this growth comes from the three banks under special supervision (Moldova-Agroindbank, Moldinconbank, Victoriabank). This devolution emphasizes the importance of having internal nonperforming credits remediation systems. In the consultation process of the regulation, one of the market participants underlined that it would be useful for the banks if NBM would more clearly define the kind of system this is and how it should function²⁰.

Recommendations on improving the bank administration framework:

- In order to make the risk administration framework more efficient it would be useful if the NBM produces a guide on developing internal systems for timely remediation of nonperforming credit situations.

We will further present the progress on each Objective and group of recommendations separately, including a brief comment for each recommendation.

²⁰ http://bnm.org/files/Sinteza%20recomandarilor_1.pdf

Objective 1. Strengthen the independence of the National Bank of Moldova

Recommendation	Implementation	Details
Eliminate the right of courts of law of any level to suspend the NBM decisions.		On its approval on April 8, 2016, Law nr. 62 ²¹ established the interdiction to approve, suspend, annul, censure and postpone the entering into force of NBM or NCFM acts, to issue ex-ante opinions on the acts of these entities or in any way influence NBM and NCFM in issuing final acts. According to Law nr. 548 ²² , the NBM acts can be subject of legality controls in administrative litigation courts, after a having submitted a preliminary appeal with the Executive Committee of the NBM. At the same time, the appeal or legal action does not automatically suspend the execution of the acts issued by NBM.
Regulate the conditions for extending NBM loans under the guarantee of the Government more strictly, and thus eliminate the authorities' discretion on such matters.		According to Law nr. 419 ²³ , the Government, represented by the Ministry of Finance, can continue to issue government guarantees and securities in situations of systemic crisis or threat thereof. The new Law on bank activity adopted in the first reading ²⁴ includes the definition of systemic risk and systemically important entity, the collapse of which should determine the time of authorities' intervention. The criteria for establishing the limits of what is a systemic risk are not yet clear.
Introduce clearer provisions for the situations when NBM can support the economic policies of the State so as not to affect the inflation-targeting strategy and the objective to stabilize prices		According to Law nr. 548 ²⁵ , the fundamental objective of the bank is to target inflation. Among other things, it can produce economic and monetary analyses, based on which it issues recommendations and suggestions. There are no clear provisions for when NBM can support government economic policies.
Establish a committee to select the NBM Governor consisting, under conditions of parity, of representatives of central banks		The committee for selecting the NBM Governor was formed from 4 MPs, 2 academia representatives, 2 proper profile civil society organizations representatives and the president of the Banks Association ²⁶ . Although the approach is

²¹ Law nr. 62 as of 08.04.2016 on amending and supplementing certain legislative documents, Art. I, pt. 2; Art. II, pt. 1, <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3037/language/ro-RO/Default.aspx>

²² Law nr. 548 as of 21.07.1995 on NBM, Art. 11, 11¹, <http://lex.justice.md/md/311685/>

²³ Law nr. 419 as of 22.12.2006 on the public debt, government guarantee and government refinancing, Art. 3, par.(1) letter. f), Art. 35¹, http://lex.justice.md/document_rom.php?id=2E3908C4:965D5554

²⁴ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

²⁵ Law nr. 550 as of 21.07.1995 on NBM, Art. 4, 5, <http://www.bnm.org/ro/content/lege-cu-privire-la-banca-nationala-moldovei-nr-548-xiii-din-21071995>

²⁶ <http://www.parlament.md/LinkClick.aspx?fileticket=F29MD3DdeP0%3d&tabid=222&language=ro-RO>

from the EU and USA, civil society representatives and relevant public authorities		innovative for Moldova, as well as globally, including the last representative created a potential conflict of interests, since he represents the interests of interested entities.
Dismiss members of NBM management only with the vote of at least 2/3 of Members of Parliament		According to Law nr. 548 ²⁷ , the NBM Governor can be revoked at the request of the Parliament Speaker, supported by the vote of 2/3 of the elected MPs. Revoking the other members of management bodies is done at the request of the Supervisory committee, submitted following the initiative of the NBM Governor, or at the Speaker's request, supported by the majority of elected MPs.
Prohibit the Governor and other Board members expressly from holding higher management positions in public institutions and banks for at least 2 years before taking over the mandate and at least 2 years after leaving the position		According to Law nr. 548 ²⁸ , the members of management bodies cannot hold functions in management bodies of entities regulated and supervised by NBM for 1 year after leaving their function, except appointments operated by NBM under the bank recovery and resolution law. Other than that, the members of management bodies cannot be representatives of the government or other entities of the public administration. However, this restriction is relatively weak, considering the short term (only 1 year), as well as the lack of similar restrictions for the period before holding a management position in the NBM.
All NBM documents, if needed, should enter into force immediately after their approval and the obligation to have a legal expert review and to be registered with the Ministry of Justice needs to be cancelled.		Under the Law nr. 62 ²⁹ approved on April 8, 2006, the regulatory acts issued by the NBM and NCFM will no longer have to undergo a legal expert review of the Ministry of Justice, the latter having the responsibility to register the acts in the State legal acts registry within 3 working days.

Recommendations:

- In order to avoid certain situations when guarantees are issued without any coverage or clear plan of resources use in the future, we recommend the amendment of the legal framework³⁰ towards tightening the terms under which the government can issue government guarantees for credits granted by the NBM to banks in difficulty, in order to eliminate the levers through which banking frauds or errors can turn into state debt. We think that the discretionary practice by which the Government can use budgetary sources to provide government guarantees should be stopped as soon as possible. At the same time, it is very important that the systemic risk and

²⁷ Law nr. 550 as of 21.07.1995 on NBM, Art. 23

<http://www.bnm.org.ro/content/lege-cu-privire-la-banca-nationala-moldovei-nr-548-xiii-din-21071995>

²⁸ Law nr. 550 as of 21.07.1995 as of, Art. 25

<http://www.bnm.org.ro/content/lege-cu-privire-la-banca-nationala-moldovei-nr-548-xiii-din-21071995>

²⁹ Law nr. 62 as of 08.04.2016 on amending and supplementing certain legislative documents, Art. I, pt. 3; Art. II, pt. 2,

<http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3037/language/ro-RO/Default.aspx>

³⁰ Law nr. 419 as of 22.12.2006 on the public debt, government guarantee and government refinancing

http://lex.justice.md/document_rom.php?id=2E3908C4:965D5554

systemically important entities be clearly defined, having associated methodologies to establish these phenomena included.

- Ensuring increased independence for members of the NBM management bodies by introducing the provision of their dismissal with only 2/3 of elected MPs. This can, to a certain extent, ensure that the political factor does not interfere with the NBM decision-making process.
- Extending the limitation period during which members of NBM management bodies cannot hold management positions in banks and public institutions in the country for at least 2 years after having left their function, and introducing similar restrictions of at least 2 years before holding a management function with the NBM.

Objective 2. Strengthen the tools for bank monitoring and supervision, and for the prevention of crises in the banking sector

Recommendation	Implementation	Details
The NBM should allocate a budget line sufficient to implement the ICT solutions for all monitoring and regulatory tools in order to increase the efficiency and decrease the impact of the human factor		On May 25, 2016, the NBM concept on implementing the risks center was presented ³¹ . Creating a platform (all IT solutions) will pursue the goal to cover the objectives of prudential supervision. Creating the risks center will ensure that NBM has the capacity to analyze and monitor information coming from authorized banks in real time, in order to assess crediting, non-transparent shareholder structure, money laundering and terrorism financing risks.
Define clearer and extend the set of criteria that would be used to identify the concerted activities in the banking system.		By the amendments operated in Law nr. 550 ³² on October 3, 2016, new notions and concepts such as affiliated persons, participations, significant influence, but also persons working in concert were introduced in the banking legislation. The same legal provisions can be found in the new Law on bank activity ³³ .
Transpose the Directive on criminal sanctions for market abuse ³⁴		Transposing the directive on criminal sanctions for market abuse should be done in compliance with transposing the Regulation nr. 596/2014 on market abuse ³⁵ . For now, the authorities did not take any action to start the process of transposing the mentioned acts. In the context of an increased banking market concentration, the first three

³¹ <http://bnm.org/ro/content/conceptul-bancii-nationale-privind-implementarea-centralei-riscurilor>

³² Law nr. 550 as of 21.07.1995 on financial institutions <http://lex.justice.md/index.php?action=view&view=doc&id=338489>

³³ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

³⁴ Directive 2014/57/UE of the European Parliament and Council as of April 16, 2014, <http://eur-lex.europa.eu/legal-content/RO/TXT/HTML/?uri=CELEX:32014L0057&from=RO>

³⁵ Regulation nr. 596/2014 of the European Parliament and Council as of April 16, 2014 on market abuse, <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32014R0596&from=EN>

		banks holding 64% of all the assets of the entire banking sector ³⁶ , it is extremely important that the legislation establishes criteria for information manipulation and market abuse, as well as the criminal sanctions for such violations.
Facilitate quick data exchange between the institutions that can be directly or indirectly involved in the banking monitoring and supervision process		The data exchange remains a sporadic procedure rather than a priority activity of the institutions involved in the monitoring process of the financial system. The new law on bank activity³⁷ establishes that in order to carry out their individual and consolidated supervision duties, NBM and NCFM will, upon request, provide to each other all the essential and relevant information. At the same time, under this law, NBM and NCFM sign written cooperation and coordination agreements. At the same time, the National Committee for Financial Stability (NCFS) that is to be transformed into the national macro-prudential authority, should facilitate data exchange between authorities involved in the supervision of the banking system.
Establish the methodological framework for the coordination of financial crisis management activities		The NCFS is the suitable platform for coordinating financial stability. In October 2016³⁸, the structure of the Committee was modified in order to diminish political influences. The mandate of the current Committee remains, however, unclear, being more focused on solving, rather than preventing crises³⁹. In the context of the bank recovery and resolution law⁴⁰, the Government was to submit the draft law on establishing the national macro-prudential authority to take over the NCFS duties to the Parliament by April 2017. Up until now, the draft law on this authority has not yet been presented. The delay of this reform raises certain concerns. In the process of switching to new standards in the banking system the risk of an eventual crisis may be underestimated.
Determine the capacities of regulatory institutions to handle shocks by periodically carrying out stress-tests on them in order to		The law on bank recovery and resolution ⁴¹ introduced the need for NBM to develop resolution plans for banks with an important weight in the financial sector. The resolution

³⁶ <http://bnm.org/bdi/pages/reports/drsb/DRSB5.xhtml>

³⁷ Art. 113, 114

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

³⁸ GD nr. 1140 as of 12.10.2016, <http://lex.justice.md/md/367066/>

³⁹ http://expert-grup.org/media/k2/attachments/Comitetul_National_pentru_Stabilitate_Financiara.pdf

⁴⁰ Law nr. 232 as of 03.10.2016 on bank recovery and resolution, Art. 322, para. (8).

<http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

⁴¹ Law nr. 232 as of 03.10.2016 on bank recovery and resolution, Art. 7,

<http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

assess their response capacity and quality of interventions		plans are the range of actions that NBM can take if a bank meets the necessary conditions to trigger the resolution. Besides this provision, there were no other actions taken regarding determining the capacity of regulatory institutions to cope with shocks.
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Recommendations:

- It is necessary to finalize the NCFS reform, and to transform it into the national macro-prudential authority. The delay of this reform raises concerns. It is imperative that a new framework is adopted as soon as possible, and the authority should focus mainly on preventing financial crises, on optimizing communication and coordination between the institutions the financial stability depends on, it should not undermine the independence of its members and should not have functions overlapping with those of its members.
- Improving cooperation between entities involved in the supervision of the financial system including by facilitating quick data exchange between institutions and reforming the NCFS as urgently as possible. At the same time, signing new collaboration and cooperation agreements can improve the capacity of authorities through an exchange of tools and know-how.
- Urgently transposing the EU regulations on market abuse, on a background of ensuring integrity of information communicated in relation to the financial tools and promoting healthy competition between financial entities.
- Determining the capacity of regulatory institution to cope with shocks by periodical stress-tests.

Objective 3. Increase the transparency on the actual beneficiaries of bank shares

Recommendation	Implementation	Details
Apply and institutionalize the fit & proper test for shareholders from the entire banking system		By the amendments operated to the Law nr. 550 ⁴² on October 3, 2016, NBM was granted the right to issue a preliminary permission only if it is fully convinced that the quality of the potential buyer, including if its financial solidity in comparison to the proposed acquisition is suitable and adequate. Although this will only affect those who wish to buy a substantial package (more than 1% of shares) and does not represent an actual institutionalized model of the fit & proper test, it is still a provision that provides the NBM with important prerogatives for ensuring

⁴² Law nr. 550 as of 21.07.1995 on financial institutions <http://lex.justice.md/index.php?action=view&view=doc&id=338489>

		shareholder quality. The same principle is maintained in the new law on bank activity ⁴³ .
Sign international agreements on information disclosure with shareholder legal residence countries and establish operational partnerships with UE institutions		Considerable efforts were made lately in order to identify actual beneficiaries for the monitoring period. In spite of that, up until now, only one agreement was signed with the Central Bank of Cyprus in order to follow the funds embezzled from the banking system⁴⁴. At the same time, on July 3, 2017, an agreement was signed between the NBM and the Black Sea Bank for Trade and Development, it establishes to create the necessary framework for collaboration between the parties and extend technical assistance in the banking field.
Strengthen the skills of the recently created NBM Division that will be in charge of monitoring the transparency of bank shareholders		In 2016, NBM took measures to ensure a transparent banking shareholder structure, finding in two banks groups of shareholders that worked in concert and held substantial share packages without written preliminary permission from the NBM.
Develop and publish a scoring function which would assign a certain score to every bank as regards the shareholder situation		No progress was registered in this direction.
Transparency reports produced by the Board of each commercial bank, and published annually on the bank websites		No progress was registered in this direction

Recommendations:

- Making the entire banking sector more transparent, closely following the action plan developed in coordination with the IMF⁴⁵. Thus, it is crucial that by the end of August 2017, all domestic banks perform the shareholder transparency exercise, which implies identifying actual beneficiaries of significant share packages and withdrawing the right to hold them from shareholders that do not meet the NBM criteria. At the same time, in order to ensure an efficient management of banks in the future we recommend that the fit & proper test be institutionalized for all potential buyers of significant share packages of banks.
- Promoting certain principles or guides to increase transparency of bank shareholders. This can be achieved by developing a scoring function, which would assign a value on shareholders situation to each bank, or by requiring each commercial bank to publish detailed information on their website, including the shareholders' resumes, number of meetings attended, decisions

⁴³ <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

⁴⁴ <http://bnm.org.ro/content/nota-informativa-privind-progresul-inregistrat-de-investigatia-kroll>

⁴⁵ <https://www.imf.org/en/Publications/CR/Issues/2017/05/01/Republic-of-Moldova-First-Reviews-Under-the-Extended-Credit-Facility-and-Extended-Fund-44870>

voted, etc. Similar reports could be produced with respect to the management team of each bank.

- Signing international agreements on disclosing information with the shareholder residence countries, as well as establishing operational partnerships with EU institutions and initiating investigations to recover the embezzled funds

Objective 4. Improve the corporate governance in banks

Recommendation	Implementation	Details
Develop and promote a general Corporate Governance Code		The new law on bank activity ⁴⁶ includes an article on how the governance principles are to be applied. Among others, this article refers to the reputation and knowledge of management body members, distribution of functions, etc. Considering that the draft law was approved in the first reading, the recommendation will be considered as implemented once the draft law is approved in the final reading.
Clearly delineate the duties and establish the maximum extent to which shareholders, the Board and the management of commercial banks can be involved		The new law on bank activity ⁴⁷ includes the list of main functions of the bank council, executive body, as well as the need to establish specialized committees within the council (audit committees, risk administration committee). Considering that the draft law was approved in the first reading, the recommendation will be considered as implemented once the draft law is approved in the final reading.
Each bank to produce and publish the report on risk management transparency annually		The Regulation on the bank administration framework ⁴⁸ , adopted by the Executive Committee of the NBM on June 7, 2017, establishes that banks have to produce and remit to the NBM the annual report on the terms under which the internal control of the bank is conducted, separately approaching aspects of the risk management function, the compliance function and the internal audit function. Although there is no provision requiring these reports to be published, this regulation significantly improves the risk management framework. The regulation will enter into force on May 31, 2018.

⁴⁶ Art. 43,

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

⁴⁷ Art. 43,

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3825/language/ro-RO/Default.aspx>

⁴⁸ Pt. 206,

<http://bnm.org/ro/content/regulamentul-privind-cadrul-de-administrare-activitatii-bancii-aprobat-prin-hce-al-bnm-nr146>

Implement and promote certain ethical and professional standards for the shareholders and managers of commercial banks, with the basic elements being stipulated by the NBM		After NBM submitting a draft for amending the Regulation on requirements towards bank managers ⁴⁹ to the Parliament on September 8, 2016, on February 24, 2017 the decision was made to develop a new draft decision that would repeal the above mentioned regulation and develop a new one ⁵⁰ . This regulation aims at perfecting the framework for adequate and continuous evaluation of bank management body members. Once the regulation is approved, the recommendation will be considered implemented.
Tighten the requirements and sanctions for improper and inadequate management of financial institutions, violation of the prudential and banking risk management rules		During 2016, a series of amendments were operated to the Law on financial institutions ⁵¹ , regarding increasing the NBM intervention capacity, including with respect to sanctions. Currently sanctions can reach: for the bank – 5% of the capital; for shareholders – 100% of the participation share; for managers – 100 salaries averaged for the past 12 months. Besides this, with the approval of the law on bank recovery and resolution ⁵² , the level of the sanctions will increase significantly, about 10 times, and this tends to correlate with the Basel III provisions. At the same time, the new law on bank activity ⁵³ , besides the fines from the law on financial institutions, includes sanctions applicable to natural entities, starting with MDL 5000 (five thousand) up to MDL 100 (one hundred) million.
Explicitly prohibit by law the possibility to be board member in several banks simultaneously		According to the Law on financial institutions ⁵⁴ , the person who is or will become council member of two or more Moldovan banks cannot become member or this position will be withdrawn by decision of the general shareholders meeting. The same provision is included in the new law on bank activity ⁵⁵ . The ambiguous wording leaves room for interpretation, giving a person the possibility to be board member in two banks.

Recommendations:

⁴⁹ <http://www.bnm.org.ro/content/proiectul-hce-al-bnm-pentru-modificarea-si-completarea-regulamentului-cu-privire-la>

⁵⁰ <http://www.bnm.org.ro/content/proiectul-hotaririi-comitetului-executiv-al-bancii-nationale-moldovei-pentru-aprobarea-si-0>

⁵¹ Law nr. 550 as of 21.07.1995 on financial institutions,
<http://lex.justice.md/index.php?action=view&view=doc&id=338489>

⁵² Law nr. 232 as of 03.10.2016 on bank recovery and resolution,
<http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

⁵³ Art. 141,
<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁵⁴ Law nr. 550 as of 21.07.1995 on financial institutions, Art. 19, para. (2),
<http://lex.justice.md/index.php?action=view&view=doc&id=338489>

⁵⁵ Art. 41, para. (4),
<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

- Prohibiting the possibility to be board member of several banks at the same time.

Objective 5. Develop mechanisms that will increase the accountability of bank managers

Recommendation	Implementation	Details
Develop the four-eye approach in every bank – the internal audit departments in every bank must check whether the corporate governance, risk management and financial management criteria are observed.		The new law on bank activity ⁵⁶ will establish the need to create specialized committees within the board, among them the audit council and risk management council. Their duties, functions and responsibilities, as well as the requirements towards their members will be established in the NBM regulatory documents. The recommendation will be considered implemented when the Parliament adopts the draft law in the final reading.
Develop the independence of commercial bank Boards by NBM promoting integrity standards and professional qualifications for Board members.		On February 24, 2017, a new draft regulation on requirements towards managers ⁵⁷ was published for consultations. This regulation will improve the system of continuous promotion in banks of persons that correspond to the suitable and adequate principle, and of an efficient bank corporate governance accordingly. According to point 11 of the draft regulation, the provisions of the regulation concern the members of the bank council inclusively. The recommendation will be considered implemented when the draft is approved by the NBM executive committee.
Impose a maximum limit of 2 4-year mandates for Board members		According to art. 19 of the Law on financial institutions ⁵⁸ , the members of the board are elected by the general shareholders meeting for a 4-year mandate. They can later be reappointed for a new mandate, with no limit for the number of mandates provided. The same provision is included in the new law on bank activity ⁵⁹ .
Develop the bail-in mechanism which foresees that the shareholders are obliged to cover the losses and any other consequences of defective		The Law on bank recovery and resolution ⁶⁰ introduced the concept of the bail-in mechanism in the domestic legislation, however its implementation was postponed for 2024. Thus, starting with January 1, 2014, the

⁵⁶ Art. 44,

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁵⁷ <http://www.bnm.org.ro/content/proiectul-hotaririi-comitetului-executiv-al-bancii-nationale-moldovei-pentru-aprobarea-si-0>

⁵⁸ Law nr. 550 as of 21.07.1995 on financial institutions, Art. 19, para. (1),

<http://lex.justice.md/index.php?action=view&view=doc&id=338489>

⁵⁹ Art. 40, para. (2),

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁶⁰ Law nr. 232 as of 03.10.2016 on bank recovery and resolution, Art. 92, Art. 158, Art. 322,

<http://www.lex.justice.md/index.php?action=view&view=doc&lang=1&id=366942>

management from their own resources		shareholders and holders of other property tools, as well as holders of capital tools will be obliged to reduce the value of these tools to the absorption and recapitalization of losses by at least 8% of the total debt and own capital of said bank before NBM can use other public tools of financial stability.
Tighten penalties, both financial and with deprivation of freedom for deficient and fraudulent administration of commercial banks by amending the Criminal Code accordingly		Law nr. 233⁶¹ included a series of amendments to the Criminal Code tightening the penalties for faulty or fraudulent management of financial institutions, aiming to protect public interest and to ensure prudent management of entities from the financial sector. At the same time, over the course of 2016, a series of amendments to the Law on financial institutions⁶² have increased the NBM intervention capacity, including concerning sanctions. Currently sanctions can reach: for the bank – 5% of the capital; for shareholders – 100% of the participation share; for managers – 100 salaries averaged for the past 12 months. At the same time, the new law on bank activity⁶³, besides the fines from the law on financial institutions, includes sanctions applicable to natural entities, starting with MDL 5000 (five thousand) up to MDL 100 (one hundred) million.

Recommendations:

- Imposing a limit of maximum 2 4-year mandates for board members in order to avoid the situation of permanent board members that promote certain obscure interests of specific groups of shareholders or bank managers (based on the precedent involving the 3 banks under liquidation – BEM, BS, and UB).
- Clearly determining which shareholders with significant packages are represented by each member of the board. This will stimulate appointing qualified candidates and at the same time will increase their independence due to more rigorous public control.

Objective 6. “De-offshorize” the banking sector

Recommendation	Implementation	Details
Eliminate any exposure and possibility by which offshore		In the early 2017, a separate subdivision was created in the NBM tasked with supervising entities in order to

⁶¹ Law nr. 233 as of 03.10.2016 on amending and supplementing certain legislative documents, Art. III, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=366944>

⁶² Law nr. 550 as of 21.07.1995 on financial institutions, <http://lex.justice.md/index.php?action=view&view=doc&id=338489>

⁶³ Art. 141, <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

companies can interact with commercial banks		prevent and combat money laundering⁶⁴. Under these circumstances, NBM will verify if the banks have adequate policies and procedures in this regard, if they apply their policies of knowing the client base and their transactions and will timely inform the competent authority on prevention and combating money laundry and financing terrorism. At the same time, the new law on bank activity⁶⁵, foresees that residents of jurisdictions that do not implement international transparency standards cannot purchase shares in a bank neither directly, nor indirectly. The list of jurisdictions that do not implement international transparency standards is established by the NBM.
Transpose and fully comply with Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing as soon as possible ⁶⁶		On march 30, 2017, the draft law on prevention and combating money laundry and financing terrorism⁶⁷ was adopted in the first reading, it was largely based on the EU Directive. The draft law does not foresee to establish a national registry of data on actually beneficiaries of legal entities. The competent authorities would have timely access to information from the national registries which could actually strengthen the efforts in fighting hidden beneficiaries and off-shore companies. Establishing national registries is actually a main pillar of the new Directive, consequently, transposing this provision into the national legislation should be a priority.

Recommendations:

- Making the entire banking sector more transparent, closely following the action plan developed in coordination with the IMF⁶⁸, subsequently eliminating any exposure of banks to off-shore areas.
- Before it is voted in the second reading, it is important that the draft law on prevention and combating money laundry and financing terrorism⁶⁹ includes the best practices in identifying actual beneficiaries, determining suspicious transactions and cautionary measures regarding the clients, which can be accomplished by fully transposing the provisions of the EU Directive UE 2015/849⁷⁰. It is especially important to establish a national registry of actual beneficiaries and legal entities, which would strengthen the efforts of the authorities in fighting hidden

⁶⁴ <http://www.bnm.org.ro/content/prioritatile-supravegherea-bancara-ale-bancii-nationale-moldovei>

⁶⁵ Art. 45, para.(8),

<http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁶⁶ EU Directive 2015/849 on preventing the use of the financial system for money laundry or terrorism financing, <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32015L0849&from=ro>

⁶⁷ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁶⁸ <https://www.imf.org/en/Publications/CR/Issues/2017/05/01/Republic-of-Moldova-First-Reviews-Under-the-Extended-Credit-Facility-and-Extended-Fund-44870>

⁶⁹ <http://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁷⁰ EU Directive 2015/849 on preventing the use of the financial system for money laundry or terrorism financing, <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32015L0849&from=ro>

beneficiaries and off-shore companies. At the same time, certain aspects of the draft law, especially concerning the currency exchange units, exceed the provisions off the EU Directive 2015/849, which will generate an additional level of bureaucratic procedures without efficiently fighting the money laundry phenomenon.

Objective 7. Increase the banks capacity to absorb losses

Recommendation	Implementation	Details
Take on the Basel III requirements on the main prudential indicators		On June 2016, NBM approved the Strategy for the implementation of Basel III standards through the perspective of the European legislative framework ⁷¹ . NBM is determined to start the Basel III standards implementation as early as January 1, 2018. In this sense, there is an ongoing process of developing and approving the new regulatory acts such as: the law on bank activity, the regulation of the bank administration framework, etc.
The prudential requirements on the liquidation and risk weighted capital adequacy should be more conservative for the systemic banks in comparison with the other banks.		The Law nr. 233 ⁷² , granted the NBM the right to impose increased prudential requirements to a certain bank, in comparison with the ones in NBM regulations, when the bank is exposed to major risks, as well as when the bank is of systemic importance. The same provisions were included in the new law on bank activity ⁷³ .
Regulate the large exposures of banks more strictly (in case of large loans extended to interconnected or affiliated companies)		On October 17, 2016, the Executive committee of the NBM decided to amend the regulation on bank transactions with affiliated persons and the regulation of „large” exposure ⁷⁴ . The amendment of the regulation was based on the need to clarify certain legal aspects touching upon the regulation of bank activity with affiliated persons and avoiding a concentration of risks associated with the bank's activity with these persons.
Harmonize the law guaranteeing deposits of natural persons in the banking system with the Directive on deposit-guarantee systems ⁷⁵ ,		Although currently there is no strategy on increasing the threshold up to at least MDL 100.000 by 2020, on May 24, 2017 a draft law ⁷⁶ was approved establishing the guarantee threshold to MDL 20.000.

⁷¹ <http://www.bnm.org.ro/content/strategia-de-implementare-standardelor-bsel-iii-prin-prisma-cadrului-legislativ-european>

⁷² Law nr. 233 as of 03.10.2016 on amending certain legislative documents, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=366944>

⁷³ Art. 106, <http://parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/3592/language/ro-RO/Default.aspx>

⁷⁴ <https://www.bnm.md/en/node/54208>

⁷⁵ Directive 94/19/CE21 of the European Parliament and Council as of May 30th, 1994 on deposits guarantee systems, <http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:31994L0019&from=RO>

⁷⁶ Law nr. 39 as of 24.03.2017 on amending art. 6 of Law nr. 575/2003 on guaranteeing deposits of natural persons in the banking sector, <http://www.lex.justice.md/md/369744/>

increasing the threshold to at least 100.000 by 2020.		
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Recommendations:

- Increasing the deposits guarantee threshold up to MDL 100.000 by 2020. The deposits guarantee needs to be extended for legal entities as well, and also to provide some legal tools for the early intervention of the Fund in order to prevent crises and maintain financial stability. At the same time, it is important to start the process of national legislation harmonization with the provisions of EU Directive 2014/49/UE⁷⁷, with the cyclical adjustment of annual contributions, the target-level being lowered under the terms of economic recession and increased in the periods of economic growth.

⁷⁷ Directive 2014/49/UE,
<http://eur-lex.europa.eu/legal-content/RO/TXT/PDF/?uri=CELEX:32014L0049&from=en>

About Expert-Grup

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Expert-Grup is a think-tank specialized in economic and public policy research. As an independent organization, Expert-Grup reflects the ideals of young intellectuals from Moldova, who set up the institution with the purpose of contributing to the country's development. We are positioning ourselves as a politically and ideologically neutral think-tank, and we do not represent any economic, corporate and political interests. Expert-Grup was established in 1998 and started the research activity in 2006.

The mission of the organization is to promote the public interest and to develop efficient and innovative solutions for the development of The Republic of Moldova.

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Our core activities are economic analysis and forecasts, as well as research and consultancy in public policies. We offer a wide range of analytical products and services, helping our beneficiaries to take decisions that will set Moldova to a sustainable development path. Our key competence lies in the ability to provide professional, high-quality and objective research and professional consultancy in such broad fields as:

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