

Experience of new macroprudential tools implementation in Moldova



*The 12th Edition of the Seminar on Financial Stability Issues
“10 Years after the Global Financial Crisis: Macroprudential Measures”*

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National
Bank of
Moldova

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Experience of new macroprudential tools implementation in Moldova

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SUMMARY

1. Evolution of macroprudential instruments in Moldova
2. Current situation: favorable for macroprudential tools implementation
3. Current challenges

Experience of new macroprudential tools implementation in Moldova

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EVOLUTION OF MACROPRUDENTIAL INSTRUMENTS IN MOLDOVA



Financial Stability before 2014

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National Committee for Financial Stability

- Established in 2010 under Prime-Minister
- Ensure coordination between authorities and take actions in case of financial shocks
- 8 members, strong political influence

Deposit Guarantee Scheme

- Coverage level raised in 2010
- Guaranteed only individuals deposits
- Coverage level: 6 000 MDL (320 EUR)

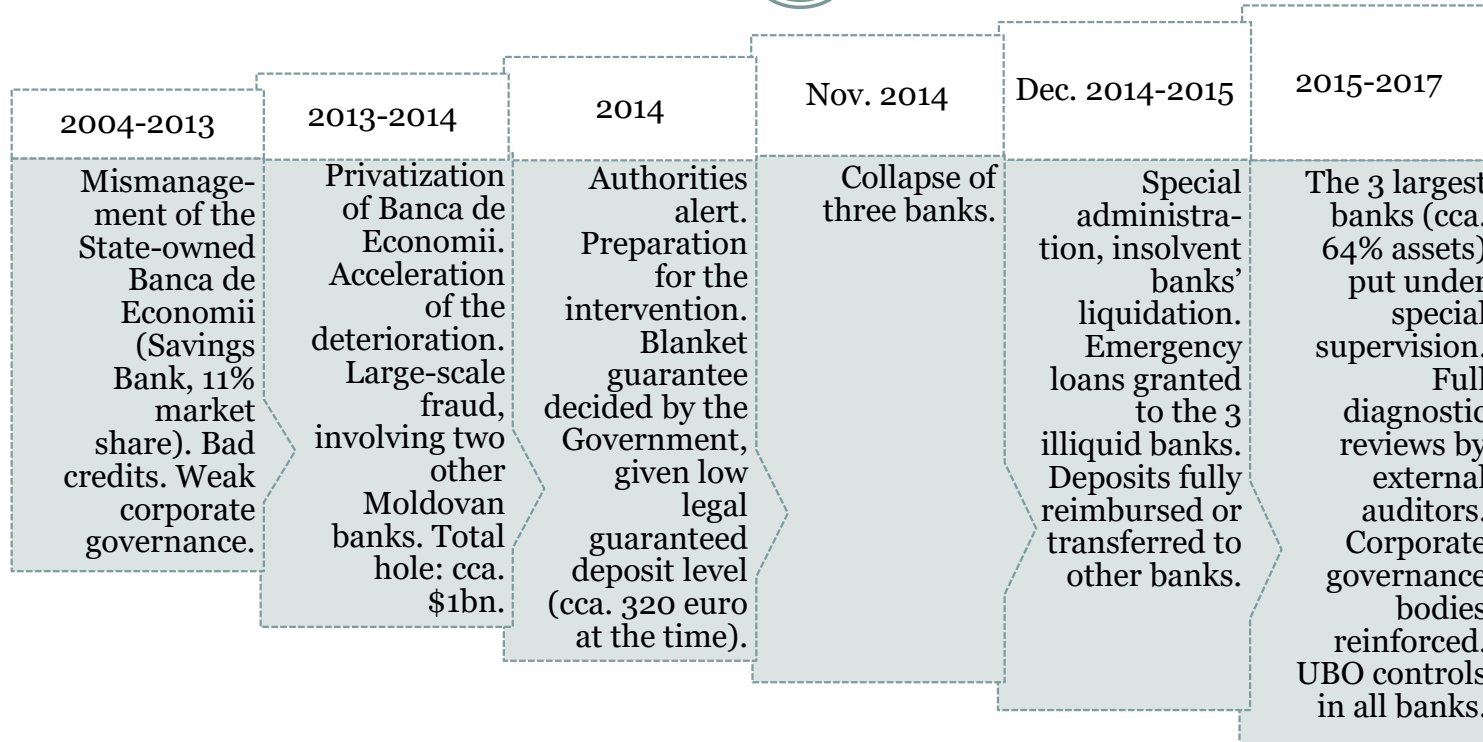
No macroprudential mandate

Prime-Minister	Governor of NBM
Minister of Economy	Minister of Finance
State Secretary	Head of Parliamentary Commission on Budget and Finance
Head of National Commission for Financial Markets	Director of Deposit Guarantee Fund



Banking crisis overview

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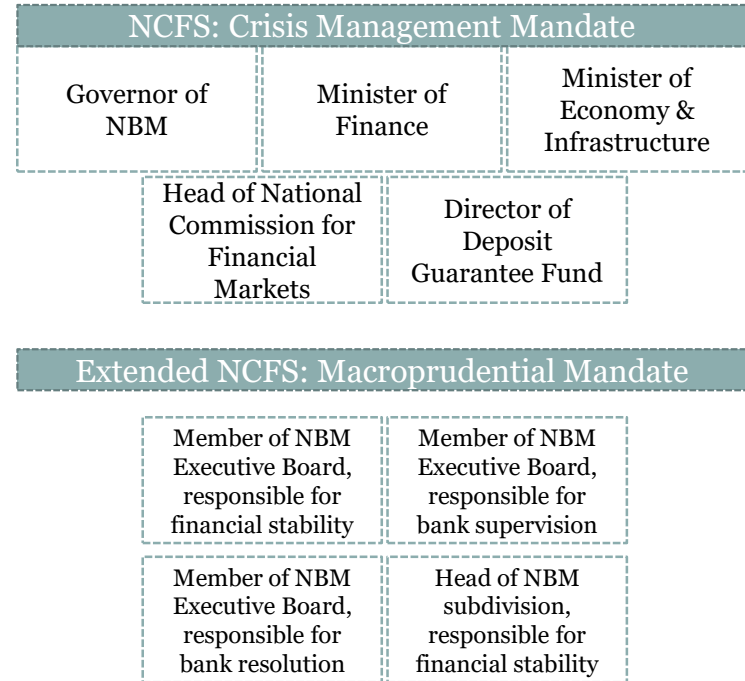


Financial Stability nowadays

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National Committee for Financial Stability

- New Law on NCFS adopted in 2018
- Two mandates: macroprudential authority and crisis preparedness and management
- 2-tier Committee structure, according to mandate





Financial Stability nowadays

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Deposit Guarantee Scheme

- Coverage level raised in 2018
- Guaranteed only individuals deposits
- Coverage level: 20 000 MDL (1 030 EUR)

2020:

- Coverage level next raise in 2020
- Guaranteed deposits of individuals and private corporates
- Coverage level: 50 000 MDL (2 570 EUR)
- Will cover 96% of deponents and 23% of deposits
- Payments to the Fund will be made by banks depending on their risk level



Financial Stability nowadays

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National Bank of Moldova

- Amendments to the Law on NBM to extend its powers by macroprudential mandate in progress
- Independent division: Financial Stability Division, founded in 2017

Legislation improvement

- New Banking Resolution Law (approved Oct. 2016)
- Creation of a Single Central Depository (Law approved Oct. 2016)
- New Banking Law – application of CRDIV/CRR package (approved Oct.2017)
- New AML Law (approved Dec. 2017)



Basel III transition

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Gradual transition to new rules (2018-2020)

2015 – 2017 – Assistance in banking regulation and supervision (Twinning)

April 2016 – Strategy for Basel III standards implementation approved

January 2018 – Law on banking activity entry into force

July 2018 – Capital requirements compliance

2019 – Corporate governance requirements compliance

2019 – First reporting ICAAP

2019 – First SREP reporting

2019 – Liquidity and Leverage requirements

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**CURRENT SITUATION:
FAVORABLE FOR
MACROPRUDENTIAL
TOOLS IMPLEMENTATION**



New capital requirements

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Systemic Risk
Buffer – 1% / 3%

OSII Buffer –
0,25% / 0,5% /
0,75%

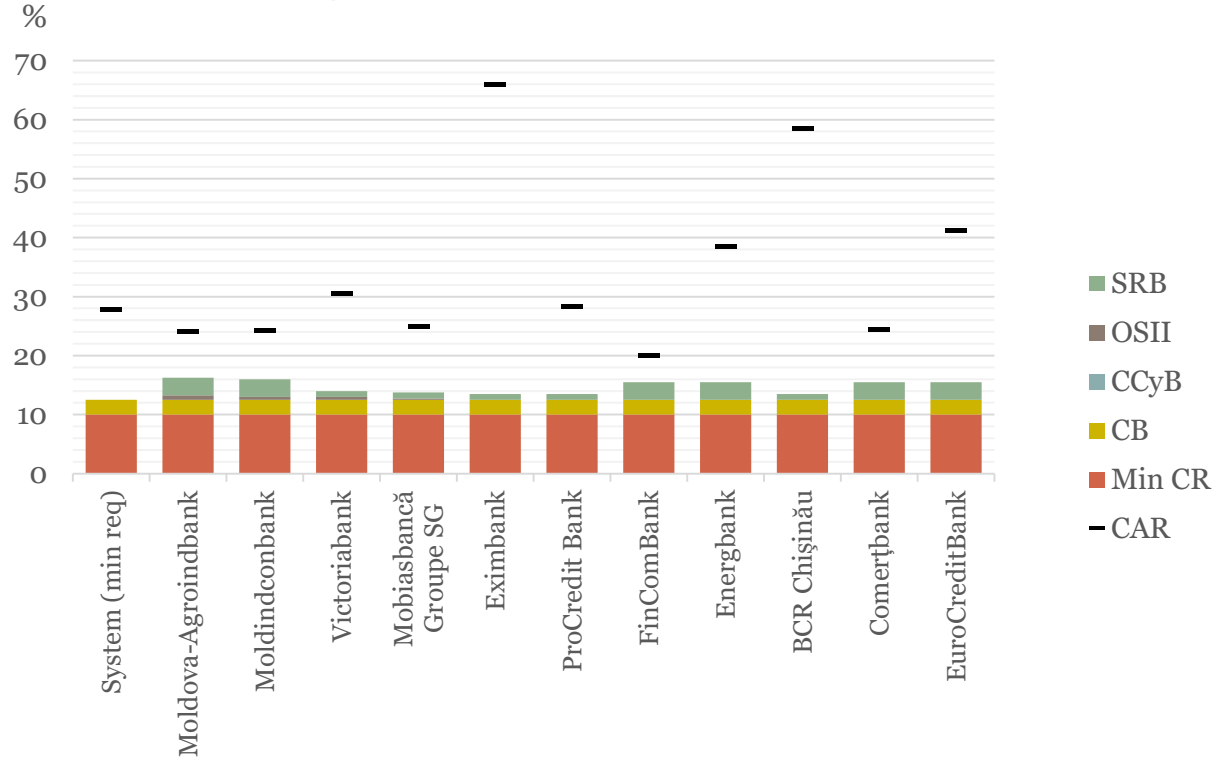
Countercyclical
Buffer – 0% for
Moldova

Conservation
Buffer – 2,5%

Minimum capital
requirement –
10%

Max:
16,25%

Min:
13,50%

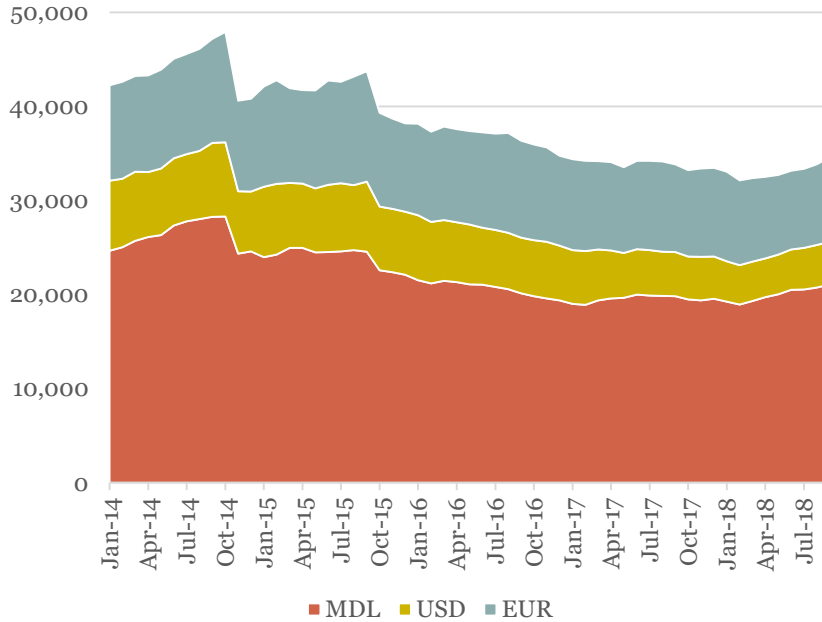




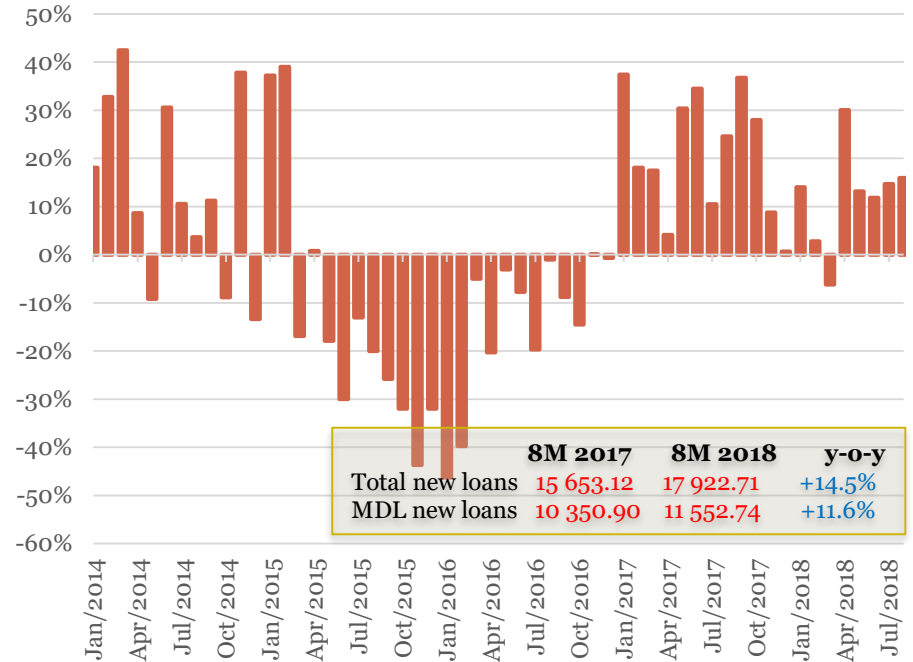
Bank credit crunch

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Credit portofolio, mil. MDL



MDL new loans (Quarterly, YOY)

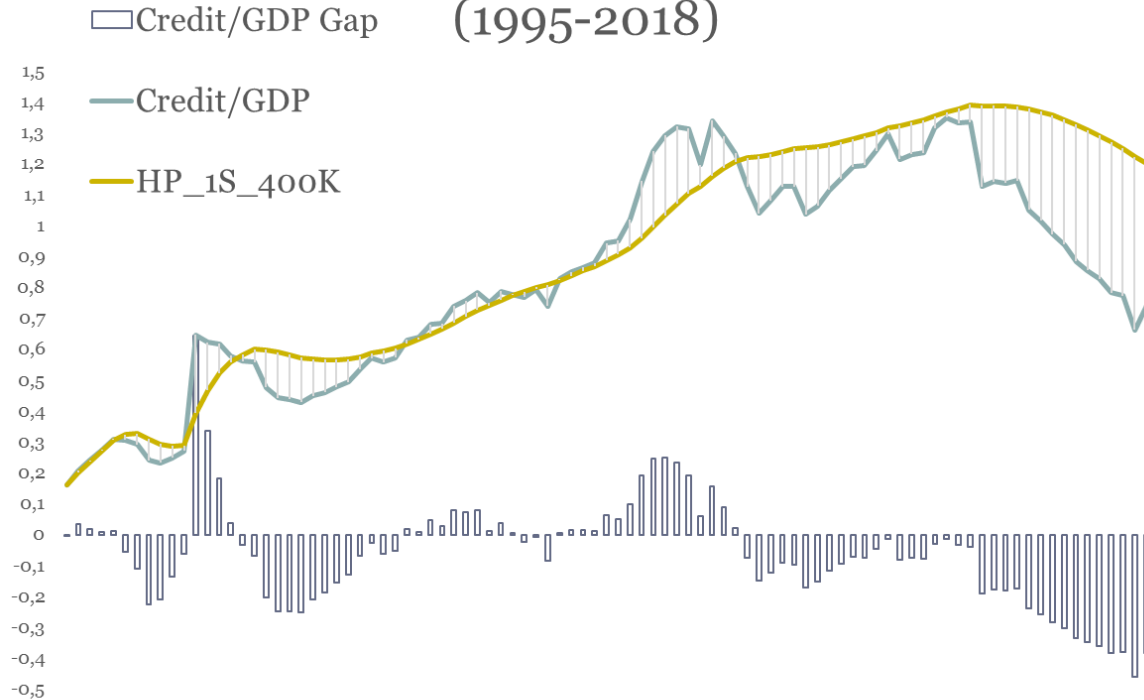




Credit cycle

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Credit to GDP (1995-2018)



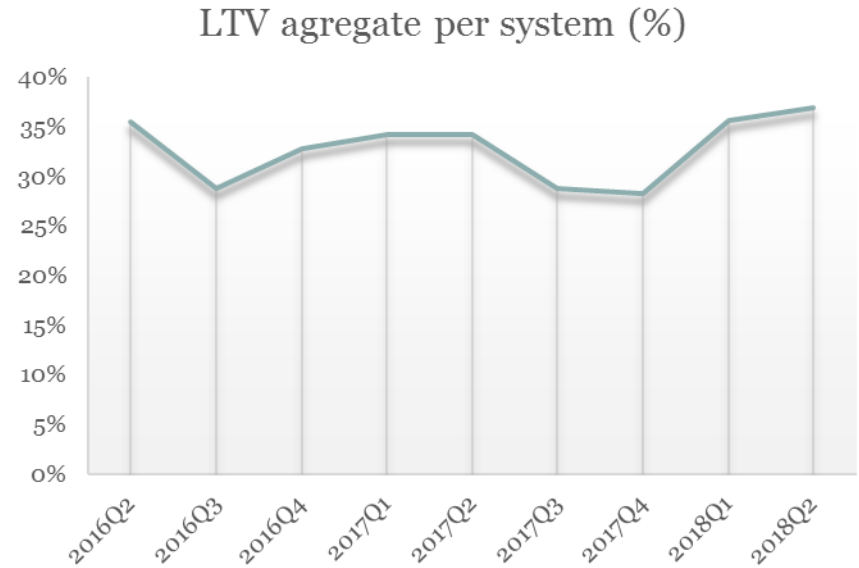
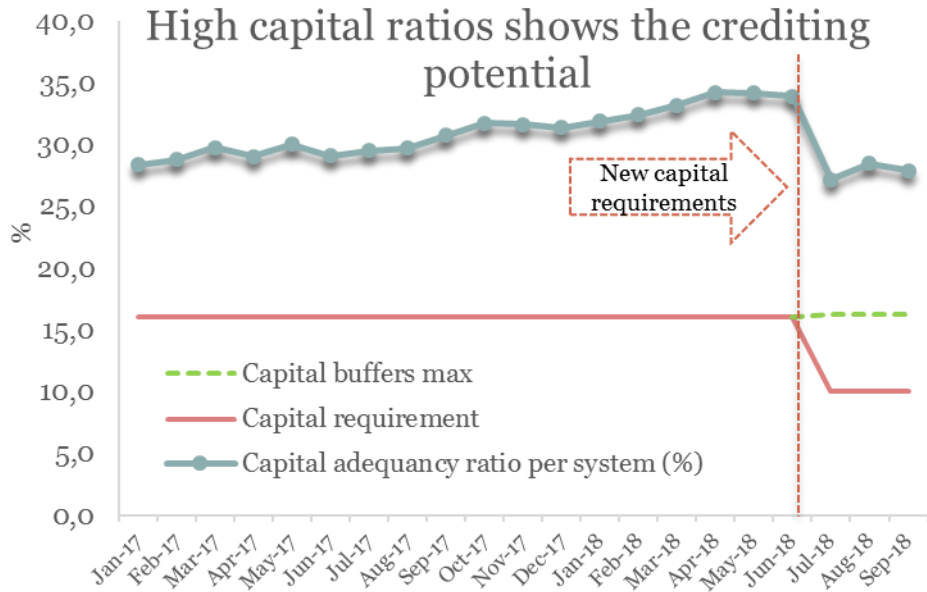
- Credit growth will take place while macroprudential instruments are implemented, so the system will be adapting to them on the way



Capital adequacy and LTV

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- The relatively low level of lending and high capital ratios make banks do not `feel` the limitations of macro-prudential instruments



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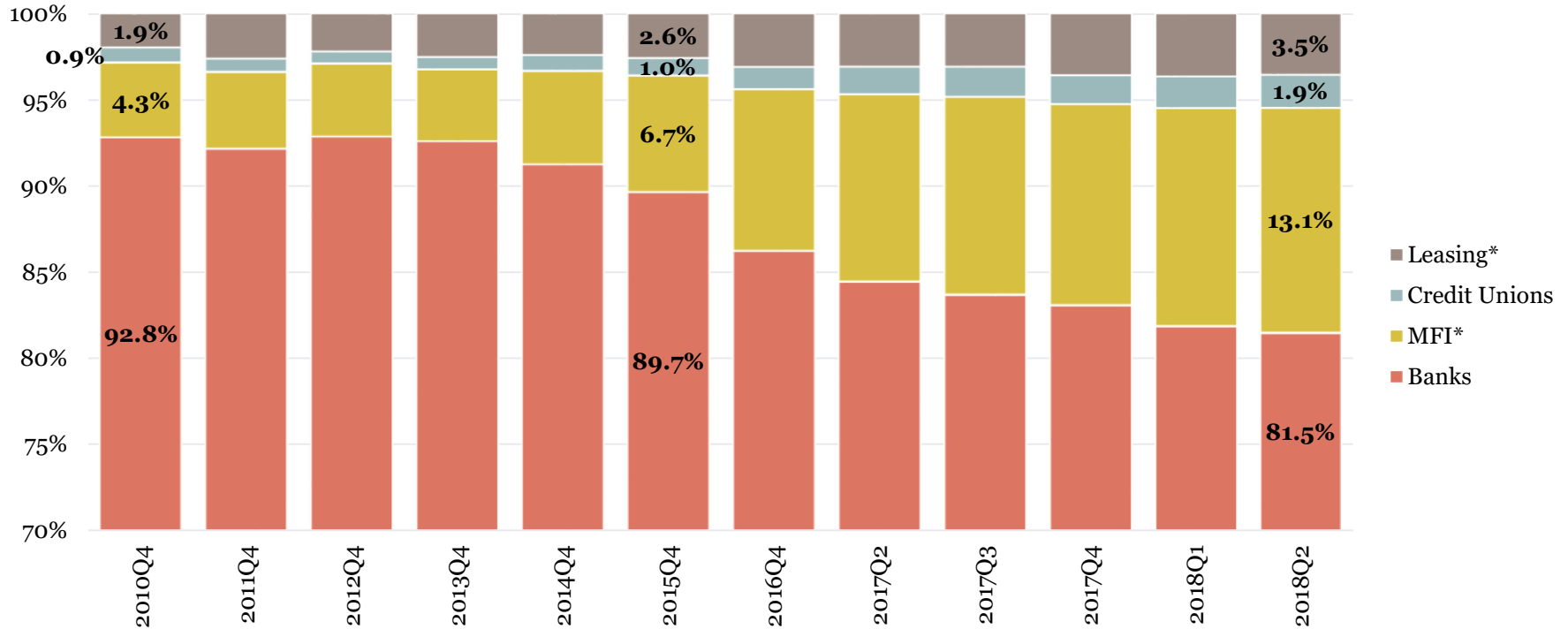
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CURRENT CHALLENGES



Financial system: Total Lending

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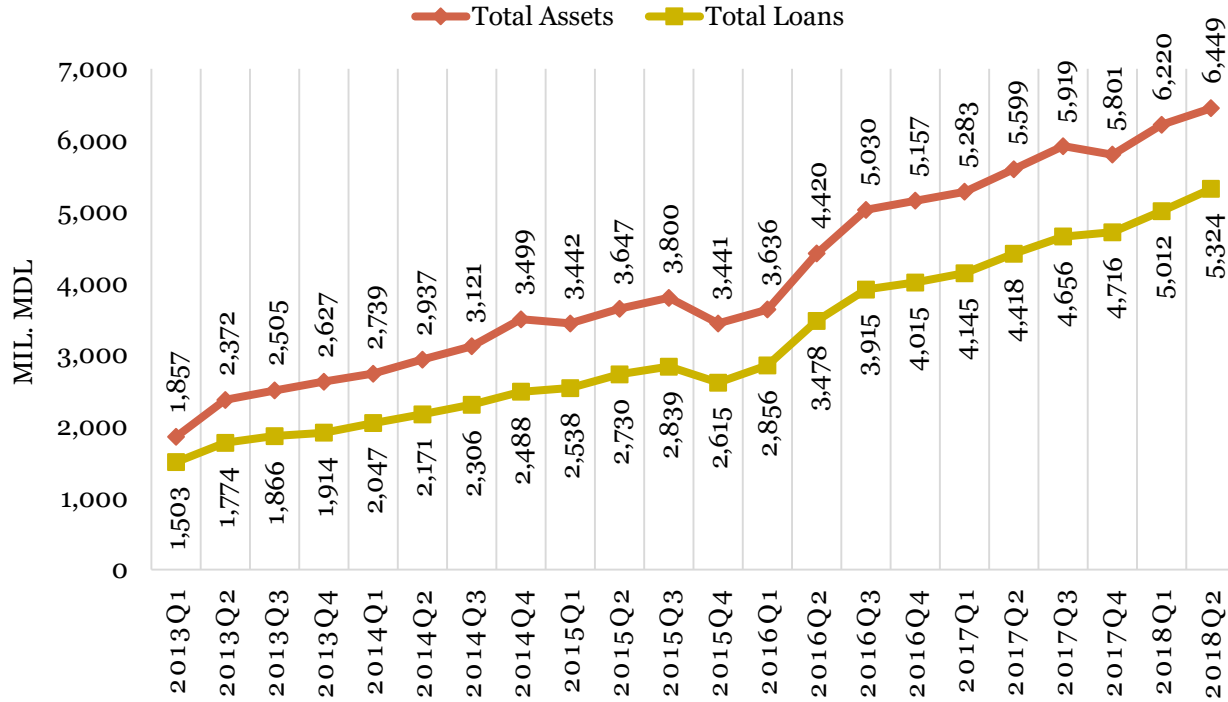


*Since 01.10.2018 a Law on non-bank lending organizations entered in force. NBLO are supervised by NCFM



Microfinancial Institutions (MFI)

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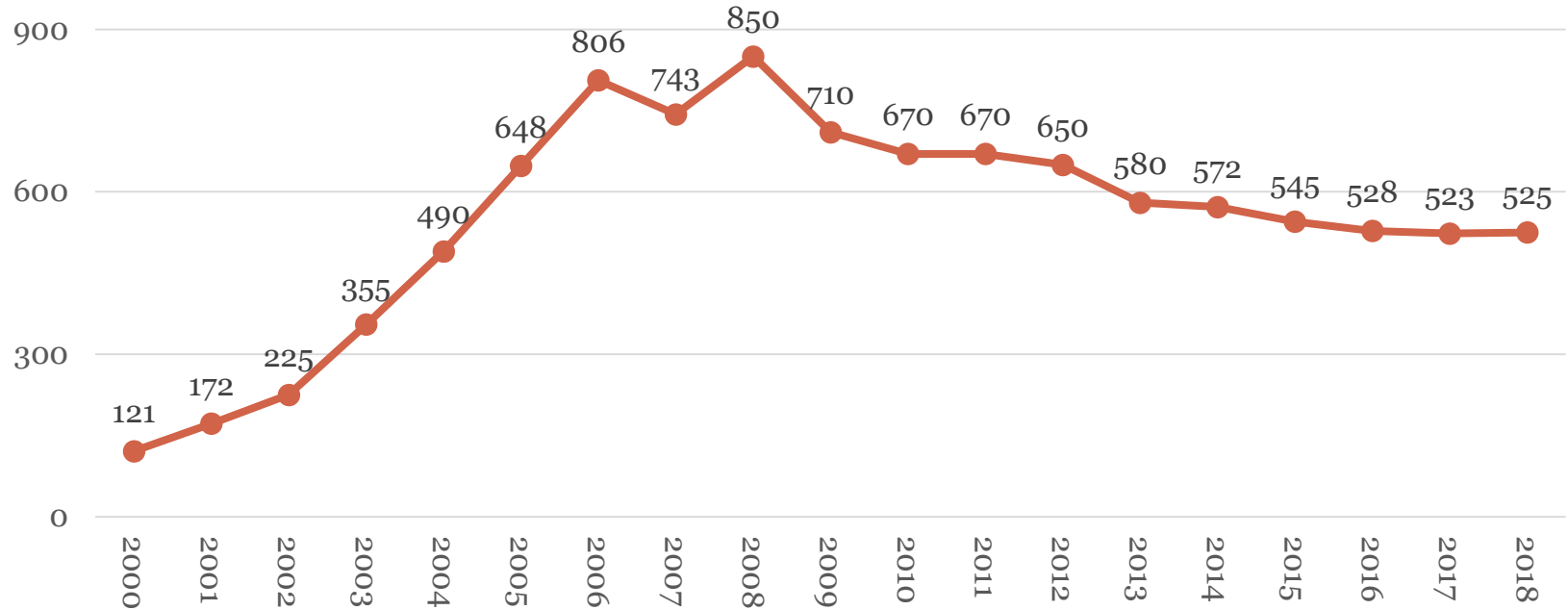




Real Estate Market

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Residential real estate prices, per square metter, EUR





Conclusion

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Credit growth relaunch



High bank resilience



Right time to implement macroprudential tools



Some areas to be watched carefully

Contact details



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