



National
Bank of Moldova



Regulatory Challenges in the Moldovan Banking System

Cristina HAREA
Deputy Governor



Moldovan bank crisis overview

2004 - 2013 Mismanagement of the State bank. Bad credits. Weak corporate governance.

2012-2014 - Privatization of Banca de Economii. Acceleration of the deterioration. Large-scale fraud, involving two other Moldovan banks. Total hole: cca. \$1bn

2014 - Authorities alert. Preparation for the intervention. Blanket guarantee decided by the Government, given low legal guaranteed deposit level (cca. \$450 at the time)

Nov. 2014 - Collapse of three banks, days after elections.

Dec. 2014-2015 - Special administration; insolvent banks' liquidation. Deposits fully reimbursed or transferred to other banks.



Challenges

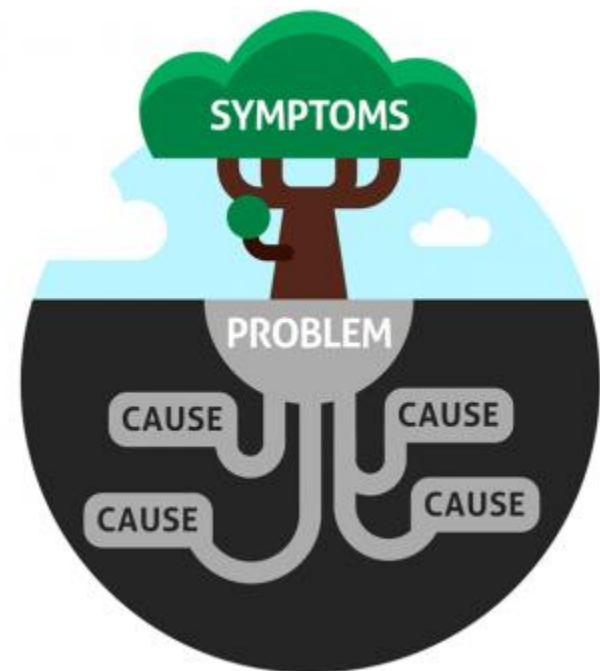


- **Restore trust** in the banking system and NBM credibility
- **Consolidate financial stability** and limit contamination effect
- **Recover financial and prudential position** and limit vulnerabilities of banks
- **Preclude such crisis/frauds** from happening in the future



Addressing root causes

- National Bank independence
- Shareholders transparency
- Shareholders and Management accountability
- Poor underwriting and lending practices
- Assets quality
- Capital adequacy





Initial Regulatory Changes

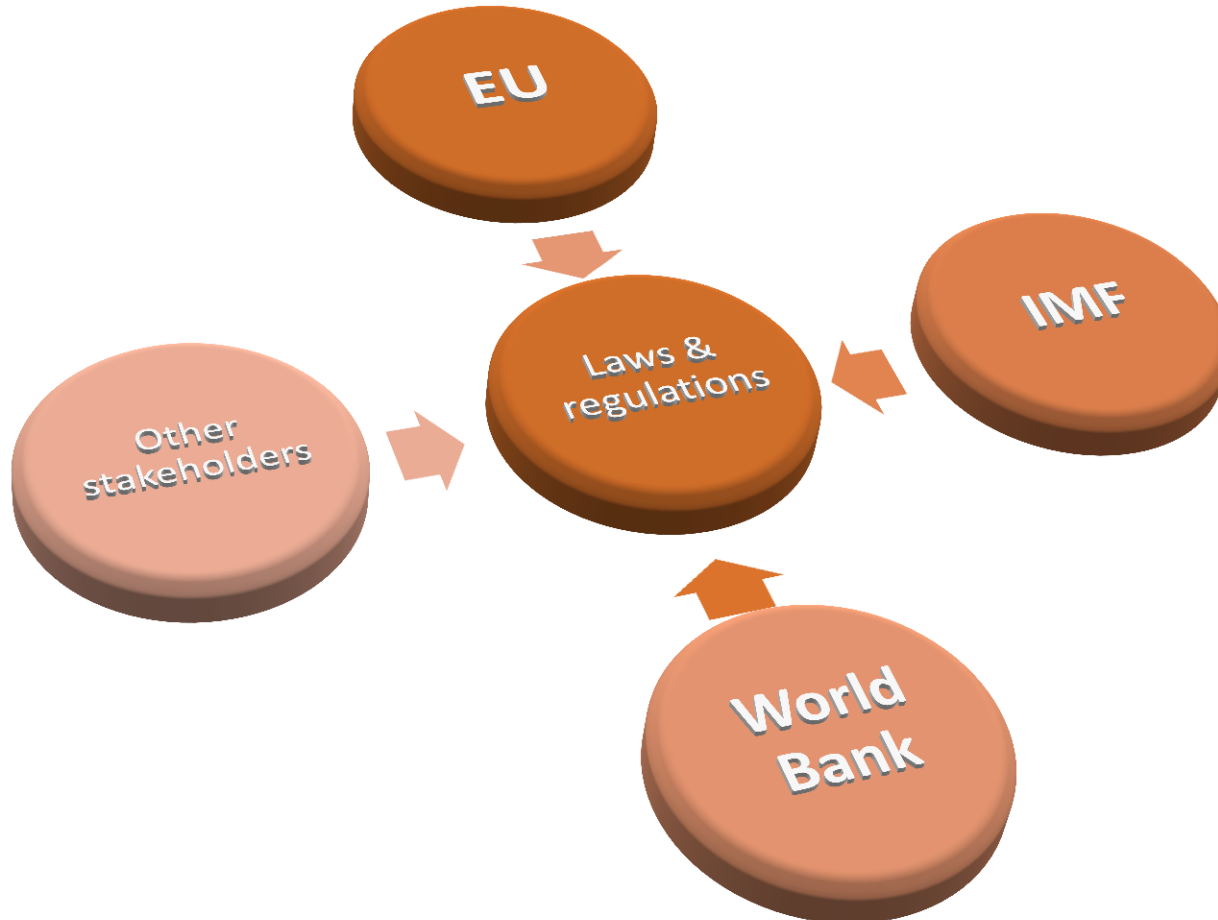
- New NBM leadership approved in April 2016 -after repeated public competition
- Legislative changes introduced in June 2016,:



- NBM authorisation requirements for share purchases
- Shareholders transparency supervision tools
- Management and Shareholders sanctioning
- Corporate governance



Foreign partner's support



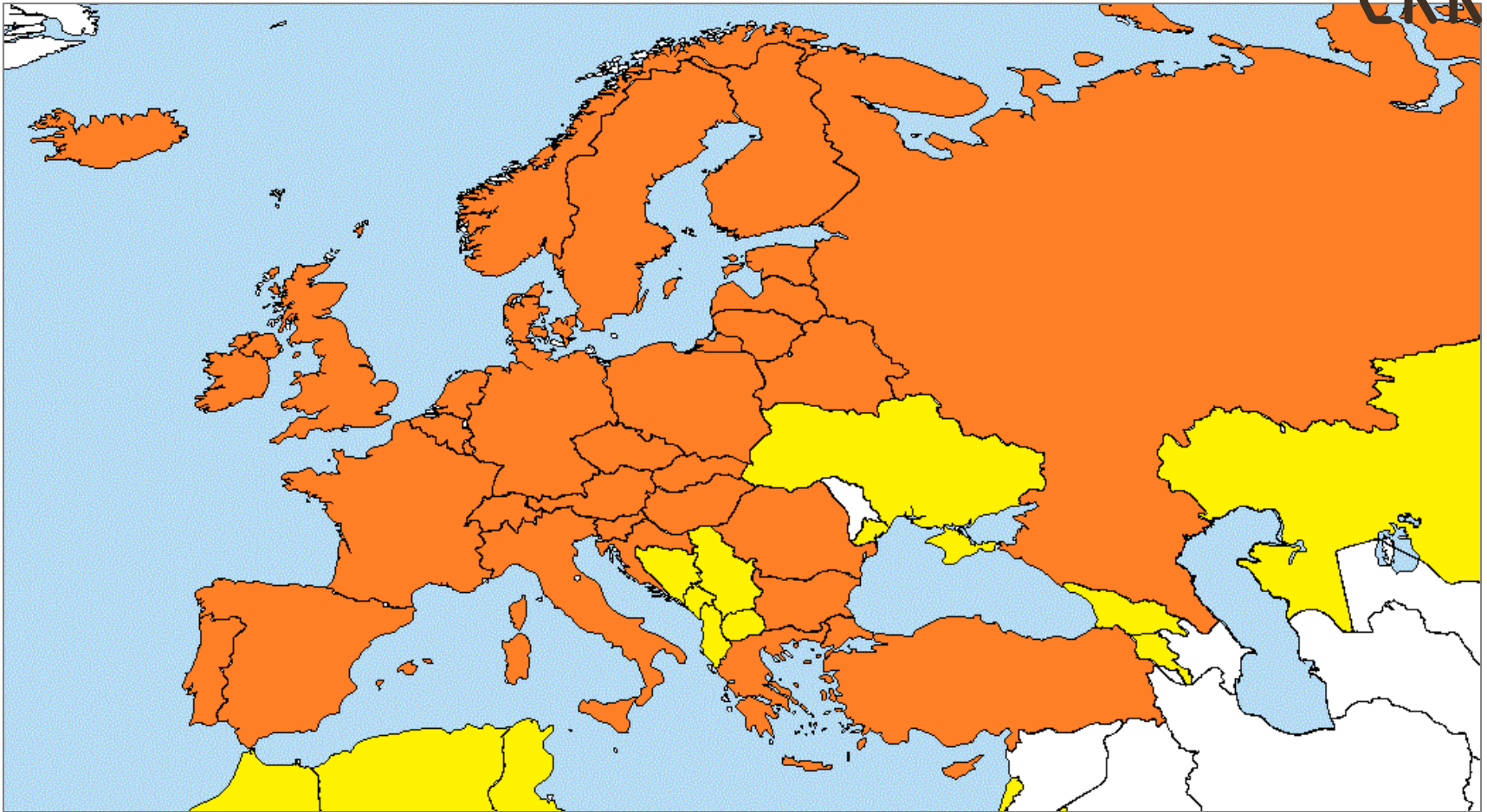
Regulatory Changes Autumn 2016

- IMF Program since November 2016
 - Significant bank reform focus
 - Front-loaded with numerous prior actions
 - Individual plans on larger or vulnerable banks
- Legislative changes :
 - Banks Recovery and Resolution Law
 - Central Securities Depository
 - Related parties definitions
 - Prudential limits on large exposures and related parties dealings

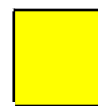




Implementing Basel III - EU CRD IV/ CRR



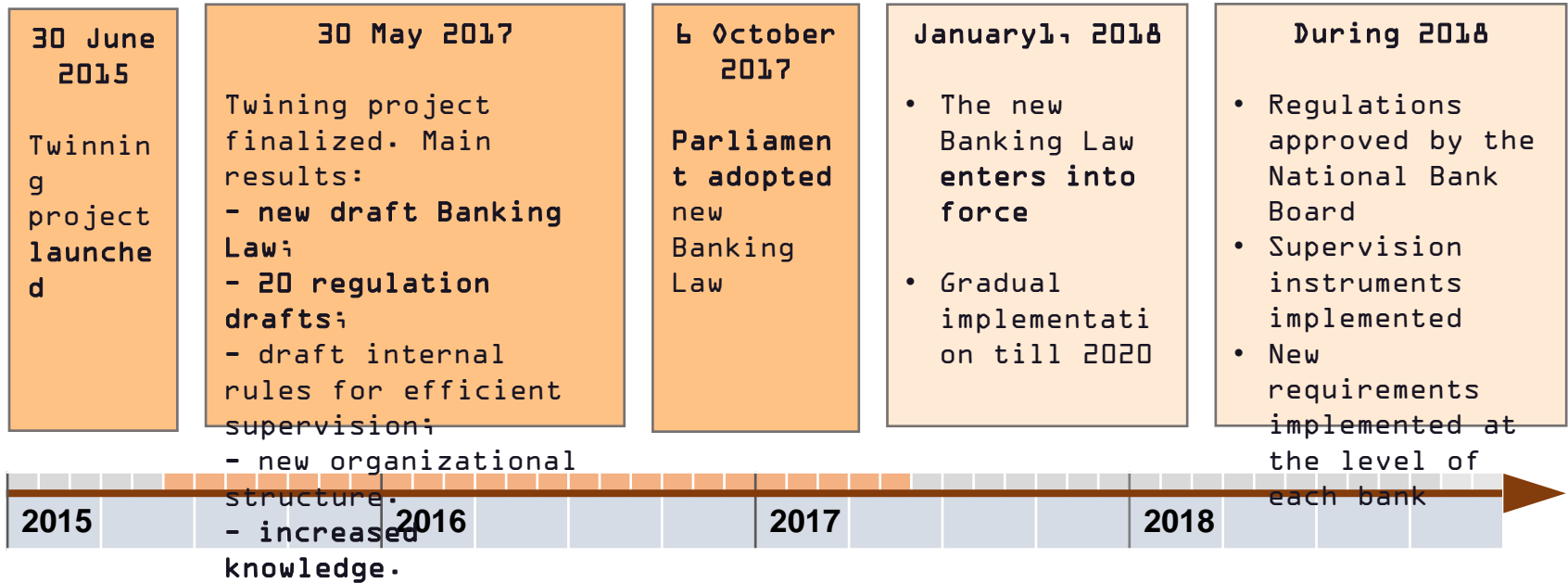
Basel III



Basel II

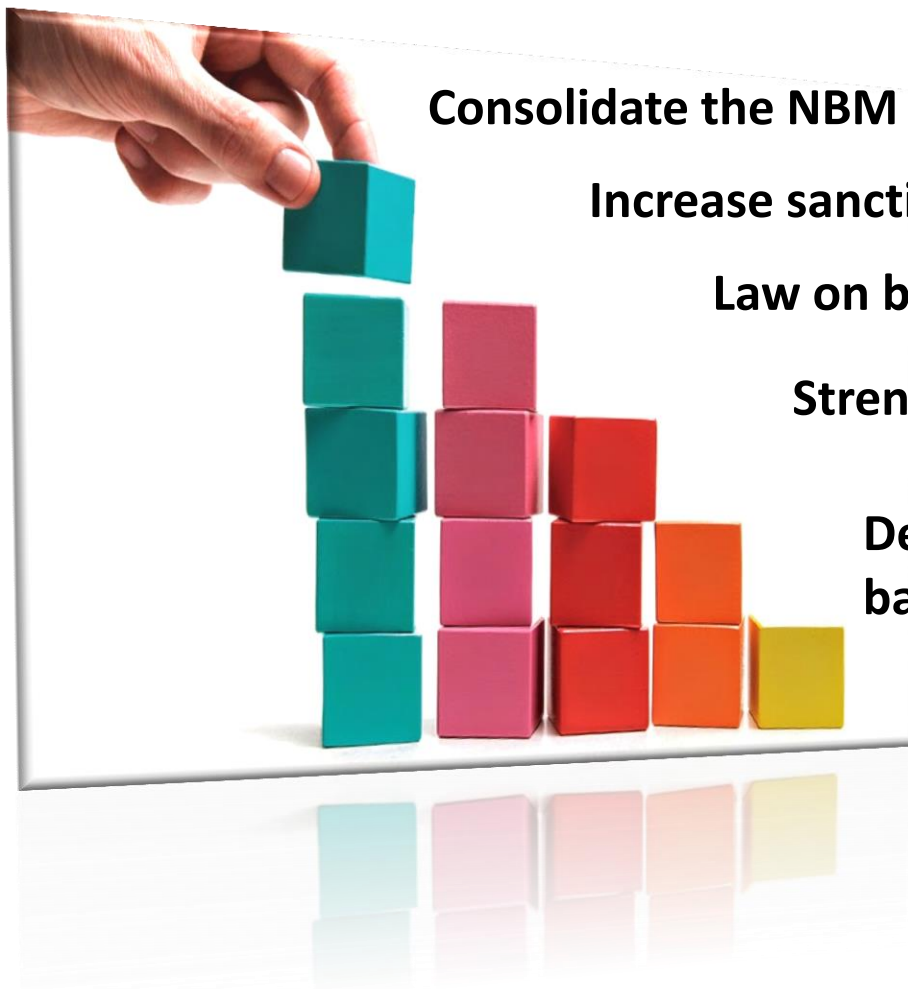


EU Twinning project with Central Banks of Romania and Netherlands





NBM Regulatory reform 2016 - 2018



Consolidate the NBM independence

Increase sanctions & prudential requirements

Law on banks' recovery and resolution

Strengthen shareholder transparency

Develop internal governance framework in banks

Implement Basel III framework