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Financial stability

Financial stability can be defined as a situation in the economy, characterized by the absence of disproportions, which may cause a negative correction of the financial markets, emergence of a systemic financial crisis or inability of the financial institutions to maintain uniform financial system operations. Financial stability is maintained by adequate regulations of the current and potential risks, by the effectiveness of the risk management and risk redistribution mechanisms, and by the assurance of the public's confidence in the financial system.

Based on the Decree of the Government of the Republic of Moldova no. 449 as of June 2, 2010, *the National Committee for Financial Stability (NCFS)* was created. The National Bank of Moldova (NBM) is part of the nominal composition of the NCFS and the Governor of the NBM is the Vice President of the Committee. Following the creation of the NCFS, the duties of committee members have been established based on the Memorandum of understanding on maintenance of financial stability from February 28, 2011. According to its provisions, the NBM is one of the key institutions responsible for the maintaining the financial stability of the banking sector and the supervised financial institutions through available legal powers.

The role of the NBM in maintaining the financial stability is of major importance, as a result of the significant share held by the banking sector in the financial system.

Within the NBM, the tasks related to financial stability are carried out through issued regulations and performed prudential supervision, through the efficient transmission of monetary and foreign exchange policy measures and through the supervision of the payment system's functioning.

Monitoring financial stability is based on identifying risks and vulnerabilities both at individual and system-wide level in order to determine the systemic impact of the institutions that are under NBM's supervision.

 [Decision of the Government of the Republic of Moldova on the establishment of the NCFS](#) ^[1]

 [Memorandum of Understanding on Maintenance of Financial Stability](#) ^[2]

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[2] [http://bnm.md/files/Memorandum of Understanding on Maintenance of Financial Stability_2.pdf](http://bnm.md/files/Memorandum%20of%20Understanding%20on%20Maintenance%20of%20Financial%20Stability_2.pdf)

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