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# The Bank resolution fund

## Organization of the bank resolution fund

In accordance with the Law no. 232/2016, in 2020 the bank resolution fund was established, the resources of which are managed by the Deposit Guarantee Fund in the Banking System and are used according to the decision of the National Bank of Moldova to cover the needs related to the effective application of resolution tools.

The relevant aspects of the methodology for calculating the annual contributions to be paid by each bank, the process of their calculation and payment, have been established by the central bank in the Regulation on the calculation and payment of contributions to the bank resolution fund, approved by the Decision of the Executive Board of the National Bank of Moldova no.74 of 20.03.2020. The provisions of the regulation are based on the practice of EU countries as a reference model, but also take into account the specifics of the national banking system.

The Regulation of the National Bank stipulates that the bank resolution fund shall be funded from the following sources:

- a) annual contributions;
- b) extraordinary contributions;
- c) loans and other forms of financing.

In accordance with the Regulation, banks shall be notified annually by 31 October of the size of the annual contribution to be paid by each bank in the following year, payment instalments and deadlines.

The target level for the available financial resources of the bank resolution fund is 3% of the amount of guaranteed deposits of all licensed banks on the territory of Moldova. The level foreseen must be reached for the first time no later than December 31, 2024.

## Use of bank resolution fund resources

The use of the resources of the bank resolution fund shall be decided by the National Bank of Moldova, as resolution authority, to cover the needs related to the effective application of the resolution tools, as follows:

- a) to guarantee the assets or liabilities of the bank under resolution, a bridge bank or an asset management vehicle;
- b) to grant loans to the bank under resolution, bridge bank or asset management vehicle;
- c) to acquire assets of the bank under resolution;
- d) to provide the necessary funding to a bridge bank or asset management vehicle;
- e) to pay compensation to shareholders or creditors in accordance with Law 232/2016;
- f) to provide financing to the bank under resolution in lieu of write-down or conversion of the debts of certain creditors, when the bail-in tool is applied and the bank resolution authority decides to exclude certain creditors from the scope of bail-in, according to Law no.232/2016;
- g) to grant loans to other financing mechanisms, voluntarily, according to Law no. 232/2016;
- h) for the repayment of the contracted loans and the costs associated with them;
- i) for any combination of the measures set out in points a) to h).

The resources of the bank resolution fund can be used for the above-mentioned measures and in relation to a potential acquirer within the business sale tool.

Tags

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