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Banking regulation and supervision

The banking sector in Republic of Moldova consists from two levels: the National Bank of Moldova and commercial banks. The activity of the National Bank, as a regulating and supervising authority for banks is based on the Law on the National Bank of Moldova, which establishes jurisdiction, the primary objective, the basic tasks of the National Bank and relations with financial institutions. Law on Financial institutions is the basic law governing the activities of financial institutions, including banks.
In accordance with banking legislation, the National Bank of Moldova has created the surveillance and regulating mechanism for banking activity, by establishing a number of specific requirements stipulated in the normative acts of the National Bank of Moldova, that banks are required to comply with. These requirements are constantly improved in order to bring them in line with the legal provisions and generally accepted international principles and best practices, in particular the recommendations of the Basel Committee on Banking Supervision and the European Union Directives.
Based on the generally accepted standards, the National Bank of Moldova promotes an active policy in the banking regulation and supervision by:

- establishing criteria for authorization of banks, capital requirements, exigencies towards the owners and their quotas and towards bank administrators;

- establishing requirements designed to ensure high quality and functionality of banks' internal control systems, including procedures relating to the prevention and combating money laundering;

- establishing and supervision of compliance with prudential requirements in order to ensure limitation of banks' exposure to risk;

- taking action to solve problems within banks with increased vulnerability, related to the application of corrective measures, sanctions, of special surveillance or, where appropriate, the special administration.

Banking supervision function aims to ensure the smooth functioning of the financial system of the Republic of Moldova based on a strong and competitive banking sector, oriented towards market relations and risk prevention. In this context, the National Bank of Moldova, according to the powers and rights conferred by legislation, is performing both off-site and on-site supervision of banks.

The off-site supervision has the purpose to monitor and analyze the financial situation of banks in the period between on-site inspections for the early identification of risks and possible problems in the bank's activity and prompt implementation of the necessary measures. Monitoring of licensed banks is conducted based on the reports submitted by banks in accordance with the National Bank's requirements related to financial statements FINREP and prudential reports, based on the information obtained from regular and thematic inspections as well as on the basis of external audit information.

The purpose of on-site inspection is to identify the level of risk within each bank and to assess the management's capabilities to effectively control and manage this risk. Annually, each bank is subject to such an inspection. During on-site inspections National Bank of Moldova determines the overall financial situation of the bank, as well as the causes and factors affecting its safety. On-site supervision is strongly interrelated with off-site supervision. The information obtained during off-site supervision is used to determine the purpose and main objectives for the on-site supervision.

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