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Concept of the National Bank of Moldova on implementing a central risk monitoring system

In the context of the alignment to the international standards and practices, the National Bank of Moldova, as supervisory authority, seeks to promote a strong and competitive financial system with appropriate risks management. The Moldovan banking activity is subject to a wide range of risks, among which the risk of credit, non-transparent structure of shareholders in banks and the risk of money laundering and terrorist financing.

Thus, in order to ensure a prudent management of banks activity, the National Bank of Moldova aims to implement the risk-based approach in banking supervision. The purpose of this project is the efficient management of the existing risk categories in banks' activity, such as the risk of credit, non-transparent structure of shareholders and the risk of money laundering and terrorist financing. In this regard, the NBM intends to create a platform at central level (a totality of IT solutions) to achieve the objectives of prudential supervision.

The creation of the central risk monitoring system will provide the National Bank of Moldova with the capacity required to assess and monitor the information in real time submitted by licenced banks, in order to assess the risk of credit, non-transparent structure of shareholders and the risk of money laundering and terrorist financing. Thus, the degree of risk per bank, group of banks or sector will be assessed appropriately.

In these circumstances, the central risk monitoring system will include four various IT solutions, which will able the National Bank to identify the risks of the banking system, in particular, the credit risk register, a solution for optimising the licencing and notification process, solution for optimising the monitoring process of the shareholders' transparency and the solution for off-site assessments with the purpose of preventing and combating money laundering and terrorist financing.

1. Credit risk register is a system of recording and processing the information related to credit risk resulted from banks' financing activity, where the identification data of counterparties and that related to assets and liabilities of banks subjected to credit risk will be stored and centralised. It will be used to review, rectify and classify the bank's debtors, thus contributing to the assessment of the sufficiency of provisions made for the risk of problematic assets and liabilities and to identify the credit portfolio trends.

2. Solution for optimising the licencing and authorising process is a system for recording and processing data and information on banks' administrators confirmation, the NBM approval of banks' subdivisions opening, authorisation of financial institutions' activities, granting of permissions to purchase and increase the qualifying holdings of the potential purchasers or direct/indirect owners, licencing of payment service providers and non-banking electronic money issuers, issuing permissive documents and other activities that require the authorisation, confirmation, approval and licencing of the NBM. At the same time, the solution will include a notification process for statistical purposes. The implementation of the solution for optimizing the licencing and notification process will allow the NBM to authorize, confirm, approve, license persons and activities that do not present a high degree of risk for bank and ensure the management, prevention and reduction of risks related to the activities carried out.

3. Solution for optimizing the monitoring process of shareholders' transparency is a system for recording and processing data and information related to direct or indirect owners of shares in the bank's share capital and beneficial owners and their transactions. The implementation of the solution will allow to verify promptly any suspicion related to direct and indirect owners, beneficial owners of qualifying holders and

will create a clear and accurate picture about banks' ownership structure.

4. Solution for off-site assessments with the purpose of preventing and combatting money laundering and terrorist financing is implemented with the aim to identify and assess promptly the risks of money laundering and terrorist financing related to banks, operations and transactions of their customers. This solution will contribute to simplify the techniques applied within on-site inspections to identify suspicions, critical examinations of the connexions between the transactions and persons involved, prioritisation of actions necessary to be undertaken by the supervisory authority and consequently it will diminish the risk of money laundering and/or terrorist financing to which the banking sector is exposed.

Tags

central risk monitoring system [1]

credits [2]

credit [3]

credit risk [4]

concept [5]

credit risk register [6]

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[1] https://bnm.md/en/search?hashtags[0]=central risk monitoring system [2] https://bnm.md/en/search?hashtags[0]=credits [3] https://bnm.md/en/search?hashtags[0]=credit [4] https://bnm.md/en/search?hashtags[0]=credit risk [5] https://bnm.md/en/search?hashtags[0]=concept [6] https://bnm.md/en/search?hashtags[0]=credit risk register