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## The National Bank of Moldova set the capital buffers rates

The Executive Board of the National Bank of Moldova (NBM) set rates to be applied on the new macro-prudential instruments, adopted by the NBM pursuant to the Law no. 202 of 06.10.2017 on banks' activity and the Regulation on bank capital buffers approved by the Decision of the Executive Board of the NBM no.110 of 24.05.2018.

Thus, in addition to the 10% minimum own funds requirement, banks are required to maintain the Tier I own funds to meet the requirements for the capital buffer, the countercyclical buffer, the systemic risk buffer and, where appropriate, the shock buffer for other systemically important institutions (the O-SII shock buffer) according to the shock buffer rates, approved by the Decisions no.110 of 24.05.2018 and no.193 of 31.07.2018 of the Executive Board of the NBM:

1. The capital conservation buffer shall equal 2,5 % of a bank's total exposures;
2. The countercyclical buffer rate for loan exposures located in the Republic of Moldova shall equal 0% of the banks' exposure to risk. At the same time, banks should ensure adequate records of the countercyclical buffer rates applied to countries where they may have loan exposures;
- 3.1. The systemic risk buffer rate for exposures located in the Republic of Moldova shall equal 1% of the banks' exposure to risk.
- 3.2. The systemic risk buffer rate for exposures located in the Republic of Moldova shall be increased by 2 p.p. in the case of banks, over 50% of the capital of which is collectively owned, directly and/or indirectly, by persons meeting any of the following criteria:
  - a) they are not financial sector entities;
  - b) are residents/have headquarters in the states where requirements for prudential supervision and regulation are not at least equivalent to those applicable in the Republic of Moldova, as defined in the regulatory acts of the National Bank of Moldova;
  - c) are not subject to supervision by the banking or capital market supervisory authorities of the respective countries.The criteria listed in paragraph 3.2. shall not apply in the case of direct and/or indirect holdings held in the share capital of banks by the multilateral development banks, as defined in the regulatory acts of the National Bank of Moldova.
3. The shock buffer rate set for other systemically important institutions (the O-SII shock buffer), for banks identified as O-SII type companies in the Republic of Moldova shall be:
  - a) 0.75% for C.B. "MOLDOVA-AGROINDBANK" S.A.,
  - b) 0.50% for C.B. "VICTORIABANK" S.A. and C.B. "Moldindconbank" S.A.,
  - c) 0,25% for C.B. "MOBIASBANCA - Groupe Societe Generale" S.A.

Given the above, the capital requirement for banks in the Republic of Moldova will vary between 13.5% and 16.25%, depending on the shareholder structure and the systemic importance of the bank. Previously, the 16% capital requirement was applied to all banks.

The decision was taken based on the analyses and studies conducted by the Financial Stability Division of the NBM aiming to assess the potential risks generated to the banking sector. In the Republic of Moldova the countercyclical buffer is revised on quarterly basis, the O-SII shock buffer – annually, and the systemic risk buffer - at least biennially.

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