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Press release on the revocation of the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals

At its meeting on 26 October 2023, the NBM Executive Board decided to revoke the measure introduced in May to increase the rate of the systemic risk buffer for banks' exposures to credit risk related to resident individuals, with the exception of natural persons practicing entrepreneurial activity, and, thus to relax the capital requirements applied to banks by eliminating the 2 percentage point increase in the rate of the systemic risk buffer for the exposures of the above-mentioned banks.

The tightening measure was applied last year in response to the increasing concentration of the banking sector's exposures to individuals and appreciating the high sensitivity of this category of debtors in the conditions of significant increases in the prices of energy resources and the accelerated rise in the inflation rate, which may generate an increase in cases of non-payment of financial obligations to creditors, resulting in a deterioration of quality of the banks' assets.

The decision of easing was taken in the context in which the conditions that determined the introduction of the increased rate of the systemic risk buffer have been overcome, the credit quality indicators (non-performing loans, expired loans) are gradually returning to a positive trend, and the disinflationary conditions at the national and regional levels will determine the reduction of interest rates on loans with variable interest, but also a less negative impact on the real income of the population.

Considering the aforementioned, it was concluded that the necessary conditions are met for the relaxation of the capital requirement mentioned above, and the released buffer will provide banks with additional capital, including for lending.

Decision of the Executive Board of the NBM No 210/2023 on the revocation of the Decision of the Executive Board No 98/2022 on the increase of the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals enters into force on the day of its publication in the Official Monitor of the Republic of Moldova.

Therefore, banks are required to comply with the combined buffer requirement, which includes the capital conservation buffer requirement (2.5% of the total amount of risk exposures) plus the systemic risk buffer requirement (1% of the amount of exposures located in the Republic of Moldova) plus the O-SII buffer requirement, if applicable.

See also

Tags

capital buffer; systemic risk buffer; macroprudential tools [1]

macroprudential policy [2]
relaxation of macroprudential policy [3]

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