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Minutes no. 384, December 23, 1999

REGULATION
on Investments of Banks in property, plant and equipment

Modificat și completat prin:

DCA of the NBM, no. 298 of 15.11.2001, Official Monitor of the Republic of Moldova no. 141-143 of 22.10.2001

DCA of the NBM, no. 174 of 18.08.2011, Official Monitor of the Republic of Moldova no. 160-163 of 30.09.2011

DCA of the NBM, no. 194 of 23.08.2012, Official Monitor of the Republic of Moldova no. 181-184 of 31.08.2012

DCA of the NBM, no. 132 of 21.05.2015, Official Monitor of the Republic of Moldova no. 131-138 of 29.05.2015

I. Authority

1. This Regulation is adopted pursuant to the authority vested in the National Bank of Moldova, under the Articles 11 and 44 of the 'Law on the National Bank of Moldova' and Articles 28 and 40 of the 'Law on Financial Institutions'.

(Item 1 amended by the Decision of the NBM no.174 of August 18, 2011)

2. This Regulation establishes the rules related to investments made by banks in property, plant and equipment, holding of tangible assets transmitted in possession of the bank/acquired in exchange for repayment of loans or debt in order to reduce or avoid losses in any financial activity (hereinafter property, plant and equipment submitted to bank for loans reimbursement) and limits the equity investments in the capital of legal entities, excluding the banks.

(As amended on November 15, 2001, Decision no. 298)

(Item 2 amended by the Decision of the NBM no.174 of August 18, 2011)

(Item 2 amended by the Decision of the NBM no.132 of May 21, 2015)

3. For the purpose of this Regulation, investment into property, plant and equipment means any acquisition, allocation of funds, acquisition of fixed assets and land (including seizures on the basis of court rulings or in compliance with collateral agreements), as well as any other asset that may be or become part thereof.

(As amended on November 15, 2001, Decision no. 298)

(Item 3 amended by the Decision of the NBM no.174 of August 18, 2011)

II.LIMITATION OF INVESTMENTS

4. Investments of a bank into property, plant and equipment [and other fixed assets, as defined] shall not exceed 50% of a bank's Total Regulatory Capital.

5. The total value of the bank's investments into property, plant and equipment [and other fixed assets] and of equity participation in the capital of legal entities, excluding the banks shall not exceed 100% of a bank's Total Regulatory Capital.

(Item 5 amended by the Decision of the NBM no.132 of May 21, 2015)

6. The book-value of such investments, which represents the value of property, plant and equipment at the date of balance elaboration and is calculated as the difference between the entry value, revalued or revised, and its depreciation, is taken for the calculation of the above-mentioned ratio.

(Item 6 amended by the Decision of the NBM no.174 of August 18, 2011)

(Item 6 completed by the Decision of the NBM no.132 of May 21, 2015)

7. Provisions of items 4 and 5 do not extend over property, plant and equipment submitted for loans reimbursement

(As amended on November 15, 2001, Decision no. 298)

(Item 7 amended by the Decision of the NBM no.174 of August 18, 2011)

III.INTERNAL POLICIES AND PROCEDURES

8. A bank engaged in investments into property, plant and equipment [and other fixed assets, as defined] shall adopt appropriate policies and internal procedures regarding adequate management, accounting, and control of such investments.

9. A committee shall be set up at each bank, authorized and charged to manage and control all activities related to investments into property, plant and equipment. The committee may be the same as the one for managing and controlling equity investments in the capital of legal entities.
The aforementioned Committee shall examine and summarize the data on property, plant and equipment investments that are necessary for taking the proper decisions by the competent organ of the bank (bank's council or the executive organ). This Committee shall periodically report (at least quarterly) to the bank's council and the executive organ regarding the related activities to investments in property, plant and equipment and the management and control of equity investments in the capital of legal entities.

(As amended on November 15, 2001, Decision no. 298)

(Item 9 amended by the Decision of the NBM no.132 of May 21, 2015)

IV.PROPERTY, PLANT AND EQUIPMENT SUBMITTED FOR LOANS REIMBURSMENT

10. Property, plant and equipment submitted for loans reimbursement will be registered, coordinated and controlled separately from other investments in property, plant and equipment.

11. Property, plant and equipment submitted to bank for loans reimbursement are classified as assets held for sale and are recognized in the balance sheet only when there is a high probability of their sale in accordance with the International Financial Reporting Standard 5.
For this purpose, until the date of recognition in the balance sheet of property, plant and equipment submitted to banks for loans reimbursement, the bank shall have concrete plans to sell the property, plant and equipment that specify actions and methods used to promote the sale of their potential buyers and deadlines being based on sales confirmation documents (contracts intentions, requests, offers, studies / statistics that show good market liquidity, collateral evidence that the value of the asset, which will be sold, is far below its market value, etc.). Otherwise this property is reflected by bank in the account memorandum for record and their subsequent sale.
Property, plant and equipment submitted to bank for loans reimbursement shall be reflected at the lowest value between total debt of the debtor when conducting accounting (debt balance, interest calculated and reflected on the balance sheet, fees, penalties and other claims for credit) and fair value (the market value) of those property, plant and equipment items less any possible costs generated by sales.

Bank shall recognize a loss (a gain) of impairments for any reduction (increase) following the book value of property, plant and equipment submitted to bank for loans reimbursement in accordance with the International Financial Reporting Standard 5. Gain recognized by the Bank from any subsequent increase in fair value less costs of sale of property, plant and equipment submitted to bank for loans reimbursement shall not exceed accumulated impairment loss that has been previously recognized.

(Item 11 completed by the Decision of the NBM no.132 of May 21, 2015)

12. Bank has the right to classify property, plant and equipment submitted for loans reimbursement in the balance sheet as assets held for sale within 12 months from the date of their recognition in the accounts.

13. If property, plant and equipment submitted for loans reimbursement were not sold due to objective reasons (events or circumstances beyond the control of the bank) during the period mentioned in paragraph 12 the bank, at least two months before the expiry of this period may request the National Bank of Moldova with a request to extend the period of their classification in that category. Extension of the classification of such assets will be required by the Bank only in cases where there will be events or circumstances determined by the International Financial Reporting Standard 5 (p. 9).
To the referred application shall be attached the following information / documents (copies of documents will be authenticated by the bank):
1) information / documents on loan at the borrowing date and collateral serving as security for the loan including:
a) data (loan amount, the grant date, term, etc..) according to credit contract or its copy in exchange for which were submitted in possession / purchased property, plant and equipment;
b) data according to the contract of pledge or its copy;
2) information / documents on loans and pledge at the date of recognition in balance sheet of property, plant and equipment submitted for loans reimbursement, including:
a) the loan balance;
b) its classification in accordance with the Regulation on assets and contingent engagements classification, allowances for losses and provisions for contingent engagements losses;
c) amount of the loan payments which were not paid by the borrower;
d) value (according to the independent assessment act) and description of the collateral object passed in possession ;
3) information related to the request of extension of the period for the classification of property, plant and equipment submitted for loans reimbursement as assets held for sale including:
a) real, legal and economic bases;
b) measures taken by the bank for selling in time property, plant and equipment concerned attaching confirmation documents (examination of applications and bids from potential buyers, the shares used for the purpose of advertising);
c) documentation of plans for rapid sale of that property, plant and equipment (agreements of intent, evidence of payment of advances, etc.);
d) data on market value assessment of property, plant and equipment submitted for loans reimbursement, made in the last 12 months prior to the submission of the National Bank of the request for additional time for classification as assets held for sale of property, plant and equipment submitted for loans reimbursement.
Classification period of property, plant and equipment submitted for loans reimbursement as assets held for sale submitted for loan reimbursement may be extended by 12 months only once.

14. Within 30 (thirty) days from the date of receipt, the National Bank of Moldova approves, rejects or returns for completion the written application and notifies the bank about the decision.

15. If the application for extension of the period for classification of property, plant and equipment submitted for loans reimbursement as assets held for sale was rejected, the bank at the end of 12 months period qualifies as that property, plant and equipment as assets with exceeded sales term and performs testing on their depreciation, further with half-year periodicity.
If the period for the classification of property, plant and equipment submitted for loans reimbursement was extended according the provisions of the paragraph 13, but no property, plant and equipment were sold during that period, the bank at the end of the extended period for qualifies that property, plant and

equipment as assets with exceeded sales term and performs testing on their depreciation, further with half-year periodicity.

(Chapter IV amended by the Decision of the NBM no.174 of August 18, 2011)

V.COMPLIANCE AND REPORTING

16. Banks shall set up internal policies and procedures in compliance with this Regulation, by 31.12.2000.

17. Banks shall comply with the maximum limits, defined at the 4th and 5th points of this Regulation, regarding their investments in property, plant and equipment.

18. The bank's reporting on the limits, defined in items 4 and 5 of this Regulation shall be performed in compliance with the requirements of the normative acts of the National Bank for reporting.

(Item 18 amended by the Decision of the NBM no.174 of August 18, 2011)

(Item 18 amended by the Decision of the NBM no.194 of August 23, 2012)

VI.FINAL PROVISIONS

This Regulation becomes effective on the date of its publication in the Official Monitor of the Republic of Moldova.

See also

Tags
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amount of the loan payments [3]
value of the bank's investments into property [4]

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