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Required reserves

Pursuant to Art.17 of the Law on the National Bank of Moldova no.548-XIII of July 21, 1995, the National Bank of Moldova (NBM) establishes requirements regarding the level of required reserves (RR) to be maintained by banks.

RR are financial means, which are held by banks, in Moldovan lei (MDL) and foreign currency (USD and EUR), in accounts opened with the NBM.

The RR is a complementary instrument of the monetary policy, which is used to control the level of excess liquidity as well as to mitigate its impact on interbank interest rates. RR in foreign currency are mainly aimed to prevent an excessive growth of foreign currency lending by banks.

The main characteristics of the required reserves regime established by the NBM are:

- during the observance period[1], the balance of the RR is determined, which needs to be held with the NBM, on average, during the maintenance period[1]. Both periods last one month: the observance period is the time interval from the 16th of the previous month until the 15th of the current month, whereas the maintenance period lasts from the 16th of the current month until the 15th of the following month;
- the reserve base is determined as the daily average of balances (recorded during the observance period) of class II „Liabilities" on the balance sheets of banks (except for own funds, local interbank deposits, liabilities to the NBM), separately in MDL and foreign currency;
- different reserve requirements apply based on the maturity of liabilities included in the reserve base. Accordingly, the required reserve ratio set by the Executive Board at the monetary policy meetings shall apply to liabilities with a maturity of less than 2 years included in the reserve base, while a required reserve ratio of 0% applies to liabilities with a maturity of over 2 years included in the reserve base, which meet certain contractual conditions;
- reserves averaging applies only to RR denominated in domestic currency;
- RR denominated in foreign currency are maintained by domestic banks in USD and EUR, and have to be transferred to the NBM's accounts opened with foreign banks, within 5 days from the starting date of the new maintenance period;
- the NBM shall pay banks an interest rate applicable on the amount of RR that exceeds 5% of liabilities based on which the reserves have been computed. Different interest rates apply to the RR held in MDL and in foreign currency. Thus, for RR in MDL, banks are paid the NBM's interest rate on overnight deposit facility, whereas for RR in foreign currency – a rate of remuneration of 0.01%, NBM Executive Board Decision no. 139 as of 07.05.2019. Previously, the required reserves in foreign currency were remunerated by the NBM at the weighted average rate on interest bearing FX demand deposits accepted by banks.

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[1] Until the entry into force of the new Regulation on the required reserves regime, approved by the Decision of the Executive Board of the NBM no.355 of 27.12.2017, the observance period was comprised between the 8th of the previous month and the 7th of the current month, while the maintenance period - between the 8th of the current month and the 7th of the following month.

Statistics of requered reserves maintained by banks in MDL [1]

Statistics of requered reserves maintained by banks in FCC [2]

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