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# Strategy for implementing the BASEL III standards in the Republic of Moldova under the legal framework of european legislation (CRD IV)

Taking into account the Republic of Moldova's commitments assumed under the Association Agreement with the European Union, in the context of CRD IV/CRR transposition, the NBM applied and contracted technical assistance from foreign donors. Thus, the European Union supports the NBM by financing a Twinning project related to strengthening the institutional capacity in the field of banking regulation and supervision, through which starting with 30 June 2015, the NBM benefits from the central banks of Romania and Netherlands' technical support. The project aims to develop the legislative framework according to the European acquis and NBM' institutional strengthening in this regard.

The analyses performed within the NBM, especially the latest recommendations of the 2014 FSAP mission, and with the support of foreign experts within the Twinning project, led to the current context and main issues identification, as follows:

1. *Adjustment requirements of the legal and normative framework to the best and modern European practices and standards in the field*: based on several external evaluations and taking into account the nature of amendments to the existing NBM' normative basis, it was noted that largely, it is not in accordance with the current European standards. At the same time, in order to cover the current unregulated fields and to solve the precedents in the banking sector, the NBM has attempted to amend and complete the existing regulatory framework. These, respectively, although have the aim to prevent some issues and to promote sound practices in banks' activity, but in most cases they appear like a reaction, sometimes late, to already expected results. Thus, a modern regulatory framework, similar to the European one, would create prerequisites for financial institutions' sustainable development, openness to foreign strategic investors and recognition of the Republic of Moldova' framework equivalence by the relevant foreign authorities.
2. *Insufficient NBM' institutional capacity in exercising its banking supervision functions*: NBM does not have all necessary instruments to prevent problems in banking system and the processes of modernization and development of the available supervisory instruments and technics do not ensure a high quality of the activities performed in this regard and the promotion of a prudent behaviour from supervised entities.
3. *Opaque quality and transparency of institutions organizational structure*: this field is negative assessed by specialized international organizations and in most cases, their recommendations aim to improve the situation. Therefore, the NBM considers that a complex and European rules-based regulatory framework would ensure a well-developed banking system, so their compliance with the regulatory requirements established by the NBM regulations and the application of most modern supervision techniques by the NBM will contribute significantly to the improvement of the Moldovan's banks current positions.

In the case of the Moldovan banking system, Basel III requirements have to be implemented by transposing the European Union' legal provisions in this regard (CRD IV/ CRR package). CRD IV/ CRR package includes the Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms and the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.

Thus, it is necessary to develop a strategy **aimed** to lead to *the identification of measures required for the*

*implementation of the European package CRD IV/ CRR on bank regulation and supervision, as well as its communication to the public by the NBM.*

Strategy for implementing the BASEL III standards in the Republic of Moldova under the legal framework of european legislation (CRD IV): PDF [1]

Annex to the NBM strategy on BASEL III standards implementation in the Republic of Moldova based on EU legal framework (CRD IV/CRR): PDF [2]

Tags

strategy [3]

basel III [4]

banking sector [5]

banking supervision [6]

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