

REGULATION

on bank's liquidity

of 08.08.1997

(in force 08.08.1997)

Official Monitor of the Republic of Moldova No 64-65 Article 105 of 02.10.97

I. GENERAL PROVISIONS

This Regulation is drafted in accordance with the powers of the National Bank of Moldova provided for in Articles 11 and 44 of the Law No 548/1995 on the National Bank of Moldova (republished in the Official Monitor of the Republic of Moldova, 2015, No 297-300, Article 544), as subsequently amended, and Article 76 of the Law No 202/2017 on the Activity of Banks (Official Monitor of the Republic of Moldova 2017, No 434-439, Article 727), as subsequently amended.

In order to promote a sound and competitive financial sector, to avoid excessive risk in the financial system, to protect the interests of depositors and to maintain an adequate level of liquidity by banks, the National Bank of Moldova hereby establishes by this Regulation the following rules, which aim to establish an adequate relationship between the amount of the bank's invested funds (assets) and the sum of financial resources (liabilities).

[Chapter I amended by NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

[Chapter I amended by NBM Decision No 265 of 17.12.2009, in force 19.02.2010]

II. MAIN CONCEPTS

For the purpose of this Regulation, the following notions shall apply:

1. Liquidity is the ability of the bank to invest in assets and honour its payment liabilities upon maturity at all times.

2. Principle I of liquidity provides that the amount of bank's assets, with the repayment term of more than 2 years, shall not exceed the amount of its financial resources.

[Item 3 repealed by NBM Decision No 44 of 26.02.2020, in force 01.01.2022]

3¹. Principle III of liquidity provides that the liquidity on maturity bands up to 1 month, 1-3 months, 3-6 months, 6-12 months and over 12 months, expressed as a ratio of adjusted effective liquidity and required liquidity by each maturity band, shall not be lower than the ratio set out by this Regulation.

[Item 3¹ amended by NBM Decision No 142 of 14.05.2019, in force 01.07.2019]

[Item 3¹ introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

4. Remaining time to repayment of the credit - the period of time remaining until the final maturity date of the credit or its instalment, calculated from the management date.

[Item 4 supplemented by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

5. Remaining time to repayment of a deposit - the period of time remaining until the final maturity date of the deposit or part thereof, calculated from the management date.

[Item 5 supplemented by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

6. Savings deposit of an individual is a type of demand and term accounts placed for saving funds for certain purposes, which is paid on demand or in accordance with its maturity.

[Item 6 amended by NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

7. Liquid securities are state securities issued by the Ministry of Finance of the Republic of Moldova and securities issued by the National Bank of Moldova, which are not encumbered and are free of prohibitions.

8. Current net interbank resources represent the difference between the amount of loans granted to other banks and funds due by banks with the remaining maturity of up to 1 month and less, and the amount of loans and funds due to banks with the remaining maturity of up to 1 month and less.

9. Category A countries are Member States of the European Union and countries that are full members of the Organisation for Economic Co-operation and Development (OECD); if a country in this category reschedules its external public debt, the respective country shall be excluded from Category A for a period of 5 years.

[Item 9 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

10. Surplus liquidity is the positive difference between adjusted actual liquidity and required liquidity, except for the first maturity band which is the positive difference between actual liquidity and required liquidity.

[Item 10 in the wording of NBM Decision No 142 of 14.05.2019, in force 01.07.2019]

[Item 10 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

11. Reserve deficit is the insufficient amount determined in accordance with the regulations of the National Bank of Moldova on required reserves regime.

[Item 11 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

12. High-risk liquidity is the liquidity risk of a bank in relation to a person or group of connected persons, whose liabilities/debts represent at least 10% of debt value, other than loans and credit commitments.

[Item 12 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

13. Group of connected persons represents two or more individuals and/or legal entities:

- a) that is, unless otherwise is proved, a single liquidity risk because one person owns, directly or indirectly, control over the other person or other persons;
- b) between which there is no control relationship, but must be regarded as representing a single liquidity risk, because between them there are such links that the withdrawal by one person of a deposit, closing a current account and / or use a credit commitment received from the bank may generate the withdraw of deposits, closing the current accounts and/or using credit commitments received from the bank by the other persons.

[Item 13 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

14. Amounts related to derivative financial instruments - values of derivative financial instruments reflected in the balance sheet and contingent accounts and the amounts to be received/paid in the operations with derivative instruments.
[Item 14 introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]
[Chapter II amended by NBM Decision No 265 of 17.12.2009, in force 19.02.2010]

III. LIQUIDITY PRINCIPLES AND MANAGEMENT

1. Principle I (long-term liquidity)

Long-term liquidity indicator of a bank which is the ratio of:

The sum of a bank's assets in the form of:
(1) credits and placements granted to banks with a remaining maturity of 2 years and more;

(2) credits and advances granted to clients with a remaining maturity of 2 years and more;
(3) financial lease with a remaining maturity of 2 years and more;
(4) shareholdings in the capital of economic agents (including banks);
(5) financial assets at amortised cost with a remaining term to maturity of 2 years or more;
(6) tangible assets;

less allowance for loan losses, calculated according to the Regulation on assets and conditional commitments classification, tangible assets amortisation and the difference from their revaluation,

and the sum of the following financial resources:

(1) total regulatory capital, determined in accordance with the Regulation on risk-weighted capital adequacy;
(2) liabilities from banks and liabilities from customers (excluding savings deposits of individuals) with 2 years or more to repayment;
(3) 50% of liabilities from banks and liabilities from clients (excluding savings deposits of individuals) with a remaining term to repayment of 1 to 2 years;
(4) 10% of demand liabilities from customers (excluding savings deposits of individuals);
(5) savings deposits of individuals with a remaining maturity of 2 years and more;
(6) 60% of the savings deposits of individuals with a remaining term to repayment of 1 to 2 years;
(7) 30% of the savings deposits of individuals, payable on demand, with a remaining term to repayment of up to 1 year;
(8) outstanding bonds and other securities issued by the bank with a remaining term to repayment of 2 years and more;
(9) 50% of outstanding bonds and other securities issued by the bank with a remaining maturity of up to 2 years;
(10) 60% of provisions for employee benefits in the part relating to the pensions of the bank's employees;
shall not exceed 1.

[Item 1 amended by NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

[Item 1 amended by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

[Item 2 repealed by NBM Decision No 44 of 26.02.2020, in force 01.01.2022]

[Item 2 amended by NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

[Item 2 amended by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

2¹ Principle III (liquidity on maturity bands)

Principle III is to be calculated as the ratio of adjusted effective liquidity and required liquidity in each maturity band.

The **adjusted effective liquidity** shall be determined by adding the excess liquidity in each of the maturity bands, except the last band, to the level of effective liquidity in the maturity band following the maturity band in which the excess liquidity was recorded. For the first maturity band the adjusted effective liquidity is equal to the effective liquidity.

Banks shall maintain the liquidity ratio at least at level 1 for each maturity band.

Actual liquidity - assets and contingent liabilities with the assignment of the respective adjustment ratio (contingent assets and liabilities shall not be considered when determining the actual liquidity, which maturity was prolonged 2 times and more, and in the case of assets collateralised by deposits - guarantees, it shall not be considered the part guaranteed as such):

- 1) cash - 100%
- 2) interbank operations – “Nostro” accounts, placements and overnight credits, term placements with banks and loans to banks (it shall be considered the placements and loans for which no late payments are recorded, and those for which no late payments of interest and/or principal repayment of up to 7 days inclusive are recorded) - 100%
- 3) customer operations - loans and receivables (it shall be considered the loans and receivables for which no late payments are recorded, and those for which no late payments of interest and/or principal repayment of up to 30 days inclusive are recorded)
 - a) debt instruments - 90%
 - b) credits and advances - 90%
- 4) financial assets held-for-trading:
 - a) equity instruments (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 50%
 - b) debt instruments with residual maturity up to one year, inclusive (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 95%
 - c) debt instruments with residual maturity greater than one year (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 90%
 - d) credit and advances - 100% (it shall be taken into account the credit and advances purchased from other entities for resale purposes for which no late payments are recorded, and those for which late payments of interest and/or principal repayment of up to 30 days inclusive are recorded)
 - e) debt instruments, other than those mentioned above (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 60%
- 5) financial assets designated on initial recognition as at fair value through profit or loss:
 - a) equity instruments (listed on a stock exchange of countries from Zone A or

from the Republic of Moldova) - 50%

b) debt instruments with residual maturity up to one year, inclusive (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 95%

c) debt instruments with the residual maturity greater than one year (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 90%

d) credit and advances - 100% (it shall be taken into account the credit and advances for which no late payments are recorded, and those for which late payments of interest and/or principal repayment of up to 30 days inclusive are recorded)

e) debt instruments, other than those mentioned above (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 60%

6) financial assets at fair value through other comprehensive income:

a) equity instruments (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 50%

b) debt instruments with residual maturity up to one year, inclusive (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 95%

c) debt instruments with the residual maturity greater than one year (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 90%

d) credit and advances - 100% (it shall be taken into account the credit and advances for which no late payments are recorded, and those for which late payments of interest and/or principal repayment of up to 30 days inclusive are recorded)

e) debt instruments, other than those mentioned above (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 60%

7) financial assets at amortised cost:

a) debt instruments with the residual maturity up to one year, inclusive (issued or guaranteed by government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 95%

b) debt instruments with a residual maturity of more than one year (issued or guaranteed by central government bodies from countries from Zone A or from the Republic of Moldova, listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 90%

c) credit and advances - 100% (it shall be taken into account the credit and advances for which no late payments are recorded, and those for which late payments of interest and/or principal repayment of up to 30 days inclusive are recorded)

d) debt instruments, other than those mentioned above (listed on a stock exchange of countries from Zone A or from the Republic of Moldova) - 60%

8) other financial assets - 90%

9) debit contingent liabilities - 100% (irrevocable and unconditional financial guarantees received from banks, which are applied with ratio K_e)

K_e - is determined at the ratio of the average balance (it shall be determined on the basis of the simple arithmetic average of the monthly balances recorded on the last day of each month) of irrevocable and unconditional financial guarantees received, the execution of which was requested by the bank during the 6-month period preceding the month for which the reporting is performed and received within 30 days from the date on

which the execution was requested to the average balance (it shall be determined on the basis of the simple arithmetic average of the monthly balances recorded on the last day of each month) of irrevocable and unconditional financial guarantees received, calculated for a 6-month period preceding the month for which the reporting is performed.

10) Amounts to be received in connection with financial derivatives - 100%

a) financial assets at fair value through profit or loss and interests calculated (discount/premium) to be received from operations with financial derivatives.

b) financial derivatives recorded in contingent accounts and interests (discount/premium) to be received from the respective operations.

Required liquidity - financial liabilities and contingent liabilities with the assignment of the respective adjustment ratio (when determining the required liquidity, it shall not be included the deposits - guarantees that are collateral for exposures assumed by the bank, as for the contingent liabilities collateralised by deposits, registered with the bank, it shall not be taken into account the part guaranteed as such):

1) interbank financial liabilities - LORO accounts and overdrafts on NOSTRO accounts, interbank deposits and loans - 100%

2) financial liabilities held-for-trading - deposits, financial liabilities relating to securities and other financial liabilities - 100%

3) financial liabilities designated as at fair value through profit or loss - deposits, financial liabilities relating to securities and other financial liabilities - 100%

4) financial liabilities measured at amortised cost:

a) demand and term deposits of customers - 100% to the bank with high liquidity risk and/or if the bank records a deficit of reserves or the level of at least one of capital indicators is below the minimum requirement level

b) demand deposits of customers - 40% to the bank without a high risk of liquidity and/or if the bank does not record a deficit of reserves or none of the capital indicator is below the minimum requirement level

c) term deposits of customers - 15% (on each maturity band) and 5% of total deposits (on the first maturity band) to the bank without a high risk of liquidity and/or if the bank does not record a deficit of reserves or none of the capital indicator is below the minimum requirement level

d) financial liabilities related to savings deposits - 100%

e) financial liabilities relating to securities - 100%

f) REPO agreements - 100%

g) other financial liabilities - 100%

5) other financial liabilities - 100%

6) credit contingent liabilities - 100%

(irrevocable and unconditional financial guarantees provided to banks, which are applied with ratio K_n , it shall not be included the financial guarantees secured irrevocably to maturity, by persons who are not affiliated with the bank, collateralised by deposits, registered with the bank assuming the exposure).

K_n - is determined by dividing the average balance (it shall be determined on the basis of the simple arithmetic average of the monthly balances recorded on the last day of each month) of irrevocable and unconditional financial guarantees provided, the execution of which was requested by the bank during the 6-month period preceding the month for which the reporting is performed to the average balance (it shall be determined on the basis of the simple arithmetic average of the monthly balances recorded on the last day of each month) of irrevocable and unconditional financial guarantees provided, calculated for a 6-month period preceding the month for which the reporting is performed.

7) Amounts to be paid in connection with financial derivatives - 100%

a) financial liabilities at fair value through profit or loss and interests calculated (discount/premium) to be paid from operations with financial derivatives.

b) financial derivatives recorded in contingent accounts and interests (discount/premium) to be paid from the respective operations.

[Item 2¹ amended by NBM Decision No 142 of 14.05.2019, in force 01.07.2019]

[Item 2¹ amended by NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

[Item 2¹ introduced by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

3. LIQUIDITY MANAGEMENT POLICY

Banks shall have an adequate liquidity management framework in accordance with the requirements set out in the Regulation on bank activity management framework.

[Item 3 in the wording of NBM Decision No 142 of 14.05.2019, in force 24.06.2019]

[Item 3 amended by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

[Chapter III amended by NBM Decision No 265 of 17.12.2009, in force 19.02.2010]

Note: NBM Decision No 302 of 30.10.98 was repealed by NBM Decision No 27 of 10.02.2000, in force 17.02.2000.

[Chapter III amended by NBM Decision No 302 of 30.10.98].

IV. REPORTING

1. Banks shall report monthly to the National Bank of Moldova in accordance with reports on financial activity" is replaced by the text ".

2. The first report shall be submitted as of 31 December 1997.

[Chapter IV amended by NBM Decision No 130 of 10.12.2015, in force 30.06.2016]

[Chapter IV amended by NBM Decision No 265 of 17.12.2009, in force 19.02.2010]

[Chapter V repealed by NBM Decision No 44 of 26.02.2020, in force 01.01.2022]

Note: NBM Decision No 302 of 30.10.98 was repealed by NBM Decision No 27 of 10.02.2000, in force 17.02.2000.

[Item 3 amended by NBM Decision No 302 of 30.10.98]

VI. FINAL PROVISIONS

1. The following shall be repealed by this Regulation with effect from 31 December 1997:

Norms No 1 on Regulation of the activity of commercial banks (joint stock), private and cooperative banks of 21 June 1993, with all amendments and additions:

(1) Supplement No 1 of 29 June 1993;

(2) Amendments of 28 December 1993;

(3) Supplement of 13 October 1994;

(4) Amendments of 17 March 1995, Minutes No 9;

(5) Amendments of 18 April 1995, Minutes No 13;

(6) Amendments of 31 May 1995, Minutes No 17;

(7) Amendments of 27 June 1995, Minutes No 19;

(8) Amendments of 8 May 1996, Minutes No 22;

(9) Amendments of 12 June 1996, Minutes No 28;

(10) Amendments of 25 December 1996, Minutes No 59.

2. This Regulation shall enter into force upon its approval with subsequent publication in the Official Monitor of the Republic of Moldova.