NATIONAL BANK OF MOLDOVA

D E C I S I O N
for the approval of the Regulation on the calculation and payment of contributions to the bank resolution fund

No 74 of 20.03.2020
(in force as of 30.04.2020)

Official Monitor of the Republic of Moldova No 110-111 Art. 401 of 30.04.2020

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Pursuant to Art.27 paragraph (1) letter c) 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, Art.544), with subsequent amendments, Art.298 paragraphs (1)-(3), Art.299 paragraph (4), Art.304 paragraph (1), Art.306, Art.310 paragraph (1) of the Law No 232/2016 on the recovery and resolution of banks (Official Monitor of the Republic of Moldova, 2016, No 343-346, Art.707), with subsequent amendments, the Executive Board of the National Bank of Moldova

DECIDES:

1. The Regulation on the calculation and payment of contributions to the bank resolution fund is approved (to be attached).

2. This Decision shall enter into force on the date of its publication in the Official Monitor of the Republic of Moldova.

3. By way of derogation from point 9 of the Regulation on the method of calculation and payment of contributions to the bank resolution fund, the calculation of the annual contributions for 2020 will be made based on the updated information as of the last management date of 2019.

4. By way of derogation from point 11 of the Regulation on the method of calculation and payment of contributions to the bank resolution fund, the deadline for communicating to the banks and the deposit guarantee Fund in the banking system of the amounts, deadlines, and form of payment of annual contributions for 2020 is June 30, 2020.

**CHAIRMAN
OF THE EXECUTIVE BOARD**   **Octavian ARMAŞU**

No 74. Chisinau, March 20, 2020.

Approved
by the Decision of the Executive Board
of the National Bank of Moldova
No 74 of March 20, 2020

REGULATION
on the method of calculation and payment of contributions
to the bank resolution fund

Chapter I
GENERAL PROVISIONS

1. This Regulation establishes the method of calculation and payment of banks' contributions to the bank resolution fund (hereinafter - the fund), established pursuant to Article 296 of Law No 232/2016 on the recovery and resolution of banks, as well as the categories of low-risk assets within the meaning of Title V of the same law.

2. This Regulation shall apply to banks in the Republic of Moldova which are licensed by the National Bank of Moldova, hereinafter referred to as banks.

3. The terms and notions used in this Regulation have the meaning of those provided for in Law No 232/2016 on the recovery and resolution of banks and in Law No 202/2017 on the activity of banks.

Chapter II
THE FUNDING MECHANISMS AND CONDITIONS OF THE BANK RESOLUTION
FUND

Section 1
Funding mechanisms

4. The fund's resources are denominated in Moldovan lei.

5. The fund is funded from the following sources:

a) **annual contributions** - contributions calculated annually by the National Bank of Moldova, as resolution authority, in accordance with this Regulation and paid by each bank in order to reach the target level set out in Article 303 of the Law No 232/2016 on the recovery and resolution of banks;

b) **extraordinary contributions** - contributions calculated by the National Bank of Moldova, in its capacity as resolution authority, and paid by banks in addition to the annual contributions, in accordance with Article 310 of the Law No 232/2016 on the recovery and resolution of banks;

c) **loans and other forms of financing**, contracted by the deposit guarantee fund in the banking system, as administrator of the resolution fund, in accordance with Article 313 of Law No 232/2016 on the recovery and resolution of banks.

6. The resources of the bank resolution fund are managed by the deposit guarantee fund in the banking system, which is required to invest the available financial resources of the fund in low-risk assets in a sufficiently diversified manner.

7. For the purposes of Article 299 paragraph (4), low-risk assets shall be considered as exposures to the central administration of the Republic of Moldova denominated and funded in MDL, to which a risk weight of 0% shall be applied, in accordance with Chapter IV of the

Regulation on the treatment of credit risk for banks under the standardized approach, approved by the Decision of the Executive Board of the NBM No 111/2018.

Section 2
Calculation and payment of annual contributions

8. The annual contribution to the fund shall be established by the National Bank of Moldova, as resolution authority, for each bank in accordance with the methodology described in the Annex to this Regulation.

9. For the calculation of the annual contributions, the National Bank of Moldova, as resolution authority, shall use the following:

1) Indicators updated as of the last management date of the first semester of the year preceding the one for which the contribution is calculated, reported by banks in accordance with the Instruction on the preparation and submission by banks of FINREP reports at individual level, approved by the Decision of the Executive Board of the National Bank of Moldova No 42/2018, and the Instruction on the submission by banks of COREP reports for supervisory purposes, approved by the Decision of the Executive Board of the National Bank of Moldova No 117/2018, namely:

a) *Total debts* indicator (report F 01.00 – BALANCE SHEET, table F 01.02 – Debts, row 300, FINREP);

b) *Own funds* indicator (report C 01.00 - OWN FUNDS (CA1), row 010, COREP);

2) The information on guaranteed deposits, updated as at the last management date of the first semester of the year preceding the one for which the contribution is calculated, submitted by the deposit guarantee fund in the banking system;

3) Information on the resources of the resolution fund, updated as at the last management date of the first semester of the year preceding the one for which the contribution is calculated, submitted by the deposit guarantee fund in the banking system;

4) The O-SII scores of banks, valid as of the last management date of the first semester of the year preceding the one for which the contribution is calculated, determined by the National Bank of Moldova in accordance with the Methodology for the identification of companies of systemic importance type O-SII of the Republic of Moldova, approved by the Decision of the Executive Board of the National Bank of Moldova No 192/2018;

5) The banks' SREP scores, valid at the last management date of the first semester of the year preceding the one for which the contribution is calculated, determined by the National Bank of Moldova in accordance with the Methodology of supervision and evaluation of banks' activity, approved by the Decision of the Executive Board of the National Bank of Moldova No 63/2019.

10. By way of derogation from point 2, subpoint 3 of the Annex to this Regulation, in the absence of any valid scores for the O-SII and/or SREP indicators, the size of the coefficient of adjustment multiplier to the bank's specific risk (RMn) is set in the amount equal to "1" for all banks.

11. By October 31 of the year preceding the year for which the annual contribution is calculated, the National Bank of Moldova, as resolution authority, shall communicate to each bank and to the deposit guarantee fund in the banking system at least the following:

1) the amount of the annual contribution to be paid by each bank;

2) payment instalments and deadlines;

3) the form of payment of the annual contribution.

12. The banks shall pay the annual contributions in the amount, installments, deadlines, and form indicated in the notifications received from the National Bank of Moldova, as resolution authority.

13. The banks which have received the activity license during the last 12 months prior to the management date, on the basis of which the annual contribution is calculated, shall pay an amount in proportion to the number of full months during which the bank has held the license.

14. By derogation from points 9 and 11, if necessary, taking into account the criteria of Article 304 paragraph (1) of Law No 232 /2016 on the recovery and resolution of banks, the National Bank of Moldova, as resolution authority, may use for the calculation of the annual contributions information updated to dates other than the last management date of the first semester of the year preceding the one for which the contribution is calculated, as well as to extend the deadline for communicating to banks and to the deposit guarantee fund in the banking system of the amount, deadlines and form of payment of the annual contributions.

15. In case of application of the derogations provided for in point 14, the National Bank of Moldova, as resolution authority, shall inform about this fact the banks and the Deposit Guarantee Fund in the banking system at least 14 days before the date provided for in point 11, with communication of the reference indicators to be used for the calculation of the contributions, as well as the new deadline set for the communication of the contributions for payment in the respective year.

Section 3
Calculation and payment of extraordinary contributions

16. In case the available financial resources are not sufficient to cover the losses, costs or other expenses incurred by the use of the bank resolution fund, the National Bank of Moldova, as resolution authority, shall decide on the payment by banks of extraordinary contributions, additional to the annual ones, in accordance with Article 310 of Law No 232/2016 on the recovery and resolution of banks.

17. The total amount of the extraordinary contribution for the entire banking system is determined by the National Bank of Moldova, as resolution authority, but it cannot be higher than three times the average of the annual contributions paid for all previous years in which contributions to the bank resolution fund have been paid.

18. The share of each bank in the total amount of the extraordinary contribution shall be calculated by the National Bank of Moldova, as resolution authority, in accordance with the methodology described in point 2 of the Annex to this Regulation, based on the latest updated indicators available at the date of calculation.

19. The National Bank of Moldova, as resolution authority, shall communicate to each bank and to the deposit guarantee fund at least the following:
   1) the amount of the extraordinary contribution to be paid by each bank;
   2) the deadline for payment of the extraordinary contribution;
   3) the form of payment of the extraordinary contribution.

20. The banks shall pay the extraordinary contributions in the amount, within the deadlines and in the form indicated in the notifications received from the National Bank of Moldova, as resolution authority.

CHAPTER III
FINAL PROVISIONS

21. In case the Deposit guarantee fund in the banking system notifies the National Bank of Moldova about the non-payment by banks of the annual/extraordinary contributions in the amounts, tranches and deadlines set in accordance with points 12 and 20, the National Bank of Moldova, as resolution authority, has the power to apply the sanctions and measures provided for in Article 316 of the Law No 232/2016 on the recovery and resolution of banks.

22. If the information used for the calculation of the contributions, as specified in point 9, where applicable point 14, is subject to revisions, the National Bank of Moldova, as resolution authority, shall adjust the annual contribution in accordance with the updated information when calculating the annual contribution for the next contribution period.

23. The National Bank of Moldova, in its capacity as resolution authority, shall publish annually, after notifying the banks in accordance with point 12, the information on the calculation of the amount of the total annual contribution for the respective year.

Annex
to the Regulation on the method of calculation and payment
contributions to the bank resolution fund

In order to determine the amount of each bank's annual contribution to the Fund, the National Bank of Moldova, as resolution authority, shall take the following steps:

1. Establishing the amount of the total annual contribution for the whole banking system (TAC) according to the following formula:

$$TAC = \frac{TL \times CRD - FR}{D - t + 1}$$

where:

TL – target level, the amount to be accumulated to the fund in accordance with the provisions of Article 303 paragraphs (1) and (2) of Law No 232/2016 on the recovery and resolution of banks.

It is equal to the sum of the guaranteed deposits of all banks, multiplied by the target level expressed in percentages, set out in Article 303 paragraph (1) of Law No 232/2016 on the recovery and resolution of banks.

FR – the fund resources as at the last management date of the first semester of the year on the basis of which the annual contribution is calculated;

t – the calendar year for which the total annual contribution to the fund is calculated;

D – the calendar year, which is the deadline for reaching the target level, which:

- until the TL is reached for the first time, it is established in accordance with the provisions of Article 303 paragraph (2) and Article 304 paragraph (2) of Law No 232/2016 on the recovery and resolution of banks;

- after reaching the TL for the first time, in order to maintain the TL, D is set by the NBM, as resolution authority, according to the ratio between the level of the fund's means and the calculated target level. Thus, two situations can be distinguished:

a) If the fund's financial resources (*FR*) constitute less than two thirds of the newly calculated target level, D is determined according to the formula:

$$D = FY + 5$$

where,

FY – the first calendar year in which annual contributions will be paid within the new deadline;

b) If the fund's financial resources (*FR*) constitute more than two thirds of the newly calculated target level, D is set according to the formula:

$$D = FY + n$$

where,

FY – the first calendar year in which annual contributions will be paid within the new deadline;

n – the value between 0 and 4, the exact value of n being determined by the National Bank of Moldova, as resolution authority, so as to ensure the most even distribution of contributions over time.

CRD – the coefficient of adjustment to the increase in the volume of deposits, which ensures that the total annual contribution is in line with the annual increase in the total amount of guaranteed deposits, excluding any increase due to changes in the guarantee ceiling, the categories of persons covered or the methodology for calculating the guaranteed deposits.

It is calculated using the formula:

$$CRD = \frac{GDn}{GDp}$$

where:

GDn – the amount of guaranteed deposits, as presented by the deposit guarantee fund in the banking system, as at the last management date of the first semester of the year on the basis of which the annual contribution is calculated;

GDp – the amount of guaranteed deposits, as reported by the deposit guarantee fund in the banking system, as at the last management date of the first semester of the year preceding the year on the basis of which the annual contribution is calculated.

If in one of the years used for the calculation of the *CRD* there have been changes in the guarantee ceiling, in the categories of persons guaranteed or in the methodology for calculating the guaranteed deposits, for the calculation of the respective coefficient the most recent two consecutive years will be used, in which the amount of guaranteed deposits was calculated under the same conditions.

2. Determining the share of each bank in the total annual/extraordinary contribution, as follows:

1) Determination of each bank calculation base (CBn), which is calculated as the total amount of the bank's liabilities, excluding its own funds and its guaranteed deposits

$$CBn = DTn - FPn - GDn$$

where:

DTn – the total value of the bank's debts (according to FINREP: report F 01.00 - BALANCE SHEET, table F 01.02 – DEBTS, row 300);

FPn – the bank's own funds (according to COREP: report C 01.00 - OWN FUNDS (CA1), row 010);

GDn – the bank's guaranteed deposits (as reported by the deposit guarantee Fund in the banking system).

2) Determination of the weight of each bank's calculation base in the calculation base of all the banks contributing to the fund (Wn), expressed as a coefficient

$$Wn = \frac{CBn \times NMn}{\sum(CBn \times NMn)}$$

where:

CBn – calculation basis of the bank, determined according to subpoint 1);

NMn – the number of full months in which the bank has held the license during the last 12 months preceding the management date on the basis of which the annual contribution is calculated;

∑(CBn x NMn) – the sum of the products of each bank's calculation base and the number of full months in which the respective bank held its license during the last 12 months prior to the management date, on the basis of which the annual contribution is calculated.

3) Risk adjustment of each bank's weight (WAn), calculated by multiplying the bank-specific coefficient, obtained according to subpoint 2), by the risk adjustment multiplier specific to the bank

$$\textbf{WAn = Wn x RMn}$$

where:

Wn – the weight of the bank's calculation base in the calculation base of all the banks contributing to the fund, determined according to subpoint 2);

RMn – the bank- specific risk adjustment multiplier. This is evaluated by the National Bank of Moldova, as the resolution authority, based on the following two risk pillars:

- systemic importance as evaluated by the O-SII score;
- risk profile, evaluated by the SREP score.

RMn is calculated according to the formula:

$$\textbf{RMn = (1,25 – 0,8) x } \frac{\textit{FCIn – FCImin}}{\textit{FCImax – FCImin}} \textbf{ + 0,8}$$

where:

"1,25" şi **"0,8"**– the maximum and minimum possible value of the bank-specific risk adjustment multiplier;

FCIn – the final composite index of the bank for which the risk multiplier is calculated, according to the method described below;

FCI*max*, FCI*min* – the maximum final composite index and the minimum final composite index, identified from the **FCIn** string calculated for all banks, according to the method described below.

For the calculation of **FCIn** for each bank, the following steps will be followed:

a) filling in the primary data for the indicators analyzed: the O-SII score and the SREP score, which correspond to Pillar 1 - "Systemic Importance" and Pillar 2 - "Risk Profile", as shown in the table:

Table

Pillar	Pillar weight	Indicator	Indicators Value										
			Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10	Bank 11
Pillar 1 Systemic importance	40%	O-SII Score											
Pillar 2 Risk profile	60%	SREP Score											

b) calculation of *recalibrated indicators (RIn)* for the unified scale 1 – 1000, according to the formula:

$$\textbf{RIn = } \frac{\textbf{Vn – Min1}}{\textbf{Max1 – Min1}} \textbf{ x (1000 – 1) + 1}$$

where:

"1000" and **"1"** – maximum and minimum possible value according to the new unified scale;

Max1, Min1 – maximum and minimum possible values of each indicator according to the original scale. These are for the indicator "O-SII Score" – 10000 and 1 respectively, and for the indicator "SREP Score" – 4 and 1, respectively;

Vn – the value of the bank-specific indicator for which recalibration is made;

c) determination of the *transformed risk indicator* (TRIn) for each recalibrated indicator. The purpose of this operation is to adjust the value of the recalibrated indicators according to the relationship between its size and the associated risk level.

Thus, the following two cases are delimited:

–**TRIn = IRn**, if there is an inversely proportional link between the size of the recalibrated indicator and the level of risk associated with it, and

– **TRIn = 1001 – RIn**, if there is a direct proportional link between the size of the recalibrated indicator and the level of risk associated with it

where:

RIn – recalibrated indicator of the bank, determined according to point b);

d) the *calculation of the composite index (CIn)* of each bank, by aggregating the TRIn indicators, obtained according to point c), calculated for both pillars of the bank:

$$CIn = TRIn1^{0,4} \times TRIn2^{0,6}$$

where:

TRIn1, TRIn2 – transformed risk indicators for Pillar 1 and, respectively, Pillar 2, calculated according to point c);

"0,4" şi **"0,6"** – exponents applied for **TRIn1** and, respectively, **TRIn2**. These represent the weights corresponding to Pillars 1 and, respectively, 2, as established in the table, in the column 'Pillar weight,' expressed as coefficients;

e) Calculation of *the final composite index (FCIn)* of each bank":

$$FCIn = 1000 - CIn$$

where:

CIn – the composite index of each bank, determined according to point d).

4) Determination of the weight of each bank's calculation base, adjusted to the bank's specific risk, according to subpoint 3, in the risk-adjusted calculation base of all banks, expressed as a coefficient (WCn)

$$WCn = \frac{AWn}{\sum(AWn)}$$

where:

AWn – the adjusted weight of the bank's calculation base in the adjusted calculation base of all the banks contributing to the fund, expressed as a coefficient, calculated according to subpoint 3);

∑(AWn) – the sum of the adjusted weights of the calculation bases of all banks, calculated according to subpoint 3).

3. Calculating the annual contribution amount for each bank (ACn)

$$ACn = WCn \times TAC$$

where:

WCn – the bank's weight in the payment of the annual contribution, calculated according to point 2, subpoint 4);

TAC – total annual contribution to the Fund, calculated according to point 1.