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NBM will monitor the leverage (level of indebtedness) of banks

The Executive Board of the National Bank of Moldova (NBM) approved the Regulation on the leverage effect for banks and the amendment of the Instruction on the submission by banks of COREP reports for supervisory purposes.

The leverage indicator aims to limit the risk of over-indebtedness of the banking sector during periods of economic growth and the risk of a significant decrease in banking assets in the downward phases of the business cycle.

This indicator has been introduced in addition to the own funds rate, which is essential to ensure sufficient own funds to cover unexpected losses. The 2007 crisis has shown that only capital requirements are not sufficient to prevent banks from taking excessive risks that can lead to higher levels of indebtedness. Thus, the application of the leverage indicator will help them to manage their risks more prudently and to minimize unforeseen capital losses.

According to the amended regulation and instruction, banks will report quarterly to the NBM the information on leverage indicators and the NBM, after monitoring and analyzing data reported over three years, will set the minimum level of this indicator.

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