



Questionnaire

Part II

**Information provided by the Government of the Republic of Moldova
to the Questionnaire of the European Commission**

CHAPTER 9: FINANCIAL SERVICES

May 2022

The *acquis* covered by this chapter includes rules for the authorisation, operation and supervision of financial institutions and regulated markets. Financial institutions covered by the *acquis* can operate across the EU in accordance with the 'Single passport' and the 'home country control' principles either by establishing branches or by providing services on a cross-border basis. The *acquis* covers three major areas for which these principles apply: banking services, investment services and insurance services.

In the field of **banks and financial conglomerates**, the *acquis* sets out requirements for the authorisation, operation and prudential supervision of credit institutions, as well as requirements concerning the calculation of capital adequacy requirements applying to credit institutions and to investment firms. Together, the Capital Requirements Directive and the Capital Requirements Regulation implement the **new capital requirements framework** based on the Basel III accord developed by the Basel Committee on Banking Supervision (BCBS). The two measures ensure consistent application throughout the Union of the international standards in the areas of credit risk, market risk, operational risk, liquidity risk and large exposures. In the area of liquidity risk, detailed provisions are laid down in the Commission Regulation 2015/61. As regards recovery and resolution of credit institutions and investment firms, the **Banking recovery and resolution directive (BRRD)** lays out a comprehensive set of measures which ensures that failing banks and investment firms can be resolved in a timely and orderly manner without the support of taxpayer money. The BRRD provides banks and authorities with the adequate tools to prepare for crises (by drawing Recovery and Resolution Plans); national authorities equipped with the necessary tools to intervene in a troubled institution at a sufficiently early stage to address developing problems; national authorities have harmonised resolution tools and powers to take rapid and effective action when bank failure cannot be avoided; authorities cooperate effectively when dealing with the failure of a cross-border bank; and banks contribute to resolution financing arrangements to support the costs of restructuring. The BRRD takes into account the cross-border nature of some banks. It provides for strong coordination between national authorities under the leadership of the group resolution authority to ensure that resolution tools are applied to a cross-border financial group in a coherent manner across different jurisdictions. Where subsidiaries are particularly significant in one or other Member State, the BRRD provides the possibility for the local authority to undertake specific distinct plans and steps to protect local financial stability.

The *acquis* in this sector also lays down rules relating to supplementary supervision of financial conglomerates and to the taking up, pursuit of and prudential supervision of the business of electronic money institutions. Credit institutions are required to join an officially recognised deposit guarantee scheme, which must provide for a minimum protection of €100,000 per depositor. The *acquis* lays down rules regarding the annual and consolidated accounts of banks and other financial institutions. Directive 2007/44 regulates the supervisory approvals of mergers and acquisitions in the financial sector.

In the field of **insurance and occupational pensions**, several directives set out rules concerning the authorisation, operation and supervision of life assurance and non-life insurance undertakings as well as institutions for occupational retirement provision. Directive 2009/138/EC (Solvency II) became fully applicable on 1 January 2016. It is a harmonised, sound and robust prudential framework for insurance firms in the EU. It is based on the risk profile of each individual insurance company in order to promote comparability, transparency and competitiveness. It comprises the Directive, implementing rules, a number of regulatory technical standards and implementing technical standards, risk free rates and other technical information.

The Insurance Distribution Directive or IDD (Directive 2016/97/EU) regulates the activities of all distributors of insurance products: intermediaries, insurance companies, their employees, bankassurance, ancillary insurance intermediaries (e.g. travel agents or car rental companies), including online distribution. The Directive determines the information that should be given to

consumers before they sign an insurance contract, imposes certain conduct of business and transparency rules for distributors, clarifies the rules for cross-border business and addresses the supervision and sanctioning of insurance distributors if they breach the provisions of the Directive. It also includes additional requirements for the sale of insurance products with investment elements.

In the field of motor insurance, there are rules harmonising requirements concerning insurance against civil liability in respect of motor vehicles with a view to protect victims of accidents and facilitating the free movement of goods and people, in particular by abolishing frontier controls on motor insurance. Directive 2003/41/EC regulates the activities and supervision of institutions for occupational retirement provision; the European Parliament and the Council agreed on 30 June 2016 on a revision of this directive (to be published in Official Journal early 2017).

In relation to **Financial Market Infrastructure**, other key legislation includes the Settlement Finality Directive (98/26/EC), the Financial Collateral Directive (2002/47/EC), the Amended Settlement Finality and Financial Collateral Directive (2009/44/EC), the Regulation on OTC derivatives, central counterparties and trade repositories, the European Market Infrastructure Regulation (EMIR) (Regulation 648/2012), the Central Securities Depositories Regulation (CSDR) (Regulation 909/2014) and the Regulation on Transparency of Securities Financing Transactions (SFTR) (Regulation 2015/2365).

In the field of **securities markets and investment services**, the Directive on Markets in Financial Instruments (MiFID) and its implementing measures set out a comprehensive regulatory regime covering the authorisation, operation and supervision of investment firms and regulated markets. As of 3 January 2018 MiFID is replaced by a more comprehensive framework commonly referred to as MiFID2. The new framework introduces a market structure which closes loopholes and ensures that trading, wherever appropriate, takes place on regulated platforms. A harmonised regime for granting access to EU professional markets for firms from third countries, based on an equivalence assessment of third country jurisdictions by the Commission, is introduced.

The Prospectuses Directive and its implementing measures reinforce the protection for investors by guaranteeing that all prospectuses, wherever in the EU they are issued, provide them with the clear and comprehensive information they need to make investment decisions. The acquis also prescribes minimum transparency requirements for listed companies concerning both periodic and ongoing information.

A revamped EU legal framework against market abuse consisting of the Market Abuse Regulation and the Directive on Criminal Sanctions for Market Abuse applies as of 3 July 2016. This new rulebook increases investor protection and confidence by allowing deeper and more integrated financial markets, and contribute to the creation of the Capital Markets Union. It strengthens the fight against market abuse across commodity and related derivative markets, explicitly ban the manipulation of benchmarks, such as LIBOR, and reinforce the investigative and sanctioning powers of regulators.

The legislation on investment funds (UCITS) sets out common basic rules for the authorisation, supervision, structure and activities of investment funds to facilitate the cross-border distribution of units of funds in the EU and to ensure adequate investor protection. The recast UCITS directive of 2009 introduces provisions on fund mergers and master-feeder structures.

As regards **supervision**, in 2009 it was decided to replace the EU's supervisory architecture with a European System of Financial Supervision (ESFS), consisting of three European Supervisory Authorities – the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), and the European Insurance and Occupational Pensions Authority (EIOPA). The three European supervisory authorities (ESAs) and the European Systemic Risk Board (ESRB)

were established as from January 2011 and their main role is to upgrade the quality and consistency of national supervision, to strengthen oversight of cross-border groups, to establish a European single rule book applicable to all financial institutions in the financial market as well as to prevent and mitigate systemic risks to the financial stability of the Union. The 27 national supervisors are represented in all three supervising authorities. Individual ESAs have specific roles: for example ESMA is the EU supervisor of credit rating agencies, while EBA and EIOPA carry out "stress tests" of their respective sectors. ESMA can ban products that threaten the stability of the overall financial system in emergency situations. In addition, the ESRB has been tasked with the macro-prudential oversight of the financial system within the Union.

In June 2012 it was agreed to create a banking union, based on a single rulebook for banks in all Member States. Since November 2014, the common implementation of these rules in the Eurozone is being overseen by the European Central Bank (ECB). This impartial supervision is part of the Single Supervisory Mechanism (SSM) and aims at preventing bank failures through measures such as the Capital Requirements Directive and Regulation. However, in the event of a bank failure, the Single

Resolution Mechanism (SRM), comprising the Single Resolution Board (SRB) and the Single Resolution Fund (SRF), will ensure that taxpayers continue to be protected from a bank crisis. Additionally, the common rules protect EU consumers as well as preventing panic withdrawals in the event of a bank crisis: the Directive on Deposit Guarantee Scheme (DGS) guarantees that deposits up to 100,000€ are safe at all times and everywhere within the EU. Since the DGS is currently national in nature, the Commission has brought forward proposals for a single pan-European Deposit Insurance Scheme (EDIS).

The Association Agreement already lays down specific obligations in the areas covered by this Chapter. When answering the questions below, please make reference to the state of implementation of such obligations.

I. BANKS AND FINANCIAL CONGLOMERATES

A. General questions

1. What is the situation with regard to right of establishment and cross-border supplies of services in Moldova for EU credit institutions? Which conditions apply? Are there specific conditions regarding the opening of branches by foreign banks? Regarding the establishment of a foreign subsidiary?

According to the Law No. 202/2017 on the activity of banks¹ (Art. 24-31), the EU credit institutions, as well as all foreign credit institutions, shall carry out activities on the territory of the Republic of Moldova provided only the following cumulative conditions are met:

- the activity is to be carried out through the established branch office;
- the branch was licensed by the National Bank of Moldova;
- the competent authority in the country of origin of the bank does not oppose the establishment of the branch in the Republic of Moldova, this fact being confirmed in a document issued by the said authority;
- the legal framework of the state of origin and/or the manner of its application does not prevent the National Bank of Moldova from exercising its supervisory functions;
- the foreign bank complies with the provisions of the Law No. 202/2017 on the activity of banks and the regulations issued for its application.

According to Art. 24 para. 5 of the Law No. 202/2017 on the activity of banks, branches of banks from another state shall not be considered legal entities and their registration shall be carried out in accordance with the procedure set out in Art. 12 of the Law No. 220/2007 on the state registration of legal entities and individual entrepreneurs².

For the purposes of prudential supervision exercised by the National Bank of Moldova, all branches established on the territory of the Republic of Moldova by a foreign bank shall be considered as one branch (Art. 24 para. 2 of the Law No. 202/2017 on the activity of banks).

Pursuant to the Art. 26 para. 1-2 of Law No. 202/2017 on the activity of banks, minimum requirements for access to banking activity of banks regarding initial capital, head offices, management body, shareholders, business plan and organizational structure, activities allowed, and the licensing process shall apply to branches of foreign banks. The National Bank of Moldova shall license a branch of a foreign bank established in the Republic of Moldova provided only it is fully convinced that the bank can ensure the carrying out of a safe banking activity on the territory of the Republic of Moldova, which shall be in compliance with the

¹ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

² https://www.legis.md/cautare/getResults?doc_id=129117&lang=ro

requirements of a prudent and sound administration and shall be properly supervised.

The activities, which are permitted to be carried out through a branch established in the Republic of Moldova, shall be stipulated in the license issued by the National Bank of Moldova and shall not exceed the scope of activities permitted to the bank under the license issued by the competent authority in the country of origin (Art. 24 para. 3 of the Law No. 202/2017 on the activity of banks).

The requirements and procedures for granting the license, the documents and information that need to be submitted to the National Bank of Moldova within the process of licensing of banks and branches of the bank from another state are laid down in the Regulation on the licensing of the bank and the branch of the bank from another state, approved by the Decision No. 328/2019 of the Executive Board of the National Bank of Moldova³.

2. Are foreign credit institutions, once authorized, treated in every respect as a domestic undertaking?

Once authorized through branches, a foreign credit institution is treated as a domestic bank and even if it shall not be considered legal entities, their registration shall be carried out in accordance with the procedure set out in Art. 12 of the Law No. 220/2007 on the state registration of legal entities and individual entrepreneurs⁴ (Art. 24 para. 5 of the Law No. 202/2017 on the activity of banks⁵).

According to Art. 24 para. 4 of the Law No. 202/2017 on the activity of banks, branches of a foreign credit institution established in the Republic of Moldova are subject to the same prudential supervision of the National Bank of Moldova, as in case of banks licensed by the National Bank of Moldova, including the application of sanctions and of other sanctioning measures. The National Bank of Moldova may waive the application of prudential requirements to a foreign bank's branch where, following the assessment, it is found that a prudential regulatory framework of the bank's state of origin is equivalent to that established by the Law No. 202/2017 on the activity of banks and regulations issued for its application, and that the competent authority of that state exercises adequate supervision of the bank, including of its branch's activity in the Republic of Moldova. Also, a branch of a bank from another state established on the territory of the Republic of Moldova shall contribute with funds to the Bank Deposit Guarantee Fund.

³ <https://www.bnm.md/en/content/regulation-licensing-bank-and-branch-bank-another-state-approved-decision-council>

⁴ https://www.legis.md/cautare/getResults?doc_id=129117&lang=ro

⁵ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

B. Legal framework

3. Which authorities are responsible on banks and financial conglomerates in Moldova?

According to the Law No. 548/1995 on National Bank of Moldova⁶ and the Law No. 202/2017 on the activity of banks⁷, the responsible authority to license, regulate and supervise, on an individual basis and, as the case may be, on a consolidated basis, the activity of banks in the Republic of Moldova and branches of banks in other states is the National Bank of Moldova. According to the Law No. 250/2017 on supplementary supervision of banks, insurers/reinsurers and investment firms in a financial conglomerate⁸, the National Bank of Moldova and the National Commission for Financial Markets are the competent authorities for regulation and supervision of the entities in a financial conglomerate. Taking into account the group structure, in order to ensure the supplementary supervision of regulated entities in a financial conglomerate, the competent authorities shall, by common agreement, appoint a single coordinator responsible for the coordination and exercise of supplementary supervision, based on the criteria set out in the Law No. 250/2017 (Art. 11). For the purpose of applying the provisions of the Law No. 250/2017, the National Bank of Moldova approved the Regulation on technical standards for the regulation of supplementary supervision of financial conglomerates⁹, which establishes the technical principles and calculation methods for the purpose of determining own funds and the additional capital adequacy requirement for financial conglomerates, as well as provisions for the significance of intra-group transactions and risk concentration.

Conditions of admission

4. What are the essential requirements for the authorization to take up the business of credit institutions (legal form, level of own funds, minimum number of shareholders, conditions concerning the management body and internal governance, others?)

The essential requirements for the authorization to take up the business of credit institutions (banks) are the following (Chapter I title II the Law No. 202/2017 on the activity of banks¹⁰):

- banks are established as a joint stock company;
- an initial capital that is not less than MDL 100 million, made up of the share capital exclusive of the bank's establishment costs and consists of

⁶ <https://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995>

⁷ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

⁸ <https://www.bnm.md/en/content/law-supplementary-supervision-banks-insurersreinsurers-and-investment-firms-financial>

⁹ <https://www.bnm.md/ro/content/hotarare-pentru-aprobarea-regulamentului-cu-privire-la-standardele-tehnice-de-reglementare>

¹⁰ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

funds paid in cash, at the time of underwriting, including when the capital is to be increased. The share capital shall represent the sum of the shares par values. During its activity, the bank must hold and maintain its own funds in an amount not less than MDL 200 million and the share capital in an amount not less than MDL 100 million;

- the head offices of a bank shall be located on the territory of the Republic of Moldova and indicated in the bylaws of the bank;
- the bank has submitted information on the identity of its direct and indirect shareholders, including ultimate beneficiary owners, individuals, or legal entities, who are to own qualifying holdings, as well as the size of their holdings, and in the absence of qualifying holdings, the applicant bank shall provide information on the identity of the 20 largest direct and indirect shareholders, including ultimate beneficiary owners, either individuals or legal entities. A qualifying holding, pursuant to the Art. 3 of the Law No. 202/2017 on the activity of banks is a direct or indirect holding acquired in an entity, which represents at least 1% of the share capital or voting rights or which makes it possible, where holding less than 1% of the share capital or of the voting rights, to exert control over the entity's management through influencing the decision-making at general meetings or of the management body. The National Bank of Moldova is assessing the quality of the persons referred to above (proposed acquirers) – if they are in line with the provisions of Art. 48, para. 1 of the Law No. 202/2017 on the activity of banks (reputation, knowledge, skills and experience, the financial soundness, the capacity of bank to comply and continue to comply tot the regulation of National Bank of Moldova, existence of reasonable grounds to suspect involvement in money laundering or terrorism financing etc.). The requirements for holding, acquiring, increasing, disposing, or reducing a holding in the bank's equity, procedures for the assessment of proposed acquirers and acquiring persons who are expected to own holdings are described in the Regulation on holdings in bank equity, approved by the Decision No. 127/2013 of the Administrative Council of the National Bank of Moldova¹¹;
- at least three individuals conduct the current activity of the applicant bank as members of the management body and they meet the requirements of Art. 43. For this purpose, the National Bank of Moldova is assessing the quality of the management body (as well as key personnel) through the criteria as: reputation, knowledge, skills and appropriate experience, independence, diversity, and shall act with honesty, integrity and objectivity (Art. 40-43 of Law No. 202/2017 on the activity of banks). The compliance criteria, the assessment conditions, the necessary documents and the manner of approval or appointment of the persons nominated as members of the governing body of the bank, a member of the governing body of a financial holding or of a mixed financial holding, the persons

¹¹ <https://www.bnm.md/en/content/regulation-holding-equity-interest-capital-banks-approved-dca-if-nbm-no127-june-27-2013>

who manage the branch of a bank from another state, which operates on the territory of the Republic of Moldova, the persons holding key positions are laid down in the Regulation on requirements regarding the members of the governing body of the bank, the financial holding company or mixed holding, the heads of a branch of a bank from another state, the persons holding key positions and the liquidator of the bank in liquidation process, approved by the Decision No. 292/2018 of the Executive Board of the National Bank of Moldova¹²;

- the submitted license application is accompanied by a business plan covering at least the types of activities to be carried out and the organizational structure of the bank, to demonstrate the bank's ability to achieve set objectives in the conditions congruous with the rules of a prudent and sound banking practice, through the selection of the type of governance, procedures, internal mechanisms, the amount of capital and liquidity, which are appropriate for the type, scope and complexity of the activities it proposes to carry out over the next 3 years. The submitted license application shall be accompanied by a description of the arrangements, processes and mechanisms related to the management framework of activity as regulated in Art. 38 of the Law No. 202/2017 on the activity of banks. The requirement concerning management framework of bank's activity are set down in the Regulation on banking activity management framework, approved by the Decision No. 322/2018 of the Executive Board of the National Bank of Moldova¹³.

Conditions of operation

5. What are the provisions concerning prudential ratios? Indicate the average level of these ratios for the industry:

- a) Solvency ratio;**
- b) Liquidity ratio;**
- c) Leverage ratio**

a) Solvency ratio

According to the Regulation on own funds of banks and capital requirements, approved by the Decision No. 109/2018 of the Executive Board of the National Bank of Moldova¹⁴, the bank's capital represents the sum of the Tier 1 own funds, additional Tier 1 own funds and Tier 2 own funds. The rate of the capital shall be calculated as a ratio between own funds (separately for each level of own funds) and the total amount of the risk exposure.

¹² <https://www.bnm.md/en/content/regulation-requirements-regarding-members-governing-body-bank-financial-holding-company-or>

¹³ <https://www.bnm.md/en/content/decision-no322-december-20-2018-approval-regulation-banking-activity-management-framework>

¹⁴ <https://www.bnm.md/en/content/regulation-own-funds-banks-and-capital-requirements-no109-24052018>

Banks shall meet at any time the following own funds requirements (item 130):

- a rate of common equity Tier 1 capital instruments of 5.5 %;
- a rate of Tier 1 own funds instruments of 7.5 %;
- a rate of total own funds instruments of 10.0 %.

According to the item 132 of the above-mentioned Regulation on own funds of banks and capital requirements, the total amount of risk exposure shall be equal to the sum of the following:

- the amounts of credit risk-weighted exposures and incomplete transactions, excluding the risk-weighted exposure amounts of exposures in the trading book of the bank;
- own funds requirements applicable to the trading book of a bank for position risk;
- the own funds requirements for foreign exchange and commodities, as well as the own funds requirements for the settlement risk;
- the own funds requirements for operational risk;
- the own funds requirements for the credit adjustments risk for OTC derivatives, other than credit derivatives recognized for the reduction of risk-weighted amounts of credit risk exposures;
- the risk-weighted amounts of counterparty risk exposures arising from the bank's trading portfolio for credit derivatives, repurchase transactions, securities lending or borrowing operations, margin lending transactions securities or commodities and long-term settlement transactions.

The amount of the equity of a bank may not fall below the level of capital required for the issue of the license (MDL 200 million).

On top of the own funds rate, additional macro-prudential instruments are being applied by NBM pursuant to the Law no. 202/2017 on banks' activity and the Regulation on bank capital buffers approved by the Decision of the Executive Board of the NBM no.110/2018¹⁵.

Thus, in addition to the 10% minimum own funds requirement, banks are required to maintain the Common Equity Tier I capital to meet the requirements for the capital conservation buffer, the countercyclical buffer, the systemic risk buffer and, where appropriate, the buffer for other systemically important institutions (the O-SII buffer) according to the buffer rates, approved by the Decisions of the Executive Board of the NBM starting with 2018. As of end-of April 2022, the following capital buffer rates are applied:

The capital conservation buffer rate is 2,5 % of a bank's total exposures;

The countercyclical buffer rate for loan exposures located in the Republic of Moldova is 0% of the banks' exposure to risk. At the same time, banks should

¹⁵ <https://www.bnm.md/en/content/regulation-capital-buffers-banks-approved-dca-nbm-no-110-may-24-2018>

ensure adequate records of the countercyclical buffer rates applied to countries where they may have loan exposures;

The systemic risk buffer rate for exposures located in the Republic of Moldova is 1% of the banks' exposure to risk.

At the same time, an increase of 2 p.p. systemic risk buffer rate is applicable in the case of banks, over 50% of the capital of which is collectively owned, directly and/or indirectly, by persons meeting any of the following criteria:

(a) they are not financial sector entities;

(b) are residents/have headquarters in the states where requirements for prudential supervision and regulation are not at least equivalent to those applicable in the Republic of Moldova, as defined in the regulatory acts of the National Bank of Moldova;

(c) are not subject to supervision by the banking or capital market supervisory authorities of the respective countries.

The criteria listed in paragraph IV shall not apply in the case of direct and/or indirect holdings held in the share capital of banks by the multilateral development banks, as defined in the regulatory acts of the National Bank of Moldova.

As a result of the additional buffers, the combined capital adequacy rate for Moldovan banks typically varies between 13,5% and 17%.

Also, within the Supervisory Review and Evaluation Process (SREP), NBM assesses whether the own funds held by the banks provide an adequate coverage for the risks to which the banks are exposed or are likely to be exposed. As a result of the SREP process the NBM can impose to the banks additional capital requirements.

Following the results of the SREP, additional supervisory own funds requirement (TSCR) has been established for all banks, which is being met. The additional rates established under the SREP range from 1.5% to 17.91%.

According to the reports submitted by the banks, all the banks on 31.12.2021 complied with the indicator Total own funds rate (limit for each bank $\geq 10\%$). This indicator ranges from 18.9% to 46.9%. Moreover, all banks comply with the requirement of the indicator Total own funds rate considering capital buffers and TSCR.

b) Liquidity ratio

According to the Regulation on liquidity coverage requirements for banks (LCR), approved by the Decision No. 44/2020 of the Executive Board of the National

Bank of Moldova¹⁶, effective since 1 October 2020, banks shall hold liquid assets which total sum covers the difference between liquidity outflows and liquidity inflows in stress conditions. For this purpose, banks shall ensure the level of liquidity buffer, which are adequate to face any possible imbalance between the inflows and outflows of liquidities under stressed conditions over a period of thirty days.

The liquidity coverage ratio (LCR) shall be introduced as follows:

- 60 % of the liquidity coverage requirement as from 1 October 2020;
- 70 %, as from 1 January 2021;
- 80 %, from 1 January 2022;
- 100 % as from 1 January 2023.

Banks shall comply with two more liquidity indicators. According to the Regulation on bank's liquidity (approved by the Council of Administration of the National Bank of Moldova on 8 August 1997)¹⁷, has been provided requirements for the long-term liquidity indicator (Principle I) and the liquidity indicator on maturity bands (Principle III).

Principle I of liquidity provides that the amount of the bank's assets with the maturity of more than 2 years, should not exceed the amount of its financial resources and shall be calculated in accordance with the provisions of Chapter III, item 1 of the mentioned Regulation.

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 actual liquidity and required liquidity by each maturity band, shall not be less than 1 on each maturity band. The method of calculating that indicator is reflected in Chapter III, item 2¹ of the mentioned Regulation.

c) Leverage ratio

According to the Regulation on leverage for banks, approved by the Decision No. 274/2020 of the Executive Board of the National Bank of Moldova¹⁸, the banks report to the National Bank of Moldova the information related to the leverage ratio, and the National Bank of Moldova on the results of the observation period and analysis of the reported data will establish the minimum level of this indicator. A period of observation of the leverage ratio is expected to be 3 years (from 30 March 2021 to 31 December 2023), during which the National Bank of Moldova

¹⁶ <https://www.bnm.md/en/content/regulation-liquidity-coverage-requirements-banks-approved-decision-executive-board-national>

¹⁷ <https://www.bnm.md/en/content/regulation-banks-liquidity-approved-dca-nbm-no28-august-08-1997>

¹⁸ <https://www.bnm.md/en/content/regulation-leverage-banks-approved-decision-executive-board-national-bank-moldova-no274-10>

will monitor the leverage ratio, its components and its behavior relative to the risk-based requirement.

The leverage ratio shall be calculated as the bank's capital measure (Tier 1 equity) divided by the bank's total exposure measure and shall be expressed as a percentage.

6. Is there a deposit guarantee scheme? Describe its main elements.

The Deposit Guarantee Fund in the Banking System (DGF) protects depositors and contributes to the financial safety net of the country by ensuring the timely payment of guaranteed deposits and the accumulation of resources necessary for the resolution of banks - Law No. 575/2003 on deposits guarantee in banking system¹⁹.

The DGF guarantees the deposits of natural and legal persons of private law, residents and non-residents, constituted in national currency and in foreign currency in the licensed banks of the Republic of Moldova. If a bank's deposits become unavailable, the DGF guarantees that they will be paid to each depositor within the limit of the guarantee ceiling which currently amounts to MDL 50 000 (2 500 EUR). Deposits in foreign currency are reimbursed in MDL based on MDL equivalent at the date of unavailability of the deposits.

All banks licensed by the National Bank of Moldova are admitted and obliged to participate in the accumulation of the DGF's funds through quarterly contributions calculated as a percentage of the guaranteed deposits amount.

7. What are the activities which a credit institution is authorized to carry on?

According to the Art. 14 of the Law No. 202/2017 on the activity of banks²⁰, a bank may carry out the following activities falling within the scope of their license:

- to receive deposits and other repayable funds;
- to grant loans, including: consumer loans, real estate loan agreements, factoring with or without recourse, funding of commercial transactions (including the lump-sum business);
- to provide financial leasing;
- to provide payment services in accordance with the Law No. 114/2012 on payment services and electronic money²¹;
- to issue and administer traveller's checks, bills, and other payment instruments;

¹⁹ https://www.legis.md/cautare/getResults?doc_id=121237&lang=ro#

²⁰ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

²¹ <https://www.bnm.md/en/content/law-payment-services-and-electronic-money-no-114-18052012>

- to issue bank guarantees and undertake commitments;
- to carry out transactions on own account or on behalf of clients by using any of the following money market instruments (checks, negotiable instruments, certificates of deposit, etc.); foreign currency; futures and options contracts on financial instruments; instruments based on the exchange rate and interest rate; securities and other financial instruments;
- to issue securities and other financial instruments, and to provide services related thereof;
- to provide consultancy services to legal entities on social capital structure, business strategy and other business related issues, as well as consultancy and services related to mergers and acquisitions of legal entities;
- to provide money brokerage (intermediation on interbank markets);
- to manage portfolios and provide consultancy related thereto;
- to hold the custody and manage financial instruments;
- to provide information services regarding lending;
- to provide safety deposit box services;
- to issue electronic money in accordance with Law No. 114/2012 on payment services and electronic money;
- to carry out any other activities or services permitted by the National Bank of Moldova insofar as they fall within the scope of financial activity and are in compliance with particular legal provisions governing such activities.

8. Which accounting prudential and statistical information is the bank required to give to the supervisory authority in respect of its business? Please indicate periodicity of such information. Are there any sanctions for delays or failures to submit such information in time?

In accordance with the Art. 84 of the Law No. 202/2017 on the activity of banks²², banks shall compile and submit to the National Bank of Moldova reports, data and information on the activity management framework, own funds, capital buffers, risk covering requirements, large exposures, liquidity, the leverage ratio indicator and other reports for prudential purposes in conditions established by the normative acts of the National Bank of Moldova, on individual basis and, respectively, on consolidated basis.

Based on the Instruction on the submission by banks of COREP reports for supervision purposes, approved by the Decision No. 117/2018 of the Executive Board of the National Bank of Moldova²³ (hereinafter – COREP Instruction), banks shall perform and submit to the National Bank of Moldova the reports on

²² <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

²³ https://www.legis.md/cautare/getResults?doc_id=130200&lang=ro

the individual and consolidated basis regarding to the own funds, risk exposure, large exposure, liquidity coverage requirements (LCR), leverage.

- The reporting on own funds on the individual level (item 14 of the COREP Instruction) includes:
- Reports on own funds and requirements on own funds – monthly;
- The report on treatment of credit risk using standardized approach – monthly;
- The report on treatment of settlement/delivery risk – monthly;
- The report on own funds requirements and losses related to operational risk – quarterly;
- The report on gross losses related to operational risk – semi-annually;
- Reports on own funds requirements related to market risk – monthly;
- The report on own funds requirements related to credit valuation adjustment risk – quarterly;
- Information related to Large exposures and liquidity coverage ratio – monthly;
- Information on leverage – quarterly.

The COREP reports on the consolidated level should be submitted annually, for the situation of 31 December, of the year, but not later than 31 May, of the next year.

According to the Law No. 202/2017 on the activity of banks (Art. 140), if the bank fails to report to the National Bank of Moldova information or provides incomplete or inaccurate information, National Bank of Moldova has the right to apply sanctions and restrictive measures, according to the Art. 141, that shall be effective and proportionate to the facts and deficiencies found and be likely to have a deterrent effect.

Along with national prudential reports, the National Bank of Moldova partially implemented the European Banking Authority (EBA) FINREP and COREP reporting framework. As such, banks present to the National Bank of Moldova prudential and financial reports daily, monthly, and quarterly based on the following acts:

- the Instruction on the submission by banks of COREP reports for supervision purposes, approved by the Decision No. 117/2018 of the Executive Board of the National Bank of Moldova²⁴;
- the Instruction on the preparation and presentation by banks of FINREP reports at individual level, approved by the Decision No. 42/2018 of the Executive Board of the National Bank of Moldova²⁵;

²⁴ https://www.legis.md/cautare/getResults?doc_id=130200&lang=ro

²⁵ https://www.legis.md/cautare/getResults?doc_id=120882&lang=ro

- the Instruction on preparation and presentation by banks of FINREP reports at a consolidated level, approved by the Decision No. 83/2019 of the Executive Board of the National Bank of Moldova²⁶;
- Instruction on compilation and submission of reports by banks for prudential purposes, approved by the Decision No. 279/2011 of the Council of Administration of the National Bank of Moldova²⁷;
- Instruction on the compilation and submission by banks of primary reports to identify and supervise the credit risk, approved by the Decision No. 54/2016 of the Executive Board of the National Bank of Moldova²⁸;
- Regulation on bank's open foreign exchange position, approved by the Decision No. 126/1997 of the Council of Administration of the National Bank of Moldova²⁹;
- etc.

Accounting prudential and statistical information provided by banks to the supervisory authority

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
1	FINREP/ FinRep Solo monthly	Monthly	Instruction on the preparation and presentation by banks of FINREP reports at individual level, approved by the Decision No. 42/2018 of the Executive Board of the National Bank of Moldova ³⁰ (Annex No. 1, 2, 4, 5, 6, 12 and 19)	F 01.00 - Balance Sheet Statement [Statement of financial position] (Annex 1); F 02.00 – Statement of profit or loss (annex no. 2); F 04.00 - Breakdown of financial assets by instrument and by counterparty sector (Annex No. 4); F 07.00 - Financial assets subject to impairment that are past due (annex no. 5); F 08.00 - Breakdown of financial liabilities (annex no. 6); F 16.01 - Breakdown of selected statement of profit or loss items (annex no. 12); F 46.00 - Statement of changes in equity (annex no. 19);
2	FINREP/ FinRep Solo quarterly	Quarterly	Instruction on the preparation and presentation by banks of FINREP reports at individual level, approved by the Decision No. 42/2018 of the	F 03.00 - Statement of comprehensive income (Annex No 3) F 10.00 - Derivatives - Trading and economic hedges (Annex No. 8)

²⁶ <https://www.bnm.md/en/content/instruction-finrep-consolidated-financial-statements-applicable-banks-approved-dca-nbm-no133>

²⁷ <https://www.bnm.md/en/content/instruction-procedure-preparing-and-submission-banks-reports-prudential-purposes-approved>

²⁸ <https://www.bnm.md/en/content/instruction-compile-and-submission-banks-primary-reports-identify-and-supervise-credit>

²⁹ <https://www.bnm.md/en/content/regulation-banks-open-foreign-exchange-position-approved-dca-no-126-november-28-1997>

³⁰ https://www.legis.md/cautare/getResults?doc_id=120882&lang=ro

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
			Executive Board of the National Bank of Moldova (Annex no. 3, 8 and 9)	F 12.00 - Movements in allowances and provisions for credit losses (Annex No. 9) F 16.00 - Breakdown of selected statement of profit or loss items (tables F 16.02; F 16.03; F 16.04, F 16.04.01; F 16.05; F 16.07) (annex no.12)
3	FINREP/ FinRep Solo semester	Semester	Instruction on the preparation and presentation by banks of FINREP reports at individual level, approved by the Decision No. 42/2018 of the Executive Board of the National Bank of Moldova (Annex no. 7, 10, 11, 13, 14, 15, 16, 17 and 18)	F 09.00 - Loan commitments, financial guarantees and other commitments (Annex No 7) F 13.00 - Collateral and guarantees received (annex no.10) F 15.00 Derecognition and financial liabilities associated with transferred financial assets (Annex 11) F 21.00 - Tangible and intangible assets: assets subject to an operating lease (Annex No 13) F 22.00 - Asset management, custody and other services functions (Annex No 14) F 31.00 - Related parties (annex no.15) F 42.00 - Tangible and intangible assets: carrying amount by measurement method (Annex no. 16) F 43.00 - Provisions (annex no.17) F 45.00 – Breakdown of selected items of statement of profit or loss (annex no. 18)
4	FINREP/ FinRep Consolidated	Annual	Instruction on drawing up and presenting by banks of FINREP reports at a consolidated level, approved by Decision No. 83/2019 of Executive Board of the National Bank of Moldova. ³¹	All attachments
5	Interbank rates (weekly)	Weekly	Instruction on the prepare and submit reports on interest rates applied by banks in the Republic of Moldova, approved by the Decision No. 331/2016 of the Executive Board of the National Bank of Moldova (Annex no.1) ³²	ORD 1.1 Report on interest rates related to interbank transactions (annex no.1)
6	Loan / deposit rates (weekly)	Weekly	Instruction on the prepare and submit reports on interest rates applied by banks in the Republic of Moldova (Annex no. 2 and 4)	ORD 1.3 Report on interest rates related to new loans and new deposits (annex no.2) ORD 1.5 Report on interest rates on loan and deposit balances (annex no. 4)

³¹ <https://www.bnm.md/en/content/instruction-finrep-consolidated-financial-statements-applicable-banks-approved-dca-nbm-no133>

³² https://www.legis.md/cautare/getResults?doc_id=118476&lang=ro

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
7	Interbank rates (monthly)	Monthly	Instruction on the prepare and submit reports on interest rates applied by banks in the Republic of Moldova (Annex no. 1)	ORD 1.2 Report on interest rates related to interbank transactions (annex no.1)
8	Loan / deposit rates (monthly)	Monthly	Instruction on the prepare and submit reports on interest rates applied by banks in the Republic of Moldova (Annex no. 3 and 4)	ORD 1.4 Report on interest rates on new loans and new deposits (annex no.3) ORD 1.6 Report on interest rates on loan and deposit balances (annex no. 4)
9	Monetary statistics (weekly)	Weekly	Instruction on the complete by the licensed banks the Report on monetary statistics, approved by the Decision No. 255/2011 of the Executive Board of the National Bank of Moldova. ³³	ORD 1.7 Monetary statistics
10	Monetary statistics	Monthly	Instruction on the complete by the licensed banks the Report on monetary statistics.	ORD 1.8 Monetary statistics
11	Report on the volume of cash operations	Monthly	Instruction on the manner by the licensed banks to draw up the Report on the volume of cash operations approved by the Decision No. 256/2011 of the Executive Board of the National Bank of Moldova. ³⁴	ORD 1.9A Report on the volume of cash operations of the bank
12	Interbank cash transactions in national currency	Daily	Instruction on the manner by the licensed banks to draw up the Report on the volume of cash operations approved by the Decision No. 256/2011 of the Executive Board of the National Bank of Moldova.	ORD 1.9B Information on interbank cash transactions in national currency
13	The funds attracted in Moldovan lei and free convertible currency and the size of required reserves in Moldovan lei	Monthly	Regulation on the required reserves regime, approved by the Decision No. 302/2019 of the Executive Board of the National Bank of Moldova (annex no.2) ³⁵	ORD 2.2A The size of the funds attracted in Moldovan lei and in foreign currency included in the calculation base and the size of the required reserves in Moldovan lei (annex no.2) ORD 2.2B The amount of funds attracted in Moldovan lei and in foreign currency recalculated in Moldovan lei, included in the calculation basis (annex no. 2)
14	Amount of funds attracted in freely convertible	Monthly	Regulation on the required reserves regime (annex no. 3)	ORD 2.3A The size of the funds attracted in freely convertible currencies included in the calculation base and the size of

³³: https://www.legis.md/cautare/getResults?doc_id=118471&lang=ro

³⁴ https://www.legis.md/cautare/getResults?doc_id=104975&lang=ro

³⁵ https://www.legis.md/cautare/getResults?doc_id=119241&lang=ro

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
	currencies included in the calculation basis and size of required reserves in USD and EUR			the required reserves in USD and in EUR (annex no.3) ORD 2.3B Size of funds attracted in freely convertible currencies during the current observation period included in the calculation basis (annex no.3)
15	Bank exposures to affiliates	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes, approved by the Decision No. 279/2011 of the Council of Administration of the National Bank of Moldova (annex no.3) ³⁶	ORD 3.2 Bank exposures to affiliates (annex no. 3)
16	Miscellaneous information	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 9)	ORD 3.3A Miscellaneous information (annex no.9) ORD 3.3B Measures taken by the bank to prevent and combat money laundering and terrorist financing (annex no. 9) ORD 3.3C Information on actions that constitute 5 percent and more of the bank's basic level 1 own funds filed in court against the bank (annex no. 9) ORD 3.3D Information on outsourced activities / operations (annex no.9) ORD 3.3F Information on interdictions, restrictions, sanctions or other analogous measures applied to the bank by a public authority other than the National Bank of Moldova (annex no. 9)
17	Results of the internal audit control in the field of preventing and combating money laundering and terrorist financing	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 9)	ORD 3.3E Results of the internal audit control in the field of preventing and combating money laundering and terrorist financing (annex no.9)
18	People affiliated with the bank	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 14)	ORD 3.5 People affiliated with the bank (annex no.14)

³⁶ <https://www.bnm.md/en/content/instruction-procedure-preparing-and-submission-banks-reports-prudential-purposes-approved>

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
19	Portfolio of letters of credit and guarantees issued	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 15)	ORD 3.6 Portfolio of letters of credit and guarantees issued (annex no.15)
20	Tangible fixed assets transferred in exchange for repayment of loans or liabilities	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 16)	ORD 3.7 Tangible fixed assets transferred in exchange for repayment of loans or liabilities (annex no.16)
21	"Large" deposits	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 17)	ORD 3.8 "Large" deposits (annex no.17)
22	Classification of conditional assets and liabilities	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 1)	ORD 3.9 Classification of conditional assets and liabilities (annex no.1)
23	Deposits	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 4)	ORD 3.10 Deposits (annex no.4)
24	Liquidity	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 7)	ORD 3.13 Long-term liquidity (principle I) and liquidity on maturity bands (principle III) (all tables) (annex no.7)
25	Operational information	Daily	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 8)	ORD 3.13 Operational information (annex no.8)
26	Bank shareholders (tables A, B and D)	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 10)	ORD 3.15A Bank shareholders, general information (annex no.10) ORD 3.15B Shareholders and / or groups of related persons holding a holding in the share capital of the bank equal to or greater than the qualified holding (annex no. 10) ORD 3.15D Complete alienation of the bank's shares (annex no.10)
27	Indirect holders, including beneficial owners of substantial shares in the		Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 10)	ORD 3.15C Indirect holders, including beneficial owners of qualified holdings in the bank's share capital (annex no. 10)

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
	bank 's share capital			
28	Shares in the capital of legal entities	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 11)	ORD 3.16 Holdings in the capital of legal entities (annex no.11)
29	The financial situation of "large" debtors	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 18)	ORD 3.18 Financial situation of "large" debtors (annex no.18)
30	The bank's open foreign exchange position	Daily	Regulation on bank's open foreign exchange position, approved by the Decision No. 126/1997 of the Council of Administration of the National Bank of Moldova (annex no.1) ³⁷	ORD 3.19 The bank's open foreign exchange position (annex no.1)
31	Information on deposits of individuals	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 19)	ORD 3.20 Report on information on deposits of individuals (all tables) (annex no.19)
32	Information on the bank's transactions with its affiliates, other than exposures	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 20)	ORD 3.21 Information on the bank's transactions with its affiliates, other than exposures (annex no. 20)
33	Information on bank board meetings	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 21)	ORD 3.22 Information on bank board meetings (annex no.21)
34	Daily statement of synthetic account balances	Daily	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 22)	ORD 3.23 Daily statement of synthetic account balances (annex no.22)
35	Placed/attracted interbank means	Daily	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 23)	ORD 3.24 Placed/attracted interbank means (annex no.23)
36	Cash transactions report	Monthly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 24)	ORD 3.25 Cash transactions report (annex no.24)
37	Information on the members of the management body, the branch managers and	Quarterly	Instruction on compilation and submission of reports by banks for prudential purposes (annex no. 25)	ORD 3.26 Information on the members of the management body of the bank and of the financial holding company or mixed holding company, the branch managers of a bank from another state, the persons holding key positions (annex no. 25)

³⁷ <https://www.bnm.md/en/content/regulation-banks-open-foreign-exchange-position-approved-dca-no-126-november-28-1997>

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
	the persons holding key positions			
38	Foreign currency loans received by the licensed bank	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks, approved by the Decision No. 11/2009 of the Executive Board of the National Bank of Moldova (annex no.3) ³⁸	ORD 4.2 Loans and foreign currency loans of the licensed bank (all tables) (annex no.3)
39	Operations according to the loan / credit / external guarantees contracts received by licensed banks	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 8)	ORD 4.4 Operations according to the loan / credit / external guarantees contracts received by the licensed bank (all tables) (annex no.8)
40	Foreign securities of the licensed bank	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 9)	ORD 4.5 Foreign securities of the licensed bank (annex no.9)
41	Cash and traveler's checks in foreign currency	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 6)	ORD 4.6 Operations of the bank licensed with foreign currency cash and foreign currency traveler's checks (all tables) (annex no.6)
42	Average exchange rates and average selling rates of major foreign currencies	Daily (twice a day)	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 11)	ORD 4.7 Average exchange and sale rates of the main foreign currencies related to the cash exchange activity with the natural persons of the licensed bank (annex no.11)
43	Foreign currency buying and selling operations	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 2)	ORD 4.8 Foreign exchange purchase and sale operations carried out by the licensed bank (all tables) (annex no.2)
44	Cash imported / exported by banks	Monthly	Instruction on the reporting of certain foreign exchange operations by the licensed banks (annex no. 12)	ORD 4.9 Cash imported into / exported from the Republic of Moldova by banks (all tables) (annex no.12)
45	Payment cards	Quarterly	Instruction on reporting the data related to the use of payment instruments and services, approved by the Decision No. 211/2014 of the Executive Board of the	ORD 5.1 Payment cards (all tables) (annex no.1)

³⁸ <https://www.bnm.md/en/content/instruction-reporting-certain-foreign-exchange-operations-licensed-banks-dca-nbm-no11>

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
			National Bank of Moldova (annex no.1) ³⁹	
46	Special devices and solutions used	Quarterly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 4)	ORD 5.4 Special devices installed and solutions used (annex no.4)
47	Use of credit transfer	Quarterly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 5)	ORD 5.5 Use of credit transfer (all tables) (annex no.5)
48	Use of direct debit	Quarterly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 6)	ORD 5.6 Use of direct debit (all tables) (annex no.6)
49	Use of automated remote service systems	Quarterly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 7)	ORD 5.7 Use of automated remote service systems (all tables) (annex no.7)
50	Use of remittance services	Monthly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 8)	ORD 5.8A Use of remittance services (annex no. 8)
51	Fraud related to the use of remittance services	Quarterly	Instruction on reporting the data related to the use of payment instruments and services (annex no. 8)	ORD 5.8B Registered frauds related to the use of remittance services (annex no. 8)
52	Daily report on the loan portfolio granted and the credit commitments assumed	Daily Monthly	Instruction on the compilation and submission by banks of primary reports to identify and supervise the credit risk, approved by the Decision No. 54/2016 of the Executive Board of the National Bank of Moldova (annex no.1) ⁴⁰	ORD 3.17 Daily report on the loan portfolio granted and the credit commitments assumed (annex no. 1)
53	Report on persons affiliated to large debtors	Monthly	Instruction on the compilation and submission by banks of primary reports to identify and supervise the credit risk (annex no.2)	ORD 3.17A Report on persons affiliated to large debtors (annex no.2)
54	Report on pledge for large debtors	Monthly	Instruction on the compilation and submission by banks of primary reports to identify and supervise the credit risk (annex no.3)	ORD 3.17B Report on pledge for large debtors (annex no.3)
55	Report on applications for large loans	Daily	Instruction on the compilation and submission by banks of primary reports to identify and supervise the credit risk (annex no.4)	ORD 3.17C Report on applications for large loans (annex no. 4)

³⁹ https://www.legis.md/cautare/getResults?doc_id=127799&lang=ro

⁴⁰ <https://www.bnm.md/en/content/instruction-compilation-and-submission-banks-primary-reports-identify-and-supervise-credit>

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
56	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes, approved by the Decision No. 117/2018 of the Executive Board of the National Bank of Moldova (annex no. 1) ⁴¹	C 01.00 - Own funds (CA1) (annex no. 1) C 02.00 - Own funds requirements (CA2) (annex no. 1) C 03.00 - Equity rates and capital levels (CA3) (annex no. 1) C 04.00 - Memorandum elements (CA4) (annex no. 1)
57	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 2)	C 07.00 - Credit risk, counterparty credit risk and incomplete transactions: the standardized approach to capital requirements (CR SA) (annex no. 2)
58	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 3)	C 11.00 - Settlement / delivery risk (annex no.3)
59	COREP	Quarterly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 4)	C 16.00 - Operational risk (annex no. 4)
60	COREP	Semester	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 5)	C 17.00 - Operational risk: losses and recoveries on operating lines during the previous year (details on operational risk) (annex no. 5)
61	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 6)	C 18.00 - Market risk: the standardized approach to position risks related to traded debt instruments (annex no. 6)
62	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 7)	C 20.00 - Market risk: the standardized approach for specific risk in the case of positions allocated to the correlation trading portfolio (annex no. 7)
63	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 8)	C 21.00 - Market risk: the standardized approach to position risk for equity securities (annex no. 8)
64	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 9)	C 22.00 - Market risk: standardized approaches to foreign exchange risk (annex no.9)
65	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 10)	C 23.00 - Market risk: standardized approaches to commodity risk (annex no. 10)
66	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 11)	C 26.00 - Maximum permissible limits (annex no. 11) C 27.00 - Identification of the counterparty (annex no. 11) C 28.00 - Exposures within and outside the trading book (annex no.11)

⁴¹ https://www.legis.md/cautare/getResults?doc_id=130200&lang=ro

No .	Reporting domain / Name	Periodicity	The legal framework that defines the requirements for the included reports/ tables	Reports/ tables
				C 29.00 - Details of exposures to individual customers in a group of connected customers (annex no.11)
67	COREP	Quarterly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 10 ¹)	C 25.00 - Credit assessment adjustment risk
68	COREP	Quarterly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 10 ²)	C 47.00 - Calculation of Leverage Indicator C 40.00 - Alternative treatment of exposure metering indicator C 41.00 - Balance sheet and off-balance sheet items - Additional exposure breakdown; C 42.00 - Alternative definition of capital C 43.00 - Breakdown of the components of the exposure metering indicator used to calculate the leverage ratio indicator C 44.00 - General information
69	COREP	Monthly	Instruction on the submission by banks of COREP reports for supervision purposes (annex no. 12)	C 72.00 - Coverage of liquidity requirements - liquid assets C 73.00 - Liquidity coverage - outflows C 74.00 - Coverage of liquidity requirements - inflows C 75.00 - Coverage of liquidity requirements - swaps on collateral C 76.00 - Coverage of liquidity requirements - calculations.
70	Report on the amounts of foreign currency bought and sold by the bank against Moldovan lei	Daily	Regulation on the Setting of the Official Exchange Rate of MDL against Foreign Currencies, approved by the Decision No. 3/2009 of the Executive Board of the National Bank of Moldova ⁴²	
71	Report on international operations	Monthly	Regulation on the reporting of Balance of Payments information, approved by the Decision No. 61/1997 of the Executive Board of the National Bank of Moldova ⁴³	

Regarding the possibility of sanctioning in case for delays or failures to submit information in due time, the Law on the activity of banks No. 202/2017⁴⁴ allows

⁴² <https://www.bnm.md/en/content/regulation-setting-official-exchange-rate-moldovan-leu-against-foreign-currencies-dca-nbm>

⁴³ https://www.legis.md/cautare/getResults?doc_id=118474&lang=ro

⁴⁴ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

sanctioning of banks in such cases, but decision is taken case by case based on individual circumstances.

9. Is there a specific regulation concerning the annual accounts and consolidated accounts of banks? Explain the main rules applying to the format of the balance sheet and to the publication of the annual accounts.

According to the Law No. 202/2017 on the activity of banks⁴⁵ (Art. 85) banks shall organize and manage their accounting in accordance with the provisions of the legislation in the field of accounting and International Standards of Financial Reporting, as well shall compile individual annual financial statements and, if applicable, consolidated ones, which would present a true image of the financial position, of the financial performance, of the cash flows and of other aspects related to the activity performed.

The Law No. 287/2017 on accounting and financial reporting⁴⁶ provides that banks are public interest entities and shall compile the annual financial statements (on an individual and consolidated basis) in accordance with the IFRS.

The financial statements include:

- Balance sheet;
- Profit and loss account;
- Statement on changes in equity;
- Cash flow statement;
- Explanatory note.

Public interest entities draw up and submit on a yearly basis a management report along with the financial statements, that provides a fair view of the position of the entity, performance of their activities and presents an analysis correlated to the size and complexity of conducted activities.

The banks' annual financial statements and, where applicable, the annual consolidated financial statements, should be audited by an audit company, in accordance with the legislation on audit.

The management period for all entities that draw up and present financial statements is a calendar year, which covers the period from 1 January until 31 December, except cases of reorganization and liquidation, entities that apply another management period, which coincides with the financial reporting period

⁴⁵ Law No. 202/2017 on the activity of banks, available in English at: <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

⁴⁶ <https://www.mf.gov.md/en/content/law-no2872017-accounting-and-financial-reporting>

of the parent entity, newly established entities, for which the first management period covers the period from the state registration.

The entity submits on paper or electronically the financial statements to the National Bureau of Statistics (Public depository of financial statements).

The public sector entities are obliged to submit the financial statements within 120 days from the last day of the management period (30 April).

Amounts in the financial statements are presented in thousand Moldavan Lei (MDL).

In order to adequately record the operations in the accounting, banks use the Chart of Accounts No. 15/1997 of the bookkeeping within licensed banks of the Republic of Moldova⁴⁷ that is based on classification of accounts according to the economic essence and includes the contents, destination and description of each account.

10. How are capital requirements determined? Can banks use their own models for determining risk and regulatory capital?

The methodology for calculating the own funds, the own funds requirements and the elements included in the calculation of own funds, deductions from own funds items, reductions in the levels of own funds and other related requirements are covered by Regulation on own funds of banks and capital requirements, approved by the Decision No. 109/2018 of the Executive Board of the National Bank of Moldova⁴⁸.

Banks shall comply at all times with the own funds' requirements (expressed as a percentage of the total risk exposure amount) set out in the item 130 of the above-mentioned Regulation. The total risk exposure amount is calculated by summing up the risk-weighted exposure amounts for credit risk, market risk, which also includes foreign exchange and commodity risk, own funds requirements for operational risk, the risk related to credit adjustments for OTC derivatives, counterparty credit risk, arising from the bank's trading book.

For that purpose, the own funds requirements for those risks shall be calculated on the basis of the Standardized Approach.

The provisions related to the IRB's approach to credit and market risk are planned to be transposed into the secondary regulatory framework by 2023.

⁴⁷ <https://www.bnm.md/en/content/chart-accounts-bookkeeping-within-licensed-banks-republic-moldova-approved-dca-nbm-no15>

⁴⁸ <https://www.bnm.md/en/content/regulation-own-funds-banks-and-capital-requirements-no109-24052018>

Starting with the beginning of 2018, the normative acts and prudential requirements are harmonized with Basel III and European Union CRD IV/CRR package.

According to the Law on the activity of banks No. 202/2017⁴⁹, banks at any time shall have the own funds' level equal or higher than the level required to cover credit risk, dilution risk, counterparty credit risk, position risk, settlement/delivery risk, foreign exchange risk, commodity risk, credit adjustment risk and operational risk, whichever appropriate. Methodologies for determining the exposure value for each category of risk as well as the total value of the risk exposure are established in the regulations of the National Bank of Moldova.

The Regulation on own funds of banks and capital requirements (approved by the Decision No.109/2018 of the Executive Board of the National Bank of Moldova)⁵⁰ regulates the own funds calculation methodology and sets out the requirements for own funds and items that are included in the calculation of own funds, deductions from own fund items, reductions in the levels of own funds and other requirements.

The regulations of the National Bank of Moldova issued for the application of the Law No.202/2017 on the activity of banks set out methodologies for determining the own funds requirements for covering the main risks, the criteria of their application and the business segments to which they are addressed.

When calculating the level of exposure to credit risk, banks shall use the standardized approach or, under the approval of the National Bank of Moldova, the Internal Rating-Based (IRB) approach (the regulation on the IRB approach is to be approved).

In order to determine the own funds requirements for covering the operational risk, banks may use the following approaches:

- the basic approach; or
- the standardized approach subject to the notification of the National Bank of Moldova; or
- the alternative standardized approach subject to the approval of the National Bank of Moldova; or

For the purposes of determining own funds requirements to cover market risk, the banks may use:

- methods regulated in the normative acts issued to enforce this law, for the position risk, the currency exchange risk, the settlement risk and the commodities risk;

⁴⁹ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

⁵⁰ <https://www.bnm.md/en/content/regulation-own-funds-banks-and-capital-requirements-no109-24052018>

- internal models for position risk, currency exchange risk and commodities risk, with the approval of the National Bank of Moldova (the regulation on the internal models for market risk is to be approved).

It is worth mentioning that at the moment, all banks use standardized approach for credit and market risk and basic approach for operational risk in the calculation of own funds requirements.

11. Is there a regulation concerning the capital adequacy relating to risks other than credit risks?

For the purposes of calculating banks' own funds requirements the following secondary normative acts, not related to credit risk, have been adopted:

- Regulation on the treatment of operational risk for banks according to basic indicator approach and standardized approach, approved by the Decision No. 113/2018 of the Executive Board of the National Bank of Moldova⁵¹;
- Regulation on the treatment of market risk according to standardized approach, approved by the Decision No. 114/2018 of the Executive Board of the National Bank of Moldova⁵²;
- Regulation on settlement risk, approved by the Decision No. 115/2018 of the Executive Board of the National Bank of Moldova⁵³;
- Regulation on the calculation by banks of specific adjustments and general adjustments for credit risk, approved by the Decision No. 116/2018 of the Executive Board of the National Bank of Moldova⁵⁴;
- Regulation on large exposures, approved by the Decision No. 109/2019 of the Executive Board of the National Bank of Moldova⁵⁵;
- Regulation on treatment of counterparty credit risk for banks, approved by the Decision No. 102/2020 of the Executive Board of the National Bank of Moldova⁵⁶;
- Regulation on credit valuation adjustment, approved by the Decision No. 103/2020 of the Executive Board of the National Bank of Moldova⁵⁷.

⁵¹ <https://www.bnm.md/en/content/regulation-treatment-banks-operational-risk-according-basic-indicator-approach-and>

⁵² <https://www.bnm.md/en/content/regulation-treatment-market-risk-according-standardised-approach>

⁵³ <https://www.bnm.md/en/content/regulation-treatment-settlementdelivery-risk>

⁵⁴ <https://www.bnm.md/en/content/regulation-calculation-specific-and-general-credit-risk-adjustments-banks>

⁵⁵ <https://www.bnm.md/en/content/regulation-large-exposures-approved-decision-council-administration-national-bank-moldova>

⁵⁶ <https://www.bnm.md/ro/content/regulamentului-cu-privire-la-tratamentul-riscului-de-credit-al-contrapartii-pentru-banci>

⁵⁷ <https://www.bnm.md/ro/content/regulamentului-cu-privire-la-tratamentul-riscului-de-ajustare-evaluarii-creditului-pentru>

12. Is there a regulation concerning the large exposures? Describe its main elements.

According to the Law No. 202/2017 on the activity of banks (Art. 74), the banks are obliged to comply with large exposure limitations established by the normative acts of the National Bank of Moldova.

Thus, the Regulation on large exposures, approved by the Decision No. 109/2019 of the Executive Board of the National Bank of Moldova⁵⁸, lays down requirements for the calculation of amount of exposure, including the eligible techniques of credit risk mitigation, the maximum allowable concentration risks of banks' exposures, additional requirements related to the trading book, as well as the requirements related to monitoring, administration and reporting on large exposures.

A large exposure means an exposure of a bank to a client or a group of connected clients which value equals to 10% or more from the eligible capital of the respective bank. The above-mentioned Regulation on large exposures (item 6) stipulates elements which do not constitute exposure.

The bank shall have internal regulations, including control and administrative mechanisms for the identification of connected clients, sound administrative and accounting procedures, and adequate internal control mechanisms which shall allow it to identify, administer, monitor, report and register all large exposures to a client or a group of connected clients and the further modifications.

The exposure value after taking into account the effect of the credit risk mitigation stipulated in items 33-34 of the above-mentioned Regulation on large exposures shall not exceed 15% of eligible capital of the bank. A list of exposures described in item 36 are exempted from the mentioned limit. The reporting shall be done in accordance with requirements of the Instruction on submission by banks of COREP reports for supervision purposes, approved by the Decision No. 117/2018 of the Executive Board of the National Bank of Moldova⁵⁹.

13. Is there a regulation concerning the supervision on a consolidated basis? Describe its main elements. Are there plans to change the regulation? If so, please outline main changes, desired outcomes and a tentative timeline.

According to the Law No. 202/2017 on the activity of banks⁶⁰ (Art. 109), the National Bank of Moldova shall exercise consolidated supervision of a bank, Moldovan legal entity, in the following situations:

⁵⁸ <https://www.bnm.md/en/content/regulation-large-exposures-approved-decision-council-administration-national-bank-moldova>

⁵⁹ <https://www.bnm.md/ro/content/instructiunea-cu-privire-la-prezentarea-de-catre-banci-rapoartelor-corep-scopuri-de>

⁶⁰ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

- the bank licensed by the National Bank of Moldova is a parent bank at the level of the Republic of Moldova that has as subsidiary a bank/investment company or a non-bank financial society or when such bank/investment company or a non-bank financial society is an entity associated to the parent bank and that is not, in its turn, a subsidiary of another bank/investment company authorized in the Republic of Moldova or of a financial holding society or a mixed financial holding society established in the Republic of Moldova;
- the bank licensed by the National Bank of Moldova has as parent company established in the Republic of Moldova or in other states a financial holding company or a mixed financial holding company without the parent undertaking having other subsidiaries in the Republic of Moldova; or in the case it has such subsidiaries-banks in the Republic of Moldova the total balance sheet assets of whom is below the balance sheet assets of the respective bank.

Where a bank is the subsidiary of a financial holding undertaking or a mixed financial holding undertaking has in the Republic of Moldova as subsidiaries at least one bank and one investment company, supervision on a consolidated basis shall be exercised by the National Bank of Moldova, and the consolidated prudential requirements shall apply to the bank.

The Regulation on the banking supervision on a consolidated basis, approved by the Decision No. 101/2020 of the Executive Board of the National Bank of Moldova⁶¹ enforces the mentioned law provisions, and provides:

- the level of application of the prudential requirements under the conditions of exercising supervision on a consolidated basis, as well as exceptions and derogations from the application of these requirements;
- the consolidation perimeter (the scope of prudential consolidation), including the situations in which certain entities in the group will not be included in this perimeter;
- consolidation methods;
- the requirements regarding the supervision of intragroup transactions with mixed - activity holding companies;
- the information necessary for the National Bank of Moldova to exercise supervision on a consolidated basis.

The methods on prudential consolidation shall be applied on the basis of International Financial Reporting Standards (IFRS). For the purpose of consolidated supervision of banks, legal entities of the Republic of Moldova, all subsidiaries of the parent enterprise that are banks, non-bank financial companies or investment companies, legal entities of the Republic of Moldova or other states,

⁶¹ <https://www.bnm.md/ro/content/regulamentul-cu-privire-la-supravegherea-pe-baza-consolidata-bancilor>

shall be consolidated by the global method of accounting consolidation (the method of accounting consolidation provided by IFRS 10).

In other cases of participations in banks, financial and investment companies, for their inclusion in the consolidated statement of the parent entity, the equity method shall be used (accounting consolidation method provided by the International Accounting Standard 28), except where the National Bank of Moldova decides otherwise based on the right to decide, in carrying out its supervisory function, on the inclusion in the scope of prudential consolidation and on the method of consolidation to be applied, so that it allows the correct assessment of the fulfillment of prudential requirements. Applying this method will not imply the inclusion of those entities in consolidated supervision.

The above-mentioned Regulation on the banking supervision on a consolidated basis transposes provisions related to prudential consolidation of the EU CRD IV package (Regulation No. 575/2013 and Directive 2013/36/EU (version of 2016)).

14. Are the institutions issuing electronic money regulated? If so, in which way?

Institutions issuing electronic money are regulated by Law No. 114/2012 on payment services and electronic money⁶² (which transposed, *inter alia*, Directive 2009/110/EC), as well as by the provisions of the Regulation on the activity of non-bank payment service providers, approved by the Decision No. 217/2019 of the Executive Board of the National Bank of Moldova⁶³ (which details some provisions of the Law No. 114/2012 related to their licensing and activity).

Supervisory authorities

15. Which is the competent authority to grant a license to a credit institution and to supervise it? Has this authority other functions? Please provide information on the number, importance and outcome of investigation carried out by the supervisory authority over the last five years.

According to the Law No. 548/1995 on the National Bank of Moldova⁶⁴ and Law No. 202/2017 on the activity of banks⁶⁵, the National Bank of Moldova is the competent authority to license, regulate and supervise the activity of: (1) banks, which are legal entities of the Republic of Moldova and (2) branches of foreign banks. During the last five years, there has not been submitted any license application to the National Bank of Moldova.

⁶² <https://www.bnm.md/en/content/law-payment-services-and-electronic-money-no-114-18052012>

⁶³ <http://www.bnm.md/en/content/regulation-activity-non-bank-payment-service-providers-approved-decision-executive-board-nbm>

⁶⁴ <https://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995>

⁶⁵ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

Additionally, the National Bank has the following basic tasks:

- establish and implement the state monetary and foreign exchange policy;
- act as banker and agent of the state;
- conduct economic and monetary analyses and, based on them, submits proposals to the Government, publish the results of the analyses;
- provide credits to banks including liquidity assistance in emergency situations;
- constitute, license, operate, regulate and supervise the financial market infrastructures, under the conditions established by law, and promote their stable and efficient operation;
- act as the sole issuer of the national currency;
- establish the exchange rate regime of the national currency;
- hold and manage foreign exchange reserves of the state;
- undertake, in the name of the Republic of Moldova, obligations and perform transactions resulting from the participation of the Republic of Moldova in the activity of international public institutions in the banking, credit and monetary areas pursuant to conditions of international agreements;
- elaborate the balance of payments, international investment position and the statistics of the external debt of the Republic of Moldova;
- perform foreign exchange regulation on the territory of the Republic of Moldova;
- license, regulate and supervise the activity of providing payment services and the issuance of electronic currency.
- act as a resolution authority for the banks in accordance with the Law on banks' recovery and resolution.

Statistics on supervisory investigations on banks

	2017	2018	2019	2020	2021
Number of complex onsite inspections	7	7	2	0	0
Number of thematic onsite inspections	3	0	6	6	7
Special investigation on shareholder's transparency (decisions)	2	4	5	0	0
Special investigation on related parties	0	11	0	0	0
Number of SREP (Supervisory Review and Evaluation Process) decisions	-	-	-0	10	8
Type and number of sanctions:					

	2017	2018	2019	2020	2021
Written warning to bank	1	2	8	2	2
Fine to bank	-	2	-	-	-
Fine to bank's management	4	1	-	-	-
Fine to shareholders	2	2	0	0	0
Blocking the exercise of the voting rights of shareholders	0	2	5	0	0
Written warning to bank's management	3	2	2	-	-
Withdrawal of confirmation given to member of management board of the bank	-	-	-	-	-
Withdrawal of license	-	-	-	-	-

Statistics on AML/CFT supervisory actions in relation to banks

	2017	2018	2019	2020	2021
Number of complex AML/CFT inspections	5	5	4	1	3
Number of thematic AML/CFT inspections	1	1	2	4	-
Off-site analysis of certain banks' customers based on ML/FT risks identified	-	-	-	20	38
Type and number of sanctions					
Written warning	3	1	3	1	1
Fine to bank	0	2	2	1	0
Fine to bank's management	3	3	0	0	0
The total amount of fine (MDL)	298,109	2,613,742	3,465,964	3,704,464	0

Temporary prohibition to hold a governing position in a financial institution applied to a bank's management member	0	0	2	0	0
---	---	---	---	---	---

16. How is the operational independence of the supervisory authority ensured, in line with international standards (Basel Committee, the International Organization of Securities Commissions (IOSCO) and the International Association of Insurance Supervisors (IAIS) core principles)?

The National Bank of Moldova has implemented the normative acts in accordance with the Basel Core Principles for Effective Banking Supervision. The operational independence of the National Bank of Moldova is ensured by the Law No. 548/1995 on the National Bank of Moldova⁶⁶ and by the Law No. 202/2017 on the activity of banks⁶⁷ (in force since 1 January 2018). The NBM annually publishes Priorities in Banking Supervision on its official website: <https://www.bnm.md/ro/content/prioritatile-supravegherea-bancara-ale-bancii-nationale-moldovei-pentru-anul-2022-> information available in Romanian only. Also, the information regarding the sanctions applied by the National Bank of Moldova under the Law No. 202/2017 on the activity of banks is published on the official website of the National Bank of Moldova (<https://www.bnm.md/ro/content/sanctiunile-aplicate-de-banca-nationala-moldovei-temeiul-legii-privind-activitatea-bancilor> - information available in Romanian only).

According to the Law No. 548/1995 on the National Bank of Moldova the Executive Board of the National Bank of Moldova has 5 members, of which one Deputy Governor is responsible for the Banking Supervision Department. The Banking Supervision Department is structured into two divisions: the Continuous Banking Supervision Division and the Control and Risk Management Division. The objectives, tasks, rights, and responsibilities of the Banking Supervision Department are regulated in the Internal Regulation regarding the activity of the Banking Supervision Department. The principles and procedures for the operation of the process of supervision and evaluation of the activity of banks, which is carried out annually by the National Bank of Moldova is regulated by the Methodology of supervision and evaluation of the activity of banks (SREP) approved by the Decision No. 63/2019 of the Executive Board of the National Bank of Moldova⁶⁸, which is based on EBA Guidelines EBA/GL/2014/13 of 19 December 2014.

⁶⁶ <http://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995>

⁶⁷ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

⁶⁸ <https://www.bnm.md/ro/content/fost-aprobata-metodologia-de-supraveghere-si-evalua-re-activitatii-bancilor>

17. Are professionals employed by the supervisory authority subject to limitations (time or other) regarding the possibility to be employed as senior staff in commercial banks? Please explain.

According to the Law No. 133/2016 on declaring wealth and personal interests⁶⁹, the employees of the supervisory authority (National Bank of Moldova) who have ceased their term of office or employment or service relationship and during the last year of employment had direct duties of supervision of commercial and non-commercial organizations shall not be entitled to engage for one year, within these organizations.

18. Does the supervisory authority have institutional cooperation with other domestic supervisory authorities and with home supervisory authorities of foreign banks present in the market?

Cooperation with home supervisory authorities of foreign banks present in the market

The National Bank of Moldova has signed the following cooperation agreements with central banks/banking regulatory and supervisory authorities from other countries:

- Agreement of cooperation between the National Bank of Moldova and the National Bank of Romania, of 11 June 2021. This agreement has replaced the Agreement on cooperation in the field of banking supervision between the National Bank of Moldova and the National Bank of Romania of 27 July 2001;
- Memorandum of Understanding between the National Bank of Moldova and the European Central Bank (ECB-SSM) (of 22 September 2020);
- Memorandum of Understanding between the National Bank of Moldova and the central bank of Hungary (Magyar Nemzeti Bank) (of 22 June 2020);
- In 2020, the National Bank of Moldova signed the Written coordination and cooperation arrangements of the supervisory college established for OTP Group (a Hungarian banking group). The arrangement was concluded between the banking supervisor from Hungary and from other European countries (including the Republic of Moldova) where the OTP Group operates.
- Memorandum of Understanding between the National Bank of Moldova and the Federal Financial Supervisory Authority from Germany (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) Concerning

⁶⁹ https://www.legis.md/cautare/getResults?doc_id=105905&lang=ro

their Cooperation in the Field of Supervision of Banks (of 3 November 2014).

It should be mentioned that in 2018 the European Banking Authority (EBA) assessed positively the confidentiality regime applied by the Republic of Moldova in the banking supervision field. As a result, the EBA has included the NBM in the list of non-EU supervisory authorities, whose confidentiality regimes can be regarded as equivalent to those required by the Directive 2013/36/EU⁷⁰. Also, following this international recognition, in January 2019 the NBM joined the Memorandum of cooperation concluded between the EBA and the banking supervisory authorities from several South-Eastern European countries.

19. What specific measures have been taken in order to improve the evaluation of credit risk and the quality of the loans' portfolios? Are international standards in relation to the recognition of bad debts and provisioning in place?

According to the Law No. 287/2017 on accounting and financial reporting⁷¹, banks are public interest entities and shall apply the International Financial Reporting Standard (IFRS). Thus, since 2018, the IFRS 9 Financial Instruments standards apply, replacing the IAS 39 Financial Instruments: Recognition and Measurement. The IFRS 9 requires that credit losses on financial assets shall be measured and recognized using the expected credit loss approach. The expected credit losses are required to be measured through a loss allowance reflected in the Profit and Loss that decreases the Common Equity Tier 1.

At the same time, banks shall apply the Regulation on assets and conditional commitments classification, approved by the Decision No. 231/2011 of the Council of Administration of National Bank of Moldova⁷², that provides the procedure for classification and provisioning to the allowance for losses for on-balance assets and conditional commitments subject to credit risk. In that process, banks calculate the allowance for assets and conditional commitments losses, by classifying the assets/conditional commitments within 5 categories:

- Standard - 2%;
- Supervised - 5%;
- Substandard - 30%;
- Doubtful - 60%;
- Compromised (Losses) - 100%.

Assets/conditional commitments classified within the last 3 categories, as substandard, doubtful and compromised are considered non-performing.

⁷⁰ <https://www.eba.europa.eu/eba-updates-recommendation-on-the-equivalence-of-third-country-confidentiality-regim-1>

⁷¹ <https://www.mf.gov.md/en/content/law-no2872017-accounting-and-financial-reporting>

⁷² <https://www.bnm.md/en/content/regulation-assets-and-conditional-commitments-classification-approved-dca-nbm-no231-october>

The allowance for assets/conditional commitments losses, calculated in accordance with the mentioned Regulation diminishes the Common Equity Tier 1, by taking into account the loss allowance calculated in accordance with IFRS 9.

We have approved in 2019 an internal procedure on assessment of credit risk for onsite inspections, based on experience of other EU countries, which establishes in great detail the process of assessing the credit risk as part of onsite inspections. So, the assessment process was improved in the last 3 years, and mainly, clear criteria were set for the sample of loans that have to be inspected and the employees on different levels are interviewed in order to have a better understanding of the credit risk management.

For more effective supervision, monitoring and minimizing credit risk, a software solution on Credit Risk Register was put into operation on 27 September 2016.

Credit Risk Register accumulates daily detailed information from the banks about the granted loans. This information is reported to the National Bank of Moldova under the regulatory requirements that came into force on 1 July 2016.

The Credit Risk Register project implementation offers to the National Bank of Moldova the possibility of obtaining detailed, reliable, and prompt information related to credit risk.

Based on this detailed loan portfolios information presented by the banks, a series of automated reports are generated with the aim of identifying loans that are not classified in accordance with regulations of the National Bank of Moldova. This is done by looking at past due days, at collateral amount and type, numbers of payment schedule changes, etc.

Also, based on the generated reports, the data related to expired loans, the distribution of loans by branches, by currencies, by types of debtors is examined and published.

20. What powers does the supervisory authority possess in order to require supplementary periodical information? Can the authority carry out on-the-spot verification?

According to the Law No. 548/1995 on the National Bank of Moldova⁷³, the National Bank of Moldova is empowered:

- to perform, through its staff or other qualified professionals involved for this purpose, inspections over banks legal entities in the Republic of Moldova and branches of banks in other states, and to examine these institutions' books, documents and accounts, conditions in which the business is carried out and banks' compliance with the legislation;

⁷³ <http://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995>

- to require any bank from the Republic of Moldova and any branch of the bank from another state or any employee thereof to provide the National Bank of Moldova with the documents, information and data necessary for the exercise of licensing, regulation and supervision of their activity.

So, the National Bank of Moldova approves on an annual basis an on-site inspections plan and, if necessary, makes unplanned inspections at banks. These can be targeted or full scope inspections. As well, according to the mentioned Law No. 548/1995, banks are obliged to provide to the National Bank of Moldova any information and data as the National Bank of Moldova may require for the execution of its functions and responsibilities.

21. How can the supervisory authority ensure that board members, managers and directors act in a fit and proper way? Can it intervene directly if they do not?

The board members, managers and directors (heads of a branch of a bank from another state, the persons holding key positions) are confirmed/approved by the National Bank of Moldova. In order to be approved by the National Bank of Moldova, the candidate has to meet an extensive set of requirements/criteria set by the Law No. 202/2017 on the activity of banks (Art. 41 - 43) and detailed by the National Bank of Moldova in the Regulation No. 292/2018 on requirements regarding the members of the governing body of the bank, the financial holding company or mixed holding, the heads of a branch of a bank from another state, the persons holding key positions and the liquidator of the bank in liquidation process⁷⁴.

Thus, each of the members of the management body and key personnel shall possess, at all times, good repute, knowledge, skills, and experience appropriate to the nature, scale, and complexity of the bank's activity and responsibilities, and shall operate in compliance with the rules of a prudent and sound banking practice. Members of the management body shall collectively possess sufficient knowledge, skills and expertise. Each member of the bank's Board shall exercise its responsibilities with honesty, integrity and objectivity and at least 1/3 of the bank's board members must be independent.

The bank has the responsibility to ensure that persons nominated for the positions of members of the management body and on the bank's key functions at all times meet the mentioned requirements.

These requirements may also be assessed during the onsite inspections and, according to the Law No. 202/2017 on the activity of banks⁷⁵ (Art. 139 and 141), the National Bank of Moldova may require a bank to take the necessary measures to eliminate the violations found, may apply sanctions, and may even withdraw the confirmation/approval granted by the National Bank of Moldova to the board

⁷⁴ NBM Regulation No. 292/2018, available in English at: <https://www.bnm.md/en/content/regulation-requirements-regarding-members-governing-body-bank-financial-holding-company-or>

⁷⁵ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

members, managers and directors (heads of a branch of a bank from another state, the persons holding key positions) if it is found that they do not comply with the fit and proper requirements.

22. What are the powers of intervention of the supervisory authority in case of undertakings in difficulties? Under what circumstances may the authorization of a credit institution be withdrawn?

According to the Law No. 202/2017 on the activity of banks⁷⁶ (Art. 22 para. 1), the National Bank of Moldova may withdraw a license of a bank in the following cases:

- the bank has not commenced its activity for which it has been authorized within one year from the date of licensing, voluntarily relinquishes the license or has ceased to carry on business for more than 6 months;
- the license was issued based on false information or through any other illegal means;
- the bank no longer fulfils the conditions under which the license was granted;
- the bank no longer meets the prudential requirements regarding own funds to cover the risks, large exposures or liquidity, stipulated under this law and the regulations issued for its application, or there are signs suggesting that within 12 months the bank will not be able to fulfil its obligations to its creditors and, in particular, to guarantee the safety of the assets entrusted to it by its depositors;
- the bank has committed one of the acts implying sanctioning as laid down in the Law on bank's activity;
- the bank stops its operation as a result of reorganization;
- the bank is liquidated based on the shareholders' decision;
- the activities carried out by the bank during the first three years of operation differ considerably from those initially planned and reflected in its business plan, which was presented at the licensing stage, and, in the opinion of the National Bank of Moldova, such deviation is not justified by new economic conditions;
- the direct and indirect shareholders of the bank, including the ultimate beneficial owner, do not observe the conditions stipulated in the law regarding the ensuring of a prudent and sound management of the bank, or impede the carrying out of effective bank's supervision;
- the circumstances that warranted the appointment of the bank's interim administrator pursuant to the Law No. 232/2016 on the Recovery and Resolution of the Banks⁷⁷ have not changed or, in the opinion of the

⁷⁶ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

⁷⁷ <https://www.bnm.md/en/content/law-banks-recovery-and-resolution-no-232-03102016>

National Bank of Moldova, cannot be changed during the period of application of these measures.

Pursuant to the Art. 22 para. 2 of the Law No. 202/2017 on the activity of banks, a license of a bank shall be withdrawn by the National Bank of Moldova and it shall be initiated the process of forced liquidation if it is found that a bank faces insolvency because of:

- its inability to pay;
- its over-indebtedness;
- the absolute value of its own funds is less than 1/4 of the own funds minimum set forth in the regulations of the National Bank of Moldova;
- the bank's own funds adequacy ratios are less than 1/4 of the own funds adequacy ratios set by the National Bank of Moldova;

and the conditions to initiate the resolution procedure laid down in Article 58 of the Law No. 232/2016 on the Recovery and Resolution of Banks are not met.

According to the Art. 22 para. 2¹ of the Law No. 202/2017 on the activity of banks, the withdrawal of license is applicable in the case the new asset issued due to the non-compliance with the requirements on the status of shareholders were not sold within the 6 months and represent at least 50% from the share capital of the bank and no resolution action is needed from the perspective of public interest. The withdrawal of the license can be requested by a bank or based on the decision taken by its shareholders.

According to the Law No. 202/2017 on the activity of banks, the National Bank of Moldova shall require a bank to take the necessary measures at an early stage to address relevant problems in the following circumstances:

- the bank does not meet the requirements of this law or the normative acts issued for its application;
- The National Bank of Moldova has evidence that the bank is likely to breach the requirements of this law or the normative acts issued for its application within the following 12 months;
- the continuity of activity and/or information security may be affected by the risks identified by the National Bank of Moldova.

The National Bank of Moldova can apply to a bank different supervisory measures, in order to address the shortcomings in its activity.

Also, according to the Law No. 232/2016 on banks recovery and resolution⁷⁸, where there is a significant deterioration in the financial situation of an institution or where there are serious infringements of law, of regulations or of the statutes of the institution, or serious administrative irregularities, and other measures taken are not sufficient to reverse that deterioration, or in case if at least 50% of bank's capital is held by persons who do not have a permission from the National Bank

⁷⁸ <https://www.bnm.md/en/content/law-banks-recovery-and-resolution-no-232-03102016>

of Moldova if this is required by law, the National Bank of Moldova, acting as the competent authority, may require the replacement of the managing body of the institution, in its entirety or with regard to individuals or may appoint one or more temporary administrators to the institution.

Recovery and resolution

23. Does Moldova have a special pre-insolvency, early intervention or resolution system for banks? What are the conditions for this regime to apply? What are the powers of the authorities? If applicable, please provide an overview of the current and planned legislation regarding bank resolution and bank insolvency procedures.

The measures of early intervention and resolution for banks are regulated by the Law No. 232/2016 on banks recovery and resolution⁷⁹. This law incorporated the principles established in the Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms.

According to the Law No. 232/2016 on banks recovery and resolution, where there is a significant deterioration in the financial situation of an institution or where there are serious infringements of law, of regulations or of the statutes of the institution, or serious administrative irregularities, and other measures taken are not sufficient to reverse that deterioration, or in case if at least 50% of bank's capital is held by persons who do not have a permission from the National Bank of Moldova if this is required by law, the National Bank of Moldova, acting as the competent authority, may require the replacement of the managing body of the institution, in its entirety or with regard to individuals or may appoint one or more temporary administrators to the institution.

The Republic of Moldova has separated laws to regulate the process of liquidation of banks and the resolution procedure, by Law No. 550/1995 on the liquidation of banks⁸⁰ and, respectively, Law No. 232/2016 on the recovery and resolution of banks.

In general, Law No. 550/1995 on the liquidation of banks provides:

- the possibility of initiating a voluntary liquidation process at the initiative of the bank's shareholders in case the bank is not in a state of insolvency, after the issuance of the appropriate permission by the NBM;
- the power of NBM to withdraw the bank license and to initiate the forced liquidation process in one of the situations provided in art. 22 paragraphs (1), (2) and (2¹) of Law No. 202/2017 on the activity of banks⁸¹;
- the conditions for the appointment of the liquidator of the bank whose license has been revoked, as well as his rights and duties;

⁷⁹ <https://www.bnm.md/en/content/law-banks-recovery-and-resolution-no-232-03102016>

⁸⁰ <http://www.bnm.md/en/content/law-financial-institutions-no-550-xiii-21071995>

⁸¹ <https://www.bnm.md/en/content/law-banks-activity-no-202-06-october-2017>

- the effects of initiating the forced liquidation procedure;
- the actions of the liquidator during the liquidation process;
- the procedural aspects to be observed after the withdrawal of the bank's license;
- other aspects related to the forced liquidation process.

In 2022, a review process of the Law no. 550/1995 on the liquidation of banks was initiated, following the recommendations made in the Financial Sector Stability Assessment Report for Moldova, prepared by the International Monetary Fund in June 2021. The original recommendation was: “Assess the adequacy of the current legal framework and to adopt a draft revised Bank Liquidation law with a forced liquidation procedure that achieves its public policy goals without hindering the discharge of other functions of the NBM.”

The Law No. 232/2016 on the recovery and resolution of banks entered into force on 04.10.2016 and it largely transposes into the national legislation the provisions of the *Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms*.

In general, Law no. 232/2016 on the recovery and resolution of banks provides:

- designation of the NBM as a supervision authority and also a resolution authority.
- conducting a recovery planning and resolution planning process. Starting with 2017, the NBM, as a resolution authority, elaborate and update at least annually resolution plans for all banks in the domestic banking system. At the same time, the banks elaborate and present to NBM annually, as a supervisory authority, recovery plans.
- the possibility of applying the early intervention regime and the appointment of the temporary administrator which could imply temporary replacement of the institution’s managerial body or temporary cooperation with the institution’s management.
- These legal powers have already been applied in relation with 2 local banks;
- the conditions necessary for the application of the instruments and the exercise of resolution powers. Thus, the National Bank of Moldova, as a resolution authority, undertakes a resolution action regarding a bank only if it considers that the following conditions are cumulatively fulfilled:
 - the National Bank of Moldova, as the competent authority, has determined that the bank is entering or is likely to enter into a state of major difficulty. In this regard, the structure exercising the supervisory function shall be consulted with the structure exercising the function of resolution;
 - in view of the time horizon and other relevant circumstances, there is no reasonable expectation that the major difficulty could be prevented, within a reasonable period, by alternative private sector measures,

including measures taken by an institutional system. protection, or by supervision measures, including early intervention measures or measures to reduce the value or to convert the relevant capital instruments, taken in connection with the bank concerned;

- the resolution action is necessary from the perspective of the public interest.
- the power to apply resolution instruments if the conditions for initiating the resolution procedure are met, such as: sale of the business, bridge bank, separation of assets and internal recapitalization, as well as the exercise of other resolution powers.
- the possibility of applying public financial stabilization instruments;
- establishing the arrangements for financing the resolution.

To this end, in 2020, the secondary legal framework was approved for and the bank resolution fund became operational, consisting of the annual contributions of banks. Thus, the banks have already paid the annual contributions for 2020, 2021 and are in the process of paying the contributions for 2022. Law No. 232/2016 on the recovery and resolution of banks establishes the achievement of a level of 3% of the amount of guaranteed deposits until the end of 2024.

- the safeguards, which must be considered by the National Bank of Moldova, as the resolution authority when applying one or more resolution instruments. These refer to the following:
 - The NBM, as the resolution authority, shall ensure that if only certain parts of the rights, assets and liabilities of the bank subject to the resolution have been transferred, the shareholders and creditors whose claims have not been transferred shall receive as compensation for their claims at least an amount equal to that which they would have received if the bank subject to the resolution would have been liquidated by the forced liquidation procedure at the time of the decision;
 - The NBM, as the resolution authority, shall ensure that, when applying the instrument of bail-in, shareholders and creditors whose claims have been reduced or converted into equity securities do not incur greater losses than if they would have incurred if the bank subject to the resolution had been liquidated by the forced liquidation procedure;
 - If the valuation carried out after the application of the resolution establishes that, following the resolution, any of the shareholders or creditors has accumulated higher losses than they would have had if the bank had been liquidated through the liquidation procedure, then they have the right to receive payment of the difference from the bank resolution fund;
 - Within resolution, the following arrangements and the counterparties to these arrangements benefit of adequate protection:
 - security arrangements, under which a person has by way of security an actual or contingent interest in the assets or rights that

are subject to transfer, irrespective of whether that interest is secured by specific assets or rights or by way of a floating charge or similar arrangement;

- title transfer financial collateral arrangements under which collateral to secure or cover the performance of specified obligations is provided by a transfer of full ownership of assets from the collateral provider to the collateral taker, on terms providing for the collateral taker to transfer assets if those specified obligations are performed;
- set-off arrangements under which two or more claims or obligations owed between the institution under resolution and a counterparty can be set off against each other;
- netting arrangements;
- covered bonds;
- structured finance arrangements, including securitizations and instruments used for hedging purposes which form an integral part of the cover pool and which according to national law are secured in a way similar to the covered bonds, which involve the granting and holding of security by a party to the arrangement or a trustee, agent or nominee.

In 2022, a review process of the Law no. 232/2016 on the recovery and resolution of banks was initiated, following the recommendations made in the Financial Sector Stability Assessment Report for Moldova, prepared by the International Monetary Fund in June 2021. The original recommendation was: “Adopt a targeted review of the Law nr.232/2016 and/or secondary legislation to adapt current legal solution to the particularities of the Moldovan banking system, mainly regarding the MREL requirement (The minimum requirement for own funds and eligible liabilities), the conditions of the access to the resolution fund, the participation of Deposit Guarantee Fund in the financing of resolution measures”

Also, for the years 2022-2023, the elaboration and adoption of other draft secondary regulations related to Law no. 232/2016 on the recovery and resolution of banks is expected, such as:

- Regulation on minimum requirement for own funds and eligible liabilities (MREL).
- Regulation on the operationalization of the write-down or conversion power.
- Regulation on valuations carried out for resolution purposes.
- other regulations.

At the same time, the interinstitutional collaboration arrangements are developed in the context of the eventual application of the resolution instruments, by signing individual cooperation agreements with other state institutions that may be involved in the resolution actions.

24. Has a national resolution authority been set up? If not, is there an intention to create such an authority?

The Law No. 232/2016 on the recovery and resolution of the banks⁸² entered into force on 4 October 2016. It largely transposes to national legislation the provisions of the *Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms*, to create an effective crisis management framework for banks.

Among other provisions, the law designates the National Bank of Moldova as a supervisory authority as well as a resolution authority. In order to exercise its mandate in both roles, the law provides within the internal organization of the NBM, operational independence and avoidance of conflict of interest between the structure exercising the resolution function according to the Law No. 232/2016 on the recovery and resolution of banks and the structure exercising the supervisory function, as well as between the structure exercising resolution function and the structures performing other functions according to the legal provisions.

In this regard, in order to exercise the powers of the NBM as a resolution authority, a separate structure was created in February 2017 – the Banking Resolution Division, which has distinct lines of reporting and structural separation from supervision staff or staff involved in exercising other functions of the National Bank of Moldova.

25. Has the Deposit Guarantee Scheme (DGS), if any, been used in the past in order to facilitate proceedings around the failure of a bank?

Since the entry into force of Law No. 575/2003 on deposits guarantee in banking system⁸³, the resources accumulated by the Deposit Guarantee Fund in the Banking System have been used to compensate the guaranteed deposits in the case of 5 banks to which licenses have been withdrawn.

⁸² <https://www.bnm.md/en/content/law-banks-recovery-and-resolution-no-232-03102016>

⁸³ https://www.legis.md/cautare/getResults?doc_id=121237&lang=ro#

II. INSURANCE AND OCCUPATIONAL PENSIONS

A. General questions

26. Briefly describe the main features of the insurance market in terms of its relative importance and recent developments (with data including the most recent trends and by share in the financial sector), types of insurance, and ownership structure of insurance operations.

In 2021, the Moldovan insurance market in terms of gross written submitted premiums (GWP) reached MDL 1 926,3 million (an increase of 33% from 2020 and 19% from 2019) a penetration rate of 0.8% of GDP (2021). The share of assets of insurance and reinsurance companies in the total financial sector is 2.67%.

The market is heavily dominated by non-life insurance, which accounted for approximately 95% (93.05%, 2020) of the total volume of gross written premiums. Life insurance accounted for 5% (6.95%, 2020) of the total volume of gross written premiums. The share of the GWP from third party liability insurance represents 52%, the property insurance - 35%, personal insurance - 13%. In 2021, compulsory insurance accounted for 44%, respectively facultative insurance covered 56% of the volume of gross written premiums on the insurance market (the detailed information is presented in the table below).

No	Types of insurance	2020	Share (%)	2021	Share (%)
	Non-life insurance	1,351,957,818	93.05%	1,825,766,397	94.78%
1	Accident insurance	18,237,837	1.26%	24,434,448	1.27%
2	Health insurance	71,481,031	4.92%	128,593,263	6.68%
3	Insurance of land vehicles (other than railway rolling stock)	339,149,223	23.34%	417,871,056	21.69%
4	Insurance of railway rolling stock	126,387	0.01%	2,960,063	0.15%
5	Insurance of aircraft	34,459,961	2.37%	23,520,384	1.22%
6	Insurance of ships (sea, lake and river)	0	0.00%	0	0.00%
7	Insurance of goods in transit	9,642,918	0.66%	10,775,396	0.56%
8	Insurance against fire and natural forces	95,250,811	6.56%	140,640,813	7.30%
9	Insurance against other damage to property	25,588,275	1.76%	68,243,657	3.54%
10	Insurance of motor vehicle liability	654,762,593	45.07%	866,748,692	44.99%
11	Insurance of aircraft liability	44,941,461	3.09%	79,372,045	4.12%

12	Insurance of liability for ships (sea, lake and river)	0	0.00%	0	0.00%
13	Insurance of general liability	41,596,383	2.86%	46,221,545	2.40%
14	Insurance of credit	1,839,040	0.13%	1,225,694	0.06%
15	Insurance of suretyship	53,321	0.00%	11,984	0.00%
16	Insurance of miscellaneous financial loss	14,828,577	1.02%	15,147,358	0.79%
17	Insurance of legal defense covers	0	0.00%	0	0.00%
18	Insurance of assistance to persons who have difficulties during their travel or if they are far from their homes or permanent residence.	0	0.00%	0	0.00%
	Life insurance	100,950,862	6.95%	100,584,518	5.22%
1	Life insurance	96,216,335	6.62%	95,944,251	4.98%
2	Marriage and birth insurance	3,100	0.00%	3,100	0.00%
3	Life assurance and annuities linked to collective investment funds	4,731,427	0.33%	4,637,168	0.24%
	TOTAL	1,452,908,680	100.00%	1,926,350,915	100.00%

As of the end of 2021, 119 insurance institutions operated in the Republic of Moldova. The detailed ownership structure is presented in the table below:

Description			2017	2018	2019	2020	2021
a)	Total number	Companies	17	17	14	11	11
		Brokers	73	71	47	41	44
		Agents	111	114	27	61	64
b)	domestic	Companies	15	15	12	9	9
		Brokers	70	68	44	39	42
		Agents	111	114	27	60	63
c)	non-domestic EU, of which:		5	5	5	5	5
i)	subsidiaries	Companies	2	2	2	2	2
		Brokers	3	3	3	2	2

		Agents	-	-	-	1	1
ii)	branches	Companies	-	-	-	-	-
		Brokers	-	-	-	-	-
		Agents	-	-	-	-	-
d)	non-domestic non-EU, of which:		-	-	-	-	-
i)	subsidiaries	Companies	-	-	-	-	-
		Brokers	-	-	-	-	-
		Agents	-	-	-	-	-
ii)	branches	Companies	-	-	-	-	-
		Brokers	-	-	-	-	-
		Agents	-	-	-	-	-

In 2021, the largest 5 firms in terms of GWP captured a market share of nearly 73%. The volume of GWP underwritten by intermediaries (insurance brokers and insurance agents) stood at approximately 56% of GWP.

27. What is the situation with regard to right of establishment and cross-border supplies of services in Moldova for EU insurance companies? Which conditions apply?

According to the Law no. 92/2022 on insurance and reinsurance activities, the insurance and/or reinsurance undertakings established in a third country and licensed in a third country may pursue business on the territory of the Republic of Moldova only if the following conditions are met cumulatively:

- the business is pursued by establishing a branch;
- the branch is licensed by the Supervisory Authority;
- the competent authority in the state of origin has no objections to the establishment of a branch in the Republic of Moldova, which is confirmed by an act issued by that authority;
- the existing legislative framework in the state of origin and/or the manner of its application does not impede the Supervisory Authority to exercise its supervision functions;
- the provisions of the law and other normative acts enacted for its enforcement are complied with.

The Supervisory Authority may exempt from the application of certain prudential requirements the branches of third-country insurers if following an assessment, it

is found that in the state of origin there is a prudential regulatory framework at least equivalent to the one set in Republic of Moldova, and that the competent authority in that state exercises an appropriate supervision of the insurer, including the activity of the branch in the Republic of Moldova. This regime may be applied only under conditions of reciprocity, based on a cooperation agreement signed between competent authorities, without providing a more favorable treatment than that provided for the insurers pursuing business in the Republic of Moldova.

28. Are foreign insurance companies, once authorized, treated in every respect as a domestic undertaking?

The provisions of the Law No. 92/2022 concerning the licensing of insurers/reinsurers apply accordingly to branches of third-country insurance and/or reinsurance undertakings (articles 19-27). The business that may be pursued through the branch from the Republic of Moldova stated in the license granted by the Moldovan Supervisory Authority and may not exceed the business object of the insurer or reinsurer licensed by the competent authority from the state of origin.

The provisions of the Law No. 92/2022 equally apply to the undertakings holding a license to pursue the business of insurance and/or reinsurance and operating on the territory of the Republic of Moldova and to the branches of third-country insurance and/or reinsurance undertakings in respect to their business conducted in the Republic of Moldova.

29. Is there a legal monopoly in one or more insurance branches (e.g. motor insurance, accident insurance)?

There is not a legal monopoly in one or more insurance branches. There is no insurance company that is operating as a monopoly under a government mandate.

B. Legal framework

30. Which authorities are responsible on insurance and occupational pensions in Moldova?

According to the provisions of the Law No. 1992/1998 on the National Commission for Financial Markets⁸⁴, the NCFM authority extends upon the participants of the non-banking financial market, including the professional participants on insurance market as insurance and/or reinsurance undertakings and

⁸⁴ Law No. 1992/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro

insurance and/or reinsurance intermediaries, voluntary pension funds, their managers and depositories.

The Law No. 178/2020⁸⁵ provides the transfer to NBM (National Bank of Moldova) of NCFM responsibilities for the insurance sector (including intermediaries), SCAs/NBCOs and credit bureaus starting from July 1, 2023.

31. Please indicate the principal legislation adopted in this area and its implementation.

On April 7, 2022 the Parliament of the Republic of Moldova adopted in the final reading the Law No. 92/2022 on insurance and reinsurance activities. It transposes partially (Pillar II and III) the provisions of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). This Law shall enter into force on January 1, 2023.

The Supervisory Authority, within 6 months from the date of entry into force of the Law, shall draw up and adopt its normative acts in accordance with the Law. The transition period for compliance with minimum capital requirements (3,200,000 euros – non-life; 6,400,000 euros – composite) has been set at 5 years. Compliance with the requirements for coverage with the admissible assets of the technical provisions and the minimum capital requirement will be achieved within 4 years (starting with 80% in the first year and increasing that by 5% in the subsequent four years) - articles 123-124 of the Law No. 92/2022.

On April 21, 2022 the Parliament of the Republic of Moldova adopted the Law on the compulsory insurance against civil liability for the damage caused by vehicles. This Law shall enter into force **on April 1, 2023** and transposes partially the provisions of Directive **2009/103/EC** of the European Parliament and of the Council of 16 September 2009 relating to insurance against civil liability in respect of the use of motor vehicles, and the enforcement of the obligation to insure against such liability and the provisions of Article 21(2) and 181(3) of Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

The Supervisory Authority, within 6 months from the date of entry into force of the Law, shall draw up and adopt its normative acts in accordance with the Law No. 92/2022.

The transposition into national legislation of Directive (EU) 2016/2341 of the European Parliament and of the Council of 14 December 2016 on the activities and supervision of institutions for the occupational retirement provision (IORPs) was

⁸⁵ Law No.178/2020, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=123148&lang=ro

ensured by the adoption by the Parliament of Moldova of Law No. 198/2020⁸⁶ on Voluntary Pension Funds (in force since 18.06.2021).

According to Art. 1 para. (1) and para. (4) of Law No. 198/2020, the national competent authority responsible for the regulation and supervision of the voluntary pension funds is the National Commission for the Financial Market.

Currently, in the Republic of Moldova there are no legal entities (asset manager) authorized to provide services for the management of the assets of occupational pension funds, therefore, in fact, there are no occupational pension funds.

Supervisory Authority

32. What is the set-up and structure of the financial supervisory authority in Moldova? Who supervises the insurance company's business overall, its state of solvency and its technical provisions and the assets covering them (please indicate name and address)?

According to the provisions of Art. 1 para (1) of the Law No. 192/1998 on the National Commission for Financial Markets⁸⁷, NCFM is an autonomous public authority reporting to the Parliament, which regulates and authorizes the activity of professional participants to the non-banking financial market and supervises observance of legislation by them. In this respect, it is invested with the power to make decisions, grant benefits, prohibit, intervene, control and impose administrative and disciplinary penalties pursuant to the legislation.

Who supervises the insurance company's business overall, its state of solvency and its technical provisions and the assets covering them (please indicate name and address)?

Currently, NCFM is the authority responsible for the regulation and supervision of the insurance market participants. It develops and approves normative acts and regulations that govern the calculation and enforcement of solvency rate, technical provisions and assets eligible to cover them.

NAME: National Commission for Financial Markets – Insurance Department

ADDRESS: Chisinau, 77, Stefan cel Mare si Sfant Blvd.

EMAIL: office@cnpf.md

The Insurance Department operates within NCFM and consists of 4 lower organizational units – divisions, in charge of regulation – authorization, analysis and actuarial activities, supervision and complaints in the insurance field. The Department consists of 17 employees.

⁸⁶ Law No. 198/2020 on Voluntary Pension Funds, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=124466&lang=ro

⁸⁷ Law No.192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro

33. Which authority is in charge of the financial supervision over occupational pension funds?

According to the provisions of the Law No. 198/2020 on voluntary pension funds which sets up the legal framework for the establishment and operation of voluntary pension funds as part of the voluntary pension scheme, based on capitalized individual savings, the supervisory powers over these entities are assigned to the National Commission for Financial Markets.

34. What powers does the supervisory authority have:

a) In order to require the necessary supplemental information

According to the provisions of Art. 29 of the Law No. 192/1998 on the National Commission for Financial Markets⁸⁸, members of the Administrative Council and executives of NCFM are authorized to request from the participants of the financial market any documents, verbal or written explanations, necessary in carrying out controlling functions.

b) To carry out on-site inspections

Pursuant to the provisions of art. 8 of the Law No. 192/1998, with the scope of achieving its objectives, NCFM monitors the financial situation of the professional participants, as well as their compliance with the activity requirements established by legislation, carry out controls over their activity within the limits of their competence and according to the way established by its normative acts.

c) In order to ensure that managers work in a fit and proper way

The Law No. 92/2022 on insurance and reinsurance activity provides that the management body of the insurer or reinsurer is represented by the board of the undertaking and the executive body. The members of the board of the undertaking and its executive body are in charge of the compliance of the insurance and/or reinsurance undertaking with this law and the normative acts. The members of the management body shall hold a position and exercise duties only within a single professional participant in the insurance market.

The members of the management bodies must possess a good reputation, appropriate knowledge, abilities and experience to be able to understand the activities conducted by the insurer or reinsurer, including its main risks, and to decide in full knowledge of the facts about all aspects in regards of which they must decide according to their competences.

⁸⁸ Law No.192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro

d) In case of insolvency;

Pursuant to the provisions of the Law No. 92/2022 on insurance and reinsurance activity, the Supervisory Authority shall withdraw the license and initiate the proceeding of forced liquidation of the insurance and/or reinsurance undertaking if it is found that the latter is in one of the insolvency situations provided in this para. and the conditions for the initiating of the resolution proceedings provided in the law are not met. Under this para., the insolvency situations are the following:

- the insurance and/or reinsurance undertaking is not able to meet the demands of insured/reinsured persons, insurance beneficiaries or injured third persons concerning the payment of insurance claims and compensations (payment incapacity);
- the insurance and/or reinsurance undertaking does not meet the solvency ratio requirement;
- the value of owned funds of the insurance and/or reinsurance undertaking is lower than the minimum capital requirement set by this law.

e) To sanction and remedy violations of the law?

According to the provisions of Art. 9 of the Law No.192/1998 on the National Commission for Financial Markets, NCFM has the right:

- impose, in accordance with legislation, restrictions on the activity of non-banking financial market participants, including such as suspending bank operations on their accounts;
- suspend any activity on the financial market, which contradicts the effective legislation as well as such activity that is not provided for by the legislation;
- apply legal sanctions in regard to natural persons – participants of the financial market in case of violation by the latter of the effective legislation;
- examine materials on administrative contraventions in the field of financial market and apply administrative penalties following procedure established by the law;
- launch with the judiciary instance actions on the matters referred to its competencies, including through invalidation of transactions made with securities.

The Law No. 92/2022 on insurance and reinsurance activity stipulates that if an insurer/reinsurer or insurance/reinsurance intermediary fails to comply with the provisions of this law or normative acts issued by the supervisory authority or if the interests of the contractor, insured/reinsured, insurance beneficiary, injured third party or other persons appear threatened in some other way, the supervisory authority shall take appropriate action to protect these interests.

In doing so, the supervisory authority may withdraw or suspend the license of an insurer/reinsurer in another way as specified in Article 16 and in Sections VII and VIII. In particular, it may also:

- block an insurance/reinsurance company's free access to its own assets;
- order the deposit of assets in a special account controlled by the supervisory authority;
- assign competencies of the executive body of an insurance/reinsurance undertaking in full or in part;
- transfer the insurance/reinsurance portfolio and the associated assets to another insurance and/or reinsurance company subject to the latter's agreement;
- order the liquidation of tied financial assets;
- require the dismissal of persons entrusted with management, supervision, control or that of the person(s) with legal assistance powers or persons holding key functions and ban them from exercising further insurance/reinsurance activities for a maximum of five years;
- remove an insurance/reinsurance intermediary from the Registers hold according to legal provisions.

In the period 2018-2021, the supervisory authority ordered:

1) the withdrawal of the license of 6 insurance companies:

- Licenses withdrawn at the request of insurers:
 - ALLIANCE INVESTMENT GROUP S.A. (ALLIANCE INSURANCE GROUP S.A.) - July 2018;
 - "ASITO DIRECT" S.A. - December 2018;
 - "GALAS" S.A. - December 2019;
 - „AUTO - SIGURANTA" S.A. - August 2020.
- License withdrawn following the initiation of insolvency proceedings - „KLASSIKA ASIGURĂRI" S.A. - October 2020.
- Withdrawn license for compulsory external motor third party liability insurance ("Green Card") - "MOLDOVA - ASTROVAZ" S.A. - April 2021.

2) the suspension of license of one insurance company:

"MOLDOVA - ASTROVAZ" S.A. - April 2021

At the same time, in the period 2018-2021, the supervisory authority:

- suspended the license of 7 insurance and / or reinsurance brokers („OPTIM GARANT" SRL, „EUASIG" SRL, „ANTIRISC" SRL, „KEV-

ASIG” SRL "T.A.T.I. GRUP BROKER DE ASIGURARE" SRL, "AROBS INTERNATIONAL", SRL "EKKO INSURANCE" SRL);

- withdrew the license of 25 insurance and / or reinsurance brokers („AMP BROKER” SRL, "MEDAVASIG" SRL, "COVERINS" SRL, "AUTOBIN-GRUP" SRL, "ASIGURĂRI PRO" SRL, „LUCIADA” SRL, „BAS-ASIG” SRL, „LUMEA ASIGURĂRILOR” SRL, „MARIASIG” SRL, „ACCEPT-ASIG” SRL, „AUTORIG-ASIG” SRL, „INSURANCE GROUP AND PARTNERS” SRL, „SD ASIG” SRL, „PLUS ASIG” SRL, „TEGO GRUP” SRL, „TOP BROKER” SRL, „T.A.T.I. GRUP BROKER DE ASIGURARE" SRL, "EKKO INSURANCE" SRL, „WVP BROKER DE ASIGURARE” SRL, „COVERINS” SRL, "AROBS INTERNATIONAL" SRL, "EUASIG" SRL, "KEV-ASIG" SRL, "OPTIM GARANT" SRL, "SUCCES ASIG" SRL).

35. To whom does the supervisory authority report to?

NCFM is an autonomous public authority reporting to Parliament, which regulates and authorizes the activity of professional participants in the non-banking financial market and supervises observance of legislation by them.

36. What are the requirements of professional secrecy with respect to the members of the supervisory authority?

Pursuant to the provisions of Art. 27 of the Law No. 192/1998 on the National Commission for Financial Markets⁸⁹, members of the Administrative Council and employees have the obligation to keep the confidentiality of the information received within the process of implementation of the functions and they bear administrative or criminal liability for violating the provisions of the law.

37. Which provisions exist with regard to the exchange of information with supervisory authorities of third countries?

According to the provisions of Art. 5 of Law No. 192/1998 on the National Commission for Financial Markets, the authority has the right to cooperate with the corresponding specialized international organizations and be their member. Also, it has the right to provide assistance and to exchange information with the non-banking financial market and its participants, with specialized international organizations and similar authorities from other states.

⁸⁹ Law No.192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro

38. Does the supervisory authority publish an annual report?

According to art. 2 para (2) of the Law No. 192/1998 on the National Commission for Financial Markets⁹⁰, the supervisory authority presents annually to the Parliament, until June 1, its annual report that is examined in the plenary session of the Parliament and which contains information on the non-banking financial market functioning and NCFM activity in the previous year, including budget execution. The annual report is published on the NCFM official website. (<https://www.cnpf.md/ro/rapoarte-anuale-6315.html>)

Could it provide the Commission with translated a copy or a summary of the report?

Yes, a summary of the annual report for 2021 translated into English would be available in the second half of June, after submitting the annual report to the Parliament of RM.

What are the powers of intervention in case of insolvency, abuses of authorization?

Pursuant to the provisions of the Law No. 92/2022 on insurance and reinsurance activity, the supervisory authority shall withdraw the license and initiate the proceeding of forced liquidation of the insurance and/or reinsurance undertaking if it is found that the latter is in one of the insolvency situations provided in this para. and the conditions for the initiating of the resolution proceedings provided in the law are not met. Under this para., the insolvency situations are the following:

- the insurance and/or reinsurance undertaking is not able to meet the demands of insured/reinsured persons, insurance beneficiaries or injured third persons concerning the payment of insurance claims and compensations (payment incapacity);
- the insurance and/or reinsurance undertaking does not meet the solvency ratio requirement;
- the value of own funds of the insurance and/or reinsurance undertaking is lower than the minimum capital requirement set by this law.

In 2020 the supervisory authority filed in the insolvency court the introductory request regarding the initiation of the insolvency procedure against 2 insurance company (which were unable to meet the demands of insured persons, insurance beneficiaries or injured third persons concerning the payment of insurance benefits and compensations (payment incapacity)):

- „KLASSIKA ASIGURĂRI” SA;
- „MOLDOVA-ASTROVAZ” SA.

Where the situation of an insurance and/or reinsurance undertaking continues to deteriorate, the supervisory authority has the power to take all measures required

⁹⁰ Law No.192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro

to protect the interests of insured parties or beneficiaries of insurance services in case of insurance contracts or to ensure the execution of obligations deriving from reinsurance contracts. In view of those set out in April 2022, the supervisory authority had the following interventions:

- approval of the recovery plan for „MOLDCARGO” SA;
- introduction of the special administration in case of „GARANTIE” SA.

According to the provisions of Law No. 92/2022, the guarantee fund shall be established from insurers' contributions, to protect the interests of the contractor, insured/reinsured party, the insurance beneficiary and the injured third party. The fund destination is for the payment of insurance claims and compensations deriving from voluntary (optional) and mandatory insurance contracts, concluded according to the provisions of this law and if it is determined that the insurance and/or reinsurance undertaking is insolvent.

39. How is the operational independence of the supervisory authority ensured, in line with international standards and the International Association of Insurance Supervisors - (IAIS) core principles)?

In terms of the IAIS insurance core principle No 3 – supervisory authority, the National Commission for Financial Markets operational independence is achieved as follows:

Regulatory framework – Pursuing the Law No. 192/1998 on the National Commission for Financial Markets, the authority has organizational, functional, operational and financial independence. Law No. 192/1998 and Law No. 92/2022 provide adequate powers to NCFM as an insurance regulatory and supervisory authority and offer legal protection in the performance of this function. The legal framework envisages independence and autonomy of NCFM which is accountable for its work to the Parliament of RM. Under the Law on NCFM, it shall not be restricted by any other authority in exercising its duties and powers established by this law and the legislative acts specific for each supervised area.

Independence and accountability – The Law No. 192/1998 stipulates that the governance structure and staff of the authority, the forms and ways of remuneration of members and employees shall be established by the Administrative Board. Pursuant to the NCFM Organizational Structure, the Insurance Department is set up within the NCFM, comprising 4 lower organizational units – divisions. Pursuant to Law No. 192/1998, the members of the Board are independent in the exercise of their function and are subject only to the law. Authorized persons in charge of operational supervision are independent in their work and in proposing measures during insurance supervision. The NCFM operational independence is enshrined through its status – the NCFM acts are subject to legality control in administrative courts according to the procedure established by the Administrative Law and the provisions of Law No. 192/1998. Provisions of other laws can be applied only in the cases when NCFM's acts are

contested to the extent that they do not contravene the provisions established by the law.

Transparency - NCFM promotes transparency as one of its main principles. Decisions made during supervision are based on the prescribed criteria that promote consistency in application. Pursuant to legislation, all regulations/normative acts developed by the supervisory authority shall be examined by interested authorities and stakeholders and shall be subject to public consultation procedure. Participants in the insurance market are consulted during the drafting of subordinated regulations by giving comments on draft acts and at meetings with leading representatives of the insurance industry.

Responsibilities – The Law No. 92/2022 prescribes to NCFM the responsibilities regarding the protection of rights of policyholders, insurance beneficiaries and third damaged parties.

Financial assets – Pursuant to the law, NCFM is financed through its own revenues, including regulatory fees and taxes paid by non-banking financial market participants as well as other legal incomes. The specific amount of the taxes and fees are set and approved by NCFM at a level sufficient to cover the expenses necessary to ensure its activity, based on the estimation of the budgetary indicators.

Human resources and legal recourse - in line with general acts, NCFM engages in vocational training and education of its employees. The internal Code of Ethics and Conduct stipulates ethical standards that the staff is obliged to comply with. Pursuant to the Law No. 192/1998 and the Law on Insurance, the National Commission for Financial Markets reimburses the expenses of representation of the National Commission for Financial Markets' employees in judicial and administrative proceedings initiated in relation to duties that such employees exercise or exercised pursuant to this Law.

Confidentiality of data – Pursuant to the Law No. 192/1998, members of the Board and employees have the obligation to keep the confidentiality of the information, received within the process of implementation of the functions. Confidentiality of data in insurance supervision activities is ensured in accordance with legal framework and exchange of data between supervisory bodies in line with memoranda of cooperation.

Conditions of admission and licensing

40. Which conditions are required of new insurance companies by law before taking up the business of direct insurance? In particular, what are the requirements regarding:

a) prior authorization;

The business of insurance and/or reinsurance may be pursued on the territory of the Republic of Moldova only on the basis of the license issued by the Supervisory Authority, according to the Law No. 92/2022 (Art. 9).

The Supervisory Authority shall issue a prior approval for the establishment of the insurance or reinsurance undertaking or shall refuse the application within 5 months from the date of receiving the application accompanied by the documents and information provided according to the law and the normative acts (Art. 10 of the Law on insurance and reinsurance activities).

The decision to give prior approval to the establishment of the insurance or reinsurance undertaking shall not guarantee the obtaining of the license. If the Supervisory Authority issues the decision granting the prior approval for the establishment, to obtain the license, the applicant must submit the information and documents related to the issue of the license within 5 months from the date of communication of that decision.

The state registration of the insurance and/or reinsurance undertaking shall be carried out by the competent authority only upon presentation of the decision concerning the granting of the prior approval for the establishment of the insurer/reinsurer, issued by the Supervisory Authority.

b) schemes of operations / soundness of business plan;

Any license application of an insurer or reinsurer must be accompanied by a business plan developed according to the normative acts of the Supervisory Authority and it must include at least the insurance classes and risks proposed to be pursued, and the organizational structure of the insurer and therefrom must result its capacity to accomplish the proposed objectives under conditions compatible with the principle of prudent and sound practice in the area of insurance, by matching the management framework, internal policies, procedures and mechanisms, the capital and the liquidity to the specifics, volume and complexity of the business it sets to pursue in the following 3 years (article 11 of the Law on insurance and reinsurance activities).

c) suitability of shareholders / owners;

When issuing the decision concerning the granting of the prior approval for the establishment of the insurance and/or reinsurance undertaking, the Supervisory Authority shall issue also prior approvals to the significant shareholders to acquire qualifying holdings in the share capital of the insurer or reinsurer and the approvals of the appointment of management bodies.

The acquisition by the natural or legal person directly or indirectly, individual or jointly with persons acting in concert of the ownership or administration right on qualifying holdings in the share capital of the insurer/reinsurer or the increase of

the qualifying holding in the share capital of the insurer or reinsurer undertaking over 10%, 20%, 33% or 50% of the shares with voting rights and respectively the decrease under this level of the qualifying holding shall be performed upon prior approval by the Supervisory Authority, in the manner set in its normative acts (article 30 of the Law on insurance and reinsurance activities). Without the prior approval of the Supervisory Authority, no one can acquire, increase or decrease individually or jointly with persons acting in concert, in no way, a share in the share capital of the insurer or reinsurer.

Natural and/or legal persons residing or non-residing in the Republic of Moldova may be founders and shareholders of the insurer/reinsurer, under the terms of the law and other normative acts in force.

A person registered in jurisdictions not implementing international transparency standards and/or in countries or jurisdictions with a high-risk level is not entitled to possess directly or indirectly, individually or jointly with persons acting in concert, ownership rights in the share capital of the insurance and/or reinsurance undertaking (article 29 of the Law No. 92/2022).

When examining the request for prior approval, to ensure a prudent and sound administration of the insurer (reinsurer) and taking into account the possible impact on the insurer (reinsurer) of the potential significant shareholder, the Supervisory Authority shall assess whether the quality of potential significant shareholder, including her/his financial capacity regarding the proposed acquisition, is appropriate and adequate according to the requirements set in the Law (Articles 29-31), including by examining cumulatively the following criteria:

- the reputation of the potential significant shareholder;
- the qualification, reputation and experience of any person that will act as person holding responsible function once the proposed acquisition is carried out;
- the financial soundness of the potential significant shareholder;
- the capacity of the insurer or reinsurer to comply with the prudential norms, according to the provisions of the legislation in force, in particular the requirements that the financial group to which it will belong should have a structure enabling an efficient supervision, the information exchange between the competent authorities and the determination of distribution of competences among these authorities;
- the existence of reasonable grounds to suspect that, regarding the proposed acquisition, a crime or tempted crime of money laundering or terrorism financing was committed, in the meaning of the legislative provisions in the field or that such risk could increase following the proposed acquisition;
- the existence of reasonable grounds to suspect that the beneficial owner of the proposed acquisition is another person than that declared to the Supervisory Authority.

The significant shareholders or founders of the insurance or reinsurance undertaking shall submit mandatory information for the purpose of supervision, as set out in the normative act enacted in this regard. Where the insurance or reinsurance undertaking belongs to a group, the ownership of the group must be sufficiently transparent not to undermine the supervision.

d) limiting itself to the business of insurance;

The business of the insurer (reinsurer) is limited to insurance, reinsurance and operations resulting directly from these actions, excluding any other commercial activity (Art. 32 para. (1) of the Law No. 92/2022).

e) legal form;

Insurers or reinsurers establish themselves in the organizational legal form of joint stock companies according to the legislation on joint stock companies. The provisions of this para. do not apply to branches of third-country insurance or reinsurance undertakings (Art. 9 para. (2) of the Law No. 92/2022).

f) needs test?

Along with the application for obtaining the license, the insurer or reinsurer shall present for the first 3 financial years a business plan that shall include the following:

- the forecast balance sheet and the estimated values of the capital, of the solvency ratio and of the technical provisions (reserves);
- estimates of the financial resources intended to cover the capital and technical provisions (reserves);
- estimates of current general expenses, including those of procurement;
- estimates of the volume of premiums and of the volume of compensations and / or indemnities;
- reinsurance cessions, types of reinsurance contracts.

The license of the insurer or reinsurer shall be suspended if the business pursued by the insurer or reinsurer during the first 3 years of operation differs considerably (deviation of more than 50%) from what was envisaged in the business plan presented at the stage of license issue, and, in the Supervisory Authority's opinion, such deviation is not justified by new economic circumstances of the insurer or reinsurer and endangers its activity (Art. 15 para. (1) of the Law on insurance and reinsurance activities).

Upon request of the Supervisory Authority, the insurance or reinsurance undertaking, the branches of the third-country insurance or reinsurance undertakings shall conduct tests to assess the capacity to maintain the financial stability in any situation. The quantitative instruments used to assess their capacity to meet the solvency requirements in case of possible events or future

modifications of economic conditions that might have adverse effects on the financial standing shall be developed based on the normative acts of the Supervisory Authority (Article 116 para. (3) of the Law No. 92/2022).

41. What are the rules applicable to insurance intermediaries operating? What conditions do they have to fulfil before they may take up their business (e.g. registration, tests, professional requirements)?

Under Law No. 92/2022, art. 106-113, insurance intermediaries are the insurance brokers, insurance agents, the banc assurance agents, while reinsurance intermediaries are the reinsurance brokers. Insurance or reinsurance intermediaries must not to have been previously declared insolvent and not undergoing a reorganization and/or insolvency proceedings;

to have associates and/or shareholders, as well as persons holding responsible positions, without criminal records; to have a professional liability insurance contract in force.

The insurance agent is a natural or legal person registered in the Register of insurance agents and bank assurance agents, kept by the Supervisory Authority. The insurance agent, legal person must have a share capital, in cash, whose value cannot be lower than MDL 100 000, held in real estate or in a bank account whose share must not be less than 50% of the value of the share capital.

The banc assurance agent is a commercial bank, a savings and loans association, a non-banking credit association, operating according to the legislation of the Republic of Moldova, registered in the Register of insurance agents and bank assurance agents, kept by the Supervisory Authority. Currently, the bank assurance activity is carried out by 28 entities, from which 10 - savings and loan associations, 10 - non-banking credit associations and 8 - commercial banks. The person in charge of the bank assurance sector must meet the conditions of training and experience required for this position and hold the insurance qualification certificate obtained according to the normative acts of the Supervisory Authority.

An insurance and/or reinsurance broker may be any legal person organized as a joint stock company or limited liability company, which has a business license, issued according to the Law and the normative acts of the Supervisory Authority. The insurance and/or reinsurance broker must have a share capital, in cash, whose value cannot be lower than MDL 400 000 (19 906 EUR, 1 Euro =20.0938 MDL- the official exchange rate for the 31.12.2021), held in real estate or in a bank account whose share must not be less than 50% of the value of the share capital.

Insurance agents and brokers perform the business of insurance and reinsurance intermediation as their exclusive business in accordance with the Law.

Insurance agents and brokers must have personnel with management positions that correspond to the training and experience criteria established by the normative acts of the Supervisory Authority, and to have the administrator and his own staff with intermediary attributions to hold the insurance qualification certificate obtained according to the normative acts of the Supervisory Authority.

Conditions of operation

42. What is the definition of solvency margin?

Solvency margins for insurance and reinsurance companies, are established by the NCFM Decision No. 2/1/2011 on Regulation on Solvency Margins and Liquidity Ratio of the Insurer (Reinsurer)⁹¹.

available solvency margin- the amount by which the value of the assets exceeds the value of the debts and represents the insurer (reinsurer) equity;

minimum solvency margin- the level of equity that the insurer (reinsurer) is obliged to hold and maintain at all times, a level below which the insurer (reinsurer) does not have guaranteed financial stability, endangering the fulfilment of its debts towards the insureds (reinsured). The size of the minimum solvency margin does not be less than the size of the minimum shareholder's capital established by law;

solvency ratio- the ratio between the value of the available solvency margin and the value of the minimum solvency margin.

Solvency ratio for insurance and reinsurance companies

No.	Insurance (reinsurance) companies	2019		2020		2021	
		Non -life	Life	Non -life	Life	Non -life	Life
1	ACORD GRUP SA	197.79%	-	226.48%	-	145.91%	-
2	ASTERRA GRUP SA	100.93%	-	108.27%	-	127.33%	-
3	DONARIS VIENNA INSURANCE GROUP SA	159.20%	-	244.41%	-	164.81%	-
4	GARANTIE SA	103.48%	-	117.49%	-	105.39%	-
5	GENERAL ASIGURARI SA	136.76%	-	131.38%	-	124.80%	-

⁹¹ NCFM Decision No. 2/1/2011 on Regulation on Solvency Margins and Liquidity Ratio of the Insurer (Reinsurer), available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=130568&lang=ro

6	GRAWE CARAT ASIGURARI SA	215.32%	610.18 %	220.53%	621.08%	181.18%	644.53%
7	INTACT ASIGURARI GENERALE SA	107.49%	-	209.27%	-	126.08%	-
8	MOLDASIG SA	368.56%	-	449.39%	-	341.38%	-
9	MOLDCARGO SA	92.88%	-	145.49%	-	62.32%	-
10	TRANSELIT SA	103.80%	-	104.74%	-	100.25%	-

The financial stability of the insurer/reinsurer represents its capacity to fulfil the solvency ratio throughout the entire duration of certain obligations, assumed in insurance (reinsurance) contracts and future obligations. The solvency ratio of the insurer/reinsurer must be equal **to at least 100%**. The insurer/reinsurer is obliged to maintain permanently the solvency ratio at a level no lower than that specified, under which it is considered incapable to honor its future liabilities (article 72 of the Law No. 92/2022).

Insurance or reinsurance undertakings calculate the solvency ratio at least quarterly, on any other date requested by the Supervisory Authority, and shall submit the calculation result to the Supervisory Authority. The insurance or reinsurance undertakings are obliged to possess sufficient own funds to cover with an additional **10% safety margin** in full the last reported solvency ratio (article 73 of the Law on insurance and reinsurance activities).

43. What are the minimum levels of capital / minimum guarantee fund?

According to Law No. 92/2022, the minimum capital requirement represented by the own capital of the insurance and/or reinsurance undertaking, shall consist of at least (absolute threshold):

- the MDL equivalent of EUR 2,200,000 for insurance undertakings pursuing the non-life insurance business and not falling under letter b);
- the MDL equivalent of EUR 3,200,000 for insurance undertakings pursuing non-life insurance underwriting in full or in part the risks in the insurance classes 10-15 provided in the part B of the Annex;
- the MDL equivalent of EUR 3,200,000 for insurance undertakings pursuing the business of life insurances;
- the MDL equivalent of EUR 3,200,000 for undertakings pursuing exclusively the reinsurance business;

- the MDL equivalent of EUR 5,400,000 for insurance and/or reinsurance undertakings pursuing simultaneously non-life and life insurance business.

Compliance with the requirements of the minimum capital of an insurance or reinsurance undertaking with the provisions of this law shall be achieved in the following terms:

- 1 year after the date of entry into force of this law, the minimum capital requirement of the insurance or reinsurance undertaking shall be at least 20% of the minimum capital requirement provided;
- 2 years after the date of entry into force of this law, the minimum capital requirement of the insurance or reinsurance undertaking shall be at least 40% of the minimum capital requirement provided;
- 3 years after the date of entry into force of this law, the minimum capital requirement of the insurance or reinsurance undertaking shall be at least 60% of the minimum capital requirement provided;
- 4 years after the date of entry into force of this law, the minimum capital requirement of the insurance or reinsurance undertaking shall be at least 80% of the minimum capital requirement provided;
- 5 years after the date of entry into force of this law, the minimum capital requirement of the insurance or reinsurance undertaking shall be 100% of the minimum capital requirement provided.

The Republic of Moldova does not have any regulatory framework for the Guarantee Fund. According to the Law on insurance and/or reinsurance activity approved by the Parliament of the Republic of Moldova on 07.04.2022, the establishment, administration and use of the means of the Insurance Guarantee Fund are to be provided by a separate Law. The Law on Insurance Guarantee Fund is under development process.

44. What are the rules for investing funds in an insurance company (e.g. diversification, limits on the amounts)?

The categories of assets and the restrictions (limits) on the assets admitted to cover the technical provisions and the minimum capital requirement are provided in art. 59-60 of the Law on insurance and reinsurance activities, as follows:

Assets covering technical provisions and the minimum capital requirement may only be in the form of the following investments:

- debt securities issued by the Republic of Moldova;
- debt securities issued by the Government of a EU Member State, an OECD Member state, an international financial organization or an entity for which one of the former act as guarantor provided the states or international financial institutions have a rating of BBB+ or better.

- bonds admitted to the local public administration authorities of the Republic of Moldova and/or corporate bonds and/or other issued by the local public administration authorities of a Member State of the EU or an OECD Member State;
- covered corporate bonds:
 - liquid bonds, traded on a regulated market, the value of which can be determined exactly, issued by a legal person established in the Republic of Moldova, in an EU Member State or in an OECD Member State;
 - which are not traded on a regulated market;
- shares traded on an organized securities exchange in the Republic of Moldova, a Member State of the EU or an OECD Member State;
- shares not traded on an organized securities exchange, when they are issued by a legal entity whose head office is in the Republic of Moldova;
- shares of investment companies and fund units in circulation in the Republic of Moldova and other similar instruments practiced in other EU Member States or in other OECD Member States;
- receivables arising from interest-bearing loans given to policyholders within the limits of the redemption value of their life policies;
- insured real estate and other real rights over them (for example, the right of surface, the right of habitation, the right of servitude, etc.), provided that:
 - they are registered in a real estate register of the Republic of Moldova or in an EU Member State or in an OECD Member State;
 - they are income producing or are expected to produce economical gain;
 - they are determined at 75% of the fair value, with the exception of real estate for agricultural use and those outside the built-up area which will be admitted in proportion of 50% of the fair value;
 - they are free of all burdens;
 - the constructions will be insured at fair value against all the risks to which they are exposed;
- deposits held in a bank licensed by the National Bank of Moldova whose registered office is in the Republic of Moldova or in a bank with a rating of at least BBB + in an EU Member State or in an OECD Member State;
- cash in hand or in current accounts in banks licensed by the National Bank of Moldova;
- receivables relating to written premium provided that are not older than 60 days from the due date provided for in the insurance contract, and receivables relating to state-subsidized insurance premiums to insure production risks in agriculture and fisheries, provided they not older than 180 days from the due date provided in the insurance contract;

- shares held by reinsurers or co-insurers in technical provisions, provided that the reinsurance or co-insurance company holds at least a BBB + rating or corresponds to the Solvency II regime of an EU Member State or an OECD Member State, mandatory transfer of premiums related to reinsurance or co-insurance contracts.

Restrictions on individual investments covering technical provisions and the minimum capital requirement:

(1) The value of individual investment types in respect of assets permitted to cover technical reserves shall not exceed the following shares of the total technical reserves:

- debt securities issued by the Republic of Moldova are admitted in any amount;
- debt securities issued by the Government of an EU Member State, an OECD Member state, an international financial organization or an entity for which one of the former act as guarantor provided the states or international financial institutions have a rating of BBB+ or better - represent a maximum of 15% in the case of a single issuer, and not more than 60% of the total;
- liquid bonds, traded on a regulated market, the value of which can be determined exactly, issued by a legal person established in the Republic of Moldova, in an EU Member State or in an OECD Member State - may represent no more than 5% in the case of a single issuer and, but not more than 40% of the total;
- shares traded on an organized securities exchange in the Republic of Moldova, a Member State of the EU or an OECD Member State - must not exceed than 5% in the case of a single issuer and no more than 20% of the total;
- receivables arising from interest-bearing loans given to policyholders within the limits of the redemption value of their life policies - must not exceed more than 1% of the total;
- insured real estate and other real rights over them - must not exceed:
 - for general insurance - 2% in the case of one and the same real estate but not more than 4% of the total;
 - for life insurance - 10% in the case of one and the same real estate, but not more than 25% of the total;
- deposits held in a bank licensed by the National Bank of Moldova whose registered office is in the Republic of Moldova or in a bank with a rating of at least BBB + in an EU Member State or in an OECD Member State - may represent no more than 20% - in the case of a bank, not more than 10% - in the case of a bank to which early intervention measures are

applied by the National Bank of Moldova or by a supervisory authority similar, but not more than 70% of the total;

- cash in hand or in current accounts in banks licensed by the National Bank of Moldova - can represent no more than 1% of the total, those in the form of current accounts - not more than 10% of the total, in the case of a bank to which early intervention measures are applied by the National Bank of Moldova or by a similar supervisory authority - 2% of the total;
- receivables relating to written premium provided that are not older than 60 days from the due date provided for in the insurance contract, and receivables relating to state-subsidized insurance premiums to insure production risks in agriculture and fisheries, provided they not older than 180 days from the due date provided in the insurance contract - may represent no more than 1% in the case of a single debtor and not more than 2% of the total;
- shares held by reinsurers or co-insurers in technical provisions, provided that the reinsurance or co-insurance company holds at least a BBB + rating or corresponds to the Solvency II regime of an EU Member State or an OECD Member State - must be within the quota limit.

(2) The value of the individual types of investment in the assets admitted to cover the minimum capital requirement shall not exceed the following shares of the total minimum capital requirement as follows:

- debt securities issued by the Republic of Moldova are admitted in any amount;
- debt securities issued by the Government of a EU Member State, an OECD Member state, an international financial organization or an entity for which one of the former act as guarantor provided the states or international financial institutions have a rating of BBB+ or better - must not exceed may represent no more than 15% in the case of a single issuer and not more than 60% of the total;
- bonds admitted of the local public administration authorities of the Republic of Moldova and/or corporate bonds and/or other issued by the local public administration authorities of a Member State of the EU or an OECD Member State - must not exceed 5% in the case of a single issuer and not more than 40% of the total;
- the covered corporate bonds:
 - liquid bonds, traded on a regulated market, the value of which can be determined exactly, issued by a legal person established in the Republic of Moldova, in an EU Member State or in an OECD Member State - must not exceed 5% in the case of a single issuer and not more than 40% of the total;
 - bonds which are not traded on a regulated market - must not exceed 1% in the case of a single issuer and not more than 2% of the total;

- shares traded on an organized securities exchange in the Republic of Moldova, a Member State of the EU or an OECD Member State - must not exceed 2% in the case of a single issuer and not more than 5% of the total;
- shares not traded on an organized securities exchange, when they are issued by a legal entity whose head office is in the Republic of Moldova - must not exceed 2% in the case of a single issuer and not more than 5% of the total;
- shares of investment companies and fund units in circulation in the Republic of Moldova and other similar instruments practiced in other EU Member States or in other OECD Member States - must not exceed 5% of the total;
- receivables arising from interest-bearing loans given to policyholders within the limits of the redemption value of their life policies - must not exceed 1% of the total;
- insured real estate and other real rights over them - must not exceed 3% in the case of one and the same good investment and not more than 10% of the total;
- deposits held in a bank licensed by the National Bank of Moldova whose registered office is in the Republic of Moldova or in a bank with a rating of at least BBB + in an EU Member State or in an OECD Member State - shall not exceed 20% in the case of a bank, not more than 10% - in the case of a bank to which early intervention measures are applied by the National Bank of Moldova or a similar supervisory authority and not more than 70% of the total;
- cash in hand or in current accounts in banks licensed by the National Bank of Moldova - must not exceed 1% of the total, those in the form of current accounts - not more than 10% of the total, in the case of a bank to which they are applied early intervention measures by the National Bank of Moldova or a similar supervisory authority - 2% of the total;
- receivables relating to written premium provided that are not older than 60 days from the due date provided for in the insurance contract, and receivables relating to state-subsidized insurance premiums to insure production risks in agriculture and fisheries, provided they not older than 180 days from the due date provided in the insurance contract - must not exceed 1% in the case of a single debtor and not more than 10% of the total.

Law No. 92/2022 precedes a transitory period for complying with Art. 60:

- up to 1 year from the date of entry into force of the Law, it is allowed to deviate by up to 20% from the restrictions on the categories of assets allowed to cover technical provisions and the minimum capital requirement;
- up to 2 years from the date of entry into force of the Law, it is allowed to deviate by up to 15% from the restrictions on the categories of assets

allowed to cover technical provisions and the minimum capital requirement;

- up to 3 years from the date of entry into force of the Law, a deviation of up to 10% from the restrictions on the categories of assets allowed to cover technical provisions and the minimum capital requirement is allowed;
- up to 4 years from the date of entry into force of the Law, it is allowed to deviate by up to 5% from the restrictions on the categories of assets allowed to cover technical provisions and the minimum capital requirement.

45. What are the rules relating to distance marketing of insurance contracts?

The Law No. 157/2014 on concluding and executing distance contracts on consumer financial services⁹² regulates in a specific section the protection of consumers in exercising their rights under distance contracts, which also applies to consumers of insurance services. The Law created the legal framework for the application of the provisions of Directive 2002/65/EC of the European Parliament and of the Council of 23 September 2002 on the distance marketing of consumer financial services. The Supervisory Authority for compliance with the Law on the conclusion and execution of distance contracts on consumer financial services is the Agency for Consumer Protection and Market Surveillance.

Information provided to the supervisory authority

46. Which rules apply to insurance companies with regard to the format of the balance sheet, net or gross presentation, acquisition costs (profit and loss accounts), valuation of investments (historical vs. current value), unrealized investment gains?

According to the Law no. 287/2017⁹³ on Accounting and Financial Reporting insurance undertakings are public interest entities and prepare the financial statements according to IFRS.

The NCFM Decision no. 15/1 of 07.04.2020⁹⁴ on the approval of the Regulation regarding the specialized financial statements of the entities, which carry out insurance and/or reinsurance activity that partially transpose the Directive 91/674/EEC of the European Parliament and of the Council of 19 December 1991 on the annual financial statements and consolidated financial statements of insurance undertakings, published in Official Journal of the European Communities L 374

⁹² Law No. 157/2014 on concluding and executing distance contracts on consumer financial services, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=106040&lang=ro

⁹³ Law no. 287/2017 on Accounting and Financial Reporting, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=125231&lang=ro

⁹⁴ NCFM Decision No. 15/1/2020 on the approval of the Regulation regarding the specialized financial statements of the entities, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121767&lang=ro

of 31 December 1991, as last amended by Directive 2006/46/EC of the European Parliament and of the Council of 14 June 2006.

Thus, insurance undertakings prepare individual and consolidated financial statements, which include the following:

- Form BC - Balance sheet;
- Form PP - Profit and loss account, including the technical account by insurance categories and the non-technical account;
- Form FT - Cash flow statement;
- Form CS - Shareholders capital;
- Form I - Investments;
- Explanatory notes to the specialized financial statements.

The profit and loss account, which includes the technical account for non-life and life insurance, is presented based on net value.

47. What specific rules apply to the publication of annual accounts of insurance companies?

According to the Law No. 92/2022, insurance undertakings shall annually make public on their official website as well as via the newspaper press release, which is provided by the Statute, a report on solvency and financial stability, which shall include information, either in full or referring to equivalent information, disclosed publicly based on other legal or regulatory provisions.

The insurer and/or reinsurer shall send the financial statements, the auditor's report and the actuary's expertise to the supervisory authority, as well as publish the financial statements and the auditor's report in the newspaper provided for in the statute within 4 months of the end of the management period.

Branches of foreign insurance undertakings must publish in Romanian the following information of their mother companies in those states: individual financial statements; consolidated financial statements if appropriate; management report; consolidated management report if appropriate; the auditor's report, prepared according with the legislation of the home country of the insurance and/or reinsurance undertakings. The publication of the insurer and/or reinsurer's consolidated and audited financial statements together with the auditor's opinion shall be made within 15 days after the publication expiry period in the country of origin.

48. Which annual accounting, prudential and statistical information is the insurance undertaking required to give to the supervisory authority in respect of its business?

Insurance undertakings submit to the supervisory authority specialized reports by category of non-life and life insurance, as well as by classes of insurance (accident, health, land vehicle other than railway - CASCO, railway vehicles, aircrafts, marine ships, goods in transit, fire and other natural disasters covering damage to property and property, other property insurance, compulsory motor third party liability insurance, aviation civil liability, maritime civil liability, lake and river, general liability, loans, bonds, financial losses, legal protection, assistance to persons in difficulty during travel or when out from home or place of permanent residence) which contain the following information on:

- Number of contracts concluded, canceled, expired, in force
- Gross written premiums;
- Insurance sum;
- Number of claims approved, approved but unsolved, paid;
- Indemnities/damages paid, damages approved, but unsolved;
- Technical reserves by types of reserves: unearned premium reserves, unexpired insurance coverage reserves, reserves for declared but unsolved damages, reserve for unadvised damages and mathematical reserves for life insurance;
- The value of assets for solvency purposes (admitted and not admitted to cover technical provisions and the minimum solvency margin);
- The amount of debt for solvency purposes (technical reserves and other non-contractual liabilities);
- Minimum and available solvency margins;
- Solvency rate;
- Liquidity ratio;
- The activity of the insurer (reinsurer) via intermediaries;
- Compulsory domestic motor third party liability insurance (MTPL) and external (based on Green Card system);
- The combined operating rate for domestic MTPL and based on Green Card system insurance;
- Combined operating rate by insurance class;
- Individual and consolidated financial statements, which include the following: Balance sheet; Profit and loss account, including technical account by insurance category (as well as by insurance class) and non-technical account; Cash flow statement; Shareholders capital; Investments; explanatory notes to the specialized financial statements.

(Re) insurance intermediaries present in addition special reports by categories of non-life and life insurance, as well as by classes of insurance, which contain the following information:

- Number of intermediary contracts;

- Gross written premiums for intermediated insurance / reinsurance contracts;
- Receivables related to gross written premiums;
- The commissions calculated for the intermediation and assistance activity and for the claims settlement;
- Number of regularized claims files;
- The amount of regularized claims;
- Intermediary debts to insurers.

49. What are the rules governing on-site inspections / on the spot inspections?

NCFM may performed the control activity based on:

- annual control plans approved by NCFM;
- judicial acts, acts of law enforcement bodies, petitions received against NCFM;
- relevant information, made known by various sources (specialized reports, financial reports, media publications, etc.), regarding deviations from the provisions of the legislation in the field of non-banking financial markets admitted by the professional participant or with his involvement;
- failure to submit to the NCFM the information, specialized reports / financial reports within the deadlines set by legislation or their presentation in violation by the professional participant of legal provisions;
- the need to verify the participant while examining the applications for the issuance of permissive documents if appropriate;
- the need to verify the participant in connection with events that may influence or literally influence its economic and financial activity;
- verification of execution by the professional participant of prescriptions / warnings for the removal of infringements, including those found within last inspection;
- verification of the results of the previous inspection, in case of inconclusive and / or incomplete findings;
- verification of information, known from various sources, on alleged deviations from the provisions of non-banking financial markets legislation and / or legislation on preventing and fighting against money laundering and terrorist financing, admitted or claimed by the professional participant or in certain suspicious transactions.
- other cases, under the conditions of the special legislation.

The control activity is initiated via adopting a decision by NCFM regarding the control and notification to the inspected entity and issuing the Control Order, but

also by the requests of the control team regarding the presentation of the requested information / documents.

The inspection may be performed at the headquarters of the inspected entity, and in justified cases, remotely. In the case of remote inspection, the control team collects the selected documents from the headquarters of the inspected entity or receive them by electronic means and draws up a report of collected documents in 2 copies signed by the control team leader and inspected participant person, a copy being sent to the controlled entity.

Following the inspection, the control team draws up the report on the results of the inspection within 5 working days and presents it to the entity subject to control. The participant is entitled to submit objections within 3 working days from the date of notification regarding the inspection results. Following the receipt of objections to the report over the results of the inspection, the relevant divergence table shall be drawn up, containing the findings of the control team, the explanations / exposures of the inspected entity, followed by the appropriate comments of the control team.

Subsequently, the NCFM approves the decision on the results of the control, which shall particularly contain:

- findings of the inspection team;
- a brief description of the administrative procedure on which the decision was based;
- the inspection clause approving the results;
- recommendations to prevent or correct potentially defective situations, to mitigate the effects of events or to guide the audited entity in relation to certain issues identified, as appropriate;
- warning the inspected entity of the need to comply with the provisions of the relevant legislation for low deficiencies;
- enforce a plan of action for remediation the deficiencies found and / or the prevention of the appearance / materialization of some risks in the activity of the entity subject to control;
- prescribing the preparation of a plan to remedy the deficiencies found, to prevent the occurrence or materialization of risks;
- sanctioning the entity subject to control and / or the persons responsible for the deficiencies found;
- notifying the competent bodies according to the law, if applicable;

The decisions of the NCFM regarding the results of the control are brought to the notice of the participant.

Compulsory insurance

50. Which insurances are compulsory (i.e. medical, hunting, architect, building, aircraft, lawyer's liability insurance)?

Compulsory insurance can be divided into:

- Insurance against civil liability for the damage to third parties caused by vehicle accidents - MTPL insurance (motor third party liability) (Law No. 106/2022)
- Civil liability of the carrier toward the passenger, which covers the risk of damages to the life, health and property of the passenger who travels by road, rail or ship transport (Law No. 1553/1998⁹⁵ on the compulsory civil liability insurance of the carriers toward the passengers)
- Civil liability of air operators and aircraft operators (Law No. 118/2020⁹⁶ on civil liability and insurance requirements of air operators and aircraft operators)
- Professional liability for insurance intermediaries, auditors, notaries, lawyer's, etc.
- Civil liability of hazardous industrial objects (Law No. 116/2012 on industrial safety of dangerous industrial objects⁹⁷).

51. What are the specific legal provisions relating to compulsory insurance to be fulfilled by an insurance company?

The insurer may carry out compulsory internal MTPL (motor third party liability) insurance activity if it fulfills cumulatively, in addition to the requirements established by the legislation on insurance or reinsurance activity, the following conditions (Article 6 of the No. 106/2022):

- has at least one claim representative according to the provisions of the Law;
- is equipped with the respective hardware, software and staff which allows maintenance of detailed accounting of insurance documents, information/data centralizing and has the ability to electronically communicate this information to a single information system set up by the supervisory authority. In this regard, it is imperative that the insurer's information system allows on-line submission of data through web technologies, and communication of information about motor third party

⁹⁵ Law No. 1553/1998 on the compulsory civil liability insurance of the carriers toward the passengers, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128795&lang=ro

⁹⁶ Law No. 118/2020 on civil liability and insurance requirements of air operators and aircraft operators, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=122519&lang=ro

⁹⁷ Law No. 116/2012 on industrial safety of dangerous industrial objects, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=120652&lang=ro#

liability insurance between headquarters and/or authorized subdivisions of the insurer and the Supervisory Authority;

- is not in the process of financial resolution or insolvency in accordance with the legislation on insurance or reinsurance activity and with that of insolvency;
- has at least one of the automated information assessment systems in the automotive field, which includes prices from the manufacturers' catalogs of spare parts, components and materials necessary for repair and which corresponds to the requirements set out in the normative acts of the Supervisory Authority.

The insurer may carry out compulsory external MTPL insurance activity, if it fulfills cumulatively, in addition to the conditions established above, the following requirements:

- has at least 2 years of experience in the field of compulsory MTPL insurance (accumulated on the territory of the Republic of Moldova or on the territory of a third country, in case the establishment of the branch is requested);
- participates with own financial resources in the Compensation Fund in the amount specified by normative acts issued by the Supervisory authority;
- participates with own financial resources in the external bank guarantee established by the Council of Bureaux and provided for by the Law, as long as the requirement of the Council of Bureaux to maintain such a guarantee is in force.
- has a solvency ratio of at least 120% confirmed by the actuary, at the time of submitting the application / documents for obtaining the right to carry out compulsory external MTPL insurance activity.

Motor insurance

52. Is motor insurance compulsory in Moldova?

Persons using vehicles in the Republic of Moldova must conclude compulsory MTPL insurance contracts for any cases of civil liability arising from the damages caused by vehicle accidents. The compulsory MTPL insurance contract covers property damage and personal injury, death and non-pecuniary damage (Article 4 of the Law No. 106/2022).

In 2021, the Moldovan insurance market in terms of gross written premiums (GWP) submitted reached MDL 1 926,3 million. The market is heavily dominated by non-life insurance, which accounted for approximately 95% (93.05%, 2020) of the total volume of gross written premiums. The non-life insurance market remains dominated by car insurance (motor third party liability insurance (internal RCA and Green Card) and land vehicle insurance (CASCO)) which held supremacy in

the consolidated market portfolio (2021) – 66,68% of the total gross written premiums.

53. What are the damages covered (esp. both damages to things and injuries to persons)? Are there exclusions in the persons covered?

The compulsory MTPL insurance contract covers property damage and personal injury, death and non-pecuniary damage.

The MTPL insurance shall cover liability for personal injuries to all passengers, other than the driver, arising out of the use of a vehicle.

The members of the family of the insured, the driver or any other party whose civil liability is engaged in a motor vehicle accident and is covered by the MTPL insurance shall not be excluded from the insurance benefit for their own personal injuries.

The MTPL insurance shall cover personal injuries and damage to property suffered by pedestrians, cyclists and other non-motorized users of the roads who, as a consequence of an accident in which a motor vehicle is involved, are entitled to compensation in accordance with the Law.

It is not considered insured if the accident occurred as a result of accidental inability to execute, including through various military measures instituted during a state of emergency, siege or war or through actions caused by natural disasters, nuclear explosions, radiation or radioactive pollution, mass riots, as well as terrorist activities.

The MTPL insurer does not provide insurance claims for (Article 16 of the Law on the compulsory insurance against civil liability for the damage caused by vehicles):

- the cases in which the insured is not guilty of the accident;
- the damage caused to goods belonging to the vehicle's driver responsible for the occurrence of the accident and those caused by the driver's personal injury or death, regardless of who claims such compensation;
- damages resulting from failure to use the damaged vehicle, including temporary replacement of the vehicle, based on the option of the injured person;
- damage caused further to the transport of hazardous products: radioactive, ionizing, flammable, explosive, corrosive, combustible products, which caused or aggravated the damage;
- damage caused by the use of a vehicle during a terrorist attack or a war, if the event is directly connected with such attack or war.

54. Is there a maximum amount of coverage specified in the law? If yes, what is the level of this coverage?

The liability limits of the compulsory internal MTPL insurance are the following (Art. 13 of the Law No. 106/2022):

- for material damages caused by one and the same accident, regardless of the number of injured persons, the compensation limit is 100,000 euros, equivalent in MDL at the official exchange rate, communicated by the National Bank of Moldova for the date of the accident;
- for bodily injuries and deaths caused by one and the same accident, the compensation limit is 100,000 euros - for an injured person or 500,000 euros - for several injured persons, regardless of their number, equivalent in MDL at the official exchange rate, communicated by the National Bank of Moldova on the date of the accident;
- for material damages claimed on the basis of the amicable accident settlement procedure of the vehicle accident, the maximum amount of compensation is established by the normative acts of the Supervisory Authority;
- for non-pecuniary damage as a result of the disability or death of the injured person caused by one and the same accident, the compensation limit is 5,000 euros - for one injured person or 10,000 euros - for several injured persons, regardless of their number, equivalent in MDL at the official exchange rate, communicated by the National Bank of Moldova on the date of the accident.

In the case of the non-pecuniary (moral) damages provided, in proportion to the limit of liability, will be compensated as follows:

- in case of death of the injured person - 100%;
- in case of classification in the degree of disability:
 - severe - 90%,
 - accentuated - 60%,
 - medium - 30%.

III. FINANCIAL MARKET INFRASTRUCTURE

55. Which authorities are responsible on financial market infrastructure in Moldova?

The National Bank of Moldova (according to the provisions of the Law No. 548/1995 on National Bank of Moldova⁹⁸) is the authority responsible for setting up, licensing, operating, regulating and supervising the financial market infrastructures, and promoting their stable and efficient functioning. At the same time, the NBM licenses, regulates and supervises the activity of providing payment services and the activity of issuing electronic money.

The legal entity recognized in the Republic of Moldova as a financial market infrastructure is the Single Central Securities Depository (CSD). CSD is governed by Law No. 234/2016 on the Single Central Securities Depository⁹⁹, which assigns the role of national competent authority for regulating and supervising the activity of CSD to the National Bank of Moldova (Art. 17 par. (1) of the Law No. 234/2016). At the same time, by the Law No. 308/2017 on preventing and combating money laundering and terrorism financing¹⁰⁰ (Art. 1 para. (1) letter b)), the competence to regulate and supervise the AML/FT matter applicable to CSD, is assigned to NCFM.

The Moldovan capital market has a limited degree of sophistication, with a limited number of issuers and low liquidity on the equities side, only government issued bonds on the fixed income side. One of the main elements of capital market infrastructure is Moldova Stock Exchange (MSE), which operates a regulated market with shares issued by 13 listed joint-stock companies, a Multilateral Trading Facility (MTF) with 19 listed joint-stock companies, and 3 issuances of bonds made by three local public authorities. The MSE turnover has gradually decreased in the past years due to a slower pace in the privatization process. The general slowdown of investment activity has been influenced by uncertainties brought by COVID-19, economic crisis and regional instability. The MSE turnover in 2021 amounted to 34 million MDL (both regulated market and alternative market), being carried out 170 transactions with securities.

56. To which extent is the Financial Market Infrastructure aligned to the European legislation?

Under commitments of the Republic of Moldova assumed within the provisions of the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and the Republic of

⁹⁸ Law No. 548/1995 on National Bank of Moldova, available in English at:

<https://www.bnm.md/en/content/law-national-bank-moldova-no548-xiii-july-21-1995>

⁹⁹ Law No. 234/2016 on the Single Central Depository of Securities, available in English at:

<http://www.bnm.md/en/content/law-single-central-securities-depository-no-234-october-3-2016>

¹⁰⁰ Law No. 308/2017 on preventing and combating money laundering and terrorism financing, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=125309&lang=ro

Moldova, of the other part¹⁰¹ (signed in 2014), on 22 July 2016 was approved the Law No. 183/2016 on the finality of settlement in payment and settlement systems of financial instruments¹⁰² (hereinafter – the Law No. 183/2016), which transposes EU Directive 98/26/EC of 19 May 1998 on settlement finality in payment and securities settlement systems.

This Law regulates settlement finality in payment and financial instruments settlement systems, the effects of insolvency proceedings against a participant in a system regarding the rights and obligations arising from or in connection with the participation of a participant in a system, as well as the rights of the holders of collateral in the event of insolvency proceedings against the provider of collateral.

The Law aims to reduce the systemic risk associated with the participation in payment and financial instruments settlement systems, as well as to reduce system dysfunctions caused by initiation of insolvency proceedings against a participant in such systems.

On 22 July 2016 was also approved the Law No. 184/2016 on financial collateral arrangements¹⁰³, which transpose the Financial Collateral Directive (2002/47/EC). This Law regulates the regime applicable to financial collateral arrangements and to financial collaterals, the provision and enforcement of financial collateral, the right of use of financial collateral, the recognition of title transfer financial collateral arrangements and of close-out netting provisions, non-application of certain insolvency provisions and the applicable legislation to matters relating to financial collateral.

CSD is in line with the provisions of Directive 98/26 / EC, which were transposed in Law No. 171/2012 on the capital market (Art. 80), Law No. 183/2016 on the settlement finality in payment and financial instruments settlement systems¹⁰⁴ and in Law No. 234/2016 (Art. 43).

CSD is in line with the provisions of Regulation 909/2014/EU on CSDs, which were transposed in Law No. 234/2016 on the Single Central Depository of Securities.

57. Please, provide details about existing mechanisms to reduce the systemic risk linked to the insolvency of a participant in payment and securities settlement system and to which extent they are in line with the Settlement Finality Directive (98/26/EC).

In order to reduce systemic risk linked to the insolvency of a participant in payment and securities settlement system, the following measures are taken:

¹⁰¹ https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv%3AOJ.L_.2014.260.01.0004.01.ENG

¹⁰² https://www.legis.md/cautare/getResults?doc_id=98789&lang=ro

¹⁰³ https://www.legis.md/cautare/getResults?doc_id=94817&lang=ro

¹⁰⁴ Law No. 183/2016 on the settlement finality in payment and financial instruments settlement systems, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121172&lang=ro

- According to the Law No. 183/2016 on the finality of settlement in payment and settlement systems of financial instruments¹⁰⁵, the National Bank of Moldova designates the systems defined according to the provisions of the law concerned and maintains and updates on its official website the register of designated systems. Thus, by Decision of the Executive Board of the National Bank of Moldova, the following were designated as systems falling under the provisions of Law No. 183/2016:
 - the Automated Interbank Payment System (AIPS/SAPI), owned and managed by the National Bank of Moldova;
 - the Single Central Securities Depository (CSD), securities settlement system, which is managed by the Single CSD.
- Relating to insolvency proceedings, under this Law, it shall be considered the moment of initiating insolvency proceedings for domestic institutions, except those mentioned in Art. 3 para (1) item 7) letter d), the moment when the court or National Bank of Moldova decides on initiating insolvency proceedings provided for in Art. 3 para 15) of this Law.

The competent authority listed in para. (1) of the Art. 9 shall be obliged to notify this decision by fax, phone telegram or by email to the National Bank of Moldova and the National Commission for Financial Markets. The obligation to notify each authority referred to shall be deemed fulfilled only if the authority that had sent the notification received from the notified authority the acknowledgement of the decision receipt. The National Bank of Moldova shall immediately communicate the decision taken in accordance with Art. 9 para (1) by fax, phone telegram or by email to all system operators designated in accordance with this Law.

The National Bank of Moldova shall conclude cooperation agreements with the relevant public authorities where the foreign participants in the systems designated in accordance with this Law have their premises, in order to be informed, in a timely manner, on any insolvency proceedings initiated against these participants. Under this Law, the moment of initiating insolvency proceedings against institutions from abroad shall be considered the moment when the relevant foreign authority notifies the National Bank of Moldova. The National Bank of Moldova shall proceed in accordance with Art. 9 para. (3), with regard to the insolvency procedure initiated against foreign participants.

The initiation of insolvency proceedings against a participant shall have no retroactive effect on his rights and obligations arising from participation in the system or in respect to his participation in the system before the time of initiating insolvency proceedings, defined in Art. 9 para. (1) of this Law. These provisions shall be also applied regarding to the rights and obligations of a participant in an interoperable system or a system operator of an interoperable system who is not a participant.

¹⁰⁵ https://www.legis.md/cautare/getResults?doc_id=98789&lang=ro

Where insolvency proceedings were initiated against a participant in a system, his rights and obligations arising as a result of his participation in or in respect to his participation in a system shall be determined by the applicable Law of the system concerned.

CSD Rules - Chapter XII (in force on 01.05.2019) and CSD Procedures in case of insolvency of the participant (in force since 25.10.2021) comply with the basic provisions of Art.3, 5, 6 and 7 of Directive 98/26 / EC.

IV. SECURITIES MARKETS AND INVESTMENT SERVICES

A. General questions

58. Is there a market abuse regime in place? Is there an authority in charge of supervising regulated markets? If yes, please indicate name and address.

YES. The existing legal framework in the field of market abuse includes:

- Law No.171/2012 on the capital market¹⁰⁶ (transposes Directive 2003/6 / EC on market abuse);
- Law No. 192/1998 on the National Commission for Financial Markets¹⁰⁷;
- NCFM Regulation no.14/15/2017 on capital market abuse¹⁰⁸ (transposes Regulation 2014/596/EU on market abuse);
- The practical guide of the NCFM regarding the detection of frauds, abuses and manipulations on the non-banking financial market;
- The Contravention Code of the Republic of Moldova¹⁰⁹;
- Criminal Code of the Republic of Moldova¹¹⁰.

The competence of investigation, ascertainment and application of sanctions for market abuses on the capital market, belongs to NCFM, with the exception of market abuse qualified as a criminal offense, whose investigation and ascertainment belongs to the law enforcement bodies, and the application of the criminal punishment belongs to the courts.

Is there an authority in charge of supervising regulated markets? If yes, please indicate name and address.

Name: National Commission for the Financial Market - authority governed by Law No. 192/1998 on the National Commission for Financial Markets¹¹¹;

Address: 77, Stefan cel Mare Blvd., Chisinau

¹⁰⁶ Law No. 171/2012 on the capital market, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹⁰⁷ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

¹⁰⁸ NCFM Regulation no.14/15/2017 on capital market abuse, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=99680&lang=ro

¹⁰⁹ The Contravention Code of the Republic of Moldova (Law No. 218/2008), available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=131058&lang=ro#

¹¹⁰ Criminal Code of the Republic of Moldova (Law No. 985/2002), available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=130983&lang=ro

¹¹¹ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

59. Is there a central securities register? Please provide details.

The Single Central Securities Depository (CSD) **represents the only institution** in the Republic of Moldova responsible to keep record, deposit and provide settlement of state and corporate securities, has been established and started its activity in July 2018. Initially it ensured the clearing and settlement of state securities and certificates of the NBM. CSD became fully functional in May 2019 when it started operations with corporate securities. The CSD is designed to support increased investments in the local capital market and develop new financial instruments. At the same time, through the establishment of the new CSD, consolidated oversight of the post-trade infrastructures is achieved, in a framework of improved transparency and financial safety.

The creation of Single CSD, which is one of the key reforms of the Moldovan financial market, was assisted within IMF program, and supported by USAID. The new mechanism of accounting and settlement, provided by the CSD, is aimed at ensuring high level of transparency, security, and efficiency at conducting transactions with securities. The depository's activity is grounded on international standards and practices in the field of settlement systems, while the national legislation on the Single CSD implies the EU regulations.

The legal entity, recognized in the Republic of Moldova as the entity that keeps the centralized records of securities, is the Single Central Securities Depository (CSD). CSD is governed by Law No. 234/2016 on the Single Central Securities Depository¹¹², which is largely linked to Regulation 909/2014 / EC on CSDs. CSD has been operating since 01.05.2019, providing record keeping services for securities holders of:

- public interest entities (banks, insurance companies, including issuers admitted to trading on organized trading venues (regulated markets / MTFs)),
- issuers in which the state is a shareholder;
- issuers of public offers;
- issuers of debt securities;
- issuers that fall under the criteria of large entities according to the Law on accounting and financial reporting no. 287/2017¹¹³.
- newly created joint stock companies.

The record of other types of securities, not included above, is kept by the register companies (7 in number), authorized by NCFM to provide services for keeping the registers of the holders of securities.

¹¹² Law No. 234/2016 on the Single Central Securities Depository, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121175&lang=ro#

¹¹³ Law no. 287/2017 on Accounting and Financial Reporting, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=125231&lang=ro

B. Legal framework

60. Which authorities are responsible on securities markets and investment services in Moldova?

Currently, NCFM is the authority responsible for the regulation and supervision of investment services and capital market participants. It develops and approves normative acts and regulations that govern the licensing and authorization of activity on the capital market and establishes, in the cases provided by legislation, requirements for securities transactions and the activity of professional participants, including capital adequacy requirements, and financial prudential rules.

NAME: National Commission for Financial Markets – Capital Market Department

ADDRESS: Chisinau, 77, Stefan cel Mare si Sfant Blvd.

EMAIL: office@cnpf.md

According to Law No. 171/2012 on the capital market¹¹⁴:

(1) This Law is regulating the investment firms' activity, collective investment undertakings' activity and activity of Compensation Fund, public offers, takeover bids, infrastructure of capital market, including regulated market, abuse on the capital market and disclosure of information in order to maintain high standards of activity on the capital market and create the optimal conditions for financial investments.

(2) Any activities on the capital market are carried out in accordance with the provisions of this law, other relevant acts and acts of the National Commission of Financial Market (hereinafter - National Commission).

(3) The National Commission is the competent authority that enforces this law in accordance with the powers vested in it by Law No. 192/1998¹¹⁵ on the National Commission of Financial Market.

(4) With the purpose to enforce this Law, the National Commission adopts regulations and individual decisions and issues the explanatory and recommendations notes and letters.

The Capital Market Department operates within NCFM and consists of 3 lower organizational units – divisions, in charge of regulation – authorization,

¹¹⁴ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹¹⁵ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

supervision and issuers activity. The Department currently employs 14 persons with university backgrounds.

61. Please indicate the principal legislation adopted in this area and its implementation.

The existing legal framework in the field of markets for financial instruments and investment services includes:

- Law No. 171/2012 on the capital market¹¹⁶ (transposes MiFID);
- NCFM Regulation no. 56/11/2015 on licensing and authorization on the capital market¹¹⁷;
- NCFM Regulation no. 49/3/2015 on investment services and activities¹¹⁸;
- NCFM Regulation no. 14/15/2017 on capital market abuse¹¹⁹;
- NCFM Regulation no. 49/2/2015 on regulated markets and multilateral trading systems¹²⁰;
- NCFM Regulation no. 7/1/2019 regarding the disclosure of information by issuers of securities¹²¹;
- NCFM Instruction no. 38/5/2015 on the reporting of licensed and authorized persons on the capital market¹²²;
- NCFM Regulation no. 32/2/2014 regarding the Investor Compensation Fund¹²³.

Please note that all listed normative acts are implemented taking into account the *acquis communautaire* and the principle of good practices.

¹¹⁶ Law No. 171/2012 on the capital market, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹¹⁷ NCFM Regulation no. 56/11/2015 on licensing and authorization on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=124176&lang=ro

¹¹⁸ NCFM Regulation no. 49/3/2015 on investment services and activities, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=125968&lang=ro

¹¹⁹ NCFM Regulation No.14/15/2017 on Capital Market Abuse, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=99680&lang=ro

¹²⁰ NCFM Regulation no. 49/2/2015 on regulated markets and multilateral trading systems, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=130565&lang=ro

¹²¹ NCFM Regulation no. 7/1/2019 regarding the disclosure of information by issuers of securities, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=127716&lang=ro

¹²² NCFM Instruction no. 38/5/2015 on the reporting of licensed and authorized persons on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=120605&lang=ro

¹²³ NCFM Regulation no. 32/2/2014 regarding the Investor Compensation Fund, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=113942&lang=ro

Investment firms

62. Please outline the legal framework adopted for the operation of investment companies, mutual funds, pension funds.

The main legal framework for collective investment schemes (investment companies, investment funds, pension funds) includes:

- Law No. 171/2012 on the capital market¹²⁴ - Chapter V Collective investment undertakings in securities (transposes Directive 2009/65 / EC on undertakings for collective investment in transferable securities);
- Law No. 2/2020 on alternative collective investment undertakings¹²⁵ (transposes Directive 2011/61 / EC on Alternative Investment Fund Managers);
- Law No. 198/2020 on voluntary pension funds¹²⁶ (transposes Directive (EU) 2016/2341 on the activities and supervision of institutions for occupational retirement provision (IORP)).

It should be noted that although the listed acts are in line with Community provisions, they are not effectively enforced, or there are no such institutional investors on the local market.

63. Is the provision of investment services subject to authorization in the country? Is there any exception (undertakings which do not provide services for third parties, investment services not carried out on a professional basis)?

YES. As of 31.12.2021 there were 14 investment firms holding authorization to carry out investment services and activities, including 7 banks and 7 non-bank investment firms. Investment services are subject to authorization (licensing) in the Republic of Moldova, with the exceptions provided in Article 3 of Law No. 171/2012 on the capital market, accordingly, authorized investment services are not applicable to:

- persons who provide investment services exclusively for their dominant undertakings, for their subsidiaries or for other subsidiaries of their parent undertakings;
- persons who are trading financial instruments on own account unless they are market makers or dealing on own account in an organized, frequent and systematic manner outside a regulated market or a multilateral trading facility, by providing an accessible system to third parties into extending trading with them;

¹²⁴ Law No. 171/2012 on the capital market, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹²⁵ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro

¹²⁶ Law No. 198/2020 on Voluntary Pension Funds, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=124466&lang=ro

- persons providing investment advice in the course of providing another main activity not covered by this Law, with the condition that the provision of such advice is not separately remunerated from the main activity;
- persons whose main activity consists of dealing on own account in commodities and/or commodity derivatives;
- persons who provide investment services occasionally within a professional activity, if this activity is regulated by laws or code of conduct, which does not exclude the provision of this service;
- persons whose investment services consisting exclusively in the administration of employees-participation system;
- undertakings whose investment activities and services consist exclusively in dealing on own account on derivative futures or options markets or other of derivative markets and spot markets only aiming to get positions on derivative markets, or trade or ensure pricing on behalf of other members of those markets and are therefore covered by the guarantee of a compensation member of such markets, where responsibility of contracts signed by these undertakings is assumed by a compensation member of the same markets.

64. How are investment services defined?

Investment services and activities are defined in Art. 33 para. (1) of the Law No. 171/2012 on the capital market¹²⁷ and comply with the list of investment services and activities from MiFID:

Except from Art.33 para. (1) of the Law No. 171/2012 on the capital market:

- 1) Investment firms are entitled to carry out the following investment services and activities:
 - a) reception and transmission of orders in relation to one or more financial instruments;
 - b) execution of orders on financial instruments on behalf of clients;
 - c) dealing on own account;
 - d) portfolio management;
 - e) investment advice;

¹²⁷ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

- f) underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis;
 - g) placing of financial instruments without a firm commitment basis;
 - h) operation of MTF.
- 2) Supplementary to the investment services and activities laid down in the para. (1), investment firms are entitled to carry out the following ancillary services:
- a) fiduciary administration of investments;
 - b) granting credits or loans to a client to allow him to carry out a transaction with one or more financial instruments, where the investment firm granting the credit or loan is involved in the transaction;
 - c) advice to undertakings on capital structure, industrial strategy and related matters and services relating to mergers and the purchase of undertakings;
 - d) foreign exchange operations where these are directly connected to the provision of investment services;
 - e) investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments;
 - f) services related to underwriting;
 - g) investment services and activities and ancillary services referred to in para. (1) subpara. a)-f) and para. (2) on derivatives if they are related to the provision of investment or ancillary services.

Are credit institutions and/or insurance undertakings authorized to carry on any of these activities? Do they need specific authorization?

Investment services and activities are provided on an exclusive basis on the capital market, with the exception of licensed banks. Thus, insurance companies cannot provide investment services and activities. In order to provide activities and services on the capital market, licensed banks require a separate license from the NCFM, as stated in Article 14 para. (4) of Law No. 202/2017 on the activity of banks¹²⁸, which stipulates: activities that, according to special laws, are subject to licenses, authorizations, endorsement or specific approvals, can be carried out by the bank only after obtaining the respective documents. If the activities of the bank are regulated by special laws, the banks, when performing these activities, will comply with the requirements of these laws regarding the rules of conduct.

¹²⁸ Law No. 202/2017 on the activity of banks, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128663&lang=ro

Which activities require previous authorization to be carried on?

All the services and investment activities listed above require a license / approval issued by the NCFM before operating on the market.

Which institutions can provide investment services?

The entities which may provide investment services and carry out activities, are the following:

- resident legal persons with the form of organization of a joint stock company;
- licensed banks;
- investment firms authorized to provide services and investment activities on the territory of the EU Member States;
- tied agents.

65. What conditions are new investment firms required to meet by law before taking up their businesses (legal form, initial capital, good repute and sufficient experience for persons who direct the business, fit and proper test for shareholders)?

According to Art. 35 para. (2) of the Law No. 171/2012 on the capital market¹²⁹, in order to obtain the license of investment firm, the applicant submits to the National Commission an application in this regard, to which are attached the documents confirming that the applicant corresponds cumulatively to the following requirements:

- has the form of legal organization of a joint stock company, legally constituted and registered in the Republic of Moldova;
- meets the initial capital requirements established by this law, depending on the investment services and activities asked:

Law 171/2012 on the capital market (art.33, art.35)	Initial capital level (Euro)
Category of the License	
A	
Basic services:	50,000
a) receiving and transmitting orders regarding one or more financial instruments;	

¹²⁹ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

b) execution of orders regarding financial instruments on behalf of clients;	
d) portfolio management;	
e) investment consulting;	
Auxiliary:	
c) consultancy provided to joint stock companies regarding the capital structure, industrial strategy and related aspects, services related to mergers and acquisitions of companies;	
e) investment research and financial analysis or any other form of general recommendation on transactions in financial instruments;	
B	
Basic services:	125,000
a) receiving and transmitting orders for one or more financial instruments;	
b) execution of orders regarding financial instruments on behalf of clients;	
d) portfolio management;	
e) investment consulting;	
g) placement of financial instruments without strong commitment;	
Auxiliary:	
a) fiduciary management of investments;	
c) consultancy provided to joint stock companies regarding the capital structure, industrial strategy and related aspects, services related to mergers and acquisitions of companies;	
d) foreign exchange operations, in case these operations are directly related to the provision of investment services;	
e) investment research and financial analysis or any other form of general recommendation on transactions with financial instruments;	
C	
Basic services:	
a) receiving and transmitting orders regarding one or more financial instruments;	
b) execution of orders regarding financial instruments on behalf of clients;	
c) trading on their own;	300 000
d) portfolio management;	
e) investment consulting;	
f) intermediation of the subscription of financial instruments and / or placement of financial instruments based on a strong commitment;	

g) placement of financial instruments without strong commitment;	
h) operation of an MTF.	
Auxiliary:	
a) fiduciary management of investments;	
b) granting credit or loan to a client to allow him to carry out a transaction with one or more financial instruments, in which is involved the investment company granting the credit or loan;	
c) consultancy provided to joint stock companies regarding the capital structure, industrial strategy and related aspects, services related to mergers and acquisitions of companies;	
d) foreign exchange operations, in case these operations are directly related to the provision of investment services;	
e) investment research and financial analysis or any other form of general recommendation on transactions with financial instruments;	
f) services related to the intermediation of the subscription of financial instruments;	
g) investment services and activities, as well as the auxiliary services referred to in para. (1) letters a) –f) and in para. (2) on derivative instruments, if they are related to the provision of investment services, or of auxiliary services.	

- has an activity program, approved by decision of the competent body of the applicant, which contains the organizational structure of the company, types of services and investment activities, decision making, internal rules of organization and provision of services and other aspects regarding the planned activities;
- the persons managing the activity of the applicant cumulatively shall meet the following requirements:
 - to enjoy a good reputation in order to ensure a stable and prudent management of the investment company and, if applicable, of any tied agent;
 - to have graduated higher education and a professional experience in the economic, financial-banking, capital market or in asset management (fiduciary administration);
 - not to have in force sanctions, applied by the National Commission, the National Bank of Moldova or by a similar body from abroad to prohibit or suspend the person's right to operate on the capital or banking market;
 - have not been convicted by a final judgment for a criminal offense in connection with their activity or of corruption, money laundering, property crimes, for abuse, bribery, forgery or misrepresentation, misappropriation of funds, tax evasion, or other acts, likely to lead to

- the conclusion that necessary premises are not created to ensure a sound and prudent management of the investment company;
 - not to hold qualified participations in another investment firm, or in an unaffiliated bank licensed by the National Commission to provide investment services and activities;
 - to have the qualification certificate, issued by the National Commission.
- the persons with qualified participations in the applicant's capital are approved in advance by the National Commission. The assessment of the conformity of the persons with qualified participation quotas, takes place on the basis of the following criteria:
 - the reputation of the potential acquirer;
 - the reputation and experience of the persons who will manage the activity of the investment firm;
 - the financial stability of the potential acquirer, taking into account, in particular, the type of activity that the investment firm intends to carry out;
 - the ability of the investment firm to comply with the prudential requirements according to the provisions of this law;
 - the existence of reasonable grounds for suspecting that an operation or an attempt to launder money or to finance terrorist acts, has been or is being carried out or that the proposed acquisition could increase such a risk;
 - the applicant declares his / her commitment to become a member of the Investor Compensation Fund within a maximum of 30 days from the date of obtaining the license.

66. Are there prudential ratios (solvency, liquidity)? Are they applied on a consolidated basis?

According to the Moldova-EU Association Agreement, the NCFM has transposed the CRD-IV Directive (2013/36 / EC) on the part of investment firms. Therefore, in order to consolidate the process of prudential supervision of investment firms whose activity is regulated by Law No. 171/2012 on the capital market¹³⁰ (Art. 141¹), provisions have been introduced regarding the capital adequacy of investment firms and the extension of the possibility of intervention from NCFM for the recovery of any situations of non-compliance with the legal provisions from the investment companies.

Respectively, the solvency of investment companies is monitored by NCFM based on the analysis of financial indicators, regularly reported by investment companies,

¹³⁰ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

an analysis which involves verifying the ability of investment companies to primarily meet the initial capital requirements.

67. Please explain whether there is an investor compensation scheme and how it works to compensate investors in case an investment firm is not able to return back assets.

In the Republic of Moldova, the Investor Compensation Fund is set up and managed by the National Commission for Financial Markets - the competent authority acting on behalf of the Fund. The Investor Compensation Fund is regulated by Law No. 171/2012 on the capital market (art. 130-136) and the NCFM Regulation no. 32/2/2014 on the Investor Compensation Fund¹³¹ (transposes Directive no. 97/9/EC on investor-compensation schemes).

As of 31.12.2021 the total amount of the Investor Compensation Fund amounted to 1.5 million MDL.

The Fund was set up to compensate individual clients of investment firms, in the event of the inability of investment firms to return the clients' funds and / or financial instruments, transmitted to investment firms in the context of providing the investment services, and related services (this compensation amounts to approximately the equivalent of EUR 300, with the proposed increase to the equivalent of EUR 1000). NCFM establishes annually the amount of the percentage quotas, which are equal for all members of the Fund (14 members), and which cannot be less than the equivalent of 500 EUR. It should be noted that there were no situations on the market for activating the funds of the Fund. The investor compensation procedure is regulated by Chapter V of the NCFM Regulation no. 32/2 of 16.06.2014 on the Investor Compensation Fund.

Credit Rating Agencies

68. The EU framework for CRAs is defined by Regulation 1060/2009 (CRA I) as amended by Regulations 513/2011 (CRA II) and 462/2013 (CRA III). Are you already familiar with the main elements of this regime?

Local legislation transposes the provisions of Regulation (EC) No. 1060/2009, with all the amendments incorporated. Thus, by Law No. 97/2020 for the amendment of some normative acts, Law No. 171/2012 on the capital market¹³², being included in chapter IV section 7 "Credit rating agencies". Priority was given to the provisions of art. 6-12 of Regulation (EC) No 1060/2009. According to Article 5 (6) (b) of Regulation (EC) No 1060/2009, credit rating agencies in that

¹³¹ NCFM Regulation no. 32/2/2014 on the Investor Compensation Fund, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=113942&lang=ro

¹³² Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

third country are subject to legally binding rules which are equivalent to those set out in Articles 6 to 12 and Annex I of the same Regulation.

69. Does Moldova follow international developments on CRAs (e.g. G-20, FSB, IOSCO)?

Not applicable, as no credit rating agencies have been registered in Moldova at this time.

70. Does Moldova have a system for the approval and registration of CRAs? If so, how many CRAs are active in the country's capital market?

Not applicable.

71. Does Moldova have in place a system for CRA supervision?

The rules of Regulation (EC) No 1060/2009 which regulates the requirements for the registration, supervision and carrying out the activity of credit rating agencies, including the conditions for granting and issuing credit ratings, the rules governing the organization and operation of credit rating agencies credit rating and their shareholders were transposed in the NCFM Regulation no.56/3/2020 on credit rating agencies¹³³.

No credit rating agencies are registered with the NCFM in the Republic of Moldova.

Does Moldova have in place a system for CRA supervision?

According to Art.8 para. c) of Law No. 192/1998 on the National Commission of the Financial Markets¹³⁴, NCFM is the authority that registers and supervises the credit rating agencies according to Law No. 171/2012¹³⁵ and according to Chapter V of Regulation no. 56/3/2020¹³⁶.

According to point 90 of Regulation No. 56/3/2020, in order to exercise the supervisory powers of the rating agencies, NCFM:

¹³³ NCFM Regulation no.56/3/2020 on credit rating agencies, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=124360&lang=ro#

¹³⁴ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

¹³⁵ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹³⁶ NCFM Regulation no.56/3/2020 on credit rating agencies, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=124360&lang=ro#

- examines the records, data, procedures and any other material relevant to the performance of his duties, regardless of the medium on which they are stored;
- requests verbal or written explanations regarding facts or documents related to the activity of the credit rating agency;
- examines the information periodically submitted by the credit rating agencies;
- monitors the information made available to the public on the official web pages of credit rating agencies;
- performs inspections at the headquarters of credit rating agencies;
- examines complaints received from third parties.

72. Are Moldova authorities familiar with the responsibilities of the European Securities and Markets Authority (ESMA) in the area of CRAs?

NCFM - the authority that registers and supervises credit rating agencies in the Republic of Moldova is familiar with the application of the Title III of the Regulation (EC) No. 1060/2009 - Surveillance of credit rating activities.

Collective Investment Undertakings

73. Are collective investment undertakings subject to authorization requirements?

The national legislation allows for the establishment of both undertakings for collective investment in transferable securities (UCITS) and alternative collective investment undertakings (AIF) other than securities. Both types of collective investment undertakings (CIU) listed are subject to authorization by the National Commission for Financial Markets. The authorization mainly provides for:

- Licensing of the management company (Administrator) of the collective investment undertaking (capital requirements, staff requirements, rules of conduct, prudential requirements);
- Endorsement of the establishment of the collective investment undertaking (prospectus, depositary, management contract, investment rules and policies).

74. Are the assets of collective investment undertakings entrusted to a depositary? Are such assets separate to the depositary's own assets?

The assets of the CIU, according to the applicable legislation, are obligatorily transmitted for record and keeping safe to the depositary, with the requirement of segregation of the depositary's own assets from the assets of collective investment

undertakings (art. 107 of Law No. 171/2012 on the capital market¹³⁷; art. 31-32 of the Law No. 2/2020 on alternative collective investment undertakings¹³⁸).

Which requirements apply for the depositary?

According to Art. 2 of Law No. 2/2020¹³⁹ and Art. 6 of Law No. 171/2012 on the capital market¹⁴⁰, depositary of a collective investment undertakings (CIU), a bank and an investment company that carries out custody activity.

During the approval procedure and throughout the activity, the depositary shall comply with the following requirements:

- creates and maintains a separate subdivision that carries out operations related to the activity of depositing the assets of CIU;
- the activity program of the depositary, approved by the decision of the competent body, which contains: the structure and functions of the subdivision carrying out operations related to the storage activity, the security procedures, which allow the safe storage of all CIU assets keep a description of the technical capabilities and equipment available for this purpose; the procedures for the exercise of storage powers, including the manner of making and transmitting decisions and the manner of internal control;
- the persons in charge within the subdivision responsible for the effective management of the storage activity must cumulatively meet the following requirements:
 - to have a good reputation;
 - to have graduated higher education and a professional experience of at least 3 years in the economic / financial-banking / capital market / asset management field (fiduciary administration);
 - not to have been convicted by a final sentence for crimes related to the activity carried out or for manifestations of corruption, money laundering, for crimes against property, for scams or tax evasion or other acts likely to lead to the conclusion that the necessary premises are not created to ensure a sound and prudent management of the storage activity;
 - not to have valid sanctions, applied by the National Commission, the National Bank of Moldova or by a similar body from abroad, to

¹³⁷ Law No. 171/2012 on the capital market, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹³⁸ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro#

¹³⁹ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro#

¹⁴⁰ Law No. 171/2012 on the capital market, available in Romanian at:

https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

prohibit or suspend the right to operate on the capital or banking market;

- not to be members of the board of directors, managers, employees or to have any kind of direct or indirect contractual relationship with another Administrator or depositary;
 - not to hold, directly or indirectly, qualified participations in other Administrators or in the depositary with which the Administrator has concluded a storage contract;
 - to hold more than one separate position within the administered unit, in case the holding of several positions could lead to conflicts of interest;
 - to have a qualification certificate issued by the National Commission.
- in order to avoid conflicts of interest between the depositary, the Administrator and / or the UCITS, and / or its investors:
- the depositary must not be a shareholder in the Administrator who manages a CIU;
 - an investment company acting as a counterparty for an UCITS may exercise the duties of depositary for that OPCA only if it has functionally and hierarchically separated the exercise of its functions as depositary from its tasks as an investment company, and any Conflicts of interest are properly identified, managed, monitored and communicated to UCITS investors.

Is the depositary subject to prior approval?

According to Art. 12 para. (3) of the Law No. 2/2020 and Art. 90 para. (2) of Law No. 171/2012 on the capital market, by approving the establishment of the CIU, the National Commission approves its rules and the depositary.

Which further obligations have to be fulfilled by the depositary? What are the tasks of the depositary and which ones can be delegated to a third party?

According to Art. 32 of the Law No. 2/2020 and Art.109 of the Law No. 171/2012 on the capital market, the obligations of the depositary include:

- monitoring the flow of funds of the CIU;
- keeping financial instruments in custody;
- verification of the ownership right of the CIU over the assets;
- keeping track of CIU assets and transactions involving CIU assets;
- verification of the conformity of the process of sale, issue, redemption, cancellation of the shares of the CIU in accordance with the law and with the act of incorporation or with the rules of the CIU;

- verification of the conformity of the calculations of the unit net asset value of the CIU in accordance with the instrument of incorporation or with the CIU's rules and evaluation procedures;
- fulfilling the instructions of the CIU Administrator;
- reporting to the CIU Administrator and the regulator.

Is the depositary liable for the loss of assets held in custody?

According to Art. 32 para. (8) - (12) of the Law No. 2/2020¹⁴¹ and Art. 110 of Law No. 171/2012 on the capital market¹⁴², the depositary is liable to the CIU or to the CIU investors for the loss of assets held in custody.

Liability to CIU investors may be invoked directly or indirectly through the CIU Administrator, depending on the legal nature of the relationship between the depositary, the CIU and the investors.

The liability of the depositary may not be removed or limited by contract. Any contract concluded in breach of this para. shall be void.

75. Are any of the following fund types subject to regulation and supervision: hedge funds, venture capital funds, social entrepreneurship funds?

Law No. 2/2020 on alternative collective investment undertakings¹⁴³, Art. 1, establishes the legal framework on the establishment, approval and operation of alternative collective investment undertakings, requirements for the organization, licensing and activities of investment management companies, including obligations related to the management of collective investment undertakings with risk capital and long - term investments, as well as the rules regarding the storage of the assets of alternative collective investment undertakings.

From the purpose of Law No. 2/2020¹⁴⁴ it follows that the subject of the regulation are:

- alternative investment fund managers, rules aligned with Directive 2011/61/EC on alternative investment fund managers;
- all alternative investment funds (retail investment funds, long-term investment funds, hedge funds, venture capital funds, social entrepreneurship funds, ...).

¹⁴¹ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro#

¹⁴² Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹⁴³ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro#

¹⁴⁴ Law No. 2/2020 on alternative collective investment undertakings, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=120967&lang=ro#

It should be noted that Law No. 2/2020 also regulates separately the obligations of venture capital fund and long-term investment fund managers, norms aligned with Regulation (EU) no.345/2013 on European venture capital funds, correspondingly, the Regulation (EU) No. 2015/760 on European long-term investment funds.

At the same time, art. 43 of Law No. 2/2020, stipulates that the National Commission, through its normative acts, establishes requirements regarding the administration of alternative investment funds of other categories in case this is necessary for the protection of investors.

(Chapter 4 provisions on free movement of capital also have to be respected).

Markets

76. Are there regulated markets? Please list them.

There is only one regulated market in Moldova operated by the Moldovan Stock Exchange.

How are such markets defined?

According to Art. 6 of the Law No. 171/2012¹⁴⁵, regulated market is a multilateral system, managed and operated by a market operator, which ensures or facilitates the confrontation, in accordance with its own non-discretionary rules, of multiple orders for sale-purchase of financial instruments received from third parties, in a way that leads to the conclusion of contracts on financial instruments admitted to trading, in accordance with its rules (Rules of regulated markets, accepted by NCFM Decision no. 23/3/2015¹⁴⁶), and which is authorized and operates regularly in accordance with the provisions of the booked law. According to Art. 63 of Law No. 171/2012, the regulated market can be created, managed and operated by a market operator only under regulated market authorization issued by the NCFM.

Are there rules which limit the number of persons who have access to those markets?

National legislation does not limit people's access to the regulated market.

¹⁴⁵ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹⁴⁶ Rules of regulated markets, accepted by NCFM Decision no. 23/3/2015, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=130021&lang=ro#

Can credit institutions become members of a regulated market?

According to Art. 65 of Law No. 171/2012, the investment firms licensed according to Art. 35 of the Law No. 171/2012. Banks (credit institutions) that hold an investment firm license issued by the NCFM and carry out investment services and activities may also be members of the regulated market.

77. Are there Multilateral Trading Facilities (MTFs)? Please list them.

In Moldova there is only one MTF operated by the market operator Moldova Stock Exchange. No investment firm holds an MTF license.

How are they defined? Which institutions can operate MTFs?

MTF is a multilateral system, operated by an investment firm, holding a category C license or by a market operator according to Art. 72 of the Law No. 171/2012¹⁴⁷, which ensures the confrontation, in accordance with its own non-discretionary norms (MTF Rules, accepted by NCFM Decision No. 60/8/2015¹⁴⁸), of multiple orders for sale-purchase of financial instruments received from third parties.

Are there rules limiting access to those markets?

National legislation does not limit people's access to the regulated market.

78. Which instruments can be traded on regulated markets? What are the conditions required for the admission of these instruments to listing on the regulated markets?

Shares, bonds, derivatives may be admitted to trading on the regulated market.

According to Art. 67 of the Law No. 171/2012, the issuer of shares must comply with the following requirements:

- the foreseeable market capitalization of shares to be admitted to trading on the regulated market or, if it cannot be measured, the own capital of the issuer must be at least equivalent in lei of one million euro;

¹⁴⁷ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹⁴⁸ MTF Rules, accepted by NCFM Decision no. 60/8/2015, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121052&lang=ro#

- the securities are admitted to trading on a regulated market after the publication of a public offering prospectus;
- the issuer's shares must be in free circulation and comply with the Free-Float ratio of 10%.

The decision to allow financial instruments to be traded on the regulated market is taken by the market operator. At the same time, according to art. 67 para. (3) of Law No. 171/2012, NCFM is entitled to decide on admission to trading of shares on the regulated market that does not comply with the requirements established by law, if it considers that those securities will be an adequate market.

In addition to the requirements provided by art. 67 of Law No. 171/2012, the rules of the regulated markets of the Moldovan Stock Exchange provide among other important conditions for admission: the application by the issuer of the Corporate Governance Code and ensuring high standards of transparency.

The corporate bond market does not exist in Moldova. Although there is little interest from domestic companies in issuing public bonds, among the main issues identified were:

- the FX of the issued bonds to be issued (according to current legislation, they cannot be issued in foreign currency, only in national currency);
- lack of institutional investors, to whom it is a priority to address the offer, except for banks and insurance companies;
- high costs compared to bank loans, where there is the possibility to negotiate, if necessary, rescheduling the repayment, which is not applicable in the case of getting finance from a large number of creditors by issuing bonds;
- lack of knowledge and awareness in the private sector.

Municipal bond market. In 2021-2022 three local public authorities pioneered issuing bonds with a maturity varying from 2 to 7 years, through IPO on a volume of 72,5 million MDL. Two of them listed their bonds on the Moldova Stock Exchange. Only one transaction was made during this period on the secondary market.

79. Which instruments can be traded on MTFs?

Financial instruments that do not meet the requirements for admission to the regulated market may be admitted to trading within the MTF.

80. Can EU issuers be listed on regulated markets?

According to the legislation in force (Art. 9 of the Law No. 171/2012 on the capital market¹⁴⁹), foreign securities that are the object of the public offer carried out on the territory of the Republic of Moldova can only take the form of Moldovan depository receipts, issued only on account of shares and bonds subject to registration by competent foreign authority.

At the same time, there is a draft law initiated by the NCFM which proposes that the securities of an issuer from an EU Member State be directly admitted for placement / trading on a regulated market, upon the cumulative meeting of the following conditions:

- are issued in immaterialized form and registered by the competent foreign authority, and have the international securities identification code (ISIN code);
- are admitted for free circulation, according to the legislation of the foreign issuer country of origin and no prohibitions are imposed on their trading by the operator of a foreign regulated market and / or by normative acts of the Republic of Moldova;
- are held by the person requesting their admission to trading on a regulated market, with the right of ownership, their record being provided by the Central Securities Depository.

Supervisory authorities

81. As regards the regulatory and supervisory framework, what are the main features of the legislation on the Securities Market? Is supervision considered to be satisfactory? As in banking (above), what steps are planned to address potential problems of co-operation between supervisors on a consolidated basis?

With respect to the capital market, under the Law No. 171/2012 on the capital market¹⁵⁰, the NCFM is empowered to authorize and supervise the activity of investment firms, collective investment schemes, and market infrastructure operators. The Law also empowers the authority to regulate primary issues and secondary trading on the Moldova Stock Exchange (MSE) of corporate securities, disclosure of information to the market, takeover bids, and capital market abuse. The Law No. 171/2012 on capital markets has largely been transposed from and adopts relevant European Directives (MIFID I and II). Under the new Law on voluntary pension funds (in force since June 2021), the NCFM is responsible for the regulation of voluntary pension fund administrators and depositories.

¹⁴⁹ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

¹⁵⁰ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

Pursuant to the provisions of art.5 of the Law No. 192/1998 on NCFM¹⁵¹, the authority has the right to cooperate with the corresponding specialized international organizations and be their member. Also, it has the right to provide assistance and to exchange information with the non-banking financial market and its participants, with specialized international organizations and similar authorities from other states.

While there are provisions enabling the NCFM to obtain information for the purposes of its functions under the Law No. 171/2012, and there is a general power under the Law No. 192/ 1998 to enable it to cooperate and exchange information with foreign counterparts, these provisions are not extensive or specific enough to meet the international standards. Currently, NCFM has little experience in sharing information with its foreign counterparts for the purposes of securities supervision and enforcement, and its legal powers to obtain and share information are not in full compliance with international standards, in particular the requirements of the International Organization of Securities Commissions Multilateral Memorandum of Understanding (IOSCO MMoU) on information sharing. In this respect, there is a need to upgrade the NCFM's powers to obtain and exchange information with its foreign counterparts for enforcement purposes. Upgrading the laws and practices to meet the IOSCO standard should also improve the NCFM's investigation and surveillance capacity for its domestic supervision and enforcement activities.

82. Describe the powers and duties of supervisory authorities on the securities sector (to carry out on-the-spot inspections, to require supplementary information, to cooperate with third countries authorities). Which authority is in charge of supervising regulated markets and MTFs? Is it an independent authority? Which entities are subject to its supervision? Does the supervisory authority publish an annual report? Are supervisory authorities bound to secrecy as to information received from third countries competent authorities in particular?

Pursuant to the provisions of the Law No.192/1998 on the National Commission for Financial Markets¹⁵² and with the scope of achieving its objectives, the National Commission has the following duties:

- exercises legal duties with regard to regulation and supervision of the non-banking financial market by adoption of decisions and disposing of executory measures for the participants to the non-banking financial market, as well as ensures upon solicitation or ex-officio the official interpretation of its decisions;

¹⁵¹ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

¹⁵² Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

- registers and supervises credit rating agencies under the Capital Market Law 171/2012¹⁵³;
- establishes, in the cases provided by legislation, requirements for securities transactions and the activity of professional participants, including capital adequacy requirements, and financial prudential rules;
- monitors the financial situation of the professional participants, as well as their compliance with the activity requirements established by the legislation, carry out controls over their activity within the limits of their competence and according to the way established by its normative acts;
- establishes, in the cases stipulated by the legislation, requirements towards the significant associates / shareholders, the responsible persons and the specialists of the professional participants, as well as determines the way of certification of the specialists of professional participants;
- elaborates and approves the rules for carrying out and presenting specialized reports of professional participants, issuers and self-regulatory organizations;
- creates and maintains the informational network necessary for the supervision over the professional participants of the financial market as well as public information network with regard to the issuers, license and authorization holders and functioning of the non-banking financial market; offers information to public on its activity as well as on the development of the non-banking financial market;
- establishes the way of registering, registers public and tender offers with securities, fund units as well as the results of their execution;
- establishes the way of placement and circulation of foreign securities on the capital market of the Republic of Moldova;
- keeps the State Register of Securities, Register of issuers of fund units, Register of professional participants, Register of licenses and authorizations issued and of qualification certificates of specialists of professional participants, as well as other registers in accordance with legislation;
- registers issues of securities of the Moldovan issuers and provides permits to the issuers for external circulation of securities;
- publishes the prices of securities circulating outside the regulated market and / or the multilateral trading facility, determines the periodic publications in which professional participants and issuers of securities have to publish the information to be disclosed in accordance with the legislation.

The NCFM conducts on-site and off-site supervision by reviewing reports and documentation and other data that the supervised entities are obliged to submit to

¹⁵³ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

the Commission in accordance with the provisions of legislation, as well as by going in on-site inspections.

According to art. 2 para (2) of the Law No. 192/1998, the supervisory authority presents annually to the Parliament, until June 1, its annual report that is examined in the plenary session of the Parliament and which contains information on the non-banking financial market functioning and NCFM activity in the previous year, including budget execution. The annual report is published on the NCFM official website.

Pursuant to the Law, NCFM has the right to cooperate with the corresponding specialized international organizations and be their member. Also, it has the right to provide assistance and to exchange information with the non-banking financial market and its participants, with specialized international organizations and similar authorities from other states.

How many people are employed by these supervisory authorities? What are the professional qualifications required? What is its budget?

Law No. 192/1998 stipulates that the governance structure and staff of the authority, the forms and ways of remuneration of members and employees shall be established by the Administrative Board. As of 31.12.2021 the NCFM staff accounted for 89 people. Pursuant to the NCFM Organizational Structure, the Capital Market Department consists of 3 lower organizational units – divisions, in charge of regulation – authorization, supervision and issuers activity. The Department currently employs 14 persons with university backgrounds.

The NCFM budget is approved annually by November 15 by the Administrative Board to the extent necessary to ensure consistent activity and its financial independence, being published in the Official Gazette of the Republic of Moldova and on the official website of the National Commission. The National Commission shall submit to the Parliament, by November 30, its budget for the next financial year as well as the information on the expected execution of the budget for the current year.

83. What are the powers of intervention of the supervisory authority in cases of investment firms in difficulties?

According to Art. 141¹ of Law No. 171/2012 on the capital market¹⁵⁴, NCFM exercises prudential supervision of investment companies.

The prudential supervision program covers the following investment companies:

¹⁵⁴ Law No. 171/2012 on the capital market, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro#

- investment companies for which the results of the monitoring and evaluation process indicate significant risks for their financial soundness or indicate a violation of the provisions of this law or of the normative acts of NCFM;
- investment companies that present a systemic risk for the financial system;
- any other investment company for which NCFM deems it necessary.

When deemed necessary, NCFM shall take, in particular, the following measures:

- increasing the number or frequency of on-site inspections at the investment company;
- the permanent presence of the NCFM representatives within the investment company;
- additional or more frequent reports from the investment company;
- additional or more frequent analyzes of the operational, strategic or business plans of the investment company;
- thematic controls for monitoring specific risks with a higher probability of materialization.

As a result of the process of verification and evaluation of the investment company, when it deems necessary, NCFM is entitled:

- to request the investment company to keep its own funds, in addition to the requirements provided in art. 38;
- to request the investment company to submit a plan for restoring compliance with the requirements of this law and the NCFM regulations and to set a deadline for the implementation of the plan, including improvements to its scope and deadline;
- restrict, limit and / or discontinue the operations, network of subsidiaries and / or services and activities carried out under the license held or request the assignment of activities that present excessive risks to the soundness of the investment company;
- to restrict or prohibit the distribution or payment in the form of dividends by the investment company to the shareholders, provided that the prohibition does not constitute a situation of non-compliance with the payment obligations for the respective investment company;
- to request the investment company to review the remuneration policies;
- to impose on the investment company additional reporting requirements or a higher frequency of reporting, including reporting on the capital situation and liquidity positions;
- to request the investment company to publish additional information.

The investment companies must provide the NCFM with any information necessary to evaluate their compliance with the prudential requirements provided by the law and by the normative acts. The internal control mechanisms and the accounting and administrative procedures of the investment firm must enable compliance with the prudential requirements to be verified at all times.

84. How is the supervisory authority's operational independence ensured?

Pursuing to the Law No. 192/1998 on the National Commission for Financial Markets¹⁵⁵ (NCFM), the authority's core objective is confined to enhancing stability, transparency, security and efficiency of the non-banking financial market, to reduce systemic risks and to prevent manipulation on non-banking financial market with the scope of protecting the rights of its participants the authority has organizational, functional, operational and financial independence. The legal framework envisages independence and autonomy of NCFM which is accountable for its work to the Parliament of RM. Under Law No. 192/1998, it shall not be restricted by any other authority in exercising its duties and powers established by this law and the legislative acts specific for each supervised area.

Pursuant to the law, the members of the Board are independent in the exercise of their function and are subject only to the law. Authorized persons in charge of operational supervision are independent in their work and in proposing measures during insurance supervision. The NCFM operational independence is enshrined through its status – the NCFM acts are subject to legality control in administrative courts according to the procedure established by the Administrative Law and the provisions of Law No. 192/1998. Provisions of other laws can be applied only in the cases when NCFM's acts are contested to the extent that they do not contravene the provisions established by the law.

85. What are the supervisory authority's investigative powers?

The NCFM (Capital Market Department) supervises the operation of professional participants of the capital market, including Moldova Stock Exchange, investment companies, registrars, UCITS, pension funds and their management companies by performing on-site and off-site inspections. The supervision is conducted by the authorized persons – inspectors, who perform on-site supervision at the premises of the supervised institution, or legal entity with which the supervised entity is connected directly or indirectly, through business operation, management or capital; inspectors review the general acts, business books, bank statements, correspondence, and other documents. The supervised entities are obliged to provide access to the inspectors to their business premises, to supply the requested documentation and identification documents, give statements, and provide other conditions for conducting supervision. Supervision measures instruct on elimination of the observed illegalities and irregularities, and steps are taken for their elimination. Should it identify illegalities and irregularities, the NCFM shall issue a decision instructing the supervised entity to undertake the measures contributing to the compliance and harmonization of operation with the law and

¹⁵⁵ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#

other regulations and/or pronounce appropriate measures prescribed by this Law. By its decision the NCFM shall determine the deadline for the execution of the decision and require the entity to submit the evidence of corrected illegality and irregularity. The NCFM has a specialized Regulation that prescribes the conditions and manner of conducting supervision, the procedure for issuing orders and undertaking measures.

86. Is the supervisory authority capable of imposing administrative sanctions and measures?

According to the provisions of Art. 9 of Law No. 192/1998 on the National Commission for Financial Markets¹⁵⁶, the NCFM has the right:

- impose, in accordance with legislation, restrictions on the activity of non-banking financial market participants, including such as suspending bank operations on their accounts;
- suspend any activity on the financial market, which contradicts the effective legislation as well as such activity that is not provided for by the legislation;
- apply legal sanctions in regard to natural persons – participants of the financial market in case of violation by the latter of the effective legislation;
- examine materials on administrative contraventions in the field of financial market and apply administrative penalties following procedure established by the law;
- launch with the judiciary instance actions on the matters referred to its competencies, including through invalidation of transactions made with securities.

¹⁵⁶ Law No. 192/1998 on the National Commission for Financial Markets, available in Romanian at: https://www.legis.md/cautare/getResults?doc_id=128124&lang=ro#