



# REPUBLIC OF MOLDOVA

## FINANCIAL SYSTEM STABILITY ASSESSMENT

March 2026

This Financial System Stability Assessment on Moldova was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed in February 2026.

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**International Monetary Fund**  
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February 10, 2026

### KEY ISSUES

**Context:** Moldova's financial sector is small, dominated by commercial banks. Since the last FSAP and banking crisis in 2014, the authorities notably improved bank oversight, financial safety net and crisis management frameworks, and the anti-money laundering and countering the financing of terrorism (AML/CFT) regime.

**Findings:** Although they remain contained for now, risks to financial stability are rising, as the credit-to-GDP ratio has reached its highest level since 2015 and house prices are at historical peaks. The banking system remains broadly resilient under a severe adverse scenario, supported by strong liquidity buffers across all banks and high initial capital in some institutions. Further strengthening of supervision will require additional resources.

**Policy advice:** The main recommendations are as follows:

- **Bank oversight.** Ensure that the National Bank of Moldova (NBM) prioritizes financial stability objectives above developmental objectives and enhances its governance; further strengthens risk-based supervision (RBS); and improves the major acquisitions framework.
- **Macprudential.** Consider introducing a positive neutral counter-cyclical buffer (CCyB), while keeping the existing systemic risk buffer (SyRB) to target structural systemic vulnerabilities; and integrate the state-backed homeownership program into borrower-based measures (BBMs).
- **Financial integrity.** Conduct sectoral and institutional risk assessments for all supervised sectors and entities based on the RBS methodology; increase targeted on-site inspections using institutional risk profiles; and develop a sanctioning policy.
- **Financial safety nets and crisis management.** Develop a credible, phased strategy for banks to meet the minimum requirement for own funds and eligible liabilities (MREL) requirements by the deadline; further operationalize the resolution framework with enhanced resolution plans and resolvability assessments; and implement the emergency liquidity assistance (ELA) recommendations from the 2023 IMF Monetary and Capital Markets Department (MCM) technical assistance (TA).

**Approved By****Michaela Erbenova and Mark Horton****Prepared By****Monetary and Capital Markets Department**

This report is based on the assessment work under the Financial Sector Assessment Program (FSAP) conducted during April-May and July-August 2025. The findings were discussed with the authorities in August 2025 (the close of the FSAP) and in December 2025 (the Article IV Consultation).

- The FSAP team was led by Hanife Yesim Aydin (IMF) and Smita Wagh (World Bank [WB]), and included Pamela Cardozo (IMF) and Valeria Salomao Garcia (WB) as Deputy Mission Chiefs, Andreja Lenarcic, Maksym Markevych, Joao Marques, Sergio Sola, Zixuan Huang (all IMF); Cyril Pouvelle, Marco Barzanti (IMF external expert); Evie Calcutt, Jennifer Chien, Emma Dalhuijsen, Matias Ramon Hervera (all WB); and Fabiana Carvalho, Michael Fuchs (WB consultants). Zoltan Jakab and Ruy Lama contributed to the modeling of the adverse scenario. Margo Vandenbroucke provided excellent administrative assistance.
- The mission met Governor Anca Dragu and officials from the NBM, the Deposit Guarantee Fund (DGF), Ministry of Finance (MoF), National Bureau of Statistics (NBS), and National Commission of Financial Markets (NCFM). The mission also met representatives from the banking association, banks, financial sector experts, and other stakeholders.
- FSAPs assess the stability of the financial system as a whole and not that of individual institutions. They are intended to help countries identify key sources of systemic risk in the financial sector and implement policies to enhance its resilience to shocks and contagion. Certain categories of risk affecting financial institutions, such as operational or legal risk, or risk related to fraud, are not covered in FSAPs.
- This report was prepared by the Moldova FSAP team.

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## Glossary

AML	Anti-money Laundering
BBMs	Borrower-based Measures
BCBS	Basel Committee on Banking Supervision
BCPs	Basel Core Principles
BRRL	Bank Recovery and Resolution Law
CAR	Capital Adequacy Ratio
CCB	Capital Conservation Buffer
CCyB	Counter-cyclical Buffer
CFT	Countering the Financing of Terrorism
CPs	Core Principles
DGF	Deposit Guarantee Fund
DSTI	Debt Service to Income
ECF	Extended Credit Facility
EFF	Extended Fund Facility
ELA	Emergency Liquidity Assistance
EU	European Union
FSAP	Financial Sector Assessment Program
FSB	Financial Stability Board
FSSR	Financial Sector Stability Report
FX	Foreign Currency
GFM	Global Macro-Financial Model
GP	Growth Plan
HQLA	High-quality Liquid Assets
ICR	Interest Coverage Ratio
IFRS	International Financial Reporting Standards
IRRBB	Interest Rate Risk in the Banking Book
IT	Information Technology
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LAB	Law on the Activities of Bank
LNBM	Law of the National Bank of Moldova
LTV	Loan to Value
MCM	Monetary and Capital Markets Department
MDL	Moldovan Lei
ML	Money Laundering
MoF	Ministry of Finance
MoJ	Ministry of Justice
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NAS	National Accounting Standards
NBCOs	Non-bank Credit Organizations
NBFIs	Non-Bank Financial Institutions
NBM	National Bank of Moldova
NCFM	National Commission for Financial Markets

NCFS	National Committee for Financial Stability
NOP	Net Open Position
NPLs	Non-performing Loans
OCR	Overall Capital Requirement
O-SIIs	Other Systemically Important Institutions
PD	Probability of Default
RBS	Risk Based Supervision
ROA	Return on Assets
ROE	Return on Equity
ROSC	Report on the Observance of Standard Codes Risk-weighted Assets
RWAs	Risk Weighted Assets
SLAs	Saving and Loans Associations
SREP	Supervisory Review and Evaluation Process
SyRB	Systemic Risk Buffer
TA	Technical Assistance
TD	Top-down
TF	Terrorism Financing
WB	World Bank

## EXECUTIVE SUMMARY

**Moldova's financial sector is small and bank-dominated, with asset size equivalent to 58 percent of GDP.** Bank capital and liquidity are well above the regulatory minimums, and the sector is highly concentrated and largely foreign-owned. Non-bank financial institutions (NBFIs) account for about 12 percent of total financial sector assets.

**Looser financial conditions in 2024–25 and government housing support programs contributed to rapid credit expansion and rising real estate prices, increasing risks to financial stability, although these remain contained at present.** Financial conditions were tightened in early 2025 following substantial policy rate cuts in 2023–2024, but the NBM has implemented three additional cuts since August 2025 based on projections that inflation will fall below the target in 2026. Credit to the private sector expanded by about 30 percent annually in mid-2025—the fastest pace in a decade—resulting in a positive credit gap; real estate prices increased by around 25 percent in 2024 and the first half of 2025. Credit dynamics moderated toward year-end, and the provision of new mortgages stabilized, albeit at high levels.

**Downside risks stem from macroeconomic shocks, disruptions to external financing—particularly remittances—and potential overvaluation in the real estate market.** Geopolitical tensions, given Moldova's proximity to the Russia–Ukraine war, and energy price volatility remain important sources of risk. While credit quality has improved markedly, with non-performing loans (NPLs) at 4½ percent in mid-2025—the lowest level since the 2014 banking crisis—rapid credit growth could weaken asset quality over time, especially if real estate prices were to correct sharply.

**The banking system is broadly resilient under a severe adverse macroeconomic scenario, supported by strong liquidity buffers across all banks and high initial capital in some institutions.** The macro scenario stress test indicates that the system-wide capital ratio would decline from 26½ to 19½ percent, remaining well above the 10 percent minimum total capital requirement. However, four banks, representing about 43 percent of banking system assets, appear vulnerable due to limited initial capital headroom and larger loan portfolios with greater exposure to the household sector. These banks would become undercapitalized relative to the overall capital requirement (OCR), and the capital ratios of two banks would fall below the 10 percent minimum requirement.<sup>1</sup> Despite these weaknesses, aggregate recapitalization needs—taking into account Pillar 2 requirements and the capital conservation buffer—amount to 0.6 percent of GDP. The sector remains liquid under stress, supported by holdings of sovereign and central bank securities of about 20 percent of assets, although one bank narrowly misses the minimum requirement.

**Macroprudential policies should continue to be strengthened to limit vulnerabilities associated with rapid credit and real estate price growth.** While the CCyB was appropriately tightened in July 2025, the introduction of a positive-neutral calibration for the CCyB (PnCCyB) of about 1.5 percent would be desirable, given challenges in gauging Moldova's financial cycle and its exposure to external shocks. The existing SyRB of 1 percent appears sufficient to address structural

<sup>1</sup> OCR=minimum Capital Adequacy Ratio (CAR) + Pillar 2 + Capital Conservation Buffer (CCB).

risks from a housing market correction, which could reduce capital by up to about 1 percentage point. However, the expansion of the state-backed homeownership program in August 2024 has loosened lending standards, which should be reconsidered and aligned with the overall BBMs stance.

**The authorities have substantially improved the bank oversight framework in response to the 2014 banking crisis.** These reforms notably improved the efficiency and integrity of supervision, including one-off actions to re-identify the ultimate beneficial owners. The authorities increased resources for the supervisory function, adopted a risk-based approach, formalized oversight processes by developing guidelines and procedures for key operations, and introduced International Financial Reporting Standards (IFRS). Moldova's accession process to the European Union (EU) has encouraged additional reforms of the NBM.

**The authorities should continue to address key structural challenges to ensure a robust oversight framework.** First, the NBM's financial stability mandate remains on par with the objective of supporting the government's economic policy. It should be prioritized over its developmental objective. Second, the authorities need to implement the recommendations from the recent IMF Extended Credit Facility (ECF) and Extended Fund Facility (EFF) programs to strengthen the governance of the NBM related to the appointment, dismissal, and terms of members of decision-making bodies, including additional provisions in the Law of the NBM (LNBM) to ensure fair legal process in their dismissal procedure. Third, more resources are necessary to increase onsite inspection frequency. Risks should be covered more comprehensively with multi-year plans, while prioritizing the scope with more pronounced risk-based supervision.

**Moldova's financial safety net and crisis management frameworks have been notably strengthened with major statutory and institutional reforms.** The 2016 enactment of a Bank Recovery and Resolution Law (BRRL) enhanced the NBM's powers as a resolution authority. The establishment of the National Committee for Financial Stability (NCFS) created a more coordinated approach to crisis management, deposit protection, and bank capitalization efforts.

**Looking ahead, the authorities should further strengthen the frameworks for liquidity management and support, bank loss-absorption capacity, and deposit insurance.** These include, among others, the need for: (i) increasing focus on liquidity-generating strategies within bank recovery plans and enhancing resolution plans and resolvability assessments with expanded liquidity components; (ii) implementing the IMF's 2023 ELA recommendations; and (iii) adopting an implementation strategy for meeting MREL requirements by 2030. Given recent increases in deposit coverage, the credibility of the recently lowered target level of the DGF should be carefully assessed.

**While substantial progress has been made in strengthening the AML/CFT regime, significant cross-border ML risks remain.** Emerging threats include electoral corruption, cyber fraud, virtual assets, sanctions evasion, and illicit finance through nontransparent payment platforms. Risk-based AML/CFT supervision should be fully operationalized across all supervised sectors, supported by an overarching supervisory strategy and a minimum engagement model following the expansion of NBM's remit over NBFIs.

**Table 1. Moldova: FSAP Main Recommendations**

<b>Recommendations</b>	<b>Authorities</b>	<b>Timeline</b>
<b>Systemic Risk Analysis</b>		
Conduct top-down (TD) supervisory stress test with a static balance sheet assumption to compare results with the dynamic balance sheet assumption. (A6. ¶135)	NBM	ST
Include the interest rate risk in the banking book (IRRBB) in the top-down supervisory stress test. (¶124)	NBM	MT
Use cash-flow data for all significant currencies to refine liquidity monitoring and stress testing. (¶117)	NBM	ST
<b>Macroprudential Policies</b>		
Consider adopting a positive neutral CCyB, while refocusing the existing SyRB to target all remaining structural systemic vulnerabilities not addressed by other buffers. (¶126)	NBM	ST
Align the scope of the state-backed homeownership program with the general BBM framework. (¶127)	MoF, Ministry of Economic Development and Digitalization	ST
Introduce differentiated loan-to-value (LTV) limits for category of borrowers. (¶127)	NBM	MT
<b>Banking Supervision and Regulation</b>		
Amend the LNBM to clarify the policy objectives' hierarchy to ensure that the safety and soundness of the banking system is senior to supporting the government economic policy. (¶129)	NBM, MoF	MT
Finalize the reforms identified in the past ECF/EFF programs to strengthen central bank governance by introducing more checks and balances for appointing and dismissing decision-makers, limiting the term of Supervisory Board members who are not also in the Executive Board to 5 years, and amending the LNBM to ensure fair legal dismissal processes. (¶ 29)	NBM, MoF	I
Enhance the major acquisitions framework in line with Basel Core Principles (BCPs). (¶133)	NBM, MoF	MT
Further strengthen the supervisory framework by increasing resources to enhance on-site inspection frequency, ensuring more comprehensive coverage of risks with multi-year plans while prioritizing the scope with more pronounced RBS, deepening offsite supervision engagement with banks, and building capacity to more comprehensively address quantitative aspects. (¶13030)	NBM	ST
Amend the regulation on operational risk to cover all requirements in BCP 25; reflect these amendments into supervisory practices and improve human resources. (¶13434)	NBM	MT

**Table 1. Moldova: FSAP Main Recommendations (Concluded)**

Increase availability of human resources and segregate functions within the AML/CFT division; finalize the approval process for RBS methodology, incorporate the evaluation results in the RBS process and improve supervisory intrusiveness. (¶135)	NBM	ST
<b>Financial Integrity</b>		
Based on the National Money Laundering (ML) and Terrorism Financing (TF) Risk Assessment results, develop a national AML and CFT strategy and Moldova-specific higher-risk country list and a supervisory strategy for all sectors under the NBM supervision. (¶1376)	NBM, Service for Prevention and Combating of ML, State Fiscal Service	ST
Conduct sectoral and institutional risk assessments for all supervised sectors and entities, based on the RBS methodology, increase targeted on-site inspections using the institutional risk profiles and develop a sanctioning policy. (¶1377)	NBM	I
Fine-tune the internal procedures to increase AML/CFT division's engagement and the risk-based approach to propriety tests for management and ownership of financial institutions, maintaining the ownership threshold for the assessment of new shareholders. (¶137)	NBM	MT
Conduct liquidity stress tests under an AML/CFT breach scenario, using supervisory ML/TF risk assessments data, including identification of vulnerable banks, analysis of possible contagion effects and incorporate the findings into AML/CFT supervision. (¶137)	NBM	ST
<b>Financial Safety Net and Crisis Management</b>		
Develop, in cooperation with the banks, a credible MREL implementation strategy for banks, including contingency measures and alternative solutions if compliance appears unfeasible before 2030. (¶139)	NBM, MoF	ST
Further operationalize the resolution framework with enhanced resolution plans and resolvability assessments—prioritizing expanded liquidity conditions—and with comprehensive resolution manuals. (¶139)	NBM	ST
Assess the credibility of the current target level of the Bank Deposit Coverage Fund considering the substantial recent increases in the coverage level. (¶140)	NBM, DGF	MT
Implement the IMF's 2023 ELA recommendations, focusing on defining solvency for ELA purposes and establishing a government guarantee for central bank liquidity support to banks in certain critical conditions under threats to financial stability. (¶139)	NBM, MoF	ST
<sup>1</sup> Timing: I—Immediate: within 1 year; ST—short term: 1 to 2 years; MT—medium term: 3–5 years		

## BACKGROUND

### A. Financial Sector Landscape

1. **The Moldovan financial sector is small, assets amounting to 58 percent of GDP, and is largely dominated by banks.** Ten banks operate in Moldova as two merged in March 2025. The banking sector performs traditional banking, is highly concentrated and primarily foreign-owned (Table 2).
2. **NBFIs are small with assets making up 12 percent of the overall financial sector.** The two subsectors with the largest assets are non-bank credit organizations (NBCOs) and insurance, accounting for 5.2 and 1.6 percent of GDP, respectively (Table 2).
3. **Moldovan banks have CARs well above regulatory minimums, with an average CAR of 25.6 percent at June 2025.** All banks comply with the minimum CAR ratio of 10 percent. They also meet additional supervisory requirements, including a CCB of 2.5 percent of total risk exposure, a SyRB of 1 percent of domestic total risk exposure, and a requirement for four systemically important institutions, ranging between 1.5 and 0.5 percent of total risk exposure. Additionally, banks must comply with the CCyB, increased to 0.5 percent effective from Jan 30, 2026 and 1.5 percent effective from May 2026, and Pillar 2 requirements varying by bank.<sup>2</sup> The leverage ratio stood at 12.8 percent in June 2025.
4. **Moldovan banks remain profitable and liquid, although profitability has declined over the past two years due to lower interest rates.** As of June 2025, their return on assets (ROA) was 2.3 percent, above regional peers' median. Liquidity indicators are strong, with a liquidity coverage ratio (LCR) of 274 percent, a loan-to-deposit ratio of 62.5 percent at the end of 2024, and liquid assets to short-term liabilities at 293 percent in 2025 Q1—the highest among Moldova's peers (Figure 4). Around 20 percent of banks' assets are invested in sovereign and central bank securities, reflecting their low risk and relatively high interest rates, while an additional 20 percent is held as required reserves (Figures 6 and 7). Notably, the LCR is high even though reserve requirements are not included in high quality liquid assets (HQLA).

### B. Context and Macrofinancial Developments

5. **Moldova's economic growth is projected at 2.7 percent in 2025, up from near stagnation in 2024 (Figure 1).** Growth is projected to moderate to 2.3 percent in 2026, with potential growth gradually increasing to 3.5 percent in the medium term. This outlook faces risks from uncertain external demand, caused by ongoing global trade tensions, potential energy shocks, and geopolitical uncertainties. The EU accession process and the EU Growth Plan (GP) offer

<sup>2</sup> The CCyB had been set at zero since its establishment in August 2018.

opportunities for renewed reform effort and investment, while potential delays or misallocation of GP funds are downside risks.

**6. Looser financial conditions in 2024 and 2025 and government support programs have contributed to strong credit growth and a rapid increase in real estate prices.** Although financial conditions were tightened in early 2025 following substantial rate cuts in 2023-2024, the NBM implemented three additional cuts since August 2025 based on projections that inflation will fall below the target in 2026. Banks' total claims on the private sector have displayed strong growth, reaching about 30 percent year-on-year in June 2025 (Figure 2). Lending activity was mostly driven by a rebound in domestic demand, supported by lower interest rates, and concentrated in the retail and mortgage sectors. In the real estate sector, a combination of higher demand—fueled by pent-up demand, lower interest rates, and to some extent government support program for first time homeowners ("Prima Casa Plus")—and supply bottlenecks led to a rapid increase in real estate prices (+25.6 percent in 2024 and 24.2 percent in the first half of 2025; Figure 3). Rapid credit growth translated into a positive credit to GDP gap from the beginning of 2025. Credit dynamics moderated toward year-end, and provision of new mortgages stabilized, albeit at high levels.

**7. Risks to financial stability are rising, as the credit-to-GDP ratio has reached its highest level since 2015 and house prices are at historical peaks .** Rapid credit growth, combined with sharp real estate price increases, requires close monitoring due to the financial risks it fuels.<sup>3</sup> Banks' credit to GDP ratio is at its maximum level since 2015, although it is the lowest among Moldova's peers (Figure 4). As of June 2025, banks' credit to GDP and mortgages to GDP reached 26 percent and 6.4 percent, respectively. The NPL ratio stood at 4.5 percent according to the national prudential framework in June 2025, up by 0.2 percentage points from end-2024, which marked the minimum level since the aftermath of the 2014 crisis.<sup>4</sup> The NPL ratio may be distorted downwards by the currently strong credit production, with a marked decline in the loan loss provisioning ratio from 53 percent in December 2024 to 47 percent in June 2025. Restructured loans are low, representing 1 percent of the loan portfolio in June 2025. Loans classified in IFRS9 Stage 2, which can be considered as early warning indicators, make up 9 percent of total loans.

**8. Government measures aimed at supporting housing finance have diverged from tighter BBMs stance.** The mid-2022 regulation on responsible consumer lending by banks introduced an 80 percent LTV limit and a 40 percent debt service to income (DSTI) limit. Mortgages are full recourse loans, which also help limit strategic default behavior.<sup>5</sup> However, the broadening of the government program for first-time homeowners in August 2024 effectively relaxed these limits by loosening lending standards and raising the cap on the loan size for these loans. The LTV and

<sup>3</sup> Based on elasticities estimated by a country panel error-correction model (Coudert and Pouvelle, 2010, "Assessing the sustainability of credit growth: the case of Central and Eastern European countries", *The European Journal of Comparative Economics*, June, vol. 7, 1).

<sup>4</sup> The NPL ratio is lower according to the IFRS9 definition, at 2.1 percent in December 2024 and 1.7 percent in June 2025.

<sup>5</sup> According to banks, the estimated time to take a property in possession is 6 months.

DSTI of the new loans of the second quarter of 2025 averaged 50 and 32 percent, respectively (Figure 2 and 3).

## SYSTEMIC RISK ASSESSMENT<sup>6</sup>

### A. Financial Sector Vulnerabilities and Risks

**9. Key potential risks include macroeconomic distress, disruption in external financing—particularly remittances—and possible correction in the domestic real estate market.** The banking system is exposed to geopolitical risks, given the country’s proximity to the Russia-Ukraine war zone, and increases in energy prices. The rapid credit growth could be a source of vulnerability, including in the agriculture sector, given the impact of past successive droughts despite a good harvest in 2025. Finally, a sharp real estate price correction would reduce the value of loan collateral. Credit quality is heterogeneous across economic sectors (Figure 5).

**10. Sovereign-bank nexus varies by bank, while sovereign risks appear constrained.** The portfolio of domestic sovereign debt securities (Treasury bills) held by banks made up 13.7 percent of their total assets and 104.2 percent of their regulatory capital in December 2024 (Figures 6 and 7). This exposure ranges between 0 to 26 percent of total assets at the individual level. Most of these securities are classified as held-to-maturity; however, four banks hold a large portfolio of available-for-sale securities. Moldova’s public debt to GDP ratio is relatively low and projected to stay below 45 percent in the medium term. Around 60 percent of public debt is concessional and held by international financial institutions, and the rest is held by domestic banks. Overall, this translates into relatively low sovereign risk.

**11. Moldova’s banking system still displays a high share of loans in foreign currency (FX), but this does not currently seem to create additional credit risks.** Despite a pronounced declining trend, the share of FX loans in Moldova still amounts to 22 percent of total loans (Figure 2). FX deposits make up 35 percent of total deposits. Banks hold FX deposits at their correspondent banks and maintain a net open position (NOP) close to zero.<sup>7</sup> The national regulation only allows FX lending to certain FX earning sectors such as the export sector providing for a natural hedge. While FX lending poses indirect FX risks for banks, the NPL ratio for non-financial corporates loans in FX stood at a lower level than the NPL ratio for those in Moldovan lei (MDL) in December 2024, at 4 percent vs. 7.6 percent, respectively (Figure 5).

<sup>6</sup> Detailed methodology on the stress test can be found in the technical note on systemic risk analysis.

<sup>7</sup> This differs with the NOP of -8 percent reported in Figure 4, which is based on the IMF’s Financial Soundness Indicators database, because Moldova’s reported NOP in the database does not include assets and liabilities linked to FX.

## B. Risk Analysis Framework and Macrofinancial Scenarios

### Banks Solvency Stress Test

**12. Solvency stress tests assessed banks' robustness to various shocks to their capital, principally related to credit and market risks.** Banking sector stress tests included a TD exercise based on macroeconomic scenarios and sensitivity analyses (Table 4 and Appendix 3). The adverse scenario includes a further escalation of regional conflicts and a global slowdown, affecting Europe in particular. These two shocks would entail a drop in external demand and an increase in commodity prices, leading to depreciation pressures and requiring the NBM to react to inflationary tensions through a sharp rise in its policy rate, while the fiscal stress caused by the recession would result in a tightening of financial conditions and a sharp increase in sovereign rates.

**13. In the baseline scenario, the aggregate CAR would decline by slightly less than 2 percentage points by 2027 (Table 5).** The interest rate risk and the change in risk-weighted assets (RWAs) would be the two main drivers of the decrease in capital ratios. The CAR of a small bank would fall slightly below its OCR due to an increase in provisions, the materialization of interest rate risk resulting from the projected increase in funding costs and an increase in RWAs. The amount of recapitalization needed would be negligible as a proportion of nominal GDP.

**14. In the adverse scenario, the aggregate CAR would decline by 6.7 percentage points between 2024 and 2027.** The aggregate capital ratio would fall from 26.3 percent at the end-2024 to 19.6 percent in 2027 (Figure 8 and Table 5), and the Tier 1 ratio from 25 percent to 17.9 percent. Credit loss provisions and interest rate risk would be the main drivers of capital depletion. The total CAR of two banks would fall below the CAR minimum requirement of 10 percent, and the CAR of two other banks would fall below their OCR, translating into a capital shortfall equivalent to 0.6 percent of nominal GDP.<sup>8</sup> The asset share of these four banks is 43.3 percent of banking sector's assets. The results of the two weaker banks reflect their lower initial capital headroom compared to the minimum requirements, their larger loan portfolio and exposure to the household sector and for one of the two banks, its larger trading portfolio exposed to market losses. Regarding the leverage ratio hurdle rate, the same two banks would become undercapitalized in 2027.

**15. Sensitivity tests show that Moldovan banks would not be particularly vulnerable to the simultaneous default of their ten largest exposures, often corresponding to exposures to a foreign financial institution.** A haircut of 30 percent was applied to the value of collateral used for credit risk mitigation, in line with the size of the real estate price shock applied in the adverse scenario. The default of the largest exposure of each of the eleven banks would lead to a 2 percentage point decline in the aggregate CAR (Figure 9). One bank would become slightly undercapitalized relative to its OCR, but its CAR would remain well above the 10 percent threshold.

<sup>8</sup> In Moldova, banks do not have to set provisions against their domestic-sovereign exposures per the Credit Classification and Provisioning Regulations. The stress test assumed that banks would have to set provisions according to Basel framework internal rating-based approach. Provisions increase by MDL 21 Mn, slightly aggravating the undercapitalization of one bank in the adverse scenario.

The simultaneous default of the ten largest net exposures would cause a 3.4 percentage point reduction in the aggregate CAR. This would result in one bank falling below the 10 percent minimum capital requirement and another breaching its OCR, with a total capital shortfall equivalent to 0.3 percent of nominal GDP.<sup>9</sup>

**16. The interconnectedness analysis indicates limited contagion risks but also highlights the need for data collection on non-banks' deposits.** Contagion risks stemming from purely domestic interbank exposures are minimal, as Moldovan banks lend very little to one another in the domestic wholesale market. At the same time, the analysis identifies some potential spillovers from the domestic banking sector to the non-bank sector through bank lending. A balance-sheet analysis of cross-border interbank interconnectedness confirms that Moldovan banks have exposures to international banks through large deposits held in highly rated euro area institutions. These findings underscore the need for the NBM to institutionalize interconnectedness analysis and strengthen data collection on non-bank deposits.

### **Banks Liquidity Stress Test**

**17. The liquidity stress test shows that the banking sector has strong liquidity buffers in general.** LCR and cash-flow-based tests were conducted to assess banks' resilience to large withdrawals of funding and market liquidity shocks for MDL, EUR, and USD. Following the conservative national definition, required reserves (20 percent of the total assets) are excluded from HQLA. The LCR stress tests use baseline, funding stress, market stress, and a combined scenario (Appendix III). The aggregate LCR in the baseline scenario is 298 percent for the full sample (Figure 10, first panel). Under the "market stress" scenario, no bank would fall below the 100 percent LCR threshold, and under the "funding stress" scenario and the "combined" scenario, one bank would slightly fall below the 100 percent LCR requirement.<sup>9</sup> However, some banks have limited liquidity buffers in EUR and USD (Figure 10, second panel). LCRs in both currencies are below 100 percent for a few banks in the combined scenario. It is recommended to use cash-flow data for all significant currencies to refine liquidity monitoring and stress testing.

**18. The cash-flow analysis also indicates that banks have generally strong liquidity positions.** The counterbalancing capacity—excluding required reserves—against liquidity risks is of high quality, mainly comprising cash items in all three currencies (Figure 10, third panel). Most banks function well in all three currencies. One bank would need to use required reserves to offset the MDL funding gap and two banks would need to sell securities and then use central bank reserves to offset net outflows in USD and EUR across the specific time brackets (Figure 10, fourth panel). In the case of using required reserves to offset the funding gap, their maximum cumulative utilization by a single bank is 5.4 percent.

<sup>9</sup> 97 percent under the combined scenario and marginally smaller than 100 percent under funding scenario.

**19. Moldovan banks remain liquid after an AML/CFT shock, supported by their large initial LCRs and none breach the requirement.**<sup>10</sup> The scenario assumes a high-profile financial integrity breach in vulnerable banks, triggering sizeable deposit outflows from high-risk ML clients and higher-than-baseline deposit run-off rates for NBFIs. The breach also generates reputational damage and a country risk reclassification, causing contagion effects on other bank—though with lower run-off rates than in the directly affected institutions. In addition, subsequent supervisory or law-enforcement actions restrict vulnerable banks’ access to their nostro accounts abroad (e.g., due to frozen assets or heightened compliance checks). Despite these pressures, the three vulnerable banks maintain a strong post-shock, asset-weighted LCR of 280 percent.

### Corporates and Households Vulnerability Analysis

**20. Debt-servicing capacity of corporates, measured by their interest coverage ratio (ICR), was adequate for a majority of firms at end-2024, with weaknesses most pronounced in the energy sector.** Corporate indebtedness has been gradually declining, while profitability declined recently, after a peak in 2021 (except for micro firms; Figure 11). Debt-servicing capacity was relatively strong; at end-2024, 7 percent of firms with outstanding bank loans had an ICR below the critical level of 1, at which firms are not generating enough operating income to meet their debt obligations. Exposure to these firms constituted 7 percent of total outstanding bank claims on the corporate sector. This exposure doubles under a stress scenario combining high interest rates, a depreciation of the exchange rate and a deterioration of firms’ earnings.<sup>11</sup> With one exception, banks have sufficient loss-absorbing buffers to withstand such combined shock scenario without breaching their supervisory capital requirements, under the conservative assumption of full default of exposures with  $ICR < 1$ .

**21. Outstanding bank loans to individuals at end-2024 show a significant share of mortgages with elevated DSTI.** 13.3 percent of consumer loans had a DSTI higher than 40 percent at end-2024, out of which for 5.2 percent, the DSTI was higher than 55 percent. Of these, the vast majority was issued with floating rate. For mortgage loans, the shares of loans with a DSTI greater than 40 and 55 percent at end-2024 were higher, 27.5 percent and 14.9 percent respectively, and almost 90 percent of them had variable rate. Under the combined shock scenario, the share of outstanding credit to individuals with  $DSTI > 40$  percent would increase by 32 percentage points to 53 percent, while for the  $DSTI > 55$  percent threshold, the share would increase from 10 percent at end-2024 to 36 percent. Two banks would breach their supervisory capital requirements if no recovery were assumed for loans with  $DSTI > 55$  percent, while if partial recovery with LGD of 60 percent is assumed, one bank would almost breach its bank-specific capital requirements.

<sup>10</sup> Results should be interpreted with caution, as AML/CFT-related risks to financial stability are difficult to model, and limited historical precedents constrain the calibration and confidence in the behavioral assumptions in such stress tests. Appendix V presents further details on the exercise.

<sup>11</sup> Stress scenario combines an interest rate shock, with income and exchange rate shocks, with magnitudes comparable to past crises.

**22. Overall, the financial system is likely to remain resilient against rising risks from high credit and house price growth.** The banking system remains broadly resilient under a severe adverse scenario, supported by strong liquidity buffers across all banks and high initial capital in some institutions. An innovative work found banks remain liquid against possible financial integrity risks, though the results should be viewed cautiously due to general challenges to model operational risks. Firms' debt-servicing capacity was relatively solid at end-2024, with 7 percent of firms with outstanding bank loans registering an ICR below the critical level of 1. However, attention is warranted for the 15 percent of mortgages with a DSTI ratio above 55 percent.

## FINANCIAL SECTOR OVERSIGHT

### A. Macroprudential Framework<sup>12</sup>

**23. The institutional framework for macroprudential policy in Moldova is generally sound, though some challenges remain.** Moldova's macroprudential policy framework is anchored in the legislation regulating the NBM, the NCFM and the NCFS. Both the NBM and NCFM have financial stability mandates. Coordination of policies takes place through the NCFS, an inter-agency body established in 2018. The NCFS can issue comply-or-explain recommendations.

**24. Systemic risk analysis is well developed, and the NBM is refining its toolkit.** The Financial Stability Department tracks a broad set of macro-financial indicators and composite vulnerability indices. Stress tests (solvency, liquidity and contagion) assess system resilience but should include the IRRBB. Despite Moldova's data constraints, progress is notable, including the ongoing work to construct a financial cycle indicator to calibrate buffers. This work could be complemented by enhancing lending surveys to strengthen forward-looking risk detection.

**25. Data quality and availability are improving, though gaps remain.** While bank data are granular and reliable, gaps remain in coverage and quality of savings and loans associations (SLAs). The credit registry offers detailed borrower data; adding targeted reporting fields could improve the reliability of financial stability analysis.<sup>13</sup> Integration of corporate data from the National Bureau of Statistics and the statistical information at the NBM on corporates' foreign loans would support indebtedness analysis. Real estate market monitoring has improved, but gaps in data for transaction prices, rents, vacancy rates for residential and commercial property, and lack of data regarding the share of "buy-to-let" versus "owner-occupied" housing hinder risk detection.

**26. The NBM should continue refining its toolkit to better address systemic risks.** Given the rapid increase in credit, the recent decisions to tighten the CCyB are appropriate. However, given challenges in gauging Moldova's financial cycle and its exposure to external shocks, adopting a

<sup>12</sup> A macroprudential framework technical note was prepared as part of the FSAP.

<sup>13</sup> Keep the DSTI at origination, which is based on official documents, alongside the updated income information throughout the life of the loan, which is based on self-reported income, instead of replacing the DSTI at origination with updated information as done currently. Also, add an identifier for borrowers with no official income.

PnCCyB would help absorb losses from moderate shocks. Stress tests suggest a positive neutral CCyB of around 1.5 percent.<sup>14</sup> The existing SyRB could be used to address structural risks like real estate exposures. During the CCyB release phase, the authorities could lock in the PnCCyB by retaining part of the previously built buffers and by reallocating the SyRB, as and if circumstances allow.

**27. The BBM framework should be made more comprehensive, and the government housing loan program should be aligned with the BBM stance.** In Moldova, LTV and DSTI caps apply to banks and nonbank credit organizations (NBCOs). To enhance BBMs coverage, the NBM should extend DSTI to financing of installment purchases and review certain exemptions applied to NBCOs. When more granular real estate loan data become available, the NBM could introduce differentiated binding LTV limits depending on the riskiness of loans (i.e. first-time owners, second/subsequent home buyers, buy-to-let investors). A system with tiered BBMs could be paired with limited flow exemptions (subject to a cap). For the moment, given rising house prices and rapid credit growth, the NBM's plan to relax the DSTI limit is not desirable. Moreover, there should be better coordination between fiscal and macroprudential authorities to align the government's housing financing program with the existing BBMs framework—particularly in terms of LTV application, DSTI limits and income definition.

## B. Banking Supervision and Regulation<sup>15</sup>

**28. The authorities improved the bank oversight framework substantially in response to the 2014 banking crisis.**<sup>16</sup> These reforms notably improved the efficiency and integrity of supervision, including one-off actions, such as the re-evaluation of bank shareholders to ensure full disclosure of the ultimate beneficial owners. Resources allocated to the supervisory function increased, a risk-based approach was adopted, and oversight processes were formalized through the development of guidelines and procedures for key operations. The full adoption of IFRS marked another milestone in strengthening the regulatory architecture. As part of Moldova's accession process to the EU, the NBM has also initiated a comprehensive reform plan, including the transposition of the latest EU capital requirements regulations. Taken together, these measures have substantially reinforced the stability and resilience of Moldova's banking sector.

**29. Authorities should continue to address key structural challenges to ensure a robust oversight framework.** The NBM mandate regarding financial stability has been reinforced since the last FSAP but remains *pari passu* with the objective of supporting the overarching economic policy of the state. The FSAP recommends establishing a clear prioritization framework, differentiating between the primary (monetary policy), the secondary (financial stability), and the tertiary

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<sup>14</sup> This result is based on an econometric model that provided an estimate of tail risk to GDP growth of a "normal business cycle recession". These estimates were combined with the results from the solvency stress test to compute a system-wide capital shortfall under such scenario.

<sup>15</sup> Appendix VI presents the Report on the Observance of Standard Codes.

<sup>16</sup> Appendix I and IV present the recommendations and their status of the FSAP Update 2014 and FSSR 2021.

(supporting general economic policy) objectives. Legal amendments are needed to ensure that, when acting in its capacity as a banking supervisor, the NBM is required to prioritize financial stability (the safety and soundness of the banking system) above support for government economic policy. The authorities should strengthen the governance of the NBM through the areas for improvement identified under the past ECF and EFF, but not yet implemented. These include—among others—the need to introduce more checks and balances for the appointment and dismissal of members of the decision-making bodies, reduce the term of office of members of the Supervisory Board who are not also members of the Executive Board to 5 years, include in the LNBM additional provisions to ensure that members of decision-making bodies involved in a dismissal procedure can count on a fair legal process. A draft law has been proposed to resolve these points of concern; however, it has only received Cabinet approval and has yet to be passed by Parliament, leaving the issues unaddressed for the time being.

**30. The effectiveness of supervision is constrained by insufficient resourcing, which limits the scope, depth and specialization of supervisory activities.** Extraordinary circumstances, including the COVID-19 pandemic and geopolitical tensions, further disrupted the supervisory cycle. As a result, over the past five years, inspections were conducted on average every 18 months, offering only sufficient risk coverage. Strengthening supervision requires increasing on-site inspection frequency, expanding the risk coverage through a multi-year cycle, and focusing on selected items rather than broad scopes to further enhance the application of risk-based supervision. Off-site supervision should deepen its engagement with banks through more structured discussions with supervised entities, improving documentation and traceability. The FSAP also recommends: i) improving the follow-up of supervisory measures in terms of demarcation of responsibilities between the on-site and off-site department, ii) developing capacity to more comprehensively address quantitative aspects, including modeling and information technology (IT) related issues; iii) using more pronounced risk-based supervision as outlined in existing internal guideline; and iv) fully translating the outcomes of the Supervisory Review and Evaluation Process (SREP) into capital requirements to improve supervisory effectiveness and alignment with banks' risk profiles.

**31. The NBM should address key bank oversight gaps to better align with Basel III, while adapting advanced requirements to local market conditions.** Critical elements of the capital framework—such as the SME support factor, the non-binding leverage ratio,<sup>17</sup> and in a specific instance, the omission of mandatory deductions for investments in financial companies from CET1—were not implemented as Basel III stipulates. Although the individual effects may not be material, collectively these deviations are substantial and require attention. Conversely, the adoption of internal models and securitization provisions—meant for internationally active banks—should be reprioritized. Moldova lacks an active securitization market, and banks generally do not pursue advanced models due to their strong capital positions. The NBM also faces staffing and expertise constraints for supervising these areas. FSAP advises that these advanced components be

<sup>17</sup> Leverage ratio requirement of 3 percent was not reflected in the BCP assessment as it was introduced in August 2025, with implementation starting in January 2026 after the BCP examination.

implemented selectively, with careful prioritization and resource allocation, focusing on solutions that reflect local market realities and business models.

**32. While the NBM has indicated to apply Basel III standards—intended for internationally active banks—to all banks in Moldova, FSAP recommends a more tailored approach aligned with local market conditions.** Several elements of the capital framework—including the SME support factor, the non-binding leverage ratio,<sup>18</sup> and, in one specific case, the failure to deduct investments in financial companies from CET1—were not implemented as required by Basel III. While the individual impact of these omissions may be limited, together they represent a significant departure from Basel and should be corrected. While planned adoption of internal models and securitization provisions will bring the overall capital framework closer to more advanced international standards, Moldova currently lacks an active market for securitizations, and banks show limited interest in advanced models primarily due to their high capital ratios. The NBM faces resource constraints in staffing and specialized expertise needed to effectively oversee these areas. FSAP recommends implementing these regulatory components with careful prioritization and resource allocation, concentrating on solutions that align with local market conditions and the prevailing business model.

**33. The framework for major acquisitions requires comprehensive review and enhancement.** The pre-approval is not mandatory in several cases and the current assessment criteria are not aligned with the BCP. Approval process does not sufficiently assess risks imposed, resolution obstacles, effective supervision, implementation of corrective measures or the sufficiency of banks' managerial and organizational resources.

**34. Regulations over operational risks have been updated recently, but supervision should incorporate these changes.** Among others, there is no supervisory requirement for banks (i) to have a tolerance for disruption, in their risk appetite, to their critical operations and (ii) to continuously improve their incident response and recovery plans by incorporating the lessons learnt from previous incidents (although both are required in regulation). Resource limits constraint enhancing the supervision.

**35. The regulatory framework for prevention of ML and TF is comprehensive, but the supervisory process lacks a risk-based approach and is constrained by resources.** Complex, in-depth inspections are not frequent, and supervision remains non-intrusive. The absence of a standardized bank rating system limits the ability of authorities to consistently assess and compare the compliance levels or risk profiles of individual institutions. Furthermore, the absence of a formalized process or established guidelines for categorizing supervisory findings by severity hampers the prioritization of corrective actions and proportionate responses to identified risks.

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<sup>18</sup> Leverage ratio requirement of 3 percent was not reflected in the BCP assessment as it was introduced in August 2025, with implementation starting in January 2026 after the BCP examination.

## C. Financial Integrity (AML/CFT)<sup>19</sup>

**36. Important progress was made in strengthening the AML/CFT regime in Moldova, but significant cross-border ML risks remain.** AML/CFT legal framework was continuously strengthened with transposition of the EU AML/CFT Directive provisions and supported by proactive outreach to supervised entities. The financial sector in Moldova has become less vulnerable to the historic ML threats related to large cross-border laundering, but new risks emerge related to electoral corruption, cyberfraud, virtual assets, bilateral sanctions evasion, and illicit finance using non-transparent foreign payments platforms and debit cards. The effectiveness of AML/CFT measures implementation is uneven, and major deficiencies exist in the application of the AML/CFT risk-based approach by the private and public sector.

**37. Safeguarding financial integrity in Moldova would benefit from the operationalization of key tools of AML/CFT risk-based supervision.** While both the NBM and the Service for Prevention and Combatting ML demonstrate a sound practical understanding of AML/CTF risks, these should be updated as part of a comprehensive national ML/TF risk assessment, developing a new AML/CFT national strategy including enhanced information exchange among the AML/CFT agencies. The NBM should increase the participation of the AML/CFT department in the fitness and propriety tests for financial institutions' owners and managers, ensuring the continued application of the current 1 percent ownership threshold for new shareholders' assessments. The NBM should consider further steps to analyze the impact of financial integrity breaches on financial stability to identify vulnerable banks and prioritize AML/CFT supervision.

## FINANCIAL SAFETY NET AND CRISIS MANAGEMENT

**38. Significant progress has been made in Moldova's financial safety net and crisis management frameworks since 2014 FSAP.** The 2016 enactment of a BRRL enhanced the NBM's powers as a resolution authority and improved coordination among key institutions. The establishment of the NCFS created a more coordinated approach to crisis management, deposit protection, and bank capitalization efforts. The 2021 FSSR revisited these areas, offering further recommendations, almost all of which are implemented or currently being implemented.

**39. Despite progress, several shortcomings persist.** These include, among others, the need for: (i) preparing a detailed manual to guide early intervention measures; (ii) increasing focus on liquidity-generating strategies within bank recovery plans; (iii) enhancing the resolution plans and resolvability assessments with expanded liquidity components; (iv) enhancing the ELA framework by implementing a forward-looking solvency assessment, along with the need for government guarantees (or indemnity) for ELA provision in three critical situations (uncertainty on solvency, insufficient collateral, or concerns on the exit strategy for an entity in resolution) under threats to financial stability, (v) adopting a credible implementation strategy for meeting MREL requirements by 2030, articulated between the authorities and banks; (vi) improving crisis preparedness through

<sup>19</sup> A financial integrity technical note was prepared as part of the FSAP.

resolution manuals and regular simulations, including on crisis communications; (vii) increasing staffing in the resolution function unit; and (viii) more comprehensive cross-border arrangements for resolution cooperation, including a framework for recognizing foreign resolution decisions.

**40. The FSAP team assessed Moldova's Deposit Insurance Scheme.** The substantial recent increases in coverage levels and plans to continue to increase such levels with the goal of complying with the EU coverage level of EUR 100,000 raised concerns about potential over-insurance if such a plan is implemented. FSAP recommends that authorities monitor and reassess the coverage level while avoiding further increasing coverage and simultaneously decreasing the target level. FSAP highlighted the importance of enhancing stress testing and IT platform development for the DGF to ensure effective pay-out readiness. Additionally, FSAP recommends that the operationalization of DGF's ability to contract loans be prioritized and that an external backstop by the government is in place to address potential funding gaps during crises, given the critical role of the DGF in bank resolution.

## FINANCIAL DEVELOPMENT

**41. As part of the FSAP, the WB team covered several areas relevant for Moldova from a financial development perspective.** Recommendations were provided to authorities on revamping the government's financial instruments to support medium-size enterprises, and issuing regulatory guidance on climate-related financial risks aligned with international standards. For the development of the capital market, the government should extend its domestic debt maturity profile, set a target for a minimum outstanding size of its bonds, conduct reopenings, and avoid price restrictions in the bidding process.

## AUTHORITIES' VIEWS

**42. The authorities welcomed the FSAP's comprehensive assessment of Moldova's financial sector.** They welcomed the recognition of the significant progress made since the last FSAP and stressed the value of the recommendations to further improve Moldova's financial stability and oversight frameworks.

**43. The authorities agreed with the conclusions of the systemic risk, macroprudential and financial integrity analysis.** They are committed to addressing data gaps and appreciate the thorough risk analysis. NBM is making fine-tuning of the framework establishing the positive neutral CCyB. In September 2025, NBM approved the strategic framework for banking supervision and methodology for assessing ML/FT risks. Currently, NBM is in the process of aligning its regulatory framework with the CRD VI/CRR III package, which introduces the final Basel III reforms adopted in the EU.

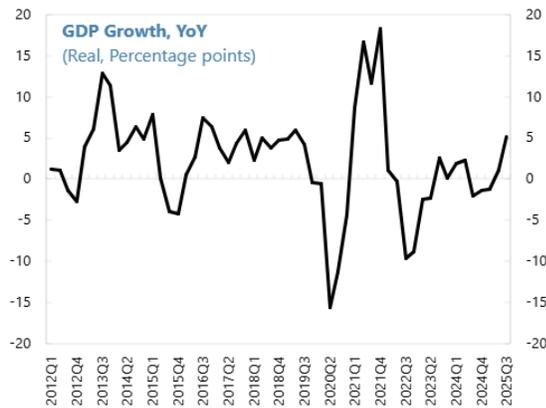
**44. The authorities appreciated the FSAP's assessment of Moldova's adherence to the BCPs.** They noted that for some principles' ratings the BCP assessment does not sufficiently reflect the substantial progress achieved since the previous BCP assessment in 2014. Between 2016 and

2024, NBM carried out a comprehensive set of regulatory and supervisory reforms, resulting in a profound transformation of the banking supervision framework. Authorities welcomed BCP’s conclusion that the regulatory framework for AML/CFT is comprehensive.

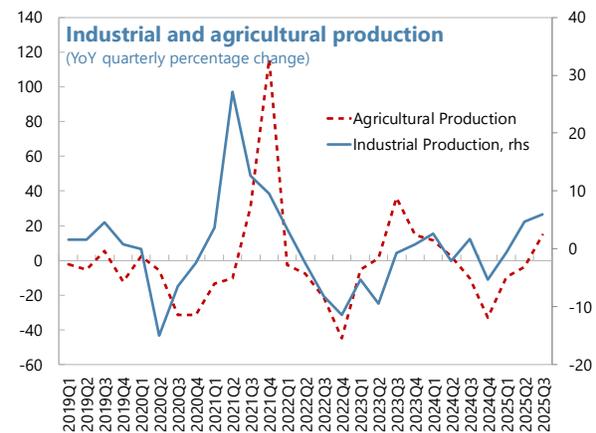
**45. The authorities broadly concurred with the recommendations on strengthening financial safety nets.** They expressed their concerns about defining solvency for ELA purposes, as the provision of liquidity under the ELA is for the bank facing liquidity difficulties, not own funds deficiencies. Further, concerns were raised that government guarantees for ELA might put additional pressure on the state budget and sovereign’s refinancing strategy, raising refinancing risks.

**Figure 1. Moldova: Macroeconomic Development**

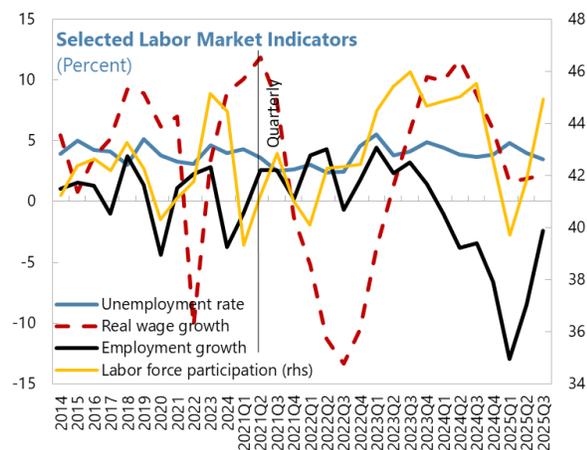
*GDP growth declined sharply during the banking crisis, COVID-19 pandemic, and the energy crisis triggered by the war in Ukraine.*



*Growth stalled in 2024Q3 as drought affected agriculture output, but picked up in 2025 with stronger industrial production.*



*Consumption was supported by real wage growth and credit growth...*



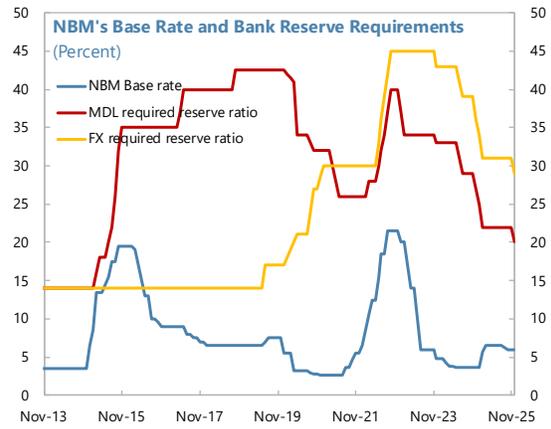
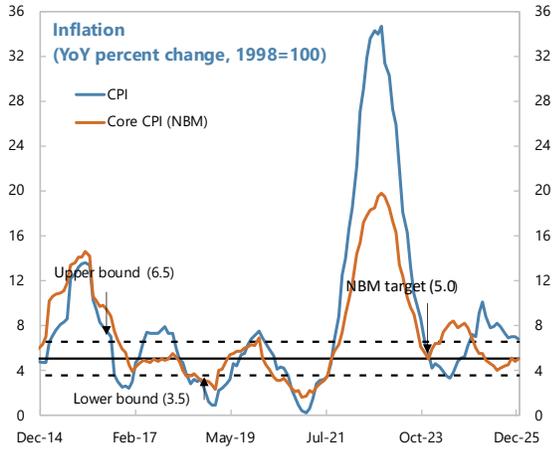
*... amid a volatile inflow of international transfers to individuals.*



**Figure 1. Moldova: Macroeconomic Development (Concluded)**

CPI inflation started returning to the NBM's target corridor, after early 2025 increase caused by higher energy prices.

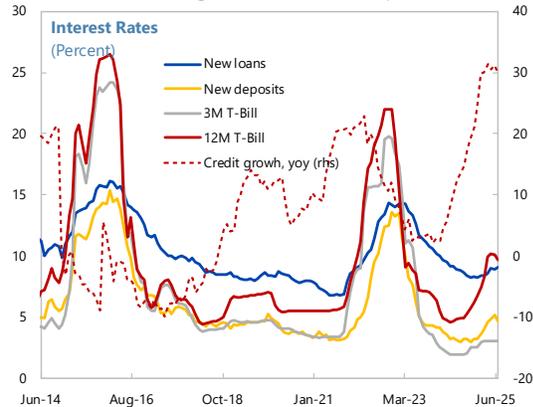
NBM started to revert its recent base rate increase, while continuing to gradually decrease reserve requirements.



Sources: NBM, National Bureau of Statistics, and IMF staff calculations.

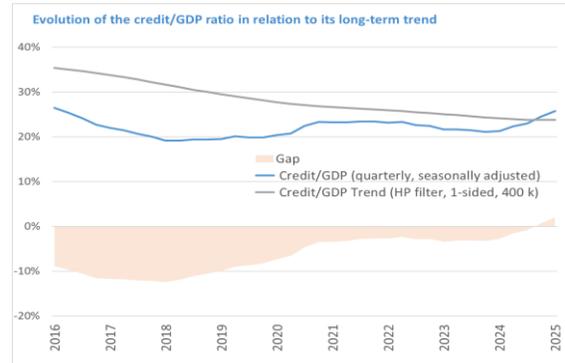
**Figure 2. Moldova: Credit Developments**

*Credit conditions have loosened, and lending has increased to the highest levels in the past decade.*



Sources: NBM, Haver, and IMF staff calculations.

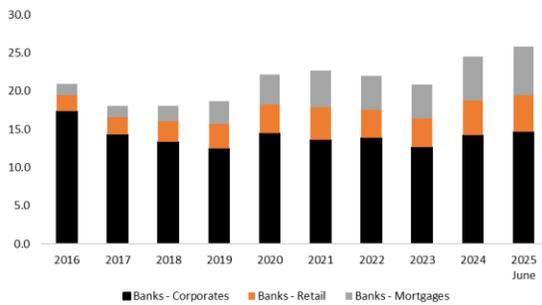
*Generating a small positive credit to GDP gap recently.*



Source: NBM, and IMF staff calculations.

*In 2025, credit/GDP reached highest levels since 2015.*

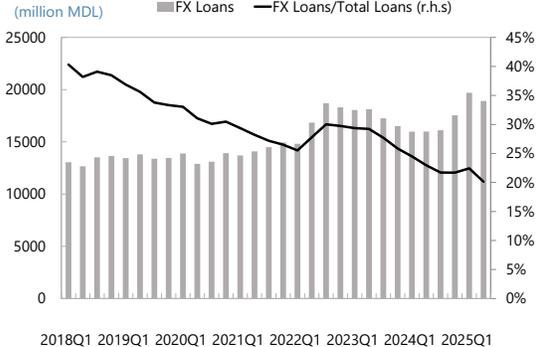
**Outstanding Bank Loans by Type (Percent of GDP)**



Source: NBM, Haver, and IMF staff calculations.  
Note: The number for the projected 2025 GDP is from IMF World Economic Outlook (2025 April).

*The sharp decline of FX denominated loans limits credit risks from borrowers' currency mismatch.*

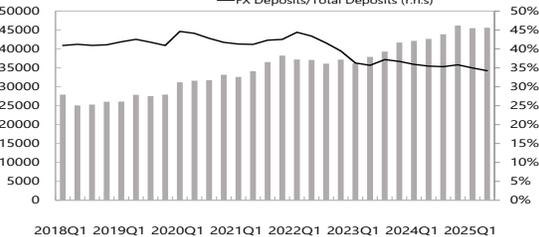
**FX Loans**



Source: NBM

*FX deposits exceed FX loans, limiting FX liquidity risk.*

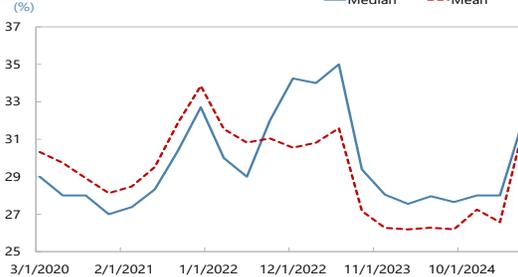
**Deposits in FX**



Source: NBM

*However, DSTI is sharply picking up again, indicating possible credit quality challenges in the future.*

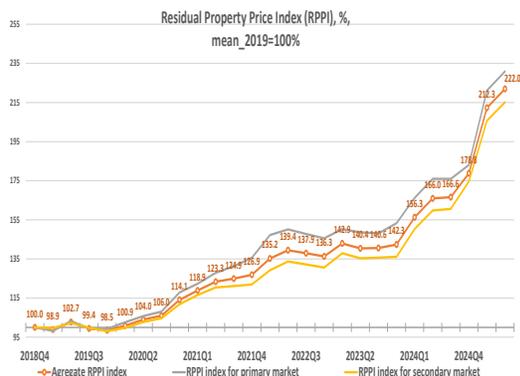
**DSTI Quarterly Flow of Loans**



Source: NBM

**Figure 3. Moldova: Real Estate Developments**

House prices have increased 120 percent since 2020



Source: NBM

The LTV has exhibited high volatility per quarter since 2024

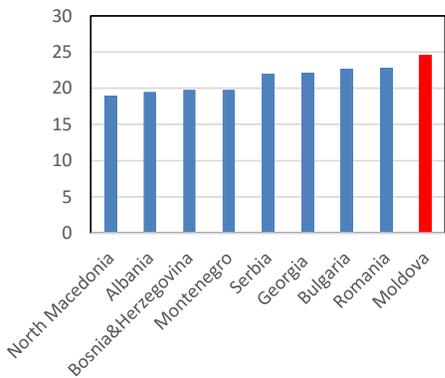
**LTV Flow of New Mortgages per Quarter**



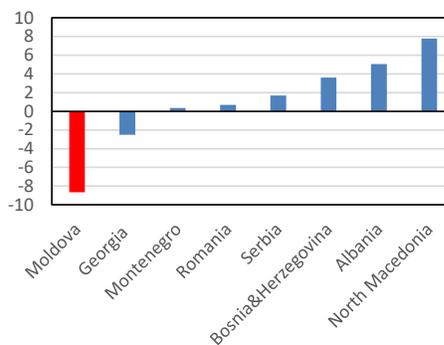
**Figure 4. Moldova: Financial Soundness Indicators: Moldova and Peer Countries**

The Moldovan banking system is well-capitalized and displays relatively strong profitability, with return on assets over 2½ percent—outperforming its peers. Although banks hold assets equivalent to 53 percent of GDP, 40 percent are allocated to sovereign and central bank securities, and reserves requirement. This allocation results in lower private sector credit penetration compared to other countries, but it supports high liquidity. While the NPL ratio has declined significantly since the 2014 crisis, it remains higher than peers.

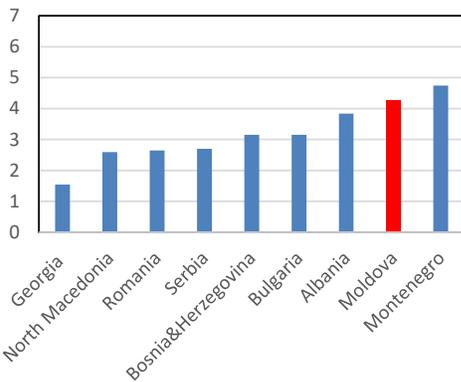
**Regulatory capital to RWAs ratio (in percent)**



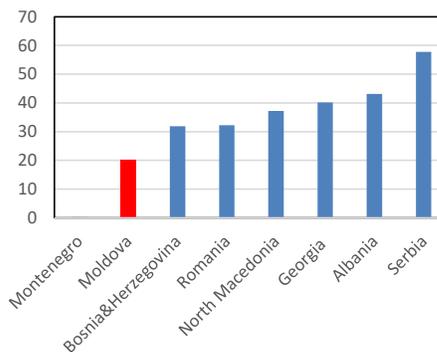
**Net open position in foreign exchange to capital (in percent)\***



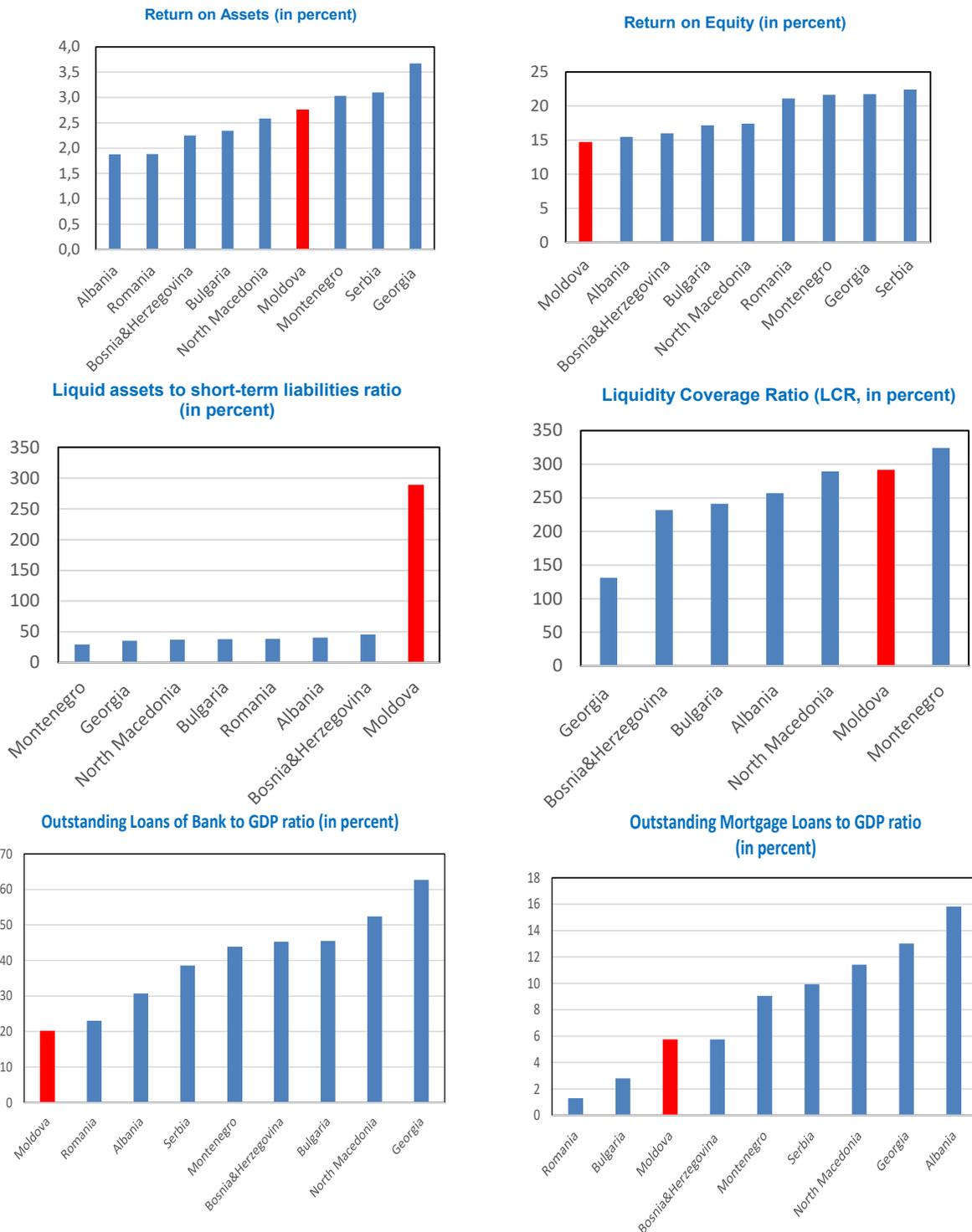
**NPL to total gross loans (in percent)**



**Foreign exchange loans to total loans (in percent)**

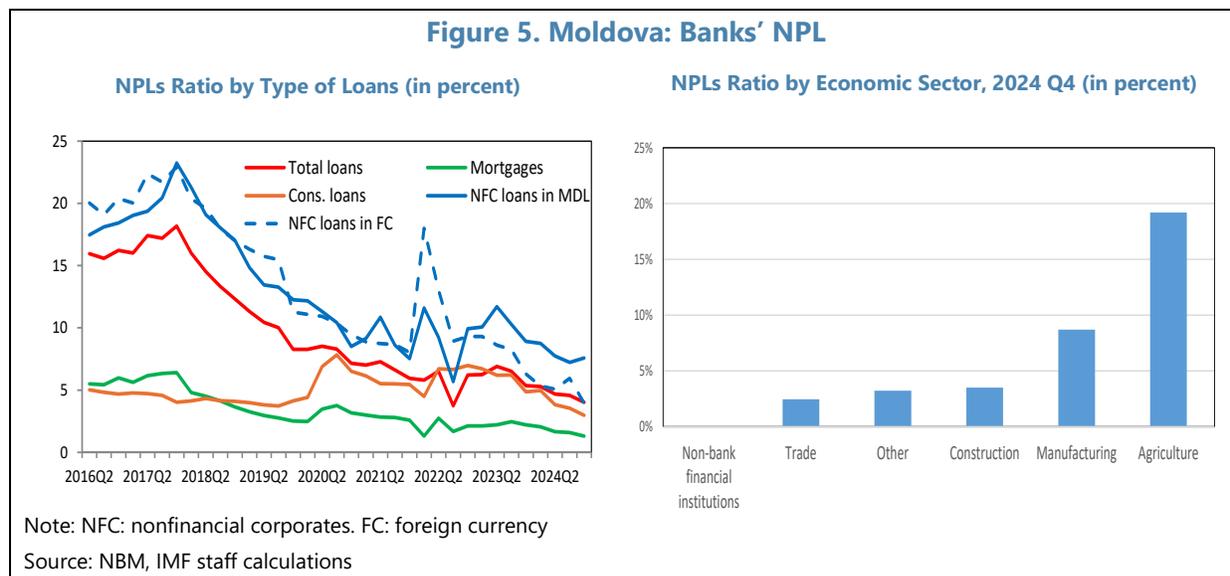


**Figure 4. Moldova: Financial Soundness Indicators: Moldova and Peer Countries (Concluded)**



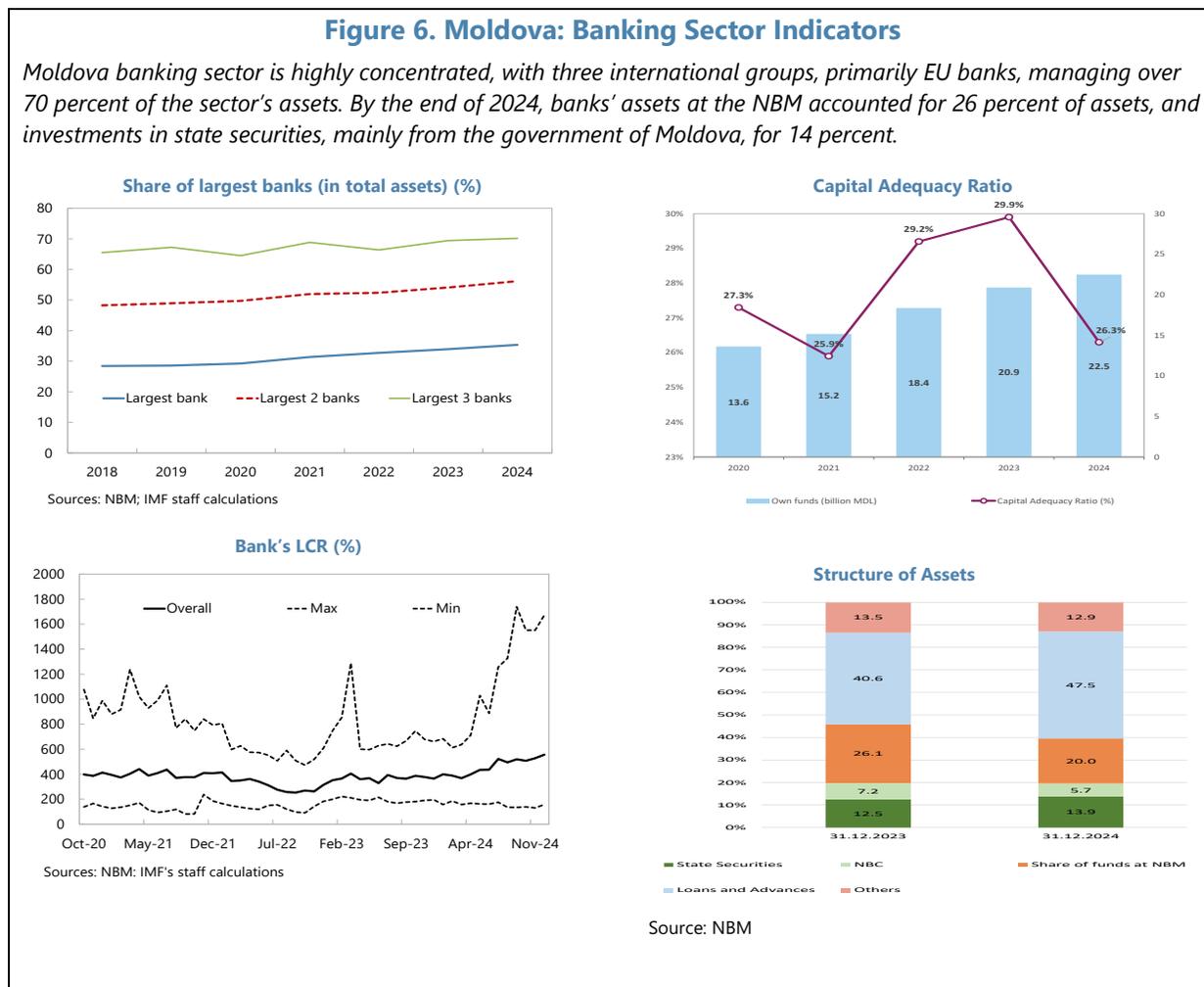
\*Moldova's NOP of -8 percent reported here does not include assets and liabilities linked to FX, when included the NOP is close to zero. Note: Data as of 2025Q1 for Albania, Georgia, Moldova and North Macedonia, 2024Q4 for the other countries, except for Romania (2023Q2) and Montenegro (2024Q3). Outstanding loans: data as of 2023Q4. Outstanding mortgage loans: data as of 2023Q4 for Montenegro, Romania, Serbia, the rest uses 2024Q4 data. Source: NBM; FSI database; Haver; IMF Financial Access Survey; Central Bank of Montenegro; and IMF staff calculations.

**Figure 5. Moldova: Banks' NPL**

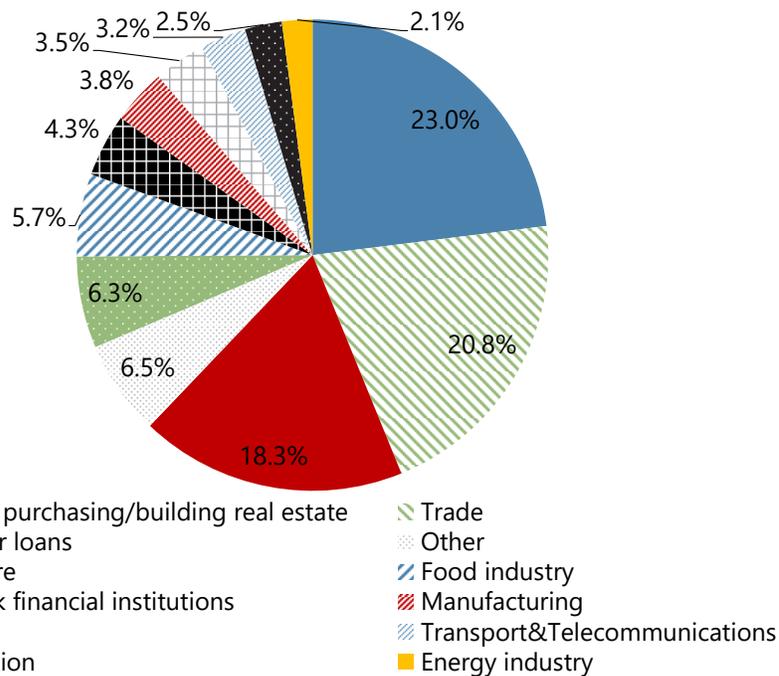


**Figure 6. Moldova: Banking Sector Indicators**

Moldova banking sector is highly concentrated, with three international groups, primarily EU banks, managing over 70 percent of the sector's assets. By the end of 2024, banks' assets at the NBM accounted for 26 percent of assets, and investments in state securities, mainly from the government of Moldova, for 14 percent.

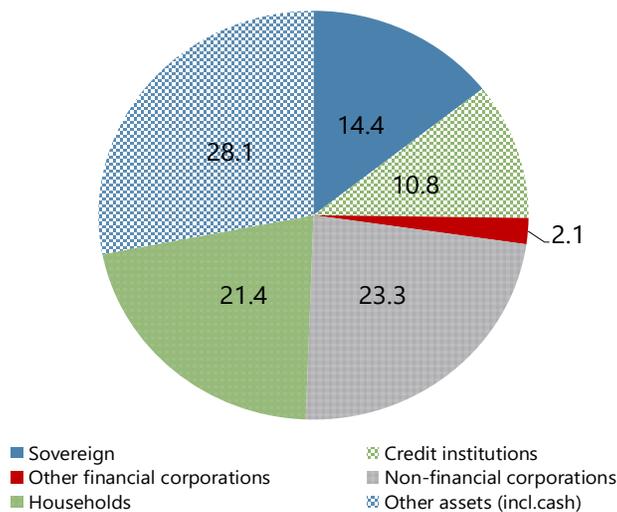


**Figure 6. Moldova: Banking Sector Indicators (Concluded)**  
Sectoral Structure of Lending (as a percent of total loans)



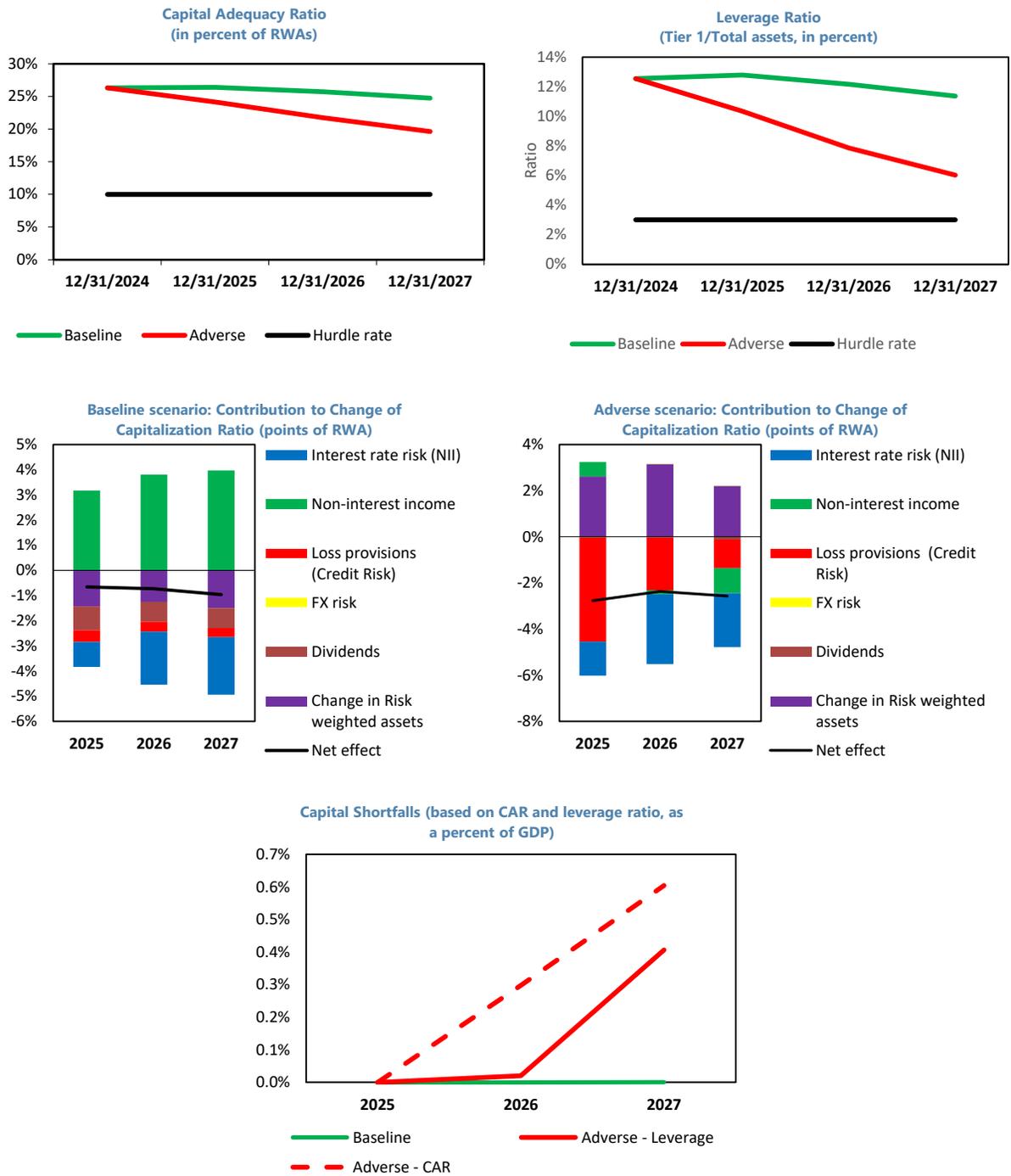
Source: NBM

**Figure 7. Moldova: Banking Sector Asset Allocation (as a percent of total assets)**



Source: NBM and IMF staff calculations.

**Figure 8. Moldova: Summary of IMF FSAP Stress Test Results**

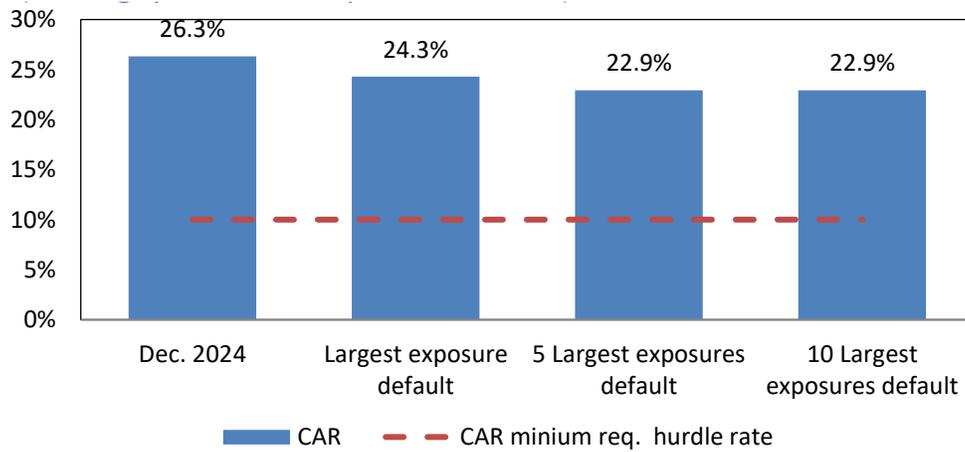


Sources: NBM; and IMF staff calculations

**Figure 9. Moldova: Sensitivity Analysis for Credit Concentration Risks**

**Credit Concentration Tests**

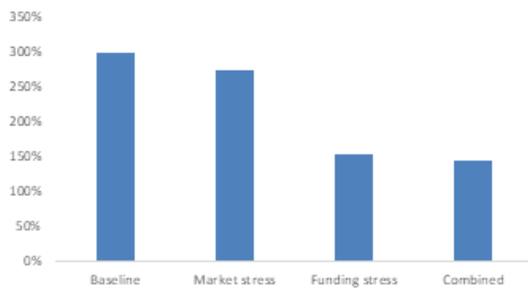
(Banking system's CAR in percent of RWAs)



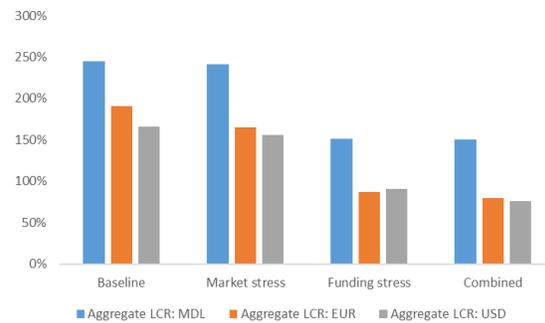
Source: NBM; and IMF staff calculations

**Figure 10. Moldova: Liquidity Stress Tests**

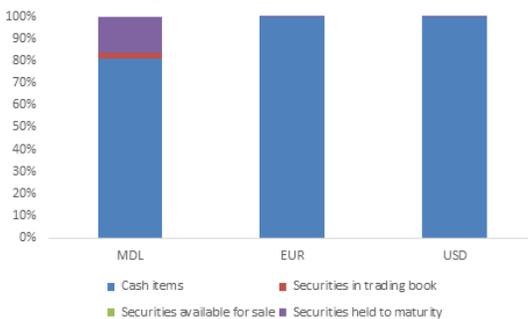
*Aggregate LCR in different scenarios*



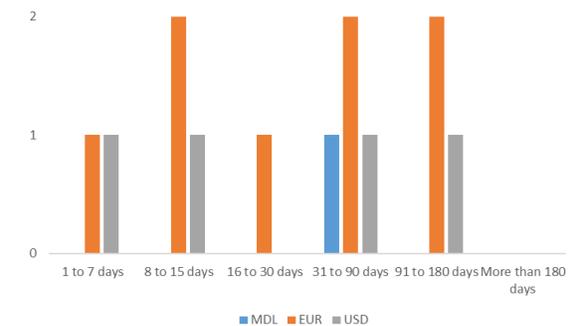
*LCR by currency*



*Cash items are the major composition in counterbalancing capacities in three currencies.*



*Number of banks having negative funding gaps by currency after the sale of securities.*

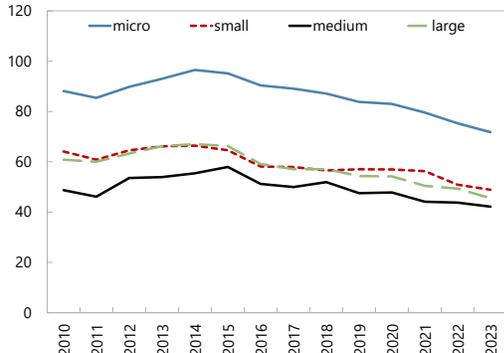


**Figure 11. Moldova: Non-financial Corporate Sector**

Corporate indebtedness has been gradually declining ...

**Median Debt-to-Assets Ratio, by Firm Size**

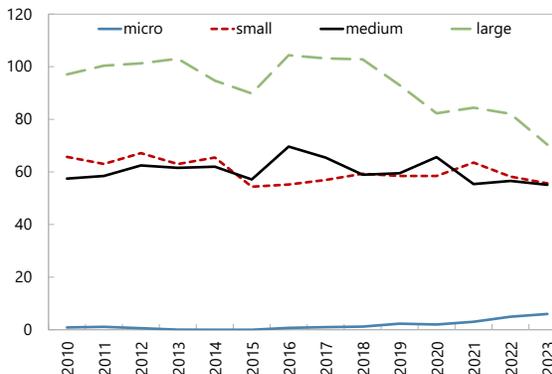
(In percent)



Source: NBS, IMF staff calculations.

**Median Leverage, by Firm Size**

(In percent)



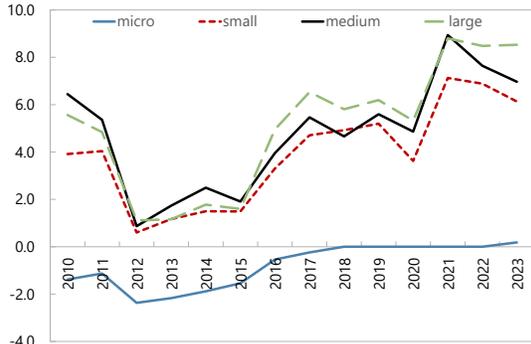
Note: Leverage is defined as debt-to-total equity ratio. Micro firms' data often includes unaudited data. Further, many have negative equity, pulling down the median leverage.

Source: NBS, IMF staff calculations.

... while profitability decreased recently, after a peak in 2021 (except for micro firms).

**Median ROA, NFCs, by Firm Size**

(In percent)

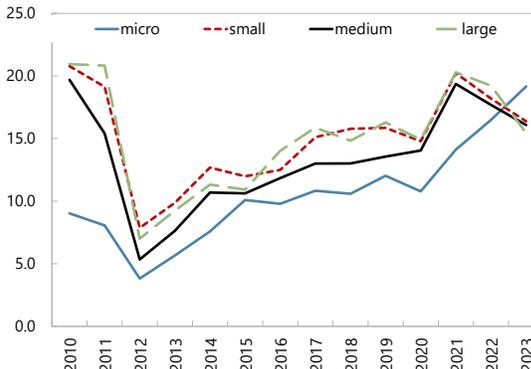


Source: NBM, IMF staff calculations.

Note: Many micro firms' have losses and negative equity, pulling down the median ROA, but not ROE.

**Median ROE, NFCs, by Firm Size**

(In percent)



Source: NBM, IMF staff calculations.

Table 2. Moldova: Structure of the Financial System

	2020Q4				2025Q2			
	Number Of Institutions	Assets			Number Of Institutions	Assets		
		(in millions of MDL)	(in percent of GDP)	(in percent of financial system)		(in millions of MDL)	(in percent of GDP)	(in percent of financial system)
<b>Deposit Taking Institutions</b>	75	104,760	52.4	88.6	66	177,118	50.4	88.1
<b>Commercial Banks</b>	11	103,774	52.0	87.7	10	175,821	50.1	87.5
Domestic	3	37,046	18.5	31.3	2	69,109	19.7	34.4
Foreign-owned	8	66,728	33.4	56.4	8	106,712	30.4	53.1
<b>Category B SLAs</b>	64	986	0.5	0.8	56	1,297	0.4	0.6
<b>Non-Deposit Taking Institutions</b>	336	13,526	6.8	11.4	281	23,912	6.8	11.9
<b>Insurance Companies</b>	11	3,155	1.6	2.7	9	5,640	1.6	2.8
Domestic	9	1,489	0.7	1.3	7	3,221	0.9	1.6
Foreign-owned	2	1,666	0.8	1.4	2	2,419	0.7	1.2
<b>NBCOs</b>	154	10,179	5.1	8.6	129	18,134	5.2	9.0
<b>Category A SLAs</b>	164	129	0.06	0.1	138	86	0.02	0.0
<b>Investment Companies</b>	7	63	0.03	0.1	5	52	0.01	0.0
<b>Total Financial System</b>	411	118,286	59.2	100	347	201,030	57.3	100

Information as of March 2025.

**Table 3. Moldova: Selected Economic Indicators, 2022-2031 1/**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
				Proj.						
(Percent change, unless otherwise indicated)										
<b>Real Sector Indicators</b>										
Gross domestic product										
Real growth rate	-4.6	1.2	0.1	2.7	2.3	3.5	3.7	3.6	3.6	3.5
Domestic Demand	-2.5	-3.6	2.9	6.3	3.7	4.4	4.6	4.2	4.1	4.1
Consumption	-2.4	-1.3	1.6	3.5	3.2	3.2	3.4	3.3	3.2	3.2
Private	-5.0	-0.3	2.3	3.5	3.3	3.4	3.7	3.6	3.5	3.5
Public	10.7	-4.0	-3.6	3.3	2.6	2.6	1.6	1.5	1.5	1.5
Gross fixed capital formation	-10.5	0.0	8.0	20.2	10.2	9.1	9.2	7.5	7.5	7.5
Net Exports of goods and services	-5.2	18.9	-21.0	-20.6	-9.0	-7.9	-8.7	-6.8	-6.7	-7.9
Exports of goods and services	29.7	4.8	-5.4	2.3	8.8	7.6	7.8	8.6	8.5	8.6
Imports of goods and services	18.2	-5.1	5.2	10.5	8.9	7.7	8.2	7.8	7.7	8.3
Nominal GDP (billions of Moldovan lei)	274.5	303.6	323.8	354.5	379.9	413.6	451.0	491.6	535.5	583.0
Output Gap (percent of potential GDP)	-0.2	-0.8	-2.1	-1.1	-1.0	-0.4	0.0	0.0	0.0	0.0
Consumer price index (average)	28.7	13.4	4.7	7.8	5.0	5.0	5.0	5.0	5.0	5.0
Consumer price index (end of period)	30.2	4.2	7.0	6.8	4.9	5.0	5.0	5.0	5.0	5.0
GDP deflator	18.9	9.3	6.6	6.6	4.8	5.2	5.2	5.2	5.2	5.2
Average monthly wage (Moldovan lei)	10,531	12,355	14,095	15,575	16,725	18,150	19,725	21,425	23,275	23,275
Unemployment rate (annual average, percent)	3.1	4.6	4.0	4.0	3.8	3.6	3.5	3.5	3.5	3.5
(Percent of GDP)										
<b>Saving-Investment Balance</b>										
Foreign saving	17.2	11.3	16.6	19.3	19.6	19.2	18.6	17.5	16.5	16.2
National saving	10.1	8.7	4.6	5.3	5.8	7.1	8.8	10.7	12.0	12.6
Private	8.9	9.0	5.7	6.4	7.1	8.1	8.8	10.1	11.1	11.7
Public	1.2	-0.3	-1.1	-1.1	-1.3	-0.9	0.1	0.5	0.8	0.9
Gross investment	27.3	20.1	21.1	24.6	25.4	26.4	27.5	28.1	28.5	28.8
Private	22.6	16.0	17.8	21.3	21.7	22.4	23.0	23.4	23.9	24.4
Public	4.7	4.0	3.3	3.3	3.7	4.0	4.5	4.7	4.6	4.4
<b>Fiscal Indicators (General Government)</b>										
Current expenditure	32.8	34.9	34.9	36.2	36.8	36.6	35.6	35.1	34.8	34.7
Capital expenditure	3.8	3.9	3.1	3.1	3.6	4.0	4.4	4.7	4.5	4.3
Primary balance	-2.3	-4.4	-2.9	-2.7	-3.2	-3.1	-2.7	-2.4	-2.0	-1.7
Overall balance	-3.2	-5.1	-3.9	-3.9	-4.8	-4.8	-4.4	-4.2	-3.7	-3.5
Stock of public and publicly guaranteed debt	36.6	36.3	38.8	36.5	39.7	41.2	42.1	42.7	42.8	42.9
(Percent change, unless otherwise indicated)										
<b>Financial Indicators</b>										
Broad money (M3)	5.2	18.4	13.7	12.1	12.6	8.9	..	..	..	..
Velocity (GDP/end-period M3; ratio)	2.2	2.0	1.9	1.9	1.8	1.8	..	..	..	..
Reserve money	30.3	9.9	0.3	5.3	12.6	8.9	..	..	..	..
Credit to the economy	8.9	2.8	25.1	26.6	19.5	16.0	..	..	..	..
Credit to the economy, percent of GDP	23.4	21.8	25.5	29.5	32.9	35.1	..	..	..	..
(Millions of U.S. dollars, unless otherwise indicated)										
<b>External Sector Indicators</b>										
Current account balance	-2,500	-1,895	-3,013	-3,933	-4,260	-4,554	-4,811	-4,915	-5,067	-5,410
Current account balance (percent of GDP)	-17.2	-11.3	-16.6	-19.3	-19.6	-19.2	-18.6	-17.5	-16.5	-16.2
Remittances and compensation of employees (net)	1,519	1,561	1,405	1,345	1,426	1,512	1,604	1,693	1,777	1,866
Gross official reserves	4,474	5,453	5,484	6,006	6,222	6,624	6,924	6,945	6,895	6,828
Gross official reserves (months of imports)	5.5	6.3	5.4	5.4	5.2	5.1	5.0	4.7	4.3	4.0
Exchange rate (Moldovan lei per USD, period average)	18.9	18.2	17.8	17.4	..	..	..	..	..	..
Exchange rate (Moldovan lei per USD, end of period)	19.2	17.4	18.5	16.8	..	..	..	..	..	..
Real effective exch.rate (average, percent change)	7.2	10.7	4.1	1.4	..	..	..	..	..	..
External debt (percent of GDP) 2/	66.4	59.6	57.5	58.4	62.2	66.1	68.9	70.5	69.1	67.2
Debt service (percent of exports of goods and services) 2/	8.8	10.4	12.3	16.5	12.8	12.2	12.3	12.1	10.6	9.8

Sources: Moldovan authorities; and IMF staff estimates.

1/ Data exclude Transnistria.

2/ Includes private and public and publicly guaranteed debt.

**Table 4. Moldova: FSAP Macro Variables for the Baseline and Adverse Scenarios**

	Realized		Proj.			
	2022	2023	Y0=2024	Y1=2025	Y2=2026	Y3=2027
<b>GDP growth</b>						
Baseline	-4.6	1.2	-0.5	1.7	2.2	3.5
Adverse	-4.6	1.2	-0.5	-4.2	-6.8	-3.1
<b>Unemployment rate</b>						
Baseline	3.1	4.6	4.0	3.5	3.5	3.5
Adverse	3.1	4.6	4.0	5.9	9.1	10.1
<b>CPI inflation rate</b>						
Baseline	28.7	13.4	4.7	7.7	5.5	5.0
Adverse	28.7	13.4	4.7	18.0	17.3	4.5
<b>House price change</b>						
Baseline	11.1	3.1	17.9	7.1	0.0	0.0
Adverse	11.1	3.1	17.9	-20.0	-10.0	-5.0
<b>USD/MDL exchange rate change (+ means depreciation of the leu)</b>						
Baseline	6.9	-3.9	-2.0	0.0	-4.5	-4.4
Adverse	6.9	-3.9	-2.0	11.2	24.4	38.6
<b>Monetary policy base rate</b>						
Baseline	16.6	10.1	3.8	8.0	5.9	5.0
Adverse	16.6	10.1	3.8	14.0	15.0	5.9
<b>3-month Treasury bill rate</b>						
Baseline	15.6	8.1	2.2	6.9	4.8	3.9
Adverse	15.6	8.1	2.2	12.9	13.9	4.8
<b>1-year Treasury bill rate</b>						
Baseline	18.0	8.8	5.2	10.6	8.5	7.6
Adverse	18.0	8.8	5.2	16.6	17.6	8.5

Source: IMF staff estimates.

**Table 5. Moldova: Summary of IMF FSAP Stress Test Results**

	Banking system's total CAR	Banking system's leverage ratio	Number of undercapitalized banks (CAR<OCR)	Number of undercapitalized banks (leverage ratio<3%)	Capital shortfall with regard to OCR (as percent of GDP)
Before stress and initial capital adjustments	26.3%	12.5%	0	0	0
Before stress but after capital adjustments	26.3%	12.5%	0	0	0
Baseline scenario (end of 3rd year)	24.7%	11.4%	1	0	0
Adverse scenario (end of 3rd year)	19.6%	6.0%	4	2	0.6

Source: IMF staff calculations

## Appendix I. FSAP Update 2014: Status of Implementation of Main Recommendations

Recommendation	Responsible Parties	Time Frame	Priority	Implementation status
<b>Financial Stability Framework</b>				
Amend the LNBM and LNCFM, and other legislation as required, to provide NBM and NCFM with the ability to enforce supervisory and regulatory actions in a timely manner. [#41]	NBM, NCFM	ST	High	<p><b>Partially implemented</b></p> <p>According to article 139 paragraph (1) of the Law on the Activities of Bank (LAB), the NBM has the power to impose supervisory measures at an early stage to address relevant issues when: a) the bank does not meet the prudential minimum requirements; b) NBM has evidence that the bank is likely to breach the requirements within the following 12 months; or c) the continuity of activity and/or information security may be affected by the risks identified by NBM.</p> <p>The supervisory measures that the NBM shall apply to the bank are outlined in the regulation (art.139 paragraph (3) of LAB) and include requiring additional capital, the reinforcement of the arrangements, processes, mechanisms and strategies implemented by the bank, specific provisioning policy or treatment of assets, restriction or limit to the business – among others.</p> <p>Since the last FSAP, changes in LNBM, the LAB and the issuance of Guideline for Setting Fines represent improvements that facilitate implementation of fines and increase their quantity.</p> <p>Amendments to the LAB are anyway necessary to grant NBM equivalent powers for supervisory measures/sanctions/intervention over holdings as currently existent for banks.</p>
Establish a formal body e.g. a Council of National Regulators to conduct a system-wide financial stability assessment. [#37]	Financial regulatory authorities	MT	Medium	<p><b>Implemented</b></p> <p>Law No. 209/2018 created the NCFS, as the national macroprudential authority, responsible for coordinating the implementation of macroprudential policies and actions for preventing and addressing systemic financial crises.</p>
<b>Bank Governance</b>				
Re-evaluate bank shareholders to ensure disclosure of ultimate beneficial owners; and ensure continuous monitoring of owners and ultimate beneficial owners. [##9, 44]	NBM	ST	High	<p><b>Implemented</b></p> <p>An internal unit was created within the NBM in October 2015 for monitoring and evaluating the shareholders of domestic banks to enhance transparency.</p> <p>Between 2015-2019, the NBM allocated significant resources to minimize the risks of holding shares in banks by non-compliant persons or those who act in concert and hold qualified holdings without the prior approval of the NBM.</p> <p>These efforts resulted in tangible outcomes, with non-eligible stakeholders removed from the market and their associated shares divested. Banks are subject to several disclosure requirements for beneficial owners.</p>
Amend the LFI and the JSC Laws to enumerate the distinct roles of owners, board members, and senior management. [#11]	NBM, MoF	MT	High	<p><b>Implemented</b></p> <p>The JSC Law, broadly applicable to banks, enumerates the roles of shareholders. Distinct roles of board members, and senior management are set out in laws and regulations.</p>
Require that bank board directors sign attestations annually, affirming that the	NBM	MT	Medium	<p><b>Implemented</b></p> <p>The NBM established a comprehensive supervisory reporting framework encompassing the prudential requirements. The</p>

Recommendation	Responsible Parties	Time Frame	Priority	Implementation status
bank complies with all prudential requirements. [#13]				Board of each bank is responsible for overseeing the supervisory reporting process, ensuring compliance with minimum regulatory standards, and signing off reports. During on-site inspections, banks are also required to submit additional documentation, including a declaration from the bank's executive members affirming that all assets, liabilities, and off-balance sheet items are accurately represented in the balance sheet and FINREP reports.
<b>Banking Supervision</b>				
Amend the NBM Law to provide full legal protection and assistance to all NBM employees in case of lawsuits for actions in good faith. [#42]	NBM	ST	High	<b>Implemented</b> The Article 35 of the NBM Law was amended to ensure legal protection of NBM employees and provide for their legal assistance in case of lawsuits and for actions in good faith. Additionally, it was clarified that: (i) the NBM shall bear the costs related to legal proceedings initiated against its employees, (ii) legal protection covers former employees, (iii) the NBM can claim back the sums paid as compensation for damages and for the litigation costs upon a court's finding that the employee acted in bad faith.
Amend the NBM law to remove Ministry of Justice (MoJ) power to amend the content of regulations. [#41]	NBM	ST	Medium /High	<b>Implemented</b> Since the last FSAP, LNBM has been revised to remove MoJ's power to request the amendment of the content of regulations. Article of the LNBM stipulates that the NBM requests only an advisory opinion from the MoJ in the public consultation on its draft normative acts. Moreover, the provision for MoJ responsibility to register the normative acts of the NBM was repealed.
Progressively increase intensity of supervision and severity of corrective actions, including fines and restrictions, against banks in the case of persistent violation of laws and regulations. [#43]	NBM	MT	Medium	<b>Partially Implemented</b> Since 2018, the NBM has adopted a risk-based supervision approach. The combination of the SREP score and significance of the institutions determines the intensity of the oversight and the volume of supervisory activities. Overall, the intensity of the supervisory action improved over time even if the BCP review highlighted room for a more risk-based approach. Art. 141 of Law on the LAB outlines the sanctions and fines that can be applied to the supervised entities; members of the governing body and persons holding key positions and the bank's shareholders. Art. 142 stipulates the sanctions and fines depending on the gravity and the duration of the breach, the responsibility of the individuals or legal entities, any potential systemic consequences of the breach, previous breaches by the individual or legal entity, the level of cooperation of the individual or legal entity responsible for the breach with the NBM. NBM's Executive committee has approved the internal guideline for determining/ calculating the amount of the fine applied to supervised entities (Mach 2024).
Increase intensity of AML/CFT supervision of banks by performing more targeted, risk-based on-site inspections in key areas. [#46]	NBM	ST	Medium /High	<b>Partially implemented.</b> Several actions have been taken to effectively address the key recommendation, but more is needed in supervisory practices. The NBM approved an internal methodology on risk-based AML/CFT supervision in December, 2021 to implement MONEYVAL's recommendations.

Recommendation	Responsible Parties	Time Frame	Priority	Implementation status
				The NBM engaged in a project with the IMF, to increase its capacity on the AML risk-based supervision and started to identify and assess the related risks in the banking sector. NBM started to use the results of the banks' self-assessment of the AML/CFT risks for its supervisory activity which allows for a more tailored oversight. Additional improvements have also been achieved (including external AML/CFT audits, targeted onsite inspections, additional resourcing and training programs). Despite the improvements, the BCP assessment identified areas requiring attention (see table 1 recommendations).
<b>Crisis Resolution</b>				
Develop a comprehensive financial crisis resolution contingency plan, and identify necessary amendments to the legislation. [#62]	NCFS members	ST	High	<b>Partially implemented</b> The authorities have made several legislative amendments, mostly based on the recommendation of the 2021 FSSR. While the NCFS was established to coordinate the implementation of macroprudential policy, mitigate or eliminate risks threatening financial stability at the system level, and effectively manage systemic financial crises (Law no. 209/2018), the authorities have not prepared any national contingency plan.
Implement resolvability assessments, and recovery and resolution plans, for at least the systemically important financial institutions. [#61]	NCFS members	ST	High	<b>Implemented</b> Law on the recovery and resolution of banks was amended recently by Law no. 314/2024 . This law partially transposes the European Bank Recovery and Resolution Directive (Directive 2014/59/EU) and provides the NBM the power to require banks to prepare recovery plans and the NBM to prepare resolution plans and carry out resolvability assessments for all banks.
Develop a program of capacity-building on crisis resolution, including strengthened coordination arrangements. [#64]	NCFS members	ST	High	<b>Implemented</b> The NBM has established agreements with European Central Bank (2020), the National Bank of Romania (2021), and the Central Bank of Hungary (2020) to enhance recovery, resolution, reorganization, and bank liquidation processes, facilitating information exchange during crises. The NBM is finalizing a new cooperation agreement with the National Bank of Romania to improve information sharing in bank resolution. The NBM is involved in over a dozen cross-border agreements addressing systemic risk monitoring and overall financial stability.
<b>Deposit Insurance System</b>				
Clarify legislation to assure the DGF has earlier access to detailed depositor information and to allow it to verify such information on-site. [#69]	DGF, MoF	MT	Medium	<b>Implemented</b> Law no 160/2023 (Article 39) on bank deposit guarantee provides the DGF access to information on guaranteed deposits and provision of additional funding to DGF. The DGF is in process of drafting the secondary normative framework to implement Law no.160/2023.
Enhance funding by developing a target fund methodology; provide a line-of-credit to the DGF from the MoF; and include the NBM as an additional source of back-up funding for the DGF. [#67].	DGF, MoF, NBM	MT	Medium	<b>Partially implemented</b> The authorities don't have a specific methodology to assess the correct level of target funding, even though the law provides that the target level should be assessed every three years. While the law allows the MoF to provide funds in resolution, there is still no formal line of credit/MoU establishing the process.

Recommendation	Responsible Parties	Time Frame	Priority	Implementation status
<b>Insurance Supervision</b>				
Take forward implementation of a risk-based approach to insurance supervision. [#51]	NCFM	ST-MT	Medium	<b>NA</b> Insurance sector will be considered by the World Bank under the long-term finance workstream as institutional investors in capital markets. Insurance supervision is not covered in the financial stability module. Please find below the authorities' response: Law 92/2022 on insurance and reinsurance activity stipulates that supervision is based on a forward-looking, risk-based approach and covers the continuous monitoring of insurance or reinsurance activities and compliance with regulations and legislation. The Risk Assessment Framework for Insurance Undertakings was elaborated and approved in 2024, prioritizing the assessment of internal governance of insurance undertakings, underwriting risk and the coverage of technical provisions and minimum capital requirements.
Develop key elements of group supervision, particularly with agencies outside Moldova. [#52]	NCFM	ST	Medium	<b>NA</b> Please find below the authorities' response: According to Law 92/2022, the participating insurance or reinsurance company is required to ensure that the group continuously maintains own funds at least equal to the group's minimum capital requirement. Participating insurance or reinsurance companies and insurance holdings, mixed insurance holdings, or mixed financial holdings must calculate and provide the supervisory authority information about the group's solvency and own funds at least annually.
Complete the resolution regime by finalizing the arrangements for the compensation scheme. [#53]	NCFM	MT	Medium	<b>NA</b> Insurance sector will be considered by the World Bank under the long-term finance workstream as institutional investors in capital markets. Resolution of insurance firms will not be covered.
<b>Financial Market Infrastructure</b>				
Amend the LNCFM to provide the NCFM with all necessary regulatory and supervisory powers, and then consolidate the corporate securities registration function into an appropriately regulated and governed central securities depository. [#73]	NCFM	ST	High	<b>NA</b> This topic is not covered by the 2025 FSAP. Please find below the authorities' response. The joint-stock company "Central Securities Depository-CSD" was founded and registered on April 4, 2018. The Law no. 234/2016 regulates CSD's activity. In June 2017 Article 46 paragraph (1) of the Law on the CSD was amended to bring legislative acts into force. In August 2017, the NCFM developed and approved the Procedure for verifying data from the registers of securities holders related to financial institutions and insurance companies. Subsequently, information on the current shareholders of banks and insurance companies was requested from capital market participants. The NCFM has also developed terms of reference for contracting a service provider that will organize and carry out the entire public information campaign to verify the integrity of records regarding shareholders of banks and insurance companies.

Recommendation	Responsible Parties	Time Frame	Priority	Implementation status
<b>Insolvency and Creditor/Debtor Regime</b>				
Assign insolvency cases to designated members of the Court of Appeals who are specially trained in the management of insolvency cases. [#75]	Council of Magistracy, Supreme Court of Justice, MoJ	MT	Medium	<p><b>Partially implemented.</b></p> <p>According to the Code of Civil Procedure and the Insolvency Law, applications for the declaration of insolvency are examined by judges in accordance with their jurisdiction, and the court's decisions may be appealed. Within the Courts of Appeal, insolvency cases are adjudicated by judges from the civil law panels.</p> <p>Continuous training for judges in the field of insolvency is conducted through the platform of the National Institute of Justice.</p>

## Appendix II. Risk Assessment Matrix

Source of Risk	Relative Likelihood	Time Horizon	Impact if Realized
<p><b>Geopolitical Tensions.</b> Intensification of conflicts, coupled with the weakening of multilateralism, may trigger commodity price volatility, increase migration pressures, reignite inflation, and weigh on growth by undermining confidence, investment tourism, trade and supply chains.</p>	Medium	Short to Medium Term	<p><b>High</b></p> <ul style="list-style-type: none"> <li>Intensification of regional conflicts would entail a drop in external demand and an increase in commodities prices. These factors would disrupt Moldova's growth trajectory through trade, remittances, FDI, and worsen energy security.</li> <li>External shocks would be transmitted to the domestic economy and the financial system through fiscal stress, tightening of financing conditions, and the collateral valuation channel. This could translate into a general repricing of risk in the domestic financial system.</li> <li>Increasing uncertainty and lower confidence could lead to MDL depreciation, with implications for inflation, and, in the extreme, deposit runs.</li> </ul>
<p><b>Escalating Trade Measures and Prolonged Uncertainty.</b> Rising trade barriers or prolonged policy uncertainty could reduce trade, investment and growth. Inflationary pressures may re-emerge. These effects can be amplified by strategic complementarities or bottlenecks in global value chains or inventory overhang.</p>	High	Short to Medium Term	<p><b>High</b></p> <ul style="list-style-type: none"> <li>Trade policy uncertainty and higher trade barriers would reduce growth in trade partners, and lower demand for Moldova's exports, putting pressure on the current account and adversely affecting net exports, and corporate sector.</li> <li>For the banking sector, credit risk associated with their exposures to non-financial corporations would rise sharply.</li> <li>Trade barriers could also lead to supply disruptions, higher inflation, financial instability, and financing constraints for the government.</li> <li>Increasing uncertainty and lower confidence could lead to MDL depreciation, with implications for inflation, and, in the extreme, deposit runs.</li> </ul>
<p><b>Financial Market Volatility and Correction.</b> Stretched asset valuations, easy financial conditions, and subdued volatility in key markets could be significantly affected by a sudden and disruptive shift in investor sentiment or policy stance, triggering market corrections, exchange rate turbulence, spikes in sovereign bond yields, and capital flow volatility. Elevated leverage among NBFIs further amplifies these risks, as forced deleveraging during periods of stress could exacerbate asset price swings and propagate shocks. Rapid growth of unregulated crypto markets could add to these vulnerabilities by increasing the risk of redemption runs and market dislocations.</p>	Medium	Short to Medium Term	<p><b>Medium</b></p> <ul style="list-style-type: none"> <li>Tighter financing conditions would affect growth in trade partners, and lower demand for Moldova's exports, with negative implications for corporates, and their debt servicing capacity.</li> <li>The resulting recession and the deteriorated risk perception would affect real estate prices in Moldova, entail a decline in the collateral valuation used by borrowers, and erode household disposable income;</li> <li>Increasing uncertainty and lower confidence could lead to MDL depreciation, with implications for inflation, and, in the extreme, deposit runs. The government could face a tightening of financing constraints.</li> </ul>

Source of Risk	Relative Likelihood	Time Horizon	Impact if Realized
<p><b>Commodity price volatility.</b> Shifts in supply and demand—driven by geopolitical tensions and conflicts, OPEC+ actions, or the green transition — may fuel commodity price swings, intensifying external and fiscal pressures, social unrest, and macroeconomic instability.</p>	<b>High</b>	<b>Short term</b>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>• Sharper-than-anticipated increases in international energy prices, including due to supply disruptions, would raise the cost of energy imports, widen CA and put pressures on the budget to support vulnerable households.</li> <li>• Higher energy import prices would lead the NBM to react to inflationary tensions through a sharp rise in its policy rates but the transmission to deposit and lending rates would be imperfect given the stickiness of deposits and the share of fixed rate loans.</li> </ul>
<p><b>Real estate price corrections, worsening of the corporate balance sheets and spillovers from non-banks to banks,</b> resulting from shocks to the energy and agricultural sectors as well as exposures of corporate sector to Russia, Ukraine, and Belarus. <b>Note: As of October 2025.</b></p>	<b>Medium</b>	<b>Short term</b>	<p><b>High</b></p> <ul style="list-style-type: none"> <li>• A significant worsening of borrower balance sheets would lead to rising NPLs.</li> <li>• Spillovers from the non-bank sector could further exacerbate stress in financial institutions.</li> </ul>

## Appendix III. Stress Testing Matrix (STeM)

Domain		Assumptions
		Top-down by FSAP team
<b>Banking Sector: Solvency Stress Test</b>		
1. Institutional Perimeter	Institutions included	<ul style="list-style-type: none"> <li>11 banks</li> </ul>
	Market share	<ul style="list-style-type: none"> <li>100 percent of banking system assets.</li> </ul>
	Data source and starting date	<ul style="list-style-type: none"> <li>Data sources: Supervisory returns.</li> <li>Baseline date: balance sheets as of December 2024.</li> <li>Scope of consolidation: highest consolidation level in Moldova.</li> </ul>
2. Methodology	Overall framework	<ul style="list-style-type: none"> <li>FSAP team satellite models and methodologies</li> <li>Balance-sheet regulatory approach</li> <li>The losses for securities portfolios are based on duration approach for securities priced at fair value</li> </ul>
	Satellite models for macro- financial linkages	<ul style="list-style-type: none"> <li>Provisioning for standardized approach is modeled using IFRS9 transition matrix approach, and national asset classification framework.</li> <li>Satellite models for credit losses, funding costs, lending rates, fee and commission income and expenses</li> </ul>
	Stress test horizon	<ul style="list-style-type: none"> <li>3-years (2025-2027).</li> </ul>
	Assumptions	<ul style="list-style-type: none"> <li>A quasi-static approach followed for the banks' balance sheet size growth: balance sheet grows in line with nominal GDP, but with a floor set at 0 percent to prevent banks from deleveraging.</li> <li>Interest income from nonperforming loans is not accrued;</li> <li>Dividends are paid out by banks that remain adequately capitalized throughout the stress</li> </ul>
3. Type of analyses	Scenario analysis	<ul style="list-style-type: none"> <li>Two scenarios: <ul style="list-style-type: none"> <li>A baseline scenario based on the October 2025 WEO macroeconomic projections</li> <li>An adverse scenario that captures the key risks in the RAM. External assumptions are given by the Global Macro-Financial Model (GFM), a structural macro econometric model of the world economy, disaggregated into 40 national economies. Two main external downside shocks: the escalation of regional conflicts and a global slowdown, entailing a drop in external demand and increased commodity prices, aggravating domestic and external financing constraints and worsening energy security. As Moldova is not included into the GFM projections, two other models were used (Quantitative Integrated Policy Framework and Bayesian VAR).</li> </ul> </li> <li>The TD analysis covered three main sources of risk: macroeconomic risks (energy prices), disruption in external financing, particularly in remittances inflows, and domestic real estate market.</li> </ul>
	Sensitivity analysis	<ul style="list-style-type: none"> <li>Sensitivity analyses were conducted in the TD exercises, evaluating concentration risks. Concentration risk assessed with a separate assessment of individual bank exposures to their 10 largest borrowers, considered related party lending, the effect of exemptions (mostly exposures to the domestic sovereign) and the credit risk mitigation measures. Another sensitivity analysis was conducted to estimate the sensitivity of banks' credit risk to a drought through their loans to the agriculture sector.</li> </ul>
4. Risks and Buffers	Risks assessed	<ul style="list-style-type: none"> <li>Credit risk and sovereign risk.</li> <li>Interest rate risk in the banking book, compression of interest margins.</li> <li>P&amp;L impact of net open positions in market risk factors such as foreign exchange risks</li> </ul>
	Buffers	<ul style="list-style-type: none"> <li>Existing loan loss provisions and capital buffers.</li> <li>Internal capital generation (i.e., income after taxes).</li> <li>No new capital injections.</li> </ul>

Domain		Assumptions
		Top-down by FSAP team
5. Regulatory Standards	Regulatory Standards	<ul style="list-style-type: none"> <li>National regulatory framework: Pillar 2 requirements + capital buffers, minimum CAR of 10 percent;</li> <li>Basel 3 leverage ratio (minimum of 3 percent)</li> </ul>
6. Reporting Format for Results	Output presentation	<ul style="list-style-type: none"> <li>System-wide capital shortfall</li> <li>Number of banks and percentage of banking assets in the system that fall below OCR;</li> <li>Outputs also include information on impact of different result drivers, including profit components.</li> </ul>
<b>Banking Sector: Liquidity Stress Test</b>		
1. Institutional Perimeter	Institutions included	<ul style="list-style-type: none"> <li>11 banks</li> </ul>
	Market share	<ul style="list-style-type: none"> <li>100 percent of the banking system assets.</li> </ul>
	Data and Starting position	<ul style="list-style-type: none"> <li>Cut-off date: December 2024</li> <li>Data Source: supervisory data (LCR and Cash-flow Analysis template).</li> </ul>
2. Methodology	Overall framework	<ul style="list-style-type: none"> <li>Regulatory liquidity stress test. Evaluation of LCRs (30-day horizon).<sup>1</sup></li> <li>Cash-flow-based liquidity stress test. Evaluates the ability of banks to withstand a sequence of liquidity shocks in different maturity buckets (from 1 week to more than 180 days), incorporating contractual assumptions.</li> <li>Liquidity tests in USD, EUR and MDL.</li> </ul>
3. Type of analyses	Scenario analysis	<ul style="list-style-type: none"> <li>The run-off rates are calibrated to reflect scenarios of system-wide deposit runs and dry-up of unsecured wholesale and retail funding, following historical events, recent international experience in liquidity crisis and IMF expert judgment.</li> <li>The haircuts of HQLA are calibrated based on Basel regulations and past FSAPs. "Baseline" scenario: regulatory parameters as Basel III for LCR calculations.</li> <li>"Funding stress" scenario: higher deposit outflow rates are applied based on the empirical data collected from past deposit runs.</li> <li>"Market stress" scenario: higher haircuts on asset values (HQLA in the case of LCR analysis and counterbalancing capacity in the case of cash-flow based analysis) and lower coefficient on inflows.</li> <li>"Combined" scenario: combination of funding and market stresses. Having funding and market stress separately is helpful for decomposing the underlying driver of risk for banks' liquidity situation.</li> <li>Financial integrity scenario: a high-profile financial integrity breach in vulnerable banks leading to deposit outflows. Vulnerable banks are identified using NBM's annual supervisory ML/TF institutional risk assessments and ratings, focusing on ML/TF risk factors relevant to the scenario and selecting the banks classified as medium-high ML/TF risk or higher. As a result of the breach, the vulnerable bank would experience large deposit outflows from high-risk ML clients, and, informed by past work (), higher than the baseline deposit run-off rates for NBFIs and other wholesale depositors. The financial integrity breach would also lead to jurisdictional reputational damage and the country risk re-classification, resulting in contagion effects on other banks' liquidity, but with lower run-off rates as compared to the affected bank. In addition, the supervisory or law enforcement actions following the AML/CFT breach would negatively impact the liquidity inflows of the vulnerable bank from its nostro accounts (e.g., frozen assets or compliance scrutiny of transfers). For the purposes of this scenario high-profile risk event involves: (i) cross-border laundering in significant amounts, or (ii) with involvement of politically-exposed persons, or (iii) facilitating evasion of bilateral sanctions. The risk event could be</li> </ul>

<sup>1</sup> In the LCR calculation, required reserves are not included in HQLA. As of December 2024, required reserves would account for about 30 percent of total HQLA if they were included.

Domain		Assumptions
		Top-down by FSAP team
		triggered by domestic or foreign supervisory or law enforcement action, media or other disclosures.
4. Risks and Buffers	Risks	<ul style="list-style-type: none"> <li>Funding liquidity.</li> <li>Market liquidity.</li> </ul>
	Buffers	<ul style="list-style-type: none"> <li>The counterbalancing capacity, including liquidity obtained from markets and/or the central bank's facilities. Expected cash inflows are also included in the cash-flow based and LCR-based analysis.</li> </ul>
5. Regulatory Standards	Regulatory Standards	<ul style="list-style-type: none"> <li>Consistent with Basel III regulatory framework (LCR).</li> <li>Liquidity shortfall by bank.</li> </ul>
6. Reporting Format for Results	Output presentation	<ul style="list-style-type: none"> <li>Liquidity ratio or shortfall by individual banks and aggregated (system wide).</li> <li>Number of banks that still can meet or fail their obligations.</li> </ul>
<b>Corporate Stress Test</b>		
1. Institutional Perimeter	Entities included	<ul style="list-style-type: none"> <li>The coverage comprises all companies with available financials, including small, micro and medium-sized enterprises for descriptive statistics and all legal entities with outstanding loans from the banking system for the stress test exercise.</li> </ul>
	Data	<ul style="list-style-type: none"> <li>Statistical business registry provided by the National Bureau of Statistics, including balance sheets and profit and loss statements.</li> <li>NBM credit registry data</li> </ul>
	Time Horizon	<ul style="list-style-type: none"> <li>Corporate-level data in 2010-2023</li> <li>Credit register data at end-2024</li> </ul>
2. Methodology	Overall framework	<ul style="list-style-type: none"> <li>Solvency and indebtedness of companies is presented based on the four indicators (ROA, ROE, debt-to-assets and leverage).</li> <li>ICR at firm level is calculated based on credit register data at end-2024 and under distressed scenarios.</li> <li>Individual firms with ICR under stress below 1.5 are mapped to their lender banks, with the size of their outstanding loans indicating pressure points for individual banks.</li> </ul>
	Scenarios	<ul style="list-style-type: none"> <li>The analysis applies baseline and distressed scenarios comparable to those used in the bank solvency stress tests. The shocks include an increase in interests on debt, a drop in earnings and depreciation of MDL.</li> </ul>
3. Risks and Buffers	Risks	<ul style="list-style-type: none"> <li>Credit and liquidity risk.</li> </ul>
	Buffers	<ul style="list-style-type: none"> <li>EBIT (earnings before interest and taxes) and capital.</li> </ul>
4. Reporting Format for Results	Output presentation	<ul style="list-style-type: none"> <li>Median debt to total assets, median firm leverage, median ROA, median ROE. Exposures of banks to corporates with ICR &lt; 1 and ICR &lt; 1.5 at end-2024 and under stress scenario. Presented by economic sectors and lender banks, under baseline and distressed scenarios. Impact of stress scenario on banks' CAR.</li> </ul>
<b>Household Stress Test</b>		
1. Institutional Perimeter	Entities included	<ul style="list-style-type: none"> <li>The coverage comprises all individuals with outstanding loans at a cutoff date (end 2024).</li> <li>Sample of households included in the Household Budget Survey.</li> </ul>
	Data	<ul style="list-style-type: none"> <li>Household Budget Survey data provided by National Bureau of Statistics, covering information on household income, debt repayments.</li> <li>NBM credit registry data.</li> </ul>
	Time Horizon	<ul style="list-style-type: none"> <li>Household survey data for 2019-2024, along with credit registry data for end-2024.</li> </ul>
2. Methodology	Overall framework	<ul style="list-style-type: none"> <li>Capacity to repay under baseline and stress scenarios based on the DSTI ratio.</li> <li>Individuals with DSTI below critical thresholds are mapped to their lender banks, and the results used to inform the pressure points for individual banks.</li> </ul>

Domain		Assumptions
		Top-down by FSAP team
	Scenarios	<ul style="list-style-type: none"> <li>The shocks include an increase in interests on debt and drop in income (including due to drop in remittances).</li> </ul>
3. Risks and Buffers	Risks	<ul style="list-style-type: none"> <li>Credit and liquidity risk.</li> </ul>
	Buffers	<ul style="list-style-type: none"> <li>Income, including remittances.</li> </ul>
4. Reporting Format for Results	Output presentation	<ul style="list-style-type: none"> <li>Share of households with DSTI above 40 percent and 55 percent presented by lender banks, under baseline and distressed scenarios. Impact of stress scenario on banks' CAR.</li> </ul>
<b>Banking System: Interconnectedness Analysis</b>		
1. Institutional Perimeter	Institutions Included	<ul style="list-style-type: none"> <li>Interbank network: 11 banks.</li> <li>Cross-border contagion: country-pair bilateral exposure across the world</li> <li>Bank/non-bank network</li> </ul>
	Data	<ul style="list-style-type: none"> <li>Data source: Supervisory data on interbank exposures and on cross-border exposures.</li> <li>Cut-off date: December 2024.</li> </ul>
2. Methodology	Overall framework	<ul style="list-style-type: none"> <li>Interbank: Balance sheet-based interbank model by Covi et al. (2021).</li> </ul>
3. Risks and Buffers	Risks	<ul style="list-style-type: none"> <li>Credit (default of institutions can cause other institutions to default in turn) and funding (refusal of institutions to rollover funding can cause other institutions to sell assets or stop rolling over funding in turn) losses related to interbank exposures.</li> </ul>
	Buffers	<ul style="list-style-type: none"> <li>Interbank network: banks' own capital and liquidity buffers.</li> </ul>
4. Reporting of Results	Output presentation	<ul style="list-style-type: none"> <li>Interbank network: a network chart, index of vulnerabilities.</li> <li>Evolution and direction of spillovers.</li> </ul>

## Appendix IV. FSSR 2021: Status of Implementation of Recommendation<sup>1/</sup>

Recommendation	Time Frame <sup>2/</sup>	Team's assessment on the implementation status
<b>Financial Sector Oversight</b>		
Intensify insurance regulatory reform.	LT	<b>NA.</b> Insurance sector is not covered in 2025 FSAP. Characteristics and potential areas for reform are considered by the WB under the long-term finance workstream.
Enhance preparations for the transfer of regulatory responsibilities of insurance firms and NBCOs to the NBM.	MT	<b>Implemented.</b> The NBM took over the responsibilities of supervision, licensing, and regulation of insurance firms and NBCOs in July 2023.
Complete the outstanding banking sector regulatory reforms and enhance supervision.	MT	<b>Ongoing.</b> Several reforms have been successfully completed. Please see section on banking regulation and supervision and box 1 of the FSSA for reforms.
Develop cross-border supervision in both banking and insurance supervision.	MT	<b>Partially implemented.</b> The overall framework for cooperation in banking improved over time and at the time of the FSAP is broadly in line with international standards.
Strengthen the supervision of the NBCO sector.	MT	<b>NA.</b> NBCO sector is not covered in 2025 FSAP, but assessed by the development module (WB) from the access to finance point of view.
<b>Macroprudential Framework, Systemic Risk Assessment, and Stress Testing</b>		
Upgrade resources for monitoring financial stability risks by increasing staff in the NBM.	ST	<b>Implemented</b> The number of FSD staff was increased.
Implement borrower-based macroprudential tools.	MT	<b>Partially implemented.</b> Several borrower based tools have been introduced. See the FSSA for details.
Revise and improve the existing bank solvency and liquidity stress tests.	MT	<b>Implemented.</b> A Twining project helped develop a new solvency stress test. A new liquidity stress testing mechanism for banks has been developed (IMF TA).
<b>Financial Crisis Management and Safety Net</b>		
Strengthen the resolution preparedness of the NBM.	MT	<b>Partially implemented.</b> NBM put in place the guidance for resolution plans in 2024, but gaps exist. See the FSSA for details.
Adopt a revised Bank Liquidation law with a forced liquidation procedure.	MT	<b>Partially implemented.</b> Based on policy advice by IMF experts, the NBM has drafted a law on the forced liquidation of banks, still under NBM internal consultation.

<b>Recommendation</b>	<b>Time Frame*</b>	<b>Team's assessment on the implementation status</b>
Adopt a targeted review of the Bank Recovery and Resolution Law (BRRL) and/or secondary legislation.	MT	<b>Partially implemented.</b> Law no. 314/2024, amending the BRRL, entered into force in February 2025.
Develop tools for monitoring and estimating liquidity needs of banks for ELA and other supervisory purposes.	MT	<b>Partially Implemented</b> The liquidity stress testing framework will be included in the early warning system. The ECL model developed following IMF TA recommendations (March 2023) is still waiting for the finalization of the TA report for consultation process.
<b>Financial Inclusion</b>		
Develop and implement an overarching National Financial Inclusion Strategy (NFIS).	LT	<b>Partially implemented.</b> The NFIS is still at the development stage, under the assistance of the World Bank.
Implement strategies to develop inclusive financial products.	MT	<b>Partially implemented.</b> The authorities will consider these in the process of drafting the NFIS.
Conduct a comprehensive reform for financial consumer protection.	LT	<b>Not implemented.</b> The authorities reviewed the existing procedure, but the reform is yet to be conducted.
<b>Capital Markets Development</b>		
Settle a capital markets development strategy and strengthen the institutional framework.	MT	<b>Partially implemented.</b> The NCFM approved the National Strategy for capital market development 2025–2030 in October 2024, still to be approved by the Parliament.
Build regulatory and supervisory capacity by for investment companies and collective investment schemes.	MT	<b>NA.</b> This is not covered by the 2025 FSAP.
Introduce secondary trading of government and municipal bonds and introduce a strategy for encouraging collective investment schemes	LT	<b>Partially implemented.</b> This topic is referenced in the long-term finance workstream of the FSAP's Developmental Module (WB), focusing on the development of debt market.
<sup>1/</sup> This table summarizes recommendations from the Technical Assistance Roadmap which were assigned a high priority, among others. Recommendations are further ordered by priority of implementation. <sup>2/</sup> <b>Time frame: ST</b> , short-term, less than six months; <b>MT</b> , medium-term, with results around 18 months; <b>LT</b> , long-term, with results around 30 months.		

## Appendix V. Additional Stress Test Analysis

**1. A sensitivity analysis estimated the impact of a drought that would deteriorate the credit quality of loans to the agriculture sector.** It was assumed that the NPL ratio associated with loans to this sector would instantaneously double compared to the end-2024 level of 19.2 percent.<sup>1</sup> Moreover, all NPLs in this sector would go to the loss category, requiring a provisioning rate of 100 percent according to the national prudential framework. Taken in isolation, this sharp deterioration of the credit quality of the loan portfolio to the agriculture sector would entail a manageable decline in the total CAR of the banking sector by 1.1 percentage points and would cause no undercapitalization of any bank. If introduced into the adverse scenario, this additional shock would worsen the undercapitalization of four banks, but it should be noted that the deterioration of the loan portfolio to the agriculture sector is already factored in partly in the adverse scenario through the projected sharp increase in the NPL ratio for loans to non-financial corporations from 6.8 percent to 20.9 percent in 2027. Therefore, the two shocks would not be additive.

**2. Due to past cases of AML/CFT breaches that triggered financial instability, the FSAP conducted a liquidity stress test using a financial-integrity shock.** Vulnerable banks were identified using NBM's annual supervisory ML/TF institutional risk assessments and ratings, focusing on ML/TF risk factors relevant to the scenario and selecting the banks classified as medium-high ML/TF risk or higher. The largest impact stems from the loss of access to nostro accounts, which roughly halves the LCR ratios. One non-vulnerable bank would fall under the 100 percent LCR threshold if treated as vulnerable, given its inability to access its nostro account. The assumptions on the run-off rates are informed by past work<sup>2</sup> and AML/CFT breaches in Moldova. Appendix V. Table 1 presents the run-off rates.

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<sup>1</sup> The doubling of the NPL ratio is often assumed in FSAP stress tests as a sensitivity analysis.

<sup>2</sup> International Monetary Fund Nordic-Baltic Regional Technical Assistance Report- Financial Flows Analysis, AMLCFT Supervision, and Financial Stability as well as Latvia SIP 2019: Refocusing the Banking Sector—Financial Integrity and Stability Implications.

<b>Appendix V. Table 1. Moldova: Financial Integrity Scenario Assumptions</b>		
	Vulnerable bank (Full)	Other banks (contagion)
<b>Runoff rates on Outflows</b>		
Retail deposits		
<i>Non-high risk customers</i>	5%	5%
<i>High risk customers</i>	100%	60%
Wholesale deposits		
<i>Non-high risk customers</i>	20%	12%
<i>High risk customers</i>	80%	48%
<i>Non-bank financial institutions</i>	100%	60%
Secured funding backed by level 1 assets	0%	0%
Secured funding backed by level 2A assets	15%	15%
<b>Coefficients on Inflows</b>		
Inflows by retail counterparties	50%	50%
Inflows by nonfinancial wholesale counterparties	20%	50%
Inflows by financial institutions	0%	100%

## Appendix VI. Report on the Observance of Standard Codes (ROSC): Basel Core Principles for Effective Banking Supervision<sup>1</sup>

### A. Introduction

**1. This assessment of the implementation of the BCPs by the NBM is part of the FSAP undertaken by the IMF and the WB in 2025.** The BCP assessment mission took place between April 22 and May 13, 2025. It reflects the regulatory and supervisory framework in place as of the date of the completion of the assessment. It is not intended to represent an analysis of the state of the banking sector or crisis management framework, which are addressed in the broader FSAP exercise.

**2. This ROSC summarizes the findings and recommendations of the assessment.** An assessment of the effectiveness of banking supervision requires a review of the legal framework, and detailed examination of the policies and practices of the institutions responsible for banking regulation and supervision.

### B. Information and Methodology Used for Assessment

**3. The current assessment is based on the 2024 version of BCPs issued by the Basel Committee on Banking Supervision (BCBS; Box 1).**<sup>2</sup> In line with the BCP methodology, the assessment focused on banking supervision and regulation in Moldova and did not cover the specificities of regulation and supervision of other financial institutions.

**4. The team appreciated the very high quality of cooperation received from the NBM.** The authorities provided a BCP self-assessment, responses to additional questionnaires, and access to supervisory documents, files and staff.

**5. The standards were evaluated in the context of the Moldovan banking system's structure and complexity.** The BCP must be capable of application to a wide range of jurisdictions whose banking sectors will inevitably include a broad spectrum of banks. To accommodate this breadth of application, according to the methodology, a proportionate approach is adopted, both in terms of the expectations on supervisors for the discharge of their own functions and in terms of the standards that supervisors impose on banks. An assessment of a country against the BCP must, therefore, recognize that its supervisory practices should be commensurate with the complexity, interconnectedness, size, risk profile, and cross-border operations of the banks being supervised. The assessment considers the context in which the supervisory practices are applied. The concept of

<sup>1</sup> The assessment team comprised Marco Barzanti (IMF) and Fabiana Carvalho (WB) consultants.

<sup>2</sup> Basel Committee on Banking Supervision: Basel Core Principles for Effective Banking Supervision, April 2024: <https://www.bis.org/bcbs/publ/d573.pdf>.

proportionality underpins all assessment criteria. For these reasons, an assessment of one jurisdiction will not be directly comparable to that of another.

## C. Overview of the Institutional Setting and Market Structure

**6. The Moldovan financial sector size relative to GDP has been stable since 2020 and remains largely dominated by banks.** The banking sector is highly concentrated and primarily foreign owned. Two largest banks control more than half of all assets and deposits. Interconnections between banks and NBFIs do not appear material from a systemic perspective. Banks are domestically oriented and rely on a traditional business model. There are currently no banks in the banking sector that are part of a domestic financial conglomerate.

**7. Since July 2023, the NBM has been responsible for regulating and supervising insurance companies, NBCOs, SLAs, and credit registry bureaus.** Previously, the NBM was responsible only for banks, nonbank payment service providers, currency exchange units, and the Single Central Depository, while all the other institutions fell under the responsibility of the NCFM. The NCFM currently oversees financial services protection and capital markets and regulates and supervises investment companies, voluntary pension funds, and crowdfunding services providers.

**8. Moldova's banking system total CAR was 26.3 percent at the end 2024.** All banks comply with the total CAR requirement, which has a minimum threshold of 10 percent. They also meet additional supervisory requirements, including a CCB of 2.5 percent of total risk exposure, a SyRB<sup>3</sup> of 1 percent of total risk exposure located in Moldova, and a requirement for Other Systemically Important Institutions (O-SIIs), which ranges between 1.5 and 0.5 percent of total risk exposure. Currently, there are four systemically important banks. Additionally, banks must comply with the countercyclical buffer, which has been set at zero since its establishment in August 2018.<sup>4</sup> Except for the Pillar 2, all required capital must be constituted with primary quality capital. The leverage ratio stood at 11.9 percent but is not yet a minimum binding requirement.<sup>5</sup>

<sup>3</sup> The SyRB was introduced in the European legislation under the so called CRD IV directive in 2013 to allow the regulator the flexibility to use a capital instrument that could be applied to all or to a subset of banks with the goal to tackle systemic risks of a "long-term, non-cyclical nature". This directive was subsequently amended by the CRD V which modified the SyRB into a flexible capital tool that allows national regulators to target systemic risks within certain sectors or subsets of sectors.

<sup>4</sup> On July 31, 2025, the NBM approved the rate of 0.5 percent for countercyclical capital buffer to be enforced on January 31, 2026, to be followed by a further 1 percentage point increase effective May 2026. It had been set at zero since its establishment in August 2018.

<sup>5</sup> Regulation No. 176 dated July 31, 2025, introduced the framework for leverage requirements, transposing Part Seven of Regulation (EU) 575/2013 as amended by Regulation (EU) 2024/1623. The new provisions will enter into force on January 1, 2026. At the same time, item 130 of Regulation No. 109/2018 on own funds and capital requirements has been updated by setting the leverage ratio at 3 percent. As Regulation No. 176/2025 was approved after the conclusion of the BCP review, implementation could not be assessed.

## D. Preconditions for Effective Banking Supervision<sup>6</sup>

**9. IMF Technical Assistance Report on Country Governance Assessment (2021) provides recommendations to address aspects of judicial governance.** These recommendations focus on aspects most critical for removing channels of potential influence over judges and obstacles to autonomy. In addition, the Report mentions that alternative dispute resolution mechanisms in the form of mediation and arbitration (following UNCITRAL rules), are not considered to be effective in reducing judicial case load.<sup>7</sup>

**10. The capital market in Moldova is underdeveloped and constrained by challenging preconditions.** These include a shallow investor base, dominated by a concentrated banking sector, with only one life insurance company, no operational pension funds, high level of dollarization, low level of savings and limited financial literacy. The lack of institutional investors is the most critical demand-side constraint, limiting the capacity to absorb capital market instruments. Hence, institutional investor base development should be a key priority that could be sustained by the creation of public-private working groups.

**11. Corporate legislation in Moldova encompasses provisions addressing the mechanisms for dispute resolution.** Relevant regulations are outlined in the laws governing joint stock companies, insurance and reinsurance activities, bankruptcy, bank liquidation, consumer protection, and private property, among others.

**12. Accounting regulations are shaped by both National Accounting Standards (NAS) and IFRS.** NAS, developed by the MoF under the Law on Accounting and Financial Reporting no. 287/2017, are primarily used by SMEs and non-financial entities, offering simplified and locally adapted guidelines. In contrast, banks must adhere to the more complex IFRS, designed to meet the needs of investors and external markets.

**13. Moldova has an established framework for external auditors, governed by specific legislation.** Law No. 271/2017 on the audit of financial statements defines the legal framework for organizing audits, regulates the audit profession, ensures public oversight of auditors and audit entities, and specifies requirements for auditing public interest entities. The Public Audit Oversight Board serves as the supervisory body for all auditors and audit entities, as outlined in Article 36 of the law.

**14. Transparent information is provided by banks and the NBM to the public.** Banks disclose on their websites a wide range of information, including the information on economic and financial activity; on the provision of services and the provision of banking products; on bank governance; on the management framework and own funds and capital requirements.

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<sup>6</sup> For a description of the macro-economic framework, crisis management and resolution framework, please refer to the respective sections of the FSSA.

<sup>7</sup> IMF Technical Assistance Report-Country Governance Assessment (2021).

### Appendix VI. Box 1. Moldova: The 2024 Revised Core Principles

**The revised Core Principles (CPs) reflect regulatory and supervisory developments, structural changes in banking, and lessons learnt from FSAP assessments since the last revision in 2012.** The update took account of the lessons learned from: countries' implementation of the CPs as updated in 2012; the impact of, and policy responses to, the COVID-19 pandemic; and FSAP assessments completed since 2013. Several thematic topics also informed the revisions to the CPs, including evolving risk considerations related to: (i) financial risks; (ii) operational resilience, including cyber security risks; (iii) systemic risk and macroprudential supervision; (iv) risks from structural transformations driven by climate change and the digitalization of finance; (v) the sustained growth of nonbank financial intermediation; and (vi) evolving corporate governance and risk management practices, including sound risk culture and sustainable business models.

**There is a greater emphasis on systemic risk and sound risk management practices.** Supervisors continue to be required to assess the risk profile of the banks not only in terms of the risks they run and the efficacy of their risk management, but also the risks they pose to the banking and the financial systems. Expectations regarding supervisory assessment of risk have been raised to incorporate more clearly the analysis of banks' business models, and risks brought by the wider group, as well as considerations on how the macroeconomic environment, business trends, and the build-up and concentration of risk inside and outside the banking sector may affect the risk to which banks are exposed. Amendments were introduced to reinforce the need for group-wide approach to supervision, and requirements regarding operational risk and operational resilience have been significantly updated to ensure that banks are better able to withstand, adapt to and recover from severe operational risk-related events, such as pandemics, cyber incidents, technology failures and natural disasters.

**The revised BCP reinforce aspects that were already present in the previous methodology, highlighting their materiality for effective supervision.** In particular, the BCPs continue to emphasize the powers that supervisors should have to address safety and soundness concerns, and the expectation on the actual use of the powers, in a forward-looking approach through early action. This includes a heightened focus on powers and independence, and expectations concerning capacity for timely, consistent, and conclusive supervisory actions; adequacy of liquidity arrangements; and the interface between daily supervisory practices and crisis management measures. As a reflection of the enhanced expectations, 9 additional criteria have been upgraded to essential criteria.

**The BCP are universally applicable and accommodate a wide spectrum of banks and financial systems.** The revised standard reinforces the concept of proportionality, in terms of both the expectations on supervisors for the discharge of their functions and the complexity of standards that supervisors impose on banks, and standards emphasize that proportionality should not be understood as dilution of standards, but as maintaining stringency of approach through proportionate methods and ensuring appropriate responses to the global diversity of banks and banking systems.

## E. Main Findings

### Responsibility, Objectives, Powers, Independence, Accountability (CPs 1-2)

**15. The NBM is the banking supervisor, the resolution and the macroprudential authority.** NBM also regulates and supervises other financial institutions.<sup>8</sup> The LNBM states the NBM shall license, regulate and supervise banks in Moldova and branches in other states. The NBM has issued an ample set of regulations on prudential requirements. The NBM can also issue non-binding recommendations.

<sup>8</sup> As of July 1, 2023, the NBM has assumed certain responsibilities previously held by the National Commission for Financial Markets, in accordance with Law No. 178/2020. These responsibilities include the licensing, authorization, regulation, and supervision of insurers, reinsurers, insurance and/or reinsurance intermediaries, the National Bureau of Motor Vehicle Insurers of the Republic of Moldova, savings and loan associations, credit bureaus, and non-bank lending organizations.

**16. NBM's mandate has been strengthened since the last FSAP, but issues persist.** Since the last FSAP, the LNBM has been amended and the LAB enacted to strengthen the NBM's mandate. These legislative changes have enabled significant progress, including the prohibition of interference by MoJ in the NBM's regulatory powers; the enhancement of the NBM's supervisory authority; the replacement of NBM's secondary "competition" objective ("to promote a financial system based on market principles") with the financial system's stability objective and the explicit articulation of the objective of stability and viability of the banking system. However, LNBM states NBM's objectives of contributing to financial stability and supporting the general economic policy of the state as *pari passu* and, it is not clear when on the presence of a conflict which of the two objectives will prevail, which could be harmful to the safety and soundness of banks. Therefore, the safety and soundness of individual banks mandate might collide (for instance in the case of providing incentives to sectors/government projects, among others).

**17. Efforts to enhance governance have not yet reached completion and remain critical for fulfilling the NBM's mandate.** The reviews conducted under the past ECF and EFF have identified several areas for improvements concerning the autonomy and governance of the NBM – also in relation to the supervisory function – which have not yet been fully addressed. These include – among others – the need to introduce more checks and balances for the appointment and dismissal of members of the decision-making bodies, reduce the term of office of members of the Supervisory Board who are not also members of the Executive Board to 5 years, include in the LNBM additional provisions to ensure that members of decision-making bodies involved in a dismissal procedure can count on a fair legal process. A draft law has been proposed to resolve these points of concern; however, it has only received Cabinet approval and has yet to be passed by Parliament, leaving the issues unaddressed for the time being.<sup>9</sup>

**18. Internal regulation governing the operations of the Executive Committee permits the attendance of external parties and supervised entities at meetings, thereby potentially exposing the committee to external influence.** While recently this participation has been suspended, the internal procedures still allow for the possibility of this issue re-emerging in the future.

**19. During the process of amending the regulatory framework, there have been instances where modifications to the banking legislation were implemented without considering the technical advice provided by the NBM.** While the legislative process operates independently from the central bank's supervisory role, neglecting the technical opinion from the NBM could weaken its authority, compromise its oversight capabilities, and introduce risks to financial stability. As such, the NBM's opinions on financial matters should be discussed as part of the legislative process, and the reasons for not adopting them should be transparently disclosed.

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<sup>9</sup> It has passed the first reading by the Parliament on November 27, 2025.

**20. Resources allocated for both off-site and on-site supervision fall short of the targets set by the NBM, despite the availability of budgetary funds.** This limitation affects the volume of initiatives that can be undertaken, the coverage of risks, the specialization of resources, and the overall intrusiveness of supervisory activities. Due to these resource constraints, both divisions are unable to implement the planned sub-teams within the same organizational unit, as envisaged in the internal manuals. On-site Division provides horizontal advice within the Supervision Department, but the number of specialized resources allocated per risk type is limited.

**21. The supervisory function exhibits a limited use of delegation, with all key supervisory actions requiring approval from the Executive Committee or the Vice Governor responsible for Banking Supervision.** Enhancing the use of delegation has the potential to enhance the efficiency within the organization.

### **Ownership, Licensing, and Structure (CPs 4-7)**

**22. The list of permissible activities is clearly delineated, and the use of the term "bank" is protected, preventing unauthorized entities from misleading consumers and maintaining at the same time the integrity of the financial sector.** As the financial landscape evolves, NBFIs may gradually expand their operations, resulting in increasingly blurred boundaries between their activities and those of credit institutions. The NBM's recently expanded mandate on NBFIs enhances the monitoring of these developments but it remains essential to continue exercising the oversight functions, to ensure financial stability and mitigate risks.

**23. The licensing process is a regulatory provision that has not translated into actual supervisory actions, as there have been no applications for new licenses in more than a decade.** The legal framework for licensing is defined by a complex mix of regulations that incorporated over time elements of the EU framework and European Banking Authority's guidelines. Based on proportionality, the NBM could leverage elements of the existing supervisory framework (e.g., business model, capital, and liquidity assessments) to establish internal benchmarks and guidelines that would facilitate licensing processes, should new requests emerge.

**24. The NBM has made significant efforts to enhance the level of transparency in banks' structure, but continuous monitoring is warranted.** The law and regulation and the supervision on significant ownership have been strengthened since the last FSAP. Two significant changes were introduced: the reduction of the qualifying holdings threshold to 1 percent, which proved to be effective and reduced the possibility of circumvention of the Law and the NBM's pre-approval process; and the provision stipulating that, even if NBM's actions are deemed unlawful by a court, the resulting effects shall remain valid, with any material damages subject to compensation. However, rulings by courts highlighted in the last FSAP along with the existence of unresolved cases do not yet provide robust evidence of the integrity and full effectiveness of the legal framework governing the transfer of ownership. In addition, the NBM has improved the identification of ultimate beneficial owners and concerted activities. The recent use of a software ("ARIAS") for this purpose is a great achievement.

**25. The framework for major acquisitions requires a comprehensive review and enhancement.** The pre-approval of major acquisitions is not mandatory in several cases and the assessment criteria currently applied is not aligned with the standards set out in the BCPs. The supervisory process lacks thoroughness and does not fully incorporate if the acquisition exposes the bank or the financial system to undue risks; hinder effective supervision or effective implementation of corrective measures in the future or create resolution obstacles.

### **Methods of Ongoing Supervision (CPs 8-10)**

**26. The NBM employs a combination of on-site and off-site activities to assess the risk profile of supervised entities and the implications for financial stability.** Significant progress has been attained over time, resulting in noticeable enhancements in the quality of supervisory activities. However, certain areas require adjustments to increase the effectiveness of supervision.

**27. The frequency of on-site inspections, which occurs on average every 18 months, along with their generally broad scope, provides only sufficient coverage of risks.** Extraordinary circumstances (such as the COVID-19 pandemic and geopolitical tensions) led to the cancellation of certain onsite examinations in recent years, with impacts on the number of inspections.

**28. Off-site supervision should enhance its level of interaction and engagement with banks, which is still constrained by resource limitations.** While the SREP offers a detailed assessment of various risk profiles, the off-site division should facilitate more structured discussions with supervised entities on trends and risk levels to compensate for the relatively low frequency of on-site inspections, improving also documentation and traceability. This would foster a more robust and intrusive approach to interactions with supervised entities.

**29. The approach to horizontal reviews could be strengthened by adopting a unified methodology to examine similar issues across multiple banks.** This could involve defining common objectives for the review campaign, sharing internally the outcomes of the project instead of presenting results on a stand-alone basis, and—for example—publishing thematic reports with the summary of the main findings related to specific risk profiles.

**30. The follow-up of measures can be more clearly defined and made more effective,** thereby enhancing engagement from the off-site division. Currently, entities provide quarterly status updates and confirmations of implementation, including validation from internal audit. However, the demarcation between the roles of on-site and off-site divisions is often unclear. Some findings are resolved off-site, while others require on-site closure, which may extend the time needed for resolution. Findings could be differentiated based on their severity, which would enhance communication by clearly highlighting critical issues as opposed to others.

**31. There is scope for a more pronounced application of the risk-based approach.** At this stage some controls, also on credit risk, leverage provisions on compliance. Several analyses and monitoring reports are often descriptive with limited indications of the follow up initiatives. Overall, a greater use of expert judgement is encouraged.

**32. Quantitative aspects, including modeling and IT-related issues, should be addressed more comprehensively and would benefit from dedicated resources.** In some cases, internal manuals reference tools or provisions that have not been fully implemented. While these procedures outline target operating models, it is advisable to update them after years of application.

**33. SREP scores are predominantly concentrated at only two levels and do not utilize the full scale defined in the relevant methodology.** To improve the granularity of ratings and the differentiation of risk levels, it is advisable to incorporate qualifiers in the scoring system. While the SREP addresses the main risk factors, it does not sufficiently integrate yet AML/CFT. In terms of communication of the findings and outcomes of the supervisory action, the SREP process requires a review of its timeline to facilitate more timely and effective communication. The IT tools in use requires enhancement, as the entire process relies on basic solutions that do not adequately support the SREP and the follow-up on supervisory measures.

**34. Climate-related financial risks have not yet been incorporated into the prudential framework.** The related regulations or guidelines have not been developed yet but they are expected to be established as part of the Sustainable Finance Roadmap – a strategic document (approved in May 2024) for the NBM, financial institutions and other stakeholders to promote sustainable finance in the country.

**35. The stress test does not consistently provide useful insights from a supervisory perspective.** It generally assumes a favorable interest rate scenario and balance sheet growth determining in some cases post stress CAR higher than the baseline levels. The framework for identifying O-SIIs along with associated capital surcharges broadly aligns with international standards, however, it would benefit from further explanation on the thresholds used for designation.

**36. There is a lack of clarity on the failing of likely to fail threshold in the event of deterioration of the financial conditions of a supervised entity,** which could complicate the demarcation of responsibilities within the authority during a banking crisis. Ongoing efforts are being made also through the technical assistance provided by the WB, but the work has not reached the stage of completion.

**37. The NBM has established a comprehensive reporting framework that integrates COREP, FINREP, and local standards.** Overall, supervisory returns cover relevant risk categories and enable the NBM to assess compliance with minimum prudential requirements. However, despite the development, data quality remains an area that has not been fully addressed. The frequency and granularity of some reports, for example the ones on IRRBB, can be increased for a better alignment with international standards. The NBM should consider the rationalization of the reporting framework given the coexistence of multiple data sources.

## Corrective and Sanctioning Powers (CP11)

**38. Regulatory improvements enhanced effectiveness of sanctioning powers.** Since the last FSAP, changes in the LNBM, the LAB and the issuance of a Guideline for Setting Fines removed legal limitations and facilitated the imposition of sanctions. The NBM has implemented a process to classify findings in terms of severeness. The NBM has been able to impose fines both on banks and individuals, however due to the values imposed, fines on banks do not seem to have the same dissuasive effect as in individuals.

**39. Enhancing the follow-up process is expected to strengthen the effectiveness of the sanctioning mechanism.** Even though the NBM has been able to successively apply supervisory measures and sanctions, there is no system or formalized process to monitor supervisory measures, the actions implemented by banks and the correspondent closure of supervisory measures. Because the verification of fulfillment of supervisory measures might depend on on-site inspections, the closure of supervisory measures might take too long.

## Cooperation, Consolidation and Cross-Border Banking Supervision (CPs 3, 12-13)

**40. Significant improvements have been attained over time in terms of international and domestic cooperation as evidenced—for instance—by the participation in several Memorandum of Understanding and the establishment of the NCFS.** However, the interaction with foreign authorities remains generally limited and considering the significance of foreign banks in Moldova, it is recommended that the NBM adopts a more proactive approach in engaging with home authorities.

**41. The current market structure has not yet generated scenarios where the consolidated dimension has become relevant.** However, the NBM has not developed a framework for assessing the structure of the banking groups in which domestic firms are operating and to become familiar with all the material activities (including non-banking activities) conducted by entities in the wider group, whether domestic or cross-border.

## Corporate Governance and Internal Control and Audit (CPs 14, 26)

**42. Corporate governance has been under the scrutiny of the NBM.** The NBM performs a comprehensive documentation analysis and engages with banks' management bodies in different occasions. However, the approval process of board members, management and key persons is lengthy when compared to other jurisdictions, deserving the implementation of additional strategies such as disclosure of submission errors and requiring succession plans to expedite the assessment of fit and proper requirements.

**43. Corporate governance regulation is very detailed and comprehensive, however minor deviations persist.** Regulation does not require bank's board to maintain succession plans. Having such a requirement is important for risk management purposes and might even alleviate the pressure on the approval process. In addition, regulation on compensation practices do not require

the inclusion of claw back and malus arrangements and deferral of variable compensation clauses, as required under the Financial Stability Board (FSB) Principles on Sound Compensation Practices.<sup>10</sup>

**44. Internal control functions independence might be undermined.** Even though regulatory requirements are clear in terms of responsibilities, powers and independence, the regulation does not clearly require banks to have head of compliance, which is required in the BCBS document “Compliance and the compliance function in banks.”<sup>11</sup> The NBM has been active in requiring adjustments to organizational structures, however, issues related to subordination and reporting that undermine independence of internal control functions might persist. Enhanced supervisory scrutiny of internal controls is necessary to enable a more in-depth and qualitative assessment.

### Capital (CP 16)

**45. While Basel standards apply to internationally active banks, the NBM has indicated a commitment to converge towards Basel III, as evidenced by the communications directed toward the banking system.** Some elements of the whole framework are divergent from the Basel principles. Examples are: (i) the small-medium-enterprise support factor; (ii) the leverage ratio not yet considered as a minimum binding requirement at the time of the FSAP;<sup>12</sup> (iii) weighting factors for mortgages that, while being conservative, do not incorporate the LTV differentiation introduced with Basel III standards; (iv) in a specific instance, non-deduction from the CET1 of investments in financial companies despite being requested by the regulatory provision. Overall, the divergences outlined above do not have a significant impact on the capital ratio, particularly in light of the elevated levels reported by the banks. They represent anyway an item of attention from a compliance perspective, also considering the number of divergences.

**46. The outcomes of the SREP process (i.e., the SREP score) do not directly translate into capital requirements, which are primarily impacted by Pillar 2 considerations.** This could lead to the risk that prescribed capital requirements do not fully align with or fully reflect the risk profile of the institutions.

**47. Risk management regulatory framework is comprehensive but does not cover risks that materialize over longer time horizons.** There is no provision on the need to assess risks that could materialize over longer time horizons, such as climate and digitalization. Under the Sustainable Finance Roadmap, the NBM considers adopting a regulation requiring financial institutions to manage environmental (including climate) and social risks. In addition, there is no

<sup>10</sup> FSB Principles on Sound Compensation Practices (2009) [https://www.fsb.org/uploads/r\\_090925c.pdf](https://www.fsb.org/uploads/r_090925c.pdf)

<sup>11</sup> Compliance and the compliance function in banks (2005) <https://www.bis.org/publ/bcbs113.pdf>

<sup>12</sup> Regulation No. 176 dated July 31, 2025, introduced the framework for leverage requirements, transposing Part Seven of Regulation (EU) 575/2013 as amended by Regulation (EU) 2024/1623. The new provisions entered into force on January 1, 2026. At the same time, item 130 of Regulation No. 109/2018 on own funds and capital requirements has been updated by setting the leverage ratio at 3 percent. As Regulation No. 176/2025 was approved after the conclusion of the BCP review, implementation could not be assessed.

requirement that larger and more complex banks have a Chief Risk Officer, nor that country and transfer risk are considered in the stress test.

**48. Internal capital planning (ICAAP), internal liquidity planning (ILAAP), business continuity planning and recovery planning are required from all banks.** These documents/processes represent an important source of information to the NBM and improve risk management practices. The NBM has different questionnaires, provisions in the regulations and guidelines on requirements and procedures to assess the documents/processes. Improvements are part of an ongoing process in which supervisory efforts have been actively engaged.

### **Credit Risk, Problem Exposures, Provisions and Reserves (CP 17, 18)**

**49. The credit risk profile has shown improvements over the past years, thanks also to an increased supervisory action.** Considering materiality, credit risk is the area that receives the most focus during on-site inspections.

**50. Overall, the regulatory framework for credit risk provides guidance to supervised entities on credit risk management practices.** The coexistence of accounting and prudential standards serves as a backstop against the risk of under-provisioning. While it is acknowledged that accounting-related issues fall outside the scope of the NBM's mandate, provisioning has significant implications for the overall risk profile of institutions and requires further consideration. The NBM has not engaged in supervisory activities related to accounting provisioning and it is recommended to gain deeper insights into the framework, assess risks, and ensure conservativeness, especially considering the implications on prudential requirements (i.e. deductions from capital). Such activities would require specific skills that are currently unavailable.

**51. The frequency and depth of supervision on credit risk are impacted by resource constraints.** Inspections rely on reviews of credit files, which can lead to requests for additional provisioning in line with best practices. However, reclassifications are sometimes triggered automatically through compliance checks and, similarly to other risk types, a more intrusive and risk-based approach is recommended. The regulation outlines detailed expectations for supervised entities, which are subsequently translated into internal manuals and supervision procedures. Not all provisions are consistently followed up with the same level of detail and some controls defined by the authority need to be fully implemented. Regarding supervisory output, while the most relevant risk dimensions are covered, some analyses remain descriptive and lack clear action points. Other risk areas within credit can benefit from further monitoring and discussion with the supervised entities.

### **Concentration Risk and Large Exposure Limits, Transactions with Related Parties, Country and Transfer Risks (CP 19, 20, 21)**

**52. The NBM has established different regulatory concentration limits for: single-borrowers and group of connected counterparties, loans provided to 10 largest clients and foreign-exchange exposure.** The limit to single-borrower and group of connected counterparties

is 15 percent of total capital, which would be equivalent to 20 percent Tier 1. The exposure for 10 largest clients shall not exceed 30 percent of the total amount of the bank's loan portfolio. Bank's exposure to foreign exchange for individuals shall not exceed 30 percent of total capital or 10 percent when mortgages are excluded from the sum of exposures. Internal limits should also be set for industry, economic sector, counterparties, currencies, sources of funding, among others.

**53. While a strong regulatory framework for related parties has been established, further refinement is necessary to ensure its adequacy and effectiveness.** All the transactions to related parties need to receive prior approval from the board (if above 1 million lei) or from the bank's executive board (if below 1 million lei), with a few exceptions not related to credit exposures. Regulatory limits for related parties have been established both in individual (10 percent of eligible capital) and aggregate terms (20 percent of eligible capital). However, there is no requirement that the write-off of related party exposures is subject to prior approval. There may be an opportunity in the ARIAS software to expand the system's functionality beyond ownership assessment to also support the identification of related parties.

**54. The NBM has made significant efforts to identify connected counterparties and related parties.** Supervisory actions were enforced, and banks have adjusted their assessment of connected counterparties and related parties. Since these aspects should be subject to continuous monitoring, to enhance the efficiency of these efforts, NBM could use its system ("ARIA") by integrating additional sources of information related to economic interdependence and expanding the system's functionality beyond ownership assessment.

**55. Country and transfer risk supervision is not intrusive.** Although the NBM has established a comprehensive regulatory framework, both banks and the NBM lack a thorough understanding of its practical implementation. However, some banks have developed specific policies on country and transfer risk, including internal limits, and the NBM has imposed minimum provisioning requirements for these risks. While the NBM collects relevant data through various reports, the absence of a consolidated, aggregate report limits the comprehensiveness of the information and hinders a full understanding of the risk.

### **Market Risk, Interest Rate Risk in the Banking Book (CP 22, 23)**

**56. Supervision of market risk mainly focuses on verifying compliance with limits on foreign exposure.** The NBM has issued regulation on the calculation of RWAs for market risk and limits to open currency positions and concentration risk related to foreign exchange. Market risk represents less than 1 percent of the RWA, which is mainly related to foreign exchange risk. Considering the immateriality of the risk, the predominance of foreign exchange open positions (there are no derivatives) among transactions subject to market risk, and the existing limitations on foreign exchange exposures, current supervisory practices are deemed acceptable for the current environment, even though an increase in the intrusiveness of off-site supervision is desired. The NBM should maintain continuous monitoring to ensure that changes in market conditions are promptly reflected in enhancements to the supervisory process.

**57. The assessment of the IRRBB has become more robust over time, driven by a growing number of supervisory activities.** Despite these improvements, there is the need to gain a deeper understanding of the metrics submitted by banks and the related modeling choices, also considering how these elements impact capital requirements. Reporting standards also require upgrades as they are largely based on the local framework that lacks relevant details and granularity. In this context, more structured and frequent information should be collected on the earning perspective—net interest income for which data is provided only on an annual basis for SREP purposes at the request of the NBM and outside the standard reporting framework and instructions. The NBM should also develop a more robust framework for monitoring government bond holdings within banks' portfolios.

### **Liquidity Risk, Operational Risk (CP 24,25)**

**58. Supervisory practices on liquidity risk have the potential to be strengthened.** Liquidity risk has not been assessed on-site since years (except once), under the assumption that liquidity was abundant in the market and key risk indicators reported by banks were elevated. Despite favorable liquidity conditions and elevated regulatory ratio, there is the need to have deeper insight on the risk profile and control arrangements, also through targeted on-site reviews. The availability of specialists on liquidity is limited and there is potential to assess some areas with greater detail, for example intraday. Operational requirements for the eligibility of HQLA, such as for example the monetization of assets, are not tested. The LCR by currency requires more structured monitoring and the ILAAP assessment does not yield specific outputs beyond the determination of the risk score.

**59. Regulation has been recently updated to cover operational resilience, but gaps persist.** Among others,<sup>13</sup> there is no supervisory requirement for banks (i) to have a tolerance for disruption, in their risk appetite, to their critical operations and (ii) to continuously improve their incident response and recovery plans by incorporating the lessons learnt from previous incidents (although both are required in regulation). Resource limits constraint enhancing the supervision.

**60. Recent improvements in operational risk and operational resilience regulation have not been fully reflected in supervisory practices.** The SREP methodology has not yet been updated to incorporate the recent provisions included in the regulatory framework, in particular Regulation 29/2025. The on-site supervisory manual has not been updated either.

**61. Enhancements in the supervision of operational risk and operational resilience are significantly constrained by the limited availability of resources.** On-site operational risk inspections are rare (only 4 in the last 5 years and only 1 O-SII has been inspected on-site). The exception is ICT risks which have been assessed on almost all on-site inspections by experts from an ICT/Business continuity division. However, there are only 4 experts in this division who must also

<sup>13</sup> Please refer to the BCBS "Principles for Operational Resilience" (2021) and additional reference documents in CP 25.

supervise all institutions under the remit of NBM. Evolving supervision, as required in this CP, represents an unprecedented challenge.

### **Internal Control and Audit, Financial Reporting and External Audit (CP 27,28)**

**62. The internal control mechanisms and the organization of internal control functions are in line with CP 27.** Regulation 322/2018 stipulates that all banks should have internal control functions which include a risk management function, a compliance function and an internal audit function. However, risk management function and compliance function may be combined and even though the internal control function heads must report directly to the board, the regulation does not clearly require banks to have a head of compliance, which is required under the BCBS document “Compliance and the compliance function in banks (2005)”.

**63. Internal control is assessed both during the SREP and on-site inspections. However, depending on the scope of the on-site inspections, internal control might not be fully assessed.** Files provided to the assessors show that deficiencies related to internal control governance and reporting, meeting minutes and lack of independence were addressed through supervisory actions. Supervisors were able to identify issues with heads of internal control independence, but issues might still persist. Having regular on-site inspections that fully cover internal control functions would improve intrusiveness.

**64. All banks prepare financial statements in accordance with IFRS and audited in accordance with International Auditing Standards (ISA).** The financial statements should be audited by an external audit. The bank’s management body and board are responsible for compliance with provisions on financial reporting. NBM does not have a structured procedure to verify valuation processes and determine whether banks document any significant differences between the valuations used for financial reporting purposes and for regulatory purposes.

**65. Regulation requires banks to disclose a comprehensive set of quantitative and qualitative information.** Disclosure requirements are aligned with BCPs. The NBM reviews the banks’ websites to ensure that information is properly disclosed, quarterly.

### **Abuse of Financial Services (CP 29)**

**66. The regulatory framework for prevention of money laundering and the financing of terrorism is comprehensive.** The NBM is the supervisory authority for banks regarding the prevention and combating of money laundering and terrorist financing and the Office for Prevention and Combating of Money Laundering may also conduct monitoring and supervision by all designated reporting entities, including banks. Regulation framework imposes different obligations to banks, covering the requirements in the BCP.

**67. Supervision is not risk-based and it is severely constrained by the lack of human resources.** Currently, there are 16 staff members involved in AML/CFT. There are no specialized units within AML/CFT Division, which is also responsible for performing supervisory, regulatory and

monitoring activities for the whole financial system. Due to the constraints, complex inspections in banks which are more comprehensive are not frequent and supervision is not intrusive.

**68. Appendix VI. Table 1 below provides a set of recommended actions to improve compliance with the Basel Core Principles and the effectiveness of regulatory and supervisory frameworks. Appendix VI. Table 2. presents a summary of the compliance with the BCPs.**

<b>Appendix VI. Table 1. Moldova: Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks</b>	
<b>Reference Principle</b>	<b>Recommended Action</b>
Principle 1	Amend the LNBM to clarify the policy objectives' hierarchy to ensure that the safety and soundness of banks and the banking system is senior to supporting the government economic policy.
Principle 2	<p>Finalize ECF and EFF program reforms to strengthen central bank governance by introducing more checks and balances for appointing and dismissing decision-makers, limiting the term of Supervisory Board members who are not also in the Executive Board to 5 years, and amending in the LNBM provisions to ensure fair legal dismissal processes.</p> <p>Amend the internal operational regulation to preclude participation of supervised institutions to the Executive Committee meetings when there could be potential conflict of interest.</p> <p>Establish the formal procedure that the NBM's technical opinion be presented to the Parliament when a bill within the NBM's field of competence is introduced.</p> <p>Improve delegation within supervisory function.</p> <p>Adopt initiatives to address resource constraints.</p>
Principle 3	<p>Adopt a more proactive approach in engaging with home authorities and enhance outreach within the framework of international cooperation and MoUs in place.</p> <p>Promote information sharing through more frequent exchanges on supervisory risk assessments and plans.</p>
Principle 4	While the expanded mandate of the NBM regarding non-bank financial institutions enhances the monitoring of these developments, continue to exercise the oversight functions, to ensure financial stability and mitigate risks.
Principle 5	Based on proportionality, develop guidance, internal benchmarks or cooperation between departments to process licensing application, if any.
Principle 6	<p>Closely monitor judicial rulings concerning the transfer of ownership to assess whether further amendments to the LAB are warranted, and enhance engagement with the courts to promote understanding of the rationale behind NBM's decisions regarding ownership transfers.</p> <p>Continue to improve NBM's systems for monitoring banks' ownership to further empower supervision.</p>

**Appendix VI. Table 1. Moldova: Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks**  
(Continued)

Principle 7	<p>Amend the LAB and correspondent regulation on major acquisitions to provision that:</p> <ol style="list-style-type: none"> <li>1) the approval thresholds for financial companies consider the eligible capital of the acquiring bank;</li> <li>2) the criteria to approve acquisition consider, among other aspects, if the bank has from the outset, adequate, managerial and organizational resources to manage the acquisition and if new acquisitions and investments in financial entities in Moldova will: <ol style="list-style-type: none"> <li>a. expose the bank or the financial system to undue risks;</li> <li>b. hinder effective supervision or effective implementation of corrective measures in the future; and</li> <li>c. increase thoroughness of approval process related to risks imposed; effective supervision and resolution obstacles.</li> </ol> </li> </ol>
Principle 8	<p>Ensure a more pronounced implementation of the Risk-Based Supervision, making full use of the SREP scores and levels of intensity foreseen in the respective methodological frameworks to further increase differentiation in the risk levels and supervisory actions.</p> <p>Consider the introduction of qualifiers in the SREP scoring system for greater granularity and differentiation across banks.</p> <p>Provide more detailed justification regarding the threshold applied in the O-SII designation.</p> <p>Finalize efforts for the determination of the FOLTF threshold for a more defined allocation of responsibilities within the NBM in case of a banking crisis.</p> <p>Incorporate climate-related risks in the supervisory framework.</p>
Principle 9	<p>Rebalance activities between on and off-site supervision; increase frequency of on-site inspections and engagement off-site, including documentation and traceability.</p> <p>Leverage existing supervisory activities to develop horizontal reviews.</p> <p>Improve follow-up of supervisory measures with more defined demarcation between on- and off-site supervision.</p> <p>Calibrate follow up initiatives based on the severity of the finding.</p> <p>Reduce time for closure of the measures by empowering off-site division.</p> <p>Introduce a distinction of findings based on severity.</p> <p>Develop capacity on quantitative aspects, including modeling and IT-related issues. More pronounced use of risk-based supervision by further incorporating critical challenge and continuing reducing reliance on a descriptive approach.</p> <p>Improve IT solutions for supervision.</p> <p>Review stress test framework for more insightful output.</p>
Principle 10	<p>Adopt initiatives to improve data quality and develop better understanding of the metrics reported by banks.</p> <p>Improve some reporting standards (for instance IRRBB) and consider rationalization of the reporting framework.</p>
Principle 11	<p>Implement process and system for following-up remedial plans and closing supervisory measure.</p>

<b>Appendix VI. Table 1. Moldova: Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks</b> (Continued)	
	<p>Enhance engagement during off-site supervision to improve follow-up of remedial plans.</p> <p>Revisit fine values for banks to enhance dissuasive effect.</p>
Principle 12	Develop a framework to assess operations of the wider group and implications for local subsidiaries.
Principle 13	Adopt a more proactive engagement with home authorities on the basis of the MOUs and develop cross-border crisis cooperation.
Principle 14	<p>Implement strategies such as disclosure of submission errors and requiring succession plans to expedite the assessment of fit and proper requirements.</p> <p>Amend the Corporate Governance regulation to:</p> <ol style="list-style-type: none"> <li>1) require bank's board to maintain succession plans;</li> <li>2) to mandate that compensation practices include claw back, malus arrangements and deferral of variable compensation as required under the FSB principles; and</li> <li>3) to establish a cap for term renewals of board members.</li> </ol>
Principle 15	<p>Require banks to consider risks that could materialize over longer time horizons, in particular, climate and digitalization.</p> <p>Require systemically important banks to have a CRO.</p> <p>Include explicitly country and transfer risk in stress test regulation and in stress test supervisory assessment.</p> <p>Continue improving stress testing regarding the scope of stress scenarios; the incorporation of extreme events and reverse stress testing.</p>
Principle 16	<p>Having committed for compliance with the Basel framework, address divergences from the Basel framework to ensure compliance with international standards (including addressing the SME support factor, the introduction of more risk sensitive risk weighting factors for mortgages differentiated by LTV while preserving conservativeness, the finalization of the work on the leverage ratio to become a minimum binding requirement, ensuring full applications on deductions from CET1).</p> <p>Fully integrate the outcomes of the SREP process (i.e., the SREP score) into capital requirements to comprehensively reflect the institution's overall risk profile.</p> <p>In the process of transposition of foreign regulation, adapt solutions that are commensurate to the business model and complexity of the local market.</p>
Principle 17	
Principle 18	<p>Develop insights on IFRS9 and quantitative elements on the difference between accounting and prudential provisioning.</p> <p>Ensure that internal provisions and supervisory manuals are consistently followed up and fully implemented.</p>

<b>Appendix VI. Table 1. Moldova: Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks</b> (Continued)	
	<p>Improve intrusiveness of supervision (some analyses leverage compliance provisions; they remain descriptive and lack clear action points). Ensure benefiting from further monitoring and discussion with the supervised entities on selected risk areas.</p> <p>Enhance a more pronounced use of expert judgment.</p>
Principle 19	<p>Having committed for compliance with the Basel framework, amend regulation to remove deviations from Basel III large exposures definition such as referring to Tier 1 instead of eligible capital or trading book exception even if not material.</p> <p>Improve NBM's system ('ARIAS') for a more accurate identification of connected counterparties and economic interdependence resulting, overall, in a more comprehensive calculation of the large exposures</p>
Principle 20	<p>Amend regulation to require that the write-off of related party exposures exceeding specified amounts or otherwise posing special risks are subject to prior approval by the bank's board.</p> <p>Improve NBM's system (ARIAS) to allow use for related parties purposes.</p>
Principle 21	<p>Improve reporting so that supervisors can easily have an aggregate figure for country and transfer risk per country that takes into account all types of exposures.</p> <p>Enhance supervisory assessment, with the help of a comprehensive and aggregated report, in guaranteeing that country and transfer risk exposures are adequately calculated and within internal limits.</p>
Principle 22	<p>Amend regulation to align trading and banking book boundary with BCBS framework (RBC25).</p> <p>Enhance intrusiveness of off-site supervision.</p>
Principle 23	<p>Develop insights on the metrics reported by banks. Improve supervisory reporting with higher frequency and granularity for both EVE and NII.</p> <p>Enhance monitoring of sovereign exposures.</p>
Principle 24	<p>Assess liquidity risk also from an on-site perspective. Increase the number of specialists on liquidity risk. Ensure coverage of the areas in which liquidity risk manifest, including intraday and LCR operational requirements. More structured follow up and assessment of the liquidity risk associated to foreign currencies. Make full use of the ILAAP assessment and translate it into actual outcomes as part of the SREP.</p>
Principle 25	<p>Amend regulation to cover all requirements in the CP.</p> <p>Reflect recent improvements in regulation in supervisory practices</p>

**Appendix VI. Table 1. Moldova: Recommended Actions to Improve Compliance with the Basel Core Principles and the Effectiveness of Regulatory and Supervisory Frameworks (Concluded)**

	<p>Improve human resources to perform ICT supervision and business continuity.</p> <p>Enhance supervisory engagement on operational risk</p> <p>Adjust disruptions reporting to include processes/persons/infrastructure types of incidents.</p> <p>Use communication system for reporting incidents.</p>
Principle 26	<p>Amend the regulation to segregate compliance and risk management functions.</p> <p>Review reporting/subordination of internal control functions.</p> <p>Ensure more frequent in-depth qualitative assessment of internal controls.</p>
Principle 27	<p>Develop supervisory expertise to perform valuation assessments and engage more with external auditors for that purpose.</p>
Principle 28	
Principle 29	<p>Improve human resources and segregate functions.</p> <p>Finalize the approval process for the RBS methodology, as well as the incorporate the evaluation results into the RBS process.</p> <p>Develop a rating system for banks.</p> <p>Develop process/guidelines to classify findings according to severity</p> <p>Implement a standardized follow-up process.</p> <p>Develop a system to follow up supervisory measures.</p> <p>Engage with banks to provide supervisory view on banks' self-assessment.</p> <p>Enhance document sampling process.</p> <p>Update manuals.</p> <p>Improve quarterly reporting.</p> <p>Request information on clients rejected from banks for AML reasons.</p> <p>Exchange information with FIU on watchlist, PEP.</p>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**

<b>Core Principle</b>	<b>Comments</b>
1. Responsibilities, objectives and powers	<p>Since the last FSAP LNBM has been amended and the LAB enacted to strengthen NBM's mandate. These legislative changes have enabled significant progress, including the prohibition of interference by MoJ in the NBM's regulatory powers; the enhancement of the NBM's supervisory authority; the replacement of NBM's secondary "competition" objective ("to promote a financial system based on market principles") with the financial system's stability objective and the explicit articulation of the objective of stability and viability of the banking system. However, issues remain.</p>

<b>Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles</b> (Continued)	
	<ul style="list-style-type: none"> <li>• NBM's objectives of contributing to financial stability and supporting the general economic policy of the State stated in the LNBM are <i>pari passu</i> and, therefore, the safe and soundness of individual banks mandate might collide (for instance in the case of providing incentives to sectors/government projects, among others).</li> <li>• LNBM should be amended to clearly state that financial stability objective is the secondary objective and senior to supporting the general economic policy of the State, which should be the tertiary objective.</li> <li>• The LAB should be revised to clearly affirm that NBM's powers and functions pursues the safe and soundness of individual banks (microprudential supervision) in addition to the stability of the banking system as a whole (macroprudential supervision).</li> <li>• The NBM's powers for supervisory measures/sanctions/intervention for bank holding companies is insufficient, even though, there is no bank holding company currently operation in Moldova.</li> </ul>
2. Independence, accountability, resourcing and legal protection for supervisors	<p>Significant improvements have been achieved over time through amendments to laws and regulations governing the NBM.</p> <p>Since the last FSAP, the NBM's governance has been enhanced through the establishment of collegial decision-making bodies. Legal protection has been reinforced and the employee code of conduct strengthened, which now prohibits holding of equity shares in supervised entities.</p> <p>However, shortcomings exist:</p> <ul style="list-style-type: none"> <li>• The actions recommended by the past Extended Credit Facility and Extended Fund Facility programs have not been completed.</li> <li>• External participations in the Executive Committee meeting can undermine independence.</li> <li>• Approval of laws on financial regulation without consideration of the technical advice of the NBM might create risks for financial stability.</li> <li>• Regulation does not clarify the number of possible renewals for the Executive and Supervisory Board members.</li> <li>• Supervisory priorities and strategies could provide more details.</li> <li>• Resources are below target level.</li> </ul>

<b>Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles</b> (Continued)	
3. Cooperation and collaboration	<p>The overall framework for cooperation is comprehensive and broadly in line with essential criteria, encompassing information exchange both domestically and with foreign authorities. International cooperation with foreign authorities needs improvements by means of a more proactive approach in engaging with home supervisors under the existing MoUs.</p>
4. Permissible activities	<p>Permissible activities for banks are outlined in the legislation, and the use of the term “bank” is also clearly defined. Only banks regulated by the NBM can refer to themselves using the term “bank” and related terms. Deposit-taking is largely, but not entirely, confined to banks. The NBM does maintain a list of banks on its public website.</p>
5. Licensing criteria	<p>Overall, the legal framework for licensing is characterized by a complex mix of regulations. It operates on the premise that the criteria for licensing are closely linked to those used for assessing qualifying holdings, it incorporated over time elements of the EU framework and EBA guidelines. The regulatory framework for licensing did not translate into any form of high level internal guidance. Benchmarks or an operational procedure to process applications (if any) are not available.</p>
6. Transfer of significant ownership	<p>The law and the regulation on significant ownership and controlling interest have been strengthened since the last FSAP. Two significant changes were introduced: the reduction of the qualifying holdings threshold to 1 percent, which proved effective in minimizing the risk of circumvention of the law and the pre-approval process within the NBM; and the provision stipulating that, even if NBM’s actions are deemed unlawful by a court, the resulting effects shall remain valid, with any material damages subject to compensation. Questionable rulings by courts highlighted in the last FSAP along with the existence of unresolved cases do not yet provide robust evidence of the integrity and full effectiveness of the legal framework governing the transfer of ownership.</p>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

7. Major acquisitions	<p>The LAB and regulation 113/2022 on qualifying holdings of banks regulate major acquisition. There are shortcomings in the framework.</p> <ul style="list-style-type: none"> <li>• According to the regulation, pre-approval of major acquisitions is not mandatory in several situations, the criteria for pre-approval and its supervisory process fall short from what this CP requires, including the assessment criteria currently applied.</li> <li>• Approval process does not fully consider matters related to risks imposed; effective supervision or resolution obstacles.</li> <li>• Supervisors assess compliance to the provisions of the law focusing on the fit and proper requirements among the criteria mentioned in the regulation. The remaining criteria do not receive the same attention.</li> <li>• For acquisition of holdings of other domestic financial entities, it depends on the type of entity being acquired because the regulation has been built from the perspective of the institution being acquired (transfer of ownership perspective), to the detriment of the perspective of the bank making the acquisition.</li> <li>• There is no sufficient assessment if new acquisitions and investments in financial entities in Moldova will expose the bank to undue risks or hinder effective supervision or effective implementation of corrective measures in the future or if the bank has from the outset, adequate, managerial and organizational resources to manage the acquisition/investment, which hinders the compliance to this CP.</li> </ul>
8. Supervisory approach	<p>The NBM employs a combination of on-site and off-site activities to evaluate the risk profile of supervised entities and the implications for financial stability and there has been a significant progress since the last FSAP.</p> <p>The overall framework leverages a risk-based approach that has delivered significant benefits over time. The framework still has room for further enhancements.</p> <ul style="list-style-type: none"> <li>• SREP scores and levels of intensity are not making full use of the scales foreseen in the respective methodological frameworks and predominantly concentrated in two categories; room for a more pronounced application of the risk-based approach to further increase differentiation across banks.</li> </ul>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

	<ul style="list-style-type: none"> <li>• It would be useful to enhance transparency on the rationale for the determination of the thresholds for O-SII designation.</li> <li>• The NBM should incorporate climate related financial risks into the supervisory framework.</li> <li>• Works for the determination of the FOLTF threshold not finalized.</li> </ul>
9. Supervisory techniques and tools	<p>The NBM employs a diverse array of techniques and tools to execute its supervisory approach, which encompasses both off-site and on-site controls. Regulations outline the requirements for supervised entities, while internal manuals detail the expected controls and methodologies from a supervisory perspective.</p> <p>Significant progress has been attained over time, resulting in noticeable enhancements in the quality of supervisory activities. However, certain areas require adjustments to promote a more risk-based approach and increase the effectiveness of supervisory actions, more specifically in the following:</p> <ul style="list-style-type: none"> <li>• Increasing frequency of on-site inspections</li> <li>• Potential for higher engagement of off-site supervision with supervised entities.</li> <li>• Approach to horizontal reviews requires improvements.</li> <li>• More structured follow-up of supervisory measures. Findings do not differentiate in terms of severity.</li> <li>• Certain provisions outlined in the internal manuals have not been fully implemented.</li> <li>• Quantitative aspects, including modeling and IT-related issues, should be addressed more comprehensively.</li> <li>• IT solutions in place are not sufficient.</li> <li>• Review stress test framework for more insightful output.</li> <li>• The SREP timeline has occasionally experienced delays.</li> </ul>
10. Supervisory reporting	<p>The NBM has established a comprehensive reporting framework that integrates COREP, FINREP, and additional standards defined at local level and not transposing the EU framework.</p> <p>Overall, supervisory returns cover relevant risk categories and enable the NBM to enhance compliance with minimum prudential requirements.</p> <p>The following are areas for improvement:</p> <ul style="list-style-type: none"> <li>• Need to finalize improvements in data quality currently under development.</li> <li>• Need to improve some reporting standards.</li> <li>• Reporting standards for climate are not available.</li> </ul>

<b>Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles</b> (Continued)	
	<ul style="list-style-type: none"> <li>• Assessment of fair value estimations under development.</li> </ul>
11. Corrective and sanctioning powers of supervisors	<p>NBM has different tools to address supervisory concerns.</p> <p>As defined in the LAB, NBM can issue recommendations, supervisory measures and sanctions and penalties.</p> <p>Depending on its assessment of the seriousness, scope, duration, consequences, and nature of detected shortcomings, the NBM may take one or more measures.</p> <p>There are areas for further improvement:</p> <ul style="list-style-type: none"> <li>• There is no formalized process or system for following-up remedial plans and closing supervisory measures</li> <li>• Follow-up of remedial plans dependent on on-site inspections that might not be that frequent</li> <li>• Fines values for banks are small when compared to individuals</li> </ul>
12. Consolidated supervision	<p>Overall, the regulatory framework and internal procedures for supervision incorporate the concept of consolidated supervision.</p> <p>This approach is designed to ensure that the assessment of banks takes into account the interconnectedness of entities within a group.</p> <p>However, the current market structure has not yet generated scenarios where the consolidated dimension has become relevant.</p> <p>There is no framework to assess operations of the wider group and implications for local subsidiaries.</p>
13. Home-host relationships	<p>Regulatory provisions require that the NBM collaborate with other competent authorities in cross-border supervision. This cooperation is founded on agreements signed between the NBM and the relevant authorities from the home state (MOUs), which have significantly increased over time.</p> <p>While the regulatory framework promotes international cooperation, the NBM's involvement in this filed has been limited as evidenced from its participation in only one college of supervisors in an observer capacity and its interactions with other authorities.</p> <p>There is a need for a more proactive engagement with home authorities on the basis of the MOUs. The development of cross-border crisis cooperation is still in its early stages and requires further attention</p>
14. Corporate governance	<p>Rules related to bank corporate governance are provided in the Law on Banks and relevant regulations. Supervisory files provided to the assessors indicate that governance is regularly assessed both during on-site and off-site supervision.</p>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

	<p>There are areas for improvement:</p> <ul style="list-style-type: none"> <li>• The approval process of board members, management and key persons is quite lengthy.</li> <li>• Board members renew their terms several times if there is no finding from supervision, reducing the opportunity to regularly renew board membership to refresh skills and independence.</li> <li>• There is no regulatory requirement for the bank's board to maintain succession plans nor that compensation practices include claw back or malus arrangements and deferral of variable compensation as required under the FSB principles.</li> </ul>
15. Risk management process	<p>Rules related to bank risk management are provided mainly in the LAB and Regulation 322/2018 on Banking Activity Management Framework. Regulation broadly complies with the requirements in this CP, but gaps exist.</p> <ul style="list-style-type: none"> <li>• There is no requirement that banks consider risks that could materialize over longer time horizons, in particular, climate and digitalization</li> <li>• There is no requirement that systemically important banks have CRO</li> <li>• Despite improvements in stress testing, certain gaps persist:             <ol style="list-style-type: none"> <li>1) regarding the scope of stress scenarios;</li> <li>2) the incorporation of extreme events, and reverse stress testing; and</li> <li>3) Country and transfer risk are not explicitly included in stress test regulation and not assessed by supervision.</li> </ol> </li> </ul>
16. Capital adequacy	<p>Capital requirements are based on the Basel III framework but divergences exist. The regulatory framework fully integrates capital buffers, including the Capital Conservation Buffer, Countercyclical Capital Buffer, O-SII Buffer, and Systemic Risk Buffer. There are divergences from the Basel framework in relation to: i) use of the SME support factor, not in line with Basel III provisions; ii) unbinding leverage ratio; iii) weighting factor mortgages not in line with Basel III despite being conservative; iv) deduction investments financial companies.</p> <p>The outcomes of the SREP process (i.e., the SREP score) do not significantly influence capital requirements, which are predominantly impacted by Pillar 2 considerations.</p> <p>Adoption of international standards should be proportionate to the complexity and business model of the local market.</p>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

17. Credit risk	The credit risk profile has shown improvements over the past years, also in relation to supervisory action. Overall, the regulatory framework provides guidance to supervised entities on credit risk management practices.
18. Problem assets, provisions, and reserves	Supervised entities classify and provision credit exposures in accordance with IFRS9, which is subject to the annual review of the external auditors. Concurrently, banks are also required to apply prudential criteria for classification and provisioning of their credit exposures. From a supervisory perspective the NBM has invested considerable resources into credit risk assessment. Reclassifications are triggered automatically through compliance checks and, similarly to other risk types, a more intrusive and risk-based approach is recommended. However, not all provisions are consistently followed up with the same level of detail and some controls defined by the authority need to be fully implemented. Model related issues are not addressed, also in relation to the difference between IFRS9 and prudential provisioning. Some analyses remain descriptive and lack clear action points. Some risk areas within credit can benefit from further monitoring and discussion with the supervised entities.
19. Concentration risk and large exposure limits	The general framework for concentration risk is developed in Regulation 322/2018 (Title V, Chapter II Risk management, Section 8 Concentration Risk, items 309-313). In addition, Regulation 109/2019 establishes limits for concentration risk, the 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. There are regulatory deviations from the Basel III large exposure framework (calculation of the limit and non-material exceptions). There is an opportunity to leverage existing information for a more accurate calculation of the large exposures.
20. Transactions with related parties	Article 3 of the LAB and item 2 of Regulation 240/2013 establish an extensive and detailed definition of related parties. There is no requirement that the write-off of related party exposures exceeding specified amounts or otherwise posing special risks are subject to prior approval by the bank's board.

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

	<p>There may be an opportunity in the ARIAS software to expand the system's functionality beyond ownership assessment to also support the identification of related parties.</p>
21. Country and transfer risks	<p>Regulation 322/2018 defines country and transfer risk and mandates banks that have cross-border and foreign currency exposures, including cash, placements, correspondent accounts, investments, loans and other assets (on and off the balance sheet), as well as external financing sources, to develop and implement the country risk and conversion risk policy according to the requirements set in the regulation. The regulation also imposes the ultimate risk-based approach by mandating that valuation procedures determine the possibility of risk reassignment (e.g. due to guarantees).</p> <p>The country/transfer risk exposure is mitigated by provisions of Regulation 231/2011 on assets and conditional commitments classification.</p> <p>However, files provided to the assessors show that country and transfer risks are not thoroughly evaluated during the SREP or during onsite supervisions. In addition, the concepts of counterparty risk and country risk are used as substitutes on different occasions such as SREP and information reports.</p> <p>Despite being required under the regulation, it is not clear that banks and supervisors take the ultimate risk-based perspective into account. I Reporting is insufficient.</p>
22. Market risk	<p>Market risk is not a relevant risk in Moldova. It represents less than 1 percent of the RWA for the banking system, in which no bank holds a significant share of the RWA, and almost all risk is due to foreign exchange risk and banks only hold plain vanilla instruments (and no derivatives).</p> <p>Market risk is regulated in the LAB, Regulation 322/2018 and Regulation 114/2018 regarding the treatment of market risk according to the standardized approach.</p> <p>The following gaps exist:</p> <ul style="list-style-type: none"> <li>• Trading and banking book boundary is not in line with Basel Framework (RBC25).</li> <li>• There is no expertise in supervision department on market risk.</li> <li>• Off-site supervision of market risk is not intrusive.</li> <li>• Considering the immateriality of the risk, no market risk on-site inspection has been carried out in the last 5 years.</li> </ul>
23. Interest rate risk in the banking book	<p>Overall, the framework for IRRBB establishes clear expectations for the industry across all relevant areas.</p>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

	<p>In 2024, a series of on-site inspections focused on IRRBB significantly contributed to the risk assessment process. These inspections helped to identify areas where banks could enhance their risk management practices and provided valuable insights into their operations.</p> <p>However, there are areas for improvement, particularly in gaining a deeper understanding of the metrics submitted by banks and the modeling choices they employ, also considering how these elements may impact capital requirements.</p> <p>Following the initiatives in 2024, supervision should devote less resources to compliance checks and move towards a risk-based based approach to get a deeper insight into risk levels.</p> <p>Reporting standards require improvements as – at this stage—they are largely based on the local framework that lacks relevant details and granularity.</p> <p>Monitoring of sovereign exposures should be enhanced.</p>
24. Liquidity risk	<p>Overall, the regulatory references provide a comprehensive framework for assessing liquidity risk. The SREP methodology, on-site manuals, and regulatory reporting are applied by the NBM to evaluate the overall liquidity risk profile of banks. There is only one on-site inspection on liquidity. The availability of specialists on liquidity is limited. The risk assessment in some areas, such as intraday, can be further developed.</p> <p>The LCR by currency requires more structured monitoring and the ILAAP assessment does not yield specific outputs beyond the determination of the risk score.</p>
25. Operational risk and operational resilience	<p>Rules related to operational risk and operational resilience are provided in the LAB, Regulation 322/2018, Regulation 113/2018 on the treatment of banks' operational risk according to the Basic Indicator Approach and the Standardized Approach and Regulation 47/2018 on minimum requirements for banks' information and communication systems, Regulation 29/2025 minimum requirements for risk management related to information and communications technology, information security and business continuity and Regulation 46/2020 on the outsourcing of bank activities and operations.</p> <p>However, even though the regulation covers several requirements stated in this CP, it does not cover all, and there are areas for improvement:</p> <ul style="list-style-type: none"> <li>• Business continuity policy be approved by the board;</li> </ul>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Continued)

	<ul style="list-style-type: none"> <li>• Lessons learnt from previous incidents from sources other than ICT be incorporated in the incident response and recovery plans; and</li> <li>• Tolerance for disruption be included in bank's risk appetite.</li> <li>• Recent improvements in regulation are not fully reflected in supervisory practices.</li> <li>• Human resources are inadequate.</li> <li>• There should be more frequent on-site inspections.</li> <li>• Disruptions reports cover only ICT incidents.</li> <li>• No system for reporting incidents.</li> </ul>
26. Internal control and audit	<p>Regulation 322/2018 – Title IV stipulates the internal control mechanisms and the organization of internal control functions in line with the requirements in this CP.</p> <p>According to item 172 of Regulation 322/2018, all banks should have internal control functions which include a risk management function, a compliance function and an internal audit function. However, risk management function and compliance function may be combined and even though the internal control function heads must report directly to the board, there is no clear requirement that banks have a head of compliance, which is required under the BCBS document "Compliance and the compliance function in banks (2005)".</p> <p>Reporting/subordination of internal control functions might undermine independence.</p> <p>Infrequent in-depth qualitative assessment of internal controls.</p>
27. Financial reporting and external audit	<p>Financial reporting and external audit are regulated by the LAB, Law 287/2017 on accounting and financial reporting and Regulation 118/2018 on financial statements and audit for other purposes.</p> <p>However, supervision does not verify valuation practices and there is a lack of supervisory expertise to perform such assessments.</p>
28. Disclosure and transparency	<p>Disclosure and transparency are regulated by the LAB and Regulation 158/2020 providing a comprehensive set of quantitative and qualitative information as required in this CP.</p> <p>As part of the annual Supervisory examination program, NBM reviews the bank's websites to ensure that information is properly disclosed, quarterly.</p>
29. Abuse of financial services	<p>There have been significant improvements in the AML/CFT framework, both in terms of regulation and supervisory practices, but gaps exist:</p> <ul style="list-style-type: none"> <li>• There are insufficient human resources with no segregation of functions.</li> </ul>

**Appendix VI. Table 2. Moldova: Summary of Compliance with the Basel Core Principles**  
(Concluded)

	<ul style="list-style-type: none"> <li>• Supervision is not intrusive.</li> <li>• Currently, NBM has no formalized risk-based AML supervision in place.</li> <li>• There is no rating system for banks.</li> <li>• There is no process/guideline to classify findings according to severity.</li> <li>• There is no standardized follow-up process.</li> <li>• There is no system to follow-up supervisory measures.</li> <li>• Information on supervisory review of banks' self-assessment is only conveyed in case of supervisory measure.</li> <li>• Sampling process is not documented.</li> <li>• Manuals are not updated.</li> <li>• Quarterly report is not risk-based and lack information on banks' policies and processes.</li> </ul>
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## F. Authorities' Response to the Assessment

**69. The NBM welcomes the IMF's comprehensive assessment of the NBM's adherence to the BCPs for effective banking supervision.** The NBM appreciates the significant effort and professional expertise invested by the IMF team in conducting this thorough and detailed evaluation. While the NBM broadly concurs with most of the findings and recommendations, we firmly disagree with certain key assessments, which in our view, do not accurately reflect the current state of regulatory and supervisory practices in Moldova. We believe that a more nuanced understanding of the local context and recent reforms is essential to ensure a balanced and accurate evaluation. Nonetheless, we regard this assessment as a valuable tool for further strengthening the national regulatory framework and supervisory practices, and we remain committed to constructive dialogue and continuous improvement.

**70. The NBM notes that the BCP Assessment does not sufficiently reflect the substantial progress achieved since the previous BCP Assessment, carried out in 2014 which led to underestimation of compliance levels, particularly for Basel Core Principles 1 and 2.** Thus, we note that several of the IMF's earlier recommendations have been fully implemented with a view to ensuring compliance with BCP1 and BCP2.

**71. Particularly, regarding BCP1,** (i) draft normative acts of the NBM are no longer subject to legal expertise from the MoJ; (ii) the NBM supervisory powers had been significantly strengthened following the adoption of a new Banking Law in 2017; (iii) the NBM's secondary "competition" objective ("to promote a financial system based on market principles") was replaced with the financial system's stability objective; (iv) the objective of bank regulation and supervision ("safety and soundness of banks", in line with BCPs) was clearly stated in the law.

**72. With reference to BCP2,** (i) the right of ministers responsible for economic and financial affairs to participate in the meetings of the Executive Committee and the Supervisory Board was excluded from the law, (ii) the rules regarding legal protection were strengthened; (iii) members of the management bodies and staff of the National Bank were prohibited from holding shares in the capital of supervised entities.

**73. Since the last BCP Detailed Assessment in 2014, the NBM has implemented numerous improvements to its banking regulation and supervision frameworks.** A major milestone was achieved in 2017 with the adoption of Law no. 202/2017 on the activity of banks, effective as of January 1, 2018, which aligned Moldovan banking legislation with Basel III requirements and partially transposed the CRD IV/CRR package.

**74. Following the enactment of Law no. 202/2017, the NBM has approved a comprehensive package of secondary legislation addressing various regulatory areas, including licensing, internal governance, risk treatment and management, ICAAP, ILAAP, own funds, capital buffers, large exposures, LCR, net stable funding ratio, SREP, and COREP reporting.**

**75. Currently, the NBM is in the process of aligning its legal and regulatory framework with the CRD VI/CRR III package, which introduces the final Basel III reforms adopted in the EU.** The complete alignment of the banking law and secondary legislation with relevant EU acts is planned to be finalized by the end of 2027, as outlined in the National Program for the Accession of the Republic of Moldova to the European Union for 2025-2029, approved by Government Decision no.306 on May 28, 2025.

**76. One area where NBM strongly disagrees is the assessment of BCP 9 “Supervisory techniques and tools”.** The NBM believes that this evaluation does not fully capture the current situation and the substantial progress achieved since the previous BCP Assessment in 2014.

**77. Between 2014 and 2024, NBM implemented significant regulatory and supervisory reforms that fundamentally transformed the banking supervision framework.** These reforms have strengthened supervisory practices in all key areas resulting in notable improvements in governance and internal controls of the banking sector (e.g., risk management, compliance etc.).

The NBM would like to emphasize the following major reforms that were undertaken:

- implementation of risk-based supervision and carrying out the supervisory activities in accordance with the annual supervisory review and examination program;
- continuous monitoring of all banks that allows interaction on a daily, monthly, quarterly, annual basis, and the ability to intensify the level of interaction with banks in case of identification of negative trends and increased risk levels;

- an extensive process was carried out to enhance the transparency of licensed banks' ownership by verifying their shareholders, which led to the restoration of corporate governance in the banking sector;
- targeted onsite inspections that cover areas that pose higher risks or weaker controls with a risk-based approach established frequency;
- evaluation of the safety and soundness of banks within the annual SREP process conducted from offsite, etc.

**78. In addition to that, the NBM remains committed to continuous improvement and will carefully consider and incorporate the mission's constructive recommendations to further enhance the quality, timeliness, accuracy and reliability of the banking supervision process, ensuring alignment with international standards and best practices.**

**79. Regarding BCP 29 and the AML/CFT supervision of financial institutions, the NBM welcomes the IMF's conclusion that the regulatory framework for prevention of money laundering and financing of terrorism is comprehensive.** The NBM will carefully consider the IMF's recommendations to strengthen AML/CFT supervision and enhance reporting and information-sharing with relevant authorities. There is no doubt that robust supervision of financial institutions significantly improves the management and mitigation of ML/FT risks in the sector, thereby advancing compliance with FATF-GAFI recommendations and the EU requirements.

**80. The NBM's AML/CFT supervision has been progressively strengthened, with continuous risk-based engagement and multiple improvements in procedures and coordination with other national authorities.**

The NBM is firmly committed to further reinforcing this framework. Concrete actions are underway, including:

- allocating additional resources to strengthen the internal capacity for the AML/CFT supervision of banks, including by restructuring the AML/CFT division, and segregating human resources functions;
- developing comprehensive internal procedures and enhancing its risk-based supervision approach;
- adopting the Strategic framework for banking supervision and Methodology for assessing money laundering and terrorism financing risks (approved by the NBM Executive Committee on September 25, 2025). This newly approved internal procedure is designed to ensure effective resource allocation in supervisory activities, with a focus on mitigating the highest risks in the banking system.
- Adopting the Procedure regarding the individualization and establishment of sanctions in AML/CFT area (approved by the NBM Executive Committee on October 27, 2025).
- In this context, the NBM reaffirms its commitment to continuously strengthen the AML/CFT regulatory and supervisory framework in line with international standards and best practices, while promoting safety, soundness and development of the banking sector.

Regarding the ICT area, efforts will be made to strengthen human resources dedicated to ICT supervision and business continuity. With respect to the recommendation on the absence of a system for incident reporting, the NBM has already deployed into production an integrated tool that centralizes all functionalities related to incident reporting, management, and notification.

**81. The NBM reiterates its appreciation for the IMF and the WB mission teams for its substantial effort in preparing this comprehensive assessment of the implementation of the Basel Core Principles for Effective Banking Supervision in the banking system.** The exercise has contributed to a constructive exchange of views, though the NBM maintains firm and evidence-based differences on several evaluations. The NBM remains fully committed to continuous enhancement of its supervisory framework in full alignment with the BCPs, EU standards, and international best practices.