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Financial stability

Financial stability is the condition of the economy characterized by the absence of major imbalances, which could lead to systemic crises, the inability of financial institutions to conduct operations uniformly or the collapse of financial markets. This condition is essential for the functioning of the national economy.

Financial stability is maintained by regulating current and potential risks, implementing macro-prudential instruments to prevent the accumulation of systemic risks and ensuring public confidence in the financial system.

At the end of 2018 entered into force Law no. 209/2018 on the National Committee on Financial Stability (NCFS), which establishes the responsibilities of the CNSF in implementing macroprudential policy, in preventing, reducing or eliminating risks that threaten financial stability and in managing systemic crisis situations. The National Bank of Moldova (NBM) is part of the nominal composition of the CNSF, and the NBM Governor is chairman of the committee. At the same time, the NBM provides the logistics and secretarial work within the NCFS, as well as the support materials necessary for the committee's decision-making.

The role of the NBM in maintaining financial stability is predominant one, due to the prevalent share of the banking sector in the financial system.

The NBM attributions related to financial stability consist of prudential regulation and supervision of the banking sector, supervision of the functioning of payment systems, as well as of the establishment of macroprudential policy instruments and the identification of systemically important banks (O-SII). Currently, the macroprudential policy toolkit implemented by the NBM includes capital buffers, applied according to the Regulation on capital buffers adopted by the decision of the Executive Committee of the NBM no. 110 of 24 May 2018. They are intended build up additional reserves in order to mitigate and prevent the excessive accumulation of systemic cyclical or structural risks, which may lead to significant distortions in the functioning of the banking sector.

The monitoring of financial stability is based on the identification of risks and vulnerabilities both at individual and system level, in order to determine the impact on the institutions under the supervision of the NBM.

Annually, the NBM publishes the Financial Stability Report, which aims to provide an understanding of the main macroeconomic trends, the dynamics of the banking sector indicators and the sources of risks that persist in the financial markets of the Republic of Moldova.

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