



The NBM Book-Entry System of Securities

As in accordance with Article 40 of the Law on the National Bank of Moldova, the **Book-Entry System of Securities (BES)** was implemented in February 1996; this System significantly contributed to the establishment of the relevant infrastructure of the securities market.

In BES are registered bills and bonds issued by the Ministry of Finance and Certificates of the National Bank of Moldova starting with the date of securities issuance until their buyback taking into account all the ownership modifications following transactions with securities in the secondary market.

BES implementation has positive impact both on the securities issuer and investors.

The advantages of BES include as follows:

- Reduction of expenses assumed by the issuer;
- Minimal expenses for system users;
- Delivery of securities versus payment, avoiding the non-payment risk;
- Provision of an efficient mechanism to apply open market operations by the National Bank and have access to Lombard facility and REPO transactions;
- The possibility both for the National Bank to extend credit standing facilities to banks and for commercial banks to operate an efficient mechanism of collateral-based credit provision at a high liquidity level;

The high security level, fast transmission and management of data and the possibility for users to operatively get statistics information determined the increase of confidence in BES by users.

The Book-Entry System of Securities of the Republic of Moldova is a 2-tier system.

The **1st tier** operates at the National Bank and conducts the registration by Participants and indirect Participants. BES Participants include commercial banks and other financial institutions authorised by the NBM; the National Bank of Moldova; and the Ministry of Finance. The Participants of the 1st tier may open the following accounts:

- an account for the Participant's own portfolio – account no. I;
- an account for the Participant's clients' portfolios held as total value of securities held by the clients of this Participant – account no. II;
- a collateral account for the recording of securities within the Participant's own portfolio pledged at the National Bank - account no. III;

The NBM may, at its own discretion, open personal accounts (account no. II) for indirect Participants – any institution that holds a state securities portfolio amounting to MDL 25 million at least on an average per quarter and a settlement account with any bank -primary Dealer.

The 1st tier of BES includes the following activities:

- primary market operations;



- secondary market operations that lead to the modification of ownership rights on securities recorded in accounts nos. I, II and III opened with the NBM;
- payment of interest on state bonds;
- SS buyback upon maturity by the Ministry of Finance.

The **2nd tier** of BES operates at the level of Participants authorised by the National Bank and provides the recording of securities transactions conducted in the primary and secondary markets by each client separately.

The settlement of securities transactions is made, as in accordance with the Regulation on BES, on day of transaction (T+0) until deadline, i.e. 16.30, in Automated Interbank Payment System of the NBM (AIPS).

The Book-Entry System operation is based upon the “delivery versus payment” principle, meaning that the settlement of securities transactions includes two operations: i) the transaction is recorded in the accounts of the Register of securities Owners Registered in NBM BES, as a result the ownership over securities is transferred; and ii) the value of the relevant payment is recorded in the LORO account opened with the NBM.

BES sends the securities book-entry confirmation certificate to each Participant following the transfer of ownership right over securities.