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European integration and international relations

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Ongoing activities in the context of European integration

The Association Agreement and the Association Agenda - 2 basic documents for the Republic of Moldova's relationship with the European Union

The most important legal act underlying cooperation between the Republic of Moldova and the European Union (EU) is the Association Agreement [1] (signed on 27 June 2014 in Brussels, Belgium, applied provisionally as of 1 September 2014 and in force as of 1 July 2016), that replaces the Partnership and Cooperation Agreement [2] (in force since 1998). The Association Agreement includes chapters on economic cooperation, trade, justice, financial cooperation, as well as other cooperation policies.

The official negotiations on the Association Agreement started on 12 January 2010 in Chișinău. Subsequently, several rounds of negotiations, organized as plenary sessions, took place both in Chisinau and Brussels. Between plenary sessions, the negotiations were held within a series of video conferences also involving representatives of the National Bank of Moldova (NBM). During April – November 2010, the NBM took part in the negotiations of the draft Chapter on Financial Services of the Association Agreement. As a result of many discussions and a constant exchange of information with the partners from the EU, it was decided on the main tasks related to the financial sector to be accomplished by the Republic of Moldova, which were accordingly envisaged in the draft Association Agreement. On 25 November 2010 the draft Chapter on Financial Services was provisionally closed. On 29 November 2013, at the Eastern Partnership summit in Vilnius (Lithuania), the Republic of Moldova and the EU have initialled the Association Agreement.

One of the main objectives of the Association Agreement is the establishment of a Deep and Comprehensive Free Trade Area (DCFTA) between the Republic of Moldova and the EU. In order to contribute to the achievement of this objective, the Government has approved the Action Plan of the Republic of Moldova on the implementation of the European Commission's recommendations to establish the DCFTA between the Republic of Moldova and the EU (the Decision of the Government no. 1125 of 14 December 2010 [3]), and the NBM was one of the institutions responsible for the implementation of this plan. During 2012 – 2013, the NBM participated in the negotiations with the EU on the Chapter "Trade in services, right of establishment and electronic commerce" of the Association Agreement. On 25 June 2013 negotiations on DCFTA were completed.

With a view to prepare and facilitate the implementation of the Association Agreement, on 26 June 2014, the Republic of Moldova and the EU agreed on the Association Agenda [4] – an important document setting out a list of priorities for joint work for the period 2014-2016. Later, in order to update the Association Agenda 2014-2016, the Republic of Moldova and the EU adopted the Association Agenda for the period 2017-2019 [5]. This new document aims to supporting and strengthening the resilience and stability of the Republic of Moldova while seeking closer political association and deeper economic integration. The Agenda 2017-2019 provides a list of short- and medium-term priorities, including in those areas that concern the tasks of the NBM, such as financial services, current payments and movement of capital, establishment and trade in services, economic development and market opportunities.

NBM participation in the national coordination process of European integration activities

The Governor of the NBM is a member of the Governmental Commission for European Integration of Moldova [6], which is responsible for coordination of the implementation of commitments deriving from the Moldova – EU documents and agreements.

In order to accomplish the commitments set out in the Association Agreement with the EU, the Government approved the *National Action Plan for the Implementation of the Moldova – EU Association Agreement for 2014-2016* [7] *(NAPAA).* This plan was later replaced by a similar plan for the period 2017–2019 [8]. NAPAA is a comprehensive document that contributes to political association and economic integration of the Republic of Moldova with the EU. NBM, which participated in drafting these plans, is responsible for the implementation of some actions included in Titles III, IV and V of NAPAA and reports on the progress in this regard to the Ministry of Foreign Affairs and European Integration and to the Ministry of Economy and Infrastructure. The information on the implementation of NAPAA can be accessed (in Romanian only) at the following links:

- https://monitorizare.gov.md/reports/Raport%20PNAAA.html [9];
- http://www.mfa.gov.md/rapoarte-aa/ [10].

NBM participation in the institutional dialogue between the Republic of Moldova and the EU

In the context of the Association Agreement, NBM participates in the established bodies responsible for monitoring the implementation of this Agreement:

- *Association Committee* – meets periodically to address issues in the various areas covered by the Association Agreement, including in areas falling under the competence of the NBM. The Association Committee shall also meet at least once a year in a specific configuration to address all issues relating to Title V "Trade and Trade-related Matters" of the Association Agreement (in this case, the Committee is known as the Association Committee in Trade configuration);

- *Subcommittee on Economic and Other Sector Cooperation* – is one of the subcommittees established under the Association Agreement, which assists the Association Committee and meets regularly to examine, *inter alia*, issues related to the macroeconomic situation and the situation in the financial and banking sector.

In addition to the above-mentioned bodies, the NBM provides the national authorities, at their request, with information necessary for the meetings of other bodies established under the Association Agreement (for example, *the Association Council*, *the Parliamentary Association Committee* and *the Subcommittee on Freedom, Security and Justice*) and the NBM representatives participate in these meetings when invited.

NBM progress on approximation of the national legislation to EU law

An important commitment undertaken by the Republic of Moldova under the Association Agreement is the gradual and dynamic approximation of the national legislation to EU law. In this context, concrete measures to meet this requirement are included in NAPAA [8].

Annex XXVIII-A of the Association Agreement sets a list of EU legal acts related to financial services and the timeframe for their implementation by the relevant institutions of the Republic of Moldova, including the NBM. According to this Annex, some of these EU legal acts related to the NBM area of competence were to be implemented on 1 September 2014 (date on which the Association Agreement applies provisionally), while for other acts were set various deadlines for implementation (1 year, 3 years, 5 years or 10 years from the date of provisional application of the Association Agreement).

EU act	National act transposing the EU act

The deadline for implementation by the Republic of Moldova: 1 September 2014 (upon the provisional application of the Association Agreement)	
Commission Directive 2007/18/EC [11] of 27 March 2007 amending Directive 2006/48/EC of the European Parliament and of the Council as regards the exclusion or inclusion of certain institutions from its scope of application and the treatment of exposures to multilateral development banks. *Note*: Directive 2007/18/EC (which amended Directive 2006/48/EC) is no longer in force, because Directive 2006/48/EC [12] was repealed by Directive 2013/36/EU [13].	Regulation on „large" exposures [14], approved by the Decision of the NBM Council of Administration No. 240 of 9 December 2013, in force as of 24 January 2014.
Directive 2001/24/EC [15] of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions	Directive 2001/24/EC has been partially transposed into the following national acts: - Civil Code of the Republic of Moldova No. 1107-XV of 6 June 2002 [16]; - Law on Financial Institutions No. 550-XIII of 21 July 1995 [17]. Directive 2001/24/CCE has been only partially transposed because it establishes largely commitments that may be achieved only by an EU member state.
The deadline for implementation by the Republic of Moldova: 1 September 2015 (within one year of the provisional application of the Association Agreement)	
Regulation (EU) 2015/847 [18] of the European Parliament and of the Council of 20 May 2015 on information accompanying transfers of funds and repealing Regulation (EC) No 1781/2006. *Note*: Regulation (EU) 2015/847 repealed Regulation (EC) No 1781/2006 [19] listed in the Annex XXVIII-A to the Association Agreement.	Regulation (EU) 2015/847 has been partially transposed in the Regulation on requirements related to prevention and combating money laundering and terrorist financing in the activity of the banks [20], approved by the Decision of the NBM Executive Board No. 200 of 9 August 2018, in force as of 24 August 2018. Regulation (EC) No 1781/2006 has been largely transposed in the Regulation on credit transfer [21], approved by the Decision of the NBM Council of Administration No. 157 of 1 August 2013.
Directive (EU) 2015/849 [22] of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission Directive 2006/70/EC (Text with EEA relevance). *Note*: Directive (EU) 2015/849 repealed and replaced Directives 2005/60/EC [23] and 2006/70/EC [24] listed in the Annex XXVIII-	Directive (EU) 2015/849 was transposed in the Law No. 308 of 22 December 2018 on prevention and combating money laundering and terrorist financing [25], in force as of 23 February 2018. In order to implement the Law No. 308 of 22 December 2017, NBM issued the following normative acts: 1. Regulation on requirements related to prevention and combating money laundering

A to the Association Agreement.	and terrorist financing in the activity of the banks [20], approved by the Decision of the NBM Executive Board No. 200 of 9 August 2018, in force as of 24 August 2018; 2. Regulation on requirements related to prevention and combating money laundering and terrorism financing in the activity of foreign exchange entities and hotels [26], approved by the Decision of the NBM Executive Board No. 201 of 9 August 2018, in force as of 24 August 2018; 3. Regulation on requirements related to prevention and combating money laundering and terrorism financing in the activity of non-bank payment service providers [27], approved by the Decision of the NBM Executive Board No. 202 of 9 August 2018, in force as of 24 August 2018. Some provisions of the Directives 2005/60/EC and 2006/70/EC have been transposed into the national normative acts of the areas of competence of NBM by amending and supplementing the following acts: — Law on Financial Institutions No. 550-XIII of 21 July 1995 [17]; — Regulation on bank's activity regarding prevention and combat of money laundering and terrorist financing [28], approved by the Decision of the NBM Council of Administration No. 172 of 4 August 2011, later repealed by the Decision of the NBM Executive Board No. 203 of 9 August 2018 on amending and repealing some normative acts of the National Bank of Moldova [29].
The deadline for implementation by the Republic of Moldova: 1 September 2017 (within three years of the provisional application of the Association Agreement)	
Directive 2009/110/EC [30]of the European Parliament and of the Council of 16 September 2009 on the taking up, pursuit and prudential supervision of the business of electronic money institutions Directive 2007/64/EC [31] of the European Parliament and of the Council of 13 November 2007 on payment services in the internal market *Note*: Directive (EU) 2015/2366 [32] repealed Directive 2007/64/EC listed in the Annex XXVIII-A to the Association Agreement.	Directives 2009/110/EC and 2007/64/EC have been transposed into the Law on payment services and electronic money No. 114 of 18 May 2012 [33], in force as of 14 September 2013
Directive 98/26/EC [34] of the European Parliament and of the	Law No. 183 of 22 July 2016 on settlement finality in

Council of 19 May 1998 on settlement finality in payment and securities settlement systems	payment and financial instruments settlement systems [35], in force as of 16 March 2017
Directive 2002/47/EC [36]of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements	Law No. 184 of 22 July 2016 on financial collateral arrangements [37], in force as of 9 March 2017
Directive 2013/36/EU [13] of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC Regulation (EU) No 575/2013 [38] of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 *Note*: Directive 2013/36/EU repealed Directives 2006/48/EC [12] and 2006/49/EC [39] listed in the Annex XXVIII-A to the Association Agreement. In the European Union, Directive 2013/36/EU together with the Regulation (EU) No 575/2013 form the legal framework governing banking activities, the supervisory framework and the prudential rules for credit institutions and investment firms.	Directive 2013/36/EU and Regulation (EU) No 575/2013 were transposed, with regard to the banking sector, into the Law on banks' activity No. 202 of 6 October 2017 [40], in force as of 1 January 2018. Also, the provisions referring to the banking sector of the Regulation (EU) No 575/2013 were transposed into the following normative acts issued by the NBM in order to implement the Law on bank's activity: 1. Regulation on banks' own funds and capital requirements [41], approved by the Decision of the NBM Executive Board No. 109 of 24 May 2018, in force as of 30 July 2018; 2. Regulation on banks' capital buffers [42], approved by the Decision of the NBM Executive Board No. 110 of 24 May 2018, in force as of 30 July 2018. 3. Regulation on treatment of credit risk for banks according to standardized approach [43], approved by the Decision of the NBM Executive Board No. 111 of 24 May 2018, in force as of 30 July 2018; 4. Regulation on credit risk mitigation techniques used by banks [44], approved by the Decision of the NBM Executive Board No. 112 of 24 May 2018, in force as of 30 July 2018; 5. Regulation on the treatment of operational risk for banks according to basic indicator approach and standardized approach [45], approved by the Decision of the NBM Executive Board No. 113 of 24 May 2018, in force as of 30 July 2018; 6. Regulation on the treatment of market risk according to standardized approach [46], approved by the Decision of the NBM Executive Board No. 114 of 24 May 2018, in force as of 30 July 2018; 7. Regulation on settlement risk for banks [47], approved by the Decision of the NBM Executive Board No. 115 of 24 May 2018, in force as of 30 July 2018; 8. Regulation on the calculation of specific and general credit risk adjustments by banks [48], approved by the Decision of the NBM Executive Board No. 116 of 24 May 2018, in force as of 30 July 2018; 9. Instruction on the submission by banks of COREP reports for supervisory purposes [49],

	approved by the Decision of the NBM Executive Board No. 117 of 24 May 2018, in force as of 30 July 2018. During the process of drafting the new banking law and the secondary legislation for its implementation, the NBM benefited from the EU assistance provided within a Twinning project [50].
Directive 2002/87/EC [51] of the European Parliament and of the Council of 16 December 2002 on the supplementary supervision of credit institutions, insurance undertakings and investment firms in a financial conglomerate and amending Council Directives 73/239/EEC, 79/267/EEC, 92/49/EEC, 92/96/EEC, 93/6/EEC and 93/22/EEC, and Directives 98/78/EC and 2000/12/EC of the European Parliament and of the Council	Law No. 250 of 1 December 2017 on supplementary supervision of banks, insurers/ reinsurers and investment firms in a financial conglomerate [52], in force as of 29 March 2018.

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