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Press release on the increase of the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals

The Executive Board of the National Bank of Moldova (NBM), by its Decision No 98 of 12.05.2022, decided to increase by 2 percentage points the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals, except for individuals performing entrepreneurial activity. All banks will calculate and maintain the rate, on an individual basis, in addition to the rate maintained by banks according to the Decision of the Executive Board of the National Bank of Moldova No 287/2020 on maintaining the systemic risk buffer rate and, as the case may be, the Decision of the Executive Board of the National Bank of Moldova No 268/2021 on maintaining the increased by 2 percentage points of the systemic risk buffer rate for some banks.

The Decision aims at reducing the non-cyclical systemic risk arising from the increasing vulnerabilities of household debtors, on the background of current macroeconomic developments, unfavourable forecasts and uncertainties generated by the regional geopolitical conflict. The decision to increase the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals was taken considering the systemic nature of the risk, the increasing concentration of the banking sector's exposures to households and the high sensitivity of this category of debtors to the effects of negative macroeconomic developments and prospects, given the significant increase in energy prices and the accelerated rise in the inflation rate, which may lead to an increase in the number of cases of non-compliance with financial obligations to creditors, resulting in deterioration of the quality of banks' assets.

It is essential to ensure the resilience of banks to potential shocks by maintaining the supply of credit to the real economy in the event of occurrence of the risk related to increasing concentration of banking sector’s exposures to individuals combined with the vulnerabilities specific to the population.

Capital is the basic pillar of a bank's stability, and maintaining adequate capital, in terms of both quantity and quality, must be the banks’ primary goal, the achievement of which will ensure their proper functioning and maintenance of depositors’ confidence in banks, as well as in the entire banking sector.

The Decision of the Executive Board of the NBM No 98 of 12.05.2022 on the increase of the systemic risk buffer rate for banks' exposures to credit risk related to resident individuals enters into force on the date of its publication in the Official Monitor of the Republic of Moldova.

See also

Tags

capital buffers; capital buffer; macroprudential tools; rate of the anticyclical capital buffer; capital requirement; financial stability [1]

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