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Regulation on the Required Reserves Regime, approved by the DEB of the NBM no.355 of December 27, 2017

Note: The translation is unofficial, for information purpose only

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EXECUTIVE BOARD
OF THE NATIONAL BANK OF MOLDOVA

DECISION No.355
of 27 December, 2017

REGISTERED WITH:
The Ministry of Justice
of the Republic of Moldova

_____
no.1287 of 10 January 2018

On the approval of the Regulation on the Required Reserves Regime

Pursuant to Article 11 paragraph (1), Article 17 and Article 27 paragraph (1) letters a) and c) of the Law no. 548-XIII of 21 July 1995 on the National Bank of Moldova (republished in the Official Monitor of the Republic of Moldova, 2015, no. 297-300, Art. 544), with subsequent amendments and completions, Article 54 paragraph (2) and Article 62 paragraph (1) of the Law no.232 of 3 October 2016 on Recovery and Resolution of Banks (Official Monitor of the Republic of Moldova, 2016, no. 343-346, Art. 707), with subsequent amendments and completions, the Executive Board of the National Bank of Moldova

HAS DECIDED:

1. To approve the Regulation on the Required Reserves Regime, contained in the Annex enclosed herewith.

2. To repeal the Regulation on the Required Reserves Regime, approved by the Decision of the Council of Administration of the National Bank of Moldova no.85 of April 15, 2004 (Official Monitor of the Republic of Moldova, 2004, no.67-72, art.168), with subsequent amendments and completions, registered with the Ministry of Justice of the Republic of Moldova under no. 701 on September 17, 2009.

3. The required reserves, related to the tracking period of funds attracted between January 8, 2018 - February 7, 2018, established under the Regulation on the Required Reserves Regime, approved by the Decision of the Council of Administration of the National Bank of Moldova no.85 of April 15, 2004, shall be maintained by banks:
1) in Moldovan Lei – in “Loro” accounts with the National Bank of Moldova during February 8, 2018 - March 15, 2018, at average;
2) in foreign currency - in “Nostro” accounts of the National Bank of Moldova opened with foreign banks, in USD and EUR, until 19 March 2018.

4. The attracted funds, reflected in bank's balance sheets between February 8 and 15, 2018, shall be excluded from the calculation base for determining the level of required reserves.

5. The decision shall enter into force on 16 February 2018, excepting paragraphs 3 and 4, which shall enter into force on the date of its publication.

6. The Regulation on the Required Reserves Regime approved under paragraph 1 hereto shall apply from the beginning of the observance period set between 16 February 2018 - 15 March 2018.

Chairman
of the Executive Board

Sergiu CIOCLEA

Annex
to the Decision of the Executive Board
of the National Bank of Moldova
no. 355 of 27 December, 2017

Regulation on the Required Reserves Regime

Chapter I
General provisions

1. This Regulation defines the regime of the required reserves that shall be maintained by banks and foreign banks' branches licensed by the National Bank of Moldova (hereinafter referred to as banks) in accounts opened with the National Bank of Moldova.

2. Banks shall maintain required reserves in Moldovan Lei (MDL) and in foreign currency, in US dollars (USD) and euro (EUR), under the terms of this Regulation.

3. For the purposes of this Regulation, the following definitions shall apply:
1) required reserves – banks' funds held in MDL, USD and in EUR on accounts opened with the National Bank of Moldova;
2) calculation base - the average daily balance for the observance period of means attracted from deposit accounts and other similar liabilities subject to reserving within class II "Liabilities" of bank's balance sheets, to which the required reserves norm applies;
3) observance period - the time period for which the calculation base is determined;
4) maintenance period – the time period within which the established value of required reserves must be held in accounts opened with the National Bank;
5) established value of required reserves – the product between the calculation base and reserve ratio to be maintained during the maintenance period in the respective required reserves' account, as indicated by the National Bank;
6) effective value of required reserves: for MDL - the amount of funds maintained by the bank during the maintenance period in the "Loro" account with the National Bank, and for foreign currency - the amount of funds available in the "Nostro" accounts of the National Bank in USD and in EUR in foreign banks at the due date established by the National Bank;
7) excess reserves – the amount of the positive difference between the actual level and the established level of the required reserves;
8) reserves deficit – the amount of the negative difference between the actual level and the established level of required reserves, which is necessary to ensure the established level of required reserves in one of the required reserves accounts with the National Bank of Moldova;
9) required reserves norm – a percentage quota applied to the calculation base for determining the amount of required reserves;
10) early intervention measures - the measures provided by Article 42-53 of the Law no. 232 of October 3, 2016 on the Recovery and Resolution of Banks;

11) resolution instruments and the exercise of resolution powers - the resolution instruments and competences provided for in Chapter IV of Title IV of the Law no. 232 of October 3, 2016 on the Recovery and Resolution of Banks;
12) freely convertible currencies - the foreign currencies listed in item 19 of the Regulation on the Setting of the Official Exchange Rate of Moldovan Leu against Foreign Currencies, approved by the Decision of the Council of Administration of the National Bank of Moldova no.3 of January 15, 2009 (Official Monitor of the Republic of Moldova, 2009, no. 27-29, Art. 100), with subsequent amendments and completions;
13) non-convertible currencies - foreign currencies other than those indicated in item 19 of the Regulation on the Setting of the Official Exchange Rate of Moldovan Leu against Foreign Currencies, approved by the Decision of the Council of Administration of the National Bank of Moldova no.3 of January 15, 2009.

Chapter II
Required Reserves' Calculation Base

4. The required reserves' calculation base shall be formed of money means in MDL, non-convertible currencies and freely convertible currencies, reflected in the balance sheet of banks in accounts of class II "Liabilities".

5. From the required reserves calculation base shall be exempted:
1) funds obtained from the National Bank of Moldova;
2) funds obtained from banks licensed by the National Bank and from branches of foreign banks licensed by the National Bank;
3) banks' own funds that are reflected in the balance sheets in the accounts of class II "Liabilities".

6. Balance sheets accounts of class II "Liabilities" included in the calculation base are indicated in Annex no.1 to this Regulation.

7. The calculation base is determined as the average of the daily balances during the observace period in the accounts provided in Annex no.1.

8. The average daily balance for the observance period is determined by taking into account the number of calendar days in the observance period. For day offs and non-working days, the balances of the previous work day are repeated.

9. The calculation base of the required reserves in MDL is formed by means attracted in MDL and non-convertible currencies.
The recalculation in MDL of the amount of funds attracted in non-convertible currencies is made daily, by applying the official exchange rate of the MDL valid for that respective date.

10. The calculation base for the compilation of the required reserves in USD and EUR is appropriately formed from the attracted funds in USD and EUR.

11. Funds drawn in other freely convertible currencies shall be included in the USD or EUR calculation base at the bank's discretion, which may be changed only once a year, by informing the National Bank at least 10 working days before the start of the new calendar year.
The recalculation in USD or EUR of the amount of funds attracted in other freely convertible currencies shall be made daily by cross-rate against USD or EUR, applying the official exchange rate of the MDL valid for the respective date.

Chapter III
Required Reserves Norm and Reserving Principles

12. The required reserves norm shall be established and amended by the Executive Board of the National

Bank of Moldova in conformity with traced objectives of the monetary and foreign exchange policy of the National Bank of Moldova.

13. For required reserves in MDL and for required reserves in USD and EUR, separate setting-up rules may be established.

14. Decisions of the Executive Board of the National Bank to amend the required reserves norm shall enter into force at least 10 days from banks' notification.

15. A required reserves norm of 0% shall apply to the following categories of attracted funds:
1) term deposits with an agreed maturity of over two years that meet the following characteristics:
a) term deposits with an agreed maturity of over two years, with or without the right to supplement the deposit account during the deposit period, which do not provide reimbursement of deposits before the agreed maturity;
b) term deposits with an agreed maturity of over two years, which conditions do not provide for supplements, but provide the reimbursement of deposits during deposit period on pre-established terms, after a deposit period of more than two years.
For deposits with the right to supplement the deposit account and for deposits providing for the condition of interest capitalization in the deposit account, the required reserves norm of 0% shall be applied to the initial amounts of the deposit, to supplemented amounts and to the capitalized interest amounts with a maturity of over two years.
Formation of deposits under the mentioned conditions do not affect the right of depositor to demand the repayment of all or part of the deposit amount consigned before the agreed term;
2) deposit - guarantees and loans with an agreed maturity of over two years.
To the amount of deposit - guarantees and loans, whose repayment is carried out gradually according to contractual conditions, shall be applied a zero required reserves norm for the part of the deposit-guarantees and for the part of the loans with a maturity period of more than two years;
3) securities issued by banks with an initial maturity of over two years, conditions for issuance of which do not provide redemption before their maturity.

Chapter IV
Establishment of Required Reserves in MDL

16. Reserving in MDL shall be made by keeping financial means in MDL on bank's "Loro" account opened with the National Bank.

17. The observance period of the funds attracted in MDL and non-convertible currencies included in the calculation base is the time interval between the 16th of the previous month and the 15th of the current month.

18. The amount of required reserves in MDL related to each observance period is determined by the bank as the product of the sum of the daily average balances of the "Liabilities" Class II balance sheet accounts included in the reserve base and the required reserve norm for the respective period.

19. Each observance period corresponds to its maintenance period, during which the bank shall maintain the average amount of the required reserve calculated in accordance with item 18 of this Regulation.
The appropriate maintenance period shall commence on the first calendar day after the end of the observance period and shall last from the 16th of the current month to the 15th of the following month.

Chapter V
Establishment of Required Reserves in USD and EUR

20. Banks' required reserves in USD and EUR are maintained in the "Nostro" accounts of the National Bank

in USD and in EUR opened in foreign banks.

21. For the purpose of recording and managing the required reserves of banks in USD and EUR, the National Bank shall open analytical accounts in its accounting registeres for each bank, separately for each of these currencies.

22. The information on the number and designation of the analytical accounts, as well as the identification data of the "Nostro" accounts of the National Bank opened in foreign banks in USD and EUR, shall be communicated to the banks in writing.

23. The observance period of the attracted funds in USD, EUR and other freely convertible currencies included in the calculation basis is the time interval between the 16th of the previous month and 15th of the current month.

24. The amount of the required reserves in USD and EUR for each observance period is determined by the bank as the product of the sum of the daily average balances of the "Liabilities" Class II accounts included in the calculation base and the respective norm of required reserves.

25. For the observance period, a deadline is set, by which the bank shall transfer the amount of the required reserves' deficit in USD and EUR to "Nostro" accounts of the National Bank in foreign banks.

26. The deadline for transferring the amount of the required reserves' deficit in USD and EUR to "Nostro" accounts of the National Bank in foreign banks is set the date of the 20th of the current month.

27. At the same time with the transfer of the amount of the required reserves' deficit in USD and EUR, the bank is required to confirm to the National Bank the transfer via a SWIFT MT 299 message (amount, currency and date of transfer).

28. The National Bank shall record the transferred amount in the account of Required Reserves in Foreign Currency of the bank opened in its accounting registeres, based on the respective SWIFT messages (credit confirmation or account statement) at the date of their receipt from the correspondent banks of the National Bank.
If the respective SWIFT messages were received by the National Bank after 16.30 p. m., Chisinau time, of the operational day, the transferred amount will be registered in the account of Required Reserves in Foreign Currency on the next operational day.

29. In the event of a decrease in the calculation base of the required reserves, the National Bank shall return to the bank the surplus of required reserves in USD and / or EUR within 4 working days from the date of submission of the report for the observance period concerned.

30. The National Bank shall transfer the surplus of required reserves to the "Nostro" accounts of the bank in USD and EUR opened in foreign banks.

31. On the date of transfer of the surplus of required reserves to the bank's accounts in USD or EUR with foreign banks, the National Bank will confirm the transfer via a SWIFT MT 299 Authorized Message (amount, currency and repayment date).

32. The information on the identification of "Nostro" accounts in USD and EUR of the bank opened with foreign banks to which the surplus of required reserves in USD and EUR is to be transferred shall be communicated to the National Bank in writing.
In case the data for identifying the "Nostro" accounts in USD and EUR of the bank opened in foreign banks to which the surplus of required reserves is to be transferred have changed, the bank is obliged to inform immediately in writing the National Bank on the intervened amendments.

33. If the Bank has carried over the transfer of the required reserves deficit in USD and / or EUR to accounts other than those communicated to the bank in accordance with item 22 of this Regulation, the costs incurred by the National Bank for the recovery of those amounts shall be offset by the bank.

34. Expenditure incurred by the National Bank for failure to comply with the provisions of item 32, paragraph two, shall be offset by the bank.

Chapter VI
Execution of Reserves Requirements

35. Reserve requirements regime shall be considered fulfilled if the commercial banks fulfil the requirements regarding obligatory reserves in MDL, USD and EUR.

36. Reserve requirements in MDL are considered to be met if, during the period of maintenance, the average daily balance in the “Loro” account was equal to or higher than the established level of required reserves.

37. The daily average balance in the bank's “Loro” account with the National Bank during the period of maintenance is determined taking into account the number of calendar days in that period. For day offs and non-working days, the balance of the previous business day is repeated.

38. Requirements for required reserves in USD and EUR are considered fulfilled if, by the deadline set in item 26 of this Regulation, the required reserve deficit transferred by the bank was recorded in the “Nostro” accounts of the National Bank opened in foreign banks.

39. No compensation is allowed between excess and deficit of the required reserves in MDL, USD and EUR, as well as between excess and deficit of required reserves in USD and EUR.

Chapter VII
Required Reserves Reporting and Verification

40. For purposes of reporting the value of attracted financial means and value of required reserves, the bank shall elaborate 2 separate reports, as follows:
1) Report on value of financial means attracted in Moldovan lei and non-convertible currencies included in the calculation base and value of required reserves in Moldovan lei, Annex no.2 to the Regulation;
2) Report on value of financial means attracted in freely convertible currencies included in the calculation base and value of required reserves in USD and EUR, Annex no.3 to the Regulation.

41. Reports shall be submitted to the National Bank in the electronic form, on a monthly basis, in accordance with the Instruction on the procedure of submitting to the National Bank of Moldova of reports in the electronic form by banks,approved by the Decision of the Council of Administration of the National Bank of Moldova no.132 from 17 July, 2008 (Official Monitor of the Republic of Moldova, 2008, no.157-159, Art.447), with subsequent amendments and completions, no later than the 20th of the current month following the observance period.

42. The newly established bank shall be subject to reporting and required reserves holding after expiration of the first complete observance period from the date of first banking transaction.

43. The National Bank shall verify the required reserves’ reports upon their delivery and within controls conducted at banks.

Chapter VIII
Cases of Exemption and Suspension of Requirements to Maintain Required Reserves

44. Without requiring such a request, the National Bank may exempt a bank, in whole or in part, from the obligation to maintain required reserves in the following cases:
1) in the circumstances in which the bank has been subject to early intervention;

2) in the circumstances in which the bank has been subject to resolution and resolution powers have been exercised.

45. The distinct regime of the required reserves referred to in item 44 shall be established on the basis of the Executive Board decision of the National Bank.

46. Reserves establishment and maintenance requirements shall not be applied towards banks whose license has been withdrawn.

47. From the date of license revocation, the National Bank shall, on the order of the liquidator, shall transfer the required reserves in USD and in EUR, depending on the types of foreign currency, to one or more accounts with the specification "Bank under liquidation" opened at a bank / banks in the Republic of Moldova, through which the liquidator will perform foreign currency operations of the bank under liquidation.

Chapter IX
Required Reserves Remuneration

48. National Bank of Moldova shall remunerate the portion of required reserves balances that exceeds 5% of liabilities, which is calculated based on these required reserves.

49. The interest for remuneration of required reserves in MDL and the interest for remuneration of required reserves in USD and EUR is calculated using different interest rates.

50. The interest rates applied by the National Bank for remuneration of the required reserves shall be established and modified by the Executive Board of the National Bank.

51. The interest for remuneration of required reserves, calculated for the previous calendar month, shall be paid by the National Bank on monthly basis, after the 20th of the current month, within 5 working days.

52. The following indices shall be used for calculation of the interest on remuneration of the required reserves:
1) the average daily balance of required reserves, calculated on the basis of the daily balances registered in the "Loro" account at the National Bank and the daily balances registered in the account of required reserves in foreign currency (USD and EUR);
2) the interest rates established for the remuneration of the required reserves for the respective month;
3) the official exchange rate of MDL against USD and EUR valid at the date of the calculation.

53. The interest for remuneration of required reserves in MDL is calculated and paid to banks in MDL.

54. The interest for remuneration of required reserves in USD and EUR is calculated in the respective currencies, is recalculated in MDL, by applying the official exchange rate of the MDL valid at the date of the calculation and is paid to banks in MDL.

55. If the required remuneration rate of the required reserves has been rectified after payment of the remuneration interest to the banks, the National Bank shall recalculate the amount of the interest for remuneration of required reserves for the respective month and proceed as follows:
1) if the adjusted interest rate will be higher than the interest rate applied in the calculation - it shall pay additional interest to banks within 3 working days of the date of the calculation;
2) if the adjusted interest rate will be less than the interest rate applied in the calculation – it shall collect from banks' "Loro" accounts the amount of interest paid in surplus, within 3 working days from the date of notification of the banks.

56. For the banks to which the license has been withdrawn, the calculation of the interest for remuneration of required reserves shall be suspended from the date of the license withdrawal.

Chapter X
Sanctions and Restrictions

57. If a bank has a deficit of reserves, the National Bank, in accordance with Article 17 paragraph (4) of the Law no. 548-XIII of 21 July 1995 on the National Bank of Moldova, shall apply a fine for the entire period of the deficit.

58. The fine applied for both the MDL and the USD and EUR reserves deficits shall be calculated at a rate equal to the base rate (monetary policy rate) of the National Bank on a per day base plus 0.2% multiplied by reserves deficiency and the number of days of the persistence of these deficiencies.

59. The fine for the USD and EUR reserves deficit shall be recalculated in MDL at the official exchange rate of the MDL valid at the date of calculation.

60. The National Bank shall indisputably collect the fine for reserve deficiency from the bank's "Loro" account with the NBM without any prior notice and shall disburse it to the state budget.

61. The admission by banks of infringements of provisions of this Regulation may entail the application by the National Bank and of other sanctions and sanctioning measures stipulated in Art.141 of the Law no.202 from 6 October 2017 on banks' activity (Official Monitor of the Republic of Moldova, 2017, no. 434-439, Art.727) and Art. 75 of the Law No. 548-XIII of 21 July 1995 on the National Bank of Moldova.

62. In case of differences between the data reported by the banks and the situation stated as a result of the on-site control exercised by the National Bank in banks, the following shall be done:
1) in event the bank reports a smaller calculation base, which results in reserve deficiency – the National Bank shall impose a fine calculated for the relevant observance period in accordance with provisions of item 58 of this Regulation;
2) in event the bank reports a higher calculation base, the National Bank shall collect the interest paid in excess for effective reserves value from the respective bank;
3) in event the bank reports a smaller calculation base, the National Bank shall not pay additional interest for effective reserves value kept in bank's "Loro" account.
Fine or interest paid in excess for effective level of required reserves shall be collected without prior notice within 10 working days following conclusion of the control report and due bank informing thereof.

63. If a bank notifies on its own initiative the occurrence of differences between the reported calculation base and that resulting from the application of this Regulation and the Executive Board's decisions in its application, the bank shall inform the National Bank of these differences by means of an appeal.
Traced differences shall be corrected similarly to those provided in item 62, sub-item 1), 2) and 3).
The fine for reserves deficit and the paid interest surplus shall be collected without prior notification, within maximum 10 days following the registration of the notification letter received from the bank and the submission of the report for the respective period.

Attachments: ____doc [1] ____pdf [2]

See also

Tags
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