Published on (https://www.bnm.md)

Expand Hide

12.06.2018

Regulation on the treatment of settlement/delivery risk

DECISION
no. 115 of 24 May 2018

on the approval of Regulation on the treatment of settlement/delivery risk

(*effective as of 30.07.2018*)

Published in the Official Monitor of the Republic of Moldova no.183-194 of 08.06.2018, Art.905

* * *

Registered
by the Ministry of Justice
of the Republic of Moldova
under no. 1330 of 31 May 2018

Pursuant to Art. 5 par. (1) (d), Art. 11 par. (1), Art. 27 (1) (c), Art.44 (a), Art. 46 (b) of the Law no. 548-XIII of July 21, 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; Art. 71 of the Law no. 202 of 6 October 2017 on the Banking activity (Official Monitor of the Republic of Moldova, 2017, no. 434-439, Art.727), with subsequent amendments and completions, the Executive Board of the National Bank of Moldova

RESOLVES:

1. To approve the Regulation on the treatment of settlement/delivery risk, as laid down in Annex hereto.

2. The Regulation referred to in paragraph 1 shall enter into force on 30 July 2018.

3. From the date of entry into force of the Regulation referred to in paragraph 1 of this decision, banks will ensure full compliance of their businesses, including internal policies and regulations, with its provisions.

Chairman
of the Executive Board

Sergiu CIOCLEA

no. 115 of 24 May 2018

Annex

Approved
by the Decision of the Executive Board
of the National Bank of Moldova
no. 115 of 24 May 2018

REGULATION
on the treatment of settlement/delivery risk

This Regulation transposes Articles 378 and 379 of the Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No. 648/2012 (Text with EEA relevance), published in the Official Journal of the European Union L 176 of 27 June 2013, as amended by Commission Regulation (EU) 2015/62 of 10 October 2014.

Chapter I
GENERAL PROVISIONS

1. The terms and expressions used in this Regulation shall have the meaning provided in the Law no. 202 of 6 October 2017 on the Banking Activity and in the regulatory acts of the National Bank of Moldova issued in its application.

2. This Regulation shall apply to banks headquartered in the Republic of Moldova as well as to branches of foreign banks, established in the Republic of Moldova and licensed by the National Bank of Moldova (hereinafter – institutions).

3. This Regulation lays down rules on the treatment of settlement/delivery risk for the purposes of calculating own funds requirements in accordance with regulations on bank's own funds and capital requirements.

4. Where a system-wide failure of a settlement system, a clearing system or a central counterparty occurs, the National Bank of Moldova may waive the own funds requirements calculated as set out in Chapters II and III of this Regulation until the situation is rectified. In this case, the failure of a counterparty to settle a trade shall not be deemed a default for purposes of credit risk.

Chapter II
SETTLEMENT RISK

5. In the case of transactions in which debt instruments, equities, foreign currencies and commodities (excluding repurchase transactions and securities or commodities lending and securities or commodities borrowing) are unsettled after their due delivery dates, an institution shall calculate the price difference to which it is exposed.

6. The price difference referred to in Article 5 is calculated as the difference between the agreed settlement price for the debt instrument, equity, foreign currency or commodity in question and its current market value, where the difference could involve a loss for the credit institution.

7. To calculate the institution's own funds requirement for settlement risk, the institution shall multiply that price difference by the appropriate factor in column B of Table 1.

Table 1

Number of working days after due settlement date	(%)
A	B
5 – 15	8
16 – 30	50
31 – 45	75
46 or more	100

Chapter III
FREE DELIVERIES

8. An institution shall be required to hold own funds, as set out in Table 2, where the following occurs:
1) it has paid for securities, foreign currencies or commodities before receiving them or it has delivered securities, foreign currencies or commodities before receiving payment for them;
2) in the case of cross-border transactions, one day or more has elapsed since it made that payment or delivery.

9. Where the amount of positive exposure resulting from free delivery transactions is not material, institutions may apply a risk weight of 100% to these exposures, except where a risk weight of 1 000% is required in accordance with column 4 of Table 2 in Article 8 of this Regulation.

Table 2

Column 1	Column 2	Column 3	Column 4
Transaction type	Up to first contractual payment or delivery leg	From first contractual payment or delivery leg up to four days after second contractual payment or delivery leg	From 5 business days post second contractual payment or delivery leg until extinction of the transaction
Free delivery	No capital charge	Treat as an exposure	Treat as an exposure risk weighted at 1 000%

10. As an alternative to applying a risk weight of 1 000 % to free delivery exposures according to column 4 of Table 2 in Article 8 of this Regulation, institutions may deduct the value transferred plus the current positive exposure of those exposures from Common Equity Tier 1 items in accordance with the NBM's regulatory acts on banks' own funds and capital requirements.

See also

Tags
regulation [1]
Regulation on the treatment of settlement/delivery risk [2]
treatment of settlement risk [3]
treatment of delivery risk [4]

settlement risk [5]

delivery risk [6]

settlement/delivery [7]

no. 115 [8]

24 May 2018 [9]

24.05.2018 [10]

Source URL:
https://www.bnm.md/en/content/regulation-treatment-settlementdelivery-risk

Related links:

[1] https://www.bnm.md/en/search?hashtags[0]=regulation [2] https://www.bnm.md/en/search?hashtags[0]=Regulation on the treatment of settlement/delivery risk [3] https://www.bnm.md/en/search?hashtags[0]=treatment of settlement risk [4] https://www.bnm.md/en/search?hashtags[0]=treatment of delivery risk [5] https://www.bnm.md/en/search?hashtags[0]=settlement risk [6] https://www.bnm.md/en/search?hashtags[0]=delivery risk [7] https://www.bnm.md/en/search?hashtags[0]=settlement/delivery [8] https://www.bnm.md/en/search?hashtags[0]=no. 115 [9] https://www.bnm.md/en/search?hashtags[0]=24 May 2018 [10] https://www.bnm.md/en/search?hashtags[0]=24.05.2018