NATIONAL BANK OF MOLDOVA

DECISION

on the amendment of Decision No 112/2018 of the Executive Board of the National Bank of Moldova regarding the approval of the Regulation on credit risk mitigation techniques of banks

No 143 of 17 June 2026

(in force as of 1 July 2027, except for certain provisions set forth in paragraph 2)

Official Gazette of the Republic of Moldova, No 277–279, Article 489, of 25 June 2026

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Pursuant to Article 67 of Law No 202/2017 on the activity of banks (Official Gazette of the Republic of Moldova, 2017, No 434–439, Article 727), the Executive Board of the National Bank of Moldova

DECIDES:

This Decision partially transposes (transposes: Article 4(1), points 60a, 74a, 111, Article 192, point 5; Article 193 (7); Art.197 (5), (6); Articles 199(1) to (7); Article 201(2); Article 204(3); Article 204a; Articles 209 to 211; Article 212(2); Articles 221(1) to (7); Article 229(1) to (3); Articles 230 to 232 (1) to (3); Article 234; Article 235a to 236a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, CELEX: 32013R0575, published in the Official Journal of the European Union 176 of 27 June 2013, as last amended by Regulation (EU) 2025/1215 of the European Parliament and of the Council of 17 June 2025.

1. Decision of the Executive Board of the National Bank of Moldova No112/2018 on the approval of the Regulation on credit risk mitigation techniques of banks, (Official Gazette of the Republic of Moldova, 2018, No183-194, Article 902), registered with the Ministry of Justice of the Republic of Moldova under No 1329/2018, is amended as follows:

1.1. In the adopting clause:

1.1.1. the words “Law No 548-XIII of 21 July 1995” shall be replaced by the words “Law No 548/1995” and the words “and completions” shall be excluded;

1.1.2. the words “Law No 202 of 6 October 2017” shall be replaced by the words “Law No 202/2017” and the words “and completions” shall be excluded.

1.2. The harmonisation clause shall read as follows:

“This Regulation transposes Article 4(1), points 57-60a, 74a, 82, 83, 111; Articles 192-207 and 209-239 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, CELEX: 32013R0575, published in the Official Journal of the European Union 176 of 27 June 2013, as last amended by Regulation (EU) 2025/1215 of the European Parliament and of the Council of 17 June 2025.”.

1.3. In paragraph 3:

1.3.1. the text "Law No 202 of 6 October 2017 on the activity of banks (Official Gazette of the Republic of Moldova, 2017, No 434-439, Article 727)" shall be replaced by the text "Law No 202/2017 on the activity of banks (further - Law No 202/2017);

1.3.2. in alphabetical order, the notions “substitution of risk parameters approach under the Advanced Internal Ratings Based Approach (A-IRB)”, “gold bullion”, “exposure secured by residential property”, “exposure secured by commercial immovable property”, “exposure secured by immovable property”, “property value” are added, reading as follows:

“*substitution of risk parameters under the Advanced Internal Ratings Based Approach (A-IRB)”* - substitution, in accordance with paragraphs 116^{13}-116^{17}, of the risk parameters PD and LGD of the underlying exposure with the corresponding PD and LGD that would be assigned under the Internal Ratings Based Approach (hereinafter the IRB Approach), using own estimates of LGD, to a comparable direct exposure to the protection provider;

“gold bullion” - gold in the form of a commodity, including gold bars, ingots and coins, commonly accepted by the bullion market, where liquid markets for bullion exist, and the value of which is determined by the value of the gold content, defined by purity and mass, rather than by its interest to numismatists;

“exposure secured by immovable property” or “exposure secured by a mortgage on immovable property”, or “exposure secured by immovable property collateral” – an exposure secured by a residential property or commercial immovable property;

“*exposure secured by commercial immovable property” or “exposure secured by a mortgage on commercial immovable property”* – an exposure secured by a commercial immovable property;

“*exposure secured by residential property” or “exposure secured by a mortgage on residential property*” – an exposure secured by residential property;

“property value” - the value of a residential property or commercial immovable property determined in accordance with paragraphs 107^1-107^3.”;

1.3.3. the terms “margin lending transactions”, “margin agreement” and “margin threshold” shall be excluded.

1.4. Paragraph 4 shall read as follows:

“In the case of an exposure for which a bank applies the standardised approach under the Regulation on the treatment of banks’ credit risk using standardised approach, approved by the Decision of the Executive Board of the National Bank of Moldova No 111/2018 (hereinafter - Regulation No 111/2018) or the IRB approach under the normative act of the National Bank of Moldova related to the treatment of credit risk under the Internal Ratings Based Approach, without, however, using its own estimates of LGD, the bank may resort to credit risk mitigation in accordance with this Regulation when calculating risk-weighted exposure amounts within the meaning of points (1) and (7) of paragraph 132 of the Regulation on Own Funds of Banks and Capital Requirements, approved by the Decision of the Executive Board of the National Bank of Moldova No 109/2018 (hereinafter - Regulation No 109/2018) and, as applicable, expected loss amounts for the purposes of paragraph 30(31) and paragraph 96(4) of that Regulation.”.

1.5. Paragraphs 4^1-4^2 shall be added with the following content:

“**4^1.** For an exposure for which the bank applies the IRB Approach by using its own estimates of LGD, the bank may take into account the effect of funded credit protection in accordance with the normative act of the National Bank of Moldova related to the treatment of credit risk for banks under the Internal Ratings Based Approach (IRB) when calculating risk-weighted exposure amounts and, where applicable, expected loss amounts for the purposes of Regulation No 109/2018.

4^2. Where the bank applies the IRB Approach by using its own estimates of LGD for both the original exposure and for comparable direct exposures to the protection provider, the bank may take into account the effect of unfunded credit protection in accordance with the normative act of the National Bank of Moldova related to the treatment of credit risk under the IRB Approach when calculating risk-weighted exposure amounts and, where applicable, expected loss amounts for the purposes of Regulation No 109/2018. In all other cases, for those purposes, the bank may take into account the effect of unfunded credit protection when calculating risk-weighted exposure amounts and expected loss amounts in accordance with this Regulation.".

1.6. In paragraph 6, after the text "Regulation No 111/2018," the following text shall be added "or the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach, as applicable,".

1.7. In paragraph 7:

1.7.1. After the words "under the standardised approach" the words "and the calculation of risk-weighted exposure amounts and expected loss amounts under the IRB Approach" are inserted;

1.7.2. the words "and VI" shall be excluded;

1.8. In paragraph 9 and 10, the words ", calculating risk-weighted exposure amounts under the Standardised Approach" are inserted after the words "Where a bank,".

1.9. Paragraph 10^1 shall be added with the following text:

"**10^1.** Collateral that satisfies all eligibility requirements under this Regulation can be recognised even for exposures associated with undrawn facilities, where drawing under the facility is conditional on the prior or simultaneous purchase or reception of collateral to the extent of the bank's interest in the collateral once the facility is drawn, such that the bank does not have any interest in the collateral to the extent the facility is not drawn.".

1.10. In paragraph 12, the words "independent, written and reasoned legal opinion" shall be replaced by the words "the latest version of the independent written and reasoned legal opinion used by the bank".

1.11. In paragraph 14 sub-paragraph 2) and 17 sub-paragraph 2), the words "as to the credit protection achieved having regard to" are supplemented by the words "the approach used to calculate risk-weighted exposure amounts; and".

1.12. In paragraph 19, the words "A bank shall have in place" shall be replaced by the words "The bank shall be able to demonstrate to the National Bank of Moldova that it has in place".

1.13. In paragraph 20, after the text "calculating of risk-weighted exposure amounts," shall be supplemented by the text "and, where applicable, expected loss amounts, ".

1.14. In paragraph 22:

1.14.1. the words "between the bank and the counterparty of the exposure secured by collateral" shall be replaced by the words "of the bank and the counterparty";

1.14.2. after the words 'Risk weighted exposure amounts' the words shall be added "and, where applicable, expected loss amounts".

1.15. In paragraph 23:

1.15.1. the words "with a counterparty" shall be excluded;

1.15.2. after the words "bilateral netting" the words "with a counterparty" shall be supplemented".

1.16. Paragraph 24 shall read as follows:

"Without prejudice to the chapter related to trading book items of the Regulation on the treatment of counterparty credit risk for banks, approved by the Decision of the Executive Board of the National Bank of Moldova No 220/2025 (hereinafter – Regulation No 220/2025), accepted collateral and securities or commodities borrowed under such agreements or transactions stipulated in point 23 shall comply with the eligibility requirements for collateral set out in Sections 3 and 4 of this Chapter.".

1.17. In paragraph 25:

1.17.1. sub-paragraph 1) shall read as follows:
"money in the form of a deposit with the creditor bank or instruments assimilated to money held by it";

1.17.2. in sub-paragraphs 4), 5) and 6), after the words "by an ECAI" the words ", designated by the bank within the meaning of Regulation No 111/2018" shall be added;

1.17.3. in sub-paragraph 8), the word "gold" shall be replaced by the words "gold bullion";

1.17.4. sub-paragraph (9) shall be added, reading as follows:
"9) securitisation positions that are not resecuritisation positions and which are subject to a 100 % risk weight or lower in accordance with Regulation No 221/2025 on the prudential treatment of securitisations.".

1.18. Paragraph 26 is supplemented by the following sub-paragraph 4):
"4) debt securities issued by regional governments or local authorities exposures to which are treated as exposures to the central government in whose jurisdiction they are established under the Regulation No 111/2018.".

1.19. Paragraph 27 sub-paragraph 4) is repealed.

1.20. In paragraph 28, in the preamble, the words "issued by other banks" shall be supplemented by the words "or by investment firms".

1.21. Paragraphs 28^1-28^6 shall be supplemented reading as follows:
"**28^1.** Banks may use units or shares in CIUs as eligible collateral where all the following conditions are satisfied:

1) the units or shares have a daily public price quote;

2) the CIUs are limited to investing in instruments that are eligible for recognition under paragraphs 25 and 28;

3) CIUs meet the conditions for determining the risk-weighted exposure amount of a CIU's exposures laid down in Regulation No 111/2018.

28^2. Where a CIU invests in shares or units of another CIU, conditions laid down in sub-paragraphs 1)-3) of paragraph 28^1 shall apply equally to any such underlying CIU.

28^3. The use by a CIU of derivative instruments to hedge permitted investments shall not prevent units or shares in that undertaking from being eligible as collateral.

28^4. For the purposes of paragraphs 28^1-28^3, where a CIU (the "original CIU") or any of its underlying CIUs are not limited to investing in instruments that are eligible under paragraphs 25-28, the following shall apply:

1) if banks apply the look-through approach referred to in Regulation No 111/2018 or the NBM normative act related to the treatment of credit risk under the Internal Ratings Based Approach for direct exposures to a CIU, they may use units or shares in that CIU as collateral up to an amount equal to the value of the instruments held by that CIU that are eligible under paragraphs 25 to 28 of this Regulation;

2) if banks apply the mandate-based approach referred to in Regulation No 111/2018 or the normative act of the National Bank of Moldova for the treatment of credit risk under the Internal Ratings Based Approach for direct exposures to a CIU, they may use units or shares in that CIU as collateral up to an amount equal to the value of the instruments held by that CIU that are eligible under points 25 and 28, assuming that that CIU or any of its underlying CIUs have invested in non-eligible instruments to the maximum extent permitted by their mandates.

28^5. Where an underlying CIU has underlying CIUs of its own, banks may use units or shares in the original CIU as eligible collateral provided that they apply the methodology set out in paragraph 28^4.

28^{6}. Where non-eligible assets may have a negative value due to liabilities or contingent liabilities resulting from ownership, banks shall proceed as follows:

1) calculate the total value of the non-eligible assets;

2) if the amount obtained under sub-paragraph 1) is negative, subtract the absolute value of this amount from the total value of eligible assets.”.

1.22. Paragraph 33 shall read as follows:

“**33.** Where the CIU or any underlying CIU is not limited to investments in instruments that are eligible for recognition under paragraphs 25 and 28 and investments in the items referred to in paragraph 30 sub-paragraph 1), the following shall apply:

1) if banks apply the look-through approach referred to in Regulation No 111/2018 or the NBM normative act related to the treatment of credit risk under the Internal Ratings Based Approach, they may use units or shares in this CIU as collateral up to an amount equal to the value of the instruments that are eligible under paragraphs 25 and 28 and the instruments referred to in paragraph 30 sub-paragraph 1);

2) if banks apply the mandate-based approach referred to in Regulation No 111/2018 or the NBM’s normative act on the treatment of credit risk under the Internal Ratings Based Approach for direct exposures to a CIU, they may use units or shares in that CIU as collateral up to an amount equal to the value of the instruments held by that CIU that are eligible under paragraphs 25 and 28 and the instruments referred to in paragraph 30 sub-paragraph 1) assuming that that CIU or any of its underlying CIUs have invested in non-eligible assets to the maximum extent permitted by their mandates.”.

1.23. In paragraph 34:

1.23.1. the word “assets” shall be replaced by the word “instruments”;

1.23.2. in sub-paragraphs 1) and 2) the word “assets” is replaced by the word “instruments”.

1.24. After Section 4 of Chapter III, the following Section 4^{1} shall be added:

“***Section 4^{1}***

Extending the eligibility of collateral under the IRB Approach

34^{1}. In addition to the collateral referred to in paragraphs 25 to 34, banks calculating risk-weighted exposure amounts and expected loss amounts under the IRB Approach may also use the following forms of collateral:

1) immovable property collateral in accordance with paragraphs 34^{2}-34^{7};

2) receivables in accordance with paragraphs 34^{9} and 34^{10};

3) other physical collateral in accordance with paragraphs 34^{12}-34^{13};

4) leasing in accordance with paragraph 34^{14}.

34^{2}. Unless otherwise specified in Regulation No 111/2018, banks may use as eligible collateral residential property that is or will be occupied or leased by the owner or, in the case of personal investment companies, the beneficial owner, as well as commercial immovable property, including offices and other commercial premises, provided that all of the following conditions are met:

1) the property value does not materially depend upon the credit quality of the borrower;

2) the risk of the borrower does not materially depend upon the performance of the underlying property or project, but on the underlying capacity of the borrower to repay the debt from other sources, and as a consequence the repayment of the facility does not materially depend on any cash flow generated by the underlying property serving as collateral.

34^{3}. For the purposes of paragraph 34^{2} sub-paragraph 1), banks may exclude situations where purely macroeconomic factors affect both the value of the property and the performance of the borrower.

34^{4}. Banks may derogate from paragraph 34^{2} sub-paragraph 2) for exposures secured by residential property located in the territory of the Republic of Moldova, if the National Bank of Moldova, for the purposes of paragraphs 68^{4}-68^{8} of Regulation No 111/2018, has published evidence indicating the presence of a well-developed and long-established residential property market in that territory with loss rates that do not exceed any of the following limits:

1) the ratio of the aggregated values reported by banks under sub-paragraphs 1) and 3) of paragraph 1) of Annex No 21 to Regulation No 111/2018 does not exceed 0.3%;

2) the ratio of the aggregated values reported by banks under sub-paragraphs 2) and 3) of paragraph 1) of Annex No 21 to Regulation No 111/2018 does not exceed 0.5%.

34^{5}. If any of the conditions set out in sub-paragraphs 1) and 2) is not met in a given year, banks shall not apply the treatment specified in that point until both conditions are met in a subsequent year.

34^{6}. Banks may derogate from paragraph 34^{2} sub-paragraph 2) for exposures secured by commercial immovable property located in the territory of the Republic of Moldova, if the National Bank of Moldova, for the purposes of paragraphs 68^{4}-68^{8} of Regulation No111/2018, has published evidence indicating the presence of a market for well-developed and long-established commercial immovable property in that territory with loss rates that do not exceed any of the following limits:

1) the ratio between the aggregated values reported by banks under sub-paragraph 4) and sub-paragraph 6), paragraph (1) of Annex No 21 to Regulation No 111/2018 does not exceed 0.3%

2) the ratio between the aggregated values reported by banks under sub-paragraphs 5) and 6), sub-paragraph (1) of Annex 21 to Regulation 111/2018 does not exceed 0.5%.

34^{7}. If one of the conditions set out in sub-paragraphs 1) and 2) of 34^{6} is not met in a given year, banks shall not apply the treatment specified in that paragraph until both conditions are satisfied in a subsequent year.

34^{8}. Banks may also apply the derogations referred to in paragraphs 34^{4} and 34^{6} in cases where the competent authority of another State applying supervisory and regulatory arrangements at least equivalent to those applied in the Republic of Moldova with regard to banks in accordance with Annex 5 to Regulation No 111/2018 publishes the corresponding loss rates for exposures secured by residential or commercial immovable property located in the territory of that State.

34^{9}. Banks may use as eligible collateral receivable linked to a commercial transaction or transactions with an original maturity of one year or less. Eligible receivables do not include claims associated with securitisations, sub-participations or credit derivatives, nor amounts owed by related parties.

34^{10}. Where a public development bank issues a promotional loan, for the purpose of promoting the public policy objectives of the central government, regional government or local authority, to another bank or non-banking financial company which is authorised to carry out the activities referred to in Article 14(1)(b) or (c) of Law No 202/2017 and which meets the conditions laid down in point 51 of Regulation No 111/2018, and where that bank or non-banking financial company directly or indirectly transfers that promotional loan to a ultimate obligor and cedes the receivable from the promotional loan as collateral to the public development bank, the public development bank may use the ceded receivable as eligible collateral, regardless of the original maturity of the ceded receivable.

34^{11}. For the purposes of paragraph 34^{10}, a public development bank is a bank that meets all of the following conditions:

1) was established by a central administration, regional administration or local authority of the Republic of Moldova;

2) its activity is limited to advancing specified objectives of financial, social or economic policy in accordance with the legal framework and provisions governing that bank, including articles of association, on a non-competitive basis. Public policy objectives may include the provision of financing for promotional or development purposes to specified economic sectors or geographical areas of the Republic of Moldova;

3) its goal is not to maximise profit or market share;

4) subject to the applicable State aid rules, the central government, regional government or local authority has an obligation to protect the viability of the bank or guarantees, directly or indirectly, at least 90% of the bank's own funds requirements, funding requirements or promotional loans granted;

5) it does not take covered deposits, according to Law No 160/2023 on bank deposit guarantees, which can be classified as fixed term deposits or savings deposits from consumers.

34^{12}. Banks may use as eligible collateral physical collateral of a type other than those indicated in paragraphs 34^{3}-34^{7}, provided that all of the following conditions are met:

1) there are liquid markets, evidenced by frequent transactions taking into account the asset type, for the disposal of the collateral in an expeditious and economically efficient manner. Banks shall carry out the assessment of this condition periodically and where information indicates material changes in the market;

2) there are well-established, publicly available market prices for the collateral. Banks may consider market prices as well-established where they come from reliable sources of information such as public indices and reflect the price of the transactions under normal conditions. Banks may consider market prices as publicly available, where these prices are disclosed, easily accessible, and obtainable regularly and without any undue administrative or financial burden;

3) the bank analyses the market prices, time and costs required to realise the collateral and the realised proceeds from the collateral;

4) the bank demonstrates that in at least 90% of all liquidations for a given type of collateral the realised proceeds from the collateral are not below 70% of the collateral value; where there is material volatility in the market prices, the bank shall demonstrate to the satisfaction of the National Bank of Moldova that its valuation of the collateral is sufficiently conservative.

34^{13}. Banks shall document that the conditions specified in paragraph 34^{12} and paragraphs 50^{5}-50^{6}.

34^{14}. Subject to paragraph 107^{7}, if the requirements of paragraph 50^{7} are met, exposures arising from leasing transactions whereby a bank leases property to a third party may be treated in the same way as loans collateralised by the type of property leased.”.

1.25. In paragraph 35:

1.25.1. in sub-paragraph 1) the words “which, individually or in the group of which they are part, have a credit assessment by an ECAI, which the National Bank of Moldova has determined to be associated with the credit quality step 3 or above, in accordance with the rules for the risk weighting of exposures to banks or short-term exposures, as set out in the Regulation No 111/2018” shall be excluded;

1.25.2. in sub-paragraph 2) the words “having a credit assessment by an ECAI, which the National Bank of Moldova has determined to be associated with the credit quality step 3 or above in accordance with the rules for the risk weighting of exposures to banks or short-term exposures, as set out in the Regulation No 111/2018” are excluded;

1.25.3. sub-paragraph 3) shall be added with the following content:

“3) life insurance policies pledged to the lending bank.”.

1.26. Paragraph 36 shall read as follows:

“**36.** Banks may use the following parties as eligible providers of unfunded credit protection:

1) central governments and central banks, regional governments or local authorities, multilateral development banks, international organisations, which are assigned a 0% risk weight under Regulation No 111/2018;

2) public sector entities treated in accordance with Regulation No 111/2018;

3) banks and non-bank financial corporations for which exposures to the non-bank financial corporation are treated as exposures to banks in accordance with Regulation No 111/2018;

4) regulated entities in the financial sector, represented by entities subject to prudential requirements, directly on an individual or consolidated basis or indirectly on the basis of the prudential consolidation of the parent undertaking, in accordance with the prudential framework for banks, investment firms and insurers/reinsurers, or the legal prudential requirements of a third country that are at least equivalent to those applied in the Republic of Moldova in accordance with Annex 5 to Regulation No 111/2018;

5) Qualified Central Counterparties (QCCPs);

6) where the credit protection is not provided to a securitisation exposure, other undertakings, that have a credit assessment by a nominated ECAI, including parent undertakings, subsidiaries or affiliated entities of the obligor where a direct exposure to those parent undertakings, subsidiaries or affiliated entities has a lower risk weight than the exposure to the obligor.”.

1.27. Paragraph 36^1 shall be supplemented, reading as follows:

“36^1. In addition to the protection providers listed in paragraph 36, entities to which banks rate internally in accordance with the requirements for the use of the IRB Approach are eligible providers of unfunded credit protection where the bank uses the IRB Approach for exposures to those entities.”.

1.28. In paragraph 41 “VI” is replaced by “V” and “and expected loss amounts” is added after “exposures”.

1.29. Chapter V is supplemented by the following paragraph 41^1:

“**41^1.** First-to-default and all other nth-to-default credit derivatives shall not be eligible types of unfunded credit protection.”.

1.30. Chapter V^1 shall be added, with the following content:

“**Chapter V^1**

ELIGIBLE TYPES OF EQUITY DERIVATIVES

41^2. Banks may use equity derivatives that are total return swaps or that are economically effectively similar as eligible credit protection, but only for the purpose of internal hedges.

41^3. Where a bank buys credit protection through a total return swap and records the net payments received on the swap as net income, but does not record the offsetting deterioration in the value of the asset that is protected either through reductions in fair value or by an addition to reserves, that credit protection shall not qualify as eligible credit protection.

41^4. Where a bank conducts an internal hedge using an equity derivative, in order for the internal hedge to qualify as eligible credit protection, the credit risk transferred to the trading book shall be transferred out to a third party or parties.

41^5. Where an internal hedge has been conducted in accordance with paragraph 41^4, and the requirements laid down in this Regulation have been met, banks shall apply the rules set out in Titles IV to V when calculating risk-weighted exposure amounts and expected loss amounts where they acquire unfunded credit protection.”.

1.31. Paragraph 46 shall read as follows:

“**46.** Securities issued by the obligor or any other group entity do not qualify as eligible collateral. This notwithstanding, the obligor's own issues of covered bonds falling within the terms of Regulation No 111/2018 qualify as eligible collateral when they are posted as collateral for a repurchase transaction, provided that they comply with the condition set out in paragraph 45.”.

1.32. Paragraph 49 sub-paragraph 4) shall be supplemented with the following words “ESG-related considerations shall prompt an assessment of whether a significant decrease in the market value of the collateral has occurred;”.

1.33. Paragraph 50^1 shall be added, reading as follows:

“**50^{1}.** Immovable property qualifies as eligible collateral only if all the requirements set out in Annex 2 of Regulation No 111/2018 are met.”.

1.34. Sections 2^{1} and 2^{2} shall be added to Chapter VI, reading as follows:

“***Section 2^{1}***

Requirements for receivables

50^{2}. Receivables shall qualify as eligible collateral where all the requirements laid down in paragraphs 50^{3} and 50^{4} are met.

50^{3}. The following requirements on legal certainty shall be met:

1) he legal mechanism by which the collateral is provided to a bank shall be robust and effective and ensure that that bank has clear rights over the collateral including the right to the proceeds from the sale of the collateral;

2) banks must take all steps necessary to meet the requirements in respect of the enforceability of security interest in all relevant jurisdictions. Lending banks must have a first priority right over the collateral, although such rights may be subordinated to the rights of privileged creditors under applicable law;

3) banks shall have conducted sufficient legal review confirming the enforceability of the collateral arrangements in all relevant jurisdictions;

4) banks shall properly document their collateral arrangements and shall have in place clear and robust procedures for the timely collection of collateral;

5) banks shall have in place procedures that ensure that any legal conditions required for declaring the default of a borrower and timely collection of collateral are observed;

6) in the event of a borrower's financial distress or default, banks shall have legal authority to sell or assign the receivables to other parties without consent of the receivables obligors.

50^{4}. The following requirements on risk management shall be met:

1) a bank shall have in place a sound process for determining the credit risk associated with the receivables. Such a process shall include analyses of a borrower's business and industry and the types of customers with whom that borrower does business. Where the bank relies on its borrowers to ascertain the credit risk of the customers, the bank shall review the borrowers' credit practices to ascertain their soundness and credibility;

2) the difference between the amount of the exposure and the value of the receivables shall reflect all appropriate factors, including the cost of collection, concentration within the receivables pool pledged by an individual borrower, and potential concentration risk within the bank's total exposures beyond that controlled by the bank's general methodology. Banks shall maintain a continuous monitoring process appropriate to the receivables. They shall also review, on a regular basis, compliance with loan covenants, environmental restrictions, and other legal requirements;

3) receivables pledged by a borrower shall be diversified and not be unduly correlated with that borrower. Where there is material positive correlation, banks shall take into account the attendant risks in the setting of margins for the collateral pool as a whole;

4) banks shall not use receivables from affiliates of a borrower, including subsidiaries and employees, as eligible credit protection;

5) banks shall have in place a documented process for collecting receivable payments in distressed situations. Banks shall have in place the requisite facilities for collection even when they normally rely on their borrowers for collections.

Section 2^{2}

Requirements for other physical collateral and requirements for treating lease exposures as collateralised

50^{5}. Physical collateral other than immovable property collateral shall qualify as eligible collateral under the IRB Approach where all the following conditions are met:

1) the collateral arrangement under which the physical collateral is provided to a bank shall be legally effective and enforceable in all relevant jurisdictions and shall enable that bank to realise the value of the collateral within a reasonable timeframe;

2) with the sole exception of permissible first priority claims referred to in paragraph 50^{3} sub-paragraph 2), only first liens on, or charges over, collateral shall qualify as eligible collateral and a bank shall have priority over all other lenders to the realised proceeds of the collateral;

3) banks shall monitor the value of the collateral on a frequent basis and at least once every year. Banks shall carry out more frequent monitoring where the market is subject to significant changes in conditions;

4) the loan agreement shall include detailed descriptions of the collateral as well as detailed specifications of the manner and frequency of revaluation;

5) banks shall clearly document in internal credit policies and procedures available for examination the types of physical collateral they accept and the policies and practices they have in place in respect of the appropriate amount of each type of collateral relative to the exposure amount;

6) banks' credit policies with regard to the transaction structure shall address the following:

a) appropriate collateral requirements relative to the exposure amount;

b) the ability to liquidate the collateral readily;

c) the ability to establish objectively a price or market value;

d) the frequency with which the value can readily be obtained, including a professional appraisal or valuation;

e) the volatility or a proxy of the volatility of the value of the collateral.

7) when conducting valuation and revaluation, banks shall take fully into account any deterioration or obsolescence of the collateral, paying particular attention to the effects of the passage of time on fashion- or date-sensitive collateral; for physical collateral, obsolescence of collateral shall also include ESG-related valuation considerations related to prohibitions or limitations imposed by the relevant regulatory objectives and legal acts, as well as, where relevant for internationally active banks, third-country legal and regulatory objectives;

8) banks shall have the right to physically inspect the collateral. They shall also have in place policies and procedures addressing their exercise of the right to physical inspection;

9) the collateral taken as protection shall be adequately insured against the risk of damage and banks shall have in place procedures to monitor this.

50^{6}. Where general security agreements, or other forms of floating charge, provide the lending bank with a registered claim over a company's assets and where that claim contains both assets that are not eligible as collateral under the IRB Approach and assets that are eligible as collateral under the IRB Approach, the bank may recognise those latter assets as eligible funded credit protection. In that case, that recognition shall be conditional on those assets meeting the requirements for eligibility of collateral under the IRB Approach as set out in this Regulation.

50^{7}. Banks shall treat exposures arising from leasing transactions as collateralised by the type of property leased, where all the following conditions are met:

1) the conditions set out in paragraph 50^{1} or paragraphs 50^{5}-50^{6}, as applicable, for the type of property leased to qualify as eligible collateral are met;

2) the lessor has in place robust risk management with respect to the use to which the leased asset is put, its location, its age and the planned duration of its use, including appropriate monitoring of the value of the security;

3) the lessor has legal ownership of the asset and is able to exercise its rights as owner in a timely fashion;

4) where this has not already been ascertained in calculating the LGD level, the difference between the value of the unamortised amount and the market value of the security is not so large as to overstate the credit risk mitigation attributed to the leased assets.”.

1.35. Paragraph 51^1 shall be added with the following content:
“**51^1.** Life insurance policies pledged to the lending banks shall qualify as eligible collateral where all the following conditions are met:

1) the life insurance policy is openly pledged or assigned to the lending bank;

2) the company providing the life insurance is notified of the pledge or assignment and, as a result of the notification, may not pay amounts payable under the contract without the prior consent of the lending bank;

3) the lending bank has the right to cancel the policy and receive the surrender value in the event of the default of the borrower;

4) the lending bank is informed of any non-payments under the policy by the policy-holder;

5) the credit protection is provided for the maturity of the loan. Where this is not possible because the insurance relationship ends before the loan relationship expires, the bank shall ensure that the amount deriving from the insurance contract serves the bank as security until the end of the duration of the credit agreement;

6) the pledge or assignment is legally effective and enforceable in all jurisdictions which are relevant at the time of the conclusion of the credit agreement;

7) the surrender value is declared by the company providing the life insurance and is non-reducible;

8) the surrender value is to be paid by the company providing the life insurance in a timely manner upon request;

9) the surrender value shall not be requested without the prior consent of the bank;

10) the company providing life insurance is subject to Law No 92/2022 on insurance or reinsurance activity or is subject to supervision by a competent authority of a third country that applies supervisory and regulatory rules at least equivalent to those applied in the Republic of Moldova.”.

1.36. In paragraph 53 sub-paragraph 3):

1.36.1. in the introductory part, the word “bank” shall be supplemented by the word “lending”;

1.36.2. in letter a), after the words “to cancel” shall be added the words “or amend”;

1.36.3. in letter b), before the word “protection,” the word “credit” shall be added.”;

1.36.4. in letter c), after the text “Regulation No 111/2018,” the following words shall be added: “and the normative act of the National Bank of Moldova regarding the treatment of credit risk in accordance with the internal ratings based approach”.

1.37. In paragraph 60, sub-paragraph 1), the word “counterparty” shall be replaced with the word “debtor”.

1.38. In paragraph 61:

1.38.1. in the introductory part, the words “the requirements of” shall be supplemented with the text “ paragraph 53, sub-paragraph 3), letter c), and”;

1.38.2. sub-paragraph 1) shall be supplemented at the beginning with the following text: “in the event of default or non-payment by the original debtor”;

1.38.3. sub-paragraph 2) shall be supplemented with the following text: “; this justification is properly documented and is subject to specific internal approval and audit procedures.”.

1.39. Paragraph 64^1 shall be added with the following text:

“**64[1].** Notwithstanding paragraph 62, for an exposure to an entity that is secured by a credit derivative, the credit event referred to in paragraph 62, sub-paragraph 1 letter c), shall not be required to be specified in the derivative contract if all of the following conditions are met:

1) a 100% vote is needed to amend the maturity, principal, coupon, currency or seniority status of the underlying corporate exposure;

2) The jurisdiction governing exposure to companies has a well-established legal framework for bankruptcy, which allows a company to reorganise and restructure and provides for the orderly settlement of creditors’ claims.

If the conditions set forth in sub-paragraphs 1) and 2) are not met, the credit protection may nevertheless be eligible, subject to a reduction in value, as specified in paragraph 111.”.

1.40. In paragraph 65, the words “which are denominated in the same currency” shall be excluded.

1.41. In paragraph 68, the text “repurchase transactions or securities or commodities lending or borrowing transactions” shall be replaced with the text “financing transactions using financial instruments”.

1.42. In paragraph 69, sub-paragraph 3) shall read as follows:

“3) to apply the volatility adjustment amount or, where applicable, the absolute value of the volatility adjustment appropriate for a specific group of securities or for a specific type of commodity, to the absolute value of the positive or negative net position in the securities within that group of securities or in the commodities of that type;”.

1.43. Paragraph 70 shall read as follows:

70. Banks must calculate the fully adjusted exposure amount (E*) using the following formula:

$$E^* = \max\left(0; \sum_i E_i - \sum_j C_j + 0{,}4 \cdot E_{\text{net}} + 0{,}6 \cdot \frac{E_{\text{gross}}}{\sqrt{N}} + \sum_k \left|E_k^{\text{fx}}\right| \cdot H_k^{\text{fx}}\right)$$

where:

i = the index that denotes all securities, commodities, or separate cash positions under the agreement that are lent, sold under a repurchase agreement, or provided by the bank to the counterparty;

j = the index that denotes all securities, commodities, or separate cash positions under the agreement that are borrowed, purchased with an agreement to resell, or held by the bank;

k = the index that denotes all the separate currencies in which the securities, commodities, or cash positions under the agreement are denominated;

E_i = the exposure amount for a specific security, commodity, or cash position that is lent, sold under a repurchase agreement, or provided to the counterparty under the agreement, the amount that would apply in the absence of credit protection when banks calculate risk-weighted exposure amounts in accordance with Regulation No 111/2018 or the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach, as applicable;

C_j = the value of a specific security, a specific commodity, or a specific position in monetary asset j, which is borrowed, purchased under a repurchase agreement, or held by the bank under the agreement;

E_k^{fx} = the net position (positive or negative) in a given currency *k*, other than the settlement currency of the agreement, as calculated in accordance with paragraph 69, sub-paragraph 2);

H_j^{sec} = the volatility adjustment appropriate for a specific group of securities *j*;

H_k^{fx} = the volatility adjustment related to foreign exchange risk for currency k, calculated in accordance with Section 6 of this Chapter.

H_k^{fx} = the foreign exchange volatility adjustment for currency k;

E_{net} = the net exposure of the agreement, calculated as follows:

$$E_{\mathrm{net}} = \left| \sum_{l=1}^{N} |E_l^{\mathrm{sec}}| \cdot H_l^{\mathrm{sec}} \right|$$

where:

l = the index that denotes all distinct groups of the same securities and all distinct types of the same commodities under the agreement;

E_l^{sec} = the net position (positive or negative) in a given group of securities l, or a given type of commodities l, under the agreement, calculated in accordance with paragraph 69 sub-paragraph 1);

H_l^{sec} = the volatility adjustment appropriate to a given group of securities l, or a given type of commodities l, determined in accordance with paragraph 69 sub-paragraph 3); the sign of H_l^{sec} shall be determined as follows:

1) it shall have a positive sign where the group of securities l is lent, sold with an agreement to repurchase, or transacted in a manner similar to either a securities lending or a repurchase agreement;

2) it shall have a negative sign where the group of securities l is borrowed, purchased with an agreement to resell, or transacted in a manner similar to either a securities borrowing or a reverse repurchase agreement;

N = the total number of distinct groups of the same securities and distinct types of the same commodities under the agreement; for the purposes of this calculation, those groups and types E_l^{sec} for which $|E_l^{sec}|$is less than $\frac{1}{10} max_l(|E_l^{sec}|)$ shall not be counted;

Egross = the gross exposure of the agreement, calculated as follows:

$$E_{\mathrm{gross}} = \sum_{l=1}^{N} |E_l^{\mathrm{sec}}| \cdot |H_l^{\mathrm{sec}}|$$ ”.

1.44. In paragraph 71, after the words “risk-weighted exposure amounts,” the words “and expected loss amounts” shall be added, and at the end, the words “or the normative act of the National Bank of Moldova regarding the treatment of credit risk under the IRB approach” shall be added.”.

1.45. Chapter VIII shall be supplemented with Section 2^1 with the following content:

“***Section 2¹***

Using the internal models approach for master netting agreements

72¹. For the purpose of calculating the risk-weighted exposure amounts and expected loss amounts for securities financing transactions or other capital market-driven transactions other than derivative transactions covered by an eligible master netting agreement that meets the requirements for contractual netting set forth in Regulation No 220/2025, a bank may calculate the fully adjusted exposure amount (E*) of the agreement using the internal models approach, provided it meets the conditions set forth in paragraph 72^2.

72^2. The bank may use the internal model approach if all of the following conditions are met:

1) the bank uses this approach only for exposures for which the risk-weighted exposure amounts are calculated in accordance with the IRB approach set forth in the National Bank of Moldova's normative act on the treatment of credit risk under the internal ratings based approach;

2) The bank is granted the permission from the National Bank of Moldova to use this approach.

72^3. A bank that uses an internal models approach shall apply this approach to all counterparties and securities, except for immaterial portfolios, for which it may use the regulated volatility adjustments approach set forth in paragraphs 68–72.

72^4. The National Bank of Moldova shall permit a bank to use an internal models approach only where they are satisfied that the bank's system for managing the risks arising from transactions covered by the master netting agreement is conceptually sound and properly implemented, and if the following qualitative requirements are met:

1) the internal risk-measurement model used for calculating the potential price volatility for the transactions is closely integrated into the daily risk-management process of the institution and serves as the basis for reporting risk exposures to the senior management of the bank;

2) the bank has a risk control unit that meets all the following requirements:

a) it is independent from business trading units and reports directly to senior management;

b) it is responsible for designing and implementing the bank's risk-management system;

c) it produces and analyses daily reports on the output of the risk-measurement model and on the appropriate measures to be taken in terms of position limits;

3) the daily reports produced by the risk-control unit are reviewed by a level of management with sufficient authority to enforce reductions of positions taken and of overall risk exposure;

4) the bank has sufficient staff skilled in the use of sophisticated models in the risk control unit;

5) the bank has established procedures for monitoring and ensuring compliance with a documented set of internal policies and controls concerning the overall operation of the risk-measurement system;

6) the bank's models have a proven track record of reasonable accuracy in measuring risks demonstrated through the back-testing of its output using at least one year of data;

7) the bank frequently conducts a rigorous programme of stress testing and the results of these tests are reviewed by senior management and reflected in the policies and limits it sets;

8) the bank conducts, as part of its regular internal auditing process, an independent review of its risk-measurement system. This review shall include both the activities of the business trading units and of the independent risk-control unit;

9) at least once a year, the bank conducts a review of its risk-management system;

10) The internal model meets the requirements regarding the integrity of the modelling process and the validation requirements set forth in Regulation No 220/2025.

72^5. A bank's internal risk-measurement model must include a sufficient number of risk factors to reflect all significant price risks.

72^6. The bank may use empirical correlations within and across risk categories, provided that its system for measuring correlations is robust and is applied correctly.

72^7. Banks that use the internal models approach calculate E* using the following formula:

$$\boldsymbol{E}^{*} = max\left\{0, \left(\sum_{i} E_i - \sum_{i} C_i\right) + \ potential\ change\ in\ value\right\}$$

where:

E_i = the exposure value for each separate exposure i under the agreement that would apply in the absence of the credit protection, where banks calculate the risk-weighted exposure amounts under the Standardised Approach or where they calculate risk-weighted exposure amounts and expected loss amounts under the IRB Approach;

C_i = the value of the securities borrowed, purchased or received or the cash borrowed or received in respect of each such exposure i.

72^8. When calculating risk-weighted exposure amounts using internal models, banks shall use the previous business day's model output.

72^9. The calculation of the potential change in value referred to in paragraph 72^7 shall be subject to all the following standards:

1) it shall be carried out at least daily;

2) it shall be based on a 99th percentile, one-tailed confidence interval;

3) it shall be based on a 5-day equivalent liquidation period, except in the case of transactions other than securities repurchase transactions or securities lending or borrowing transactions where a 10-day equivalent liquidation period shall be used;

4) it shall be based on an effective historical observation period of at least one year except where a shorter observation period is justified by a significant upsurge in price volatility;

5) the data set used in the calculation shall be updated every three months.

72^{10}. If the bank has a repurchase agreement, a securities or commodities lending or borrowing transaction, or a margin lending transaction, or any other similar transaction or netting set that meets the criteria regarding the exposure value for netting sets subject to a margin agreement as set forth in Regulation No 220/2025, the minimum holding period must be aligned with the margin risk period that would apply in accordance with that regulation, in conjunction with the provisions regarding margin replenishment at N-day intervals.

72^{11}. To obtain the approval referred to in paragraph 72^4 the bank shall submit a written request to the National Bank of Moldova, attaching the relevant information/documentation demonstrating compliance with the conditions set forth in that paragraph.".

1.46. Paragraph 73 is supplemented with the following text: "Banks may use the simple method for financial guarantees only if they calculate the risk-weighted values of exposures in accordance with the standardised approach.".

1.47. Paragraph 74 shall read as follows:

"**74.** Banks must not use either the simple financial collateral method or the extended financial collateral method except for the purposes of implementing the IRB approach for various exposure classes and operational units and of meeting the conditions for permanent partial use, in accordance with the regulatory acts of the National Bank of Moldova pertaining to the internal ratings based approach. Banks must not use this exception selectively to reduce their capital requirements or to engage in regulatory arbitrage.".

1.48. In paragraph 80, after the words "exposure values," the following text is added: ", determined pursuant to Regulation No 220/2025,", and the words "derivative instruments" shall be supplemented with the following text: "listed in Annex 1 to Regulation No 114/2018 and".

1.49. Paragraph 83 is supplemented with sub-paragraph 4), which reads as follows:

“4) debt securities issued by regional governments or local authorities, provided that exposures to them are treated as exposures to the central government in whose jurisdiction they are established, in accordance with Regulation No 111/2018.”.

1.50. In paragraph 86, after the words “netting agreements,” the following text is added: “recognised under Regulation No 220/2025,”.

1.51. In paragraph 89, the text “Regulation No 111/2018” is supplemented with the text “or the normative act of the National Bank of Moldova regarding the treatment of credit risk under the IRB approach, as applicable”.

1.52. In paragraph 90, the text “Notwithstanding Article 89,” shall be deleted, and after the word “banks,” the following text shall be added: “that use the internal model method for the treatment of counterparty credit risk,”.

1.53. Paragraph 91 shall read as follows:
“**91.** To calculate the E value referred to in paragraph 90, the following shall apply:

1) for banks that calculate the risk-weighted values of exposures under the standardised approach, the exposure value of an off-balance-sheet item specified in Regulation No 111/2018 must be 100% of the value of that item, and not the exposure value specified in the aforementioned normative act;

2) for off-balance-sheet items other than derivative financial instruments treated under the IRB approach, banks calculate their exposure values using a credit conversion factor (CCF) of 100% instead of the CCF based on the standardised approach or the CCF based on the IRB approach.”.

1.54. Paragraph 92^1 shall be added with the following text:
“**92^1.** In the case of over-the-counter (OTC) derivative transactions, banks that use the standardised approach, the simplified standardised approach, and the initial exposure method set forth in Regulation No 220/2025, shall take into account the risk-mitigating effects of collateral in accordance with the provisions of Chapters III, IV, and V of Regulation No 220/2025, as applicable.”.

1.55. In paragraph 95:

1.55.1. Table 1 shall have the following contents:

“Table 1

Credit quality step with which the credit assessment of the debt security is associated	**Residual maturity (m), expressed in years**	**Volatility adjustments for debt securities issued by the entities described in paragraph 25, sub-paragraphs 2) and 3)**	**Volatility adjustments for debt securities issued by the entities described in paragraph 25, sub-paragraphs 4) and 5)**	**Volatility adjustments for securitisation positions and meeting the criteria laid down in paragraph 25, sub-paragraph 9)**

		20-day liquidation period (%)	**10-day liquidation period (%)**	**5-day liquidation period (%)**	**20-day liquidation period (%)**	**10-day liquidation period (%)**	**5-day liquidation period (%)**	**20-day liquidation period (%)**	**10-day liquidation period (%)**	**5-day liquidation period (%)**
1	m ≤ 1	0,707	0,5	0,354	1,414	1	0,707	2,828	2	1,414
	1 < m ≤ 3	2,828	2	1,414	4,243	3	2,121	11,314	8	5,657
	3 < m ≤ 5	2,828	2	1,414	5,657	4	2,828	11,314	8	5,657
	5 < m ≤ 10	5,657	4	2,828	8,485	6	4,243	22,627	16	11,314
	m > 10	5,657	4	2,828	16,971	12	8,485	22,627	16	11,314
2-3	m ≤ 1	1,414	1	0,707	2,828	2	1,414	5,657	4	2,828
	1 < m ≤ 3	4,243	3	2,121	5,657	4	2,828	16,971	12	8,485
	3 < m ≤ 5	4,243	3	2,121	8,485	6	4,243	16,971	12	8,485
	5 < m ≤ 10	8,485	6	4,243	16,971	12	8,485	33,941	24	16,971
	m > 10	8,485	6	4,243	28,284	20	14,142	33,941	24	16,971
4	all	21,213	15	10,607	N/A	N/A	N/A	N/A	N/A	N/A

1.55.2. Table 2 is supplemented with a new column, with the following content:

Volatility adjustments for securitisation positions that meet the criteria set out in paragraph 25, sub-paragraph 9), for which short-term credit assessments have been performed		
20-day liquidation period (%)	**10-day liquidation period (%)**	**5-day liquidation period (%)**

2,828	2	1,414
5,657	4	2,828

1.55.3. Table 3 shall have the following contents:

“Table 3

Other collateral or exposure types

Types of collateral	20-day liquidation period (%)	10-day liquidation period (%)	5-day liquidation period (%)
Main index equities, main index convertible bonds	28,284	20	14,142
Other equities or convertible bonds listed on a recognised exchange	42,426	30	21,213
Cash	0	0	0
Gold bullion	28,284	20	14,142

1.55.4. The title of Table 4 shall be supplemented with the following text “**(H_{fx})**”.

1.56. Paragraph 96^1 shall be added with the following text:
“**96^1.** If the bank has a transaction or a netting set that meets the criteria regarding the exposure value for netting sets subject to a margin agreement established in accordance with the regulations of the National Bank of Moldova regarding the treatment of counterparty credit risk, the minimum holding period must be aligned with the margin risk period that would apply in accordance with those criteria.”.

1.57. Paragraph 104 sub-paragraph 7), shall read as follows: “the transaction is governed by documentation providing for the immediate resolution of the transaction if the counterparty fails to comply with its obligation to deliver cash or securities or to respond to the margin call, or fails to fulfil other obligations”.

1.58. Paragraph 104^1 shall be added with the following text:
“**104^1.** Banks that use the internal models approach set forth in Section 21 of this chapter shall not use the treatment set forth in this section.”.

1.59. Paragraph 105:

1.59.1. In sub-paragraphs 2) through 5), the words “of the Republic of Moldova” shall be excluded;

1.59.2. the following sub-paragraphs 21) and 22) shall be added with the following content:
“2^1) investment firms;

2^2) other financial enterprises that are an insurer or reinsurer, an insurance holding company, or a mixed financial holding company, if exposures to them are assigned a 20% risk weight under the standardised approach, or entities that, in the case of banks calculating risk-weighted exposure amounts and expected loss amounts under the IRB approach, do not have a credit assessment from a recognised ECAI and are assessed internally by the bank;”.

1.60. In Chapter VIII, the title of Section 9 shall be supplemented with the words “***for exposures treated under the standardised approach***”.

1.61. The beginning of paragraph 106 is supplemented with the text “Under the standardised approach,”.

1.62. Chapter VIII shall be supplemented with Sections 9^1, 9^2 and 9^3 with the following content:

“***Section 9^1***

Valuation principles for eligible collateral other than financial collateral

107^1. The valuation of immovable property shall meet all of the following requirements:

1) the value of the immovable property is assessed by an independent appraiser, in accordance with Law No 989/2002 on appraisal activities, independently of the bank’s mortgage acquisition process, loan processing, and loan decision-making process;

2) the value of the immovable property is determined based on prudent valuation criteria that cumulatively meet the following requirements:

a) the value of immovable property does not take into account expectations of price increases;

b) the value of the immovable property is adjusted to account for the possibility that the current market value may be significantly above the value that would be sustainable over the life of the loan;

3) the value of the immovable property is documented in a transparent and clear manner;

4) the value of the immovable property does not exceed its market value, if such a market value can be determined;

5) In the event of a revaluation of the immovable property, its value may not exceed the average value determined for that property, or for a comparable immovable property, over the past six years in the case of residential real estate or eight years in the case of commercial real estate, or the value at the time of initiation, whichever is higher.

107^2. For the purpose of calculating the average value, banks shall take the average across property values observed at equal intervals and the reference period shall include at least three data points.

For the purpose of calculating the average value, institutions may use the results of the monitoring of property values in accordance with Annex 2 to Regulation No 111/2018. The property value may exceed that average value or the value at origination, as applicable, in the case of modifications made to the property that unequivocally increase its value, such as improvements of the energy performance or improvements to the resilience, protection and adaptation to physical risks of the building or housing unit. The property value shall not be revalued upward if banks do not have sufficient data to calculate the average value except if the value increase is based on modifications that unequivocally increase its value.

107[3]. The valuation of immovable property takes into account any prior claims on the immovable property, unless a prior claim is taken into account when calculating the gross exposure amount pursuant to paragraph 68(3) of Regulation No 111/2018 or as a factor reducing the 55% of the property's value pursuant to Regulation No 111/2018, paragraphs 69–69[3] regarding residential real estate and 71–71[3] on commercial property, and reflects, as applicable, the results of the monitoring required under Annex 2 to Regulation No 111/2018.
107[4]. For receivables, the value of receivables shall be the amount receivable.
107[5]. Banks shall value physical collateral other than immovable property at its market value. For the purposes of this paragraph, the market value is the estimated amount for which the property would exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction.

Section 9[2]
Calculating risk-weighted exposure amounts and expected loss amounts for an exposure with an eligible funded credit protection under the IRB Approach

107[6]. Under the IRB approach, except for exposures covered by paragraphs 68–72, banks shall use the actual loss given default (LGD*) as the LGD for the purposes of the National Bank of Moldova's normative act on credit risk treatment under the internal ratings based approach, in order to recognise the funded credit protection eligible under this Regulation. Banks shall calculate LGD* as follows:

$$LGD^* = LGD_U \cdot \frac{E_U}{E \cdot (1 + H_E)} + LGD_S \cdot \frac{E_S}{E \cdot (1 + H_E)}$$

where:

E= the exposure value before taking into account the effect of funded credit protection; for an exposure secured by eligible financial collateral in accordance with this Regulation, that amount shall be calculated in accordance with paragraphs 89–90; in the case of securities lent or provided as collateral, that amount is equal to the cash lent or the securities lent or provided as collateral; in the case of securities lent or provided as collateral, the exposure value is increased by applying the volatility adjustment (HE) in accordance with Sections 5–8 of this chapter;

E_S= the current value of the funded credit protection received after applying the volatility adjustment applicable to that type of funded credit protection (H_C) and the volatility adjustment for currency mismatches (H_{fx}) between the exposure and the funded credit protection, in accordance with paragraphs 107[7]-107[8]; E_S is capped at the following value: $E \cdot (1+H_E)$;

E_U = $E \cdot (1+H_E) - E_S$;

LGD_U= the applicable LGD for an unsecured exposure, as provided for in the National Bank of Moldova's regulatory act on the treatment of credit risk under the internal ratings based approach;

LGD_S= the applicable LGD for exposures secured by eligible funded credit protection (FCP) used in the transaction, as specified in Table 5.

107[7]. Table 5 specifies the LGD and H_c values applicable in the formula set forth in paragraph 107[6].

Table 5

Type of FCP	**LGD_S**	**Volatility adjustment (H_c)**
Financial collateral	0 %	Volatility adjustment H_c as set out in paragraphs 95-105

Receivables	20 %	40 %
Residential property and commercial immovable property	20 %	40 %
Other physical collateral	25 %	40 %
Ineligible FCP	N/A	100 %

107[8]. If an eligible funded credit protection is denominated in a currency other than that of the exposure, the volatility adjustment for currency mismatch (Hfx) is the same as that applied pursuant to paragraphs 95–105.
107[9]. As an alternative to the treatment set out in paragraphs 107[6]-107[7] and subject to paragraphs 68[3]-68[6] of Regulation No 111/2018, banks may assign a 50% risk weight to the portion of the exposure that is, within the limits set out in paragraphs 69 and, respectively, 71 of Regulation No 111/2018, fully secured by residential or commercial real estate, provided that all the conditions set forth in paragraphs 34[4]-34[5] or 34[6]-34[7] of this Regulation are met.
107[10]. To calculate the risk-weighted values of exposures and the expected loss amounts for IRB exposures covered by paragraphs 68–70, banks shall use E* in accordance with paragraph 71 and the LGD for unsecured exposures, as specified in the regulatory act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach.

Section 9[3]

Calculating risk-weighted exposure amounts and expected loss amounts in the case of pools of eligible funded credit protection for an exposure treated under the IRB Approach

107[11]. Banks that have obtained multiple types of funded credit protection may, for exposures treated under the IRB Approach, apply the formula set out in Section 9[2] of this Chapter sequentially for each individual type of collateral.
107[12]. For the purposes of paragraph 107[11], after each stage of recognising a type of funded credit protection, banks shall reduce the amount of the remaining unsecured exposure (EU) by the adjusted value of the collateral (ES) recognised at that stage. In accordance with paragraph 107[6], the total ES for all types of funded credit protection is capped at $E \cdot (1+H_E)$, resulting in the following formula:

$$LGD^* = LGD_U \cdot \frac{E_U}{E \cdot (1 + H_E)} + \sum_i LGD_{S,i} \cdot \frac{E_{S,i}}{E \cdot (1 + H_E)}$$

where:

$LGD_{S,i}$ = the LGD applicable to FCP i, as specified in paragraph 107[7];
$E_{S,i}$ = the current value of the FCPi received after applying the volatility adjustment applicable to the type of funded credit protection (H_c) pursuant to paragraph 107[7]."

1.63. Paragraphs 108[1] and 108[2] shall be added with the following content:
"**108[1].** If the conditions set forth in paragraph 51[1], are met, banks must apply the following treatment to the portion of the exposure secured by the current surrender value of life insurance policies pledged in favour of the lending bank:

1) If the exposure is subject to the standardised approach, it must be risk-weighted using the risk weights specified in paragraph 108[2];

2) if the exposure is subject to the IRB approach but not to the bank's own estimates of loss given default, it is assigned a loss given default of 40%.

In the event of a currency mismatch, banks must reduce the current surrender value in accordance with paragraph 112, with the credit protection amount being the current surrender value of the life insurance policy.

108². For the purposes of paragraph 108¹ sub-paragraph 1), banks shall assign the following risk weights, based on the risk weight assigned to an unsecured senior exposure to the entity providing the life insurance:

1) a risk weight of 20%, where the senior unsecured exposure to the undertaking providing life insurance is assigned a risk weight of 20%;

2) a risk weight of 35%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 50%;

3) a risk weight of 52,5%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 75%;

4) a risk weight of 70%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 100%;

5) a risk weight of 150%, where the senior unsecured exposure to the undertaking providing the life insurance is assigned a risk weight of 150%.".

1.64. Chapter IX:

1.64.1. section 1¹ shall be added with the following content:

"***Section 1¹***

Calculation of risk-weighted exposure amounts and expected loss amounts in the case of partial protection and segmentation into tranches

113¹. If a bank transfers, in one or more tranches, a portion of the risk associated with a loan, the rules set forth in Regulation No 221/2025 on the prudential treatment of securitisation shall apply.

113². Banks may consider that the materiality thresholds for payments—below which no payments are made in the event of losses—are equivalent to retained positions that bear the first losses and give rise to a risk transfer segmented into tranches.".

1.64.2. the title of Section 2 shall read as follows:

"***Section 2***

Calculating risk-weighted exposure amounts under the substitution approach where the guaranteed exposure is treated under the Standardised Approach";

1.64.3. in paragraph 114, after the words "risk-weighted exposure amounts," the following text is added: "with unfunded credit protection for which the respective banks apply the standardised approach, regardless of the treatment of comparable direct exposures to the protection provider,";

1.64.4. in paragraph 116, after the words "central bank," the following text shall be added: "as if such exposures were direct exposures to the central government or the central bank, provided that such direct exposures meet the conditions set forth in paragraphs 31–33 of the aforementioned regulation and";

1.64.5. sections 2¹-2³ shall be added with the following content:

"***Section 2¹***

Calculating risk-weighted exposure amounts and expected loss amounts under the substitution approach where the guaranteed exposure is treated under the IRB Approach and a comparable direct exposure to the protection provider is treated under the Standardised Approach

116¹. For exposures with unfunded credit protection for which a bank applies the IRB Approach, and where comparable direct exposures to the protection provider are treated under the Standardised Approach, banks shall calculate the risk-weighted exposure amounts in accordance with the following formula:

$$\max\{0, E - G_A\} \cdot r + G_A \cdot g$$

where:

E = the exposure value determined in accordance with the National Bank of Moldova's normative act on credit risk treatment under the internal ratings based (IRB) approach; for this purpose, banks calculate the exposure value for off-balance-sheet items, other than derivative financial instruments treated under the IRB approach, using a CCF of 100% instead of the CCF based on the standardised approach or the CCF based on the IRB approach set forth in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach;

G_A = the amount of the credit protection adjusted for foreign exchange risk (G*), calculated in accordance with paragraph 112 and further adjusted for any maturity mismatch, as provided for in Title V;

r = the risk weight assigned to exposures to the obligor, as specified in the National Bank of Moldova's normative act on the treatment of credit risk under the internal ratings based approach;

g = the risk weight applicable to a direct exposure to the protection provider, as specified in Regulation No 111/2018.

116[2]. If the amount of the credit protection (G_A) is less than the exposure amount (E), banks may apply the formula in paragraph 116[1] only if the protected and unprotected portions of the exposure have the same seniority.

116[3]. Banks may extend the preferential treatment provided for in Regulation No 111/2018 to exposures or portions of exposures guaranteed by the central government or the central bank, as if such exposures were direct exposures to the central government or the central bank, provided that such direct exposures meet the conditions set forth in paragraphs 31–33 of the aforementioned regulation.

116[4]. The expected loss amount for the guaranteed portion of the exposure value is zero.

116[5]. For any unsecured portion of the exposure value (E), banks use the risk weight and expected loss corresponding to the underlying exposure. For the calculation specified in the National Bank of Moldova's normative act regarding the treatment of credit risk under the internal ratings based approach, banks shall apply to the unsecured portion of the exposure value any general or specific credit risk adjustment or any additional value adjustment in accordance with the Regulation on Own Funds of Banks and Capital Requirements, approved by Decision No 109/2018 of the Executive Board of the National Bank of Moldova (hereinafter "Regulation No 109/2018") related to the bank's non-trading book activities or any other reduction in own funds related to the exposure, other than deductions regarding the applicable amount of insufficient coverage for non-performing exposures made in accordance with Regulation No 109/2018.

Section 2[2]

Calculating risk-weighted exposure amounts and expected loss amounts under the substitution approach where the guaranteed exposure is treated under the IRB Approach without the use of own estimates of LGD and a comparable direct exposure to the protection provider is treated under the IRB Approach

116[6]. For an exposure with unfunded credit protection for which a bank applies the IRB approach but does not use its own LGD estimates, and where comparable direct exposures to the protection provider are treated in accordance with the IRB approach set forth in the National Bank of Moldova's normative act on credit risk treatment under the internal ratings based approach, the bank shall determine the guaranteed portion of the exposure as the lesser of the exposure amount (E) and the adjusted value of the unfunded credit protection (G_A).

116[7]. Banks that apply the IRB approach to direct exposures comparable to those to the protection provider, using their own PD estimates, shall calculate the risk-weighted exposure amount and the expected loss amount for the covered part of the exposure value by using the protection provider's PD and the LGD applicable to a direct exposure comparable to that to the protection provider, as specified in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach, in accordance with paragraph 116^{8}. For subordinated exposures and non-subordinated unfunded credit protection, the LGD that banks must apply to the covered part of the exposure value is the LGD associated with senior claims, and banks may take into account any funded credit protection securing the unfunded credit protection in accordance with this Chapter.

116^{8}. Banks shall calculate the risk weight and expected loss applicable to the covered part of the underlying exposure using the PD and LGD specified in paragraph 116^{7} and the same risk weight function as the ones used for a comparable direct exposure to the protection provider and, where applicable, shall use the maturity (M) related to the underlying exposure, calculated in accordance with the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach.

116^{9}. Banks that apply the IRB approach to comparable direct exposures to the protection provider, using the method for determining the risk-weighted value of exposures arising from specialised financing set forth in the National Bank of Moldova's normative act on credit risk treatment under the internal ratings based approach, shall apply the risk weight and expected loss applicable to the covered part of the exposure that correspond to specialised financing exposures as set forth in the aforementioned normative act.

116^{10}. Notwithstanding paragraph 116^{9}, banks that apply the IRB approach to guaranteed exposures using the method for determining the risk-weighted value of exposures arising from specialised financing, as set forth in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach, shall calculate the risk weight and expected loss applicable to the covered part of the exposure using the PD and LGD applicable to a comparable direct exposure to the protection provider, as specified in the National Bank of Moldova's normative act on credit risk treatment under the internal ratings based approach, in accordance with paragraph 116^{8}, and the same risk weighting function as those used for a comparable direct exposure to the protection provider and, where applicable, uses the maturity (M) related to the underlying exposure, calculated in accordance with the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach. For subordinated exposures and non-subordinated unfunded credit protection, the LGD that banks must apply to the covered part of the exposure value is the LGD associated with senior claims, and banks may take into account any funded credit protection securing the unfunded credit protection in accordance with this Regulation.

116^{11}. For any uncovered part of the exposure value (E), banks use the risk weight and expected loss corresponding to the underlying exposure. To calculate the expected loss amounts, the IRB shortfall, and the IRB surplus as provided for in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach, banks shall apply to the uncovered part of the exposure value any general or specific credit risk adjustment or any additional value adjustment in accordance with Regulation No 109/2018 related to the bank's non-trading book business or any other reduction in own funds related to the exposure, other than deductions regarding the applicable amount of insufficient coverage for non-performing exposures made in accordance with Regulation No 109/2018.

116^{12}. For the purposes of this section, (G_A) is the amount of credit protection adjusted for foreign exchange risk (G*) as calculated in accordance with paragraph 12 and further adjusted for any maturity mismatch as provided for in Title V, "Maturity Mismatch." The exposure value (E) is the exposure value determined in accordance with the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based (IRB) approach. Banks shall calculate the exposure value for off-balance-sheet items, other than derivative financial instruments treated under the IRB approach, using a CCF of 100% instead of the CCF based on the standardised approach or the CCF based on the IRB approach set forth in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach.

Section 2[3]

Calculating risk-weighted exposure amounts and expected loss amounts under the substitution approach where the guaranteed exposure is treated under the IRB Approach using own estimates of LGD and a comparable direct exposure to the protection provider is treated under the IRB Approach

116[13]. For an exposure with unfunded credit protection for which a bank applies the IRB Approach using its own LGD estimates, and where comparable direct exposures to the protection provider are treated in accordance with the IRB Approach, but without using its own LGD estimates, the bank shall determine the covered part of the exposure as the lower of the exposure value (E) and the adjusted value of the unfunded credit protection (G_A), calculated in accordance with paragraph 116[1]. The bank shall calculate the risk-weighted exposure amount and the expected loss amount for the covered part of the exposure value using PD, LGD, and the same risk weight function as those used for a comparable direct exposure to the protection provider, and shall use, where applicable, the maturity (M) associated with the underlying exposure.

116[14]. Banks that apply the IRB approach but without using their own LGD estimates to comparable direct exposures to the protection provider shall determine the LGD in accordance with the National Bank of Moldova’s normative act on the treatment of credit risk under the internal ratings based approach. For subordinated exposures and non-subordinated unfunded credit protection, the LGD that banks must apply to the covered part of the exposure value shall be the LGD associated with senior claims, and banks may account for any funded credit protection securing the unfunded credit protection in accordance with this Regulation.

116[15]. Banks that apply the IRB approach, using their own estimates of LGD, to comparable direct exposures to the protection provider shall calculate the risk weight and expected loss applicable to the covered part of the underlying exposure using PD, LGD, and the same risk weight function as those used for a comparable direct exposure to the protection provider and shall use, where applicable, the maturity (M) related to the underlying exposure, calculated in accordance with the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach.

116[16]. Banks that apply the IRB approach to comparable direct exposures to the protection provider, using the method for determining risk-weighted exposure amounts for exposures arising from specialised financing set forth in the National Bank of Moldova’s normative act on credit risk treatment under the internal ratings based approach, shall use the risk weight and expected loss applicable to the covered part of the exposure that correspond to exposures arising from specialised financing as provided for in the aforementioned normative act.

116[17]. For any uncovered part of the exposure value (E), banks shall use the risk weight and expected loss corresponding to the underlying exposure. To calculate the expected loss amounts, the IRB shortfall, and the IRB surplus as provided for in the normative act of the National Bank of Moldova regarding the treatment of credit risk under the internal ratings based approach set forth in, banks shall apply to the uncovered part of the exposure value any general or specific credit risk adjustment or any additional value adjustment in accordance with Regulation No 109/2018 related to the bank’s non-trading book business or any other reduction in own funds related to the exposure, other than deductions regarding the applicable amount of insufficient coverage for non-performing exposures made in accordance with Regulation No 109/2018.”.

1.65. Paragraph 119 shall be supplemented with the following text: “or if the exposure is a short-term exposure, whose maturity value (M) calculated in accordance with the National Bank of

Moldova’s normative act on credit risk treatment under the internal ratings based approach is subject to a one-day limit rather than a one-year limit”.

1.66. Title VI is repealed.

2. This Decision shall enter into force on 1 July 2027, with the exception of points 1.17.4, 1.24, 1.55.1, 1.55.2, 1.64. 1 (insofar as it concerns items representing positions in securitisations) and point 1.24 (insofar as it concerns paragraphs 34^4–34^8 of the Regulation relating to information reported under specific reporting obligations), which shall enter into force on 1 January 2028, and points 1.25.1, 1.25. 2, and 1.26 (in the part concerning paragraph 36, sub-paragraph 3) of the Regulation), which take effect on the date of entry into force of the Treaty of Accession of the Republic of Moldova to the European Union.