



NATIONAL COMMISSION FOR FINANCIAL MARKETS

D E C I S I O N

on the approval of the Financial Prudential Rules for Savings and Credit Associations

No 17/8 of 30 April 2008

(in force as of 22.07.2008)

Official Gazette No 131-133 Art.381 of 22.07.2008

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Vitalie Pirlog

In order to implement the provisions of Article 8, paragraphs (1) and (2) of the Law on Savings and Credit Associations No 139-XVI of 21 June 2007 (Official Gazette of the Republic of Moldova, 2007, No 112-116, Art.506), pursuant to Article 1 paragraph (1), Article 3, Article 4 paragraphs (1) and (2), Article 8 (e), Article 21 paragraph (1), Article 22 paragraphs (1) and (2) of Law No 192-XIV of 12 November 1998 "on the National Commission for Financial Markets" (republished in the Official Gazette of the Republic of Moldova, 2007, No 117-126 BIS), point 5 (e) and point 7.3 (c) of the Regulation on the Organization and Functioning of the National Commission for Financial Markets, approved by Decision of the National Commission for Financial Markets No 48/5 of 27 September 2007 (Official Gazette of the Republic of Moldova, 2007, No 157-160, Article 587), National Commission for Financial Markets

DECIDES:

- 1.** The Financial Prudential Norms for Savings and Credit Associations are hereby approved (attached).
- 2.** This Decision shall enter into force on the date of its publication.

**CHAIRMAN OF THE NATIONAL
COMMISSION FOR FINANCIAL MARKETS**

Mihail CIBOTARU

No 17/8 Chişinău, 30 April 2008

FINANCIAL PRUDENTIAL RULES FOR SAVINGS AND CREDIT ASSOCIATIONS

Chapter I

GENERAL PROVISIONS

1. The Financial Prudential Rules for savings and credit associations (hereinafter – the **Rules**) establish prudential rules in order to protect the interests of members, prevent and control the risks of savings and credit associations and the entire system, and apply to savings and credit associations, including central associations (hereinafter – **associations**), licensed in accordance with the legislation.

2. For the purposes of these Rules, the following terms are used:

a) **liquid assets** – cash on hand and in bank accounts, investments in the liquidity fund and government securities;

[Letter b) repealed by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

c) **group of members acting jointly** – two or more members who are exposed to the same risk due to shared activities, such that if one of them has difficulties in repaying the loan and/or paying the related interest, the other(s) may have similar difficulties;

d) **investment in long-term tangible assets** – the purchase or acquisition by the association of fixed assets and land owned by it;

e) **loan** – amount of money lent under a written contract, for a fixed term, subject to repayment, payment of interest, and other related amounts;

f) **past due loan, past due interest** – a loan/interest, the total or partial amount of which has not been reimbursed/paid within the term established in the loan agreement;

g) **secured loan** – a loan secured by the debtor or third parties with cash deposited within the association, pledged goods, other collateral (except for personal guarantees), whose total value is equal to or exceeds the loan amount;

h) **person affiliated with the association** – a person meeting one of the following criteria:

1) is an administrator of the association, including a member of the credit committee (if one has been established);

2) a person who is related to the persons referred to in point 1) of this paragraph by a direct or collateral relationship up to and including the second degree, as well as their spouse.

i) **first year of activity** – the one-year period from the date of obtaining the first operating license after the state registration of the association;

j) **loan loss provision** – reserve to cover potential or recognized losses on loans granted and related interest;

Chapter II

REQUIREMENTS REGARDING INSTITUTIONAL RESERVE

3. The association's institutional reserve is calculated as the total sum of the following:

a) membership shares;

b) retained earnings (uncovered loss) of previous years;

c) net profit (net loss) of the current year.

4. The association is required to hold and maintain, at all times, the institutional reserve, calculated in accordance with point 3, in the minimum amount established in Article 33 of the Law

on Savings and Credit Associations No 139-XVI of 21 June 2007 (hereinafter – Law No 139 of 21.06.2007).

5. In order to properly fulfil the requirement set forth in point 4, the association shall cover the deficit by increasing the retained earnings of previous years from the account of reserves for the development of its activity, created in accordance with the statutes and/or decisions of the authorized bodies and/or from additional membership shares paid in, in accordance with the respective decision of the general meeting of members.

6. The association may establish or increase reserves for the development of its activities from the net profit obtained at the end of the financial year and/or the retained earnings from previous years, only on the condition that it holds and maintains the institutional reserve at the minimum level established by Article 33 of Law No 139 of 21 June 2007 and only in the amount remaining after the requirements set out in point 5 have been met.

7. The total value of the association's membership shares may not exceed 20% of the value of its assets, except for associations holding a category A license, associations holding a category B license in their first year of activity, and central associations.

[Point 7 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

8. The institutional reserve may be used/invested for the following purposes/directions:

a) covering (assimilating) operational, investment, financial, or exceptional losses;

b) granting loans and/or making investments in liquid assets, long-term tangible assets, and intangible assets.

9. It is prohibited to use/invest the institutional reserve for purposes other than those mentioned in point 8, as well as to distribute it to members, except in the case of liquidation of the association.

10. The association is prohibited from using the institutional reserve or any capital account comprising it, in accordance with point 3, as collateral for loans (credits) received.

[Points 11,12 repealed by Decision of the NCFM No 18/3 of 13.04.2018, in force as of 04.05.2018]

[Point 12 supplemented by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter III

LIQUIDITY REQUIREMENTS

13. An association holding a category B or C license is required to establish and maintain at all times investments in the liquidity fund amounting to at least 10% of the total value of savings deposits.

[Point 13 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

[Point 14 repealed by Decision of the NCFM No 18/3 of 13.04.2018, in force as of 04.05.2018]

[Point 14 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter IV

REQUIREMENTS REGARDING THE MANAGEMENT OF ASSETS AND LIABILITIES

15. The association's board, which holds a category B, C, or central association license, shall ensure the development and approval of the asset and liability management policy in accordance with Law No 139 of 21.06.2007, the normative acts of the National Commission for Financial Markets (hereinafter referred to as the National Commission) and its internal documents, and shall be responsible for ensuring its proper implementation.

[Point 15 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

16. The asset and liability management policy must correspond to the services provided by the association and the market conditions. The policy shall contain, but shall not be limited to,

provisions relating to the maturities of assets (loans granted, bank deposits, investments in the liquidity fund and securities) and liabilities (savings deposits, loans (credits) received), setting interest rates, implementing a liquidity risk and interest rate risk management system, reporting, and internal control. The association's board will review the asset and liability management policy at least once a year.

17. The interest rate on loans granted by the association must be set at a level sufficient to cover the expenses related to interest on attracted funds, incurred expenses, and the establishment and/or maintenance of the institutional reserve at the minimum level established by Article 33 of Law No 139 of 21.06.2007.

18. In implementing the asset and liability management policy, the association must continuously ensure that the maturities of its liabilities correspond to the maturities of receivables sufficient to cover the payment of those liabilities.

18¹. At the latest at the stage of finalizing the legal documents relating to the service provided, the association is required to disclose fully and comprehensively all information regarding the loan, savings deposit, or other service, as applicable, and its total effective cost, including the interest rate, penalties, fees, other related expenses, and to ensure that the member has fully understood all the information presented.

[Point 18¹ introduced by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

18². An association holding a category B or C license is not entitled to accept savings deposits if:

- a) the total value of accepted savings deposits, received credits/loans, and debts related to accrued interest exceeds the total value of assets minus tangible and intangible fixed assets, and/or
- b) it fails to comply with the provisions of point 4 of these Rules for three consecutive months.

[Point 18² introduced by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

18³. If the sum of the association's indicators, calculated in accordance with points 35¹ and 37¹ of these Rules, is greater than 15.0, the association is not entitled to accept savings deposits from its members (including by extending the contractual term) in an amount exceeding twice the value of the institutional reserve.

[Point 18³ introduced by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter V

REQUIREMENTS FOR LIMITING LOAN RISKS

19. The association's board shall ensure the development and approval of the association's lending policy in accordance with Law No 139 of 21.06.2007, the normative acts of the National Commission, and its internal documents, and shall be responsible for ensuring its proper implementation.

20. The lending policy shall contain, but shall not be limited to, provisions relating to the granting, guaranteeing, management, and repayment of loans, the activities of the credit committee (if one is established), the creation of provisions, the limitation of loan risks, and the diversification of loan risks. If a credit committee is established, the association's board shall set, in the lending policy, maximum limits on the amount of loans that may be granted by decision of that committee. Loans exceeding the established limit, as well as loans to affiliated persons, shall be granted by decision of the association's board. If the association has opened one or more branches and has allowed them to grant loans, it shall establish, in its lending policy, requirements and limits on loans granted by the decisions of these branches. The association's board will review the lending policy at least once a year.

21. The total value of loans granted to a member or group of members acting jointly, or to affiliated persons, recorded on the last reporting date, may not exceed:

- a) for an association holding a category A license – 10% of the loan portfolio;

- b) for an association holding a category B license and operating in its first three years of activity – 10% of the loan portfolio;
- c) for an association holding a category B license and operating in its fourth year or more of activity and for an association holding a category C license – 75% of the association's institutional reserve.

[Point 21 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

22. The total value of unsecured loans granted to a member or group of members acting jointly, or to affiliated persons, may not exceed 20% of the institutional reserve recorded on the last reporting date of the association holding a category B or C license.

[Point 22 as amended by Decision of the NCFM No 48/11 din 23.09.2016, in force as of 21.10.2016]

23. The total value of unsecured loans of the association, which holds a category C license, may not exceed the size of the total loan portfolio, adjusted by a variable percentage, according to the following formula:

$$USP \leq TP \times \frac{75 - 3 \times t}{100},$$

where:

USP – unsecured portfolio, MDL;

TP – total portfolio, MDL;

t – the number of full years since obtaining the category C license. Example: t = 0 – the year of obtaining the license; t = 1 – one full year from the date of obtaining the license; t = 2 – two full years from the date of obtaining the license, and so on.

t, {0;20} – the variable t takes increasing values ranging from 0 to 20 inclusively.

24. The sum of the largest 10 loans granted to members and/or groups of members acting jointly must not exceed 25% of the total loan portfolio recorded on the last reporting date of the association, which holds a category B or C license.

[Point 24 supplemented by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

[Points 25,26 repealed by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter VI

REQUIREMENTS FOR CLASSIFYING LOANS AND INTEREST. ESTABLISHMENT AND USE OF LOAN LOSS PROVISIONS

27. Any loan granted and the related interest will be included in one of the following classification categories:

- a) standard – loan and interest not included in the categories below;
- b) supervised – loan and/or interest expired up to and including 30 days;
- c) substandard – loan and/or interest overdue from 31 to 90 days inclusive;
- d) doubtful – loan and/or interest overdue from 91 to 180 days inclusive;
- e) compromised – loan and/or interest overdue for more than 180 days.

28. The association shall establish provisions for loan losses by applying the following percentages to the loan balance and related interest in each classification category, except for interest classified as "standard":

- a) standard – 1%;
- b) supervised – 10%;
- c) substandard – 30%;
- d) doubtful – 75%;
- e) compromised – 100%.

29. By way of derogation from point 27, the association may classify the loan and related interest one category lower (more strictly) if, as a result of the evaluation (analysis) of the loan, including the repayment situation, delinquency period, and, where applicable, the value of the collateral, the financial situation of the debtor, the cost of debt recovery (including court costs, etc.), or any other conditions that could increase loan risk (e.g., macroeconomic or climatic factors), losses greater than those provided for in the current category, in which the loan and related interest are classified, as set out in point 28, are forecast.

[Point 29 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

30. By way of derogation from point 27 (d) to (e) of these Rules, if an unsecured loan and/or related interest granted by an association holding a category C license has expired for more than 90 days, the loan and related interest shall be classified as "compromised".

31. The examination of the past due status of any loan and the related interest shall be carried out in accordance with the provisions of the loan agreement. If the loan repayment schedule and/or the payment of related interest has been modified, with or without an extension of the loan term, the examination of the past due status of the loan and related interest shall be conducted based on the provisions of the initial loan agreement. The amendment to the loan agreement must be signed by both parties before the expiration of the term of the initial loan agreement.

32. The review of the past due status of loans and related interest, their classification into the "standard" – "compromised" categories and, consequently, the creation/cancellation of the respective provisions, shall be carried out at least once per quarter by the association holding a category A license and once per month by the association holding a category B or C license, as well as by the central association.

33. The establishment of provisions for standard loans will be carried out simultaneously with the accounting entries at the time the respective loans are granted.

[Point 34 repealed by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

35. Provisions for loan losses are used to cover compromised loans and the related interest.

35¹. The share of loans that are more than 30 days past due in the total loan portfolio must not exceed 10%.

[Point 35¹ introduced by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter VII

REQUIREMENTS REGARDING PAST DUE LOANS AND RELATED INTEREST

36. The association is obliged to initiate legal action for reimbursement of the loan and the related interest calculated within 30 calendar days from the date on which the loan and/or related interest became overdue by more than 180 days.

[Point 36 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

37. The association's board will decide to settle the compromised receivable related to the loan granted and/or interest and other related payments calculated from the provisions account and record them as off-balance sheet assets only if it has reasonable certainty, justified by documentary evidence, that the claim in question will not be repaid (including, but not limited to, the following cases: the general limitation period has expired; the creditor's claim has been dismissed as unfounded by an enforceable legal act; the bailiff issues a reasoned decision returning the enforceable document without enforcement on the grounds that the debtor has no assets or income to satisfy the claims and the enforcement period has expired; in the event of the debtor's death without legal heirs; etc.).

[Point 37 as amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

37¹. The value of compromised receivables settled during the reporting period may not exceed 5% of the average value of the loan balance granted during the same period.
[Point 37¹ introduced by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter VIII

REQUIREMENTS FOR TRANSACTIONS WITH AFFILIATED PERSONS

38. Decisions regarding transactions with affiliated persons and/or groups of persons acting jointly with affiliated persons are adopted by the general meeting of members or by the association's board, if such power is granted to the board by law and/or the articles of association. If the association's board is empowered to make such decisions, the respective administrator shall leave the meeting for the duration of the discussion of the transaction, including the granting of the loan and the adoption of the decision thereon, and their vote shall be considered abstained.

39. Loans requested by members – affiliated persons and/or groups of persons, acting jointly with affiliated persons, shall be granted and administered under conditions similar to those applicable to similar loans granted to other members, at least in terms of interest rate, fees, term, loan and interest repayment schedule, collateral, and actions taken for the purpose of repayment.

40. Savings of members – affiliated persons shall be accepted by the association under conditions similar to those applicable to savings deposits accepted from other members, which refer at least to the interest rate, deposit term, and other conditions for depositing and withdrawing these savings.

41. Associations holding a category B or C license shall submit to the National Commission a list of affiliated persons and the manner of affiliation of each person to the association. Associations holding a category B or C license shall submit the following information for affiliated individuals: full name, personal identification number, degree of kinship, affinity and marriage, domicile. Individuals without full legal capacity shall not be included in the above-mentioned list. Associations holding a category C license shall provide the following information for affiliated legal entities: nature of the relationship, name, registered office, surname and first name of the administrator, IDNO. The list shall also mention whether or not the respective person is a member of the association. The first list of affiliated persons shall be submitted to the National Commission at the same time as the annual financial report for the 2008.

42. In case of any changes in the composition of affiliated persons, the association holding a category B or C license shall notify the National Commission in writing, attaching the updated complete list of affiliated persons, within 10 working days from the date of such change.

Chapter IX

REQUIREMENTS ON INVESTMENTS

43. The association's board will ensure the development and approval of the investment policy, in accordance with Law No 139 of 21 June 2007, the normative acts of the National Commission and its internal documents and will be responsible for ensuring its proper implementation.

[Point 43 amended by Decision of the NCFM No 18/3 of 13.04.2018, in force as of 04.05.2018]

44. The investment policy will contain, but will not be limited to, provisions relating to the type of investments, practices and procedures for approving decisions, executing transactions, monitoring and evaluation, compliance with the regulations of the National Commission and the limits set out in other legislative and normative acts, diversification, coordination with the asset and liability management policy. The association's board will review the investment policy at least once a year.

45. The total value of investments in equity and/or other corporate securities will not exceed 100% of the association's institutional reserve. The same requirement applies to investments made by the central association from its own sources.

[Point 45 amended by Decision of the NCFM No 18/3 of 13.04.2018, in force as of 04.05.2018]

46. Investments in the equity and/or other securities of a commercial company shall not exceed 25% of the total value of investments, as determined in accordance with point 45. Such investments, including increases in the existing volume, are permitted with the prior written consent of the National Commission.

47. Investments in long-term tangible assets will not exceed 100% of the association's institutional reserve. For the calculation of this ratio, long-term tangible assets shall be taken at their balance sheet value on the respective management date. The calculation of the aforementioned ratio shall not include long-term tangible assets donated to the association or purchased by the association from funds donated for this purpose, documented in accordance with the law.

48. The association does not have the right to invest in real estate, except for real estate intended for its own needs.

Chapter X

ASSETS OBTAINED IN EXCHANGE FOR LOAN REPAYMENTS

49. The association may obtain pledged assets, equity shares or other corporate securities for the purpose of selling them and repaying loans, past due interest and other payments in accordance with the loan agreement. It is prohibited for an association holding a category A license to accept pledges in the form of equity shares or other corporate securities. Assets obtained in management in exchange for the repayment of loans will be recorded in off-balance sheet accounts until they are sold for cash. The collection of the respective cash funds will be considered as recovery of loan losses in the respective amount.

The association may accept ownership of assets in settlement of claims – repayment of granted loans, past due interest, and other payments under the loan agreement, in accordance with the law. The association, which has accepted assets in settlement of claims, is obliged to sell these assets, taking into account the provisions of point 48 of these Rules. The assets obtained in settlement of claims will be recorded in the balance sheet accounts until sold for cash. The accounting of assets obtained by the association in settlement of claims constitutes the basis for recognising the recovery of loan losses in the amount of the value of the accepted assets.

[Point 49 as amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

50. The association's board (if authorised by law and/or the articles of association) or the executive director may decide to purchase the debtor's goods in exchange for the repayment of past due loans and interest, as well as other payments, in accordance with the loan agreement, for use in the association's activities based on its needs. These goods shall be purchased on the basis of a written sale and purchase agreement concluded with the debtor-seller. In the case of purchasing corporate securities, the association is required to obtain the approval of the National Commission prior to concluding the respective contract. The goods referred to in this point shall be recorded as inflows in the balance sheet accounts and shall be subject to the regulations of Chapter IX.

[Chapter XI (points 51-53) repealed by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

Chapter XII

SPECIAL PROVISIONS

54. The National Commission may exempt the association, for a specified period, from complying with the provisions of these Rules, upon its written request, if such exemption is necessary for the implementation of a long-term financial stabilisation plan. The plan shall be attached to the request. The National Commission may request additional information and documents in order to form an opinion on the necessity and effectiveness of the proposed plan.

[Point 54 amended by Decision of the NCFM No 48/11 of 23.09.2016, in force as of 21.10.2016]

54¹. If two or more provisions of these Rules can be applied simultaneously, the most restrictive provision shall apply.

[Point 54¹ introduced by Decision of the NCFM No.48/11 of 23.09.2016, in force as of 21.10.2016]

55. The association is not entitled to collect deposits from members to guarantee loans. The association will inform members of the following options regarding deposits accepted prior to the entry into force of these Rules, which shall be used exclusively on the basis of their written applications:

a) Repayment of loan guarantee deposits to members. The repayment will be made provided that all payments stipulated in the loan agreements, for which these loan guarantee deposits were collected, have been made. The association will satisfy the application for repayment as soon as possible, but no later than 10 working days from the date of submission of the application. If the member has not made the payments provided for in the loan agreement by the due date, the association, pursuant to Article 22 (1) (a) or Law No 139 of 21.06.2007, may decide to take over the deposit to repay the past due debts of the member concerned;

b) recording the amount of deposits for loan guarantees in the membership shares account;

c) recording the amount of deposits for loan guarantees in the savings account, if the association holds a category B or C license.

The recording of deposits for loan guarantees in the accounts referred to in points b) and c) shall be carried out by means of the relevant legal documentation.

Chapter XIII

FINAL AND TRANSITIONAL PROVISIONS

56. Associations shall register all financial resources from the 'Reserves established by law' account in the 'Retained earnings (uncovered loss) of previous years' account by the next reporting date following the entry into force of these Rules and shall reflect them accordingly in the financial report submitted to the National Commission on the specified date. The respective accounting entry may be made without the adoption of a special decision by the association's management bodies.

57. Associations that hold a license on the date of entry into force of these Rules must comply with the provisions of points 11, 12 and 14 within six months from the date of their entry into force.

58. The association is required to comply with the provisions of points 15, 19 and 43 within 3 months from the date of obtaining the respective license.

59. The provisions of points 21–25 do not apply to loans granted prior to the date of entry into force of these Rules.

60. For violation by the association of the provisions of these Rules, the National Commission is entitled to apply measures in accordance with Article 49 of Law No 139 of 21 June 2007 and Article 9 of the Law on the National Commission for Financial Markets No 192-XIV of 12 November 1998 (republished in the Official Gazette of the Republic of Moldova, 2007, No 117-126 BIS).