

DECISION
no. 111 of May 24, 2018

**on the approval of the Regulation on the treatment of banks' credit risk
using standardised approach**

(in force since 30.07.2018)

Published in the Official Monitor of the Republic of Moldova no.183-194 of 08.06.2018, Art.901

* * *

Registered
by the Ministry of Justice
of the Republic of Moldova
under no. 1334 of 4 June 2018

Pursuant to Art. 5 par. (1) (d), Art. 11 par. (1), Art. 27 (1) (c), Art.44 (a), Art. 46 (b) of the Law no. 548-XIII of July 21, 1995 on the National Bank of Moldova (republished in the Official Monitor of the Republic of Moldova, 2015, no. 297-300, Art. 544), with subsequent amendments and completions; Art. 64-65 of the Law no. 202 of 6 October 2017 on the Banking activity (Official Monitor of the Republic of Moldova, 2017, no. 434-439, Art.727), with subsequent amendments and completions, the Executive Board of the National Bank of Moldova

DECIDES:

1. To approve the Regulation on the treatment of banks' credit risk using standardised approach, as laid down in Annex hereto.
2. The Regulation referred to in paragraph 1 shall enter into force on 30 July 2018.
3. From the date of entry into force of the Regulation referred to in paragraph 1 of this decision, banks will ensure full compliance of their businesses, including internal policies and regulations, with its provisions.

Chairman
of the Executive Board
of the National Bank of Moldova

Sergiu CIOCLEA

no. 111 of 24 May 2018

Approved
by the Decision of the Executive Board
of the National Bank of Moldova
no. 111 of 24 May 2018

REGULATION

on the treatment of banks' credit risk using a standardised approach

This Regulation transposes Art.1 (a), Art.4 par. (1), (8), (34), (61), (75), (76), (79)-(81), (98), (99), Art.107 par. (3), Art.111-Art.113 par. (1)-(3), (6), Art.114 par. (1), (2), (4), (7), Art.115 par. (1), (5), Art.116 par. (1)-(4), Art.117 par. (1)-(2), Art.118-Art.124 par. (1), Art.125 par. (1), (2), Art.126 par. (1), (2), art.127, Art.128 par. (1), (2), Art.130-Art.132 par. (1), (2), Art.133-Art.135 par. (1), Art.137-Art.141, Art.148 par. (1)-(3), (5), Art.162 par. (3) sub para (2)(b), Art.178 par. (1)-(3), (5), Art.208, Art.501 par. (1)-(3) and Annex I 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 investment firms, amending Regulation (EU) No. 648/2012 (Text with EEA relevance), published in the Official Journal of the European Union L 176 of 27 June 2013, as amended by Commission Regulation (EU) 2015/62 of 10 October 2014.

Chapter I

SUBJECT MATTER AND SCOPE

1. This Regulation shall apply to banks headquartered in the Republic of Moldova as well as to branches of foreign banks, established in the Republic of Moldova and licensed by the National Bank of Moldova under the Law no. 202 of 6 October 2017 on the Banking activity, hereinafter referred to as Banks.

2. This Regulation lays down the methodology and requirements to be applied by the banks by using a standardised approach for determining risk-weighted exposure amounts for the purposes of calculating banks' own funds requirements in accordance with the Regulation of the National Bank of Moldova on banks' own funds and capital requirements.

Chapter II

GENERAL PROVISIONS AND DEFINITIONS

3. The terms and expressions used in this Regulation shall have the meaning provided in the Law no. 202 of 6 October 2017 on the Banking Activity and in the regulatory acts of the National Bank of Moldova issued in its application. In addition, for the purposes of this Regulation, the following definitions shall apply:

residential immovable property shall mean a residence, which is occupied by the owner or the lessee of the residence, including the land on which it is located where the owner of the land is the mortgagor;

commercial immovable property shall mean a building, including the land on which it is located where the landowner is the mortgagor, or an isolated room, which is primarily destined for carrying out economic activity;

central counterparty (CPC) shall mean a legal person from a third state that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer;

officially supported export credits shall mean credits to finance the export of goods and services for which an official export credit agency provides guarantees, insurance or direct financing;

public sector entity shall mean a non-commercial administrative body responsible to central governments, regional governments or local authorities, or to authorities that exercise the same responsibilities as regional governments and local authorities, or a non-commercial undertaking that is owned by or set up and sponsored by central governments, regional governments or local authorities, and that has explicit guarantee arrangements, and may include self-administered bodies governed by law that are under public supervision;

exposure shall mean an asset or an off-balance sheet item;

trade finance shall mean financing, including guarantees, connected to the exchange of goods and services through financial products of fixed short-term maturity, generally of less than one year, without automatic rollover;

Trade finance as mentioned above is usually without firm commitment and requires that the transaction documentation justify each request for withdrawal, with the possibility of refusing to finance in case of doubt about the creditworthiness or the credibility of the documentation supporting the transaction. In the case of trade finance, the repayment of these exposures is generally independent of the debtor, as the funds are derived from the amounts received from importers or result from the sale of the commodity that is the subject of transaction;

speculative immovable property financing shall mean loans extended for the purposes of the acquisition of or development or construction on land in relation to immovable property, or of and in relation to such property, with the intention of reselling for profit;

collective investment undertaking (CIU) shall mean an undertaking for collective investment in transferrable securities (UCITS) registered in the Republic of Moldova or in a foreign state, as defined in Article 6 of the Law no. 171 of 11 July 2012 on the Capital market (Official Monitor of the Republic of Moldova, 2012, no. 193-197, art. 665); an alternative investment fund (AIF) of a foreign state, as defined in paragraph 78 of this Regulation;

securitisation position shall mean an exposure to a securitisation;

securitisation shall mean a transaction or scheme, whereby the credit risk associated with an exposure or pool of exposures is tranching, having both of the following characteristics:

- 1) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- 2) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme.

external credit assessment institution (ECAI) shall mean;

- 1) a legal person whose business includes the provision of credit ratings on a professional basis (a credit rating agency), which is registered or certified under the national law of that foreign state; or
- 2) a central bank from the foreign state issuing credit ratings under the national law of that state;

nominated ECAI shall mean an ECAI nominated by a bank;

tranche shall mean, for the purposes of securitisation, a contractually established segment of the credit risk associated with an exposure or a number of exposures, where a position in a segment entails a risk of credit loss greater than or less than a position of the same amount in each other such segments, without taking account of credit protection provided by third parties directly to the holders of positions in the segment or in other segments;

margin lending transaction shall mean a transaction in which a bank extends credit in connection with the purchase, sale, carrying or trading of securities. Margin lending transactions do not include other loans that are secured by collateral in the form of securities;

market value shall mean, for the purposes of immovable property, the estimated amount for which the property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without being under compulsion;

4. For the purpose of this Regulation, exposures denominated and funded in a currency shall mean exposures denominated in a given currency for which the bank has corresponding liabilities in the same currency.

Chapter III GENERAL PRINCIPLES

Section 1

Exposure value and classes

5. The exposure value of an asset item shall be its accounting value remaining after specific credit risk adjustments in accordance with the NBM's Regulation on banks' calculation of specific and general credit risk adjustments, additional value adjustments, as well as other own funds reductions related to the asset item in accordance with the NBM's Regulation on banks' own funds and capital requirements have been applied.

6. The exposure value of an off-balance sheet item listed in Annex 1 hereto shall be the following percentage of its nominal value after reduction of specific credit risk adjustments in accordance with the NBM's Regulation on banks' calculation of specific and general credit risk adjustments, as well as other own funds reductions related to the off-balance sheet item in accordance with the NBM's Regulation on banks' own funds and capital requirements have been applied:

- 1) 100% if it's a full-risk item;
- 2) 50% if it's a medium-risk item;
- 3) 20% if it's a medium/low-risk item;
- 4) 0% if it's a low-risk item;

7. The off-balance sheet items referred to in Article 6 shall be assigned to risk categories as indicated in Annex 1.

8. Where a bank is using the Financial Collateral Comprehensive Method under the NBM's Regulation on the banks' credit risk mitigation techniques, the exposure value of securities or commodities sold, posted or lent under a repurchase transaction or under a securities or commodities lending or borrowing transaction, and margin lending transactions shall be increased by the volatility adjustment appropriate to such securities or commodities, as laid down in the above-mentioned regulation.

9. The exposure value of repurchase transaction, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions may be determined in accordance with the NBM's Regulation on the banks' credit risk mitigation techniques.

10. Where an exposure is subject to funded credit protection, the exposure value applicable to that item may be amended in accordance with Regulation on banks' credit risk mitigation techniques.

11. Each exposure shall be assigned to one of the following exposure classes:

- 1) exposures to central governments or central banks;
- 2) exposures to regional government or local authorities;
- 3) exposures to public sector entities;
- 4) exposures to multilateral development banks;
- 5) exposures to international organisations;
- 6) exposures to banks;

- 7) exposures to corporates;
- 8) retail exposures;
- 9) exposures secured by mortgages on immovable property;
- 10) exposures in default;
- 11) exposures associated with particularly high risk;
- 12) items representing securitisation positions;
- 13) exposures to institutions and corporates with a short-term credit assessment;
- 14) exposures in the form of units or shares held in CIUs;
- 15) equity exposures;
- 16) other items.

Section 2

Calculation of risk-weighted exposure amounts

12. To calculate risk-weighted exposure amounts, risk weights shall be applied to all exposures, unless deducted from own funds, in accordance with the provisions of Chapter IV.

13. The application of risk weights shall be based on the exposure class to which the exposure is assigned and, to the extent specified in Chapter IV, its credit quality.

14. Credit quality may be determined by reference to the credit assessments of ECAs or, for the purposes of Section 1 of Chapter IV, to the credit assessments of export credit agencies, specified in Section 2 of Chapter VI.

15. For the purposes of calculating a risk-weighted exposure amount, the exposure value shall be multiplied by the risk weight determined in accordance with Chapter IV.

16. Where an exposure is subject to credit protection, the risk weight applicable to that item may be amended in accordance with the NBM's Regulation on banks' credit risk mitigation techniques.

17. Exposures for which no calculation is provided in Chapter IV shall be assigned a risk-weight of 100%.

18. For the purposes of calculating risk-weighted exposure amounts to CIUs, banks shall treat those exposures as exposures to corporates.

19. With the exception of exposures giving rise to Common Equity Tier 1, Additional Tier 1 or Tier 2 items, a bank may, subject to the prior approval of the National Bank of Moldova, decide not to apply the requirements of Article 12 to the exposures of that bank to a counterparty which is its parent undertaking, its subsidiary, or a subsidiary of its parent undertaking.

20. The National Bank of Moldova shall grant its approval provided the following conditions are fulfilled:

- 1) the counterparty is a bank, an investment firm, a non-bank financial institution or an ancillary services undertaking subject to appropriate prudential requirements;
- 2) the counterparty is included in the same consolidation as the bank on a full basis;
- 3) the counterparty is subject to the same risk evaluation, measurement and control procedures as the bank;
- 4) the counterparty is established in the Republic of Moldova;
- 5) there is no current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities from the counterparty to the bank.

21. Where a bank, in accordance with Articles 19-20, is authorised not to apply the requirements of Article 12, it shall assign a risk weight of 0%.

22. To obtain the approval referred to in Article 19 the bank shall submit to the National Bank of Moldova a written request in this respect, enclosing any relevant information / documentation demonstrating the fulfilment of conditions specified in Article 20.

Section 3

Obligor in default

23. The obligor is deemed to be in default when at least one of the following occurs:

- 1) a bank considers that the obligor is unlikely to pay its credit obligations to the bank, the parent undertaking or any of its subsidiaries in full, without recourse by the bank to actions such as realising security;
- 2) the obligor is past due more than 90 days on any material credit obligation to the bank, the parent undertaking or any of its subsidiaries.

24. In the case of retail exposures, banks may apply the definition of default provided in Article 23 at the level of an individual credit facility rather than in relation to the total obligations of a borrower.

25. For the purposes of Article 23 par. (1), elements to be taken as indications of unlikelihood to pay shall include the following:

- 1) the bank puts the credit obligation on non-accrued status;
- 2) the bank recognises a specific credit adjustment resulting from a significant perceived decline in credit quality subsequent to the bank taking on the exposure;
- 3) the bank sells the credit obligation at a material credit-related economic loss;
- 4) the bank consents to a distressed restructuring of the credit obligation where this is likely to result in a diminished financial obligation caused by the material forgiveness, or postponement, of principal, interest or, where relevant, fees;
- 5) the bank has lodged an application for the opening of bankruptcy proceedings against the debtor or the application of a similar measure for a debtor's credit obligation to the bank, the parent undertaking or any of its subsidiaries;
- 6) the debtor has applied for, or is subject to, bankruptcy proceedings or similar protection where this would lead to the avoidance or delay of payment of a credit obligation to the bank, the parent undertaking or any of the subsidiaries it.

26. For the purposes of Article 23 par. (2), the following shall apply:

- 1) for overdrafts, days past due commence once an obligor has breached an advised limit, has been advised a limit smaller than current outstandings, or has drawn credit without authorisation and the underlying amount is material;
- 2) for the purposes of par. (1), an advised limit comprises any credit limit determined by a bank and about which the obligor has been informed by the bank;
- 3) days past due for credit cards commence on the minimum payment due date;
- 4) materiality of a credit obligation past due shall be assessed against a 2.5% threshold of the total balance of the borrower's credit obligations. Banks may identify defaults based on a lower threshold if they can demonstrate that this lower threshold is a relevant indication of the unlikelihood of payment and does not lead to an excessive number of defaults that return to non-defaulted status shortly after being recognised as defaulted or decrease of capital requirements. In this case banks should record in their databases the information on the trigger of default as an additional specified indication of unlikelihood to pay;
- 5) banks shall have documented policies in respect of the counting of days past due, in particular in respect of the re-ageing of the facilities and the granting of extensions, amendments or deferrals, renewals, and netting of existing accounts. These policies shall be applied consistently over time, and shall be in line with the internal risk management and decision processes of the bank.

27. Where a bank considers that a previously defaulted exposure is such that no trigger of default continues to apply for at least 3 months, the bank shall rate the exposure as it would for a non-defaulted exposure. During the above-mentioned period, the bank will take into account the debtor's conduct and financial condition. Where the definition of default is subsequently triggered, another default would be deemed to have occurred.

28. Where a default exposure has been subject to a distressed restructuring of the credit obligation, in order to exclude this exposure from the "exposures in default" class the bank shall ensure that no default factor continues to apply for that exposure for at least one year from the most recent event between the time when the exposure was classified in default, the time of the extension of the restructuring measures or the end of the grace period included in the restructuring agreements.

Chapter IV RISK WEIGHTS

Section 1

Exposures to central governments or central banks

29. Exposures to central governments and central banks shall be assigned a 100% risk weight, unless the provisions set out in Articles 30-32 apply.

30. Subject to provisions of Articles 31 and 33, exposures to central governments and central banks for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 1, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100.

Table 1

Credit quality step	1	2	3	4	5	6
Risk weight	0%	20%	50%	100%	100%	150%

31. Exposures to the central government of the Republic of Moldova and the National Bank of Moldova, denominated and funded in Moldovan lei, shall be assigned a risk weight of 0%.

32. Exposures to the National Bank of Moldova in the form of required reserves shall be assigned a risk weight of 0%.

33. When the competent authorities of a third country, which apply prudential supervisory and regulatory arrangements at least equivalent to those applied to banks in the Republic of Moldova as laid down in Annex 5, assign a risk weight which is lower than that indicated in Articles 29 and 30 to exposures to their central government and central bank, denominated and funded in the domestic currency of that central government / central bank, banks may risk-weight such exposures in the same manner.

Section 2

Exposures to regional government or local authorities

34. Exposures to regional governments or local authorities of a third country shall be risk-weighted as exposures to banks.

35. For exposures referred to in Article 34, the preferential treatment for short-term exposures specified in Article 53 shall not be applied.

36. Regional governments and local authorities of the Republic of Moldova are the authorities of local governments referred to in the Law no. 436-XVI of 28 December 2006 on local public administration (Official Monitor of the Republic of Moldova, 2007, no. 32-35 Art. 116).

37. Exposures to regional governments and local authorities in the Republic of Moldova denominated and financed in Moldovan lei shall be assigned a 20% risk weight.

Section 3

Exposures to public sector entities

38. Exposures to public sector entities for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight according to the credit quality step to which exposures to the central government are assigned in accordance with the following Table 2, without applying the provisions of Articles 29-30:

Table 2

Credit quality step to which central government is assigned	1	2	3	4	5	6
Risk weight	20%	50%	100%	100%	100%	150%

38¹. Exposures to public sector entities of the Republic of Moldova, denominated and funded in Moldovan lei, shall be assigned a risk weight of 20%.

39. Where the central government is unrated, the exposures to public sector entities shall be assigned a risk weight of 100%.

40. Exposures to public sector entities for which a credit assessment by a nominated ECAI is available shall be treated in accordance with Section 7 of this Chapter. The preferential treatment for short-term exposures specified in Article 53 shall not be applied to those entities.

41. For exposures to public sector entities with an original maturity of three months or less, the risk weight shall be 20%.

42. Exposures to public sector entities of the Republic of Moldova may be treated as exposures to the central government where in the opinion of the National Bank of Moldova there is no difference in risk between such exposures because of the existence of an appropriate guarantee by the central government of the Republic of Moldova.

Section 4

Exposures to multilateral development banks

43. Exposures to multilateral development banks that are not listed in Article 46 shall be treated in the same manner as exposures to banks.

44. The preferential treatment for short-term exposures as specified in Article 53 shall not be applied to exposures referred to in Article 43.

45. For the purposes of this Regulation, the Inter-American Investment Corporation, the Black Sea Trade and Development Bank, the Central American Bank for Economic Integration and the CAF-Development Bank of Latin America shall be considered multilateral development banks.

46. Exposures to the following multilateral development banks shall be assigned a 0% risk weight:

- 1) International Bank for Reconstruction and Development;
- 2) International Finance Corporation;
- 3) Inter-American Development Bank;
- 4) Asian Development Bank;
- 5) African Development Bank;
- 6) Council of Europe Development Bank;
- 7) Nordic Investment Bank;
- 8) Caribbean Development Bank;
- 9) European Bank for Reconstruction and Development;
- 10) European Investment Bank;
- 11) European Investment Fund;
- 12) Multilateral Investment Guarantee Agency;
- 13) International Finance Facility for Immunisation;

14) Islamic Development Bank.

Section 5

Exposures to international organisations

47. Exposures to the following international organisations shall be assigned a 0% risk weight:

- 1) European Union;
- 2) International Monetary Fund;
- 3) Bank for International Settlements;
- 4) European Financial Stability Facility;
- 5) European Stability Mechanism;
- 6) an international financial institution established by two or more Member States, which has the purpose to mobilise funding and provide financial assistance to the benefit of its members that are experiencing or threatened by severe financing problems.

Section 6

Exposures to banks

48. Exposures to banks for which a credit assessment by a nominated ECAI is available shall be risk-weighted in accordance with Section 7 of this Chapter.

49. Exposures to banks for which a credit assessment by a nominated ECAI is not available shall be risk-weighted in accordance with Section 8 of this Chapter.

50. No exposures with a residual maturity of three months or less denominated and funded in the national currency of the borrower shall be assigned a risk weight less than 20%.

51. Exposures to banks and investment firms from a third country shall be treated as exposures to banks only if that country applies prudential supervisory and regulatory requirements to such entities that are at least equivalent to those applied to banks in the Republic of Moldova, according to Annex 5.

Section 7

Exposures to rated banks

52. Exposures to banks with a residual maturity of more than three months for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 3, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100:

Table 3

Credit quality step	1	2	3	4	5	6
Risk weight	20%	50%	50%	100%	100%	150%

53. Exposures to banks of up to three months residual maturity for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 4, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100:

Table 4

Credit quality step	1	2	3	4	5	6
Risk weight	20%	20%	20%	50%	50%	150%

54. The interaction between the treatment of short-term credit assessment under Article 81 and the general preferential treatment for short-term exposures set out in Article 53 shall be as follows:

- 1) If there is no short-term exposure assessment, the general preferential treatment for short-term exposures as specified in Article 53 shall apply to all exposures to banks of up to three months residual maturity;
- 2) If there is a short-term assessment and such an assessment determines the application of a more favourable or identical risk weight than the use of the general preferential treatment for short-term exposures, as specified in Article 53, then the short-term assessment shall be used for that specific exposure only. Other short-term exposures shall follow the general preferential treatment for short-term exposures, as specified in Article 53;
- 3) If there is a short-term assessment and such an assessment determines a less favourable risk weight than the use of the general preferential treatment for short-term exposures, as specified in Article 53, then the general preferential treatment for short-term exposures shall not be used and all unrated short-term claims shall be assigned the same risk weight as that applied by the specific short-term assessment.

Section 8
Exposures to unrated banks

55. Exposures to banks for which a credit assessment by a nominated ECAI is not available shall be assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the bank is incorporated are assigned in accordance with Table 5.

Table 5

Credit quality step to which central government is assigned	1	2	3	4	5	6
Risk weight	20%	50%	100%	100%	100%	150%

56. For exposures to unrated banks incorporated in countries where the central government is unrated, the risk weight shall be 100%.

57. Notwithstanding the provisions of Article 56, for trade finance exposures referred to in Article 58 to unrated banks, the risk weight shall be 50% and where the residual maturity of these trade finance exposures to unrated institutions is three months or less, the risk weight shall be 20%.

58. For the purposes of Article 57, trade finance exposures shall include short-term self-liquidating trade finance transactions related to the exchange of goods or services with a residual maturity with one year or less.

Section 9
Exposures to corporates

59. Exposures to corporates for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 6, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100:

Table 6

Credit quality step	1	2	3	4	5	6
---------------------	---	---	---	---	---	---

Risk weight	20%	50%	100%	100%	150%	150%
-------------	-----	-----	------	------	------	------

60. Exposures to corporates for which such a credit assessment is not available shall be assigned a 100% risk weight or the risk weight of exposures to the central government of the jurisdiction in which the corporate is incorporated, whichever is the higher.

Section 10

Retail exposures

61. Exposures that comply with the following criteria shall be assigned a risk weight of 75%:

- 1) the exposure shall be either to a natural person or persons, or to a small or medium-sized enterprise (SME);
- 2) the exposure shall be one of a significant number of exposures with similar characteristics such that the risks associated with such lending are substantially reduced;
- 3) the total amount owed to the bank and parent undertakings and its subsidiaries, including any exposure in default, by the obligor client or group of connected clients, but excluding exposures fully and completely secured on residential property collateral that have been assigned to the exposure class laid down in par. (9) of Article 11, shall not, to the knowledge of the bank, exceed MDL 5 million. The bank shall take reasonable steps to acquire this knowledge.

62. Exposures that do not comply with the criteria referred to in sub-par. (1) to (3) of Article 61 shall not be eligible for the retail exposures class.

63. Securities shall not be eligible for the retail exposure class.

64. The present value of retail minimum lease payments is eligible for the retail exposure class.

Section 11

General provisions for exposures secured by mortgages on immovable property

65. An exposure or any part of an exposure fully secured by mortgage on immovable property shall be assigned a risk weight of 100%, where the conditions under Section 12 and Section 13 of this Chapter are not met, except for any part of the exposure, which is assigned to another exposure class.

66. The part of the exposure that exceeds the mortgage value of the property and, hence, is not secured by mortgage shall be assigned the risk weight applicable to the exposures to the counterparty involved.

67. The part of an exposure treated as fully secured by immovable property shall not be higher than the pledged amount of the market value of the respective property.

68. Exposures secured by mortgages on residential immovable property or commercial immovable property located in a third country shall be assigned a 100% risk weight; however, where the competent authority of that country has set higher risk weights for exposures secured by mortgages on residential and/or commercial immovable property, banks shall apply the risk weights assigned by the relevant competent authority of that country.

Section 12

Exposures fully and completely secured by mortgages on residential property

69. Exposures fully and completely secured by mortgages on residential property located on the territory of the Republic of Moldova shall be treated as follows:

- 1) exposures or any part of an exposure fully and completely secured by mortgages on residential property which is or shall be occupied or let by the owner, or the beneficial owner in the case of residential construction investment contracts in accordance with the legislation on real estate cadastre, shall be assigned a risk weight of 50%;

- 2) exposures to a tenant under a property leasing transaction concerning residential property under which the bank is the lessor and the tenant has an option to purchase, shall be assigned a risk weight of 50% provided that the exposure of the bank is fully and completely secured by its ownership right over the property.

70. Banks shall consider an exposure or any part of an exposure as fully and completely secured for the purposes of Article 69 only if the following conditions are met:

- 1) the value of the property shall not materially depend upon the credit quality of the borrower. Banks may exclude situations where purely macro-economic factors affect both the value of the property and the performance of the borrower from their determination of the materiality of such dependence;
- 2) the risk of the borrower shall 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 shall not materially depend on any cash flow generated by the underlying property serving as collateral. For those other sources, banks shall determine maximum loan-to-income ratios as part of their lending policy and obtain suitable evidence of the relevant income when granting the loan.
- 3) the requirements for immovable property and the valuation rules set out in Annex 2 are met;
- 4) the part of the loan to which the 50% risk weight is assigned does not exceed 80% of the market value of the property in question.

Section 13

Exposures fully and completely secured by mortgages on commercial property

71. Exposures fully and completely secured by mortgages on commercial immovable property located on the territory of the Republic of Moldova shall be treated as follows:

- 1) exposures or any part of an exposure fully and completely secured by mortgages on commercial property shall be assigned a risk weight of 75%, except for other immovable property including immovable property with equipment that is part of a patrimonial complex, where market value and geographic location will not allow recovery of an exposure in less than 3 years. The above-mentioned geographic locations will be within the underdeveloped real estate markets and will not include such localities as Chisinau, Balti and Cahul;
- 2) exposures related to property leasing transactions concerning offices or other commercial premises under which a bank is the lessor and the tenant has an option to purchase may be assigned a risk weight of 75 % provided that the exposure of the bank is fully and completely secured by its ownership right over the property.

72. Banks shall consider an exposure or any part of an exposure as fully and completely secured for the purposes of Article 71 only if the following conditions are met:

- 1) the value of the property shall not materially depend upon the credit quality of the borrower. Banks may exclude situations where purely macro-economic factors affect both the value of the property and the performance of the borrower from their determination of the materiality of such dependence;
- 2) the risk of the borrower shall not materially depend upon the performance of the underlying property, but on the underlying capacity of the borrower to repay the debt from other sources, and as a consequence, the repayment of the facility shall not materially depend on any cash flow generated by the underlying property serving as collateral.
- 3) the requirements for immovable property in question and the valuation rules set out in Annex 2 are met;

- 4) the part of the loan to which the 75% risk weight is assigned does not exceed 50% of the market value of the property in question.

Section 14

Exposure in default

73. The unsecured part of any item where the obligor has defaulted in accordance with the provisions of Section 3 of Chapter III, or in the case of retail exposures, the unsecured part of any credit facility which has defaulted in accordance with the aforementioned provisions shall be assigned the following risk weights:

- 1) 150%, where specific credit risk adjustments are less than 20% of the unsecured part of the exposure value if these specific credit risk adjustments were not applied;
- 2) 100%, where specific credit risk adjustments are no less than 20% of the unsecured part of the exposure value if these specific credit risk adjustments were not applied.

74. For the purposes of determining the secured part of the past due item, eligible collateral and guarantees shall be those eligible for credit risk mitigation purposes in accordance with the NBM's Regulation on credit risk mitigation techniques, applied by banks.

75. If a default has occurred in accordance with Section 3 of Chapter III, the exposure value remaining after specific credit risk adjustments of exposures fully and completely secured by mortgages on residential property in accordance with Section 12 of this Chapter and/or by mortgages on commercial property in accordance with Section 13 of this Chapter shall be assigned a risk weight of 100%.

Section 15

Items associated with particularly high risk

76. Banks shall assign a 150% risk weight to exposures, including exposures in the form of shares or units in a CIU, which are associated with particularly high risks, where appropriate.

77. Exposures with particularly high risks shall include any of the following exposures:

- 1) investments in venture capital firms;
- 2) investments in AIFs, except where the mandate of the fund does not allow a limit higher than that required under Article 44 of the Regulation on the limits and type of instruments in which UCITS may invest, approved by the Decision no. 5/15 of January 31, 2015 of the National Commission of Financial Market (Official Monitor of the Republic of Moldova, 2015, no. 69-73 art. 524);
- 3) investments in private equity;
- 4) speculative immovable property financing.

78. For the purposes of Article 77 par. (2), AIFs are CIUs from a third country, including their investment divisions, which:

- 1) attract capital from a number of investors in order to invest it in accordance with an investment policy defined in the interest of those investors; and
- 2) do not require authorisation as a UCITS, as provided for by the national legislation of the country where the AIF originates.

79. When assessing whether an exposure other than exposures referred to in Article 77 is associated with particularly high risks, banks shall take into account the following risk characteristics:

- 1) there is a high risk of loss as a result of a default of the obligor;
- 2) it is impossible to assess adequately whether the exposure falls under par. (1).

Section 16

Items representing securitisation positions

80. Exposures to securitisation positions shall be assigned a risk weight of 100%.

Section 17

Exposures to banks and corporates with a short-term credit assessment

81. Exposures to banks and exposures to corporates for which a short-term credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 7, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100:

Table 7

Credit risk step	1	2	3	4	5	6
Risk weight	20%	50%	100%	150%	150%	150%

Section 18

Exposures in the form of units or shares in CIUs

82. Exposures in the form of units or shares in CIUs shall be assigned a risk weight of 100%, unless a bank applies the credit risk assessment method under Article 83.

83. Exposures in the form of units or shares in CIUs for which a credit assessment by a nominated ECAI is available shall be assigned a risk weight according to Table 8, corresponding to the credit assessment of the ECAI as listed in the NBM's Mapping Table of ECAI's credit risk assessments to credit quality steps, according to the provisions of Article 100:

Table 8

Credit risk step	1	2	3	4	5	6
Risk weight	20%	50%	100%	100%	150%	150%

Section 19

Equity exposures

84. The following exposures shall be considered equity exposures:

- 1) non-debt exposures conveying a subordinated, residual claim on the assets or income of the issuer;
- 2) debt exposures and other securities, partnerships, derivatives, or other vehicles, the economic substance of which is similar to the exposures specified in par. (1).

85. Equity exposures shall be assigned a risk weight of 100%, unless they are:

- 1) required to be deducted in accordance with the NBM's Regulation on banks' own funds and capital requirements, or
- 2) assigned a 250% risk weight in accordance with the NBM's Regulation on banks' own funds and capital requirements, or
- 3) treated as items of particularly high risk in accordance with Section 15 of this Chapter.

86. Investments in equity or regulatory capital instruments issued by banks shall be classified as equity claims, unless deducted from own funds or are assigned a 250% risk weight under the NBM's Regulation on banks' own funds and capital requirements, or treated as items of particularly high risk in accordance with Section 15 of this Chapter.

Section 20

Other items

87. Tangible assets, within the meaning of the applicable accounting framework, assets transferred / acquired in return for debt repayment, regardless of ownership, shall be assigned a 100% risk weight.

88. Prepayment assets or suspended / transit assets for which a bank is unable to determine the counterparty shall be assigned a risk weight of 100%.

89. Cash, cheques and other items equivalent to cash items in the process of collection shall be assigned a 20% risk weight.

90. Cash in hand and equivalent cash items shall be assigned a 0% risk weight.

91. Gold bullion held in own vaults or on an allocated basis to the extent backed by bullion liabilities shall be assigned a 0% risk weight.

92. In the case of asset sale and repurchase agreements and outright forward purchases, the risk weight shall be that assigned to the assets in question and not to the counterparties to the transactions.

93. Where a bank provides credit protection for a number of exposures (basket of exposures) under terms that the nth default among the exposures shall trigger payment and that this credit event shall terminate the contract, the risk weights of the exposures included in the basket will be aggregated, excluding n-1 exposures, up to a maximum of 1 000% and multiplied by the nominal amount of the protection provided by the credit derivative to obtain the risk-weighted asset amount.

The n-1 exposures to be excluded from the aggregation shall be determined on the basis that they shall include those exposures each of which produces a lower risk-weighted exposure amount than the risk-weighted exposure amount of any of the exposures included in the aggregation.

94. In the case of leases, the following provisions shall be applied:

- 1) The exposure value for leases shall be the discounted minimum lease payments. Minimum lease payments are the payments over the lease term that the lessee is or can be required to make and any bargain option the exercise of which is reasonably certain.
- 2) A party other than the lessee may be required to make a payment related to the residual value of a leased property and that payment obligation fulfils the set of provisions laid down in the NBM's regulatory acts regarding the eligibility of unfunded credit protection providers, as well as the requirements for recognising other types of guarantees related to the unfunded credit protection, that payment obligation may be taken into account as unfunded credit protection. These exposures shall be assigned to the relevant exposure class in accordance with Article 11.
- 3) When the exposure is a residual value of leased assets, the risk weighted exposure amounts shall be calculated as follows:

$$1/t \times 100\% \times \text{residual value}$$

where:

“t” is the greater of 1 and the nearest number of whole years of the lease remaining.

Chapter V

CAPITAL REQUIREMENTS DEDUCTION FOR CREDIT RISK ON EXPOSURES TO SMEs

95. Capital requirements for credit risk on exposures to SMEs shall be multiplied by the factor 0.7619.

96. For the purposes of this Chapter:

- 1) the exposure shall be included either in the retail or in the corporates or secured by mortgages on immovable property classes. Exposures in default shall be excluded;
- 2) a SME is defined in accordance with par. (1) of Article 4 of the Law no. 179 of 21 July 2016 on Small and Medium-sized Enterprises (Official Monitor of the Republic of Moldova, 2016, no. 306-313, art. 651). Among the criteria listed in Article 4 of that Law, only the annual turnover shall be taken into account;

- 3) the total amount owed to the bank and parent undertakings and its subsidiaries, including any exposure in default, by the obligor client or group of connected clients, but excluding claims or contingent claims secured on residential property collateral, shall not, to the knowledge of the bank, exceed MDL 7,5 million. The bank shall take reasonable steps to acquire this knowledge.

97. Banks shall report to the National Bank of Moldova on the total amount of exposures to SMEs calculated in accordance with Article 96, as laid down in the NBM's regulations regarding bank's submission of COREP reports for supervisory purposes.

Chapter VI. RECOGNITION AND MAPPING OF CREDIT RISK ASSESSMENT

Section 1 General provisions

98. An external credit assessment may be used to determine the risk weight of an exposure under this Regulation only if it has been issued by an ECAI or has been endorsed by an ECAI in accordance with Annex 3.

99. The inclusion of an ECAI in the list of those recognized by the National Bank of Moldova as eligible is conditional on the fact that the ECAI is located and is supervised in a jurisdiction where the respective country's provisions, which are in line with the provisions of the Code of Conduct issued by the International Organisation of Securities Commissions (IOSCO) for Credit Rating Agencies, are consistently applied to the ECAI in question.

100. For all eligible ECAIs included in the list referred to in Article 98, the National Bank of Moldova shall ensure mapping of the ICAIs' credit risk assessments to credit quality steps set out in Chapter IV, in accordance with Annex 4.

Section 2 Use of credit assessments by Export Credit Agencies

101. For the purposes of Section 1 of Chapter IV, a bank may use credit assessments of an Export Credit Agency nominated by the bank, if either of the following conditions is met:

- 1) it is a consensus risk score from Export Credit Agencies participating in the OECD "Arrangement on Guidelines for Officially Supported Export Credits";
- 2) the Export Credit Agency publishes its credit assessments and subscribes to the OECD agreed methodology, and the credit assessment is associated with one of the eight minimum export insurance premiums (MEIP) that the OECD agreed methodology establishes.

102. A bank may revoke its nomination of an Export Credit Agency referred to in par. (2) of Article 101 if there are concrete indications that the intention underlying the revocation is to reduce the capital adequacy requirements.

103. Exposures for which a credit assessment by an Export Credit Agency is recognised for risk-weighting purposes shall be assigned a risk weight according to Table 9.

Table 9

MEIP	0	1	2	3	4	5	6	7
Risk weight	0%	0%	20%	50%	100%	100%	100%	150%

Chapter VII
USE OF THE ECAI CREDIT ASSESSMENTS FOR THE DETERMINATION
OF RISK WEIGHTS

Section 1

General requirements

104. A bank may nominate one or more ECAIs recognised as eligible for the determination of risk weights to be assigned to assets and off-balance sheet items.

105. A bank may revoke its nomination of an ECAI if there are concrete indications that the intention underlying the revocation is to reduce the capital adequacy requirements.

106. Credit assessments shall not be used selectively.

107. A bank shall use solicited credit assessments.

108. In using credit assessments, banks shall comply with the following requirements:

- 1) A bank which decides to use the credit assessments produced by an ECAI for a certain class of items shall use those credit assessments consistently for all exposures belonging to that class;
- 2) A bank which decides to use the credit assessments produced by an ECAI shall use them in a continuous and consistent way over time;
- 3) A bank shall only use ECAIs credit assessments that take into account all amounts both in principal and in interest owed to it;
- 4) where only one credit assessment is available from a nominated ECAI for a rated item, that credit assessment shall be used to determine the risk weight for that item;
- 5) where two credit assessments are available from nominated ECAIs and the two correspond to different risk weights for a rated item, the higher risk weight shall be assigned;
- 6) where more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights shall be referred to. If the two lowest risk weights are different, the higher risk weight shall be assigned. If the two lowest risk weights are the same, that risk weight shall be assigned.

Section 2

Issuer and issue credit assessment

109. Where a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure belongs, this credit assessment shall be used to determine the risk weight to be assigned to that item.

110. Where no directly applicable credit assessment exists for a certain item, but a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure does not belong or a general credit assessment exists for the issuer, then that credit assessment shall be used in either of the following cases:

- 1) it produces a higher risk weight than would otherwise be the case and the exposure in question ranks *pari passu* or junior in all respects to the specific issuing program or facility or to senior unsecured exposures of that issuer, as relevant;
- 2) it produces a lower risk weight and the exposure in question ranks *pari passu* or senior in all respects to the specific issuing programme or facility or to senior unsecured exposures of that issuer, as relevant.

In all other cases, the exposure shall be treated as unrated.

111. Credit assessments for issuers within a corporate group cannot be used as credit assessment of another issuer within the same corporate group.

Section 3

Long-term and short-term credit assessments

112. Short-term credit assessments may only be used for short-term assets and off-balance sheet items constituting exposures to banks and corporates.

113. Any short-term credit assessment shall only apply to the item the short-term credit assessment refers to, and it shall not be used to derive risk weights for any other item, except in the following cases:

- 1) if a short-term rated facility is assigned a 150% risk weight, then all unrated unsecured exposures on that obligor whether short-term or long-term shall also be assigned a 150% risk weight;
- 2) if a short-term rated facility is assigned a 50% risk weight, no unrated short-term exposure shall be assigned a risk weight lower than 100%.

Section 4

Items denominated in the obligor's domestic currency and in a foreign currency

114. A credit assessment that refers to an item denominated in the obligor's domestic currency cannot be used to derive a risk weight for another exposure on that same obligor that is denominated in a foreign currency.

115. Notwithstanding Article 114, when an exposure denominated in a foreign currency arises through a bank's participation in a loan that has been extended by a multilateral development bank, a preferred creditor status of which is recognised in the market, the credit assessment on the obligors' domestic currency item may be used for risk weighting purposes.

Classification of off-balance sheet items

1. Full risk:

- 1) guarantees having the character of credit substitutes, (e.g. guarantees for the good payment of credit facilities);
- 2) credit derivatives;
- 3) acceptances;
- 4) endorsements on bills not bearing the name of another bank;
- 5) transactions with recourse (e.g. factoring, invoice discount facilities);
- 6) irrevocable standby letters of credit having the character of credit substitutes;
- 7) assets purchased under outright forward purchase agreements;
- 8) forward deposits;
- 9) the unpaid portion of partly-paid shares and securities;
- 10) asset sale and repurchase agreements;
- 11) other items also carrying full risk.

2. Medium risk:

- 1) trade finance off-balance sheet items, namely documentary credits issued or confirmed (see also Medium/low risk);
- 2) other off-balance sheet items:
 - a) shipping guarantees, customs and tax bonds;
 - b) undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of more than one year;
 - c) note issuance facilities (NIFs) and revolving underwriting facilities (RUFs);
 - d) other items also carrying medium risk.

3. Medium/low risk:

- 1) trade finance off-balance sheet items:
 - a) documentary credits in which underlying shipment acts as collateral and other self-liquidating transactions;
 - b) warranties (including tender and performance bonds and associated advance payment and retention guarantees) and guarantees not having the character of credit substitutes;
 - c) irrevocable standby letters of credit not having the character of credit substitutes;
- 2) other off-balance sheet items:
 - a) undrawn credit facilities which comprise agreements to lend, purchase securities, provide guarantees or acceptance facilities with an original maturity of up to and including one year which may not be cancelled unconditionally at any time without notice or that do not effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness;
 - b) other items also carrying medium/low risk.

4. Low risk:

- 1) undrawn credit facilities comprising agreements to lend, purchase securities, provide guarantees or acceptance facilities which may be cancelled unconditionally at any time without notice, or that do effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness. Retail credit lines may be considered as unconditionally cancellable if the terms

permit the bank to cancel them to the full extent allowable under consumer protection and related legislation;

2) undrawn credit facilities for tender and performance guarantees which may be cancelled unconditionally at any time without notice, or that do effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness; and

3) other items also carrying low risk.

Requirements for immovable property collateral and the exposure assessment rules for assigning exposures to the class of exposures fully and completely secured by mortgages on immovable property

1. Immovable property shall qualify as eligible collateral for the purposes of Articles 70 and 72 only where all the requirements laid down in paragraphs 2 to 6 are met.

2. The following requirements on legal certainty shall be met:

- a) a mortgage or charge is legally enforceable and is properly filed on a timely basis;
- b) all legal requirements for establishing the pledge have been fulfilled;
- c) the protection agreement and the legal process underpinning it enable the bank to realise the value of the protection within a reasonable timeframe.

3. The following requirements on monitoring of property values and on property valuation shall be met:

a) banks shall monitor the value of the property on a frequent basis and, at a minimum, once every year for commercial immovable property and once every three years for residential real estate. Banks shall carry out more frequent monitoring where the market is subject to significant changes in conditions;

b) the property valuation is reviewed when information available to banks indicates that the value of the property may have declined materially relative to general market prices. For total loans extended to an obligor exceeding EUR 3 million or 2% of the own funds of a bank, the property valuation shall be reviewed at least every three years. Mortgage value shall be set / reviewed by a valuer who possesses the necessary qualifications, ability and experience to execute a valuation and who is independent from the credit decision process. Criteria for designating the valuer shall be set out in the bank's internal policies.

4. Banks may use statistical methods to monitor the value of the property and to identify property that needs revaluation.

5. Banks shall clearly document the types of residential and commercial immovable property they accept and their lending policies in this regard.

6. Banks shall have in place procedures to monitor that the property taken as credit protection is adequately insured against the risk of damage.

Annex 3
to the Regulation on the treatment of banks' credit risk
using a standardised approach

List of ECAIs

Name of ECAI	Country of residence	Status	Effective date	IDNO
Fitch France S.A.S.	France	Registered	31 October 2011	2138009Y4TCZT6QOJO69
Fitch Deutschland GmbH	Germany	Registered	31 October 2011	213800JEMOT1H45VN340
Fitch Italy S.p.A.	Italy	Registered	31 October 2011	213800POJ9QSCHL3KR31
Fitch Polska S.A.	Poland	Registered	31 October 2011	213800RYJTJPW2WD5704
Fitch Ratings España S.A.U.	Spain	Registered	31 October 2011	213800RENFIIODKETE60
Fitch Ratings Limited	UK	Registered	31 October 2011	2138009F8YAHVC8W3Q52
Fitch Ratings CIS Limited	UK	Registered	31 October 2011	213800B7528Q4DIF2G76
Moody's Investors Service Cyprus Ltd	Cyprus	Registered	31 October 2011	549300V4LCOYCMNUVR81
Moody's France S.A.S.	France	Registered	31 October 2011	549300EB2XQYRSE54F02
Moody's Deutschland GmbH	Germany	Registered	31 October 2011	549300M5JMGHVTWYZH47
Moody's Italy S.r.l.	Italy	Registered	31 October 2011	549300GMXJ4QK70UOU68
Moody's Investors Service España S.A.	Spain	Registered	31 October 2011	5493005X59ILY4BGJK90
Moody's Investors Service Ltd	UK	Registered	31 October 2011	549300SM89WABHDNJ349
Standard & Poor's Credit Market Services Europe Limited	UK	Registered	31 October 2011	549300363WVTTH0TW460
Euler Hermes Rating GmbH	Germany	Registered	16 November 2010	391200QXGLWHK9VK6V27
Japan Credit Rating Agency Ltd	Japan	Certified	6 January 2011	35380002378CEGMRVW86
BCRA-Credit Rating Agency AD	Bulgaria	Registered	6 April 2011	747800Z0IC3P66HTQ142
Creditreform Rating AG	Germany	Registered	18 May 2011	391200PHL11KDUTTST66
Scope Ratings AG (former PSR Rating GmbH)	Germany	Registered	24 May 2011	391200WU1EZUQFHDWE91
ICAP Group SA	Greece	Registered	7 July 2011	2138008U6LKT8VG2UK85

GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH	Germany	Registered	28 July 2011	391200OLWXCTKPADVV72
ASSEKURATA Assekuranz Rating-Agentur GmbH	Germany	Registered	18 August 2011	529900977LETWLJF3295
ARC Ratings, S.A. (former Companhia Portuguesa de Rating, S.A)	Portugal	Registered	26 August 2011	213800OZNIQMV6UA7D79
AM Best Europe-Rating Services Ltd. (AMBERS)	UK	Registered	8 September 2011	549300VO8J8E5IQV1T26
DBRS Ratings Limited	UK	Registered	31 October 2011	5493008CGCDQLGT3EH93
CRIF Ratings S.r.l. (former CRIF S.p.a.)	Italy	Registered	22 December 2011	8156001AB6A1D740F237
Capital Intelligence Ratings Ltd	Cyprus	Registered	8 May 2012	549300RE88OJP9J24Z18
European Rating Agency, a.s.	Slovakia	Registered	30 July 2012	097900BFME0000038276
Axesor Risk Management SL	Spain	Registered	1 October 2012	959800EC2RH76JYS3844
Cerved Rating Agency S.p.A. (former CERVED Group S.p.A.)	Italy	Registered	20 December 2012	8156004AB6C992A99368
Kroll Bond Rating Agency	USA	Certified	20 March 2013	549300QYZ5CZYXTNZ676
The Economist Intelligence Unit Ltd	UK	Registered	3 June 2013	213800Q7GRZWF95EWN10
Dagong Europe Credit Rating Srl (Dagong Europe)	Italy	Registered	13 June 2013	815600BF4FF53B7C6311
Spread Research	France	Registered	1 July 2013	969500HB6BVM2UJDOC52
EuroRating Sp. z o.o.	Poland	Registered	7 May 2014	25940027QWS5GMO74O03
Moody's Investors Service EMEA Ltd	UK	Registered	24 November 2014	54930009NU3JYS1HTT72
Kroll Bond Rating Agency Europe Limited	Ireland	Registered	13 November 2017	tbc

Annex 4
to the Regulation on the treatment of banks' credit risk
using a standardised approach

Mapping Table

Credit quality step	1	2	3	4	5	6
<i>Fitch Ratings</i>						
Long-term issuer credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, RD, D
Long-term corporate finance obligations rating scale	AAA AA	A	BBB	BB	B	CCC, CC, C
International long-term insurer financial strength rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C
Short-term rating scale	F1+	F1	F2, F3	B, C, RD, D		
Short-term insurer financial strength rating scale	F1+	F1	F2, F3	B, C		
<i>Moody's Investors Service</i>						
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Bond fund rating scale	Aaa-bf, Aa-bf	A-bf	Baa-bf	Ba-bf	B-bf	Caa-bf, Ca-bf, C-bf
Global short-term rating scale	P-1	P-2	P-3	NP		
<i>Standard & Poor's Ratings Services</i>						
Long-term issuer credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, R, SD/D
Long-term issue credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Insurer financial strength rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, SD/D, R
Fund credit quality rating scale	AAAf, AAf	Af	BBBf	BBf	Bf	CCCf
Mid-market evaluation rating scale		MM1	MM2	MM3, MM4	MM5, MM6	MM7, MM8, MMD
Short-term issuer credit rating scale	A-1+	A-1	A-2, A-3	B, C, R, SD/D		

Short-term issue credit rating scale	A-1+	A-1	A-2, A-3	B, C, D		
AM Best Europe-Rating Services Ltd.						
Long-term issuer credit rating scale	aaa, aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, rs
Long-term debt rating scale	aaa, aa+, aa, aa-	a+, a, a-	bbb+, bbb, bbb-	bb+, bb, bb-	b+, b, b-	ccc+, ccc, ccc-, cc, c, d
Financial strength rating scale	A++, A+	A, A-	B++, B+	B, B-	C++, C+	C, C-, D, E, F, S
Short-term rating scale	AMB-1+	AMB-1-	AMB-2, AMB-3	AMB- 4		
ARC Ratings S.A.						
Medium and long-term issuers rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Medium and long-term issues rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer rating scale	A-1+	A-1	A-2, A-3	B, C, D		
Short-term issue rating scale	A-1+	A-1	A-2, A-3	B, C, D		
ASSEKURATA Assekuranz Rating-Agentur GmbH						
Long-term credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC/C, D
Short-term entity rating scale	A++	A		B, C, D		
Axesor SA						
Global ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D, E
BCRA – Credit Rating Agency AD						
Long-term bank rating scale	AAA, AA	A	BBB	BB	B	C, D
Long-term insurer rating scale	iAAA, iAA	iA	iBBB	iBB	iB	iC, iD
Long-term entity rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Long-term municipality rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D

Long-term issue rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term bank rating scale	A-1+	A-1	A-2, A-3	B, C, D		
Short-term entity rating scale	A-1+	A-1	A-2, A-3	B, C, D		
Short-term municipality rating scale	A-1+	A-1	A-2, A-3	B, C, D		
Short-term issue rating scale	A-1+	A-1	A-2, A-3	B, C, D		
<i>Capital Intelligence Ltd</i>						
International long-term issuer rating scale	AAA, AA	A	BBB	BB	B	C, RS, SD, D
International medium-term issue rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
International short-term issuer rating scale	A-1+	A-1	A-2, A-3	B, C, D		
International short-term issue rating scale	A-1+	A-1	A-2, A-3	B, C, D		
<i>Cerved Rating Agency S.p.A.</i>						
Short-term entity rating scale	A1.1, A1.2, A1.3	A2.1, A2.2, A3.1	B1.1, B1.2	B2.1, B2.2	C1.1	C1.2, C2.1
<i>Creditreform Ratings AG</i>						
Long-term rating scale	AAA, AA	A	BBB	BB	B	C, D
<i>CRIF S.p.A.</i>						
Global long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, D1, D2
<i>Dagong Europe Credit Rating</i>						
Long-term credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale	A-1		A-2, A-3	B, C, D		
<i>DBRS Ratings Limited</i>						
Long-term obligations rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term debt and commercial paper rating scale	R-1 H, R-1 M	R-1 L	R-2, R-3	R-4, R-5, D		
Claims paying ability rating scale	IC-1	IC-2	IC-3	IC-4	IC-5	D
<i>DBRS Ratings Limited</i>						

European Rating Agency, a.s.						
Long-term rating scale		AAA, AA, A	BBB	BB	B	CCC, CC, C, D
Short-term rating scale		S1	S2	S3, S4, NS		
EuroRating Sp. z o.o.						
Global long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Euler Hermes Rating GmbH						
Global long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, SD, D
GBB-Rating Gesellschaft für Bonitätsbeurteilung GmbH						
Global long-term rating scale	AAA, AA		A, BBB	BB	B	CCC, CC, C, D
ICAP Group S.A						
Global long-term rating scale		AA, A	BB, B	C, D	E, F	G, H
Japan Credit Rating Agency Ltd						
Long-term issuer rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, LD, D
Long-term issue rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term issuer rating scale	J-1+	J-1	J-2	J-3, NJ, LD, D		
Short-term issue credit rating scale	J-1+	J-1	J-2	J-3, NJ, D		
Kroll Bond Rating Agency						
Long-term credit rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Short-term credit rating scale	K1+	K1	K2, K3	B, C, D		
Scope Ratings AG						
Global long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
Global short-term rating scale	S-1+	S-1	S-2	S-3, S-4		
Spread Research						
International long-term rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
The Economist Intelligence Unit Ltd						

Sovereign rating scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, D
------------------------	------------	---	-----	----	---	------------------

**List of foreign states
applying prudential supervisory and regulatory requirements at least equivalent to those
applied in the Republic of Moldova**

I. Banks

1. EU Member States
2. Australia
3. Brazil
4. Canada
5. China
6. Faroe Islands
7. Greenland
8. Guernsey
9. Hong Kong
10. India
11. Man Island
12. Japan
13. Jersey
14. Mexico
15. Monaco
16. New Zealand
17. Saudi Arabia
18. Singapore
19. South Africa
20. Switzerland
21. Turkey
22. USA

II. Investment firms

1. European Union Member States
2. Australia
3. Brazil
4. Canada
5. China
6. Hong Kong
7. Indonesia
8. Japan (only Type I financial instruments business operators)
9. Mexico
10. South Korea
11. Saudi Arabia
12. Singapore
13. South Africa
14. USA