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Video// NBM has successfully completed the Twinning project funded by the European Union

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The Twinning Project "Strengthening supervision, corporate governance and risk management in the financial sector" launched on 18 October 2021 and implemented by the National Bank of Moldova (NBM) with the assistance of the European Union has come to an end.

The project has achieved significant accomplishments, including the development of a new macro-prudential policy strategy, the alignment of insurance and non-bank lending regulations with EU directives, the adjustment of oversight regulations for financial market infrastructure, and the preparation of Moldova's accession file to the Single Euro Payments Area (SEPA).

These achievements were presented at a public event in Chisinau on Tuesday 19 March.

In her opening address at the conference, NBM Governor Anca Dragu stressed that, thanks to European support, the central bank in Chisinau had made significant progress in aligning its financial supervision tools with European norms and standards:

"We have delivered tangible results to market participants and meticulously prepared the SEPA accession file recently submitted to the European Payments Council. It is time to move forward. Our goal for this year is to obtain a positive assessment of the equivalence of our banking legislation with the European standards, following the methodology of the European Banking Authority, so that the attractiveness of the Moldovan banking sector for EU investors and the resilience of our financial system will increase" emphasised the NBM Governor.

The project was implemented over 30 months, with the support of the Consortium consisting of the National Bank of Romania (BNR), the Bank of the Kingdom of the Netherlands (De Nederlandsche Bank - DNB), the Central Bank of Lithuania ((Lietuvos Bankas - LB), the Financial Supervisory Authority (FSA), and The National Authority for Consumer Protection (ANPC) of Romania. Another beneficiary of the project was the National Commission for Financial Markets (NCFM) from the Republic of Moldova.

Leonardo Badea, the Deputy Governor of the National Bank of Romania (BNR), which is the senior partner of the implementing Consortium, underlined that the National Bank of Moldova (NBM) has undergone an impressive journey of transformation and reform through the Twinning project. "Starting from the elaboration of the Macroprudential Policy Strategy, the development of the stress testing framework, the necessary legal framework in the field of the insurance sector and the infrastructure of payment systems, continuing with the elaboration of the methodologies and regulations necessary for the supervision of non-bank credit organizations, the increase of the institutional capacity and the consolidation of financial

stability, and finally reaching to the preparation of the accession file to the Single Euro Payments Area, we witnessed the commitment and the perseverance of your teams to make significant progress in a relatively short time".

"At the Dutch central bank, we are proud to have contributed to the success of this twinning, together with our Romanian and Lithuanian partners. We will continue to stand shoulder to shoulder with the Central Bank of Moldova through technical cooperation", said Klaas Knot, Governor of the Central Bank of the Kingdom of the Netherlands.

At the same time, Asta Kuniyoshi, Deputy Chair of the Board of the Bank of Lithuania, noted that the collective efforts of everyone involved in the Twinning project, substantial results have been achieved. "Sharpening of risk management tools in insurance and banking sectors will put the National Bank of Moldova and supervisory authority on a successful path to more resilient economy. Decisively, the commitment, professionalism, and deep engagement of our counterparts in Moldova both on expert and management level were key in bringing the project forward".

"With the implemented Twinning project, the European Union invested 1.73 million euro to deliver long standing structural reforms bringing benefits to both citizens and businesses. Together we managed to enhance the financial sector organization and governance, bring more confidence in its stability and ultimately help the country get closer to the EU membership", mentioned Adam Grodzicki, Deputy Head of Cooperation within the Delegation of the European Union to the Republic of Moldova.

The official part of the event continued with a presentation session reviewing the efforts and progress of the project and its impact on the financial sector.

The overall objective of the project was to support the Republic of Moldova in implementing reforms related to the EU-Moldova Association Agreement/Deep and Comprehensive Free Trade Agreement (DCFTA) and the Association Agenda, and as specific objective, to enhance supervision, corporate governance, and risk management in the financial sector.

During the 30 months of the project, a total of 139 short-term technical assistance missions were carried out by experts, including approximately 1000 working days of training and 15 study visits to Romania and Lithuania.

Thus, at the end of the project, the main achievements are:

- Development and approval of a new macroprudential policy strategy;
- Development of the framework for a macroprudential stress testing model;
- Improved quality of the financial stability report of the National Bank of Moldova;
- Development of the primary and secondary frameworks for insurance and reinsurance and motor third party liability insurance in line with the EU Solvency II and MTPL Directives;
- Development of the necessary regulations for the supervision of the non-bank credit organisations (NBCO) sector;
- Training of the NBM staff responsible for the supervision of NBCOs;
- Development and adoption of NBM regulations on the supervision of financial market infrastructures and payment systems, including the amendment of three laws to align with international best practices and the EU acquis; training of the NBM staff responsible for the supervision of financial market infrastructures and payment systems;
- Preparation of the accession file of the Republic of Moldova to the Single Euro Payments Area (SEPA),

which was submitted to the European Payments Committee (EPC) for assessment on 30 January 2024.

The Twinning project placed a strong emphasis on staff training, with the exchange of experience with short-term experts leading to both the development of local expertise and the adoption of EU best practice.

The Twinning project results have significantly enhanced and diversified macro-prudential supervisory tools, thereby improving the safety and efficiency of payment and settlement systems, which are essential for the country's financial stability. Moreover, they have provided opportunities for both local and foreign investors to participate in the sustainable development of the local financial market, which ensured a high level of safety, quality financial products and services that best met the current needs of different categories of consumers and customers. The reinforcement of the regulatory framework and the licensing and supervisory processes for NBCOs activities have also improved the business environment, enhanced investor confidence and facilitated banking intermediation. The implementation of the new legal framework and the adoption of new risk-based supervisory practices in the insurance sector supervision are set to enhance the competitiveness of insurance companies and elevate the quality of services offered. Ultimately, the beneficiaries of these advancements extend beyond the NBM staff and the banking and non-banking community in the Republic of Moldova, encompassing the citizens of the Republic of Moldova who will benefit from a viable, stable, and secure financial sector.

Additional information

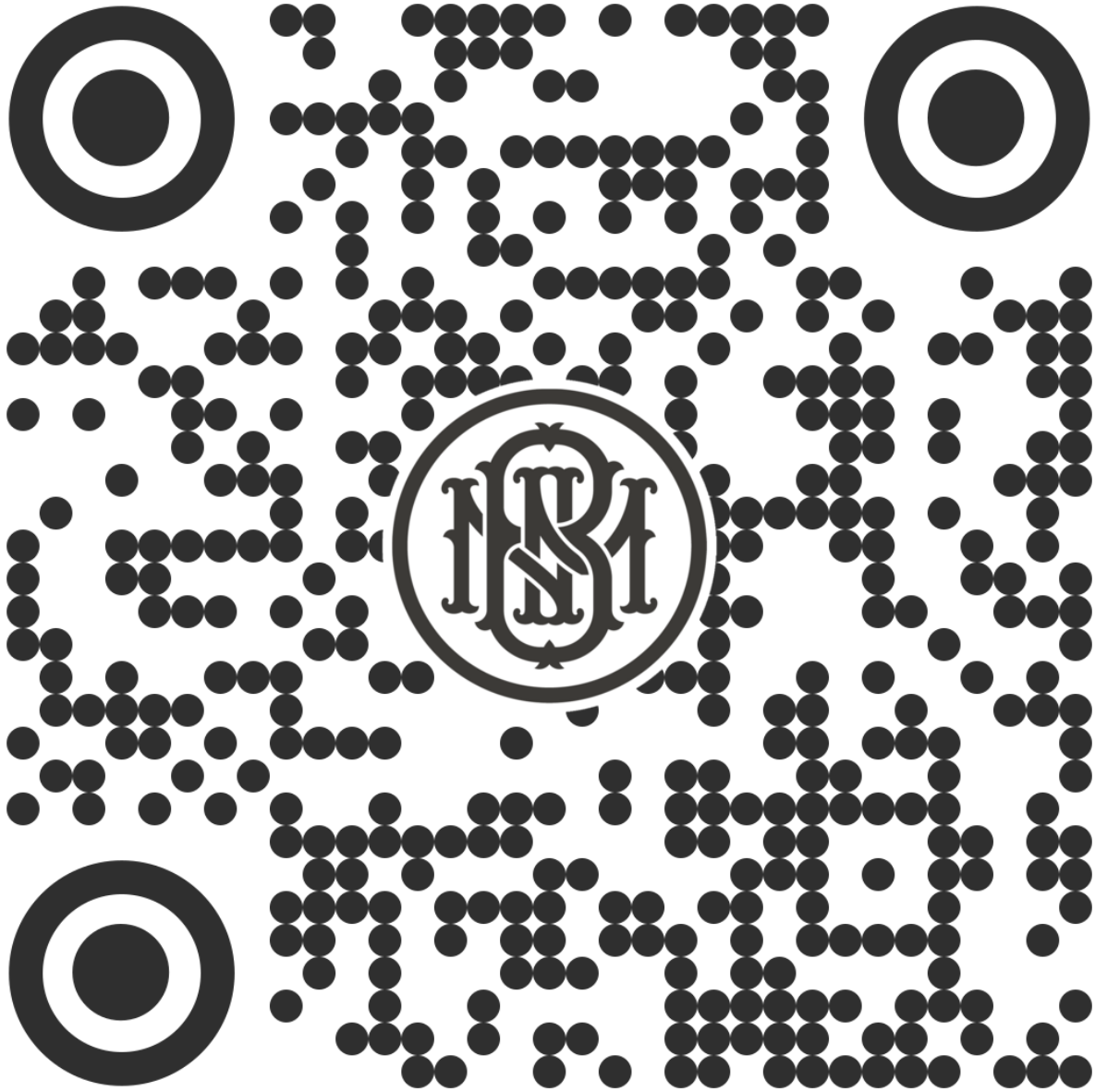
The project was divided into five components, as follows:

- Component 1: Strengthening of the macro-prudential framework to address the build-up of systemic risks;
- Component 2: Development and implementation of a new legal framework for the supervision of the insurance and motor third party liability sectors in line with the EU acquis;
- Component 3: Development and implementation of a new legal framework to strengthen the supervision of non-bank credit institutions;
- Component 4: Assessment, development, and improvement of the NBM's internal regulations for the supervision of financial market infrastructure and payment services;
- Component 5: Alignment of the legislative and regulatory framework in the Republic of Moldova with the requirements of SEPA schemes and preparation of the application process for SEPA membership as a non-EEA (European Economic Area) member.

A multidisciplinary team worked during the project. It was led by 3 Project Leaders appointed by the Member States from the Consortium and a Project Leader representing the Beneficiary State, a Programme Manager from the EU Delegation in Moldova and a Resident Twinning Advisor (RTA) appointed by the NBR together with his counterpart appointed by the NBM, 4 Component Leaders from the Consortium and 4 Component Leaders from the Beneficiary Institutions, and 53 short-term experts.

Twinning is an EU instrument for institutional cooperation between the authorities of EU Member States and the authorities of beneficiary countries. Twinning projects aim to develop the institutional capacity of the beneficiary authorities. They involve the secondment of experts from the EU public sector to assist the beneficiary authorities achieve specific objectives. More information on Twinning is available on the European Commission's website.

The closing event of the Twinning project



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