



# REPUBLIC OF MOLDOVA

## TECHNICAL ASSISTANCE REPORT—FINANCIAL SOUNDNESS INDICATORS MISSION

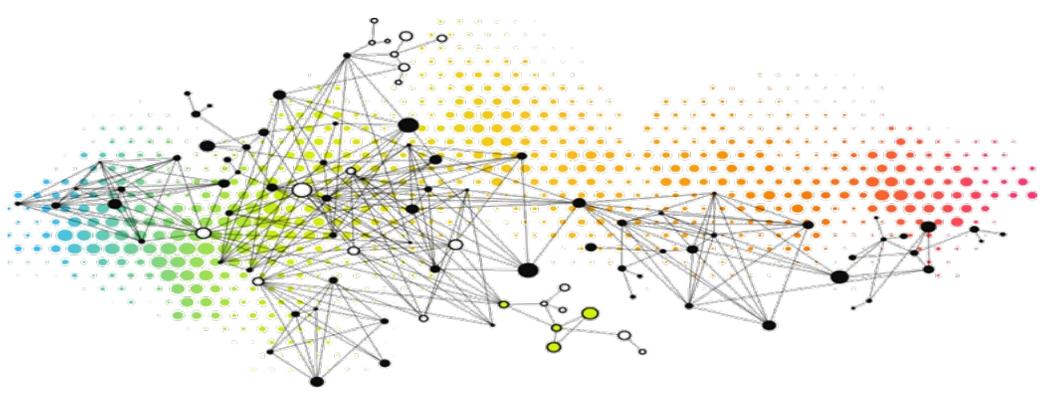
September 2019

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# REPUBLIC OF MOLDOVA

AUGUST  
2019

## TECHNICAL ASSISTANCE REPORT ON THE FINANCIAL SOUNDNESS INDICATORS MISSION (MARCH 18–29, 2019)

Prepared by Naoto Osawa

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## Glossary

<i>2019 FSI Guide</i>	<i>Financial Soundness Indicators Compilation Guide 2019</i>
BCBS	Basel Committee on Banking Supervision
BRD	Banking Resolution Division, NBM
CBCSDI	Cross-Border, Cross-Sector, Domestically Incorporated
DBS	Department of Banking Supervision, NBM
DC	Domestic Consolidation
DCCBS	Domestically Controlled, Cross-Border, Cross-Sector
DRS	Department of Reporting and Statistics, NBM
DT	Deposit Taker
EUR	IMF's European Department
FSD	Financial Stability Division, NBM
FSIs	Financial Soundness Indicators
<i>FSI Guide</i>	<i>Financial Soundness Indicators Compilation Guide 2006</i>
GDP	Gross Domestic Product
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
NBCO	Non-Bank Credit Organizations
NBFI	Non-Bank Financial Institutions
NBM	National Bank of Moldova
NBS	National Bureau of Statistics of the Republic of Moldova
NCFM	National Commission for Financial Markets
NFC	Nonfinancial Corporations
NPL	Nonperforming Loan
OFC	Other Financial Corporations
RWA	Risk Weighted Assets
SCA	Savings and Credit Associations
SRF	Standardized Report Forms
STA	IMF's Statistics Department
TA	Technical Assistance

# SUMMARY OF MISSION OUTCOMES AND PRIORITY RECOMMENDATIONS

**1. With the support of the International Monetary Fund’s (IMF’s) European Department (EUR), the IMF’s Statistics Department (STA) conducted a financial soundness indicators (FSIs) technical assistance (TA) mission in Chisinau, Moldova, during March 18-29, 2019, to improve Moldova’s FSI compilation.**<sup>1</sup> The mission was financed by

Netherlands Capacity Development Partnership Program. The mission worked with staff of the National Bank of Moldova (NBM) (i) to review available source data for deposit takers (DTs) and other sectors including other financial corporations (OFCs); and (ii) to review the current FSIs compiled by the NBM with a view to ensure methodological consistency of the FSI compilation with the IMF’s *FSI Compilation Guide 2006 (FSI Guide)*. In collaboration with staff of the NBM, the mission delivered these objectives and agreed with the authorities on an action plan to improve FSIs in Moldova. The improvement of FSIs contributes to enhancement of policy analysis and decision-making by the NBM.

**2. The NBM currently compiles and reports FSIs on a quarterly basis to IMF’s STA.**

Those FSIs include 11 of 12 core and 7 of 13 encouraged indicators for DTs, along with sectoral financial statements (FS2 template), information on institutional coverage of DTs and OFCs (FS1 template), and the metadata (FSM template). Over the years, STA has provided headquarter (HQ)-based remote TA to address methodological shortcomings, including definition of underlying series to calculate FSIs (FSD template) and discrepancies between FSD and FS2 templates. The mission assisted the NBM in addressing these and other remaining methodological shortcomings.

**3. The DTs in Moldova comprise commercial banks and deposit-taking Savings and Credit Associations (SCAs).** As of end-2018, four of the eleven active commercial banks are domestically-controlled while the remaining seven are foreign-controlled. Deposit-taking SCAs include 63 institutions, accounting for less than one percent of commercial banks’ total assets. Due to its insignificant size in the DT sector and different regulations from commercial banks’, deposit-taking SCAs are currently not included in the coverage for the compilation of FSIs.

**4. The NBM excludes data for banks in liquidation.** The NBM withdrew the banking license of three major banks—two large and one medium size—operating in Moldova in October 2015, whose liquidation process is still under way without any resolution in sight. Leading up to the license withdrawal, data for September 2015 for those three banks significantly impacted some key FSIs including capital adequacy ratio for the entire banking system; thus, the mission recommended that data on these three banks starting from Q3 2015 be excluded from the calculation of FSIs.

**5. The mission found some deviations from the *FSI Guide* in key indicators currently compiled based on the International Financial Reporting Standards (IFRS) and Basel III**

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<sup>1</sup> The mission would like to thank staff of the National Bank of Moldova (NBM), particularly of its Financial Stability Division (FSD), for their excellent support and hospitality during the visit.

**principles as well as national supervisory standards.** Some methodological deviations include the measurement of capital. The NBM uses balance sheet capital for some indicators such as nonperforming loans (NPLs) net of provisions to capital, net open position in foreign exchange to capital, capital to assets, and large exposures to capital. This is in line with the current *FSI Guide* for some of those indicators—which allows for the use of balance sheet capital as proxy for regulatory capital. However, the new *FSI Compilation Guide (2019 FSI Guide)* prescribes the use of regulatory capital according to Basel III. Given that Moldova has already adopted Basel III in 2018, the mission recommended using regulatory capital in line with the new *2019 FSI Guide*. Other minor deviations include loan loss provisions where the NBM includes both general and specific provisions. In addition, inconsistencies between FSD and FS2 templates often arise also from the differences among reporting and supervisory standards such as total gross loans which should exclude advances according to the *FSI Guide*. The identified deviations from the *FSI Guide* will be documented in the metadata accordingly.

**6. The mission assessed the feasibility to expand the coverage of DTs' FSIs.** The mission found the availability of source data to compile two FSIs for DTs which are currently not reported to STA: sectoral distribution of loans to total loans and spread between reference lending and deposit rates. The mission recommended that the NBM start reporting those FSIs. In addition, given already available source data, the NBM will be able to compile four of six new FSIs for DTs introduced in the *2019 FSI Guide*: CET-1 capital to risk-weighted assets; Tier 1 capital to assets, provisions to NPLs; and credit growth to private sector.

**7. The mission met with officials from the National Commission for Financial Markets (NCFM) to clarify the coverage of the OFCs sector and assess the feasibility of expanding the coverage and compiling new sets of OFCs set out in the new 2019 FSI Guide.** The current coverage as documented in FS1 template includes mainly insurance companies, microfinance institutions (MFIs), and—to a significantly lesser extent—non-deposit-taking SCAs. The NCFM starts collecting data for leasing companies under the new regulation which will expand the coverage of the OFCs sector. For the new FSIs for OFCs, only insurance companies are relevant for Moldova as pension funds—albeit three institutions registered—or investment funds including money market funds (MMFs) do not operate in the economy. With a view to follow the new *2019 FSI Guide* in the future, the NCFM informed the mission that the required source data is already available to compile new FSIs for insurance companies.

**8. To support progress in the above work areas, the mission recommended a detailed action plan with the following priority recommendations.** Further details can be found in the section *Detailed Technical Assessment and Recommendations*.

**Table 1. Moldova: Priority Recommendations**

Target Date	Priority Recommendation	Responsible Institutions
<b>December 2019</b>	<i>Finalize and regularly report to STA for posting on the IMF's FSI webpage: the FSIs (FSD template) and the sectoral financial statements (FS2 template) for DTs for all quarterly data in 2018; the FSI institutional coverage (FS1 template) for annual data for 2018; and the FSI metadata (FSM template) for Q3 2018.</i>	<b>NBM [FSD]</b>
<b>March 2020</b>	<i>Revise and submit to STA for review: FSD and FS2 for DTs for historical quarterly data, and FS1 for annual data between 2012 and 2017.</i>	<b>NBM [FSD]</b>
<b>September 2020</b>	<i>Expand the coverage of the OFCs sector to include the non-bank credit organizations (microfinance institutions and leasing companies) in collaboration and coordination with the NCFM.</i>	<b>NBM [FSD] and NCFM</b>

## BACKGROUND

### A. HQ-based Remote TA

**9. The NBM currently compiles and reports FSIs on a quarterly basis to STA.** Those FSIs include 11 of 12 core and seven of 13 encouraged indicators for DTs and all of two indicators for other financial corporations (OFCs) sector, along with sectoral financial statements (FS2 template), information on institutional coverage of DTs and OFCs (FS1 template), and the metadata (FSM template).<sup>2</sup> Over the years, STA had undertaken HQ-based remote TA to address methodological shortcomings. Those shortcomings include definition of underlying series to calculate FSIs (FSD template), and discrepancies between FSD and FS2 templates. While the NBM had made progress, some methodological shortcomings remain.

**10. Major issues which had been discussed also included the dynamics of time series in 2015 when three major banks failed.** The NBM withdrew the banking license of three banks—two large and one medium size—in Moldova in October 2015, which are still in a liquidation

<sup>2</sup> The remaining seven FSIs for DTs include (i) sectoral distribution of loans to total loans, (ii) geographical distribution of loans to total loans, (iii) gross asset position in financial derivatives to capital, (iv) gross liability position in financial derivatives to capital, (v) spread between reference lending and deposit rates, (vi) spread between highest and lowest interbank rates, and (vii) net open position in equities to capital. At this stage, only (i) and (v) are relevant for Moldova; loans to nonresident, and volume of financial derivatives are negligible while interbank markets are not active as banks generally hold abundant liquidities ((vii) is deleted in the new *FSI Guide 2019*).

process to date in addition to four other significantly smaller delicensed banks. Leading up to the license withdrawal, data for September 2015 for those three banks depict a sudden sharp increase in NPLs and negative capital, significantly affecting some key FSIs including the capital adequacy ratio; the negative value of capital for those three banks makes the value of capital for the entire banking system negative as well. Other key underlying data for FSIs in income and expense statements and sectoral balance sheet also widely fluctuated. In addition, series of data revisions made it difficult to assess the quality of data especially for Q3 2015. For those reasons, STA suggested that the data for Q3 2015 and Q4 2015 not be disseminated in the IMF's FSI webpage, resulting in the gap in historical data during those periods.

## B. Financial System in Moldova

**11. The NBM performs traditional central bank functions, including safeguarding the banking system soundness through licensing and regulating banks.** NBM's roles and functions are stipulated in the law of the NBM which empowers the NBM to regulate and supervise banks. The total assets of the NBM amount to 71.1 billion Lei (34 percent of GDP) as of end 2018 (Table 2).

**12. Commercial banks constitute a significant share in the financial system in Moldova excluding the central bank, accounting for 86 percent of the financial corporations' total assets (47 percent of GDP).**<sup>3</sup> Of total 11 commercial banks with total assets of 83.0 billion Lei, four domestically controlled banks and seven foreign controlled banks account for 55 percent and 45 percent of the banking sector's total assets, respectively (a list of commercial banks in Moldova is presented in Appendix II).<sup>4</sup> Deposit-taking SCAs (DT-SCAs) with total assets of 796 million Lei account for 1 percent of DTs' total assets. Seven banks in liquidation hold total assets of 2.6 billion Lei<sup>5</sup>, equivalent to 3 percent of commercial banks' total assets. Both DT-SCAs and banks in liquidation are not included in the calculation of FSIs.

**13. In the OFC sector, insurance companies, microfinance institutions and leasing companies play a dominant role.** Fourteen insurance companies operate in the country, with total assets of 2,997 million Lei, of which 13 non-life companies account for 70 percent of the industry.<sup>6</sup> One hundred seventy six microfinance institutions—currently not universally covered in FSIs—operate in the country, with total assets of 7,819 million Lei.<sup>7</sup> Twenty six leasing companies are active in the country, with total fixed assets of 1,427 million Lei.<sup>8</sup> Six payment services

<sup>3</sup> Total financial corporation assets exclude banks in liquidation. GDP is 176.8 billion Lei for 2017 (source: IMF World Economic Outlook).

<sup>4</sup> Since Q1 2019, one of domestically controlled banks has become under foreign control.

<sup>5</sup> Total liabilities amount to 29.2 billion Lei.

<sup>6</sup> As business activities of the composite insurance company are almost equally divided between life and non-life insurance, non-life insurance activities account for about 85 percent of the insurance industry.

<sup>7</sup> By law, MFIs cannot accept deposits and are included in the OFCs sector.

<sup>8</sup> Those figures are as of 2017 and only total fixed assets are available.

providers exist, with total assets of 564 million Lei. 204 non-deposit-taking SCAs (NDT-SCAs) are active in the country with a limited penetration in the OFC sector. Three pension funds are registered but not yet in operation. Included in the calculation of FSIs are insurance companies, MFIs, and NDT-SCAs. Leasing companies which increasingly play a large role in the OFCs sector in recent years are currently not included due to lack of source data; however, the NCFM is in the process of collecting data from leasing companies.

**Table 2. Moldova: Financial System**  
(in millions of Moldovan Lei, as of end 2018)

Financial Corporations (FCs) Sector	Asset Size	Number of Institutions	Percent of assets in FCs subsector (in percent)	Percent of assets in FCs sector (in percent)
<b>National Bank of Moldova</b>	71,119	1	45.9	42.3
<b>Deposit Takers (DTs)</b>				
<b>Commercial Bank</b>	83,024	11	53.6	49.4
Domestically controlled	45,928	4	29.6	27.3
Foreign controlled	37,096	7	24.0	22.1
<b>DT-SCAs</b>	796	64	0.5	0.5
<b>Total</b>	15,1098	76	100.0	49.9
<b>Other Financial Corporations</b>				
<b>Insurance corporations</b>	2,997	14	22.9	1.8
Composite	899	1	6.9	0.5
Non-life	2,098	13	16.0	1.2
<b>Other Financial Intermediaries</b>	9,483	414	72.4	5.6
NDT-SCAs	138	204	1.1	0.1
Microfinance Institutions	7,819	176	59.7	4.7
Leasing companies <sup>1/</sup>	1,427	26	10.9	0.8
Securities dealers	99	8	0.8	0.1
<b>Financial Auxiliaries</b>	613	662	4.7	0.4
Brokers and agents (Insurance)	n.a.	284	n.a.	n.a.
Stock exchange	49	1	0.4	0.0
Payment service providers	564	6	4.3	0.3
Foreign exchange bureaus	n.a.	371	n.a.	n.a.
<b>Total</b>	13,093	1,090	100.0	7.8
<b>Total</b>	168,085	1,166		100.0

Source: NBM, NCFM, NBS

1/ Figures for leasing companies are as of 2017 and only total fixed assets are available.

## C. Regulatory System for the Financial Corporations

**14. The NBM regulates and supervises mainly banks while the NCFM is principally in charge of regulating the non-bank financial institutions (NBFIs).** The NBM regulates commercial banks as well as foreign exchange bureaus and financial payment services providers including electronic money issuing corporations. The NCFM regulates the other NBFIs including insurance companies, MFIs, SCAs (both deposit-taking and non-deposit-taking), brokers and agents, securities dealers, and stock exchanges.

**15. The new law governing the Non-Bank Credit Organizations (NBCOs) which comprise microfinance institutions and leasing companies in Moldova, were enacted in October 2018.** The new law on the NBCOs empowers the NCFM to regulate and supervise MFIs and leasing companies, which had not been under any agency's supervision; consequently, data collection for those institutions had been voluntarily and only general data had been available.<sup>9</sup> Under the new law, MFIs and leasing companies are required to re-register at the NCFM in the Registry of authorized NBCOs by end March 2019. Following the re-registration of those institutions, the NCFM plans to receive their pilot data by Q1 2020 and start regularly collecting their data by Q2 2020.

## D. New FSI Guidelines

**16. The first IMF FSI Compilation Guide was issued in 2006, with data collection starting in 2008.** Within ten years, the number of reporting countries has grown to 138 as of end 2018. Countries benefit from compiling a set of cross-country comparable indicators that support identification of key vulnerabilities in the financial sector and underlie stress testing analysis and the formulation of macro-prudential policies.

**17. However, the global financial crisis and the Basel III Accord, among others, have called for enhancing the current list of FSIs set out in the current guide in line with the Basel III Accord.** In response, an updated FSI guide has been developed and published in 2019.

<sup>10</sup> For DTs, a new set of FSIs include six new indicators: CET-1 capital to risk-weighted assets; Tier 1 capital to assets; provisions to NPLs; liquidity coverage ratio; net stable funding ratio (NSFR); and credit growth to private sector. For OFCs, the new FSI Compilation Guide will expand the current set of two FSIs, recognizing the diverse group of institutional units that constitute the sector. Beyond the relative size of these institutions within the financial sector, new additional FSIs will measure the risk exposure faced by money market funds' investments by sectoral distribution and maturity. For insurance corporations, new FSIs will gauge their capital adequacy,

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<sup>9</sup> The NCFM collects quarterly data for SCAs—both for DT-SCAs and NDT-SCAs—which have been regulated under the Law of Savings and Credit Associations of 2007. In contrast, the regulation of pawnshops is under discussion; the NCFM first needs to assess the industry size while data are not currently available.

<sup>10</sup> The prepublication version of the new guide is available at <https://www.imf.org/en/Data/Statistics/fsi-guide>.

efficiency, profitability, and their combined ratio. New FSIs for pension funds will look at the efficiency in the investment of their assets and their liquidity adequacy.<sup>11</sup>

**18. In addition to new indicators, the new 2019 FSI Guide will introduce new reporting templates.** In particular, the new guide requires the reporting of new sets of income and expense statements and balance sheet for OFCs subsectors—money market funds, insurance corporations, and pension funds—in addition to those for DTs. New sets of detailed sectoral financial accounts are aimed to support the compilation and analysis of a new set of FSIs.

## DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

### A. Institutional Coverage and Consolidation Basis

#### Institutional Coverage

**19. FSIs compiled by the NBM cover all 11 commercial banks operating in the country.** This includes four domestically-controlled banks and seven foreign-controlled banks. DT-SCAs are currently excluded from the reporting population of DTs due to its insignificant size—less than 1 percent of commercial banks' total assets. In addition, DT-SCAs under the NCFM's supervision comply with different regulations from commercial banks which are regulated by the NBM. While any significant increase in DT-SCAs' activities are not expected in the short-term, the mission suggested that the NBM continue to monitor the development of DT-SCAs for the adequacy to include in the reporting population in the medium-term.

**20. Banks in liquidation are excluded from the compilation of FSIs.** Banks in liquidation comprise three major banks whose banking licenses were withdrawn by the NBM in October 2015 and four significantly smaller banks; all those banks are still in a liquidation process to date.<sup>12</sup> As mentioned above, including data for September 2015 for those three major banks significantly affects some key FSIs for the entire banking system including the capital adequacy ratio; and thus, the mission suggested that the NBM exclude data for Q3 2015 and onwards from the compilation of FSIs and assess the dynamics of FSIs during Q3 2015 and Q4 2015, which are currently suspended for dissemination on the IMF's FSI webpage. Even if those three major banks are excluded from the compilation of FSIs starting from Q3 2015, the NBM separately disseminates key financial information including on income and expense statements and balance sheet data for those individual three banks on a quarterly basis, dating back to Q4 2015 on its

<sup>11</sup> The new guide also includes new indicators for nonfinancial corporations, households and real estate markets.

<sup>12</sup> The *FSI Guide* recommends that banks in distress that otherwise meets the definition of a DT be included in the DT reporting population for calculating FSIs. If banks in distress hold significant positions, data both including and excluding those DTs might be considered, particularly if the liquidation process is very lengthy. (*FSI Guide* paragraphs 2.11-2.12)

webpage. Prior to September 2015, along with other active banks, more detailed information for those individual three banks are also available on a monthly basis.

**21. Recommended action:** *Exclude Q3 2015 data and onwards for three delicensed major banks from the compilation of FSIs for STA's review; and resume reporting of FSIs for Q3 2015 and Q4 2015.*

**22. FS1 is a template to describe institutional coverage of FSIs for DTs and OFCs.**

The template includes information on: (i) number of entities, branches, and subsidiaries;<sup>13</sup> and (ii) total assets by several categories. First, the information is divided by two sets of ownership in a matrix form: 1) for DTs only, government controlled or privately controlled; and 2) for DTs and OFCs, domestically incorporated domestically controlled, domestically incorporated foreign controlled, or foreign bank branches. Second, the information is divided by 11 types of DTs including commercial banks, savings banks, and credit unions or cooperatives while by four subsectors for OFCs and further breakdowns where applicable. Third, the template provides information on whether DTs are included in or excluded from the coverage of FSIs. Fourth, the template provides information on whether DTs are in distress or in receivership.

**23. Since the most recent submission of FS1 is data for 2014, FS1 needs to be updated.**

The template is recommended to be updated and submitted to STA for dissemination on an annual basis to capture changes in institutional coverage of DTs and OFCs over time. In fact, a major change took place in 2015 when those three major banks failed and were excluded from the coverage of the reporting population since then. The mission also noted that banks currently classified as foreign bank branches are misclassified and should be reclassified as domestically incorporated foreign controlled banks. The mission recommended that the NBM submit FS1 for 2015 to 2018 and correct the misclassification of banks.

**24. Recommended action:** *Reclassify foreign bank branches as domestically incorporated foreign controlled banks in FS1 for 2011 to 2014; and update and submit FS1 for 2015 to 2018.*

### Consolidation Basis

**25. The consolidation basis used by the NBM corresponds to a "domestic consolidation" (DC) basis.** Stocks and flows are aggregated for all commercial banks to obtain the sectoral income statement, the sectoral balance sheet, and the memorandum series. The DC basis consolidates the accounts of the resident (domestic and foreign controlled) DTs with their resident DT subsidiaries, and includes also resident branches of foreign banks. Foreign DT subsidiaries, and resident and nonresident non-DT subsidiaries are excluded from the DC basis.

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<sup>13</sup> The number of branches and subsidiaries are further subdivided by the location of each type of entities' operation, that is, where operating in the country (domestic) or abroad (foreign), whose applicability depends on a consolidation basis.

Since resident DTs do not have resident DT subsidiaries in Moldova, there is no consolidation to be performed in this respect.

**26. Compiling FSIs for DTs using the DC basis is appropriate based on Moldova’s banking system structure.** Although the FSI Guide recommends using either a “cross-border, cross-sector, domestically incorporated” (CBCSDI)<sup>14</sup> or a “domestic controlled, cross-border, cross-sector” (DCCBCS)<sup>15</sup> basis, it also provides the DC basis as an alternative when resident DTs (i) have no nonresident branches and subsidiaries or (ii) have nonresident branches and subsidiaries, but their size is insignificant. This is the case for Moldova where resident DTs have no nonresident branches and subsidiaries except for one bank which owns a leasing company as a non-DT financial subsidiary.<sup>16</sup>

## B. Regulatory and Accounting Frameworks

**27. The regulatory framework underlying the FSI data for DTs is the international supervisory standards set out by the Basel Committee on Banking Supervision (BCBS).**

In 2018, the NBM marked its milestone to change its regulatory framework from Basel I to Basel III. Since then, all banks started adopting Basel III to compile and report data for supervisory purposes, including the calculation of underlying data on capital adequacy.

**28. All commercial banks have adopted the IFRS for financial data reporting, including income statements and balance sheet data used for compiling FSIs.** The NBM adopted COREP (supervisory reporting templates) in conjunction to the introduction of Basel III in July 2018 while it introduced revised FINREP (financial reporting templates) reflecting the shift from IAS 39 to IFRS 9 in January 2018.<sup>17</sup> The NBM draws from the IFRS instructions for banks to report data for supervisory and statistical purposes. In the context of the compilation of FSIs, the

<sup>14</sup> CBCSDI covers the data of domestically incorporated, domestically controlled entities in the sector, as well as domestically incorporated subsidiaries of foreign entities classified in the same sector, along with the data of these domestically incorporated entities’ branches and subsidiaries (both domestic and foreign residents), as well as in other sectors.

<sup>15</sup> DCCBS covers the data of domestically incorporated, domestically controlled entities in the sector, their branches (domestic and foreign), and all their subsidiaries (domestic and foreign) that are classified in the same sector as well as in other sectors.

<sup>16</sup> Moldova-Agroindbank has a 100 percent share in MAIB-Leasing JSC. In terms of total assets, while the leasing company is one of the largest in the industry, it is insignificant in relation to the whole banking industry, accounting for only about 1 percent. In terms of data availability, the consolidated accounts of the parent-subsidiary group are available only annually and thus not suitable for the compilation of quarterly FSIs. In addition, Data for the leasing company are currently not available; under the new regulations on leasing companies enacted in October 2018, the NCFM is to collect their data in due course. Even when data become available, for this parent-subsidiary relationship, an intra-group consolidation is necessary to avoid double counting. The CBCSDI basis consolidates the accounts of all resident (domestic and foreign controlled) DTs with the accounts of their resident and nonresident DT and non-DT financial subsidiaries. If data for the leasing company are consolidated with the parent company, the consolidation basis for Moldova would be equivalent to the CBCSDI basis.

<sup>17</sup> FINREP and COREP are templates under European reporting frameworks mandated by the European Bank Authority (EBA) to achieve harmonized supervisory reporting standards for regulated institutions across the EU.

NBM mainly uses FINREP and COREP, as well as national supervisory standard report forms submitted by commercial banks to the NBM. FINREP includes, among other forms, income and expense statements and balance sheet data while COREP includes detailed information on regulatory capital such as Tier I and Tier II capital. National supervisory standard report forms provide detailed information on the classification of assets by type and by counterpart including the classification of quality of loans.

### C. Methodological Issues

**29. Overall, the compilation of FSIs for Moldova is broadly in line with the methodology set out by the *FSI Guide*.** The mission identified a few—albeit minor—deviations when reviewing FSIs currently compiled by the NBM. Those deviations mostly originate from differences among the IFRS, national supervisory standards, and the *FSI Guide*. The *FSI Guide* recognizes and highlights the existence of most of such deviations, which are deemed to be within the scope of the FSI guidelines, including NPLs, loan loss provisions and capital as discussed in the following paragraphs. Those deviations are documented in the metadata.

**30. NPLs are defined, in line with the *FSI Guide*, using the 90-days past due criterion or evidence to classify a loan as nonperforming even in the absence of a 90-day past due payment.** As a rule, any loan for which a debtor has not made the scheduled payments of principal or interest for at least 90 days must be classified as nonperforming.<sup>18</sup> Additionally, banks may classify a loan as nonperforming if they have evidence that payments will not be made, for instance, in case of bankruptcy of the debtor.

**31. Loan loss provisions are not distinguished between general and specific provisions.** This treatment is consistent with the IFRS, a basis of FINREP, as well as national supervisory standards. Provisions of the sectoral financial statement data in FS2 calculated from FINREP include both general and specific provisions, which deviates from the *FSI Guide* recommending the distinction of those two types of provisions. In addition, a slight difference between the IFRS and national supervisory standards arises from the fact that the calculation of loan loss provisions is stricter for national standards than for the IFRS. This slight discrepancy in the value of loan loss provisions leads to a discrepancy in the value of NPLs net of provisions between FSD's value calculated from national supervisory data and FS2's value calculated from FINREP based on the IFRS.

**32. The NBM uses balance sheet capital to calculate some supervisory indicators.** Those indicators include NPLs net of provisions to capital, net open position in foreign exchange to capital, capital to assets, and large exposures to capital. Two indicators, NPLs net of provisions to capital and capital to assets, are in line with the current *FSI Guide* which allows for the use of balance sheet capital as a proxy measure for regulatory capital. However, the other two indicators deviate from the current *FSI Guide*, which allows no option to use balance sheet capital

<sup>18</sup> Loans are classified by five categories: (i) standard, (ii) supervised, (iii) substandard, (iv) doubtful, and (v) compromised. NPLs include those loans classified as substandard, doubtful, and compromised.

as prescribed in the 2007 Amendments to the *FSI Guide*. Notwithstanding differences among those indicators, the new *2019 FSI Guide* prescribes the use of regulatory capital in line with Basel III for all those indicators (Table 3). Given that Moldova has already adopted Basel III in 2018, the mission recommended using regulatory capital in line with the new *2019 FSI Guide*.

**33. Recommended action:** Use appropriate measures of regulatory capital for relevant supervisory FSIs in line with the *2019 FSI Guide* instead of balance sheet capital.

**Table 3. Moldova: Recommended Measures of Capital<sup>19</sup>**

Financial Soundness Indicator	NBM	2006 FSI Guide	2019 FSI Guide
NPLs net of provisions to capital	Balance sheet capital	Total regulatory capital; or balance sheet capital for a DC basis	Total regulatory capital only
Net open position in foreign exchange to capital	Balance sheet capital	Total capital; or Tier 1 capital*	Total regulatory capital only
Capital to assets	Balance sheet capital	Balance sheet capital; or Tier 1 capital for cross-border consolidated data	Tier 1 capital (this indicator is changed to Tier 1 capital to assets)
Large exposures to capital	Balance sheet capital	Total capital; or Tier 1 capital*	Tier 1 capital only

\* The 2007 Amendments to the *FSI Guide* prescribe the measurement of capital as such instead of providing a choice of balance sheet capital.

## D. Source Data and Compilation Framework

**34. Source data for the compilation of FSIs for DTs are collected from 11 commercial banks in the form of FINREP, COREP and national supervisory standard report forms.** Banks are required to submit those data forms which are used for bank supervision and for compiling the FSIs. Data are submitted using electronic forms and stored in the centralized database managed by the Department of Reporting and Statistics (DRS). FSI compilers at Financial Stability

<sup>19</sup> The numerical impacts of different measures of capital were not assessed during the mission; the revised FSIs may change.

Division (FSD) download from the centralized database the required sets of data into the bridge table to compile FSIs.<sup>20</sup>

**35. Source data are adequate, in terms of their coverage, granularity, frequency and timeliness, for the compilation of FSIs for DTs.** Most data are reported on a monthly basis within eight working days after the end of the reference period—15 calendar days for quarterly and semi-annual data. Balance sheet data are disaggregated by type of financial instrument and by counterpart sector while income and expense data are disaggregated by type of income and expense; breakdown for both sets of data is adequate for mapping to the FSI template for sectoral financial accounts.

**36. The mission reviewed the compilation spreadsheets developed by the NBM, including the bridge tables to link source data to FSI templates, FS2 and FSD.** The mission found some errors in the bridge tables for income statements and balance sheet data of FS2 as summarized in Table 4. In addition, a note issued by the European Banking Authority (EBA) provides guidance to the FSI compilers of European Economic Area (EEA) countries on how to compile FSIs for DTs using already available data including FINREP and COREP under the EBA Implementing Technical Standards (ITS) on supervisory reporting (*EBA Guidance Note*).<sup>21</sup> The NBM would benefit from assessing consistency of its FSD templates with the *EBA Guidance Note*.

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<sup>20</sup> NBM's Financial Stability Division (FSD) is responsible for FSIs compilation as well as macroprudential analysis while all the required data are provided by the Department of Reporting and Statistics (DRS) which manages the centralized database. Department of Banking Supervision (DBS) is responsible for individual banks' supervision.

<sup>21</sup> *EBA Guidance Note: Compiling the IMF Financial Soundness Indicators for 'Deposit-Takers' Using the ITS on Supervisory Reporting* (June 2018).

**Table 4. Moldova: Mapping Errors and Recommendations in FS2<sup>22</sup>**

Line Item in FS2	Error/Correction in Mapping from Source Data (FINREP)
Gains or losses on financial instruments (line 4(ii))	Gains/losses on financial assets/liabilities (code 287), and exchange rate valuation changes (code 310) should be included.
Other income (line 4 (iv))	Gains/losses on derecognition of non-financial assets, net (code 330) should be included.
Other expenses (line 6 (ii))	Gains/losses on financial assets/liabilities (code 287) and gains/losses on derecognition of nonfinancial assets, net (code 330) should be excluded.
Loan loss provisions (line 7.1)	Impairment/reversal of impairment on financial assets at amortized cost (code 491) includes provisions unrelated to loans such as interbank placements, which should be excluded by using chart of accounts for individual banks.
Nonfinancial assets (line 14)	Mandatory minimum reserve on financial means attracted in freely convertible currency (code 184), Investments in subsidiaries, joint ventures and associates (code 260), and tax assets (code 330) should be reclassified as currency and deposits (line 17 of FS2), shares and other equity (line 20 of FS2) and other assets (line 22 of FS2), respectively.
Loans (line 25)	Financial liabilities held for trading, other financial liabilities (code 060) and Financial liabilities designated at fair value through profit or loss, other financial liabilities (code 100) should be reclassified as other liabilities (line 27 of FS2).

**37. As for FSD, the mission found that mapping of source data to the FSD template is appropriate.** However, mapping for some underlying data series in FSD can be improved by directly linking to FS2 instead of source data to ensure consistency between FSD and FS2 as most of FSIs can be derived from income and expense statements and sectoral balance sheet data in FS2. Direct mapping can be used for the underlying data series in FSD as summarized in Table 5.

<sup>22</sup> The numerical impacts of the errors were not assessed during the mission; the revised FSIs may change after the corrections.

**Table 5. Moldova: Direct Mapping of FSD from FS2**

FSD Underlying Data	FS2 Line Item
Total regulatory capital (S010)	Linked to line 36 of Annex 4
Risk-weighted assets (S020)	Linked to line 37 of Annex 4
Regulatory Tier 1 capital (S030)	Linked to line 32 of Annex 4
Risk-weighted assets (S040)	Linked to line 37 of Annex 4
Liquid assets (S190)	Linked to line 40 of Annex 4
Total assets (S200)	Linked to line 14 of Annex 3
Capital (S250)	Linked to line 32 of Annex 4
Total assets (S260)	Linked to line 14 of Annex 3
Value of large exposures (S270)	Linked to line 38 of Annex 4

Remaining discrepancies between FSD and FS2, reasons of which the mission was not able to identify during its stay in Chisinau, mostly appear during the period prior to Q1 2012 where different reporting forms for FS2 (non FINREP based) were used. In this regard, the discrepancies could be attributed to source data revisions which had never been reflected in FS2.<sup>23</sup> A list of underlying data provide identified reasons for the discrepancies in Appendix III.

**38. Recommended action:** *Revise the bridge table mapping source data to FSD and FS2 templates consistent with EBA guidance note; and revise links between FSD and FS2 templates to ensure their consistency where applicable.*

**39. Income and expense statements are reported on a non-cumulative flow basis.** The NBM uses FINREP to report income and expense statements for DTs in FS2. The NBM transforms cumulative flow data of FINREP into non-cumulative flow data by taking a difference of data in adjacent periods in reporting FS2. Instead, data in FINREP originally on a cumulative basis can be reported in FS2 without the data transformation. In this way, annual data for any year are taken from the last quarter of that year so that the NBM does not need to additionally report cumulated quarterly—that is, annualized—data as annual data.

<sup>23</sup> This issue with data revisions could also explain the discrepancies for more recent periods.

**40. Recommended action:** Report income and expense statements in FS2 on a cumulative basis.

**41. GDP data are used to compile one of two OFCs' FSIs, assets to GDP.** The NBM uses annual GDP data for any given year as the National Bureau of Statistics (NBS) does not publish seasonally adjusted nominal GDP data with the quarterly frequency. Due to a reporting lag of one quarter, that is, annual data are available within one quarter after the reference year, the NBM uses the previous year's data for the first three quarters and the current year's data for the fourth quarter when they become available, without replacing the previous year's GDP data for Q1–Q3 with the current year's GDP data. This results in a gap between Q3 and Q4 of GDP data series as different year's GDP data are used to calculate the FSI within the same year. The mission suggested that the NBM replace the previous year's GDP data for the first three quarters with the current year's GDP data when they become available.

**42. Recommended action:** Update historical data for FSIs as the latest GDP data become available.

## E. Expansion of FSIs

### FSI for DTs

**43. While the NBM currently compiles and reports 11 of 12 core and seven of 13 encouraged FSIs for DTs, the mission assessed the feasibility to expand the coverage of FSIs for DTs.** The mission found the availability of source data to compile two FSIs for DTs—one core and another encouraged indicators—which are currently not reported to STA: sectoral distribution of loans to total loans, and spread between reference lending and deposit rates. Given that source data are already available, the mission recommended that the NBM start compiling and reporting those FSIs.

**44. Recommended action:** Compile and regularly report additional two FSIs for DTs to STA for posting on the IMF's FSI webpage.

**45. In addition, the mission discussed with staff of the NBM the possibility to compile additional FSIs set out in the new 2019 FSI Guide.** The new guide introduces six additional FSIs for DTs. The mission found that with already available source data, the NBM would be able to compile four of six FSIs for DTs: CET-1 capital to risk-weighted assets; Tier 1 capital to assets; provisions to NPLs; and credit growth to private sector.<sup>24</sup>

### FSI for OFCs

**46. The mission met with officials from the NCFM to clarify the coverage of OFCs sector and assess the feasibility to expand the coverage of FSIs.** The current coverage of OFCs for

<sup>24</sup> The new FSI, Tier 1 capital to assets, replaces the current encouraged FSI, capital to assets. The remaining two indicators, liquidity coverage ratio and net stable funding ratio are scheduled to be introduced in Moldova starting from 2020.

the compilation of FSIs as documented in FS1 template includes insurance companies, MFIs, NDT-SCAs, securities dealers, and a stock exchange. Leasing companies, a rapidly expanding OFCs subsector, are currently excluded.<sup>25</sup> In conjunction with the new regulatory law enacted in October 2018, the NCFM is currently developing report forms and projects to start regularly collecting data for leasing companies by Q2 2020. In addition, the coverage of MFIs which is not currently universal could be expanded under the new regulatory law as MFIs are also required to re-register and report their data to the NCFM.<sup>26</sup>

**47. Recommended action:** *Expand the coverage of the OFCs sector to include the NBCOs (MFIs and leasing companies) in collaboration and coordination with the NCFM.*

**48. The expansion of the coverage of the OFCs sector is also relevant to the compilation of the monetary and financial statistics (MFS).** The NBM collects data for MFIs from the NCFM. Once data for MFIs and leasing companies are reported to the NCFM under the new regulations, those data will be shared with the NBM for the compilation of the MFS. The OFCs sector for the MFS includes, among other sectors, MFIs albeit not universally covered, but excludes leasing companies. Inclusion of leasing companies would result in almost full coverage of the OFCs sector for the MFS. Remaining significantly smaller OFCs subsectors include deposit insurance fund, central securities depository, payment service providers which include electronic money issuing corporations and postal offices, and foreign exchange bureaus.<sup>27</sup>

**49. The mission also discussed the feasibility of compiling new FSIs for OFCs set out in the new 2019 FSI Guide.** For the new FSIs for the OFCs sector, only insurance companies are relevant for Moldova as pension funds—albeit three institutions registered—or investment funds including money market funds (MMFs) do not currently operate in the economy. With a view to align with the new *2019 FSI Guide* in the future, the NCFM indicated that the existing source data would enable the NCFM to compile all six additional indicators for insurance companies.<sup>28</sup>

## FSI for Other Sectors

**50. In discussion with staff of the NBM, the mission assessed the feasibility to expand the coverage of FSIs for other sectors than DTs and OFCs.** The NBM currently does not compile any FSIs for nonfinancial corporations (NFCs), households (HHs), and real estate markets due to lack of source data. Nonetheless, the NBM indicated that financial data for individual NFCs are available on an annual basis from the NBS. The mission suggested that the NBM review

<sup>25</sup> Other—albeit insignificant in size—subsectors which are also excluded from the coverage include insurance brokers and agents, payment service providers and foreign exchange bureaus due mainly to lack of source data.

<sup>26</sup> It is also possible that the coverage of MFIs could decline if, ceteris paribus, not all currently registered MFIs do not re-register at the NCFM.

<sup>27</sup> Deposit insurance fund is an independent institution while the other subsectors are regulated by the NBM.

<sup>28</sup> Those FSIs are (i) shareholder equity to invested assets for life insurers, (ii) shareholder equity to invested assets for non-life insurers, (iii) combined ratio for non-life insurers, (iv) return on assets for life insurers, (v) return on equity for life insurers, and (vi) return on equity for non-life insurers.

those individual NFCs data and investigate the feasibility of aggregating individual level data to compile FSIs for NFCs.<sup>29</sup> In contrast with NFCs data, households' data are not readily available. While the NBM presumed that some source data for HHs are available at the NBS, the data frequency would be most likely annual, and the details of data are unknown. Coordination and collaboration are needed with the NBS to explore the possibility to collect data for households.<sup>30</sup>

**51. Recommended action:** Review the existing data on individual NFCs to assess the feasibility of compiling FSIs for NFCs.

**52. Recommended action:** Investigate the availability of source data to compile FSIs for households.

## F. Revisions of Historical Data

**53. For historical data, source data to compile FSIs are available in three different reporting frameworks for respectively different time periods.** While revising historical data, the compilers should weigh the benefit for users having sufficiently long time-series for their analysis against the cost for compilers producing such data. The latest reporting forms are used for data starting from Q1 2018 when revised FINREP based on IFRS 9 in place of IAS 39 was introduced in January 2018; and ones prior to Q1 2018 are used for data starting from Q1 2012 when FINREP was initially introduced. Accordingly, the mission recommended that the NBM first revise relevant FSI templates with the latest reporting forms whereby the NBM can continue its regular reporting of FSIs to STA. In the meantime, the historical FSIs prior to Q1 2018 can be revised to reflect changes in the bridge table and methodologies identified by the mission. In contrast with the latest two periods, the source data prior to Q1 2012 are not readily available although historical FSIs are compiled starting from Q1 2009. In this regard, the mission suggested that the NBM start the historical data revisions with the latest two periods while investigate the feasibility of data revisions for the period prior to 2012.

**54. Recommended action:** Once the revision of quarterly data for 2018 is complete, revise and report historical data for DTs between 2012 and 2017 for the relevant FSI templates (FSD, FS2, and FS1).

**55. Recommended action:** Once the revision of historical data from 2012 and onwards is complete, investigate the feasibility of revising historical data for DTs between 2009 and 2012 for the relevant FSI templates (FSD, FS2, and FS1).

<sup>29</sup> The current *FSI Guide* include five FSIs for NFCs: (i) total debt to equity, (ii) return on equity, (iii) earnings to interest and principal expenses, (iv) net foreign exchange exposure to equity, and (v) number of bankruptcy proceedings initiated (number). The new *FSI Guide 2019* deletes from the list of FSIs the last two indicators, (iv) and (v), while adds another indicator, household debt to disposable income.

<sup>30</sup> Another issue indicated by the NBM is inter-household debt, that is, household's borrowing and lending vis-à-vis another household. While the inter-household debt is probably significant in size in Moldova, it is even more difficult to collect such data than household debt owed to financial institutions.

## G. NBM's FSIs

**56. Apart from FSIs set out in the *FSI Guide* and reported to STA (IMF's FSIs), the NBM compiles and disseminates another set of FSIs for banks on its webpage (NBM's FSIs), some of which overlap with IMF's FSIs.** The information in monthly frequency is comprehensive including income and expense statements and balance sheet data for individual banks as well as for the aggregated whole banking system starting from the data for December 2013. The list of indicators includes those related to capital adequacy, asset quality, earnings, liquidity and sensitivity to market risk.

**57. IMF's nine core and four encouraged FSIs overlap with NBM's and both sets of FSIs are broadly in line with each other.** One major difference stems from the definition of gross income as to whether to exclude interest related expenses from gross income for the compilation of *interest margin to gross income* and *non-interest expenses to gross income*. The *FSI Guide* recommends gross income exclude interest related expenses. Another major difference results from the use of capital measure as to whether to use regulatory capital or balance sheet capital. As mentioned earlier, this issue has been identified by the current mission and will be resolved upon the implementation of the relevant mission's recommendation. Table 6 shows numerical value and methodological differences for overlapping FSIs between IMF and NBM.

## H. Metadata

**58. The FSI metadata template (FSM) provides information about data and the compilation practice.** Metadata are key for data users to assess data quality and to interpret FSIs especially in the context of cross-country comparisons. The FSM includes information about underlying data series for each FSI, data definition, data consolidation, supervisory and accounting principles, institutional coverage, and data sources. Although the *FSI Guide* provides guidance on the calculation of FSIs and their underlying data series, the practice of national compilers is not always fully in line with the *FSI Guide*. Any deviations from the recommendations of the *FSI Guide* should be documented in the metadata and updated when necessary.

**59. The FSM for Moldova has not been updated since Q1 2012.** Given the major institutional change of supervisory principles to adopt Basel III took place in 2018, the mission recommended that the NBM update the metadata as of Q3 2018. The FSM should also include any relevant information identified in this report.

**60. Recommended action:** *Revise and submit to STA the FSI metadata template (FSM template) as of Q3 2018.*

**Table 6. Moldova: Numerical and Methodological Differences between IMF's and NBM's FSIs**

Financial Soundness Indicators	IMF	NBM	Methodological differences
Capital to risk-weighted assets	26.5	26.5	
Tier 1 capital to risk-weighted assets	26.3	26.3	
NPLs net of provisions to capital*	10.2	13.7	IMF's capital uses balance sheet capital (to be replaced by regulatory capital following the mission's recommendation).
NPLs to total gross loans*	12.5	12.5	IMF's gross loans include advances.
Return on assets	2.0	1.9	IMF's assets are averaged over monthly observations while NBM's assets are averaged over daily observations.
Return on equity	11.6	11.6	
Interest margin to gross income	50.2	41.1	NBM's gross income does not exclude interest related expenses.
Non-interest expenses to gross income	71.6	55.4	NBM's non-interest expenses include income taxes and provisions. NBM's gross income does not exclude interest related expenses.
Liquid asset to total assets	54.6	54.6	
Capital to assets	17.2	13.0	IMF's capital uses balance sheet capital (to be replaced by Tier 1 capital following the mission's recommendation).
Large exposures to capital	17.0	22.0	IMF's capital uses balance sheet capital (to be replaced by Tier 1 capital following the mission's recommendation).
Foreign-currency-denominated loans to total loans	37.9	38.5	IMF's total loans include advances (sourced from FINREP).
Foreign-currency-denominated liabilities to total liabilities	42.1	42.1	

\*Indicators are percentage, as of Q4 2018; \*NBM's term is non-performing credits debt in place of NPLs

## I. Future Technical Assistance

**61. Regarding the implementation of the recommendations set out in this report, the mission is of the view that the FSD has the resources to accomplish short-term objectives.**

While one FSD staff member with two back-up staff members is responsible for the compilation of FSIs, revising the existing FSI templates and bridge table in line with the recommendations of the report would not disrupt the regular reporting of FSIs to STA given the recommendations' completion timeline.

**62. With a view to transition to the new 2019 FSI Guide, an additional new set of tasks is needed to implement the recommendations of the new guidelines.**

Nonetheless, having already adopted Basel III and compiled income statements and balance sheet data for DTs, source data required by the new guidelines are already available at least for the currently reported FSIs. While new work flows are needed to map source data into new reporting templates once introduced, the mission is of the view that the FSD is capable of transition to the new reporting templates without an on-site TA mission. Nonetheless, as none of current FSI compilers has participated in training courses on FSIs organized by IMF, participating in future training courses would be beneficial, in particular to learn about the new FSI guidelines.

**63. Expanding the OFCs sector and implementing new FSI guidelines could pose some challenges for staff of the NCFM.**

First, collecting data for MFIs and leasing companies in new reporting forms will require a new set of tasks: instructing and training staff of relevant reporting financial institutions to receive the needed information in new reporting forms on a regular basis. A new set of tasks will in turn take up additional resources for the transition to new reporting forms including developing a bridge table. Second, the new *2019 FSI Guide* introduces not only the new FSIs but also new reporting templates for income and expense statements and sectoral balance sheet data. While source data are already available for the new FSIs for insurance companies, mapping source data into new reporting templates once introduced by the IMF will require a new set of tasks. In this regard, the NCFM requested a future training session on the methodology and compilation—including the mapping of source data to new income statement and balance sheet templates—for both staff of the NCFM and staff of reporting financial institutions. The mission is of the view that further support may well be needed. In the meantime, the mission suggested an opportunity to participate in training courses on FSIs organized by the IMF.

**64. STA stands ready to support staff of the NBM and the NCFM in completing the forthcoming tasks detailed in the action plan below.**

One way for STA to assist the authorities is to provide remote TA to address any pending issues from IMF's Headquarters in Washington, D.C. In addition, if needed and requested, a follow-up on-site TA mission could be considered, depending on the progress made by the authorities in the implementation of recommendations and on IMF's resource availability.

Table 7. Moldova: Mission's Recommendations

Priority	Action/Milestone	Target Completion Date
<b>Outcome: Core and encouraged FSIs are compiled for financial stability analysis and dissemination.</b>		
H	Revise and report to STA for posting on the IMF's FSI webpage: the FSIs (FSD template) and the sectoral financial statements (FS2 template) for DTs for quarterly data in 2018; the FSI institutional coverage (FS1 template) for annual data for 2018; and the FSI metadata (FSM template) for Q3 2018. <b>Benchmark</b>	December 2019
H	Revise the bridge table mapping from source data to FSD and FS2 templates and links between FSD and FS2 templates to ensure their consistency where applicable with data for 2018. <b>Benchmark</b>	September 2019
H	Exclude data from Q3 2015 and onwards for three delicensed major banks from the compilation of FSIs for STA's review; and resume reporting of FSIs for Q3 2015 and Q4 2015.	September 2019
M	Report income and expense statements in FS2 on a cumulative basis.	December 2019
H	Revise and submit to STA for review FSD and FS2 for DTs for historical quarterly data, and FS1 for annual data between 2012 and 2017. <b>Benchmark</b>	March 2020
H	Finalize the revisions and start regular reporting of FSD and FS2 for DTs for historical quarterly data, and FS1 for annual data between 2012 and 2017. <b>Benchmark</b>	June 2020
M	Once the revision of historical data from 2012 and onwards is complete, investigate the feasibility to revise historical data between 2011 and 2009 for FSD, FS2 and FS1 where applicable.	September 2020
M	Compile and regularly report additional two FSIs for DTs to STA for posting on the IMF's FSI webpage.	March 2020
H	Expand the coverage of the OFCs sector to include the NBCOs (microfinance institutions and leasing companies) in collaboration and coordination with the NCFM. <b>Benchmark</b>	September 2020
M	Review the existing data on individual NFCs to assess the feasibility of compiling FSIs for NFCs.	September 2020
M	Investigate the availability of source data to compile FSIs for households.	September 2020

\*Actions are prioritized (H - high, M - medium, L - low)

## Appendix I. Moldova: Officials Met by the Mission

Name	Institution
<b>National Bank of Moldova</b>	
Mr. Vladimir Munteanu	First Vice Governor
<b><i>Financial Stability Division</i></b>	
Mr. Natan Garștea	Head
Ms. Olga Rusu	Deputy Head
Mr. Ion Josan	Economist
<b><i>Reporting and Statistics Department</i></b>	
Mr. Ion Veveriță	Head
<b>National Commission for Financial Markets</b>	
<b><i>General Division for Institutional Development and Foreign Relations</i></b>	
Mrs. Veronica Cuhai	Head
Mrs. Diana Railean	Deputy Head
<b><i>Non-Bank Crediting General Division</i></b>	
Mrs. Alina Cebotariov	Head
Mr. Ruslan Balan	Principal inspector
<b><i>Analysis and Actuarial Division (Insurance)</i></b>	
Mrs. Polina Condrea	Head
Mrs. Daniela Guzun	Superior specialist
Mrs. Marina Sfeclă	Specialist

## Appendix II. Moldova's Banking System

Name	Domestic or Foreign Controlled	Total Assets (billions of Lei, end 2018)
MOLDOVA - AGROINDBANK	<i>Domestic</i>	23.65
COMERTBANK	<i>Foreign</i>	1.47
EuroCreditBank	<i>Foreign</i>	1.06
ENERGBANK	<i>Domestic</i>	2.69
EXIMBANK	<i>Foreign</i>	3.87
FinComBank	<i>Domestic</i>	3.11
MOBIASBANCA – Group Societe Generale	<i>Foreign</i>	11.02
Moldindconbank	<i>Domestic*</i>	16.48
ProCredit Bank	<i>Foreign</i>	3.74
BCR Chisinau	<i>Foreign</i>	1.75
VICTORIABANK	<i>Foreign</i>	14.35

\* Foreign controlled from Q1 2019

## Appendix III. Moldova: Discrepancies between FSD and FS2

Code	Underlying data	Period	Note*
S010	total regulatory capital	2012Q1–Q2, Q4	
S020	Risk-weighted assets	2010Q4; 2012Q2, Q4	
S030	regulatory tier 1 capital	2012Q1–Q2, Q4	
S040	Risk-weighted assets	2012Q2, Q4	
S050	NPLs net of provisions	2009Q1–	For provisions, FSD uses national supervisory standard; FS2 uses IFRS.
S060	Capital	All periods (a break in 2012Q1)	FSD uses balance sheet capital from 2012Q1 and onward; tier 1 capital prior to 2012Q1. Total regulatory capital replaces balance sheet capital following the mission's recommendation.
S070	NPLs	2012Q1	
S080	Total gross loans	2009Q2– 2011Q4; 2017Q4	
S110 S130	Net income	All periods	FS2 is on a flow basis, which will be replaced by a cumulative basis following the mission's recommendation.
S120	Total assets	All periods	FSD uses monthly observations for quarterly averaged values.
S140	Capital	All periods	FSD uses monthly observations for quarterly averaged values.
S190 S210	Liquid assets	2012Q4 (a break in 2012Q1)	FSD uses core measure prior to 2012Q1, and broad measure afterward.
S200	Total assets	2009Q2– 2016Q4; 2018Q1, Q3	FSD will be directly linked to FS2 following the mission's recommendation.
S220	Short-term liabilities	2011Q3; 2012Q2	

Code	Underlying data	Period	Note*
S250	Capital	All periods (a break in 2012Q1)	FSD uses balance sheet capital from 2012Q1 and onward; tier 1 capital prior to 2012Q1. Tier 1 capital replaces balance sheet capital following the mission's recommendation.
S260	Total assets	2009Q2– 2016Q4	FSD will be directly linked to FS2 following the mission's recommendation.
S280	Capital	All periods (a break in 2012Q1)	See S250 Capital.
S350	Trading and foreign exchange gains (losses)	2013Q1	
S360	Gross income	2012Q2; 2013Q1	
S370	Personnel expenses	2012Q2; 2013Q1	
S380	Noninterest expenses	2012Q2; 2013Q1	
S390	Customer deposits	2012Q4– 2016Q4	
S400	Total gross loans (non-interbank)	2009Q2– 2016Q4	FSD uses total gross loans which include interbank loans.
S420	Total gross loans	2009Q2– 2011Q4	
S440	Total liabilities	All periods	FSD uses total liabilities which are not net of financial derivative assets.

\* Only issues identified during the mission are listed.