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CNPF aims to ensure transparency and equity on nonbanking financial market



“Parliament will support the initiatives that will be aimed at developing and ensuring the efficient functioning of the nonbanking financial market”, Head of Parliament Igor Corman said during a recent visit to the National Financial Market Commission (CNPF).

In autumn already, the CNPF will submit to Parliament the priorities for the next few years, which envision clear and transparent rules both for the players of the nonbanking financial market and for consumers of such services.

“We will draft a number of normative and legislative documents to adjust the existing legal framework to the communitarian acquis and will borrow the best international practices for regulating and supervising the nonbanking financial market. It is our principled position. We also want the market to be capitalized and to be attractive for investors”, said the CNPF chairman Artur Gherman.

Three bills were tabled to Parliament for examination and adoption, including the Law on Nonbanking Financial Institutions, the Law on the National Financial Market Commission, and the Law on Optional Pension Funds.

Artur Gherman said that the last two years were difficult for the CNPF, but the institution was able to deal with the challenges.

According to him, the decline witnessed by the nonbanking financial market in the period is typical of the national economic processes, the decrease of the GDP to 0.8% last year is the most relevant example in this respect.

As regards a possible reorganization of the CNPF or the appearance of the second megaregulator of the nonbanking financial market, Artur Gherman said the related assertions are speculative and the subject was created artificially by the press. “The CNPF is the only megaregulator of this market and has sufficient space for activity, but certain legislative instruments are needed for the commission’s functions to cover all the segments of the given market”, stated Artur Gherman.

For his part, Igor Corman said: “There are certain shortcomings on the nonbanking financial market and they must be removed by legislative ways. We must use the Parliament’s platform for making sensible amendments to the legislation as the market must develop in continuation as efficiently as possible. The negative phenome-

na that affect it should be liquidated and the population should be better protected”.

Another subject for discussion was the mechanism for forming the price of the international civil liability motor insurance Green Card, which is of interest to almost every resident of the country. “The premiums for motor vehicle insurance represent a serious inflationist factor and we should not forget this. If the price of the Green Card is too high, it affects the people’s pockets. If it is too low, it seriously affects the companies. That’s why the calculations are based on a number of factors, such as the volume of insurance services in the last five years, the number of accidents, the damage caused, the projections, etc.” said Artur Gherman.

The head of the General Insurance Division Vladimir Stirbu said that the international civil liability insurance policies in Moldova are by 15% more expensive than in the countries of the region as our country has to meet the conditions imposed by the Board of the Brussels Office that obliges transmitting financial guarantees and this fact affects the price.

Another problem discussed was the current situation of the investment funds that have been under liquidation since 2005.

Lilia Platon

CNPF, in concert with BNM, will work out a common mechanism for selling state securities



The National Financial Market Commission (CNPF), in concert with the National Bank of Moldova, are to work out a common mechanism for trading in state securities so as to lay down the market rules for such players as the commercial banks working in the Republic of Moldova.

CNPF deputy head Nina Dosca said that the situation concerning the trading in state securities in the Republic of Moldova is similar to that in Romania. The issue will be discussed in a seminar themed “Activities and Functions of the Central Securities Depository”. “The aim of the seminar is to find an optimal solution to develop without destroying what we have. The common depository will store state securities and corporate securities or the central depository of state securities will be maintained at the National Bank of Moldova. We, those responsible for the regulation of the financial sector, must take a decision”, said Nina Dosca.

Currently, the state securities maturing in up to one year circulate on the secondary market regulated by the National Bank of Moldova (BNM), while those maturing in over one year can be also traded on the Stock Exchange as a strategy has been already worked out and is to be approved and implemented. “The seminar should help us identify the best international practices for passing the deductions through the central depository”, stated Nina Dosca.

“We will also discuss the mechanism for trading in securities with the BNM as the state securities are an instrument that is administered more by the central bank. The state securities are issued by the Ministry of Finance, while the auctions take place every Tuesday, with the predication of authorized dealers that are authorized commercial banks. “

There is no directive that would regulate the trading in state securities at the Stock Exchange. The same rules should be applied to the state securities and other types of shares.

“Every investor aims to make profit and they have the right to decide where to invest money: in state securities or in corporate bonds. The rules of trading in securities must be single, while we must create the conditions needed for the investors in securities to invest”, explained Nina Dosca.

“The technical assistance activity organized by the CNPF in cooperation with the Technical Assistance and Information Exchange Instrument of the European Commission (TAIEX) centers on the role and responsibility of the central depository, the compensation-deduction systems and other subjects focusing on the regulation and supervision of the capital market. Our development partners are representatives of the Financial Supervision Authority of Romania, who, during two days, will present the gained experience and the sector reforms promoted in the context of the European integration of the Romanian capital market”, said Aurica Doina, a member of the Administration Council of the CNPF.

The Romanian experts who are on a working visit to Moldova, said that the administration of the central depository in the neighboring country is entrusted to an administration council consisting of five private individuals that are performing storage operations from issuers of securities, register operations for the issuers of securities and compensation-deduction operations for transactions with state securities.

“The participants in the compensation-deduction and register system access and perform specific operations through the agency of two agents participating in the compensation-deduction and register system authorized in their name. The participating agents must attend courses staged by the central depository and to pass the professional exams and tests. If the number of agents participating in the compensation-deduction and register system, authorized in the name of one participating in the compensation-deduction and register system, decreases under the set limit, the central depository will second the participants’ access to the compensation-deduction and register system until the remedying of the situation”, said Romanian expert Sandala Nan.

Florin LEVANTICĂ

Four years since bankruptcy of Investprivatbank. How long will its liquidation last yet?

Though it is four years of the bankruptcy of Investprivatbank, the debts are recovered with difficulty as the largest part of the loans were granted to the construction sector and the money was transferred to offshore areas. "We have to pay back 391 million lei to the Ministry of Finance and 300 million lei to legal entities, but the collected debts and the money from the sold pledge amount to 212 million lei", explained the liquidator of Investprivatbank Grigore Oлару.



– On June 19, it was four years of the withdrawal of the license of Investprivatbank. How is the bank liquidated?

– The liquidation of Investprivatbank has a specific character as most of the loans released were directed to constructions and realty. Thus, it is hard to recover the money. At the same time, the pledge is not liquid. Furthermore, the examination of the cases in court takes a long time. There are now over 130 cases on the recovery of assets in court. On the other hand, we have goods exhibited for sale, but there are few buyers. Unfortunately, the value of the assets that were pledged with Investprivatbank is much lower than the value of the released loans.

– Is there a risk that the value of the pledge will decrease over time?

– Yes, the pledge can be devalued over time. It could have been sold at a higher price when the bank went bankrupt. But the economic crisis that struck then influenced the purchasing capacity of the potential clients. Currently, there are exhibited for sale objects sold by us and there are other assets that are sold by the administrators of the insolvency process. For example, we have to recover debts from 26 indebted economic entities that officially announced their insolvency.

– What amount has been collected since the liquidation of the bank?

– Since the liquidation of the bank until present, there were sold assets to the value of 212 million lei. A sum of 5 million lei was recovered from loans, while 1.5 million lei from assets so far this year. 187 million lei from loans and 25 million lei from the sale of assets have been refunded after the liquidation of the bank.

We encounter difficulties in selling the pledge. Most of the financial institutions face such problems, but they cover the pledge from current profits. The potential clients come to collect facts, see the assets and go. The debts from private individuals who were clients of Investprivatbank are recovered the best because there are different methods by which the bailiffs can oblige them to repay

the loans. It is more complicated with the legal entities as they most of the times announce themselves insolvent when a relevant court order is made and the owners simply transfer the assets to another company under a different name. Even if most of the economic entities avoid paying the loans, there are businessmen who come and repay them after they lose the cases in court. We are ready to help them and agree debt rescheduling timetables with them so as to help them develop. Thus, they are able to pay by 100,000 lei or 200,000 lei a month.

– Have you thought about a debt recovery company?

– A number of debt recovery companies made several offers, but we make effort to work with the bailiffs as they are independent and specialized. For example, if we have a debt recovery court order, it is easier for us. The debt recovery companies levy a much higher commission and ultimately also appeal to bailiffs.

At the beginning of the year, two debtor recovery companies offered us their services, but they asked for a commission of 10-20% of the assets' value. We thus gave up. There is no economic reason to offer these companies the assets after all the work was done by the bank and the court. There could have been a reason at the beginning, when the bank started to be liquidated.

The bailiffs look for goods and have power to sequester and sell them. We now have court orders for levying over 100 million lei from 33 debtors.

– How much do you have to pay from the loan of 600 million lei provided to Banca de Economii for paying back deposits to private individuals?

– Currently, we owe 391 million lei to the Ministry of Finance. We hope to repay the debt to the Ministry and to the legal entities in the near future, but the problem resides in the low value of the pledge. For example, for a loan of 20 million lei, the value of the pledge, according to evaluations, is 1 million lei.

– How was this thing possible?

– The run after higher assets led to the bankruptcy of the bank as, before bankruptcy, it offered

the most attractive conditions for bank deposits. At that time, 70% of the loans were granted to the construction sector, which is the equivalent of about 700 million lei. There were granted loans of millions, while a part of the money was transferred to offshore companies. It is now hard to recover the money as the largest part of the construction companies are insolvent.

– When will the legal entities recover their money?

– The debts are replayed according to a certain order: the Ministry of Finance, then the legal entities that are mainly investment funds, over 200 million lei. The private individuals who are shareholders in these funds come to the bank and demand that they are paid back their money. We tell them to go to the administrators of these funds. At that time, these administrators deposited money in Investprivatbank, running after fabulous gains. Thus, the financial institutions concentrated the largest part of the investment funds. Now, the CNPF, together with the investments funds, sued us and demand that the investment funds are recognized as private individuals.

– How do you manage to recover the money from offshore areas?

– The recovery of money from offshore areas is not within our competence. We deal only with the debtors from the country, in the conditions stipulated by the law. The National Anticorruption Center made several inquiries, there were started criminal cases, but this didn't lead to the recovery of the money. The essence is that the loans were granted to economic entities from Moldova, but the money was transferred offshore.

– What are the largest debts that the legal entities must repay to the bank?

– The debts range from 40 million lei to 1 million lei. The debtors declared insolvent alone have to pay back 580 million lei, while the debtors that were sued – 210 million lei. We now possess 60 million lei mil. It's not yet sure if these loans are repaid in the full amount, even if they exist in the bank's balance.

Banks are obliged to indicate total cost of loans

The banking and nonbanking institutions will obey new conditions concerning lending to private individuals. They are provided in the Law on Loan Contracts for Consumers that was recently passed by Parliament in the second reading and includes modifications as regards the interest, the commissions and the termination of the contracts before time.

Under the law, the clients of the financial institutions will benefit from a series of rights at the pre-contractual stage. The client will receive from the bank's functionary or the nonbanking organization a standard form that will include important details such as the interest rate on the loan (fixed and/or floating), the method of calculating the interest (the calculation formula and its transparency), information about any costs included in the total cost of the loan (commissions, service percentage, etc.), the interest on the loan and the annual effective interest, the length of the loan contract, the exact cost and value of any payment made in advance; the total value paid by the consumer and the value of the interest rates. Thus, the potential client is able to attentively analyze the costs of the loans provided by every institution separately and to compare a number of offers before taking a decision. The law also defines the types of contracts like those guaranteed by mortgage, rent and lease, the contracts in the form of overdraft concession.



The client will know details of the contract 15 days before the signing. All the lending institutions will be obliged to comply with the requirements concerning the revealing of information about the financial products and to include a calculator for determining the total cost of the loan on their official website. Under the new provisions, the representatives of the commercial banks will have to provide all the necessary information about the provisions of the contracts for granting consumer loans at least 15 days before the signing of the contract. Furthermore, the client will receive the draft loan contract in order to examine the contractual clauses before applying for a loan.

The client also has the right to repay the loan before time without having to pay commission or other taxes. However, the creditor can ask for a reasonable and justified compensation for costs related to the repayment of the loan. If the period of time between the repayment of the loan before time and the termination of the contract is longer than a year, the consumer will pay 0.5% of the size of the loan and 1% if the period is shorter than one year.

Another important provision for the debtor is that the lending institutions do not have the right to unilaterally modify the interests on the loan or to introduce new taxes, commissions, tariffs and other related costs without the written consent of the consumers. In this respect, the document bans the following steps, payments and commissions: increasing the commissions and tariffs except those imposed by the legislation; introducing and levying new taxes except those provided in the contract; commission on paying the rate on the loan in cash; commission on the sums withdraw from the loan; other tariffs and costs when the consumer wants to change the rate payment date and when guarantees are asked for.

Under the bill, the client has the right to terminate the loan contract within 14 calendar days without providing explanations, on condition that a notification is made. In this case, if certain sums of money are used meanwhile, the client is obliged to repay the sums and the costs incurred by the bank in the period.