



National Bank of Moldova

Moldova's Covered Bond Framework From Legislative Proposal to Market Implementation

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Foundations for a Covered Bond Market

Beyond formal transposition: from rules to practical and effective conditions

Market conditions

- resilient banking sector
- growing mortgage & housing-finance needs
- post-trade reform and unified CSD
- new stock-exchange & capital-market development agenda
- advanced payment infrastructure
- EU accession process and regulatory convergence

EU legal architecture

- transposition of Directive 2019/2162 on covered bonds
- credit-institution issuer model
- NBM authorization & supervision
- dual recourse, bankruptcy remoteness
- ring-fenced cover pool: eligibility, valuation and segregation
- coverage and liquidity buffer requirements

The million-dollar question

How can regulation be translated into an effective framework that supports market development?

Asset Segregation: SPV or Ring-fencing Model

Keeping the cover pool beyond the reach of other creditors

SPV / Transfer Model

Advantage

Stronger structural insulation

Cover assets are held outside the issuer – a clear separation from the issuer's insolvency estate

Constraint

Higher complexity and cost

Additional legal structures, asset transfers, servicing arrangements, governance increase setup, ongoing costs

Ring-fencing Model

Advantage

Simpler and more affordable

Assets remain with the issuer but are identified, registered and legally protected - less operational complexity

Constraint

Greater reliance on the legal framework

Investor protection depends more on the effectiveness of internal segregation, insolvency rules and their enforceability

The market-development choice for a nascent market

- Ring-fencing Model looks feasible
- SPV Model seems to be an impossible mission

Who likes supervisors?

The challenge is not how many authorities are involved, but how efficiently their mandates fit together

Banking supervision

Focus on the issuer and the programme

- authorisation of the covered bond programme
- cover pool, coverage & liquidity requirements
- ongoing prudential and covered bond supervision
- intervention in distress / resolution

Capital-market supervision

Focus on investors and the market

- prospectus / public offer
- admission to trading
- disclosure & market transparency
- investor and market-conduct rules

Two (or more) supervisors should not create two (or more) regulatory journeys

- clear allocation of responsibilities
- parallel rather than sequential review
- one set of information
- direct authority-to-authority data exchange
- no duplicated controls, reporting or fees

Some useful EU models to consider

- Unified model - Ireland, Luxembourg
- Split but clearly allocated - Romania, France, etc.

Probably one of the most expensive instruments to “produce”

A sophisticated instrument comes with a sophisticated cost structure

Regulatory & supervisory costs

- authorisations, approvals & registrations
- supervisory fees
- reporting & compliance
- cover pool monitoring requirements

Infrastructure, market & professional costs

- arrangers and intermediaries
- CSD, listing & trading infrastructure
- rating, hedging & servicing
- legal, audit, due diligence & external valuation

Operational, balance-sheet & fiscal costs

- overcollateralisation & liquidity buffer
- paying / fiscal agents and other servicing costs
- taxes and other transaction expenses
- risk-management costs

Challenges

The overall “cost of production” of covered bonds should be kept as efficient and proportionate as possible.

Preserve the protection but reduce the “cost of production” .

The innovation dilemma



A question – and an answer – from the same innovation-oriented colleague:

Q: Why build yesterday's market?

A: Make digital assets, DLT and tokenisation possible from day one

Is it worth it?

From local realities to international confidence

How can a new market become understandable and investable for international players?

Domestic realities & possible international concerns:

- new and unfamiliar market
- no issuance history or benchmarks
- unfamiliar local mortgage assets & valuation practices
- legal & operational unfamiliarity

Building international confidence:

- standardisation & harmonisation
- high-quality data & cover-pool reporting
- strong external audit
- credible rating-agency involvement
- recognisable disclosure templates
- clear enforcement of investor rights
- clear, credible & EU-aligned supervision

An aerial photograph of a city, likely Chișinău, Moldova, during the golden hour of sunset. In the foreground, a large, white, domed church with a smaller spire is nestled among lush green trees. Behind the church, a wide, paved square leads to a large, modern, white government building with many windows. The city extends into the background, with various residential and commercial buildings visible under a sky with soft, orange and blue light.

Thank you