

BC „Moldindconbank” S.A.

Extract from the Regulation on transactions of the BC „Moldindconbank” S.A. with its related parties

**Extract from the Regulation on the transactions of the BC „Moldindconbank” S.A.
with its related parties, approved by the Bank's Board of Directors****1. General provisions**

1.1. The Regulation on transactions of the BC „Moldindconbank” S.A. with its related parties (hereinafter Regulation) transposes requirements on the activity of the BC „Moldindconbank” S.A. (hereinafter Bank) with its related parties, including the conclusion of transactions.

1.2. The Regulation is developed in accordance with:

- 1) [Law on the activity of banks no. 202 of 06.10.2017](#);
- 2) [Regulation on bank's transactions with their related parties, approved by the Decision of the Council of Administration of the National Bank of Moldova no.240 of 09.12.2013](#);
- 3) [Regulation on large exposures, approved by Decision of the Council of Administration of the National Bank of Moldova no.109 of 05.04.2019](#);
- 4) [Regulation on banking activity management framework, approved by the Decision of the Executive Board of the National Bank of Moldova no.322 of 20.12.2018](#);
- 5) [Regulation on requirements regarding the members of the governing body of the bank, the financial holding company or mixed holding, the heads of a branch of a bank from another state, the persons holding key positions and the liquidator of the bank in liquidation process, approved by the Decision of the Executive Board of the National Bank of Moldova no.292 of 29.11.2018](#);
- 6) [Statute of the Commercial Bank „Moldindconbank” S.A., approved by the Decision of the Annual Ordinary General Meeting of Shareholders of the Bank](#).
- 7) Other normative acts and internal regulations of the Bank.

1.3. The purpose of the Regulation is to:

- 1) ensure the internal regulatory framework relates to the Bank's activities with its related parties, including transposition of the requirements to the conclusion, approval, recording, accomplishment, review, reporting and disclosure of transactions with the Bank's related parties, as well as the management of related risk;
- 2) transpose maximum exposure limits regarding the transactions with related parties to the Bank;
- 3) establish the responsibilities of the Bank's management body and of the Bank's subdivisions regarding the related parties to the Bank and the transactions concluded with them.

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2. Transactions and other relationships with parties related to the Bank**Section 1. General provisions**

2.1. The expectations of the Bank's management body, regarding the related parties of the Bank and transactions with them are:

- compliance with the provisions of normative acts and internal regulations of the Bank related to the parties related to the Bank and transactions with them;
- protection of customer's interests;
- protection of shareholder's interests;
- protection of the Bank's interests;
- prevention of conflict of interest situations;
- engagement of the Bank in safe and prudent transactions and relationships with its related parties, within the limits and in compliance with the legislation in force, in order to avoid the involvement of the Bank in excessive risks, including risks related to the deterioration of the Bank's reputation and ensuring the trust of the general public;
- compliance with the maximum allowable limits for transactions with related parties to the Bank;
- proper management of risks related to transactions with related parties of the Bank.

2.2. Transactions and other relationships with Bank's related parties, including transactions of the members of the Bank's management body, must reflect the interests of the Bank and they can not be carried out under more advantageous conditions for respective parties than with non-related parties (except for Bank's employees there are not related to the Bank), as well as, can not be carried out in violation of the limits and provisions established by the Regulation.

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Furthermore, these relationships can not in any way compromise decision-making and harm the Bank.

2.3. According the Regulation, at least the following conditions are considered more advantageous for related parties to the Bank than those provided for non-related parties to the Bank (except for employees of the Bank who are not affiliated to the Bank):

- a) accepting collateral with a market value that is lower than a similar collateral required from other clients of the bank;
- b) acquisition of low quality real estate or real estate at a higher price than the market price of similar real estate good;
- c) investment in the securities of the parties related to the bank which the bank would not have made in the case of other persons;
- d) payment for goods or service purchased from a related parties at a higher price than the market price of similar goods and services or in circumstances when the same goods and services would not have been purchased from another person;
- e) the sale of an asset to a parties related with the bank at a price lower than that which would be received if the asset were sold to another person;
- f) setting a lower interest's rate/ fees for the service provided than if the same service was provided to another person under general conditions;
- g) setting a higher interest rate for the deposit accepted than if the same deposit was accepted from another person under general conditions.

2.4. The Bank shall carry out transactions with its related parties only after the accumulation of sufficient information (documentation) to justify the economic advantage of these transactions for the Bank, as well as to assess the related risks. Any transaction with parties related to the Bank will only be concluded if it represents a prudent and sound financial and managerial relationship, with proper documentation.

2.5. Transactions with the related parties will not be initiated if the existence or lack of affiliation with the Bank cannot be identified and verified for those parties.

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2.9. The parties related to the Bank can not use the property of the Bank (offices, storage rooms, vehicles, calculation devices and other tangible assets) under the circumstances and conditions that are more favorable than those offered to non-related parties to the Bank. The circumstances and conditions of use by a person of the Bank's property are set out in the internal regulations of the Bank.

2.10. The Bank can not offer gifts and other benefits to its related parties on conditions that are more advantageous than those offered to non-related parties to the Bank, except as otherwise expressly provided in the internal regulations of the Bank.

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2.12. The Bank shall assure sound risk management practices for the transactions concluded by the bank with its related parties for the identification, quantification, monitoring and control of risk for the parties related to the bank. The most common risks of transactions conducted with parties related to Bank are the reputation risk, credit risk, liquidity risk and operational risk.

The risk management of most common transactions concluded with parties related to the Bank is carried out in accordance with the Bank's internal regulations related to these types of risk.

2.13. The Bank informs its related parties by publishing on its official website www.micb.md the excerpt of the Regulation, as well as informs the Bank's related parties of the provisions of internal regulations in the field of the Bank's related parties at the initial stage of the concluding transactions .

Section 2. Conditions for concluding the transactions with Bank's related parties

2.15. Lending/placement:

2.15.1. The Bank may provide loans/perform placements to its related parties according to the internal regulations of the Bank, regulating these processes in relation to all customers of the BC „Moldindconbank” S. A., provided that the provisions of the Regulation are complied with.

2.15.2. The Bank may provide loans/perform placements to its related parties on the same conditions as to non-related parties (except for Bank employees that are not related to the Bank). A bank shall not charge lower interest rates and fees from related parties than those charged under similar conditions from non-related parties (except for Bank employees that are not related to the Bank).

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2.15.3. The bank is required to submit the same requirements on loan repayments to the related parties, conditions on loan/placement repayment, and shall require the submission of complete financial statements and information on the efficient using of the loan.

2.15.4. The repayment risk assumed by the bank when provide loans/perform placements to related parties shall not be greater than, that in case of provide loans/perform placements to non-related parties.

2.15.5. The bank shall apply the same measures to related parties with regard to credit/placements repayment as to non-related parties.

2.16. Accepting deposits/ obtaining loans

2.16.1. The Bank may accept deposits/ obtain loans from its related parties in conformity with the Bank's internal rules, regulating these processes in relation to all customers of the Bank, upon condition on compliance with the provisions of the Regulation.

2.16.2. The bank may accept deposits/obtain loan from related parties under the same terms and conditions as for non-related parties.

2.16.3. The Bank has no right to pay to related parties higher interest rates/fees on deposits/loans than those paid to other parties on similar deposits/loans

2.16.4. The Bank has no right to offer preferential terms on deposits/loans to related parties and allow overdrafts (debit balances from passive accounts) on such terms on the respective accounts of the related parties.

2.17. Conclusion of other transactions (except those specified in p.2.15 and p.2.16)

2.17.1. The Bank may conclude other transactions with its related parties in according to the internal rules of the Bank regulating these processes in relation to all customers of the Bank, provided that the provisions of the Regulation are complied with.

2.17.2. The Bank may conclude other transactions with its related parties for the same term and under the same conditions as for the non-related parties.

2.17.3. The Bank is not entitled to collect and/or pay to its related parties a higher interest rate/fees at the conclusion of other transactions than other persons on such transactions.

2.17.4. The Bank is not entitled to create conditions that are more advantageous for its related persons at the conclusion of other transactions than for other persons on such transactions.

Section 3. Prohibition of some operations with parties related to Bank

2.18. The bank shall not condition the lending or on providing other products/services to clients by the disposal or acquisition of the financial instruments issued by the Bank, or its subsidiary, including an entity belonging to the group of the Bank, or acceptance by the client of other products/services offered by the Bank, not connected with the crediting operation or with the product/service required.

2.19. The Bank may not:

- a) grant credits or facilitate financing from third parties to a person to support this person in paying his/her obligations to the Bank's affiliate;
- b) intermediate underwriting and/or financial instruments placement of a person and cannot grant, at the same time, credits to this person so that the latter pays his/her debts, interest or dividends to such financial instruments.

2.20 The Bank may not grant credits or facilitate lending for the purpose of acquiring financial instruments, intermediate underwriting and/or the placement of, which is realized by its subsidiary.

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3. Maximum limits

3.1. The value of the exposure, after taking into account the effect of credit risk mitigation according to chapters VI-IX of the Regulation on large exposures, to a bank's related party and/or a group of parties related to the bank's related party shall not exceed 10 percent of the bank's eligible capital.

3.2. The aggregate amount of bank's total exposures to related parties and/or groups of parties related to the bank's related parties, after taking into account the effect of credit risk mitigation according to the provisions of Chapters VI-IX of *Regulation on large exposures* shall not exceed 20 percent of the eligible capital of the bank.

3.3. The Bank shall comply at any time with the limits set in this Chapter.

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3.4. If the limits set out at p.3.1 and 3.2 are simultaneously violated and the National Bank of Moldova exercises the powers specified in art.139 paragraph(3) item n) of the Law No. 202/2017 on banks' activity, the largest amount that exceeds the limits set out in one of the aforementioned paragraphs shall be deduced from the own funds.

3.5. For transactions with the Bank's related parties, the indicators for assessing the Bank's risk profile and the related risk levels are set out in the Policies on significant risk management in BC „Moldindconbank” S.A.

4. Approval and record keeping of transactions with Bank's related parties

4.1. Any transaction with a bank's related party, which amount exceeds the equivalent of MDL 1 million or its amount accumulated with other transactions with a related party or group of parties related to a bank's related party leads to the excess of that amount, shall be approved prior to its conclusion/amendment of contractual conditions, by the majority of members of the Bank's Board of Directors. In the cases when the equivalent of MDL 1 million is not exceeded, it shall be approved by the Managing Board of the Bank.

For the purpose of determining whether or not the threshold set out in this point is exceeded, the values of transactions that lead to exposure to the Bank shall be cumulated separately from the values of transactions that do not lead to exposure to the this. In the case of transactions leading to the formation of exposure to the Bank, the value of the transaction, referred to in the first paragraph, shall be calculated cumulatively with the value of the transactions forming exposures with the related person and/or clients related to the affiliated party of the Bank.

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4.2. The related party having a material interest in a transaction shall leave any meeting at which that transaction is discussed.

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4.4. The volume and correctness of the approval of transactions with related parties of the Bank by the Bank's Managing Board according to p.4.1 of the Regulation are reported periodically, at least quarterly, by the Internal Audit Department to the Bank's Board of Directors.

4.5. If a party becomes related to the bank, after the conclusion of a transaction with them, in the manner and terms provided for in the regulation, the Bank's Board of Directors shall be notified without delay about the occurrence of such relationship and existing transactions, and appropriate measures shall be taken, in reasonable time, in order to comply with the provisions of this Regulation, as well as to review these transactions to assess related risks and eliminate preferential conditions, should such exist.

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4.7. For the purpose of evidence of the Bank's affiliates and transactions concluded with them, according to the requirements of normative acts, within Shareholders and Related Parties Evidence Division is keep and maintained a Register of the Bank's related parties and a Register of the transactions with the Bank's related parties. The transactions with related parties shall be recorded in the corresponding register, specifying the nature, date, contract number, amounts and terms of the transaction. As for the lending/borrowing transactions, shall be indicated in additional their insurance and insurers. The records on both registers shall be kept for at least 5 years from the date when the party has ceased to be a related party and/or when the liabilities have been repaid.

4.8. In order to prevent excessive risks related to transactions with related parties of the Bank, the Board of Directors should review, at least once a year, the bank's transactions with their related parties, existing at the time of the review and take the necessary measures to mitigate those risks.

4.9. The Bank identifies, collects and verifies the information about its related parties according to the secondary internal regulations for knowing the Bank's related parties and concluding transactions with them.

4.10. The Bank periodically review and identifies the material interests of the Bank's related parties according to the secondary internal regulations for knowing the Bank's related parties and concluding transactions with them.

4.11. The Bank accumulates the financial statements (the financial statements, including the profit/ income) of the debtors of the Bank, including of those related to the Bank, in accordance with the secondary internal regulations on accumulating of financial statements of the debtors of the Bank.

4.12. The procedure for verifying the affiliate relationship with the Bank of a client and the mechanism for cumulating the transactions of the bank's affiliated parties in order to determine the governing body responsible

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for their approval, are described in the secondary internal regulations for knowing the Bank's related parties and concluding transactions with them.

5. Reporting

5.1. According to the Instruction on compilation and submission of reports by banks for prudential purposes, approved by the Decision of the Council of Administration of the National Bank of Moldova no.279 of 01.12.2011, as amended and supplemented, the Bank shall submit to the National Bank of Moldova monthly - the Report on the Bank's exposures to the related parties (form code ORD0302), and quarterly - Report on related parties to the Bank (form code ORD0305), and Report on information relating to the transactions of the Bank with its related parties, other than exposures (form code ORD0321).

5.2. According to the Instruction on compilation and submission by banks of FINREP reports at individual level, approved by the Decision of the Executive Board of the National Bank of Moldova no.42 of 02.03.2018, the Bank semi-annual presents to the National Bank of Moldova the Report F 31.00 – Related parties.

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5.9. Exceptions to the application of internal rules and limits related to transactions with related parties are reported to the Bank's Board of Directors for take the appropriate measures.

6. Responsibilities

6.1. **Board of Directors** is responsible for:

6.1.1. Approval of transactions with parties related to the Bank according to the powers and provisions of the Regulation.

6.1.2. Ensuring that all transactions between the Bank and its related parties are concluded in the interest of the Bank and are properly monitored and controlled.

6.1.3. Monitoring and management of current and potential conflicts of interest between the interests of the Bank and its related parties.

6.1.4. Review at least once a year of the Bank's transactions with its related parties existing at the time of review and ensuring the undertaking, where appropriate, of the necessary measures to mitigate those risks.

6.1.5. Adoption of proper internal regulations to ensure that any relationship of the bank with its related parties is a prudent and healthy financial and managerial relationship with appropriate documentation.

6.1.6. Examination of exceptions to the application of internal rules and limits related to transactions with related parties represented by the Bank's divisions and take appropriate measures.

6.1.7. Examination within the meetings of information provided by the Bank's divisions in accordance with this Regulation.

6.2. **Managing Board** is responsible for:

6.2.1. Approval of transactions with parties related to the Bank according to the powers and provisions of the Regulation.

6.2.2. Adopting clear procedures regarding the knowledge of the Bank's related parties, including knowledge of all criteria for the affiliation of the Bank's Board of Directors' members and the Bank.

6.2.3. Adoption of secondary internal regulations that will ensure the existence of appropriate internal instruments and mechanisms regarding the knowledge of the Bank's related parties and the concluding of transactions with them.

6.2.4. Continuous monitoring of transactions with Bank's related parties.

Shareholders and Related Parties Evidence Division
Telephone: 022-57-67-18