



**USAID** | **UKRAINE**  
FROM THE AMERICAN PEOPLE

# ACCESS TO CREDIT INITIATIVE

## UKRAINE & MOLDOVA



FOURTEENTH QUARTERLY REPORT – UKRAINE

SIXTH QUARTERLY REPORT - MOLDOVA

January 1, 2008 – March 31, 2008

**February 1, 2008**

This report was produced for review by the United Agency for International Development. It was prepared by the USAID Access to Credit Initiative implemented by The Pragma Corporation.



ACCESS TO CREDIT INITIATIVE  
UKRAINE & MOLDOVA

FOURTEENTH QUARTERLY REPORT - UKRAINE

**January 1, 2008 – March 31, 2008**

Contract Number: 121-C-00-04-00713

CTO USAID/Ukraine: Rick Gurley  
Project Manager: Mohammad Fatoorechie  
Chief of Party: David Lucterhand

**DISCLAIMER**

The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.



# TABLE OF CONTENTS

<b>UKRAINE (Fourteenth Quarterly)</b>	<b>7</b>
<b>A. PROJECT OVERVIEW - Ukraine</b>	<b>1</b>
I. PROJECT DESCRIPTION – Executive Summary Ukraine	1
II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – Executive Summary Ukraine	1
III. PROJECT EXECUTIVE SUMMARY – Executive Summary Ukraine	2
IV. PROJECT STAFFING – Executive Summary Ukraine	7
V. ADMINISTRATIVE ISSUES – Executive Summary Ukraine	7
<b>B. MORTGAGE - Ukraine</b>	<b>9</b>
I. COMPONENT DESCRIPTION – Mortgage Ukraine	9
II. SIGNIFICANT EVENTS – Mortgage Ukraine	9
III. EXECUTIVE SUMMARY – Mortgage Ukraine	10
IV. ADMINISTRATIVE ISSUES – Mortgage Ukraine	12
V. DESCRIPTION AND STATUS OF TASKS – Mortgage Ukraine	12
<b>C. FIXED INCOME – Ukraine</b>	<b>16</b>
I. COMPONENT DESCRIPTION – Fixed Income Ukraine	16
II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – Fixed Income Ukraine	16
III. EXECUTIVE SUMMARY – Fixed Income Ukraine	17
IV. ADMINISTRATIVE ISSUES – Fixed Income Ukraine	17
V. DESCRIPTION AND STATUS OF TASKS – Fixed Income Ukraine	17
<b>D. MUNICIPAL - Ukraine</b>	<b>21</b>
I. COMPONENT DESCRIPTION – Municipal Ukraine	21
II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – Municipal Ukraine	21
III. EXECUTIVE SUMMARY – Municipal Ukraine	22
IV. ADMINISTRATIVE ISSUES – Municipal Ukraine	24
V. DESCRIPTION AND STATUS OF TASKS – Municipal Ukraine	25
<b>E. LEASING – Ukraine</b>	<b>28</b>
I. COMPONENT DESCRIPTION – Leasing Ukraine	28
II. SIGNIFICANT EVENTS – Leasing Ukraine	28
III. EXECUTIVE SUMMARY – Leasing Ukraine	30
IV. ADMINISTRATIVE ISSUES – Leasing Ukraine	31
I. DESCRIPTION AND STATUS OF TASKS – Leasing Ukraine	32
<b>F. CREDIT BUREAU/CREDIT RATING AGENCY – Ukraine</b>	<b>35</b>
I. COMPONENT DESCRIPTION - Credit Bureau Ukraine	35
II. SIGNIFICANT EVENTS - Credit Bureau Ukraine	35
III. EXECUTIVE SUMMARY – Credit Bureau Ukraine	35
IV. COMPONENT DESCRIPTION - Credit Rating Ukraine	36
V. SIGNIFICANT EVENTS - Credit Rating Ukraine	37
VI. EXECUTIVE SUMMARY - Credit Rating Ukraine	37
VII. ADMINISTRATIVE MATTERS – CB/CR Ukraine	39
VIII. DESCRIPTION AND STATUS OF TASKS – CB/CR Ukraine	39
<b>G. GENDER – Ukraine</b>	<b>44</b>
I. COMPONENT DESCRIPTION – Gender Ukraine	44
II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – Gender Ukraine	44
III. EXECUTIVE SUMMARY – Gender Ukraine	45
IV. ADMINISTRATIVE ISSUES – Gender Ukraine	45
V. DESCRIPTION AND STATUS OF TASKS – Gender Ukraine	45
<b>MOLDOVA (Sixth Quarterly)</b>	<b>49</b>

<b>A. PROJECT OVERVIEW - Moldova</b>	<b>49</b>
I. PROJECT DESCRIPTION - Executive Summary Moldova	49
II. SIGNIFICANT EVENTS AND ACHIEVEMENTS - Executive Summary Moldova	50
III. EXECUTIVE SUMMARY OF PROJECT ACTIVITIES AND EVENTS DURING THE QUARTER UNDER REVIEW - Executive Summary Moldova	51
IV. PROJECT STAFFING – Executive Summary Moldova	59
V. ADMINISTRATIVE ISSUES – Executive Summary Moldova	60
<b>B. MORTGAGE LENDING - Moldova</b>	<b>63</b>
I. COMPONENT DESCRIPTION – Mortgage Lending Moldova	63
II. SIGNIFICANT EVENTS – Mortgage Lending Moldova	63
III. TECHNICAL SUMMARY – Mortgage Lending Moldova	63
IV. ADMINISTRATIVE ISSUES – Mortgage Lending Moldova	68
V. DESCRIPTION AND STATUS OF TASKS (RELEVANT TO WORK PLAN THIS QUARTER) – Mortgage Lending Moldova	69
<b>C. FINANCIAL LEASING - Moldova</b>	<b>77</b>
I. COMPONENT DESCRIPTION – Financial Leasing Moldova	77
II. SIGNIFICANT EVENTS - Financial Leasing Moldova	77
III. TECHNICAL SUMMARY - Financial Leasing Moldova	77
IV. ADMINISTRATIVE ISSUES – Financial Leasing Moldova	79
V. DESCRIPTION AND STATUS OF TASKS – Financial Leasing Moldova	79
<b>D. FIXED INCOME - Moldova</b>	<b>82</b>
I. COMPONENT DESCRIPTION – Fixed Income Moldova	82
II. SIGNIFICANT EVENTS - Fixed Income Moldova	82
III. TECHNICAL SUMMARY – Fixed Income Moldova	82
IV. ADMINISTRATIVE ISSUES - Fixed Income Moldova	83
V. DESCRIPTION AND STATUS OF TASKS – Fixed Income Moldova	83
<b>E. DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING - Moldova</b>	<b>86</b>
I. COMPONENT DESCRIPTION - DCA Monitoring Moldova	86
II. SIGNIFICANT EVENTS - DCA Monitoring Moldova	86
III. TECHNICAL SUMMARY - DCA Monitoring Moldova	86
IV. ADMINISTRATIVE ISSUES - DCA Monitoring Moldova	86
V. DESCRIPTION AND STATUS OF TASKS - DCA Monitoring Moldova	87

## TABLE OF ATTACHMENTS

### Attachments – Ukraine

- ATTACHMENT 1:** Survey results of banks offering (or requiring) life insurance for mortgages
- ATTACHMENT 2:** Pre-Announced Government Bond Auction Calendar
- ATTACHMENT 3:** Mutual Funds, Insurance Companies, and Non-Governmental Pension Funds Markets.
- ATTACHMENT 4:** Interview of Mr. Lytvyn, Deputy Minister of Finance, to E-Izvestia Newspaper.
- ATTACHMENT 5:** ATCI Comments to the Draft Law “On Creating Organizational and Legal Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine”.
- ATTACHMENT 6:** Draft Budget Application Form.
- ATTACHMENT 7:** Legal Issues Affecting Cities and Communal Services Enterprises Creditworthiness and MFF Activities.
- ATTACHMENT 8:** Copy of Letter from “Ukreximstrakh” Financial Holding
- ATTACHMENT 9:** Copy of SAI Letters to the Ministry Of Finance
- ATTACHMENT 10:** Requirements for CLS Program Candidates, Training Providers and Trainers
- ATTACHMENT 11:** ATCI Questionnaire/Survey for Leasing Companies

## **Attachments – Moldova**

- ATTACHMENT 1:** Access to Credit Initiative/Moldova (2<sup>nd</sup> Year) Work Plan, updated as of March 31, 2008
- ATTACHMENT 2a:** Tiraspol CML Training Report, Course 1
- ATTACHMENT 2b:** Tiraspol CML Training Report, Course 2
- ATTACHMENT 3:** Chisinau CML Training Report, Course 1
- ATTACHMENT 4:** ABM Consulting Business Plan for Future CML Training
- ATTACHMENT 5:** Mortgage Market Survey 2007
- ATTACHMENT 6:** Moldova Agroindbank Mortgage Portfolio Analysis
- ATTACHMENT 7:** Subprime Crisis PowerPoint Presentation
- ATTACHMENT 8:** Glossary of Leasing Terminology
- ATTACHMENT 9a:** CLS Training Report, Course 1
- ATTACHMENT 9b:** CLS Training Report, Course 2
- ATTACHMENT 10:** Contract with ACAP, CLS Training Provider
- ATTACHMENT 11:** Leasing Market Survey Presentation
- ATTACHMENT 12:** ATCI Comments on NCFM Strategy Paper

## UKRAINE (Fourteenth Quarterly)

### A. PROJECT OVERVIEW - Ukraine

#### I. PROJECT DESCRIPTION – EXECUTIVE SUMMARY UKRAINE

ATCI is tasked with developing the primary and secondary mortgage market with its associated infrastructure; increased capacity for the leasing industry including the development of certified leasing professionals; the ability for municipalities and utilities to use debt instruments to modernize vital infrastructure, and a credit bureau to facilitate the growth of credit for mortgages and other retail lending. While the credit bureau/credit rating component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation. The preliminary work plan was presented and accepted by USAID in November 2004. In October 2006, the ATCI contract was amended to include development of fixed-income operations in Ukraine. Additionally, ATCI activities were expanded to include Moldova.

ATCI is cooperating with numerous counterparts and may sign formal protocols in addition to those already signed. These Protocols are expected to govern mutual activity as well as manage expectations during the course of the project.

The priorities of the Project for this period are noted by component in the boxes below.

The project update for this quarterly report will correspond to the activities set forth in the action plan described below and reported by component.

#### II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – EXECUTIVE SUMMARY UKRAINE

- CABINET OF MINISTERS ORDERED JURISDICTION OF STATE MORTGAGE INSTITUTION TRANSFERRED TO THE MINISTRY OF FINANCE AND AN INCREASE STATUTORY CAPITAL BY 100 MILLION HRYVNIAS (USD20MLN).
- THE NATIONAL BANK OF UKRAINE APPROVES THE USE OF MORTGAGE BONDS AND BONDS ISSUED BY STATE MORTGAGE INSTITUTION AS VALID PLEDGE FOR REFINANCING
- NATIONAL BANK OF UKRAINE GRANTS PRIVILEGES TO BONDS OF STATE MORTGAGE INSTITUTION AND RESIDENTIAL MORTGAGE LOANS IN HRYVANIA WHEN CALCULATING REGULATORY CAPITAL ADEQUACY RATIO
- ATCI COMPLETES SURVEY FOR USE OF MORTGAGE-RELATED LIFE INSURANCE PRODUCTS WITH TOP 20 MORTGAGE LENDERS

- MINISTRY OF FINANCE DEVELOPS CONCEPT OF DOMESTIC GOVERNMENT SECURITIES MARKET DEVELOPMENT FOR 2008-2011
- LEASE IT SECURITIZES LEASING PORTFOLIO THROUGH LEASE IT SPV BOND ISSUE; ATCI ASSISTS LEASE IT IN RESTRUCTURING AND SALE OF ITS CORPORATE BOND
- ADVISED THE CITY OF LVIV ON UAH 200 MLN. BOND ISSUANCE SCHEDULE, DEBT LIMIT, DOCUMENTATION FOR THE MINISTRY OF FINANCE APPROVAL, BOND STRUCTURING AND PRICING.
- SIXTEEN NEW LEASING SPECIALISTS CERTIFIED
- UAIB, JOINTLY WITH ATCI, AGREE TO DEVELOP A NEW DRAFT LAW REGULATING CREDIT RATINGS (AGENCIES)

### III. PROJECT EXECUTIVE SUMMARY – EXECUTIVE SUMMARY UKRAINE

This Report provides details on the events and activities summarized below, as well as other events and activities regarding the USAID Access to Credit Initiative, as implemented by consultants for The Pragma Corporation (the Project), for the period from January 1 through March 31, 2008. The report is comprised of four components: Mortgage, Fixed income with a subordinated Municipal Finance component; Leasing and Credit Bureau / Credit Rating. Each component section of the report will have a summary with specific activity tasks identified and the status of each task with appropriate commentary, relevant attachments, and reference to administrative issues, if any.

#### **Mortgage**

##### *Primary*

To date, CML trained personnel now comprise ninety-eight certificate holders: forty-three of whom (44%) are women. The number of banks whose personnel have been trained totals thirty-six. Mortgages outstanding are estimated at \$Thirteen billion by the end of the first quarter 2008

ATCI and UNIA, Ukrainian National Mortgage Association gathered Kiev mortgage lenders at a Round Table on "Mortgage Market in Ukraine: Development Threats and Problems." This was in reaction to recent moves by the National Bank of Ukraine's introduction of Regulation #458 which required higher capital adequacy ratios for assets lent for one year or longer to attempt to shore up the banking system in light of on-going problems in the international capital markets.

Accordingly, from April 4, 2008, banks can use mortgage bonds issued by SMI and residential mortgage loans with a 50% weighting when calculating regulatory capital adequacy. SMI state guaranteed bonds and the interest on them will have 0% weight.

##### ***Secondary Market***

### *Covered Bond Regulation Completed*

During the previous quarters, ATCI completed drafting the mortgage pool monitoring regulations for the SSMSC. The regulations included provisions that were drafted to remedy deficiencies in the original law. The draft was reviewed by the SSMSC and sent to the Ministry of Justice for registration. Unfortunately, the Ministry determined that the regulations did not comport with the law and reworked them so they did. Subsequently, the Ministry registered regulations that are defective and while they will not impede a pilot issue, the regulations are sufficiently impaired to preclude development of a robust secondary mortgage market. Consequently, the mortgage covered bond law needs to be amended. To this end, ATCI and UNIA worked closely to arrive at a common position for submission to the SSMSC.

Nonetheless, there still is a difference of opinion between the SSMSC and ATCI / UNIA as to what the final amendments should look like. Consequently, ATCI continued to work closely with UNIA to reach a common position with SSMSC regarding the final version for submission to the Rada.

### *Pilot Issues*

ATCI has continued advisory assistance to Khreschatyk bank on its first mortgage covered bond issue. On the mortgage register side, ATCI continued to provide assistance to all involved services of the bank on establishing the form of the register of cover assets, calculations involved, and scrubbing the register. The bank is considering issuing a bond in a series with the first series to be issued in September 2008 in the amount of UAH 70 million.

ATCI continued providing advice to Khreschatyk Bank for its contemplated covered bond issuance.

ATCI continued its work on draft amendments to the Mortgage Bond Law. ATCI met SSMSC's top officials and provided advice on specific amendments to new draft Mortgage Bond Law published by the SSMSC (agreed upon procedures, bond manager authority, etc).

Jointly with the Audit Task Force under the SSMSC ATCI submitted draft amendments regarding agreed upon procedures to the SSMSC's 1528 Regulation on Audit Reports.

## ***Associated Market Infrastructure***

### *Life Insurance Products*

ATCI conducted a survey and analyzed mortgage-related life insurance products offered in the Ukrainian market. ATCI conducted research polling twenty banks including the eight largest mortgage lenders in order to determine what type (if any) term life insurance they use. The analysis determined that term-life insurance is offered in eight banks of the twenty banks polled. In order to evaluate the effectiveness of these Term-Life Insurance products, ATCI plans to analyze specific policies to determine the benefits as well as exclusions as they relate to the insured's mortgage. This analysis will be completed during the next quarter.

### *Appraisals and Real Estate Associations*

ATCI, in cooperation with the International Real Property Foundation brokered an agreement between the two largest real estate associations in Ukraine, thus uniting them after they were split. The signing of the Protocol took place on February 1<sup>st</sup>. It paves the way for a unified approach to certification and virtually eliminates the proposal of the VRU to the Certification Law. Progress made to date shows the merger possibility becoming a reality by mid 2008.

The Tax and Customs Policy Division of the Ministry of Finance is developing real estate appraisal standards. ATCI provided UTO with the Division's contacts for further collaboration.

### **Fixed Income**

ATCI met Mr. Lytvyn, Deputy Minister of Finance, and discussed the importance of developing the government securities market. During the scheduled meeting, ATCI and the Ministry of Finance officials ascertained common points of view and decided to meet on a regular basis for further discussions. Following ATCI recommendations the Ministry of Finance published a calendar of government bond auctions and developed a concept of domestic government securities market development for 2008-2011.

ATCI also worked with Lease IT to structure a corporate bond using a dynamic pool SPV to manage the lease assets for the benefit of investors. The issue came to market during this quarter. ATCI is assisting in the promotion and sale of the issue.

### **Municipal Finance**

ATCI commenced a study of the creditworthiness of cities in 2004-2007. The aim of the study is to determine whether creditworthiness had increased for Ukrainian cities since ATCI began its screening and pilot issues beginning in 2005. The research will be extensively based on Association of Ukrainian Cities / Association of Financiers of Ukraine publication "Financial Performance of Cities". Since 2004-2006 data is available, the analysis will cover this period. As soon as complete 2007 data is published, the analysis will be extended to 2004-2007.

#### **Pilot cities**

##### Lviv

Lviv UAH 92 mln. bond (Series A and B) was included into PFTS exchange second tier listing.

##### Berdyansk

Berdyansk UAH 10 mln. bond was included into PFTS exchange second tier listing.

##### Lugansk

Lugansk UAH 29.3 mln. bond (Series A and B) was included into PFTS exchange second tier listing.

## **Other cities**

City of Lviv requested ATCI to assist in its issuance of UAH 200 million five year bonds for financing Euro 2012 Football Championship infrastructure. ATCI advised the city on issuance schedule, debt limit, documentation for the Ministry of Finance approval, bond structuring and pricing. The city submitted documents to the Ministry of Finance.

ATCI advised cities of Energodar and Melitopol on general legal and financial issues as well as roadmap of municipal bond issuance on their request. Energodar (pop. 54K) is considering UAH 10-20 mln., 5y bond for housing modernization and heating supply reconstruction. Melitopol (pop. 160K) is discussing UAH 5-10 mln, 5y bond for purchase and modernization of municipal transport.

## **MFF**

1. ATCI summarized legal issues, currently affecting cities and communal services enterprises creditworthiness and MFF activities.
2. Following meetings with counterparts (AUC, IBSER, SAI), ATCI started drafting Law On Local Borrowing and Local Guarantees which would include section on Municipal Finance Facility
3. Following a meeting with USAID and ATCI, the State Agency for Investments and Innovations officially submitted a letter supporting and justifying MFF creation to the Ministry of Finance.
4. ATCI provided comments to the Draft Law "On Creating Organizational and Legal Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine".
5. At Deputy Minister of Economy Ms. Slyusarenko's request, ATCI drafted and submitted to the Ministry of Economy a Budget Application Form requesting budget funding for MFF initial capital worth UAH 100 million within the framework of the National Program on Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine.

## **Workshops and public education**

ATCI Conducted meetings with AUC Vice-President Mr. Pitsyk and Head of AUC Sustainable Development Department Mr. Morev on arrangement workshops on transferring methodology on bond issuance to cities. ATCI also agreed to conduct four workshops in three regions and city of Kyiv (two workshops in 2008 and two in 2009).

## **Leasing**

The "penetration rate," (used by the industry to define the rate at which financial leasing is used as a method of acquiring capital equipment) has increased from 0.09% in 2004, to 3.9% in 2006 to 9.2% in 2007. The total volume of new lease agreements entered into by Ukrainian leasing companies in 2007 amounted to UAH 14.1 billion (USD 2.8 billion) which is 2.9 times more than the volume of all lease agreements in effect as of the beginning of 2007.

On February 1, 2008, ATCI held an awards ceremony for 16 individuals who took CLS training in September - October 2007 and passed all 3 exams given in November 2007. Thus, the total amount of Certified Lease Specialists is 67 people (35 women, 32 men).

ATCI provided on-going advisory services to "Lease IT" Leasing Company assisting it in finding new sources to fund its operations. ATCI has reviewed and made comments on LeaseIT-SPV's investment memorandum, and will continue to participate in discussions Lease IT is having, and will have, with potential equity investors, including ones identified by ATCI.

ATCI has drafted a questionnaire to be distributed among the leasing companies in order to obtain the necessary information that contributes to an annual leasing survey. Previously, such kind of market research was conducted (along with input from ATCI) by the IFC Project which will close in May 2008; ATCI plans to continue this initiative. ATCI held preliminary talks held with the All-Ukrainian Association of Lessors regarding the prospects of our cooperation in carrying out of the said market survey.

In March, 2008, ATCI conducted a meeting with the Board of Directors of the Certified Lease Specialists Union aimed at defining the strategic guidelines to ensure the sustainability and further development of the CLSU and how ATCI could assist in these achievements. ATCI agreed to develop a Web-site based on the existing Leasepro.org site which was created and maintained by CIPA-EN to display the CLS exam results as well as to arrange publication of articles and advertising materials concerning the CLS Program and Union in relevant mass-media.

## **Credit Bureau/Credit Rating**

### ***Credit Bureau***

ATCI continued to provide on-going consultancy to ensure compliance with international standards of best practice during the development phase of a credit reporting system, and to provide advice to the overall market with respect to data sharing and the reduction of data fragmentation.

ATCI's area of focus remained in two basic areas: a) overall coordination of the market given the likelihood of data fragmentation and b) drafting regulations.

ATCI continues to interface on a regular basis with FNBBCH, IBCH, and other interested parties, including foreign credit bureau operators. Major highlights and accomplishments over the past quarter follow:

The Ministry of Justice as the state regulator of credit bureau activities is getting ready to conduct its first planned inspections (established by normative acts) of credit bureaus. Following the request by the General Manager of the "First All-Ukrainian Bureau of Credit Histories," and Vice President of the Association of Ukrainian Banks, the Ministry's inspection has been postponed for autumn due to changes in the bureaus' organization and legal form. ATCI expects to provide input as to the inspections should take place.

## ***Credit Rating***

ATCI met with its counterpart the Ukrainian Association of Investment Businesses. During the discussion, the problems in the ratings market were noted: no competition, the market is not transparent, and there is an acute need to change the legal requirement for mandatory ratings of issuers and issues of securities. Draft normative acts proposed earlier do not solve these problems effectively enough. All of this calls for the need to elaborate a new draft law. As a result, ATCI and UAIB agreed to pursue drafting a new law. First steps call for establishing a working group with participation of ATCI, involving specialists from S&P as outside consultants. IUB will inform ATCI as to who will be participating from UAIB. This was, however, one note of discord in arriving at a common position: ATCI and the major rating agencies do not agree on the use of a national scale mandated by the Cabinet of Ministers. To buttress ATCI's position and in order for UAIB to hear the arguments from a rating agency, both parties agreed to schedule a conference call with S&P to discuss the issue.

## **Gender**

ATCI conducted training activities in one of its four major components while striving for gender balance.

## **Other**

- ATCI COP CONDUCTS WEEKLY EDUCATIONAL AND DEVELOPMENTAL MEETINGS WITH DEPUTY MINISTER OF FINANCE AND HEAD OF DEPARTMENT OF PUBLIC DEBT TO DEVELOP DOMESTIC GOVERNMENT BOND MARKET

## **IV. PROJECT STAFFING – EXECUTIVE SUMMARY UKRAINE**

The following personnel were engaged in project activities this quarter:

- David Lucterhand, Chief of Party
- Rick Dvorin , Deputy Chief of Party/Senior Advisor
- Steve Moody, Senior Advisor, Mortgage
- Norman Flynn, IRPF consultant

## **V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY UKRAINE**

Deputy Chief of Party and Senior Advisor Barry Pitts resigns to become Chief of Party of the Capital Markets Project

ATCI COP finalized negotiations to reassign Rick Dvorin, Moldovan Country Director, to become Deputy Chief of Party, and to assign Steve Moody, ATCI Senior Advisor, to become ATCI Country Director in Moldova.

Due to massive inflation on 06 and 07, ATCI is requesting that USAID approve a 30% increase in base pay for local employees. The justification memo is being prepared. In addition to the 30% increase request, specific requests for additional salary increases are being prepared for Victoria Buchynska and Alina Chernomaz who currently daily rates are significantly below market.

### **LIST OF ATTACHMENTS – Executive Summary Ukraine**

NONE

## **B. MORTGAGE - Ukraine**

### **I. COMPONENT DESCRIPTION – MORTGAGE UKRAINE**

This Report provides details on the events and activities relating to the Mortgage Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from January 1 through March 31, 2008.

The primary purpose of the ATCI mortgage component is to develop the primary and secondary mortgage market with its associated infrastructure. Primary market development involves legal review and addressing legislative deficiencies, the use of standardized documentation for underwriting and loan servicing, certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending, and assessment of titling and all related processes. Development of the secondary market involves assistance to the newly formed state Mortgage Institution to become operational, development of national mortgage insurance as well as private, term life, and the structuring of mortgage-backed bonds with the appropriate legal environment for issuance. Associated market infrastructure involves appraisers, registration centers, real estate sales practitioners, and appropriate regulation.

While the credit bureau component is subordinated to the mortgage component, it is being treated as a stand alone for purposes of implementation.

### **II. SIGNIFICANT EVENTS – MORTGAGE UKRAINE**

- CABINET OF MINISTERS ORDERED JURISDICTION OF STATE MORTGAGE INSTITUTION TRANSFERRED TO THE MINISTRY OF FINANCE AND AN INCREASE STATUTORY CAPITAL BY 100 MILLION HRYVNIAS (USD20MLN).
- THE NATIONAL BANK OF UKRAINE APPROVES THE USE OF MORTGAGE BONDS AND BONDS ISSUED BY STATE MORTGAGE INSTITUTION AS VALID PLEDGE FOR REFINANCING
- NATIONAL BANK OF UKRAINE GRANTS PRIVILEGES TO BONDS OF STATE MORTGAGE INSTITUTION AND RESIDENTIAL MORTGAGE LOANS IN HRYVANIA WHEN CALCULATING REGULATORY CAPITAL ADEQUACY RATIO
- ATCI COMPLETES SURVEY FOR USE OF MORTGAGE-RELATED LIFE INSURANCE PRODUCTS WITH TOP 20 MORTGAGE LENDERS
- ATCI MAKES PROGRESS IN ACHIEVING MERGER OF ASSOCIATION OF REAL ESTATE SPECIALISTS AND UNION OF REAL ESTATE COMPANIES

### III. EXECUTIVE SUMMARY – MORTGAGE UKRAINE

To date, CML trained personnel now comprises ninety – eight certificate holders: forty-four per cent of whom are women. The number of banks whose personnel have been trained totals thirty-six. Discussions are underway with both the SMI and UNIA to determine how best to deliver the future courses. UNIA is revising the basic CML curriculum to include risk management for banks. ATCI and UNIA are planning for CML training to become sustainable as a program both technically and financially through UNIA. Consequently, the next training will be offered to UNIA membership on a fee paid basis.

ATCI CML lecturers from IUE will monitor the training to ensure compliance with ATCI standards and to ensure the CML body of knowledge is conveyed properly. CML certified trainers from UNIA, and the State Mortgage Institution (SMI) will deliver the lectures.

#### Primary and Secondary Mortgage Market

The USAID-funded Access to Credit Initiative Project (ATCI) and UNIA, Ukrainian National Mortgage Association invited mortgage lenders to a Round Table on "Mortgage Market in Ukraine: Development Threats and Problems." This was in response to recent moves by the National Bank of Ukraine's introduction of Regulation #458 which required higher capital adequacy ratios for assets lent for one year or longer in an attempt to shore up the banking system in light of on-going problems in the international capital markets.

Representatives of the NBU, State Mortgage Institution (SMI), other financial regulators, as well as chairmen of boards of over ten of the largest banks working in Ukraine, saw the increased capital adequacy ratios pertaining to mortgages as a threat to mortgage market development and discussed these threats entailed by the Regulation #458 as well as possible solutions. Shortly after the Round Table, the National Bank of Ukraine implemented Regulation #30 eliminating the effect of its earlier Regulation #458 that caused the uproar.

Accordingly, from April 4, 2008, banks can use mortgage bonds issued by SMI and residential mortgage loans with a 50% weighting when calculating regulatory capital adequacy. SMI state guaranteed bonds and the interest on them will have 0% weight.

#### Secondary Mortgage Market

##### *State Mortgage Institution (SMI)*

SMI carries on preparation work for issuing mortgage bonds that is complicated by continuous organizational transformations of the Institution itself. SMI conducted negotiations with prospective bond managers and required constant advisory support in the issues that are complex for perception in the Ukrainian market. In particular, they needed help in resolving problematic issues of bond manager access to primary information on mortgage cover and using for this purpose audit agreed procedure.

### *Pilot Issues*

ATCI has continued advisory assistance to Khreschatyk bank on its first mortgage covered bond issue. On the mortgage register side, ATCI continued to provide assistance to all involved services of the bank on establishing the form of the register of cover assets, calculations involved, and scrubbing the register. The bank is considering issuing a bond in a series with the first series to be issued in September 2008 in the amount of UAH 70 million.

ATCI also advised the bank to obtain a rating. Consequently, the bank approached international rating agencies in order to rate (a first in Ukraine) this domestic covered bond transaction. The selected rating agency is Fitch. ATCI continued to provide the necessary advisory help on both legal and financial sides as requested by the Bank to facilitate meeting with the Fitch analysts.

ATCI provided advice to Ukrsofsbank for its contemplated covered bond issuance. Ukrsofsbank is one of the largest mortgage lenders. Starting from the previous year it is considering a mortgage bond refinancing option. But recent change in the ownership of the bank slowed this process. In order to monitor preparedness for issuing mortgage bonds the bank's board of directors needed the advice from ATCI on the issuing possible problems, maturities and yields, compliance of the mortgage cover and other procedural and financial issues.

ATCI continued its work on draft amendments to the Mortgage Bond Law. ATCI met SSMSC's top officials and provided advice on specific amendments to new draft Mortgage Bond Law published by the SSMSC (agreed upon procedures, bond manager authority, etc) .

Jointly with the Audit Task Force under the SSMSC ATCI submitted draft amendments regarding agreed upon procedures to the SSMSC's 1528 Regulation on Audit Reports.

## Associated Market Infrastructure

### *Life Insurance Products*

ATCI conducted a survey and analyzed mortgage-related life insurance within the associated infrastructure for goals to protect and to aid (prospective) homeowners. ATCI conducted research polling 20 of the largest mortgage lending banks in order to determine what type (if any) of term life insurance they use. The analysis showed that term-life insurance is offered in 8 banks of the 20 banks polled. This means that the product of Term-Life Insurance is already developed in the market, but is not yet fully offered through the mortgage companies. In order to determine the effectiveness of these Term-Life Insurance policies, ATCI will analyze these specific policies to determine the benefits as well as exclusions as they relate to the insured's mortgage. This analysis shall be conducted during the next quarter. (See Attachment 1: G1 for survey results, Survey Results of Banks Offering (or Requiring) Life Insurance for Mortgages).

### *Appraisals and Real Estate Associations*

ATCI continued its efforts in leading the merger negotiations between the Association of Real Estate Specialists and the Union of Real Estate Companies. ATCI, in cooperation with the International Real Property Foundation brokered an agreement between the two largest real estate associations in Ukraine, thus uniting them after they were split. The signing of the Protocol took place on February 1<sup>st</sup>. It paves the way for a unified approach to certification and virtually eliminates the proposal of the VRU to the Certification Law. Progress made to date shows the merger possibility becoming a reality by mid 2008.

The Tax and Customs Policy Division of the Ministry of Finance is developing real estate appraising standards. ATCI provided UTO with the Division's contacts for further collaboration.

## IV. ADMINISTRATIVE ISSUES – MORTGAGE UKRAINE

NONE

## V. DESCRIPTION AND STATUS OF TASKS – MORTGAGE UKRAINE

### A. Certified Mortgage Lender Program

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. IUE review of CML training materials and methodology for applicability to Ukraine	<ul style="list-style-type: none"><li>• COMPLETED IN EARLIER QUARTER</li></ul>
2. Select candidates from banks and financial institutions engaged in mortgage lending	<ul style="list-style-type: none"><li>• COMPLETED IN EARLIER QUARTER</li></ul>
3. Develop and administer formal training program to financial institutions engaged in mortgage lending	<ul style="list-style-type: none"><li>• COMPLETED IN EARLIER QUARTER</li></ul>
4. Deliver a series of five CML courses (two	<ul style="list-style-type: none"><li>• COMPLETED IN EARLIER QUARTER</li></ul>

regional)	
5. Deliver one CML Train the Trainer course	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
6. Assessment of rural lending; titling, title registration, appraisal, and of basic element of profitable agricultural production units	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
7. Deliver one SMI course.	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
8. Deliver three regional CML courses for SSMSC	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
9. Select training provider	<ul style="list-style-type: none"> <li>CML TRAINING PROVIDER IS UNIA (UKRAINIAN NATIONAL MORTGAGE ASSOCIATION)</li> </ul>
10. Monitor training provider	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE UNTIL UNIA BEGINS TRAINING (NEXT QUARTER)</li> </ul>
11. Conduct CML courses through training provider	<ul style="list-style-type: none"> <li>CML COURSES THROUGH TRAINING PROVIDER TO BE INITIALLY CONDUCTED NEXT QUARTER</li> </ul>
12. Assist UNIA to become sustainable	<ul style="list-style-type: none"> <li>ATCI AND UNIA DISCUSS BUDGET; UNIA BUDGET SUBMITTED TO ATCI FOR CONSIDERATION; ATCI TO COMMIT TO FINANCIAL SUPPORT FOR UNIA (NEXT QUARTER) THROUGH END 2008</li> </ul>
13. Assist SMI to become an operational liquidity facility	<ul style="list-style-type: none"> <li>ADVISED SMI ON RESOLVING PROBLEMATIC ISSUES OF BOND MANAGER ACCESS TO PRIMARY INFORMATION ON MORTGAGE COVER AND USING FOR THIS PURPOSE AUDIT AGREED PROCEDURE</li> </ul>

#### B. Assistance to banks

1. Standardize rules and procedures for retail mortgage lending in Ukraine	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
2. Select candidate banks and financial institutions for on-site assistance	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
3. Provide on-site technical assistance	<ul style="list-style-type: none"> <li>PROVIDED TECHNICAL ASSISTANCE TO KHRESCHATYK BANK LOAN DEPARTMENT OFFICERS ON DEVELOPING AND USE OF SOFTWARE FOR CALCULATING MORTGAGE LOAN CASH FLOWS</li> <li>ADVISED KHRESCHATYK BANK ON FILLING IN MORTGAGE COVER REPORT REQUIRED BY THE SSMSC</li> <li>COMPILED AND PROVIDED TO UKRSIBBANK REPORTING FORMS NECESSARY TO SUBMIT TO THE SSMSC ON A MORTGAGE BOND ISSUE</li> </ul>

#### C. Home Loan Guarantee

1. Analyze market for existing mortgage insurance practice	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
2. Sources government sponsor	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>

3. Assess legal and regulatory framework	• NO ACTIVITY ON THIS ISSUE.
4. Complete feasibility study	• NO ACTIVITY ON THIS ISSUE.
5. Complete business plan	• NO ACTIVITY ON THIS ISSUE.
6. Assist in operational set-up of guarantee facility	• NO ACTIVITY ON THIS ISSUE.
a) Draft master policy	• NO ACTIVITY ON THIS ISSUE.
b) Determine actuarially sound rates and draft rate table	• NO ACTIVITY ON THIS ISSUE.
c) Complete operational forms	• NO ACTIVITY ON THIS ISSUE.
d) Complete organizational planning	• NO ACTIVITY ON THIS ISSUE.
7. Provide on-site technical assistance to facility	• NO ACTIVITY ON THIS ISSUE.
8. Promote the use of private mortgage insurance	• NO ACTIVITY ON THIS ISSUE.

#### D. Life Insurance Products

1. Analyze insurance and mortgage markets for existing products/practices	• ANALYZED MORTGAGE MARKET FOR EXISTING TERM-LIFE INSURANCE PRODUCTS/PRACTICES
2. Assess legal and regulatory framework	• EXISTING LEGAL AND REGULATORY FRAMEWORK FOR INSURANCE PRODUCTS IS ACCEPTABLE
3. Analyze insurance products related to mortgages to determine necessity for certain activities below, 4-9	• CONDUCTED RESEARCH (POLLING) OF 20 LARGEST MORTGAGE LENDING BANKS IN ORDER TO FIND OUT WHAT TYPE OF INSURANCE (IF ANY) THEY USE; MORE DETAILED ANALYSIS TO BE CONDUCTED NEXT QUARTER
4. Assess existing actuarial data (mortality tables)	• NO ACTIVITY ON THIS ISSUE
5. Select candidate insurers	• NO ACTIVITY ON THIS ISSUE
6. Develop term sheet and rate structure	• NO ACTIVITY ON THIS ISSUE
7. Draft product policy	• NO ACTIVITY ON THIS ISSUE
8. Conduct road show with mortgage lending banks and financial institutions	• NO ACTIVITY ON THIS ISSUE
9. Launch product	• NO ACTIVITY ON THIS ISSUE

#### E. Appraisers/Brokers Associations

1. Needs assessment of UAR and appraisal organizations	• COMPLETED IN EARLIER QUARTER
2. Facilitate development and use of unified methodology for certification of real estate practitioners between UAREP and Union of Real Estate Companies (UARC)	• N/A THIS QUARTER
3. Work with UAREP and UARC on adapting Russian Guild of Realtors' training or other appropriate standards	• N/A THIS QUARTER
4. Adapt and implement IVSC standards for appraisers through Ukrainian Association of Appraisers (UTO)	• IDENTIFIED THE DEPARTMENT IN THE MINISTRY OF FINANCE RESPONSIBLE FOR DRAFTING REAL ESTATE APPRAISING STANDARDS AND

	PROVIDED UTO WITH THE CONTACTS FOR FURTHER COLLABORATION
5. Organize study tours if appropriate	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
6. Price transaction database - establish multiple listing service (MLS)	<ul style="list-style-type: none"> <li>NO ACTIVITY THIS QUARTER</li> </ul>

#### F. Mortgage-backed Securities

1. Establish Legal Working Group to assess legal basis and regulatory framework	<ul style="list-style-type: none"> <li>ESTABLISHED LEGAL WORKING GROUP JOINTLY WITH THE AUDIT TASK FORCE UNDER THE SSMSC AND ATCI</li> </ul>
a) Pledge Law--multiple pledgees	COMPLETED
b) Bankruptcy Statutes--pledge excluded from bankruptcy estate	COMPLETED
c) Trust Law--bondholder representative	<ul style="list-style-type: none"> <li>SUBMITTED DRAFT AMENDMENTS REGARDING AGREED UPON PROCEDURES TO THE SSMSC 1528 REGULATION ON AUDIT REPORTS</li> </ul>
2. Select candidate issuer(s)	<ul style="list-style-type: none"> <li>COMPLETED IN EARLIER QUARTER</li> </ul>
3. Draft and introduce new amendments to covered bond law	<ul style="list-style-type: none"> <li>PROVIDED ADVICE TO SSMSC ON SPECIFIC AMENDMENTS TO NEW DRAFT MORTGAGE BOND LAW (AGREED UPON PROCEDURES, BOND MANAGER AUTHORITY, ETC)</li> </ul>
4. Conduct educational seminars on covered bonds and adoption of amendments	<ul style="list-style-type: none"> <li>N/A</li> </ul>
6. Develop standardized indenture	<ul style="list-style-type: none"> <li>N/A</li> </ul>
7. Draft investment memorandum	<ul style="list-style-type: none"> <li>N/A</li> </ul>
8. Registration and Listing	<ul style="list-style-type: none"> <li>N/A</li> </ul>
9. Identify potential investors	<ul style="list-style-type: none"> <li>ATCI CONTINUED TO IDENTIFY POTENTIAL INVESTORS</li> </ul>
10. Conduct "road show"	<ul style="list-style-type: none"> <li>N/A</li> </ul>
11. Price and place issue	<ul style="list-style-type: none"> <li>ADVISED KHRESCHATYK BANK ON THE BOND COUPON SIZE FOR THE DRAFT MORTGAGE BOND ISSUE PROSPECTUS</li> </ul>
12. Convey issuance technology through educational seminars / articles / media event	<ul style="list-style-type: none"> <li>N/A</li> </ul>

#### LIST OF ATTACHMENTS

**ATTACHMENT 1:** Survey Results of Banks Offering (or Requiring) Life Insurance for Mortgages

## **C. FIXED INCOME – Ukraine**

### **I. COMPONENT DESCRIPTION – FIXED INCOME UKRAINE**

This Report provides details on the events and activities relating to the Fixed Income Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from January 1 through March 31, 2008.

The objective of the fixed income component is to expand the availability of capital to borrowers as an alternative to bank financing. Experience in developing such markets in other countries has demonstrated that corporate bonds and other fixed income instruments can offer borrower's longer-term financing at lower cost when compared to the lending practices of most banks. In fact, most banking systems rely on short-term deposits to fund loans and are comfortable with only lending working capital to businesses. While the universe of fixed-income instruments is vast, ATCI is concentrating on identifying corporations with sufficient means and inclination to issue corporate bonds. Municipal bonds, mortgage-backed bonds, and the securitization of other asset pools are expected once enabling legislation is passed. Specific objectives include issuing at least one pilot for each type of bond. Since most government securities are viewed by investors as being the least risky and frequently are used as a benchmark for pricing other debt securities issued in the market, related objectives include working with the GOU and GOM to develop longer-term Treasury securities for construction of a long-term Government yield curve. In Moldova, ATCI will concentrate on developing a corporate debt market with the specific objective of at least three pilot corporate issues and longer - dated maturities.

### **II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – FIXED INCOME UKRAINE**

- ATCI COP CONDUCTS WEEKLY EDUCATIONAL AND DEVELOPMENTAL MEETINGS WITH DEPUTY MINISTER OF FINANCE AND HEAD OF DEPARTMENT OF PUBLIC DEBT TO DEVELOP DOMESTIC GOVERNMENT BOND MARKET
- MINISTRY OF FINANCE DEVELOPS A CONCEPT OF DOMESTIC GOVERNMENT SECURITIES MARKET DEVELOPMENT FOR 2008-2011
- MINISTRY OF FINANCE PUBLISHED SCHEDULE OF PLACING GOVERNMENT BONDS IN THE FIRST QUARTER OF 2008
- CURRENCY EXCHANGE TAX REDUCED FROM 1% TO 0.5%
- MINISTER OF FINANCE CONSIDERS THE SECURITIZATION OF ITS UAH 5 BLN HRYVNIA DENOMINATED DEBT TO THE NATIONAL BANK
- LEASE IT SECURITIZED ITS LEASING PORTFOLIO THROUGH LEASE IT SPV BOND ISSUE ATCI ASSISTS LEASE IT IN SALE OF ITS CORPORATE BOND

### III. EXECUTIVE SUMMARY – FIXED INCOME UKRAINE

To develop a long-term government yield curve for Ukraine, ATCI cooperated with the Mr. Vysotskyi, Head of Debt Management Department at the Ministry of Finance to host a debt management forum. The program was designed to explore what steps the Government of Ukraine should take to manage its debt requirements efficiently; to examine the role *domestic* government debt markets play in efficient capital allocation; to analyze the institutional framework requisite for market development such as the role of primary dealers, use of pre-announced auction calendars, development of a debt management strategy, mitigation of risk in debt management, establishing a debt management office (DMO) and comparisons to how debt management offices (DMOs) are organized and work in other countries. To analyze what has worked in other countries facing similar circumstances and what has not. The Forum explored the practical aspects of formulating a debt management strategy and necessary elements for successful development of the primary and secondary market in government securities; the use and role of re-purchase agreements in contributing to market liquidity; and what changes to the legal framework might be necessary for use by senior leadership when framing policy choices for adopting a plan of action that leads toward development of a liquid domestic Government securities market in Ukraine.

ATCI met Mr. Lytvyn, Deputy Minister of Finance, and discussed the importance of development of government securities market. Several days before the meeting, Mr Lytvyn expressed his views on the issue in a newspaper article, which ATCI obtained and read as background for the meeting (*see Attachment 4*). Lytvyn's position on the market development corresponded to the agenda produced by the forum on government debt last year. During the scheduled meeting ATCI and the Ministry of Finance officials ascertained common points of view and decided to meet on a regular basis for further discussions. Following ATCI recommendations, the Ministry of Finance published calendar of government bond auctions and developed a concept of domestic government securities market development for 2008-2011.

Currency exchange tax was reduced from 1% to 0.5% and now the government is considering abolishing the tax completely.

### IV. ADMINISTRATIVE ISSUES – FIXED INCOME UKRAINE

NONE

### V. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME UKRAINE

#### A. Regulatory reform

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Focus on transparency and disclosure regulations at SSMSC	<ul style="list-style-type: none"><li>STARTING FROM FEBRUARY 1, 2008, STATE SECURITIES AND STOCK MARKET COMMISSION REQUIRED STOCK EXCHANGES TO SUBMIT MONTHLY REPORTS ON ACTUALLY EXECUTED DEALS</li></ul>

2. Present round table with Association of Investment Businesses to eliminate mandatory ratings	<ul style="list-style-type: none"> <li>• ATCI AND AIB PLAN TO HOLD ROUNDTABLE AFTER A SERIES OF MEETINGS FOR DISCUSSIONS AND DRAFTING OF NEW RATINGS LAW</li> </ul>
3. Draft regulations on rating agencies	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE. DRAFTING WILL TAKE PLACE EARLY IN NEXT QUARTER</li> </ul>
4. Participate in the working groups to amend pledge and bankruptcy laws / draft legislation to enable the use of trust	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>

### **B. Assist GOU and NBU in constructing a long-term government yield curve in Ukraine**

1. Asses status of Treasury debt market and impediment to development	<ul style="list-style-type: none"> <li>• MONITORED VOLUMES, BID/ASK SPREADS AND YIELDS IN PRIMARY AND SECONDARY TREASURY DEBT MARKET</li> <li>• MONITORED CHANGES IN THE GOVERNMENT POLICY AND COMMITMENTS REGARDING THE TREASURY DEBT MARKET (PUBLICATION OF ISSUANCE SCHEDULE (ATTACHMENT 2), ANNOUNCEMENTS ON YIELD AND DURATION POLICIES, DEBT MANAGEMENT STRATEGY, INTRODUCTION OF THE PRIMARY DEALER SYSTEM).</li> </ul>
a) Propose structure for development of Government Securities market	<ul style="list-style-type: none"> <li>• MONITORED GOVERNMENT AND NBU POLICIES AND REGULATIONS ON CHANGES IN THE POLICY OF DEVELOPING FINANCIAL MARKETS.</li> <li>• ATCI STARTED REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE RE: ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO MARKET ALONG WITH PRIMARY DEALERS</li> </ul>
b) Propose benchmark issues for construction of medium and long term Yield Curve	<ul style="list-style-type: none"> <li>• KIEVPRIME BENCHMARK INTERBANK OFFER RATE BECAME PUBLICLY AVAILABLE ON CBONDS.INFO</li> <li>• MONITORED VOLUMES AND TERM STRUCTURE OF OUTSTANDING STOCK EXCHANGE-LISTED ISSUES OF THE GOVERNMENT SECURITIES</li> <li>• MONITORED LISTING STATUS OF THE GOVERNMENT SECURITIES IN CIRCULATION.</li> </ul>
c) Expand investor base in Government Securities	<ul style="list-style-type: none"> <li>• MONITORED CHANGES IN LEGISLATION THAT ALLOW INSTITUTIONAL INVESTORS, I.E., STATE DEPOSIT INSURANCE FUND, TO INVEST MORE IN GOVERNMENT SECURITIES AND ESTABLISHING OF NEW PROSPECTIVE INSTITUTIONAL INVESTORS IN GOVERNMENT SECURITIES (PENSION ACCUMULATION FUND, INVESTOR'S GUARANTEE FUND)</li> <li>• PREPARED A REPORT ON THE SIZES OF MUTUAL FUNDS', NON-GOVERNMENT PENSION FUNDS' AND INSURANCE COMPANIES' MARKETS (ATTACHMENT 3)</li> </ul>

	<ul style="list-style-type: none"> <li>• DEPUTY HEAD OF PRESIDENTIAL SECRETARIAT APPEALED TO INCLUDE INDIVIDUALS IN GOVERNMENT BONDS INVESTOR BASE TO HELP FINANCE EURO-2012</li> <li>• THE MINISTRY OF FINANCE SUGGESTED TO INCREASE ANNUAL CONTRIBUTIONS TO THE STATE DEPOSIT GUARANTEE FUND</li> </ul>
<b>2. Assist in design of a functioning primary dealer and repo market</b>	<ul style="list-style-type: none"> <li>• ATCI INITIATED REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE PLUS OTHER DONOR CONSULTANTS RE ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO MARKET ALONG WITH PRIMARY DEALERS</li> <li>• IDENTIFIED MINISTRY OF FINANCE PUBLIC COMMITMENT TO LAUNCH PRIMARY DEALERS SYSTEM IN MAY-JUNE 2008.</li> </ul>
<b>a) Prepare standard rules for repo market activities including standardized repo agreement</b>	<ul style="list-style-type: none"> <li>• STUDIED NBU'S REGULATIONS AND MODEL AGREEMENTS ON REPO/REVERSE REPO</li> <li>• STUDIED CBR REGULATIONS AND MODEL AGREEMENTS ON REPO/REVERSE REPO</li> <li>• ANALYZED THE CURRENT STATE AND VOLUMES OF NBU'S REPO AND REVERSE REPO MARKET AS WELL AS INTERBANK REPO MARKET.</li> <li>• ATCI PLANS TO UTILIZE STTA EXPERT IN DEVELOPMENT OF REPO/REVERSE REPO MARKET AND ESTABLISHMENT OF PRIMARY DEALERS NEXT QUARTER</li> </ul>
<b>b) Design REPO and reverse REPO market</b>	<ul style="list-style-type: none"> <li>• NBU AMENDED ITS MODEL REPO AGREEMENT BY REQUIRING TO BLOCK SECURITIES ON THE BUYER'S ACCOUNT INSTEAD OF THE SELLER'S ACCOUNT</li> <li>• NBU AND ABOUT 20 COMMERCIAL BANKS SIGNED CONSTITUENT AGREEMENT ON ESTABLISHING CENTRAL DEPOSITORY INSTITUTION</li> <li>• ANALYZED REPO / REVERSE REPO MARKET VOLUMES IN HUNGARY</li> </ul>
<b>c) Define activities of Primary Dealers</b>	<ul style="list-style-type: none"> <li>• STUDIED AND DISCUSSED IN WEEKLY MEETINGS WITH MINISTRY OF FINANCE INTERNATIONAL PRACTICES OF DEFINING ACTIVITIES OF PRIMARY DEALERS AND DEVELOPMENT OF RESPECTIVE INSTITUTIONAL FRAMEWORK (IMF WORKING PAPER "PRIMARY DEALERS IN GOVERNMENT SECURITIES: POLICY ISSUES AND SELECTED COUNTRIES' EXPERIENCE", 2003)</li> <li>• ATCI STARTED REGULAR MEETINGS WITH DEPUTY MINISTER OF FINANCE RE ESTABLISHMENT OF A YIELD CURVE, REGULAR ISSUANCES, ISSUANCE OF BENCHMARK GOVERNMENT DEBT SECURITIES, DEVELOPMENT OF REPO/REVERSE REPO</li> </ul>

	MARKET ALONG WITH PRIMARY DEALERS
<b>d) Development of dealer institutional framework</b>	<ul style="list-style-type: none"> <li>MONITORED LIQUIDITY AND STATUS OF ORGANIZED TRADING MARKETS AND THE PROCESS OF EMERGENCE AND DEVELOPMENT OF NEW EXCHANGES (REGISTRATION OF NEW STOCK EXCHANGES, REORGANIZATION OF INFORMATION AND TRADING SYSTEMS INTO STOCK EXCHANGES, CHANGES IN OWNERSHIP OF STOCK EXCHANGES AND LEGAL FORMAT, PROSPECTS OF INTERNATIONAL EXCHANGES TO ENTER THE MARKET)</li> </ul>

## LIST OF ATTACHMENTS – FIXED INCOME UKRAINE

**ATTACHMENT 2:** Pre-announced government bond auction calendar.

**ATTACHMENT 3:** Mutual funds, Insurance companies, and Non-governmental Pension funds Markets.

**ATTACHMENT 4:** Interview of Mr. Lytvyn, Deputy Minister of Finance, to E-Izvestia newspaper.

## **D. MUNICIPAL - Ukraine**

### **I. COMPONENT DESCRIPTION – MUNICIPAL UKRAINE**

This Report provides details on the events and activities relating to the Municipal Component of the USAID Access to Credit Initiative, as implemented by The Pragma Corporation, during the period from January 1 through March 31, 2008.

The municipal finance program of the Access to Credit Initiative helps cities and communal service enterprises issue long-term bonds for essential infrastructure. The program is also promoting the development of a municipal finance facility in Ukraine.

Technical assistance from the program's team of Ukrainian and international experts in finance, accounting, and law will enable at least three municipalities or communal enterprises to issue bonds. The pilot bonds will demonstrate practices that creditworthy issuers employ to win investor confidence, such as transparent accounts, full disclosure, and financing capital projects that "pay for themselves" with cost savings.

Pilot bonds will disclose legal and regulatory obstacles to bond issuance. The bond program will develop solutions and advocate for their enactment. Legal goals include promotion of stable, predictable central government transfers to municipalities, greater fiscal autonomy for cities, and full-cost recovery tariffs for utility companies.

Creditworthiness assessments and legal preparations for pilot bonds will inform the development of a viable, self-sustaining municipal finance facility that raises funds in the capital markets and on-lends them to creditworthy cities and utilities.

Key counterpart organizations supporting the bond program are the Association of Ukrainian Cities, the Ministry of Housing and Communal Economy, Ministry of Finance, Ministry of Economy, Ministry of Construction and Regional Development.

### **II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – MUNICIPAL UKRAINE**

- ADVISED THE CITY OF LVIV ON UAH 200 MLN. BOND ISSUANCE SCHEDULE, DEBT LIMIT, DOCUMENTATION FOR THE MINISTRY OF FINANCE APPROVAL, BOND STRUCTURING AND PRICING.
- RECEIVED A LETTER FROM "UKREXIMSTRAKH" FINANCIAL HOLDING (PRIVATE SECTOR) CONFIRMING ITS COMMITMENT TO INVEST IN THE AUTHORIZED CAPITAL OF THE OPEN JOINT-STOCK COMPANY "MUNICIPAL FINANCE FACILITY", PROVIDED SUCH INVESTMENT IS MATCHED BY INTERNATIONAL FINANCIAL INSTITUTIONS AT A RATIO OF 1:9
- PROVIDED COMMENTS TO THE DRAFT LAW "ON CREATING ORGANIZATIONAL AND LEGAL FRAMEWORK TO ATTRACT INVESTMENTS FOR PREPARING AND CONDUCTING THE FINAL STAGE OF THE EURO 2012 FOOTBALL CHAMPIONSHIP IN UKRAINE"

### III. EXECUTIVE SUMMARY – MUNICIPAL UKRAINE

ATCI commenced a study of the creditworthiness of cities in 2004-2007. The aim of the study is to determine whether creditworthiness had increased for Ukrainian cities since ATCI began its screening and pilot issues. The research would be extensively based on Association of Ukrainian Cities / Association of Financiers of Ukraine publication "Financial Performance of Cities". Since 2004-2006 data is available, the analysis will cover this period. As soon as complete 2007 data is published, the analysis will be extended to 2004-2007.

#### Pilot cities

##### Lviv

Lviv UAH 92 mln. bond (Series A and B) was included into PFTS exchange second tier listing.

##### Berdyansk

Berdyansk UAH 10 mln. bond was included into PFTS exchange second tier listing.

##### Lugansk

Lugansk UAH 29.3 mln. bond (Series A and B) was included into PFTS exchange second tier listing.

#### Other cities

City of Lviv requested ATCI to assist on UAH 200 mln., 5y bond issuance for financing Euro 2012 Football Championship infrastructure. ATCI advised the city on issuance schedule, debt limit, documentation for the Ministry of Finance approval, bond structuring and pricing. The city submitted documents to the Ministry of Finance.

ATCI advised cities of Energodar and Melitopol on general legal and financial issues as well as roadmap of municipal bond issuance on their request. Energodar (pop. 54K) is considering UAH 10-20 mln., 5y bond for housing modernization and heating supply reconstruction. Melitopol (pop. 160K) is discussing UAH 5-10 mln, 5y bond for purchase and modernization of municipal transport.

#### MFF

1. ATCI summarized legal issues, currently affecting cities and communal services enterprises creditworthiness and MFF activities (*see Attachment 7*).

Following meetings with counterparts (AUC, IBSER, SAll), ATCI started drafting Law On Local Borrowing and Local Guarantees which would include section on Municipal Finance Facility. The Law is supposed to eliminate existing legal obstacles for making local borrowings and guarantees as well as to ensure MFF creation and effective activities.

2. Following meeting with the Chairman of the Board of ‘Ukreximstrakh’ Financial Holding”, ATCI received a letter from this company confirming its commitment to invest up to UAH 500 million in the authorized capital of the Open Joint-Stock Company “Municipal Finance Facility,” provided such investment is matched by international financial institutions (in particular, the European Bank for Reconstruction and Development, the World Bank, the International Finance Corporation) at the ratio of 1:9 (see Attachment 8).

To establish the above Facility, the “Ukreximstrakh” Financial Holding” confirmed its commitment to initially invest UAH 50 million in the authorized capital of the MFF, provided the international financial institutions invest at least UAH 450 million at the same time. This would be considered a ‘good faith deposit’ on behalf of the “Ukreximstrakh” Financial Holding” to get the MFF started. ATCI helped Ukreximstrakh find a partner (or partners) for this venture, in addition to sending this commitment letter to the Deputy Finance Minister Mr. Lytvyn for his acknowledgement and comments.

3. Following a meeting with USAID and ATCI, the State Agency for Investments and Innovations officially submitted a letter supporting and justifying MFF creation to the Ministry of Finance (see Attachment 9).

4. ATCI provided comments to the Draft Law “On Creating Organizational and Legal Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine” (see Attachment 5).

Although the draft Law does not contain direct provisions with regard to the MFF, it provides the legal grounds for creating the MFF as an investment project by way of: i) directing funds from the state budget under the Law of Ukraine on the State Budget for a corresponding year; ii) regulating the implementation of investment projects by economic entities. ATCI concern was that MFF initial capital worth UAH 100 million, recommended by the ATCI, will be accumulating during four years.

Also the draft Law needs to be put in line with the current legislation of Ukraine.

5. At Deputy Minister of Economy Ms. Slyusarenko’s request, ATCI drafted and submitted to the Ministry of Economy a Budget Application Form requesting budget funding for MFF initial capital worth UAH 100 million within the framework of the National Program on Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine (see Attachment 6).

### **Workshops and public education**

ATCI met with AUC Vice-President Mr. Pitsyk and Head of AUC Sustainable Development Department Mr. Morev on arrangement workshops on transferring methodology on bond issuance to cities. Agreed to conduct four workshops in three regions and city of Kyiv (two workshops in 2008 and two ones in 2009). The best option would be a “tandem” approach – ATCI would join appropriate AUC event (with municipal economic and financial officials in attendance).

### **Plan of Action**

1. Continue efforts to establish the MFF on the Cabinet of Ministers level.
2. Identify a senior official from the Government who can serve as champion to promote establishment of a municipal finance facility.
3. Collaborate with other donors, IFIs, and private investors on establishment of the MFF in Ukraine.
4. Develop strategy for future municipal finance activities, depending on response from the State on creation of a municipal finance facility.
5. Develop draft legislation, which would eliminate obstacles and ensure MFF creation and effective activities.
6. Continue advisory help on bond issuance to other Ukrainian municipalities, in particular the city of Lviv, at their requests.
7. Collaborate with the World Bank on a set of reforms to further develop Ukraine's sub national debt market.
8. Run workshops on debt issuance and associated issues, in particular in collaboration with the AUC.

#### **IV. ADMINISTRATIVE ISSUES – MUNICIPAL UKRAINE**

NONE

## V. DESCRIPTION AND STATUS OF TASKS – MUNICIPAL UKRAINE

### A. Constraints to Bond Issuance

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Monitor GOU intergov't finance practices for credit risks	<ul style="list-style-type: none"> <li>STARTED A STUDY OF CITIES' CREDITWORTHINESS IN 2004-2007 TO FIND OUT WHETHER OR NOT CREDITWORTHINESS HAD INCREASED FOR UKRAINIAN CITIES SINCE ATCI BEGAN ITS SCREENING AND PILOT ISSUES</li> </ul>
2. Participate in Drafting on Law on Local Borrowing	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> <li>[Note – this item concerns ATCI participation in MinFin working group in 2005-2006.</li> </ul>
3. Assemble Legal Task Force for Municipal Issuance	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
4. Develop a roadmap for bond issuance by municipalities	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
5. A ST Advisor will investigate other legal and economic issues	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>

### B. Prepare and Issue Pilot Bonds

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation of pilot	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
2. Implementation	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
3. Berdyansk--Pilot Bond Development	<ul style="list-style-type: none"> <li>BERDYANSK UAH 10 MLN. BOND WAS INCLUDED INTO PFTS EXCHANGE SECOND TIER LISTING</li> </ul>
4. Korosten-Pilot Bond Development	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
5. Cherkasy--Re-evaluate for Pilot Bond	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
6. Select, evaluate, prepare 2 new Pilot Bond Cities/Utilities	<ul style="list-style-type: none"> <li>NO ACTIVITY ON THIS ISSUE.</li> </ul>
7. Luhansk	<ul style="list-style-type: none"> <li>LUGANSK UAH 29.3 MLN. BOND (SERIES A AND B) WAS INCLUDED INTO PFTS EXCHANGE SECOND TIER LISTING</li> </ul>
8. L'viv	<ul style="list-style-type: none"> <li>LVIV UAH 92 MLN. BOND (SERIES A AND B) WAS INCLUDED INTO PFTS EXCHANGE SECOND TIER LISTING</li> </ul>

<p><b>9. Assist other municipalities upon request</b></p>	<ul style="list-style-type: none"> <li>• ADVISED THE CITY OF LVIV ON UAH 200 MLN. BOND ISSUANCE SCHEDULE, DEBT LIMIT, DOCUMENTATION FOR THE MINISTRY OF FINANCE APPROVAL, BOND STRUCTURING AND PRICING</li> <li>• ADVISED CITIES OF ENERODAR AND MELITOPOL ON GENERAL LEGAL AND FINANCIAL ISSUES AS WELL AS ROADMAP OF MUNICIPAL BOND ISSUANCE</li> </ul>
---	---

### C. Pooled Finance Facility (Municipal Finance Facility)

Defined Activity	Progress Made During Quarter/Proposed Future Actions
<p><b>1. Pooled Finance Conference and Development</b></p>	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
<p><b>2. Develop legislative basis for establishment of MFF</b></p>	<ul style="list-style-type: none"> <li>• SUMMARIZED LEGAL ISSUES, CURRENTLY AFFECTING CITIES AND COMMUNAL SERVICES ENTERPRISES CREDITWORTHINESS AND MFF ACTIVITIES</li> <li>• STARTED DRAFTING LAW ON LOCAL BORROWING AND LOCAL GUARANTEES WHICH WOULD INCLUDE SECTION ON MUNICIPAL FINANCE FACILITY</li> </ul>
<p><b>3. Cooperate with IBSER and AUC to present round tables on Laws on Local Borrowing and MFF</b></p>	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
<p><b>4. Secure GOU/private financing for MFF</b></p>	<ul style="list-style-type: none"> <li>• RECEIVED A LETTER FROM "UKREXIMSTRAKH" FINANCIAL HOLDING CONFIRMING ITS COMMITMENT TO INVEST IN THE AUTHORIZED CAPITAL OF THE OPEN JOINT-STOCK COMPANY "MUNICIPAL FINANCE FACILITY", PROVIDED SUCH INVESTMENT IS MATCHED BY INTERNATIONAL FINANCIAL (DONOR) INSTITUTIONS</li> <li>• FOLLOWING MEETING WITH USAID AND ATCI, THE STATE AGENCY FOR INVESTMENTS AND INNOVATIONS OFFICIALLY SUBMITTED A LETTER SUPPORTING AND JUSTIFYING MFF CREATION TO THE MINISTRY OF FINANCE</li> <li>• PROVIDED COMMENTS TO THE DRAFT LAW "ON CREATING ORGANIZATIONAL AND LEGAL FRAMEWORK TO ATTRACT INVESTMENTS FOR PREPARING AND CONDUCTING THE FINAL STAGE OF THE EURO 2012 FOOTBALL CHAMPIONSHIP IN UKRAINE"</li> <li>• DRAFTED A BUDGET APPLICATION FORM REQUESTING BUDGET FUNDING FOR MFF INITIAL CAPITAL</li> </ul>
<p><b>5. Development of business plan</b></p>	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
<p><b>a) Development of implementing regulations</b></p>	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
<p><b>b) Development of legal</b></p>	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>

and operating documents	
6. Develop operational policies	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
7. Financial product development	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
8. Develop credit enhancements	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>
9. Provide technical support for operational start-up and pilot issue	<ul style="list-style-type: none"> <li>• NO ACTIVITY ON THIS ISSUE.</li> </ul>

#### D. Training and Dissemination

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Present workshop with AUC on bond issuance for cities <800k pop; transfer of methodology to cities through AUC	<ul style="list-style-type: none"> <li>• AGREED WITH AUC TO CONDUCT FOUR WORKSHOPS IN THREE REGIONS AND CITY OF KYIV (TWO WORKSHOPS IN 2008 AND TWO IN 2009).</li> </ul>

#### LIST OF ATTACHMENTS

- ATTACHMENT 5:** ATCI comments to the Draft Law "On Creating Organizational and Legal Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine".
- ATTACHMENT 6:** Draft Budget Application Form.
- ATTACHMENT 7:** Legal Issues Affecting Cities and Communal Services Enterprises Creditworthiness and MFF Activities.
- ATTACHMENT 8:** Copy of letter from "Ukreximstrakh" Financial Holding
- ATTACHMENT 9:** Copy of SAI letters to the Ministry of Finance

## **E. LEASING – Ukraine**

### **I. COMPONENT DESCRIPTION – LEASING UKRAINE**

This report details events and activities relating to the Leasing Component of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from January 1 through March 31, 2008.

The primary purpose of the Leasing Component is not only to create a supportive environment for modern financial leasing but to provide specific technical, advisory, and training assistance in order to increase access to credit throughout Ukraine. Leasing can be an efficient alternative to bank credit for financing acquisition of fixed assets, and can often complement bank credit allowing a company to increase its access to needed credit availability.

ATCI will aim to strengthen existing leasing companies. Capacity building will consist of training and consulting for lessors, lessees, farmers, regulators, and other interested parties, such as equipment vendors and banks. ATCI will seek potential foreign and local investors, interested in investing in Ukraine's leasing industry, and assist them in their evaluation of specific opportunities. ATCI will continue to conduct public awareness efforts, alone and in conjunction with local business groups and other international donor agencies, directed at potential lessees and equipment vendors as well as the media, in order to help familiarize Ukraine's business community with how leasing works, as well as how businesses and farmers can successfully use leasing.

The Leasing Component will facilitate the increase the number of professionals available to work in Ukraine's leasing industry, as well as increase their professional knowledge and standing, by introducing the Certified Leasing Specialist Program (CLS), a designation for market participants so that they may attain world standards of practice.

ATCI will continue to promote reform of the legislative and regulatory framework for leasing, as well as tax incentives to promote capital spending and plant modernization, to facilitate industry development and entry of foreign capital into the market.

### **II. SIGNIFICANT EVENTS – LEASING UKRAINE**

- USING GOVERNMENT DATA, ATCI HAS DETERMINED THAT THE "PENETRATION RATE," DEFINED AS THE PERCENTAGE OF CAPITAL EQUIPMENT FINANCED THROUGH LEASING, HAS INCREASED FROM 0.09%, IN 2004 WHEN THE PROJECT STARTED, TO 3.9% IN 2006 TO 9.2% IN 2007.
- ATCI HELD AN AWARDS CEREMONY FOR 16 NEWLY CERTIFIED LEASING SPECIALISTS WHO PASSED ALL 3 EXAMS GIVEN IN NOVEMBER, 2007.

- THE 2<sup>ND</sup> GENERAL MEETING OF THE CERTIFIED LEASE SPECIALISTS UNION TOOK PLACE TARGETING NEW MEMBERS, AMENDING CONDITIONS FOR CLS CANDIDATES AS WELL AS CLS TRAINERS AND DEFINING MAIN DIRECTIONS OF THE UNION'S ACTIVITIES FOR 2008.
- ATCI HAS COMPLETED REVIEWING, UPDATING AND IMPROVING THE BODY OF KNOWLEDGE AND EXAM QUESTIONS DATABASE OF CLS PROGRAM IN COOPERATION WITH THE TRAINING PROVIDER "KOMPAS" AS WELL AS CLS PROGRAM TRAINERS,
- 25 INDIVIDUALS TOOK CLS TRAINING OFFERED BY KOMPAS, SINCE THE LAUNCHING OF CLS PROGRAM IN MID-2006 A TOTAL OF 166 PEOPLE PARTICIPATED IN THE TRAINING (NEARLY 10% OF ALL EMPLOYED IN LEASING IN UKRAINE) INCLUDING 115 PEOPLE BEING PREPARED FOR THE CERTIFICATION EXAMS BY THE TRAINING PROVIDER "KOMPAS". TOTAL NUMBER OF CERTIFIED LEASE SPECIALISTS AS OF APRIL 1, 2008 IS 67 PEOPLE (35 WOMEN, 32 MEN) WHO ARE EMPLOYED IN NEARLY 30% OF ALL LEASING COMPANIES IN UKRAINE.
- ATCI CONTINUED WORK ON DRAFTING A LEASING MANUAL. A DETAILED PLAN OF THE MANUAL WAS APPROVED AND SCOPES OF WORK AS WELL AS DEADLINES FOR SUBMITTING THE MATERIAL FOR EACH OF THE AUTHORS WAS DEFINED.
- IN FEBRUARY, 2008, LEASE IT – SPV, A SPECIAL PURPOSE VENTURE (SPV) ESTABLISHED BY LEASE IT IN 2007 TO ATTRACT FUNDS BY SECURITIZING A PORTFOLIO OF LEASE CONTRACTS, UNDERTOOK OPEN PUBLIC PLACEMENT OF A UAH 15 MILLION OF SECURED BONDS (FIXED COUPON; 18%; 5 YEARS).
- ATCI DESIGNED A SYSTEM OF INDICATORS TO BE SENT OUT IN A SURVEY TO LEASING COMPANIES. PRELIMINARY TALKS HAVE BEEN HELD WITH ALL-UKRAINIAN UNION OF LESSORS ON COOPERATION IN CARRYING OUT OF THIS RESEARCH.
- ATCI MET WITH "DRIVE PORT" LEASING COMPANY BEING A MEMBER OF "ATLANT-M" INTERNATIONAL AUTOMOBILE HOLDING COMPANY, ONE OF THE LEADING COMPANIES IN CIS REGION THAT IS CONSIDERING ENTERING OTHER LEASING SUBMARKETS APART FROM THE CAR VEHICLE MARKET.
- ATCI MET WITH THE BOARD OF DIRECTORS OF CERTIFIED LEASE SPECIALISTS UNION (CLSU) DEFINING THE STRATEGY OF PROMOTION OF THE CLS PROGRAM AND UNION AND DEVELOPMENT OF THE CLSU WEB-SITE BASED ON [WWW.LEASEPRO.ORG](http://WWW.LEASEPRO.ORG) SITE CREATED BY CIPA-EN TO DISPLAY THE CLS EXAM RESULTS AS WELL AS TO PROMOTE THE LEASING INDUSTRY AND CERTIFICATION STRUCTURES.
- ATCI MET WITH THE UKRAINIAN LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS CONCERNING THE CO-SPONSORING OF A SEMINAR FOR POTENTIAL LESSEES TO BE HELD IN DONETSK DURING THE NEXT QUARTER.

### III. EXECUTIVE SUMMARY – LEASING UKRAINE

ATCI established, using data supplied by the Government of Ukraine that the “penetration rate,” (defined as the rate at which financial leasing is used as a method of acquiring capital equipment) has increased from 0.09% in 2004, to 3.9% in 2006 to 9.2% in 2007. The penetration rate is a major indicator of the success of ATCI’s Financial Leasing Component because it measures the increased use of leasing as a means to modernize plant and equipment in Ukraine. The total volume of new lease agreements entered into by Ukrainian leasing companies in 2007 amounted to UAH 14.1 billion (USD 2.8 billion) which is 2.9 times more than the volume of all lease agreements in effect as of the beginning of 2007.

On February 1, 2008, ATCI held an awards ceremony for 16 individuals who took CLS training in September - October 2007 and passed all 3 exams given in November 2007. The total amount of Certified Lease Specialists is 67 people (35 women, 32 men). In conjunction with the awards ceremony, the 2<sup>nd</sup> General Meeting of the Certified Lease Specialists Union was held to discuss the NGO’s main activities planned for 2008 as well as the Union’s budget and amount of membership fees. The Meeting approved the criteria for CLS Program trainers reiterating that they needed to be Certified Lease Specialists in order to be entitled to lecture (*See Attachment 10*). Also, the Meeting extended the period during which a candidate could re-take the exams he/she failed at from 12 months to 18 months.

In January-February, 2008, ATCI continued its cooperation with the official CLS training provider “Kompas” Company as well as with the trainers on finalizing the updating and improving of the CLS body of knowledge and exam questions database. During February-March, 2008, 25 Industry participants undertook CLS courses offered by Kompas. Thus, the total of 166 people participated in the training since launching of the CLS Program in the 2<sup>nd</sup> Quarter of 2006 which amounts to nearly 10% of all employed in leasing in Ukraine.

ATCI has continued its work on drafting of the Leasing Manual. During the Quarter, four meetings of the Leasing Manual Working Group were held. Participants (apart from ATCI) included eight top managers of Ukrainian Leasing Companies. During these meetings, the detailed plan of the Manual was developed and approved, and scopes of work for each author defined with deadlines established for submission of materials. As of April 1, 2008, 30% of manual content was prepared and sent for review to all members of the Working Group.

In this Quarter, ATCI started work on preparing the seminar for potential lessees co-sponsored by the Ukrainian League of Industrialists and Entrepreneurs to be held in Donetsk in April. The objective of the seminar is to expand knowledge of leasing in the Eastern industrial region of Ukraine and to provide participants with tools on how to effectively use financial leasing in their businesses as well as promotion of the CLS Program regionally. The target audience of the seminar was defined and strategy of organizing the seminar was developed. ATCI also contacted leasing companies based in Donetsk or having their branch offices there with an aim of their participation in preparing and delivering the seminar.

ATCI has provided on-going advisory services to "Lease IT" Leasing Company assisting it in finding new sources to fund its operations. In February 2008, Lease IT – SPV, established by Lease IT in 2007 to attract funds by securitizing a portfolio of lease contracts, undertook open public placement of UAH 15 million of secured bonds (fixed coupon; 18%; 5 years). The underwriter of the issue, Millennium Capital, an integrated financial services provider, purchased UAH 130,000 of the issue. In this regard, ATCI has reviewed and made comments on LeaseIT-SPV's investment memorandum, and will continue to participate in discussions Lease IT is having, and will have, with potential equity investors, including ones identified by ATCI.

Since it is essential for ATCI to have a clear view of the development of leasing market in Ukraine in order to plan its activities and assess the impact of program activities, a system of indicators reflecting the macro situation in the leasing market has been designed and includes: the penetration rate, volume of new leases, lease portfolio size and structure, number of employees, sources of financing and owners of leasing companies (i.e. bank, supplier or a company is an independent one). Based on this system of indicators, ATCI has drafted a questionnaire to be distributed among the leasing companies in order to obtain the necessary information (*See Attachment 11*). Previously, such kind of market research was conducted (with input from ATCI) by the IFC Project which will close in May 2008; ATCI plans to continue this initiative. There were preliminary talks held with the All-Ukrainian Association of Lessors regarding the prospects of our cooperation in carrying out of this market survey.

In March, 2008, ATCI conducted a meeting with the Board of Directors of the Certified Lease Specialists Union aimed at defining the strategic guidelines to ensure sustainability and further development of the CLSU and how ATCI could assist to achieve this. It was agreed that the priority was to make the program more popular in order to increase membership and reduce the fees necessary for its sustainability. ATCI agreed to develop a Web-site based on the existing Leasepro.org site which was created and maintained by CIPA-EN to display the CLS exam results as well as to arrange publication of articles and advertising materials concerning the CLS Program and Union in relevant mass-media.

Advisory services included providing consultations to "Drive Port" Leasing Company which is a member of the "Atlant-M" International Automobile Holding Company, one of the biggest in the CIS. The Company is considering turning from the car vehicle segment of the market to other segments and addressed ATCI to provide information (1) on the most promising lease submarkets where they could operate more effectively and (2) on leasing companies which could be purchased.

ATCI also advised "KRAZ Leasing" Company on the intricacies of cross-border motor transport leasing when the lessor is situated in Ukraine and the lessee in Georgia. Additionally, consulting on the development of lease products was provided to the First Western Ukrainian Leasing Company.

#### **IV. ADMINISTRATIVE ISSUES – LEASING UKRAINE**

NONE

## I. DESCRIPTION AND STATUS OF TASKS – LEASING UKRAINE

### A. Financial Leasing – Building Participant Capacity

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Polling the financial community for interest in leasing courses from which successful participants will graduate as certified financial lessors	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
2. Design and launch 1-3 day leasing seminar	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
3. Deliver seminars for other industry participants	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
4. Prepare and launch seminars for potential lessees and CLP trainees in the regions	<ul style="list-style-type: none"> <li>• IN COOPERATION WITH THE UKRAINIAN LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS AS WELL AS WITH REGIONAL LEASING COMPANIES, ATCI STARTED PREPARING THE SEMINAR FOR POTENTIAL LESSORS TO BE HELD IN DONETSK IN APRIL 2008</li> </ul>
5. Develop strategy for CLP program for Ukraine <ul style="list-style-type: none"> <li>a) Development of content/study-guide</li> <li>b) Develop training modules</li> <li>c) Develop examination</li> <li>d) Establish local training providers</li> <li>e) Begin program</li> <li>f) Establishment of NGO</li> <li>g) Expand the CLP training regionally</li> <li>h) Maintain the relevance of the CLP body of knowledge and examination questions</li> <li>i) Establish the sustainability of NGO</li> </ul>	<ul style="list-style-type: none"> <li>• COMPLETED</li> <li>• COMPLETED</li> <li>• COMPLETED</li> <li>• ATCI WAS IN CONTACT WITH THE POTENTIAL TRAINING PROVIDER FROM DONETSK, MS LYUBOV BILYAZE REGARDING HER INVOLVEMENT IN THE SEMINAR TO BE HELD BY THE PROJECT AND THE ULIE IN DONETSK DURING NEXT QUARTER</li> <li>• COMPLETED</li> <li>• COMPLETED</li> <li>• DURING THE SEMINAR IN DONETSK, INFORMATION ABOUT THE CLS PROGRAM WILL BE DISSEMINATED IN THE EASTERN UKRAINE TO ATTRACT POTENTIAL CANDIDATES FOR THE CLS TRAINING</li> <li>• IN COOPERATION WITH THE TRAINING PROVIDER "KOMPAS" AS WELL AS WITH CLS PROGRAM TRAINERS, ATCI FINALIZED UPDATING AND IMPROVING THE BODY OF KNOWLEDGE AND EXAM QUESTIONS DATABASE FOR THE CLS</li> <li>• ATCI ATTENDED THE 2<sup>ND</sup> ANNUAL MEETING OF THE NGO WHICH APPROVED THE CRITERIA FOR CLS TRAINERS AND CANDIDATES</li> <li>•</li> <li>• ATCI MET WITH THE BOARD OF THE NGO TO DISCUSS MAKING THE UNION SUSTAINABLE; AGREED THAT IT</li> </ul>

<p>j) Ensure the transition of the CLP program under the auspices of NGO</p>	<p>WAS NECESSARY TO MAKE CLS PROGRAM MORE ATTRACTIVE TO INCREASE MEMBERSHIP AND THUS TO DECREASE FEES. ATCI AGREED TO DEVELOP THE NGO'S WEB SITE</p> <ul style="list-style-type: none"> <li>• NGO MEMBERS WHO ALSO WERE CLS PROGRAM TRAINERS WERE INVOLVED IN UPDATING THE CLS BODY OF KNOWLEDGE; NGO PRESIDENT DMITRIY BOGODUKHOV ON THE CLS EXAM BOARD RESOVING DETERMINATION OF PASSING GRADES AND SUPERVISING OVERALL EXAM PROCESS</li> </ul>
--	---

## B. Financial Leasing – Information Network

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
2. Hold / participate in conf/roundtables on state of leasing industry for gov't officials, media and industry participants	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
3. Prepare and distribute educational materials on various aspects of international best practice and practice in Ukraine	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
4. Prepare and distribute manual on 'leasing in Ukraine'	<ul style="list-style-type: none"> <li>• IN THE QUARTER, 4 MEETINGS OF THE LEASING MANUAL WORKING GROUP WERE HELD; 8 TOP MANAGERS OF LEASING COMPANIES PARTICIPATING AND DRAFTING CHAPTERS FOR THE MANUAL; SCOPE OF WORK AGREED ON AND AUTHORS IDENTIFIED.</li> <li>• AS OF END OF QUARTER, 30% OF REQUIRED MATERIALS WERE SUBMITTED TO ATCI; SENT TO ALL PARTICIPATING MEMBERS FOR REVIEW AND COMMENTS</li> </ul>

## C. Financial Leasing – Market Research

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Design and track a system of indicators reflecting the macro situation on the leasing market	<ul style="list-style-type: none"> <li>• ATCI DEVELOPED A SYSTEM OF INDICATORS WHICH REFLECT THE ACTUAL MACRO SITUATION IN UKRAINIAN LEASING MARKET; AT IFC'S PROJECT END NEXT QUARTER, ATCI WILL SEND OUT QUESTIONNAIRE TO TOP LEASING COMPANIES</li> </ul>
2. Prepare and carry out a survey covering main leasing macro indicators	<ul style="list-style-type: none"> <li>• ANNUAL IFC LEASE SURVEY RESULTS FOR 2007 PRESENTED AT WORLD BANK</li> <li>• NEXT SURVEY TAKEN ON BY THE UNION OF LESSORS TO BE SENT OUT AT BEGINNING OF 2008 WITH ATCI ASSISTANCE; ATCI HELPED TO FOUND THE UNION OF LESSORS THAT BECAME THE MAIN COUNTERPART TO THE IFC FOR CONVEYANCE OF THE PROJECT'S</li> </ul>

	METHODOLOGY TO ENSURE SUSTAINABILITY
3. Monitor leasing activities of major foreign banks in Ukraine	<ul style="list-style-type: none"> <li>A NUMBER OF LEADING FOREIGN BANKS IN UKRAINE, E.G., RAIFFEISEN, UNICREDIT, SOCIETE GENERALE, BNP PARIBAS WAS INCLUDED IN ATCI'S SURVEY RESULTS 2006-07.</li> </ul>

#### D. Financial Leasing - Consulting Services

Defined Activity	Progress Made During Quarter/Proposed Future Actions
1. Initiation of assistance services	<ul style="list-style-type: none"> <li>COMPLETED</li> </ul>
2. Translation-based advisory services	<ul style="list-style-type: none"> <li>N/A</li> </ul>
3. Provide advisory services on selected basis to lessors and other market participants	<ul style="list-style-type: none"> <li>ATCI ADVISED 'DRIVE PORT' LEASING COMPANY, A MEMBER OF THE 'ATLANT-M' INTERNATIONAL AUTOMOBILE HOLDING COMPANY; DRIVE PORT INTERESTED IN ENTERING NEW SEGMENTS OF LEASING MARKET OUTSIDE OF AUTOMOBILES</li> <li>ATCI ADVISED 'KRAZ LEASING' COMPANY ON CROSS-BORDER MOTOR TRANSPORT LEASING</li> <li>THE FIRST WESTERN UKRAINIAN COMPANY APPROACHED ATCI FOR ADVICE ON LEASE PRODUCT DEVELOPMENT</li> </ul>
4. Assist new market entry on selected basis	<ul style="list-style-type: none"> <li>N/A</li> </ul>
5. Provide consulting on organizational and management Issues	<ul style="list-style-type: none"> <li>N/A</li> </ul>
6. Assistance in securing financial sources	<ul style="list-style-type: none"> <li>IN FEBRUARY, LEASE IT ESTABLISHED AN SPV TO ATTRACT FUNDS BY SECURITIZING A PORTFOLIO OF LEASE CONTRACTS; CONCLUDED A PUBLIC PLACEMENT OF UAH 15 MILLION, FIXED COUPON 18% FOR 5 YEARS, YEARLY PUT OPTION; ATCI REVIEWED OFFERING MEMO, MADE COMMENTS, ADVISED LEASE IT AND STRUCTURE OF SPV; ATCI ASSISTING IN FINDING POTENTIAL INVESTORS AND BOND MANAGER</li> </ul>

#### LIST OF ATTACHMENTS – LEASING UKRAINE

**ATTACHMENT 10:** Requirements for CLS Program candidates, training providers and trainers

**ATTACHMENT 11:** ATCI Questionnaire/Survey for leasing companies

## **F. CREDIT BUREAU/CREDIT RATING AGENCY – Ukraine**

This report provides details on events and activities relating to the Credit Bureau/Credit Rating component of the USAID Access to Credit Initiative, as implemented by the Pragma Corporation, during the period from January 1, 2008 through March 31, 2008.

### **I. COMPONENT DESCRIPTION - CREDIT BUREAU UKRAINE**

The objective of this activity is to establish and develop a Credit Bureau in Ukraine, which is a key piece of financial infrastructure. A Credit Bureau serves as a financial intermediary between the lender and the borrower in order to stimulate, in the first instance, the SME and retail markets within a free market competitive economic system.

The practical definition of a Credit Bureau, for design and implementation purposes in Ukraine, is one of an impartial entity that will store all past and present credit transactions entered into by a particular legal or physical person and one that will indicate the manner in which the subject of the credit profile repaid the obligation to the respective creditors. The Credit Bureau would contain gender-neutral demographic information on a consumer to ensure proper identification, information that is pertinent to their creditworthiness, and an indication of the overall risk relating to an applicant. The Credit Bureau will provide an avenue for the verification or validation of any information that may be questioned or disputed by the subject of the credit profile. A Credit Bureau serves both parties in a credit transaction and is an excellent tool to reduce risk and facilitate and accelerate the approval process.

### **II. SIGNIFICANT EVENTS - CREDIT BUREAU UKRAINE**

- MINISTRY OF JUSTICE IS PREPARING TO CONDUCT FIRST SERIES OF INSPECTIONS OF CREDIT BUREAUS TO IMPROVE NORMATIVE BASE
- ATCI PARTICIPATES IN WORKING GROUP TO ENSURE PROPER IMPLEMENTATION OF THE LAW OF UKRAINE “ON ORGANIZING THE FORMATION AND CIRCULATION OF CREDIT HISTORIES”

### **III. EXECUTIVE SUMMARY – CREDIT BUREAU UKRAINE**

ATCI continued to provide on-going consultancy to ensure compliance with international standards of best practice during the development phase of a credit reporting system, and to provide advice to the overall market with respect to data sharing and the reduction of data fragmentation.

ATCI’s area of focus remained in two basic areas: a) overall coordination of the market given the likelihood of data fragmentation and b) drafting regulations.

ATCI continues to interface on a regular basis with FNBCH, IBCH, and other interested parties, including foreign credit bureau operators. Major highlights and accomplishments over the past quarter follow:

The Ministry of Justice as the state regulator of credit bureau activities is getting ready to conduct its first planned inspections, authorized through regulation of credit bureaus. The preparation for the inspections is accompanied by ongoing improvement in the regulations. The staff of the Department of Legalizing and Regulating Credit Bureau Activities at the Ministry of Justice of Ukraine prepared plans and schedules of inspections that are being discussed with top managers of credit bureaus to take into consideration their comments and proposals. First corrections have already been made. Following the request by the General Manager of the "First All-Ukrainian Bureau of Credit Histories," Vice President of the Association of Ukrainian Banks its inspection has been postponed for autumn due to the occurring change of bureaus' organization and legal form. It is anticipated that ATCI will provide input as to the inspections process.

The short experience of credit bureau functioning in Ukraine has already uncovered a number of unregulated issues and new problems in their operations. In the course of its contacts with representatives of credit bureaus, ATCI emphasized the need for their solution. On February 29, a meeting was held of ATCI staff with Mr. Yu. S. Kugatkin, Deputy Director of Department, Head of the Division of Regulating Activities by Credit Bureaus of the Department of Legalizing and Regulating Credit Bureau Activities at the Ministry of Justice of Ukraine discussing various solutions.

During the meeting, possibilities for creating a relevant working group with ATCI's participation. Discussions touched upon a number of organizational issues, such as the format of the working group, its composition, and the frequency of meetings as well as the scope of issues to be solved. As a result, an agreement has been reached to set up such a working group under the auspices of the Ministry of Justice, including the participation of ATCI staff.

#### **IV. COMPONENT DESCRIPTION - CREDIT RATING UKRAINE**

ATCI Credit Rating component is aimed at promoting the development of competitive, fair, and effective credit rating industry in Ukraine.

Ukraine faces great challenges in fostering further development of capital markets that enable efficient mobilization of domestic and foreign capital to support sustainable economic growth. Credit ratings offer significant benefits for investors. It is true that ratings do not constitute investment or financial advice. Ratings are not recommendations to purchase, sell, or hold particular securities. However, ratings do serve as an important tool for the adoption of sound and informed investment decisions based on a professional opinion for payment of debt.

Ratings represent additional information content and quality framework for the market. They facilitate investor comparison and selection of investment alternatives. A rating

agency, with its fundamental approach and access to information, provides ratings that validly compare and contrast the strengths of different organizations and represent opinions regarding relative future creditworthiness of entities or instruments.

Being at a nascent stage, Ukrainian ratings industry has a long way to go, and an ATCI objective is to make sure that it develops according to international standards of best practice. To achieve this objective and in active cooperation with market participants and government agencies, ATCI focuses its efforts on establishing policy dialogue aimed at both the development of fair and effective regulatory framework and implementation of best international practices on operational level.

## V. SIGNIFICANT EVENTS - CREDIT RATING UKRAINE

- UAIB, JOINTLY WITH ATCI, AGREE TO DEVELOP A NEW DRAFT LAW REGULATING CREDIT RATINGS (AGENCIES)
- SSMSC INTENDS TO IMPOSE MORE STRINGENT REQUIREMENTS TO RATING TARGET BONDS THAT ARE USED WHEN CONSTRUCTING RESIDENTIAL REAL ESTATE

## VI. EXECUTIVE SUMMARY - CREDIT RATING UKRAINE

### Brief Historic Note

The mandatory rating requirement came into existence in late 2004. This required those companies wanting to issue ratings in Ukraine to be selected by tender conducted by the SSMSC. One key requirement was that the ratings company be a Ukrainian legal entity. This requirement limited participants to only a few ratings and kept the internationally recognized rating agencies out all together. Only Credit Rating received authority from the SSMSC to offer ratings to Ukrainian issuers. Effectively, any company or municipality that wanted to issue securities had to use them. The mandatory requirement remains in effect to this day and accounts for the exceptional growth of CR.

### Current Situation

Adoption of the Law of Ukraine # 3201 dated Dec. 15, 2005 expands and legislates mandatory ratings. This Law specifies the issuers and types of securities<sup>1</sup> subject to mandatory rating. In response to Law #3201, the SSMSC developed and adopted the resolution that allows Ukrainian companies to use Fitch, Moody's and Standard & Poor's ratings for the domestic market. In other words, these three international rating agencies

---

<sup>1</sup> All types of issuable securities (which are not allocated among the founders or among the preliminary determined persons) are subject to mandatory rating, except the following types of securities: government securities, shares, securities of non-diversified joint investment institutions, securities issued by State Mortgage Institution

are allowed by the law to assign ratings (still mandatory) to Ukrainian issuers and their securities.

Pursuant to the Law # 3201 mandatory ratings can be assigned by:

Authorized Ukrainian rating agencies certified by the SSMSC;  
International rating agencies recognized by the SSMSC.

Additionally, the National scale approved by the Cabinet of Ministers must be used only by authorized Ukrainian rating agencies; International ratings agencies can use their own scales.

In May 2007, the Cabinet of Ministers of Ukraine approved the revised National Rating Scale. As mentioned above authorized Ukrainian rating agencies (so far "Credit-Rating" only) must use this scale. The National Scale includes long-term credit ratings (more than one year) and short-term ratings (up to one year). Ratings are subdivided into two grades: investment grade and speculative grade. Definitions of different ratings used in the National Scale are similar to those used in Ukraine-specific national scales used by international rating agencies.

On the one hand, the market could accept this National Scale as long it is just the set of definitions specifying different rating grades that do not entail "prescribed methodology" for assigning ratings. In

this respect, the good news for international rating agencies is that the National scale (as mentioned before) resembles their Ukraine-specific scales. This makes it easier to match ratings assigned by international rating agencies to specific rating grades under the National Scale. But overall, the entire concept of National Scale runs contrary to the best international practice, since the Government should not tell rating agencies what scale they should use in their operations. Mandatory ratings are in themselves contrary to international best practices.

Furthermore, currently the SSMSC is drafting the regulation on correspondence of international rating agencies' ratings to the ratings under the Cabinet of Ministers' National Scale.

### **Events in the Market**

Rating agencies "Expert-Rating" and "IBI-Rating," since April 2007, have been challenging in Ukrainian courts, the status of authorized rating agency awarded to the "Credit-Rating" company by Resolution 378 of August 31, 2004, of the Securities and Stock Market State Commission.

Court actions continue because there were procedural violations when court decisions were approved and also because of the fact that "Expert-Rating" and "IBI-Rating" as plaintiffs did not submit to the court any evidence that their legitimate interests were infringed, in particular, "Expert-Rating" was not registered in the territory of Ukraine as of the moment the challenged decisions were rendered by court.

Any changes in status and activity of Credit Rating as regards determining credit ratings, obligatory in accordance with current legislation, are possible only if the decision of the last-instance court takes legal effect.

On the official website of the state regulator, they published a draft decision “On Strengthening the Role of Authorized Rating Agencies in Protecting Rights of Target Bond Holders,” which envisions stricter requirements both to issuers and issues of securities aiming to reduce risks in this market segment.

In 2006-2007, the nominal volume of rated issues of target bonds was UAH 16.3 billion, out of which UAH 1.2 billion were submitted for redemption in 2007 and UAH 1.3 billion are planned to redeem in the current year. It is also worth taking into consideration that, to finance housing construction, land developers over the past two years issued interest-bearing and discount bonds with par value of UAH 0.7 billion and UAH 6.3 billion respectively.

ATCI met with its counterpart the Ukrainian Association of Investment Businesses. During the discussion, the problems in the ratings market were noted: no competition, the market is not transparent, and there is an acute need to change the legal requirement for mandatory ratings of issuers and issues of securities. Draft normative acts proposed earlier do not solve these problems effectively enough. All of this calls for the need to elaborate a new draft law. As a result, ATCI and UAIB agreed to pursue drafting a new law. First steps call for establishing a working group with participation of ATCI, involving specialists from S&P as outside consultants. IUB will inform ATCI as to who will be participating from UAIB. This was, however, one note of discord in arriving at a common position: ATCI and the major rating agencies do not agree on the use of a national scale mandated by the Cabinet of Ministers. To buttress ATCI’s position and in order for UAIB to hear the arguments from a rating agency, both parties agreed to schedule a conference call with S&P to discuss the issue.

## VII. ADMINISTRATIVE MATTERS – CB/CR UKRAINE

NONE

## VIII. DESCRIPTION AND STATUS OF TASKS – CB/CR UKRAINE

### A. Credit Bureau: Assessment of Credit Bureau Status and Establishment of Credit Bureau System in Ukraine--COMPLETED

Defined Activity	Progress made during quarter/proposed future actions
1. Develop and establish linkages with primary international credit bureau operators	<ul style="list-style-type: none"> <li>COMPLETED - CREDITINFO WINS FNBCH TENDER</li> </ul>
2. Secure buy-in of local data providers and users	<ul style="list-style-type: none"> <li>MARKET REMAINS SPLIT – DATA FRAGMENTATION CONTINUES AS FOUR CREDIT BUREAUS HAVE BEEN ESTABLISHED IN UKRAINE.</li> <li>THE BUREAU OF INSURANCE HISTORIES STARTS ITS OPERATIONS IN UKRAINE.</li> </ul>
3. Sponsor visits to potential foreign CB partners	<ul style="list-style-type: none"> <li>COMPLETED - FINANCIAL ASSISTANCE HAS NOT BEEN</li> </ul>

	REQUESTED AND IS NO LONGER REQUIRED.
4. Determine and review CIC development strategy with government and counterparts	<ul style="list-style-type: none"> <li>• FNBCH REQUESTS FURTHER ATCI ASSISTANCE</li> <li>• CONTINUED DISCUSSIONS WITH AUB AND OTHER CIC REPRESENTATIVES FURTHER IMPLEMENTATION STRATEGY FOR THE DEVELOPMENT OF CB.</li> </ul>
5. Market best approach for structuring, establishing and operating CIC	<ul style="list-style-type: none"> <li>• PUBLIC RELATIONS STRATEGY CONTINUED AND INCLUDED VISITS TO INDIVIDUAL MARKET PARTICIPANTS.</li> <li>• FNBCH AND ICB CONTINUE NEGOTIATIONS ON CONCLUSION OF AGREEMENTS WITH TELECOMMUNICATIONS AND INSURANCE SECTOR.</li> <li>• IBCH CONDUCTS A TEST SALE OF CREDIT REPORT</li> <li>• IBCH ACCUMULATED OVER 200 000 CREDIT HISTORIES IN ITS DATABASE</li> <li>• THREE NEW SHAREHOLDERS JOIN IBCH. NBCH COMPLETED SIGNING OF AGREEMENTS ON PROVISION OF DATA WITH ITS SHAREHOLDER-BANKS</li> </ul>
6. Analyse and Coordinate passage of law	<ul style="list-style-type: none"> <li>• MARKET PARTICIPANTS RECOGNIZE THE NEED FOR AMENDMENTS TO THE CREDIT BUREAU LAW. HOWEVER, GIVEN THE STATE OF MARKET DEVELOPMENT, IMMEDIATE AMENDMENTS ARE DEEMED PREMATURE.</li> </ul>
7. Define Business and Operations Plan	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
8. Outline Package of Technical Requirements	<ul style="list-style-type: none"> <li>• COMPLETED</li> </ul>
9. Discussions with Government Data Providers	<ul style="list-style-type: none"> <li>• DIFFICULTY IN FINDING THE "PERSON" IN CHARGE OF PUBLIC REGISTRIES STILL CONTINUES</li> </ul>

## B. Credit Bureau: Development and Promotion of Credit Bureau System in Ukraine

1. Secure Buy-in of Foreign Investors and Banks	<ul style="list-style-type: none"> <li>○ COMPLETED:</li> <li>• CREDITINFO (ICELAND) NOW OPERATES A COMMON PLATFORM FOR THE TWO LARGEST BUREAUS.</li> <li>• THE MINISTRY OF JUSTICE OF UKRAINE ISSUED THE LICENSE TO THE FOURTH BUREAU OF CREDIT HISTORIES – "RUSSKIY STANDART".</li> <li>• BRITISH COMPANY "PROVIDENT FINACIAL" ENTERS UKRAINIAN RETAIL LENDING MARKET</li> <li>• FNBCH HAS AGREEMENTS WITH 42 BANKS. ACTUAL PROVISION OF CREDIT REPORTS HAS STARTED WITH 17 BANKS.</li> <li>• IBCH HAS 35 PARTNERS, ONE MILLION CREDIT HISTORIES IN ITS DATABASE, AND STARTED COMMERCIAL SALE OF CREDIT REPORTS.</li> </ul>
2. Develop and Deliver Package of Training	<ul style="list-style-type: none"> <li>• AUB AND ATCI TO CARRY OUT A SERIES OF</li> </ul>

<p><b>Programs (banks, leasing, credit unions)</b></p>	<p>PRESENTATIONS FOR REGIONAL BANKS. THIS JOINT ACTIVITY, TO HAVE BEEN ORGANIZED BY AUB AND UNDERTAKEN JOINTLY WITH AUB, HAS BEEN POSTPONED UNTIL NOVEMBER 2008.</p> <ul style="list-style-type: none"> <li>• ATCI INDEPENDENTLY HELD A SEMINAR IN SIMFEROPOL ON CREDIT BUREAU/LEASING ISSUES UPON THE REQUEST OF UKRAINIAN LEAGUE OF INDUSTRIALISTS AND ENTREPRENEURS.</li> </ul>
<p><b>3. Assist the Ministry of Justice in drafting regulations governing CB operations</b></p>	<ul style="list-style-type: none"> <li>• ATCI ASSISTS MINJUST THE IN DRAFTING REGULATIONS GOVERNING CREDIT BUREAU OPERATIONS.</li> <li>• COMPLETED - TASK FORCE (ATCI, ICB, FNBCH, MINISTRY OF JUSTICE) FINALISES THE REGULATION ON LICENSING REQUIREMENTS.AND MINISTRY OF JUSTICE OF UKRAINE ADOPTS LICENSING REGULATION FOR CREDIT BUREAUS.</li> <li>• TASK FORCE AGREES TO DRAFT TWO MORE REGULATIONS: ON UNIFIED REGISTRY OF CREDIT BUREAUS, AND ON INSPECTION OF CREDIT BUREAUS.</li> <li>• FNBCH, IBCH, AND UBCH (PRIVATBANK) RECEIVED THE LICENSE FOR CREDIT BUREAU</li> <li>• ATCI ASSISTS UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE IN ADDRESSING PRACTICAL PROBLEMS RESULTING FROM THE ADOPTED LICENSING REGULATION</li> <li>• ATCI, UKRAINIAN CREDIT BUREAUS AND THE MINISTRY OF JUSTICE OF UKRAINE CONTINUE THE DEVELOPMENT OF REGULATION ON INSPECTION OF CREDIT BUREAUS.</li> <li>• ATCI PARTICIPATES IN WORKING GROUP TO ENSURE IMPLEMENTATION OF THE LAW OF UKRAINE "ON ORGANIZING THE FORMATION AND CIRCULATION FOR CREDIT HISTORIES"</li> <li>• THE MINISTRY OF JUSTICE PUBLISHED DRAFT REGULATION ON INSPECTION OF CREDIT BUREAUS ON ITS WEB PAGE. ATCI SUBMITTED ITS COMMENTS TO THE DRAFT REGULATION TO THE MINISTRY OF JUSTICE.</li> <li>• MINJUST TO INITIATE INSPECTIONS OF CREDIT BUREAUS</li> </ul>
<p><b>4. Deliver educational workshops for the specialists of the Ministry of Justice and other state agencies</b></p>	<ul style="list-style-type: none"> <li>• ATCI HOLDS 2 MINI WORK SHOPS FOR THE SPECIALISTS FROM THE MINISTRY OF JUSTICE</li> <li>• MINISTRY OF JUSTICE EXPRESSED INTEREST IN FURTHER SEMINARS. ATCI WILL ASSESS JUSTICE RESPONSIVENESS TO DRAFT REGULATIONS PRIOR TO COMMITMENT</li> <li>• ATCI HOLDS A SEMINAR ON MORTGAGE AND CREDIT BUREAU ISSUES FOR THE SPECIALISTS FROM CENTRAL AND REGIONAL OFFICES OF THE SECURITIES COMMISSION.</li> </ul>
<p><b>5. Discuss participation in international credit bureau conference to be held in Kyiv/Ukraine</b></p>	<ul style="list-style-type: none"> <li>• ATCI CO-SPONSORED AND PARTICIPATED IN INTERNATIONAL CREDIT BUREAU CONFERENCE.</li> </ul>

**CREDIT RATING COMPONENT**

<p><b>1. Assist in the development of competitive and fair ratings industry</b></p>	<ul style="list-style-type: none"> <li>• INTERNATIONAL CREDIT RATINGS EXPERT PREPARED A WHITE PAPER ON THE DEVELOPMENT OF A COMPETITIVE DOMESTIC RATINGS INDUSTRY IN UKRAINE AND RECOMMENDATIONS FOR THE UKRAINIAN RATING INDUSTRY. ATCI DISSEMINATED THE WHITE PAPER TO MARKET PARTICIPANTS, THE SECURITIES COMMISSION AND OTHER INTERESTED PARTIES.</li> <li>• ATCI TAKES PART IN THE CONFERENCE ORGANIZED BY UKRAINIAN INVESTMENT BUSINESS ASSOCIATION TO REPEATEDLY DISSEMINATE THE WHITE PAPER AND PRESENT ATCI/USAID VISION OF UKRAINIAN RATING INDUSTRY</li> <li>• ATCI AGREES WITH UAIB AND ASSISTS IN DRAFTING A SPECIAL RATINGS LAW TO SECURE THE DEVELOPMENT OF COMPETITIVE AND FAIR RATING INDUSTRY.</li> </ul>
<p><b>2. Analyze existing Regulatory framework</b></p>	<ul style="list-style-type: none"> <li>• ATCI CONTINUES TO ANALYSE AND MONITOR EXISTING LEGISLATION AND REGULATORY FRAMEWORK</li> <li>• EXSITING LAWS AND REGULATIONS CONTAIN A NUMBER OF PROVISIONS, WHICH ARE DETRIMENTAL FOR FURTHER DEVELOPMENT OF FAIR AND COMPETITIVE RATINGS INDUSTRY, PARTICULARLY THE MANDATORY RATINGS PROVISION FOR ISSUANCE</li> <li>• SSMSC ADOPTED THE RESOLUTION #1040 "ON APPROVING THE REGULATION ON TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES" (REGISTERED BY THE MINISTRY OF JUSTICE NOVEMBER 24, 2006)</li> <li>• TENDER FOR SELECTION OF AUTHORIZED RATING AGENCIES TOOK PLACE. ONLY DOMESTIC "CREDIT RATINGS" AND INTERNATIONAL CREDIT RATINGS AGENCIES ARE AUTHORIZED</li> <li>• SSMSC ISSUED DRAFT RESOLUTION "ON APPROVING THE RULES FOR ASSIGNING RATINGS UNDER THE NATIONAL SCALE BY THE AUTHORIZED RATING AGENCIES"</li> <li>• FINANCIAL SERVICES REGULATOR (FSR) INTENDS TO ESTABLISH FINANCIAL STABILITY RATING RESTRICTIONS FOR NON-RESIDENT INSURANCE COMPANIES</li> <li>• SSMSC INTENDS TO IMPOSE MORE STRINGENT REQUIREMENTS TO RATING ISSUING COMPANIES OF BONDS USED IN CONSTRUCTING RESIDENTIAL REAL ESTATE</li> </ul>
<p><b>3. Market participants</b></p>	<ul style="list-style-type: none"> <li>• RATING AGENCY "EXPERT-RATING" ENTERED THE UKRAINIAN MARKET</li> <li>• "KREDIT-RATING" ASSIGNS THE FIRST CORPORATE GOVERNANCE RATING IN UKRAINE.</li> <li>• TAC GROUP WINS A LAW SUIT AGAINST THE FSR</li> <li>• DOMESTIC "CREDIT RATING" REMAINS ONLY DOMESTIC AUTHORIZED RATINGS AGENCY</li> </ul>

## LIST OF ATTACHMENTS – CB/CR Ukraine

NONE

## **G. GENDER – Ukraine**

### **I. COMPONENT DESCRIPTION – GENDER UKRAINE**

This report details events and activities relating to Gender of the USAID Access to Credit Initiative, implemented by the Pragma Corporation, during the period from January 1 through March 31, 2008

Programs related to gender have political and cultural implications that should be considered in any approach. ATCI is seeking opportunities for increased income and empowerment for both women and men.

ATCI management recognizes the importance of carrying out gender sensitivity training for the staff in order to have a solid basis for the monitoring work.

With respect to monitoring participation in training programs and events by gender, the following activities will be undertaken to the extent feasible and possible:

Examine the program to ascertain whether if there are any provisions that could differentially discourage persons of one sex or another from participating;  
Inquire about how program outreach is conducted to understand whether if these procedures may be differentially affecting participation by gender;

Examine the actual patterns of participation by gender in selected programs, to the extent permitted by the data;

Where differential participation by gender is identified, try to understand its causes and make appropriate changes.

With respect to the representation of women in higher positions in government agencies, the ATCI will work to balance the composition by gender of groups being trained by the project.

Pragma continues to partner with local organizations managed by women or consisting mostly of women. Three good examples are the Association of Ukrainian Banks and the Commercial Law Center as well as the PFTS securities trading system.

### **II. SIGNIFICANT EVENTS AND ACHIEVEMENTS – GENDER UKRAINE**

- TO DATE, 67 CLS CERTIFICATES HAVE BEEN AWARDED TO 35 WOMEN AND TO 32 MEN OR NEARLY 50% FOR EACH OF THE TOTAL AWARDS GIVEN
- TO DATE, 98 CML CERTIFICATES HAVE BEEN AWARDED TO 43 WOMEN (44%) AND TO 55 MEN

### III. EXECUTIVE SUMMARY – GENDER UKRAINE

All ATCI tasks present opportunities to identify and address gender bias, and to actively promote gender equality in Ukraine's financial sector. For example, ATCI is working closely with the Ukrainian National Mortgage Association, the Association of Ukrainian Banks, the Commercial Law Center and other organizations that understand the importance of gender sensitivity with respect to product and services development. These issues have not only been discussed but plans are underway to draft material and articles which point out important opportunities in this area.

In Leasing, a number of participants in CLS training included women. All ATCI training and professional development strives for gender balance during the invitation process as well as in delivery of content. Post - event analysis is conducted to understand the reasons for underweighting when it occurs.

The Project staff of ATCI project includes 13 women out of 23, some of whom have professional and technical skills in finance and law.

### IV. ADMINISTRATIVE ISSUES – GENDER UKRAINE

NONE

### V. DESCRIPTION AND STATUS OF TASKS – GENDER UKRAINE

Defined Activity	Progress Made During Quarter/Proposed Future Actions
<p><b>1. Partner with Woman – run organizations (CLC &amp; UAB)</b></p>	<ul style="list-style-type: none"> <li>• ATCI IS WORKING CLOSELY WITH THE ASSOCIATION OF UKRAINIAN BANKS, THE COMMERCIAL LAW CENTER, IBSEER AND OTHER ORGANIZATIONS WHICH UNDERSTAND THE IMPORTANCE OF GENDER SENSITIVITY RELATED TO PRODUCT AND THE DEVELOPMENT OF SERVICES.</li> </ul>
<p><b>2. Increasing the role of women in the financial sector through training and /or other initiatives</b></p>	<ul style="list-style-type: none"> <li>• THE STAFF OF ATCI INCLUDES WOMEN AND MEN WITH PROFESSIONAL AND TECHNICAL SKILLS IN FINANCE AND LAW.</li> <li>• ALL PROJECT TRAINING STRIVES FOR AN EVEN BALANCE OF MEN AND WOMEN. RECENT TRAINING IN SEVASTOPOL AND THE SSMSC SEMINAR ON MORTGAGE BONDS ACHIEVED THIS BALANCE</li> </ul>
<p><b>3. Gender and cultural sensitization training</b></p>	<ul style="list-style-type: none"> <li>• GENDER SENSITIVITY IS PRACTICED DAILY BY ALL ATCI STAFF DURING EVERY STAFF MEETING AND HIGHLIGHTED AT THE ANNUAL STAFF RETREAT</li> </ul>

- END UKRAINE-

# ACCESS TO CREDIT INITIATIVE MOLDOVA

## SIXTH QUARTERLY REPORT

**January 1, 2008 – March 31, 2008**

Contract Number: 121-C-00-04-00713

CTO USAID/Ukraine: Rick Gurley  
Project Manager: Mohammad Fatoorechie  
Chief of Party: David Lucterhand  
Project Mgr. USAID/Mold: Corneliu Rusnac  
Country Director/Moldova: Steve Moody



## MOLDOVA (Sixth Quarterly)

### A. PROJECT OVERVIEW - Moldova

#### I. PROJECT DESCRIPTION - EXECUTIVE SUMMARY MOLDOVA

ATCI/Moldova (the "Project") is established under the supervision of ATCI/Ukraine, with a separate Country Director in Moldova reporting to the Chief of Party in Ukraine. The scope of ATCI/Moldova is similar to that of ATCI/Ukraine, yet narrower and more focused regarding the major components and tasks.

The three (3) major components of the ATCI/Moldova project are:

- Mortgage Lending Component;
- Financial Leasing Component; and
- Fixed Income Component.

A fourth component was added in the second quarter, "Development Credit Authority (DCA) Monitoring" Component.

A summary of all components and related activities is presented as **Attachment 1**, *The Access to Credit Initiative/Moldova Work Plan, Updated as of March 31, 2008*. This Work Plan is the approved Work Plan for ATCI/Moldova's second year, ending September 2008, yet shows the activities of the first year as well. The Work Plan was approved in January 2008, after lengthy discussions with USAID CTO and Project Manager, along with ATCI COP and Country Director. It is also worth noting that some originally proposed activities, particularly those in the Mortgage Lending Component, are notated "as possible in Moldova" or "as appropriate in Moldova", relating to the macro environment and developments in Moldova which are beyond the scope of the ATCI/Moldova Project. Some of these activities relating to infrastructural items related to mortgage lending in fact have been deleted from the Work Plan.

The objective of the Mortgage Lending Component is to establish a viable, effective and efficient mortgage lending sector in Moldova. This will be accomplished by providing technical, advisory, and training assistance to the National Bank of Moldova and to commercial banks and other financial institutions. A Certified Mortgage Lender (CML) Training Program has been adapted for Moldova and presented in order build the capacity of commercial banks and other financial institutions to undertake mortgage lending using standardized, transparent procedures for both borrowers and lenders. Additionally, technical assistance has been provided to commercial banks and financial institutions to lower the risks associated with mortgage lending and improve the transparency of mortgage lending practices. Other tasks and sub-tasks are described in the "Mortgage Lending" section of this Report, under "Description and Status of Tasks".

The objective of the Financial Leasing Component is to create a supportive environment for modern financial leasing. This will be achieved by building the capacity of leasing companies through training and consulting; provision of training for

potential lessees, farmers, regulators, and other interested parties, such as vendors, banks; consulting potential foreign investors in the sector; and conducting public awareness efforts. A Certified Leasing Specialist (CLS) Training Program has been adapted for the Moldovan environment presented to leasing professionals, potential leasing professionals, and to training providers for their subsequent delivery of the CLS training program in Moldova.

It is most important that activities of this Project have a viable and beneficial impact on activities directly and even indirectly related to those described in the Work Plan. A key goal for both of the components mentioned above is to ensure continuity of the training programs after this Project ends via the "train the trainer" methodology. In this regard, ATCI/Moldova has selected local training providers to carry on the training and certification programs according to international standards. The training provider for the CLS program has been selected, along with a back up provider; trainers from these providers have attended the CLS courses.

The objective of the Fixed Income Component is to expand the availability of capital to corporate borrowers through the issuance of corporate bonds. Beginning in 2002, there have been only a few corporate bond issues. A total of 10 companies have issued 11 bonds for a total of 36 million Lei, or about \$3 million at current exchange rates. In fact, except for one bond issuance, all issuances were initiated with convertible (to equity) features, to facilitate the takeover and merger of the company. The project has continued to work with the National Commission of Financial Market (NCFM), i.e., the newly transformed Mega Regulator, to ease the legislative and regulatory burdens on bond issuance. At the same time, the project has helped build the capacity of and provide action plans for the National Securities Commission in its transformation as Mega Regulator for Non-Bank Financial Institutions, which took place in July 2007, after the Law on the National Commission of Financial Market was adopted. Concerns such as transparency and disclosures of issuers will be the main focuses for bond development while the capacity building elements will focus on legislative reform and regulatory and enforcement activities of the Mega Regulator.

The component of the Development Credit Authority Monitoring activities, which was suggested to be added by USAID as a follow up to a previous (BIZPRO) USAID project, was in fact added in late February 2007. The DCA provides partial loan guarantees for private sector investments/loans in Moldova, through 6 commercial banks and the Rural Finance Corporation. The DCA-related activities of the Project are "on-going" for the most part, and include (1) monitoring how the financial institutions are utilizing the partial guarantees; (2) monitoring how these institutions are submitting claims; (3) assisting the institutions in completing surveys; (4) helping the financial institutions to prepare semi-annual reports for USAID; and (5) verifying the reports of the financial institutions that are submitted through the credit monitoring system.

## **II. SIGNIFICANT EVENTS AND ACHIEVEMENTS - EXECUTIVE SUMMARY MOLDOVA**

- THE THIRD CERTIFIED MORTGAGE LENDER (CML) TRAINING PROGRAM BEGUN IN MOLDOVA USING LOCAL TRAINERS
- ATCI INAUGURATES CML TRAINING PROGRAM IN TRANSNISTRIA

- ATCI COMPLETES MOLDOVAN MORTGAGE MARKET SURVEY
- MOLDOVA AGROIND BANK COMPLETES MORTGAGE PORTFOLIO ANALYSIS IN PREPARATION FOR COVERED BOND ISSUANCE
- ATCI LEGAL TEAM MEETS WITH AGROIND BANK CHIEF COUNSEL TO DISCUSS LEGAL STRUCTURE OF PROPOSED COVERED BOND
- "AVERAGE MONTHLY PREPAYMENT AND DURATION" TEMPLATE DELIVERED TO PRIME CAPITAL
- COUNTRY DIRECTOR MAKES PRESENTATION ON THE SUBPRIME FINANCIAL CRISIS TO NATIONAL BANK OF MOLDOVA, MINISTRY OF ECONOMY AND TRADE AND OTHERS
- COUNTRY DIRECTOR MEETS WITH AGROINDBANK CHAIRMAN VRABBE TO DISCUSS CREDIT BUREAU
- ATCI LAUNCHES SECOND CERTIFIED LEASING SPECIALIST (CLS) TRAINING PROGRAM IN MOLDOVA WITH LOCAL TRAINERS
- ATCI COMPLETES MOLDOVAN LEASING MARKET SURVEY
- AO CAMELIA INCREASES CHARTER CAPITAL TO MEET BOND ISSUANCE REGULATORY MINIMUM
- COUNTRY DIRECTOR MEETS WITH MINISTER OF ECONOMY AND TRADE TO DISCUSS CORPORATE BOND ISSUANCE
- COUNTRY DIRECTOR MEETS WITH CHAIRMAN AND COMMISSIONERS OF NATIONAL COMMISSION FOR FINANCIAL MARKETS
- ATCI COMMENTS ON NCFM STRATEGY PAPER
- COUNTRY DIRECTOR MEETS WITH MINISTER OF FINANCE TO DISCUSS PROJECT PLANS AND COOPERATION WITH THE MINISTRY OF FINANCE

### III. EXECUTIVE SUMMARY OF PROJECT ACTIVITIES AND EVENTS DURING THE QUARTER UNDER REVIEW - EXECUTIVE SUMMARY MOLDOVA

This section summarizes project activities and events which occurred during the quarter under review. The activities and events are described in greater detail in the Component Reports which follow the Executive Summary. The status of each Task and Defined Activity in the Work Plan is set forth in the Tables accompanying the Component Reports.

#### **Mortgage Lending**

##### ***Primary Market***

During the quarter under review, ATCI began two new **Certified Mortgage Lender** training programs, each of them distinct in its own right. Each program consists of three courses, each followed by a comprehensive examination. Both programs will finish during the next quarter.

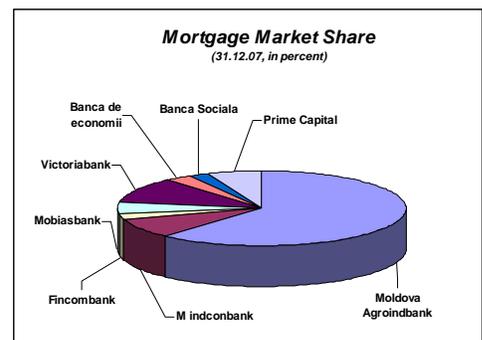
The first program began in January in **Tiraspol**. Participating were twenty-four individuals from six Transnistrian banks, only two of which are currently writing mortgages. The trainers were from the Institute of Urban Economics (IUE) in Moscow,

and the courses were conducted in Russian. The Tiraspol CML Training Reports for Courses 1 and 2 appear as *Attachments 2a* and *2b*.

Training in Transnistria is a part of Ambassador Kirby's initiative to broaden USAID's activities throughout the region. It was not without controversy in Moldova, however. Gary Linden personally met with the **Minister of Reintegration** to convince him of the limited scope and objectives of the program. At Mr. Linden's subsequent meeting with the **National Bank of Moldova**, Deputy Governor Ian Prodan encouraged USAID to conduct training in Transnistria, stating that anything USAID could do to improve the banking sector in the region would prove a great service to the National Bank when time comes to reunite the two economies.

The second program began in March in **Chisinau**. It was attended by twenty individuals from thirteen Moldovan banks and non-bank financial institutions, including one micro-lending organization. ATCI has already graduated forty-four individuals as Certified Mortgage Lenders in two complete CML training programs. What made the March 2008 program distinctive is that the training was for the first time conducted by **local trainers**. The Chisinau CML Training Report for Course I appears as *Attachment 3*.

One of ATCI's objectives is to make certain market support functions self-sustaining; ATCI is slated to finish in September 2008, after which USAID may not have a follow-on project to continue mortgage lender training. It is, therefore, in the best interest of the local primary market to identify a local market participant which will continue the training on a commercial or semi-commercial basis after ATCI closes. The market participant ATCI chose, with USAID approval, to continue CML training in Moldova is **ABM Consulting**, the commercial affiliate of the **Moldovan Association of Banks**. IUE trainers worked with the local trainers before the courses began and monitored the courses themselves, critiquing local trainers after each day's session. ABM Consulting's Business Plan for Future CML Training appears as *Attachment 4*.



Another key activity of the ATCI Mortgage Component is mortgage market data collection and analysis. During the quarter under review, ATCI completed its first annual **Mortgage Market Survey** and disseminated the results to participating mortgage lending banks. In collecting the data, most of which the banks consider confidential proprietary information, ATCI played the honest broker, agreeing not publish the information or otherwise make it available to anyone other than participating banks. Whether ATCI will be able to identify a market participant the banks will trust with the information in the future is a big question.

In any event, **Mortgage Market Survey 2007** makes for interesting reading. At the end of December 2007, the value of mortgages outstanding was MDL 1.496 billion, a 2.5 fold increase over year earlier data. In total, there were 7,090 mortgages outstanding with an average term of 10.1 years; the average loan size was MDL 211,000, which in turn was 55 percent of the appraised value of the mortgaged property. From that, one can of course extrapolate that the value of mortgaged property in Moldova at the end of

2007 was MDL 2.72 billion. This kind of information is invaluable to mortgage lenders, who use it to assess their position in the market and tweak or completely redesign their mortgage products. It is certainly a function in need of a sponsor. The Mortgage Market Survey 2007 appears as *Attachment 5*.

## Secondary Market

### Pilot Covered Bond Issue

Off and on since February 2007, ATCI has been working with **Moldova Agroindbank** to structure and issue Moldova's first mortgage **covered bond**. Covered bonds are bonds secured by a pledge of claims on the future cash flows from a bank's mortgages. The German *Pfandbriefe*, the largest class of covered bonds in Europe, can be traced back to mortgage bonds issued in Prussia as early as 1769. As of the end of 2006, the value of covered bonds in circulation in Europe exceeds €1.9 trillion.

COVERED BONDS OUTSTANDING 2006 in EUR Mn					
	Mortgage	Public sector	Mixed Assets	Ships	TOTAL
Germany	223.306	720.835	0	4.669	948.81
Denmark	300.367	0	0	6.672	307.039
Spain	214.768	11.59	0	0	226.358
France	43.012	49.66	61.93	0	154.602
Ireland	11.9	49.914	0	0	61.814
Sweden	55.208	0	0	0	55.208
UK	50.594	0	0	0	50.594
Luxembourg	150	28.36	0	0	28.51
Switzerland	23.096	0	0	0	23.096
Austria	3.42	13.68	0	0	17.1
Italy (CDP)	0	10	0	0	10
Netherlands	7.5	0	0	0	7.5
Hungary	5.924	0	0	0	5.924
Czech Republic	5.543	0	0	0	5.543
USA WaMu	4	0	0	0	4
Finland	3	0	0	0	3
Portugal	2	0	0	0	2
Slovakia	1.861	0	0	0	1.861
Poland	453	0	0	0	453
Latvia	63	0	0	0	63
Lithuania	14	0	0	0	14
<b>Total</b>	956.18	884.039	61.93	11.341	1,913,490

6

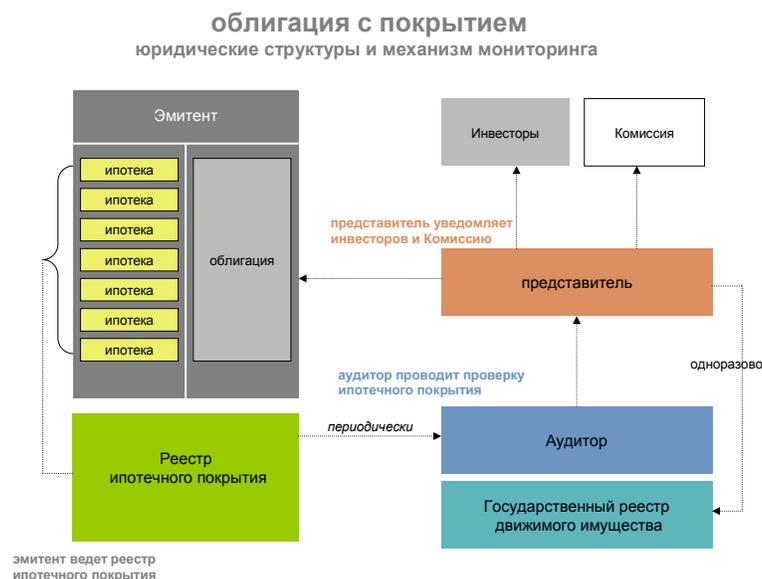
Source: European Covered Bond Council

The first step in preparation for issuance of a covered bond is technical: the bank's IT specialists must adapt their software to capture certain fields of data on mortgage loans and segregate the data to constitute what is called the **mortgage pool** or, more officially, the "Register of Mortgage Cover." Once the data has been identified and segregated, the IT specialists export it to an **Excel-based template** developed by ATCI for periodic analysis of the mortgage pool. A key feature of the analysis is the **Average Monthly Prepayment (AMP) Rate**; i.e., the rate at which borrowers prepay all or a portion of outstanding loans expressed as a percentage of the total outstanding mortgage portfolio. AMP is then used to calculate the true **duration** (financial term) of the portfolio, which is in turn used to determine the **term of the bond** issue and—if there is a national yield curve—the **coupon interest rate** of the bond.

During the quarter under review, Moldova Agroindbank successfully completed analysis of eight months of mortgage portfolio data. Technically, the bank is now ready to issue Moldova’s first covered bond. See *Attachment 6, MAIB Mortgage Portfolio Analysis*.

The second step in preparing for issuance is legal: the bond must be structured in compliance with local legislation and, in addition to Moldova’s Civil Code, there are several laws which govern various aspects of bond issuance, pledge and pledge registration, and trust operations (trustee). In this regard, ATCI met with **Agroindbank’s Chief Counsel, Kiril Pulberi**, to review the primary legal constructs of the proposed bond and seek his advice on how best to proceed with registration of pledge of moveable property. The **Ministry of Justice** maintains the registry of pledge of moveable property; notaries perform the registration. Mr. Pulberi recommended that ATCI organize a meeting with **Ms Yelena Mogan**, Deputy Minister of Justice in charge of Moldova’s corps of notaries, to discuss the legal structure of the bond.

ATCI has duly requested such a meeting.



The Excel template ATCI developed to calculate Average Monthly Prepayment and duration with prepayment is not bank- or software-specific; that is, it was not developed exclusively for Agroindbank or, say, Oracle bank software. It can be used as a risk management tool by any bank or mortgage company running standard bank software with an Excel interface. In response to a request for technical assistance on risk management from **Prime Capital**, a private mortgage company in Chisinau, ATCI recommended the company use the template to track the key indicators of its mortgage portfolio. Prime Capital has since incorporated the template into its regular risk management regime, even though the company has no interest at this point in issuing a mortgage covered bond. *This is a case of secondary mortgage market development strengthening primary market practice and a step in the direction of greater standardization of recordkeeping and reporting on mortgage portfolios.*



**SUB**  
prime

Not surprisingly, in Moldova's banking community there was a great deal of concerned interest in what is generally known as the "subprime crisis" in the United States. Moldova Agroind-bank's Chairman was especially alarmed because she feared, mistakenly, that the covered bond ATCI is helping the bank develop was a **securitization** that would lead the bank into the kind of mess Citibank, Merrill Lynch and UBS (Union Bank of Switzerland, whose logo is caricatured above) are slogging out of now. Securitization, Collateralized Debt Obligations and Structured Investment Vehicles are, of course, unheard of in Moldova, whose lack of financial development has allowed it to dodge the subprime bullet almost entirely.

Thus, in the interest of salvaging the ATCI's Agroindbank covered bond project and with broader educational objectives, the Country Director made four separate presentations on the subprime crisis to the **National Bank**, the **Ministry of Economy and Trade**, the top management of Agroindbank and the **banking community at large**. The Subprime Crisis Power Point Presentation appears as *Attachment 7*.

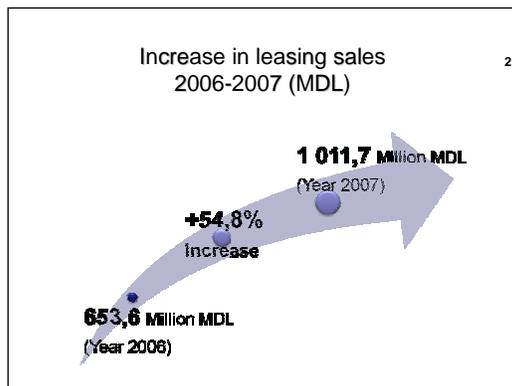
After the subprime presentation to Agroindbank on 15 February, **Chairman Vrabbe** and the Country Director discussed the **credit bureau** issue. In brief, the issue is that Moldova is too small to support two credit bureaus. **IMC Holding** has already established the **InfoCredit** bureau, secured agreements with the top five banks in Moldova and begun first phase operations (data collection). Second phase operations (limited credit reporting) are scheduled to begin later this year. Meanwhile, the **Association of Banks of Moldova** (ABM), which has a mandate from the government to establish a credit bureau, continues preparations to start a competing credit bureau and claims to have agreements with ten smaller banks. The ten smaller banks represent less than forty percent of the bank assets in Moldova and, therefore, less than forty percent of the data on borrowers and lending. ABM has not yet begun data collection operations.

Chairman Vrabbe informed the Country Director that Agroindbank together with the four other top banks were prepared to make a bid for fifty-one percent of IMC's InfoCredit. The Country Director agreed that the banks' approach was perhaps the only solution to the current impasse.

## **Financial Leasing**

ATCI launched its second Certified Leasing Specialist (CLS) training program with modules in February and March. Twenty-five participants, representing both leasing companies and banks, were enrolled in the three-day course modules which, among other topics, covered **leasing mathematics** and the **legal and tax frameworks** for financial leasing in Moldova. Course materials, adapted from materials from previous training sessions in Moldova and Ukraine, were thoroughly revamped to conform to the reality of leasing today in the country, and trainers—both local and Ukrainian—contributed to ATCI's **Glossary of Leasing Terminology** in Romanian and Russian, which attempts to standardize the vocabulary for leasing operations in Moldova regardless of the language of the user. *Attachment 8* is the Glossary of Leasing Terminology and the CLS Training Reports appear as *Attachment 9a and 9b*.

ATCI contracted with **ACAP (Association of Certified Accountants and Auditors)** to provide local trainers. As with the CML program, ATCI would like to use ACAP to continue CLS training after the project closes in September 2008. Due to Moldova's direct accreditation by the CLP Foundation, however, complications have arisen regarding exam monitoring. ATCI is trying to resolve those issues. The ACAP Training Contract appears as *Attachment 10*.



ATCI staff (Stanislav Shapa, Moldova, and Liliya Snigir, Ukraine) also conducted courses. The program will be completed in the next quarter when ATCI will be able to present the graduates certificates signed by Gary Linden and, thanks to the intermediation of Rick Dvorin, **Bob Teichman**, president of the **CLP Foundation** in the United States.

In addition to the Mortgage Market Survey, ATCI also conducted a survey of the leasing market last year, using essentially the same approach and methodology. During the quarter under review, ATCI completed analysis of its **Leasing Market Survey 2007**—the first ever survey of this market to properly calculate the **leasing penetration** rate for Moldova.

As with the Mortgage Market Survey, ATCI polled only the six largest leasing companies whose combined portfolios represent about 80 percent of the Moldovan leasing market. And the leasing companies find the information just as useful as the banks find the mortgage survey. ATCI will present the results of the survey to the leasing companies and the financial press during the next quarter. See *Attachment 11*, the Leasing Market Survey Presentation.

During the last quarter, there was serious discussion among the leasing companies about establishing an association of lessors. It appears the companies have put aside their differences on a number of key legal and tax issues in the leasing market and are prepared to work together to protect their common interest.

One enterprising member of the leasing community—a representative of **Electrosystem Leasing Company**—attempted to convene an organizational meeting for a leasing association. On February 20, at the request of the major leasing companies, the Country Director together with Corneliu Rusnac met with the individual and dissuaded him from calling such a meeting unless he could guarantee that attendees would represent at least 60 percent of outstanding leasing assets in the country. The individual rescinded his invitations, and the meeting never took place.

It is likely that an organizational meeting for the association will occur during the next quarter.

## Fixed Income

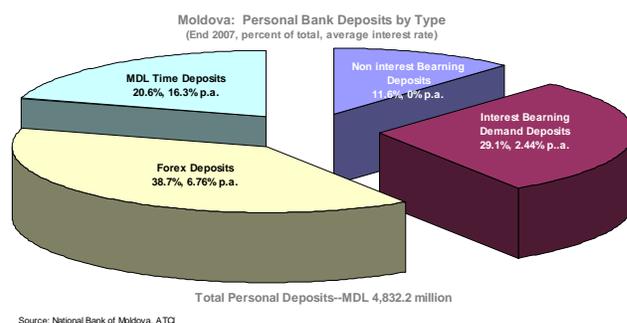
**MOLDOVA: SIZE AND COMPOSITION OF THE FINANCIAL SECTOR**  
(EOY 2007, in MDL millions)

GDP	STOCK MARKET CAPITALIZATION	DEBT INSTRUMENTS			TOTAL BANK ASSETS	TOTAL BANK ASSETS, DEBT AND MARKET CAP	TOTAL AS PERCENT OF GDP
		PUBLIC	PRIVATE	TOTAL			
49708.0	13 283.0	2 332.2	0.0	2 332.2	31 978.6	47 593.8	95.75%

The table above is adapted from one used by the IMF to compare financial sector development among its member countries. Moldova is a member country, of course, but its data are combined in the IMF table with other country data in a category labeled 'European Emerging Market.' The table is usually published in April in the Statistical Appendix of its International Financial Statistics (IFS); it has not yet appeared this year, so there are no comparable data. As a benchmark, however, total assets as a percent of GDP for developed economies are typically 390 percent or higher. Moldova's is clearly an emerging market economy, and the reason it falls short of the IMF benchmark is obvious: a paucity of fixed income (debt) instruments. Debt instruments account for only 4.6 percent of Moldova's financial sector; stocks, by contrast, account for 27 percent and bank assets 68.4 percent. *The predominant financial instruments in the economy are bank loans and deposits.* The situation leads to certain anomalies in the banking and financial sectors that are not immediately obvious.

First, bank loans are not particularly liquid instruments; once the money goes out the door, it's the borrower—not the bank—who controls when it comes back. To meet liquidity requirements, banks build securities portfolios of government (risk free) bills, notes and bonds to offset the illiquidity of their loans. Moldovan banks already own 97% of outstanding government securities, so to maintain liquidity they are forced to carry excess reserves (uninvested or underinvested funds). Carrying excess reserves in a high-inflation environment is an expensive strategy.

Banks pass on the cost of carrying excess reserves to depositors by keeping interest rates on deposits low or, where possible, not paying interest at all. The graph, above, illustrates that only 20.6 percent of personal deposits in Moldovan banks earn interest at or above current rates of inflation; all the rest are *net negative*, including Foreign Exchange Deposits if the depositor is a Moldovan resident. There are, no doubt, some non-resident depositors in both Forex and MDL Time Deposits. Nevertheless, ATCI estimates that, since 2003, Foreign Exchange Deposits have forfeited more than MDL 300 million to translation (foreign exchange) losses and net negative yields.



There's more. Deposits fund 100 percent of Moldovan bank loans. (In fact, 111.2 percent; some portion of the 11.2 percent by which deposits exceed loans are excess reserves.) The lion's share of deposits has a term of from six months to a year; their average duration is probably eight or nine months. The majority of loans are likewise short term, their average duration probably being twelve to fifteen months...except

mortgages. As we saw in ATCI's Mortgage Market Survey, the average term of a mortgage in Moldova is 10.1 years, the Macaulay Duration of which at current interest rates is on the order of 39 to 40 months. The maturity mismatch between mortgage loans and deposits is about 30 months. Covered bonds with maturities of from three to four years would entirely eliminate the mismatch.

Until this year, one could argue with reason that corporate bonds have not appeared in Moldova because there has really been no identifiable need for them. Mortgage lending began in earnest only two and a half years ago. But now there is an identifiable need for mortgage bonds, and we know exactly the volume that's needed. At the end of 2007, mortgages outstanding in Moldova totaled MDL 1.496 billion, accounting for 7.2 percent of bank loan portfolios.

Covered bonds are more secure than bank deposits, and they would give investors a relatively liquid alternative to the net negative yields on some bank products.

As if to underscore the "no identifiable need" theory, during the quarter under review, ATCI worked with a potential issuer—**Camelia S.A.**, an appliance wholesaler—to prepare a bond issue even though the company did not need the money. Instead, the issuer wanted the know-how: the company wanted to learn how to issue corporate bonds.

The first obstacle Camelia faced was posed by the law on **Joint Stock Companies**. Article 16, Paragraph 9 of said law states that "the face value of all outstanding bonds of a company shall not exceed the company's paid-in capital." In order to be able to issue a bond of any size at all, Camelia would have to increase its paid-in capital which, by the end of last year, was only a fraction of total shareholder equity. The JSC law thus poses an obstacle to all smaller companies with an operating history longer than, say, seven years. ATCI

recommended the law be amended when it came under parliamentary review, but the amendment was not adopted.

<b>Paid-in Capital vs. Shareholder Equity</b> (EOY 2006, in MDL millions)		
	<b>Paid-in Capital</b>	<b>Total Shareholder Equity</b>
<b>Banking Sector</b>	1 502.9	3 929.5
<b>Corporate Sector</b>	2 726.6	8 258.4
<b>Total Market</b>	<b>4 229.5</b>	<b>12 187.9</b>

recommended amended last year under review, but the amendment was

ATCI analysis sheets of 73

of the balance Moldovan non-bank companies whose 2006 sales exceeded MDL 20.0 million and profits exceeded MDL 1.0 million—the very companies most likely to become corporate bond issuers—found that paid-in capital represented a mere 33.02% of total shareholder equity. In the banking sector, 2006 paid-in capital was 38.25% of total capital. Most capital now resides in other accounts: retained earnings (current and prior years), revaluation of fixed assets and other reserves. And the Joint Stock Company Law would exclude all of it, reducing future bond market development to only a third of its full potential.

As ATCI works with Camelia and other potential bank and non-bank issuers, other problems in this and other laws will surface. ATCI will take appropriate action to draft amendments and seek sponsorship among the ministries and in Parliament for changes to the law.

ATCI's International Bond Conference in December 2007 lit a fire under the ministers and ministries most directly involved in the financial sector—**Ministry of Finance, Ministry of Economy and Trade** and, of course, the **National Commission for Financial Markets**.

During the quarter under review, the Country Director met with both ministers and the chairman of NCFM. Both ministers offered the project their full support in developing domestic corporate bond markets. The chairman of NCFM requested the project's full support in developing the Commission.

Toward the end of the quarter under review, ATCI had its first opportunity to support development of NCFM by commenting on its draft **Strategy** for the next four years.

ATCI's comments are both wide-ranging and technical as, of course, is the Strategy. However, on the whole, the Strategy lacks vision because the Commission lacks leadership with vision. There is no one in the Commission with sufficient knowledge of or experience in any segment of the financial sector to regulate and supervise insurance companies, pension funds or non-bank financial institutions, and relying on the Commission under its current leadership to perform these tasks risk serious mismanagement of the non-bank financial sector. ATCI's Comments on NCFM Strategy Paper appear as *Attachment 12*.

### **Development Credit Authority Monitoring**

The Project continued its monitoring activities regarding the Development Credit Authority (DCA) throughout the quarter. Guarantee products offered by USAID/DCA are:

- *Loan guarantee*, for a single project, where both the borrower and lender are known in advance;
- *Portable guarantee*, for a single project, giving the borrower the opportunity to approach various lenders for best terms offerings;
- *Loan portfolio guarantee*, for multiple projects and multiple borrowers of a single lender; and
- *Bond guarantee*, for issuance of various types of bonds by financial institutions, non-financial corporations, or sub-national governments.

Review and monitoring of DCA activities are on-going.

## **IV. PROJECT STAFFING – EXECUTIVE SUMMARY MOLDOVA**

The following are personnel of ATCI/Moldova engaged in Project activities this quarter:

- Steve Moody, Country Director
- Mariana Botezatu, Mortgage Advisor
- Tamara Burca, Translator/Interpreter
- Olga Captilova, Office Manager/Financial Controller

- Mihail Gherghircic, Financial Analyst
- Alex Levit, Driver
- Stanislav Sapa, Senior Attorney
- Alexandr Savva, Senior Attorney
- Alisa Savva, Administrative Assistant/Receptionist
- Dorin Sorbala, Financial Leasing Advisor

During the quarter, the following short term technical advisors conducted training and monitored examinations in the CML and CLS courses:

- Aleksandr Kopeikin, Institute of Urban Economics, Moscow: Tiraspol CML Courses I and II, Chisinau CML Course I
- Natalya Rogozhina, Institute of Urban Economics, Moscow: Tiraspol CML Courses I and II, Chisinau CML Course I
- Liliya Snigir, ATCI, Kiev: CLS Courses I and II
- Miroslava Serdyuk, CIPA EN, Kiev: CLS exam I

The local trainers of the CML courses provided by ABM Consulting were:

- Irina Dicov – PhD in economy,
- Emma Tabirta – Director, foreign joint stock company “Business – Investments for All”;
- Ion Mamaliga, advisor to the Chairman of Banks Association of Moldova (Certified Mortgage Lender Program – Group I);
- Andrei Caciurenco - Partner Joint company “A.C.I. Partners” Ltd.

Local trainers of the CLS courses provided by ACAP were:

- Natalia Tsiriulnicova (ACAP)
- Tatiana Prisacar (ACAP)
- Natalia Prodan (ACAP)
- Iuliana Tsugulschi (ACAP)
- Raisa Evsucova (ACAP)

## **V. ADMINISTRATIVE ISSUES – EXECUTIVE SUMMARY MOLDOVA**

Near the beginning of this quarter, Rick Dvorin, Country Director of ATCI Moldova in the past quarters since inception moved up to the ATCI Ukraine project to work as Deputy

Chief of Party. Steve Moody was named Country Director for ATCI Moldova. Among Rick's responsibilities in Ukraine is administrative oversight of this project.

During the quarter under review, Alina Birsin, an attorney, left the project to pursue other interests. The project anticipates a particularly heavy legal burden in coming quarters specifically in redrafting NCFM Regulations governing bond issuance. During the quarter, therefore, the project hired Alex Savva as Senior Attorney on a part-time basis.

During the quarter, the salaries of all local employees with the exception of recent hires (Dorin Sorbala, Stanislav Shapa, Alexandr Savva) were raised twenty-five percent to compensate for the devaluation of the US dollar against the local currency and for persistently high rates of inflation in Moldova. The pay raise was approved by the Contracting Officer in Kiev.

In order to bolster ATCI/Moldova's Technical Assistance capabilities in addition to bringing up the overall expertise of ATCI's professional cadre of advisors, ATCI-staff member Alisa Savva has been attending **both** CML and CLS training programs. It is expected that Alisa will become certified as CML and CLS during the next quarter. It must be stated that Alisa, with an advanced degree in Economic Studies, plus over 10 years experience on USAID projects as an Economist and Data Base Specialist, was originally hired to fill the receptionist and administrative assistant positions, yet when opportunities presented themselves for project enhancement and staff promotion, these would be addressed.

## **LIST OF ATTACHMENTS**

**ATTACHMENT 1:** *Access to Credit Initiative/Moldova (2<sup>nd</sup> Year) Work Plan, updated as of March 31, 2008*

**ATTACHMENT 2a:** Tiraspol CML Training Report, Course 1

**ATTACHMENT 2b:** Tiraspol CML Training Report, Course 2

**ATTACHMENT 3:** Chisinau CML Training Report, Course 1

**ATTACHMENT 4:** ABM Consulting Business Plan for Future CML Training

**ATTACHMENT 5:** Mortgage Market Survey 2007

**ATTACHMENT 6:** Moldova Agroindbank Mortgage Portfolio Analysis

**ATTACHMENT 7:** Subprime Crisis PowerPoint Presentation

**ATTACHMENT 8:** Glossary of Leasing Terminology

**ATTACHMENT 9a:** CLS Training Report, Course 1

**ATTACHMENT 9b:** CLS Training Report, Course 2

**ATTACHMENT 10:** Contract with ACAP, CLS Training Provider

**ATTACHMENT 11:** Leasing Market Survey Presentation

**ATTACHMENT 12:** ATCI Comments on NCFM Strategy Paper

## **B. MORTGAGE LENDING - Moldova**

### **I. COMPONENT DESCRIPTION – MORTGAGE LENDING MOLDOVA**

This Report provides details on the events and activities relating to the Mortgage Lending Component of the USAID Access to Credit Initiative/Moldova, as implemented by The Pragma Corporation, during the period from January 1 through March 31, 2008.

The primary purpose of the ATCI/Moldova Mortgage Lending component is to develop the primary and secondary mortgage markets with their associated infrastructure, as far as possible and as appropriate in Moldova. Primary market development involves legislative review and addressing legislative deficiencies; the use of standardized documentation for underwriting and loan servicing; certification of personnel for mortgage lenders that results in a CML designation; technical assistance to financial institutions engaged in mortgage lending; and assessment of titling and all related processes. Development of the secondary market involves the structuring of mortgage-backed (i.e., covered) bonds with the appropriate legal environment for issuance.

A secondary goal of the Project relates to Mortgage development is assisting in the development of a Credit Information Company, i.e., Credit Bureau. The Project intends to participate in this endeavor only after a Credit Bureau Law that is acceptable to USAID is adopted, as stated in the Project's SOW. To date, this law recently been sent to Parliament from the government. Where ATCI can be of assistance in the development of a viable Credit Bureau, it shall.

### **II. SIGNIFICANT EVENTS – MORTGAGE LENDING MOLDOVA**

- THE THIRD CERTIFIED MORTGAGE LENDER (CML) CERTIFICATION TRAINING PROGRAM BEGUN IN MOLDOVA USING LOCAL TRAINERS
- ATCI INAUGURATES CML TRAINING PROGRAM IN TRANSNISTRIA
- ATCI COMPLETES MOLDOVAN MORTGAGE MARKET SURVEY FOR 2007
- MOLDOVA AGROIND BANK COMPLETES MORTGAGE PORTFOLIO ANALYSIS IN PREPARATION FOR COVERED BOND ISSUANCE
- ATCI LEGAL TEAM MEETS WITH AGROIND BANK CHIEF COUNSEL TO AGREE LEGAL STRUCTURE OF PROPOSED COVERED BOND

### **III. TECHNICAL SUMMARY – MORTGAGE LENDING MOLDOVA**

#### **Primary Mortgage Market**

##### *Certified Mortgage Lending Training Program: Tiraspol*

During the quarter under review, ATCI conducted Courses I and II of the CML Training Program in Tiraspol. The trainers were Alexandr Kopeikin and Natalya Rogozhina of the Institute of Urban Economics, Moscow. The training courses were conducted in the

board room of Sberbank in Tiraspol during January 29-February 1 and February 26-29, 2008.

There were twenty-five participants, twenty-four from six of the eight Transnistrian banks and one ATCI staff. Banks sending participants were:

Sberbank	- 5 Persons
Ipotecinii Bank	- 5 Persons
Gazprombank	- 4 Persons
Agroprombank	- 5 Persons
Tirotex	- 4 Persons
Tiraspromstroibank	- 1 Person

Twenty-four trainees passed the examination upon completion of Course I; twenty-one passed the Course II examination.

Course III will be conducted during April 15-18, 2008.

#### *Certified Mortgage Lending Training Program: Chisinau*

During the quarter under review, ATCI conducted Course I of the CML Training Program in Chisinau. The trainers were provided by ABM Consulting, a wholly-owned training and consulting subsidiary of the Moldovan Association of Banks which will continue CML training in Moldova on a commercial basis after ATCI is terminated in September 2008. The local trainers were coached and monitored by Alexandr Kopeikin and Natalya Rogozhina of the Institute of Urban Economics, Moscow. The training courses were conducted in ATCI's conference room in Chisinau during March 18-21.

There were twenty-one participants representing ten banks, two mortgage companies and one micro-lending organization. Nineteen trainees passed the examination upon completion of Course I.

Course II is scheduled for May 13-16, and Course III for June 17-20.

Since its inception, ATCI has trained more than ninety mortgage professionals, of which forty-four (44) have already received CML certification. Upon the completion next quarter of the 2 CML programs that were initiated this quarter, ATCI expects the number of Certified Mortgage Lenders to approach eighty-five (85) in total.

#### *Mortgage Market Survey*

Last year, ATCI began monitoring mortgage lending in seven banks and one mortgage company which, combined, account for more than ninety percent of outstanding mortgages in Moldova. The banks participating in ATCI's quarterly survey are: Moldova-Agroindbank, Moldindconbank, Mobiasbanca, Victoriabank, Banca de Economii, Banca Sociala, FinComBank; also participating is the mortgage company Prime Capital. (During the year, one bank ceased mortgage lending activities because of a lack of long term funding, pointing up the need for mortgage bonds.) Once analyzed, the data in the survey allow ATCI to paint a comprehensive picture of the Moldovan mortgage market.

### **Mortgage Market Survey 2007**

#	<i>Mortgage Market Indicators</i>	Unit of Measure	<i>December 31, 2007</i>
1	Value of outstanding mortgages	000 MDL	1,496,090
2	Value of mortgages written in 2007	000 MDL	1,130,472
3	Number of outstanding mortgages		7,090
4	Number of mortgages written in 2007		4,588
5	Average maturity of outstanding mortgages	years	<i>Weighted average 10.1 Interval 6-11.7</i>
6	Average value of an outstanding mortgage	000 MDL	211
7	Average value of a mortgages written in 2007	000 MDL	246
8	Average LTV	%	<i>Weighted average 55% Interval 45-91%</i>
9	Delinquency rate (>30 days)	%	0-1.0%
10	Number of offered mortgage products		1-7 Total 23
11	Number of mortgage products launched in 2007		0-2 Total 14
12	Mortgages as percent of total loan portfolio	%	Average 9%

Moldova's mortgage market at the end of 2007 was about 3.0 percent of GDP—clearly and emerging market economy percentage.

ATCI's mortgage survey will continue through the end of the project.

## Secondary Market

### *Pilot Issue*

### *Average Monthly Prepayment*

The major focus of work with Moldovan Agroind Bank for the past year has been development of its IT capacity to calculate average monthly prepayment, duration and duration with prepayment on its entire mortgage portfolio. MAIB completed the work in the quarter under review, analyzing data from June 2007 through February 2008.

Start Balance	365 865 669
Term (months)	142.1

Interest Rate	14.4719
Prepayment Rate	0.0410
Duration (months)	43.98
Duration w/PP	36.79

Unlike Single Month Mortality (SMM), which was developed to calculate the prepayment characteristics of individual credits in static securitization pools, Average Monthly Prepayment (AMP) calculates monthly prepayment at the portfolio, or pool, level using certain characteristics of the pool calculated in the template: weighted average interest rate, weight average term to maturity, et al.

### Primary Characteristics of the Mortgage Pool

weighted average interest rate	weighted average LTV	outstanding balance	weighted average term to maturity	residential or commercial loan
14.47%	55%	365 865 669	142.1	75%

In turn, AMP is used in calculating Macaulay Duration with prepayment—the mathematical term of the portfolio which determines both the term and the coupon rate of the bond issue. The whole point of issuing a mortgage bond is to more closely align the maturities of the issuer’s assets and liabilities, immunizing the bank from a sudden and sharp shift in the yield curve.

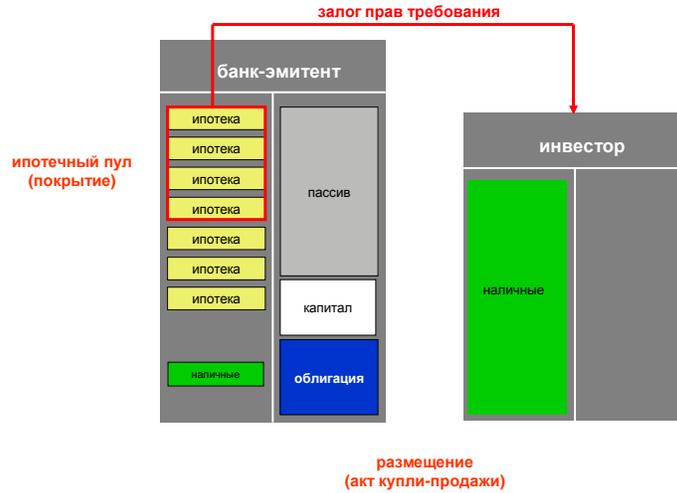
MAIB is now technically ready to issue a ‘covered’ bond.

In fact, whether or not a mortgage lender intends to issue a bond, the ATCI template can be used as a risk management tool. ATCI met with one such mortgage lender—Prime Capital—explained how to use the template, and delivered it in electronic form to the company. Prime Capital now uses the template in regular assessments of the various risks in its mortgage portfolio.

### *Legal Structure*

The bond ATCI has structured for Agroindbank contains two legal constructs, fully supported by existing legislation, which will nevertheless represent novel use of the law in Moldova.

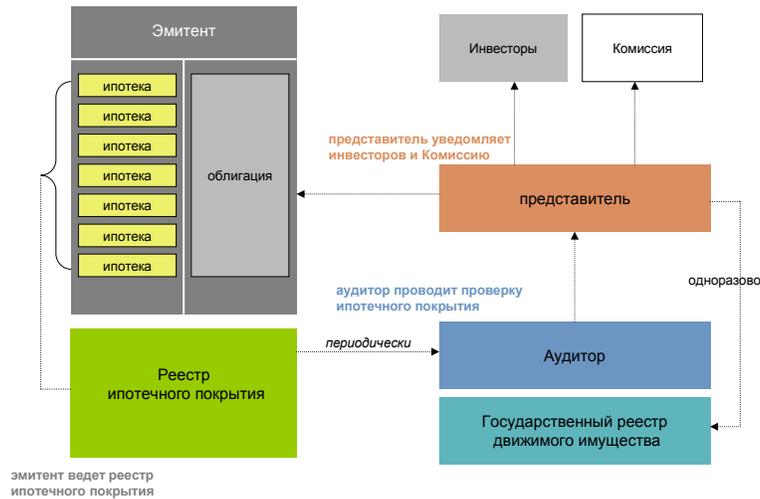
## облигация с покрытием общий обзор



3

The first construct is that of a trustee, or bondholder representative, who carries out certain functions on behalf of the bondholders on the basis of Civil Code Statutes 242-258, governing personal representation (power of attorney). Under ordinary circumstances, the law requires (1) that the functions to be carried out by the representative be set forth in writing and (2) that the document defining the functions of the representative be signed by the individual delegating the authority. In the bond, the functions of the bondholder representative will be defined in the Investment Memorandum that the issuer circulates among prospective buyers; in that regard, the construct comports with the letter and the spirit of the law. However, inasmuch as physical signature of the power of attorney by every future bondholder would in practice seriously impede the free transfer (trade) of the bond, ATCI has proposed that the actual purchase of the bond by bondholders shall constitute signature of the power of attorney contained in the prospectus. Though the proposed construct is not specifically mentioned in the Civil Code, it comports with the spirit of statutes which extend the right of personal representation to individuals (prisoners, invalids, et al.) under some form of physical or other constraint, which prevents them from conforming to some aspect of the law.

**облигация с покрытием**  
юридические структуры и механизм мониторинга



10

The second construct is that of master, or aggregate, pledge. There are two issues here. The first is that the pledge agreement between the issuer and all bondholders will be signed by not by bondholders but by the bondholder representative. Again, requiring each bondholder to sign the pledge agreement would seriously impede free trade of the bond in the secondary market. The second issue is that the pledge agreement will include only the value of the pledge and a generic description of the components of the pledge; that is, the pledge agreement will not identify each individual mortgage (or other financial asset) that makes up the pool of pledged assets. Due to borrower default or borrower prepayment, individual mortgages in the mortgage pool will from time to time change. For the purposes of pledge, all mortgages will be considered interchangeable with all other mortgages as long as all have certain defined characteristics, like a maximum LTV or a minimum interest rate.

Article 24 of Pledge Law fully supports master, or aggregate, pledge. However, ATCI is concerned that notaries who register pledges in the Ministry of Justice registry of pledge of moveable property will not recognize the legality of the pledge, only its novelty. ATCI has, therefore, requested a meeting with Yelena Mogan, Deputy Minister of Justice in charge of Moldova's corps of notaries, in order to explain the legal constructs and prepare a brief which will be circulated among notaries.

#### IV. ADMINISTRATIVE ISSUES – MORTGAGE LENDING MOLDOVA

As noted in the Work Plan, activities relating to the development of mortgage-related insurance and the development of the Real Estate and Appraisal Associations have been deleted.



	<p>COURSE 1 – JANUARY 29 – FEBRUARY 1, 2008</p> <p>COURSE 2 – FEBRUARY 26-29, 2008</p> <ul style="list-style-type: none"> <li>• 24 TRAINEES FROM 6 COMMERCIAL BANKS AND 1 ATCI REPRESENTATIVE PARTICIPATED IN THE PROGRAM.</li> <li>• 24 TRAINEES PASS EXAM I AND 21 PASS EXAM II</li> <li>• MEMOS REGARDING CMLP I (TIRASPOL) COURSES I AND II ARE INCLUDED AS ANNEXES</li> <li>• COURSE III IS PLANED FOR APRIL 15-18, 2008.</li> <li>• ASSISTED USAID TEAM IN ORGANIZING ITS VISIT IN TIRASPOL</li> <li>• 2 MEETINGS WITH USAID TOP LEVEL MANAGEMENT IN ORDER TO DISCUSS THE PROJECT’S FUTURE PLAN FOR TRANSNISTRIA.</li> </ul>
<p><b>4. For second year, the third program implemented by training providers which is supervised by STTA-IUE CML trainers</b></p>	<ul style="list-style-type: none"> <li>• THE LOCAL CMLP TRAINING PROVIDER – MOLDOVAN BANKS ASSOCIATION, SELECTED BY THE PROJECT AND APPROVED BY USAID.</li> <li>• MEETINGS WITH THE PRESIDENT OF MOLDOVAN BANKS ASSOCIATION AND EXECUTIVE DIRECTOR OF FTBCC ABM CONSULTING. DISCUSSED AND ASSESSED THEIR WILLINGNESS AND READINESS TO ACT AS A LOCAL CMLP TRAINING PROVIDER.</li> <li>• MEMO REGARDING THE SELECTION OF THE LOCAL TRAINING PROVIDER, AND CML TRAINING PROPOSAL (PRELIMINARY VERSION), PRESENTED BY FTBCC ABM CONSULTING ARE INCLUDED AS ANNEXES.</li> <li>• MEETINGS WITH THE TEAM OF LOCAL TRAINERS IN ORDER TO COORDINATE THE PREPARATORY WORK FOR CMLP III.</li> <li>• COURSE I MODIFICATION FOR DELIVERY IN MOLDOVA COMPLETED</li> <li>• COURSES I DELIVERED IN MARCH 18-21, 2008</li> <li>• NEXT COURSES PLANED FOR: COURSE 2 – MAY 13-16, 2008 COURSE 3 – JUNE 17-20, 2008.</li> <li>• 21 TRAINEES FROM 13 INSTITUTIONS, INCLUDING FROM 10 BANKS, 2 MORTGAGE AGENCIES AND 1 MICROFINANCIAL ORGANIZATION, PARTICIPATED IN THE PROGRAM.</li> <li>• 19 TRAINEES PASSED EXAM.</li> <li>• MEMO REGARDING CMLP III COURSE I IS INCLUDED AS ANNEX.</li> </ul>
<p><b>5. Conduct assessment of current mortgage activity and impact</b></p>	<ul style="list-style-type: none"> <li>• SELF ASSESSMENT SURVEY SENT TO ALL TRAINEES IN CML</li> </ul>

<p><b>assessment of Certified Mortgage Lender Program (CMLP) on the mortgage lenders and on their lending practice</b></p>	<p>PROGRAM III. RESULTS ATTACHED.</p> <ul style="list-style-type: none"> <li>SUMMARY OF VOLUME AND ACTIVITY OF MORTGAGE LENDING MARKET AS OF DECEMBER 31, 2007. COMPARISON OF MARKET GROWTH AND EXPANSION DURING THE LAST YEAR. MEMO IS INCLUDED AS ANNEX.</li> </ul>
<p><b>7. Deliver specialized mortgage trainings related to above and legal framework, if applicable and as needed.</b></p>	<ul style="list-style-type: none"> <li>PLAN TO ORGANIZE WITH EBRD A SERIES OF ROUND TABLES/SEMINARS FOR DIFFERENT TARGET AUDIENCES FROM FINANCIAL COMMUNITIES (LAWYERS, MID MANAGEMENT LEVEL, LENDER OFFICERS, ETC.) IN ORDER TO PROMOTE THE NEW MORTGAGE LAW, AND ENCOURAGE THE BANKING COMMUNITY TO TAKE MAXIMUM ADVANTAGE OF IT.</li> <li>THE TRAINING WILL BE POSTPONED UNTIL THE LAW IS ADOPTED, SINCE THERE MAY BE AMENDMENTS</li> <li>PRESENTATIONS ON SUBPRIME CRISIS FOR MINISTRIES, FINANCIAL COMMUNITY, AND REGULATORY BODIES.</li> </ul>

**Task B. Assist Banks in Undertaking Mortgage Lending**

<p><b>Defined Activity</b></p>	<p><b>Progress Made During Quarter/Proposed Future Actions</b></p>
<p><b>1. Promote standardized rules, procedures, documentation for retail mortgage lending in Moldova</b></p>	<ul style="list-style-type: none"> <li>THESE ACTIVITIES CONTINUED IN THIS QUARTER.</li> <li>MEETINGS HELD WITH: THE NATIONAL BANK OF MOLDOVA MINISTRY OF ECONOMY AND TRADE MINISTRY OF FINANCE MOLDOVAN BANKS ASSOCIATIONS MOLDOVA - AGROINDBANK PRIME CAPITAL – MORTGAGE AGENCY DISCUSSING AND PROMOTING STANDARDIZED RULES, PROCEDURES AND DOCUMENTATION IN THIS QUARTER</li> <li>PRESENTATIONS ON SUBPRIME CRISIS FOR: THE NATIONAL BANK – FEBRUARY 8, 2008 MOLDOVA - AGROINDBANK TOP MANAGEMENT – FEBRUARY 15, 2008 FINANCIAL COMMUNITY – MARCH 5, 2008 MINISTRY OF ECONOMY AND NATIONAL COMMISSION OF FINANCIAL MARKET – MARCH 20, 2008.</li> <li>INTERVIEW IN THE CAPITAL MARKET NEWSPAPER</li> </ul>
<p><b>2. Select candidate banks and financial institutions for on-site assistance (On-going), and as requested.</b></p>	<ul style="list-style-type: none"> <li>DELIVERY OF TA (SEE POINT 1 ABOVE) AS REQUESTED</li> </ul>
<p><b>3. Provide on-site technical assistance (On-going)</b></p>	<ul style="list-style-type: none"> <li>ON-SITE CONSULTANCY FOR REGULATORY BODIES: VICE GOVERNOR AND TEAM OF NATIONAL BANK OF MOLDOVA; NATIONAL COMMISSION OF FINANCIAL MARKET; MINISTRY OF ECONOMY AND TRADE.</li> <li>ON-SITE TECHNICAL ASSISTANCE PROVIDED TO PRIME</li> </ul>

	<p>CAPITAL, MORTGAGE AGENCY: DEVELOPED AND PROVIDED A TEMPLATE/TOOL FOR MORTGAGE PORTFOLIO ANALYSIS AND AVERAGE MONTHLY PREPAYMENT AND CONDITIONAL PREPAYMENT RATE CALCULATION FOR RISK MANAGEMENT IMPROVEMENT.</p> <ul style="list-style-type: none"> <li>• ADDITIONAL SPECIFIC (AS REQUESTED) TA BY SHORT TERM AND MORTGAGE EXPERTS OF PROJECT PROVIDED TO MAIB, MOLDINDCOMBANK, BANCA DE ECONOMII, VICTORIABANK, BCR CHISINAU AND MORTGAGE AGENCIES AMIC AND PRIME CAPITAL DURING CMLP</li> <li>• AD HOC TA VIA EMAIL AND TELEPHONE</li> </ul> <p><i>DISCUSSED TOPICS:</i></p> <ul style="list-style-type: none"> <li>- MORTGAGE COVERED BONDS OR MORTGAGE-BACKED SECURITIES;</li> <li>- COMMENTS AND SUGGESTIONS TO THE MORTGAGE PRODUCTS RECENTLY DEVELOPED AND IMPLEMENTED</li> <li>- THE BEST PRACTICES IN MORTGAGE LENDING.</li> </ul>
--	--

**Task C. Develop a Mortgage-Backed Securities Capability (see Fixed Income Component below) "as possible in Moldova"**

Defined Activity	Progress Made During Quarter/Proposed Future Actions
<b>1. Establish Legal Working Group to assess legal basis and regulatory framework</b>	<ul style="list-style-type: none"> <li>• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED THIS QUARTER</li> <li>• REVIEWED THE RECENTLY ADOPTED AMENDMENTS TO THE PLEDGE LAW AND LAW ON SECURITIES IN THE CONTEXT OF PLEDGE REGISTRATION IN CASE OF MORTGAGE BONDS ISSUE.</li> <li>• DRAFTED A PLEDGE AGREEMENT FOR MORTGAGE BONDS ISSUE TO BE DISCUSSED IN THE NEAREST FUTURE WITH THE MINISTRY OF JUSTICE.</li> </ul>
<b>2. Draft legal provisions as needed</b>	<ul style="list-style-type: none"> <li>• COMPLETED LAST QUARTERS</li> </ul>
<b>3. Promote legal provisions to professionals, regulators, Ministries, etc.</b>	<ul style="list-style-type: none"> <li>• WORK COMMENCED IN PREVIOUS QUARTERS, CONTINUED THIS QUARTER</li> <li>• INITIATE THE DISCUSSION WITH THE NATIONAL BANK OF MOLDOVA, MINISTRY OF ECONOMY AND TRADE, MINISTRY OF FINANCE, NATIONAL COMMISSION OF FINANCIAL MARKET ON COVERED MORTGAGE BONDS. ALL THE ABOVE MENTIONED BODIES OFFERED FULL SUPPORT OF THE PROJECT.</li> </ul>
<b>4. Select candidate issuer(s)</b>	<ul style="list-style-type: none"> <li>• COMPLETED PREVIOUS QUARTERS</li> <li>• REGULAR MEETINGS WITH THE TOP LEVEL MANAGEMENT AND INTERNAL WORKING GROUP OF MOLDOVA - AGROINDBANK.</li> </ul>

5. Conduct portfolio analysis	<ul style="list-style-type: none"> <li>• COMPLETED PREVIOUS QUARTERS</li> <li>• MAIB STAFF EXERCISED ON THE AVERAGE MONTHLY PREPAYMENT AND CONDITIONAL PREPAYMENT RATE CALCULATION.</li> </ul>
6. Develop standardized indenture	<ul style="list-style-type: none"> <li>• THE LETTER-JUSTIFICATION DRAFTED TOGETHER BY MORTGAGE ADVISOR AND SHORT TERM EXPERT ON THE POSSIBLE SIZE OF COVERED BONDS, AS WELL AS THE FUTURE OF MORTGAGE BONDS PROJECT HAS BEEN EXAMINED BY THE TOP LEVEL MANAGEMENT OF THE BANK – JANUARY 22, 2008. MAIB CONFIRMED ITS FULL COMMITMENT TO THE PROJECT.</li> </ul>
7. Draft investment memorandum	<ul style="list-style-type: none"> <li>• N/A THIS QUARTER;</li> <li>• TO BE DONE WHEN THE ISSUER HAS THE FINAL DECISION ON ISSUANCE MORTGAGE BONDS</li> </ul>
8. Registration and Listing	<ul style="list-style-type: none"> <li>• N/A THIS QUARTER;</li> </ul>
9. Identify potential investors	<ul style="list-style-type: none"> <li>• PROJECT HELD ON AND OFF-SITE MEETINGS WITH POTENTIAL INVESTORS AND OTHER FINANCIAL INSTITUTIONS</li> </ul>
10. Conduct "road show"	<ul style="list-style-type: none"> <li>• N/A THIS QUARTER;</li> </ul>
11. Price and place issue	<ul style="list-style-type: none"> <li>• N/A THIS QUARTER;</li> </ul>

**Task D. Facilitate Establishment of a Commercial Credit Information Company (i.e., Credit Bureau) "as appropriate in Moldova"**

<p>Assessment of credit bureau status and feasibility of establishment of credit bureau system in Moldova Phase I: Review current status of development of a CIC</p>	<p><b>NOTES FOR ACTIVITIES F, G, AND H, ALL RELATING TO ESTABLISHMENT OF COMMERCIAL CREDIT INFORMATION COMPANY, I.E., CREDIT BUREAU:</b></p> <ul style="list-style-type: none"> <li>• DRAFT LAW ON CREDIT BUREAUS HAS NOT BEEN ADOPTED AND THEREFORE NO ADDITIONAL WORK WAS OR WILL BE DONE UNTIL THIS LAW IS ADOPTED</li> <li>• THE REGULATORY BODY HAS BEEN ESTABLISHED AS OF JULY 2007, THROUGH THE ADOPTION OF THE MEGA REGULATOR LAW</li> <li>• IT MAY NOW BE EXPECTED THAT THERE WILL BE MOVEMENT IN THE LAW ON CREDIT BUREAUS</li> <li>• THE DRAFT LAW WAS APPROVED BY THE GOVERNMENT ON AUGUST 24, 2007. THE LAW ENTERED IN PARLIAMENT ON SEPTEMBER 20, 2007, AND IS AT THE PARLIAMENTARY COMMISSIONS FOR EXAMINATION.</li> <li>• PROJECT IS IN CONSTANT AND ONGOING COMMUNICATIONS WITH WORLD BANK OFFICERS AND DIRECTOR OF THE COMPETITIVENESS ENHANCEMENT PROJECT IMPLEMENTATION UNIT (PIU) AND MOLDOVAN BANKS ASSOCIATION; WORLD BANK STARTED WORK IN DEVELOPING CREDIT BUREAU OVER A YEAR AGO</li> </ul>
--	---

	<ul style="list-style-type: none"> <li>THE MAIN ACTIVITIES OF TASKS F, G, AND H ARE POSTPONED UNTIL THE LAW ON CREDIT INFORMATION BUREAUS IS ADOPTED</li> </ul>
<b>1. Coordinate disparate groups (providers, users, government) and consolidate interests—overall project coordination</b>	<ul style="list-style-type: none"> <li>THE ROUND TABLE “CREDIT BUREAU – THE REAL OPPORTUNITY FOR MOLDOVA” PLANED FOR JANUARY 30, 2008 AND FOR WHICH ALL PREPARATORY WORK HAS BEEN DONE, WAS POSTPONED AT THE LAST STAGE UPON THE REQUEST OF THE MOLDOVAN BANKS ASSOCIATION. AT PRESENT, UNDER THE AUSPICES OF THE MOLDOVAN BANKS ASSOCIATION, THE FINANCIAL INSTITUTIONS INITIATE THE CONSTITUTION OF THEIR OWN CREDIT HISTORY BUREAU.</li> </ul>
<b>a) Develop and establish linkages with primary international credit bureau operators</b>	<ul style="list-style-type: none"> <li>PARTICIPATED AT THE IMC INFOCREDIT PRESENTATION/ CONFERENCE. IMC INFOCREDIT - COMPANY, CREATED WITH THE SUPPORT OF AN INTERNATIONAL OPERATOR - CREDITINFO GROUP LTD AND REGISTERED IN THE REPUBLIC OF MOLDOVA IN 2004, PREPARING TO QUALIFY AS THE FIRST CREDIT HISTORY BUREAU IN MOLDOVA.</li> <li>MEMO ON IMC INFOCREDIT’S PROJECT ON ESTABLISHING OF THE FIRST CREDIT BUREAU IN MOLDOVA IS INCLUDED AS ANNEX.</li> </ul>
<b>b) Execute plan for participation of all banks</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>c) Sponsor visits to potential foreign CB partners</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>d) Secure final buy-in of local data providers and users</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>2. Determine and review CIB development strategy with government and counterparts: review availability, activity, and accessibility of (a) credit info.; (b) other pertinent borrower data; (c) credit data used by financial intermediaries; and (d) credit reporting</b>	<ul style="list-style-type: none"> <li>MEETING WITH THE TOP LEVEL MANAGEMENT OF MOLDOVA - AGROINDBANK, THE MAIN DATA PROVIDER, IN ORDER TO DISCUSS THE CURRENT STATUS OF CREDIT BUREAU ESTABLISHMENT IN MOLDOVA AND REVIEW CIB DEVELOPMENT STRATEGY</li> </ul>
<b>3. Market best approach for structuring, establishing and operating CIB</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>4. Analyze and coordinate passage of Law</b>	<ul style="list-style-type: none"> <li>THE DRAFT LAW WAS APPROVED BY THE GOVERNMENT ON AUGUST 24, 2007. THE LAW ENTERED IN PARLIAMENT ON SEPTEMBER 20, 2007, AND IS AT THE PARLIAMENTARY COMMISSIONS FOR EXAMINATION.</li> </ul>
<b>a) Seminars with key government ministries (data providers) and public (articles)</b>	<ul style="list-style-type: none"> <li>N/A</li> </ul>
<b>5. Review and shape regulatory</b>	<ul style="list-style-type: none"> <li>DRAFT LAW ON CREDIT BUREAU WAS EXAMINED IN THE</li> </ul>

framework; draft and monitor legislation and regulations	SECOND QUARTER AND A MEMO REGARDING LEGAL TEAM'S OPINION WAS ELABORATED, ADDITIONAL EXAMINATION WAS MADE DURING THE V QUARTER IN ORDER TO SUGGEST INCLUDING SOME SOLUTIONS TO THE PROBLEMS OF LEASING COMPANIES IN THE DRAFT LAW ON CREDIT BUREAUS.
--	---

**Task E. Build Capacity of Participating Banks to Maximize Benefits of CIC "in Moldova as appropriate"**

Phase II: Work with market participants. Overall coordination of activities aimed at the promotion and development of credit bureau	<ul style="list-style-type: none"> <li>N/A (SEE NOTES ABOVE, IN TASK F)</li> </ul>
a) Consent clause—convince the market, draft the wording of consent clause, recommend consent clause placement in the application form	<ul style="list-style-type: none"> <li>N/A</li> </ul>
b) Advise on RFP responses and selection process of successful bidder from among CB operators as appropriate	<ul style="list-style-type: none"> <li>N/A</li> </ul>
c) Reciprocity and access rights (data suppliers and data users)	<ul style="list-style-type: none"> <li>N/A</li> </ul>
d) Data sharing (positive and negative data, scope of data, data masking, possible payment/data sharing arrangements)	<ul style="list-style-type: none"> <li>N/A</li> </ul>
e) Work with public record holders (CBs will have to conclude separate agreement with each public record holder)	<ul style="list-style-type: none"> <li>N/A</li> </ul>
f) Securing involvement of mobile phone operators, insurance companies, credit unions, etc.	<ul style="list-style-type: none"> <li>N/A</li> </ul>
Phase III: Work with regulators, market education and public awareness efforts	<ul style="list-style-type: none"> <li>N/A</li> </ul>
a) Shape regulatory debate and assist in drafting CB regulations and licensing requirements	<ul style="list-style-type: none"> <li>N/A</li> </ul>
b) Market education and public awareness campaign (publication of articles, etc.)	<ul style="list-style-type: none"> <li>N/A</li> </ul>
c) Regional workshops (to promote CBs and effective use of CB products)	<ul style="list-style-type: none"> <li>N/A</li> </ul>

**Task F. Develop and Prepare Business Plan for CIC “as appropriate in Moldova”**

<b>1. Define business and operations plan for CIB</b>	<ul style="list-style-type: none"> <li>• N/A (SEE NOTES ABOVE IN TASK F)</li> </ul>
<b>2. Outline package of technical requirements</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>3. Discussions with government data providers</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>4. Prepare and deliver RFP</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>i) Review business plan with domestic banks and other local investors</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>ii) Review business plan with Bankers' Association and other business groups</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>
<b>5. Secure Buy-in to business plan of foreign investors and banks</b>	<ul style="list-style-type: none"> <li>• N/A</li> </ul>

## **C. FINANCIAL LEASING - Moldova**

### **I. COMPONENT DESCRIPTION – FINANCIAL LEASING MOLDOVA**

This report details events and activities relating to the Financial Leasing Component of the USAID Access to Credit Initiative/Moldova, implemented by the Pragma Corporation, during the period from January 1 through March 31, 2008.

The primary purpose of the Financial Leasing Component is to create a supportive environment for modern financial leasing. ATCI/Moldova will provide specific technical, advisory, and training assistance in order to increase access to credit via Financial Leasing as an efficient alternative to bank financing.

ATCI/Moldova aims to strengthen existing leasing companies. Capacity building consists of training and consulting for lessors, lessees, farmers, regulators, and other interested parties, such as vendors and banks. In addition, ATCI/Moldova will conduct public awareness efforts and explore new domestic financial resources for leasing companies. The Financial Leasing Component will build the capacity of leasing professionals by introducing the Certified Leasing Specialist (CLS) Certification program, a designation for market participants so that they may attain world standards of practice. Consulting by ATCI/Moldova will be provided on an ad hoc basis as well as when determined to meet the needs of the financial leasing companies and industry as a whole.

ATCI/Moldova will support and/or help develop the proper legislative and regulatory framework to support the leasing industry and facilitate the entry of foreign capital into the leasing sector.

### **II. SIGNIFICANT EVENTS - FINANCIAL LEASING MOLDOVA**

- ATCI LAUNCHES SECOND CERTIFIED LEASING SPECIALIST (CLS) TRAINING PROGRAM IN MOLDOVA
- ATCI COMPLETES MOLDOVAN LEASING MARKET SURVEY

### **III. TECHNICAL SUMMARY - FINANCIAL LEASING MOLDOVA**

#### *CLS Training*

During February 7-9, ATCI conducted the first course of its second Certified Leasing Specialists training program. Twenty-five individuals representing leasing companies and banks participated in the three-day course, whose topics included:

- the world leasing market;
- the legal framework for leasing in Moldova;
- accounting treatment of leasing transactions in Moldova;
- tax treatment of leasing transactions in Moldova.

The examination for the first course was given on March 6.

The second CLS training course was conducted during March 12-14. Its topics included:

- risk analysis of leasing operations and financial analysis of lessees;
- leasing mathematics;
- documentation of leasing transactions;
- monitoring leasing contracts.

The examination for the second course will take place during the next quarter. Statistical reports on the training courses are attached.

#### *ATCI Leasing Market Survey*

In preparing the Leasing Market Survey results, ATCI used EuroLeasing methodology to calculate the Leasing Penetration Rate—the universally accepted measure of leasing activity in an economy. A previous survey conducted by the EBRD in 2006 did not use the appropriate methodology and, therefore, miscalculated LPR.

The table below summarizes the key findings of the survey. The PowerPoint presentation of the results is attached.

	<i>Performance Indicators</i>	<b>Unit of Measure</b>	<i>December 31, 2007</i>
1.	Total number of leasing operators active in Moldova	Companies	19
2.	Total value of the leasing portfolio in Moldova	Millions MDL	914,6
3.	Leasing portfolio structure	percent	<ul style="list-style-type: none"> <li>• Automobiles – 78.6%</li> <li>• Commercial vehicles – 6.9%</li> <li>• Equipment – 11.7%</li> <li>• Real estate – 2.8%</li> </ul>
4.	Percentage of repossession procedures initiated in leasing portfolio	percent	2.2%
5.	Percentage of defaulted contracts in leasing portfolio	percent	3.8%
6.	Weighted average structure of sources of finance for leasing transactions	percent	<ul style="list-style-type: none"> <li>• Local banks – 59%</li> <li>• Self-financing – 24.7%</li> <li>• International Finance organizations – 8.8%</li> <li>• Foreign banks – 7.5%</li> </ul>
7.	Total number of lessees in Moldova	lessees	3 268

8.	Structure of lessees	percentage	<ul style="list-style-type: none"> <li>• Individuals – 56.7%</li> <li>• Companies – 43.3%</li> </ul>
9.	Average cost of the financed asset	MDL	272 429
10.	Average financed amount	MDL	246 275
11.	Leasing penetration rate	percentage	8.2%
12.	Share of leasing operations in total fixed capital investments	percentage	6.77%
13.	Share of leasing transactions in GDP	percentage	1.9%

#### IV. ADMINISTRATIVE ISSUES – FINANCIAL LEASING MOLDOVA

The Work Plan for ATCI/Moldova's second year saw the elimination of some activities as originally planned, in particular relating to the major activity under the Leasing Component, "C", Facilitate Import Capital and Know-How to Leasing Industry. Other sub-activities under the "B" and "D" activities as originally planned, were moved to the remaining "A" major activity, "Build Capacity of Market Participants". The Work Plan for ATCI/Moldova's second year is presented as **Attachment 1**.

#### V. DESCRIPTION AND STATUS OF TASKS – FINANCIAL LEASING MOLDOVA

##### Task A: Build Capacity of Market Participants

Defined Activity	Progress Made During Quarter/Proposed Future Actions
<b>Task A. Build Capacity of Market Participants</b>	
	<ul style="list-style-type: none"> <li>• INFORMED CEOs OF ALL THE MAJOR LEASING COMPANIES IN MOLDOVA ABOUT THE CLS PROGRAM. ADDRESSED ISSUES BROUGHT UP BY THE CEOs IN ADJUSTMENTS TO CLS COURSE MATERIAL.</li> <li>• ISSUED CLS INVITATIONS TO ALL THE LEASING COMPANIES IN MOLDOVA AND SEVERAL BANKS.</li> <li>• ISSUED PRESS RELEASE TO INFORM THE PUBLIC ABOUT THE CLS PROGRAM.</li> </ul>
<b>2. Assess the Moldovan leasing market and activities and adapt the CLS Program for Moldova</b>	<ul style="list-style-type: none"> <li>• ASSESSED MAIN PROBLEMS OF LEASING MARKET IN MOLDOVA</li> <li>• WORKED CLOSELY WITH TRAINING PROVIDERS (ACAP) ON ADJUSTING THE CLS COURSE CONTENT AND STRUCTURE.</li> <li>• UNDERTOOK A DETAILED LEASING MARKET SURVEY.</li> </ul>

<p><b>3. Identify local potential Training Providers to provide Trainers to attend and to eventually administer CLS training program</b></p>	<ul style="list-style-type: none"> <li>HELD MEETINGS WITH ACAP (THE LOCAL CLS TRAINING PROVIDER) REPRESENTATIVES TO IMPROVE QUALITY OF CLS COURSE AND EXAMINATION PROCEDURES.</li> </ul>
<p><b>4. Identify potential members for setting up NGO/Int'l Leasing Association</b></p>	<ul style="list-style-type: none"> <li>RE: SUSTAINABILITY ISSUES FOR NGO, ATCI PURSUING OTHER AVENUES FOR CLS EXAM CONTROL, INCLUDING JOINT NGO WITH UKR AND ACAP, LEASING ASSOCIATION AS TRAINING PROVIDER AND EXAM CONTROLLER.</li> </ul>
<p><b>5. Short term expert to visit Chisinau meeting with potential Training Providers and to assist with adapting CLS training course and assisting with setting up Leasing Assn/NGO.</b></p>	<ul style="list-style-type: none"> <li>COMPLETED IN PRIOR QUARTERS</li> </ul>
<p><b>6. Initiate process of setting up Moldovan Leasing Assn./NGO (with CEED?)</b></p>	<ul style="list-style-type: none"> <li>WORKING CLOSELY WITH ALL THE LOCAL LEASING COMPANIES TO DETERMINE THE INITIAL GROUP FOR MOLDAVIAN LEASING ASSOCIATION. COMMENCED TALKS WITH THIS GROUP.</li> </ul>
<p><b>7. Develop Strategy for CLS Program for Moldova for Training of Trainers</b>  a) Development of Content/Study-Guide  b) Develop Training Modules  c) Develop Examination  d) Establish Local Training Providers</p>	<ul style="list-style-type: none"> <li>COMPLETED IN PRIOR QUARTERS</li> </ul>
<p><b>8. Design and launch leasing training course seminars mainly for professionals but also for Trainers from potential Training Providers.</b></p>	<ul style="list-style-type: none"> <li>FEBRUARY 7-9: CLS COURSE MODULE 1, PROGRAM II. REPRESENTATIVES (25 PARTICIPANTS) OF LEASING COMPANIES AS WELL AS BANKS ATTENDED THE FIRST THREE-DAY COURSE. TOPICS OF COURSE INCLUDED: <ul style="list-style-type: none"> <li>WORLD LEASING MARKET AND MOLDOVA'S ROLE;</li> <li>LEGAL FRAMEWORK FOR LEASING IN MOLDOVA;</li> <li>ACCOUNTING ASPECTS OF LEASING IN MOLDOVA;</li> <li>FISCAL EFFECTS OF LEASING TRANSACTIONS IN MOLDOVA.</li> </ul> </li> <li>MARCH 6TH: EXAMINATION FOR THE FIRST MODULE OF THE COURSE.</li> <li>MARCH 12-14: CLS COURSE 2. TOPICS INCLUDED: <ul style="list-style-type: none"> <li>ANALYSIS OF RISKS RELATED TO LEASING OPERATIONS AND FINANCIAL/NON-FINANCIAL ANALYSIS OF THE POTENTIAL LESSEES;</li> <li>LEASING MATHEMATICS (CALCULATION OF LEASE</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>PAYMENTS);</li> <li>▪ DOCUMENTATION OF LEASING OPERATIONS;</li> <li>▪ MONITORING OF LEASING CONTRACTS.</li> </ul> <ul style="list-style-type: none"> <li>• COURSE 3 OF PROGRAM II TO BE PRESENTED NEXT QUARTER ALONG WITH EXAMS AND MAKE-UP EXAMS</li> </ul>
<p><b>9. Implement Outreach Network and Provide Consulting Services</b></p> <p>a) Hold/Participate in conferences/roundtables on state of leasing industry for government officials, media, and industry participants</p>	<ul style="list-style-type: none"> <li>• N/A FOR QUARTER</li> <li>• PLAN FOR PRESENTATIONS OF LEASING SURVEY RESULTS NEXT QUARTER</li> </ul>
<p>b) Prepare and distribute educational materials on various aspects of international best practices</p>	<ul style="list-style-type: none"> <li>• DEVELOPED AND PRESENTED TO LOCAL LEASING INDUSTRY PROFESSIONALS THE "LEASING GLOSSARY".</li> <li>• REVIEWED THE OBJECTIVES AND EXPECTED RESULTS IN ATCI/MOLDOVA INFORMATIONAL LEAFLET.</li> <li>• UPDATED THE ATCI/MOLDOVA WEB-SITE WITH SPECIFIC LEGISLATIVE EXTRACTS.</li> </ul>
<p>c) Provide consulting on organizational and marketing issues</p>	<ul style="list-style-type: none"> <li>• N/A FOR QUARTER</li> <li>• PLAN FOR NEXT QUARTER ALONG WITH PRESENTATION OF SURVEY RESULTS</li> </ul>
<p><b>10. Deliver Seminars for Other Industry Participants</b></p> <p>a) Vendors</p> <p>b) Potential Lessees</p> <p>c) Banks</p> <p>d) Government Officials</p>	<ul style="list-style-type: none"> <li>• N/A FOR THIS QUARTER.</li> </ul>

## **D. FIXED INCOME - Moldova**

### **I. COMPONENT DESCRIPTION – FIXED INCOME MOLDOVA**

This report provides details on events and activities relating to the Fixed Income component of the USAID Access to Credit Initiative/Moldova, as implemented by the Pragma Corporation, during the period from January 1 through March 31, 2008.

The objective of the Fixed Income Component is to expand the availability of capital to corporate borrowers through the issuance of corporate bonds. In addition, the component includes assistance to the National Commission of Financial Market (NCFM) in assuming its role as 'Mega Regulator' of Moldova's capital markets and Non-Bank Financial Institutions. In July 2007, the National Securities Commission was formally transformed into the National Commission of Financial Markets ('NCFM') with the publication of the law, "On the National Commission of Financial Market" in the official monitor.

Besides assisting companies in the issuance of corporate bonds, tasks will be focused on disclosure and transparency issues and NCFM bond regulations and enforcement capabilities. Tasks will also include building the capacity of the Mega Regulator in accordance with international best practices.

### **II. SIGNIFICANT EVENTS - FIXED INCOME MOLDOVA**

- CAMELIA S.A. INCREASES PAID-IN CAPITAL TO MEET BOND ISSUANCE REGULATORY MINIMUM
- ATCI COMMENTS ON NCFM 4-YEAR STRATEGY PLAN

### **III. TECHNICAL SUMMARY – FIXED INCOME MOLDOVA**

*Camelia S.A.*

During the quarter under review, ATCI Moldova held a series of meetings with Iurie Tsirdea, the person in charge of preparing a bond issue from Camelia S.A. The following steps were taken:

- checking if Camelia S.A. qualifies for issuance of bonds according to the legislation
- analysis of annual reports of Camelia S.A. ( 2004-2007)
- increased Common Equity from 417.000 MDL to 3.000.000 MDL to meet the required minimum capital for a USD 300,000 issue
- structured terms of proposed issue: size, amount, denomination, term, currency, yield, coupon interest rate and other specific details
- drafting the prospectus. Several meetings were held to determine what information to include in the prospectus
- legal advice on filing of the prospectus, bondholders rights and procedures in case of default

At the March General Shareholders' meeting, shareholders voted to increase paid-in capital to MDL 3.0 million. Thereafter, Mr Tsirdea prepared the documents required to register the increase in capital with NCFM.

In April, however, after the National Bank raised the refinance rate one hundred basis points, Camelia's CEO decided to defer bond issuance until such time as the interest rate environment had stabilized.

#### IV. ADMINISTRATIVE ISSUES - FIXED INCOME MOLDOVA

NONE

#### V. DESCRIPTION AND STATUS OF TASKS – FIXED INCOME MOLDOVA

Defined Activity	Progress Made During Quarter/Proposed Future Actions
<b>A.1. Review and assess legislation (e.g., pledge law, bankruptcy law, trust law, securities market law) for gaps and needs re: issuance of corporate and mortgage bonds</b>	<ul style="list-style-type: none"> <li>• TOGETHER WITH LEGAL TEAM ANALYZED THE RECENT CHANGES TO PLEDGE LAW—SPECIFICALLY, A NEW ARTICLE THAT PERMITS REGISTRATION OF PLEDGE IN FAVOR OF BONDHOLDER WITHOUT PLEDGE CONTRACT.</li> </ul>
<b>A.2. Work with the National Commission of Financial Market (NCFM) building capacity for understanding and implementing issuance of bonds and regulating the markets</b>	<ul style="list-style-type: none"> <li>• MEETING WITH NATIONAL COMMISSION FOR FINANCIAL MARKETS TO DISCUSS THE ASSISTANCE IN DRAFTING THE REGULATION ON ISSUANCE AND REGISTRATION OF CORPORATE BONDS.</li> </ul>
<b>A.3. Analyze financials of potential issuers for issuance of corporate bonds (see Task B below)</b>	<ul style="list-style-type: none"> <li>• ANALYZED FINANCIALS OF CAMELIA S.A IN DETERMINING THE CREDITWORTHINESS OF THE COMPANY</li> </ul>
<b>A.4. Work with the NCFM in capacity building regarding transparency and disclosure issues in bond related regulation</b>	<ul style="list-style-type: none"> <li>• N/A FOR THIS QUARTER</li> <li>• PLAN FOR ATCI TO ASSIST NCFM IN DETERMINING REQUIREMENTS FOR DISCLOSURE AND REPORTING REQUIREMENTS FOR BOND ISSUERS NEXT QUARTER.</li> <li>• AS OF WRITING OF THIS QUARTERLY REPORT, IT WAS DISCOVERED IN APRIL 2008 THAT THE EBRD IS FUNDING A DISCLOSURE SYSTEM FOR THE NCFM. THUS ATCI (WITH USAID'S AGREEMENT) WILL <b>NOT</b> BE INSTALLING A SEPARATE DISCLOSURE SYSTEM FOR THE NCFM.</li> </ul>
<b>A.5. Review and provide</b>	<ul style="list-style-type: none"> <li>• N/A FOR THIS QUARTER</li> </ul>

recommendations on regulations re: investment advisors and ratings agencies	
<b>A.6. Analyze authority of NCFM re: investigative powers and enforcement abilities; make recommendations for strengthening capabilities</b>	<ul style="list-style-type: none"> <li>• N/A FOR THIS QUARTER</li> </ul>
<b>A.7. Work with NCFM in helping them develop into a Mega Regulator; provide time bound action plan for activities necessary for implementation</b>	<ul style="list-style-type: none"> <li>• ATCI COMMENTED ON THE NCFM'S 4-YEAR STRATEGY PLAN (INCLUDED AS ATTACHMENT); DELIVERED TO NCFM WITH USAID COVER LETTER</li> </ul>
<b>A.8. Analyze laws, regulations, and practices for compliance with int'l. standards, making recommendations for activities</b>	<ul style="list-style-type: none"> <li>• PROVIDED TO LEGAL TEAM INFORMATION ON PENSION LEGAL SYSTEM AND PENSION FRAMEWORK IN KAZAKHSTAN</li> </ul>
<b>A.9. Analyze and assess private pension fund law and system (legal and institutional framework) in Moldova (added Jan 2008)</b>	<ul style="list-style-type: none"> <li>• N/A FOR THIS QUARTER; DELAYED ANALYSIS UNTIL NEXT QUARTER OR SUMMER QUARTER</li> </ul>
<b>B.1. a Select top 10 candidates for issuance, including those companies which have already issued corp. bonds.</b>	<ul style="list-style-type: none"> <li>• ANALYZED FINANCIALS OF CAMELIA S.A; PROVIDED TA REGARDING BOND ISSUANCE REQUIREMENTS</li> </ul>
<b>B.1. b Meet with executives of these companies for their understanding and desire to issue bonds</b>	<ul style="list-style-type: none"> <li>• MEETINGS HELD WITH CAMELIA S.A TO DISCUSS THE PARAMETERS OF ISSUANCE AND INFO TO BE INCLUDED IN THE PROSPECTUS</li> </ul>
<b>B.1. c Presentation of bond workshops aimed at potential issuers as well as potential buyers of bonds, for higher education, discussing possible benefits and potential risks</b>	<ul style="list-style-type: none"> <li>• EDUCATIONAL SEMINARS ORGANIZED BY COUNTRY DIRECTOR WITH THE TOPIC "SUB-PRIME CRISIS". PRESENTATION HELD AT NATIONAL BANK OF MOLDOVA, MINISTRY OF ECONOMY AND AT LOCAL BANKS.</li> </ul>

<p><b>B.1.d. Organize and hold International Bond Conference (added Sept.2007)</b></p>	<ul style="list-style-type: none"> <li>• COMPLETED LAST QUARTER</li> </ul>
<p><b>B.2 Assist companies (at least 3) in issuance of corporate bonds</b></p>	<ul style="list-style-type: none"> <li>• MEETINGS WITH MAIB, CAMELIA S.A, MAIB LEASING</li> <li>• START DRAFTING THE PROSPECTUS FOR CAMELIA S.A</li> <li>• TOGETHER WITH LEGAL TEAM DRAFTED THE AGREEMENT OF ISSUER TO PLEDGE MORTGAGE LOANS IN FAVOUR OF FUTURE BONDHOLDERS.</li> </ul>

## **E. DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING - Moldova**

NOTE: This Task was not originally included in the Statement of Work for ATCI/Moldova. However, due to desires of the local USAID officials along with discussions with this Project, this was included and approved as an additional component. The Component is comprised of monitoring activities over the seven partner financial institutions of the DCA, six commercial banks and the Rural Financial Corporation.

### **I. COMPONENT DESCRIPTION - DCA MONITORING MOLDOVA**

This report provides details on events and activities relating to the Development Credit Authority Monitoring component of the USAID Access to Credit Initiative/Moldova, as implemented by the Pragma Corporation, during the period from January 1 through March 31, 2008.

The objective of this activity is to monitor the activities of the six commercial banks and the Rural Financial Corporation (RFC) regarding their loans that have qualified to be (partially) guaranteed by the Development Credit Authority. The activities of the Project require ongoing monitoring activities, which include answering partner institutions' relevant questions, conducting meetings to help prepare reports and to verify claims and reports, preparing reports for USAID, and verifying reports and claims of partner financial institutions.

### **II. SIGNIFICANT EVENTS - DCA MONITORING MOLDOVA**

Inasmuch as the quarter under review did not include a DCA reporting period, all the activities were routine.

### **III. TECHNICAL SUMMARY - DCA MONITORING MOLDOVA**

Nil.

### **IV. ADMINISTRATIVE ISSUES - DCA MONITORING MOLDOVA**

NONE

## V. DESCRIPTION AND STATUS OF TASKS - DCA MONITORING MOLDOVA

NOTE: all activities on an ongoing/as needed basis, as requested from DCA and/or the partner financial institutions

### Task A. Monitor Activities of Financial Institutions Working with the DCA

Defined Activity	Progress Made During Quarter/Proposed Future Actions
A.1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	<ul style="list-style-type: none"> <li>DCA - CONTACTING BANCA SOCIALA REGARDING THE PAYMENT DUE ON UTILIZATION FEE</li> </ul>
A.2. Act as contact person for Financial Institutions and USAID to answer relevant questions	<ul style="list-style-type: none"> <li>ASSISTED MOLDOVA AGROINDBANK IN CORRECT FILING OF CLAIM REQUEST FORM FOR A DEFAULTED BORROWER</li> </ul>
A.3. Assist Financial Institutions to complete questionnaires and surveys, where necessary	<ul style="list-style-type: none"> <li>ASSISTED BANK PARTNERS IN COMPLETING A SURVEY ON MOBILE PHONE USE FOR LENDING</li> </ul>
A.4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	<ul style="list-style-type: none"> <li>N/A THIS QUARTER (NOT REPORTING PERIOD)</li> </ul>
A.5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	<ul style="list-style-type: none"> <li>N/A THIS QUARTER (NOT REPORTING PERIOD)</li> </ul>

---End Moldova---



# UKRAINE ATTACHMENTS



# **ATTACHMENT 1**



## Survey Results of Banks Offering (or Requiring) Life Insurance for Mortgages

Банки <b>Banks</b>	Банки требующие страхование жизни <b>Banks requiring life insurance</b>	Страховые компании <b>Insurance companies</b>
Укрсиббанк <b>Ukrsibbank</b>	При определенных условиях <b>Under certain conditions</b> +	Кардиф <b>Cardif</b>
Укрсоцбанк <b>Ukrsotsbank</b>	–	
Райффайзен Банк Аваль <b>Raiffeisen Bank Aval</b>	+	Перечень прилагается – (А) <b>The list inclosed – (A)</b>
Приватбанк <b>Pryvatbank</b>	+	Ингосстрах <b>Ingosstrah</b>
ОТП Банк <b>OTP Bank</b>	–	
Финансы и Кредит “ <b>Finance &amp; credit</b> ” bank	+	Аска життя ТАС <b>Aska life</b> ТАС
Надра <b>Nadra Bank</b>	–	
Правекс-банк <b>Praveks Bank</b>	–	
Сбербанк <b>Sberbank</b>	–	
Кредитпромбанк <b>Kreditprombank</b>	Только для пенс.возраста <b>Only for pensionable age</b> -	
ПУМБ <b>FUIB (First Ukrainian International bank)</b>	–	
Форум <b>Forum Bank</b>	–	
Эрсте Банк <b>Erste Bank</b>	–	
Проминвест банк <b>Prominvest Bank</b>	+ ?	Вексель-Жизнь <b>Veksel-Zhyttja</b>
Сведбанк <b>Swedbank</b>	–	
Укргазбанк <b>Ukrigasbank</b>	+	Укр. страховая группа «Життя» <b>Ukrainian insurance group “Life”</b>
VAB Банк <b>VAB Bank</b>	+	VAB <b>VAB</b>
Хрещатик <b>Kherschatyk Bank</b>	+	Перечень прилагается (В) <b>The list enclosed (B)</b>
МИБ <b>Interregional Investment Bank</b>	–	
Донгорбанк <b>Donhorbank</b>	–	

А) «Райффайзен Банк Аваль»:

**А) Raiffeisen Bank Aval**

ВАТ «Фортіс Страхування Життя Україна»

**OJSC Fortis Insurance Life Ukraine**

ЗАТ «Страхова група ТАС»

**CJSC Insurance company ТАС**

ЗАТ Фінансова група «Страхові традиції»

**CJSC Financial group “Insurance traditions”**

ВАТ НАСК «Оранта»

**OJSC NJSIC “Oranta”**

ЗАТ "УАСК «АСКА»

**CJSC Insurance company “Asca”**

ЗАТ "СК "Українська страхова група"

**CJSC Ukrainian Insurance Group**

Відкрите Акціонерне товариство "Українська Страхова Компанія "Дженералі Гарант"

**OJSC Ukrainian Insurance Company “Generali Group”**

ЗАТ "Американська Компанія Страхування Життя АІГ Життя"

**CJSC American Insurance company “AIG Life”**

В) ВАТ КБ «Хрещатик»:

**В) CJSC Khreschatyk bank:**

ВАТ «СК „Фортіс Страхування Життя України” („Еталон – Життя”)

**OJSC Fortis Insurance Life Ukraine (Etalon Life)**

ЗАТ „Страхова група „ТАС”

**CJSC Insurance company ТАС**

ЗАТ „УАСК „АСКА – Життя”

**CJSC Insurance company “Asca”**

ЗАТ ФГ „Страхові традиції”

**CJSC Financial group “Insurance traditions”**

ЗАТ УАСК „АСКА”

**CJSC Insurance company “Asca”**

ЗАТ СК „Охорона – життя”

**CJSC Insurance company “Security-Life”**

ЗАТ СК „Теком - життя”

**CJSC Insurance company “Tecom –life”**

ЗАТ «СК «Лемма-Віте»

**CJSC Insurance company “Lemma-Vite”**

ТДВ «СК ЖИТТЯ»

**Insurance company “Life”**

ЗАТ СК «Оранта-Життя»

**CJSC Insurance company “ Oranta-life”**

ЗАТ СК «УСГ «ЖИТТЯ»

**CJSC Ukrainian Insurance company “Life”**

ВАВ Жизнь, ЗАО (ВиЕйБи Жизнь)

**CJSC VAB Life**

ВАТ СК „ПЗУ Україна” („Скайд-Вест”)

**OJSC Insurance company “PZU Ukraine” (“Skide-west”)**

«РОСНО Україна»

**Insurance Company “Rosno Ukraine”**

# **ATTACHMENT 2**



## Information on holding of the auctions of the bonds of domestic government loan placement in 2008

21.02.2008 | 10:24 | State Debt Department

With a purpose of fulfillment of the Law of Ukraine "On the State Budget of Ukraine for 2008 year and alternations of some legislative acts of Ukraine» in part of general fund financing of the State Budget due to realization of the domestic borrowings in the amount of UAH thousand 7 775 983, 1 the Ministry of Finance plans to carry out borrowing on regular basis by holding of the placement auctions every Monday and every second Thursday.

The bonds of domestic government loan issues will be additionally placed while the general volume of every emission will be not less than UAH1,0 milliard\*. Thus, in the first quarter of 2008 year the Ministry of Finance plans to attract not less than UAH 300 million monthly.

During this period the Ministry of Finance will offer on every Mondays for placement of the bonds of domestic government loan of 2005 and 2006 years of issue with the term of redemption 2 and 3 years accordingly and every second Thursday will offer for placement of the bonds of domestic government loan of new issues with the term of redemption 5 and 7 years.

### Graphic of placement of the bonds of domestic government loan (BDGL) for the first quarter of 2008 year.

Month of the year	№		International identification code (ISIN)	The date of placement/ additional placement BDGL	The date of BDGL redemption
January	1	Additional placement of 5-year BDGL of 2005	UA3B00022004	10.01.2008	05.05.2010
	2	Additional placement of 5-year BDGL of 2006	UA3B00022509	10.01.2008	28.09.2011
	3	Additional placement of 5-year BDGL of 2005	UA3B00022004	14.01.2008	05.05.2010
	4	Additional placement of 5-year BDGL of 2006	UA3B00022509	14.01.2008	28.09.2011
	5	Placement of 5-year BDGL of 2008 **		17.01.2008	09.01.2013
	6	Placement of 7-year BDGL of 2008**		17.01.2008	07.01.2015
	7	Additional placement of 5-year BDGL of 2005	UA3B00022004	21.01.2008	05.05.2010
	8	Additional placement of 5-year BDGL of 2006	UA3B00022509	21.01.2008	28.09.2011
	9	Additional placement of 5-year BDGL of 2005	UA3B00022004	28.01.2008	05.05.2010
	10	Additional placement of 5-year BDGL of 2006	UA3B00022509	28.01.2008	28.09.2011
	11	Additional placement of 5-year BDGL of 2008		31.01.2008	09.01.2013
	12	Additional		31.01.2008	07.01.2015

		placement of 7-year BDGL of 2008			
<b>February</b>	<b>13</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	04.02.2008	05.05.2010
	<b>14</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	04.02.2008	28.09.2011
	<b>15</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	11.02.2008	05.05.2010
	<b>16</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	11.02.2008	28.09.2011
	<b>17</b>	Additional placement of 5-year BDGL of 2008		14.02.2008	09.01.2013
	<b>18</b>	Additional placement of 7-year BDGL of 2008		14.02.2008	07.01.2015
	<b>19</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	18.02.2008	05.05.2010
	<b>20</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	18.02.2008	28.09.2011
	<b>21</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	25.02.2008	05.05.2010
	<b>22</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	25.02.2008	28.09.2011
	<b>23</b>	Additional placement of 5-year BDGL of 2008		28.02.2008	09.01.2013
	<b>24</b>	Additional placement of 7-year BDGL of 2008		28.02.2008	07.01.2015
<b>March</b>	<b>25</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	03.03.2008	05.05.2010
	<b>26</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	03.03.2008	28.09.2011
	<b>27</b>	Additional placement of 5-year BDGL of 2008		13.03.2008	09.01.2013
	<b>28</b>	Additional placement of 7-year BDGL of 2008		13.03.2008	07.01.2015
	<b>29</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	17.03.2008	05.05.2010
	<b>30</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	17.03.2008	28.09.2011
	<b>31</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	24.03.2008	05.05.2010
	<b>32</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	24.03.2008	28.09.2011
	<b>33</b>	Additional placement of 5-year		27.03.2008	09.01.2013

	BDGL of 2008			
<b>34</b>	Additional placement of 7-year BDGL of 2008		27.03.2008	07.01.2015
<b>35</b>	Additional placement of 5-year BDGL of 2005	UA3B00022004	31.03.2008	05.05.2010
<b>36</b>	Additional placement of 5-year BDGL of 2006	UA3B00022509	31.03.2008	28.09.2011

\* During the first quarter it is planned to attract from the bonds of domestic government loan placement not less than UAH 300 million monthly.

\*\* In case if placement will not be held the next additional placement will be changed in placement with the proper correction of terms of redemption of the bonds of domestic government loan.



# **ATTACHMENT 3**



### Pension funds

There are **97** NGPFs in the State register of non-government pension funds NGPF as of December 15, 2007.

The total assets of the NGPFs as at the end of the second quarter of 2007 amounted to **USD 40 mln**.

The breakdown of NGPF investments as at the end of first quarter of 2007 is shown below.

#### *Pension Fund of Ukraine*

According to the Pension Fund of Ukraine budget for 2007 its contributions amounted to **USD 13.3 bln** of which 33% was the State Budget subsidy and USD 5 mln interest on bank deposits.

[http://www.dfp.gov.ua/fileadmin/downloads/npf\\_2kv\\_2007.pdf](http://www.dfp.gov.ua/fileadmin/downloads/npf_2kv_2007.pdf)

<b>NGPF investments</b>	<b>1Q2007, mln USD</b>	<b>Share in the Portfolio, %</b>	<b>Max share allowed by law, %</b>
Bank deposits and saving certificates	11.2	35.3	40
Securities, guaranteed by the Cabinet of Ministers	0.4	1.3	50
Securities guaranteed by Crimean Council of Ministers and municipal bonds	0.4	1.2	20
Corporate bonds of Ukrainian issuers	13.1	41.3	40
Stocks of Ukrainian issuers	4.0	12.4	40
Securities of foreign issuers	0.0	0.0	20
Mortgage securities specified by the legislation	0.0	0.0	40
Real Estate	0.5	1.6	10
Bank Metals	0.7	2.2	10
Other assets allowed by legislation	1.0	3.1	5
<b>Total</b>	<b>31.3</b>		

### Insurance companies

The latest available State register of insurance companies is as of December 18, 2007.

There are **473** insurance companies in the register.

As at the end of 3Q2007 investments of the insurance company assets amounted to USD 5.9 bln as shown in more detailed below. The breakdown by type of investments is also given but for the end of 2006.

[http://www.dfp.gov.ua/fileadmin/downloads/Zvit2006\\_insurance.pdf](http://www.dfp.gov.ua/fileadmin/downloads/Zvit2006_insurance.pdf)

<b>Insurance companies investments</b>	<b>2006, mln USD</b>
Bank current accounts balance	153
Bank deposit accounts balance	1 080
Bank metals	8
Real estate	157
Stocks	1 510
Corporate and municipal bonds	72
Mortgage certificates	8
Government securities	36
Right of claim to reinsurers (accounted off balance)	428
Investment in Ukrainian economy	6
Loans to insured individuals	0
Cash	3
<b>Total</b>	<b>3 463</b>

### Mutual Funds

As of January 16, 2008 there are 139 institutions of mutual investment (IMI, investment funds and mutual funds) managed by 93 asset management companies.

The latest asset value for the IMIs (excluding venture funds) is USD 504 mln in dollar equivalent for 1H2007 at <http://www.ssmc.gov.ua/8/3/>. The value is based on reports on 106 IMIs submitted by asset management companies with the detailed breakdown by asset type provided below.

<b>Mutual Funds Investments</b>	<b>USD, mln</b>
---------------------------------	-----------------

Government securities	5.6
Shares	210.3
Corporate Bonds	107.2
Promissory notes	8.7
Bank deposits	99.8
Savings Certificates	3.6
Mortgage Notes	0.3
Bank Metals	0.0
Real Estate	0.6
Other Assets	68.2
<b>Total</b>	<b>504.2</b>

# **ATTACHMENT 4**



Vladimir Lytvyn, Deputy Minister of Finance, «For now, there is no such an investor, who is willing to invest in hryvnya derivatives that mature in more than five years”.

**Today, the Ministry of Finance is holding a regular auction to sell domestic government bonds (DGB). From the beginning of the year, domestic borrowing totaled UAH 232 million, and the 2008 state budget provides for UAH 7.776 billion (plus UAH 8.098 billion of foreign borrowings). Deputy Minister of Finance Vladimir Lytvyn outlines how the Government will borrow this year.**

**Question:** What key tasks in the government debt area does the Ministry of Finance face?

**Answer:** One of top priority tasks is to build a domestic bond yield curve. It is important for the Ministry of Finance to understand how realistic is the price it charges. Let’s say that the yield is higher than the market – everybody will buy but the price for us will be unacceptable; lower than the market – and we’ll become the laughing stock. First auctions were held. It was a pleasure to see that auctions closed at the level of our price expectations.

**Q:** In January, you sold securities with less than 5-year maturity. When are you planning to resume trading 7 and 10-year DGB?

**A:** We can issue them right now in the pilot mode. May be someone will get interested and they will be quoted. Once again, we’ll receive the message and take it into consideration in our work. However, there is no demand for them so far.

**Q:** At this year auctions, the DGB yield was higher than at the end of last year. What were you guided by in revising its level?

**A:** We are not making up prices. At first, we always see how we are perceived in the market and then determine the average rate to be used.

There is a simple and reliable mechanism. Currently, hryvnya derivatives are traded in international markets. We see which of them have a large volume of transactions and get an idea what is needed in terms of maturity and price. By accepting these conditions, we can enter the market with a calm face. Then we are perceived as informed financial managers. An adequate yield curve is being built.

**Q:** How is it done in practice?

**A:** We simply find quotes at which hryvnya is traded in information systems (Reuters, Bloomberg). With them as a benchmark, we have a clear understanding that we have the right curve. From a global standpoint, Ukraine’s economy is small in terms of size and cannot influence world markets. That’s why it should accept what the market dictates (draws). Moreover, taking into account possible lack of information in the market and, consequently, undervaluation of our assets, we will be in constant dialogue with investors which will possibly lead to lower rates.

**Q:** Was this system used in the Ministry of Finance before?

**A:** I don’t know. I came to work for the Ministry and immediately wondered what price they charge. I consulted with bankers that I that I knew before and our relationship continues and develops, and every one of them described his vision from his own perspective. In some areas their advice overlapped. Through these parameters, they led me to the understanding that this

is a reference point based on which we should plan our work, rather than a subjective opinion of just one entity. One of the insights was that DGB yield is not limited to five years.

**Q:** What is a probability of world banks reading your words and coming to an agreement among them to cheat on the Ministry of Finance? You are calling them, consulting. They understand that you heed to their opinion and they have a good idea who else you might call...

**A:** Ten will come to an agreement but the eleventh bank will not. If someone wants to sell a chicken for \$100, he will hardly succeed. Because you go the market and someone offers it at a lower price. Bear in mind that placements are based on the auction.

We had overpriced bids and we refused. If, at a specific option, there is no demand for the securities at a price that the Ministry of Finance considers fair, we will not trade. We'll wait till tomorrow, until the right investor comes. It's not only the market that sends us messages; we send our message for rates to go down. If we take everything they offer, it's a message that we are desperate. If you create a precedent, then the curve will go up, not down. Then it will be very difficult to receive good rates.

**Q:** Judging by the graph, you see the DGB yield curve as progressive: the longer the maturity, the higher the yield?

**A:** Yes, see it as progressive. Regressive curve is usually connected with expectations that it's bad today but will be much better tomorrow. For example, if we take LIBOR, then the overnight rate is higher than for long resources. Everybody is waiting for the US Federal Reserve System (FRS) to lower the refinancing rate or add to the market liquidity, and rates for all derivatives will go down accordingly. Today's situation with liquidity is not ideal. But in Ukraine the situation is far from catastrophic and I believe that it would not be appropriate to apply an inverted curve to us.

**Q:** You said that on the fifth year, the domestic government bond yield curve stops...

**A:** Yes, today domestic government bonds have a progressive yield curve but it is cut short on the fifth year. Hryvnia derivatives with longer maturities are not traded because they are not liquid. There is no application for such securities. Therefore, we have two priority tasks before us – making the yield curve drop down as regards yields and making it longer than five years.

However, first off, we need to understand, where it is now. Later we shall think what mechanisms we may use to drop it down for everything to become cheaper: both one-year term bonds and five-year term. If we just say that we are going to issue ten-year domestic government bonds, we shall not be understood. The market sees otherwise. We pose the question as follows: what needs to be done to locate the class of investors who need longer bonds? This is a creative and strategic process. It will not bring results tomorrow, maybe in a couple of months, maybe in half a year. It would not make sense to pay more to just attract investors. The yield curve must be smooth. It would be better if we understand why longer securities are not sold and create the conditions where the assets become interesting. Then we shall attract people to our market who are interested in longer instruments.

**Q:** You mean that the key reason why seven- and ten-year bonds have not been placed is not their yield?

**A:** Yes. So far there is no such investor who would like to invest in UAH-denominated

instruments for such term, for example, due to currency risks. Non residents do not hold perceptions of the hryvnia evolution dating back more than five years. Or so we can assume.

**Q:** Are you having in mind Ukrainian or international buyers?

**A:** The ideal scenario would be for UAH-denominated domestic government bonds to be interesting both for residents and non-residents. It is clear that there is much more liquidity abroad than here. Especially now, some Ukrainian banks have difficulty attracting syndicated financing than it was six months ago, when the world markets situation was better. Therefore, it would be wrong to orient ourselves at Ukrainian buyers only. Why should we reject the non-residents' market?

**Q:** Have you been approached by any foreign funds with questions regarding revaluation? They could be those investing in domestic government bonds?

**A:** These questions are better to be asked of the National Bank. Besides, any good bank would have specialists who can forecast many things we do not know anything about.

**Q:** Does Minfin work on the establishment of the primary dealers' pool?

**A:** This question is on the agenda, but the decision will not be taken tomorrow. The strategic decision has already been made – this pool should exist. In theory, the mechanism has already been conceived, and these conceptions have not disappeared after the change of government.

However, currently the entire scope of this process is under consideration. We would not want to create a lobbyists' law that would provide earnings to a narrow circle of persons. Minfin intends to create conditions under which anyone could become a primary dealer if they meet clear-cut criteria. Then, those most fitting would receive a larger volume of business. This does not just mean work of Minfin departments, we hear opinions of very many outside consultants to establish a certain ideal order. We would like for stories to get around that Ukraine has established the most modern mechanism in the world.

**Q:** You said that domestic borrowings are a priority for Minfin. Does this mean that based on the results of the year the Ministry would be able to place domestic government bonds in a larger amount than that planned?

**A:** Priorities are clear but we will act in accordance with the situation. Hryvnia's price today, disregarding currency risks, is comparable to that of US dollar. It is becoming a great trade product. But we should not reject currency borrowings altogether. We must maintain a presence in the market to uphold liquidity.

**Q:** The former government issued Eurobonds in francs and yens. Will Minfin now have to build its yield curve in these currencies?

**A:** If it makes sense. We have not studied this issue yet. If working with US dollars and euro is better, than probably we should forget about francs and yens. If it makes economic sense, we probably should think about refinancing these loans. Generally, I do not see a point in building five curves for different currencies. For instance, euro, francs and yens behave in a very similar manner and maintain constant exchange rate ratios between themselves. Experiments within this standard and stable pool just do not make sense. We would assess

expectations and forecasts for each of the currencies and make decisions based on our assessments.

**Q:** When are you planning to begin external borrowing, for example, issue Eurobonds? Will you wait for the end of the world markets crisis?

**A:** Work commenced literally on the first day. We have many friends (he is pointing at the desk with postcards). They call us, suggest meetings. We never refuse anyone – for us it is important to understand the market situation, what people think and say about us. We are groping for price benchmarks.

I think the climax of the global crisis is already past us – it was in September-October. Some banks and hedge funds will be still falling, but those will be rare occasions. Most of the market does not benefit from such situation to continue all too long.

Interviewer Sergei LIAMETS  
28.01.2008 № 14(777)

# **ATTACHMENT 5**



## COMMENTS

### to the Draft Law “On Creating Organizational and Legal Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine”

The draft Law shall determine organizational and legal framework for attracting investments and creating favorable environment for implementing investment projects to prepare and conduct the final stage of the Euro 2012 Football Championship in Ukraine in a good manner.

The law aims at regulating:

- Authorities of the specially authorized body of the executive power on preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine,
- Authorities of the Council of Ministers of the Autonomous Republic of Crimea, local self-government bodies and local state administrations regulating activities of the economic entities which implement investment projects,
- Conditions and specific features of conducting economic activity for implementing investment projects aimed at preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine (investment projects expertise, procedure for their assessment and registration, oversight over performing of economic entities their obligations with regard to investment projects implementation, specific features of importing (transferring) goods for investment projects implementation, state promotion of investment projects implementation),
- Specific features of recruiting foreigners in Ukraine, hired by an employer for implementing investment project,
- Advertisement activities in the course of conducting the final stage of the Euro 2012 Football Championship in Ukraine,
- Special security measures during the final stage of the Euro 2012 Football Championship in Ukraine,
- Specific features of determining, assessing, seizing and compensating for land plots as well as other real estate property for preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine.

### Comments relevant to the ATCI

#### *Municipal Finance Facility (MFF)*

Whereas:

- Pursuant to Clause 1, Article 6 of the Draft Law, conducting economic activity on implementing investment projects registered under this Law and associated with preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine shall be carried out on the basis of the **National Program on Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine**,
- Pursuant to Clause 1, Article 10 of the Draft Law, economic entities implementing investment projects for preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine shall be provided with such specific types of state promotion of: [...] **allocating funds, pursuant to the Law of Ukraine On the State Budget for a corresponding year, to**

**provide financial assistance for investment projects implementation** for preparing and conducting the final stage of the Euro 2012 Football Championship in Ukraine,

- the draft Law is targeted at regulating the implementation of investment projects by the **economic entities**,

and the National Program on Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine envisages the following scheme of financing the MFF creation<sup>1</sup>:

	UAH, million				
	2008	2009	2010	2011	Total
State budget		8	8	9	25
Private investors	25	20	15	15	75

therefore the draft Law provides the legal grounds for creating the MFF as an investment project by way of:

- i) directing funds from the state budget under the Law of Ukraine on the State Budget for a corresponding year;
  - ii) regulating the implementation of investment projects by economic entities,
- although the draft Law does not contain direct provisions with regard to the MFF.

#### *Pilot issues of municipal bonds*

Pursuant to Clause 22 Article 19 of the draft Law, if a land plot, which is necessary for constructing an object for conducting the championship, can be formed exclusively by uniting two or more land plots belonging under the right of ownership to different levels of state and local authorities, the land plots belonging to state and local authorities of the executive power and necessary for constructing (placing) objects for conducting the championship shall be transferred to the State **free of charge**.

This provision contains a potential risk that land plots which the city-bonds issuer (in particular, the city of Lviv where final stage matches of the Euro 2012 Football Championship will be held) plans to sell in order to repay the principal debt will be seized free of charge

#### General comments

With regard to the general characteristics of the draft Law, it is worth pointing out that the current investment legislation of Ukraine consists of the following laws: the Law of Ukraine “On Investment Activity” that specifies general legal, economic and social conditions for conducting investment activity in the territory of Ukraine, the Law of Ukraine “On Foreign Investment Regime” that determines specific features of the foreign investment regime in the territory of Ukraine, the Law of Ukraine “On Foreign Economic Activity” that defines legal framework for regulating all types of the foreign economic activity in Ukraine including foreign trade, scientific and technological cooperation, specialization and cooperation in production, science and technology, economic ties in the field of

---

<sup>1</sup> Some questions arise with regard to such scheme, but these questions rather pertain National Program than the Draft Law:

- Does it mean that in 2008 the MFF will be established with the initial capital formed from private investments only?
- Initial capital worth UAH 100 million, recommended by the ATCI will be accumulating during four (!) years. How is the MFF supposed to carry out its activities during this period?

construction, transportation, forwarding, insurance, settlement, credit and other banking transactions, providing various services, the Law of Ukraine “On Protection of Foreign Investments in Ukraine” that specifies major principles for securing protection of foreign investments of the foreign investors and transferring their income abroad.

Since the draft Law “On Creating Legal and Regulatory Framework to Attract Investments for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine” is a special-purpose law with regard to general legislation on investment activity in Ukraine, it must define specific features and special regimes of investment. The content of many chapters of the considered draft Law does not serve its purpose, the major part of the draft Law provisions duplicates the current legislation of Ukraine on investment activity.

Moreover, the draft Law strives to regulate the legal relations which are not the subject of the given draft Law and are already regulated by the current legislation of Ukraine (in particular, procedural provisions).

There is no explanatory note attached to the draft Law.

The draft Law does not meet the requirements of the Convention for the Protection of Human Rights and Fundamental Freedoms.

Example: Clause 13 Article 19 of the draft Law violates Article 6 of the Convention.

The draft Law does not meet the requirements of the Constitution of Ukraine.

Example: Clause 13 Article 19 violates Articles 55, 56 of the Constitution of Ukraine as well as Article 3 of the Civil Procedural Code. Item 1 of the Final Provisions violates Article 58 of the Constitution of Ukraine and Article 5 of the Civil Code.

The draft Law does not meet the requirements of the acts of current legislation.

Example: Clause 22 Article 19 of the draft Law does not meet the requirements of Articles 81, 82, 84, 143 of the Land Code of Ukraine. Clauses 5 and 6 Article 19 of the draft Law does not meet the requirements of Article 146 of the Land Code of Ukraine.

Articles 12-14 of Section VI «Workforce and Social Protection of Employees» do not contain special-purpose provisions with regard to general provisions established by labor legislation, in particular by the current Labor Code; guarantees for transferring foreigners’ income are specified by the Law of Ukraine “On Protection of Foreign Investments in Ukraine”.

Section VII «The Procedure for Entering and Departing Ukraine for Implementing Investment Projects” refers to the current legislation of Ukraine, at this the draft Law itself does not provide for any special provisions with regard to the current legislation.

Section XI of the draft Law contains provisions which are already regulated by the Land Code of Ukraine, Civil Procedural Code of Ukraine, Housing Code of the USSR on the procedure for seizing the objects of the private property rights, enforcing legal proceedings and executing judicial decrees, grounds for gaining of the right of ownership.

The draft Law does not meet the requirements of the legal drafting techniques.

Example: the name of the Section XI «On Peculiarities for Determining Land Plots for Preparing and Conducting the Final Stage of the Euro 2012 Football Championship in Ukraine” does not serve its content, since the Section determines the procedure for seizing land plots as well as other real estate objects.

Moreover, the draft Law contains terms and refers to legal concepts which are not specified in the current legislation: “lifetime hereditary possession”, “legal production with regard to the case”, “fundamental violation of human rights”, “non-force majeure nature of the law infringement” etc.

**Therefore, preliminary overview of the draft Law reveals that it needs to be sufficiently improved and put in line with the current legislation of Ukraine. The draft Law needs further detailed legal expertise with regard to every article and will require more time.**

# **ATTACHMENT 6**



## BUDGET REQUEST 2008: general (Form 2008-1)

1. The Ministry of Economy (1) (2) (1)  
 (name of the main funds administrator) Code of the Official Classification (COC)

### 2. Major objective of the main administrator

Pursuant to the Provision on the Ministry of Economy including “development within the framework of its authorities and implementation in accordance with the legislation of the state regional politics, organizing activities connected with creation of conditions for a dynamic, balanced social and economic development of the country and its regions” pursuant to the Resolution of the Cabinet of Ministers dated May 26, 2007 No. 777.

### 3. Strategic objectives and tasks of the main administrator of budget funds directed at accomplishing strategic goals of social and economic development and determined by the action plans for a medium-term perspective

Title	2006 (report)	2007 (approved)	2008 (draft)	2009 (forecast)	2010 (forecast)	2011 (forecast)
1	2	3	4	5	6	7
Strategic objective 1						
Promotion of financing infrastructure of cities and communal enterprises, particularly by MFF borrowing in the capital market for issuing loans to improve infrastructure of creditworthy cities and communal enterprises at the lowest market rates.						
Put the objects which ensure conducting of the Championship in Ukraine in compliance with the UEFA requirements						
<b>Task 1</b> Creation of the Municipal Finance Facility (hereinafter referred to as the MFF)			creation of the Municipal Finance Facility			
Performance indicators State registration of the Municipal Finance Facility			state registration of the Municipal Finance Facility			
Performance indicators						
Performance indicators						
Strategic objective 2						
<b>Task 1</b>						
Performance indicators						

<b>Task 2</b>										
Performance indicators										
Performance indicators										

\*must be consistent with the objectives and tasks of the main administrator of budget funds provisioned in his action plan

**4. Breakdown of the marginal volume of expenditures/loans issue of the general fund for 2008 under the budget programs, comparison with the respective figures for 2006 and 2007 and forecasts for 2007-2011**

										(UAH, thousand)
Code of the Expenditures and Loans Classification on Program (CELCP)	Type of expenditures and loans issue under program classification	Officer in charge	Code of the Functional Classification of Expenditures (CFCE)	2006 (report)	2007 (approved)	2008 (draft)	2009 (forecast)	2010 (forecast)	2011 (forecast)	
1	2	3	4	5	6	7	8	9	10	
CELCP	Type of expenditures and loans issue under the program classification	Officer in charge	CFCE			100,000				
	TOTAL					100,000				

**Minister/Head of Department**

(signature)

(last name and initials)

**Head of Financial Service**

(signature)

(last name and initials)



Code	Types of receipts	2006 (report)			2007 (approved)			2008 (draft)		
		general	special-purpose	total (3+4)	general	special-purpose	total (6+7)	general	special-purpose	total (9+10)
1	2	3	4	5	6	7	8	9	10	11
...	Other proceeds...	X			X			X		
...	Loans repaid to the budget...	X			X			X		
602100	As of the beginning of the period	X			X	X	X	X	X	X
602200	As of the end of the period	X			X	X	X	X	X	X
	TOTAL									

#### 4.2. Receipts forecast for implementing the budget program for 2009-2011:

(UAH, thousand)

Code	Types of revenues	2009 (forecast)			2010 (forecast)			2011 (forecast)		
		general	special-purpose	total (3+4)	general	special-purpose	total (6+7)	general	special-purpose	total (9+10)
1	2	3	4	5	6	7	8	9	10	11
	Revenues from the general budget fund		X			X			X	
25010000	Charge for services provided by the budget institutions	X			X			X		
25020000	Other sources of own receipts	X			X			X		
401201	Issue (foreign financing, long-term liabilities)	X			X	X		X	X	
...	Other proceeds...	X			X			X		
...	Loans repaid to the budget...	X			X			X		
...	TOTAL									

#### 5. Description of the expenditures/loans issue request on the budget program broken down by economic classification/lending classification.

##### 5.1. Description of expenditures request 2008 on the budget program broken down by economic classification of expenditures:

Code of Economic Classification of Expenditures (CECE)	Type of expenditures according to economic classification	2006 (report)			2007 (approved)			2008 (draft)		
		general	special-purpose	total (3+4)	general	special-purpose	total (3+4)	general	special-purpose	total (3+4)
1	2	3	4	5	6	7	8	9	10	11
	Type of expenditures according to economic classification									
	Type of expenditures according to economic classification ( <b>Investment</b> )							100,000		
...										



TOTAL													
-------	--	--	--	--	--	--	--	--	--	--	--	--	--

**7. Performance indicators of the budget program implementation.**

**7.1. Performance indicators of the budget program implementation for 2008:**

No.	Indicators	Unit of measurement	Source of information	2006 (report)		2007 (approved)		2008 (draft)	
				general fund	special-purpose fund	general fund	special-purpose fund	general fund	special-purpose fund
	<b>costs</b>							100,000	
	<b>product</b>								
	Creating the MFF	Yes, No	EDRPOU						
	<b>effectiveness</b>								
	<b>quality</b>								

**7.2. . Performance indicators of the budget program implementation for 2009-2011:**

No.	Indicators	Unit of measurement	Source of information	2009 (forecast)		2010 (forecast)		2011 (forecast)	
				general fund	special-purpose fund	general fund	special-purpose fund	general fund	special-purpose fund
	<b>costs</b>								
	<b>product</b>								
	The amount of the MFF financing the infrastructure of cities and communal enterprises	UAH, thousand	Financial statement of the MFF						
	<b>effectiveness</b>								
	<b>quality</b>								

**8. Expenditures pattern on labor payment:**

Type of expenditures	2006 (report)		2007 (approved)		2008 (draft)	
	general fund	special-purpose fund	general fund	special-purpose fund	general fund	special-purpose fund
1. Compulsory payments						

UAH, thousand



			Conducting the Final Stage of Europe-2012 Football Championship	Ukraine dated October 31, 2007 No. 1295 “On Approval of the National Special-Purpose Program on Preparing and Conducting of the Final Stage of the Euro 2012 Football Championship in Ukraine”.	compliance with the UEFA requirements								
			TOTAL									100,000	

**10.2 The list of National Special-Purpose Programs and Development Programs of certain regions, sectors of economy and fields of social life implemented within the framework of the budget program for 2009-2011:**

No.	Program code	Name of the program	When and by what document was approved	Outline of activities stipulated by the program	2009 (forecast)		2010 (forecast)		2011 (forecast)	
					general fund	special-purpose fund	general fund	special-purpose fund	general fund	special-purpose fund
1	0226070 2416452 0	NATIONAL SPECIAL-PURPOSE PROGRAM for Preparing and Conducting the Final Stage of Europe-2012 Football Championship	Resolution of the Cabinet of Ministers of Ukraine dated October 31, 2007 No. 1295 “On Approval of the National Special-Purpose Program on Preparing and Conducting of the Final Stage of the Euro 2012 Football Championship in Ukraine”.	Put the objects which ensure conducting of the Championship in Ukraine in compliance with the UEFA requirements	6	7	8	9	10	11



CECE /CCC	Type of expenditures according to economic classification/lending classification	Approved with all changes	Cash expenditures	Receivables as of 01.01.2006	Receivables as of 01.01.2007	Expected receivables as of 01.01.2008	Reasons for indebtedness	Actions taken to redeem indebtedness
1	2	3	4	5	6	7	8	9
...	Economic classification of expenditures...							
...	Lending classification...							
	TOTAL							

**12.4. The list of provisions of the normative and regulatory acts which execution in 2008 is not provided by the marginal volume of expenditures/loans issue of the general fund, priced:**

No.	Name	List of corresponding articles (paragraphs) of the document	The amount of financing necessary for executing mentioned articles (paragraphs) (UAH, thousand)	The amount of financing included in the discounted marginal volume (UAH, thousand)	The amount of financing which is not secured by the discounted marginal volume (UAH, thousand) (4-5)	Actions necessary to bring the regulatory documents in compliance with the discounted marginal volume (cancel, suspend, etc.)
1	2	3	4	5	6	7
	Full name of the normative and regulatory act (including No. and date) which execution is not provided by the discounted volumes					
	Economic classification of expenditures/lending classification...					
	Full name of the normative and regulatory act (including No. and date) which execution is not provided by the discounted volumes					
	Economic classification of expenditures/lending classification...					
	TOTAL					

**12.5. Clarifications regarding the analysis sheet of liabilities management in the general fund in 2006 and 2007 and proposal for adjusting liabilities of the general fund for 2008 pursuant to paragraphs 12.1. -12.4.**

**13. Legal foundations and clarifications regarding the special-purpose fund (calculating expenditures of the special-purpose fund for 2008 and for 2009-2011 from the proceeds of the special-purpose fund, analysis of performance results achieved by raising financing from the special-purpose budget fund in 2006 and expected results in 2007).**

**Minister/Head of Department**

(signature)

(last name and initials)

**Head of Financial Service**

\_\_\_\_\_  
(signature)

\_\_\_\_\_  
(last name and initials)



# **ATTACHMENT 7**





**USAID**  
FROM THE AMERICAN PEOPLE

**ACCESS TO CREDIT INITIATIVE**  
GOVERNMENT DOMESTIC DEBT, MORTGAGE, MUNICIPAL FINANCE, LEASING, CREDIT BUREAU, CREDIT RATING

## LEGAL ISSUES AFFECTING CITIES AND COMMUNAL SERVICE ENTERPRISES CREDITWORTHINESS AND THE MFF ACTIVITIES

February 8, 2008

### CITIES

#### **Credit rating**

Credit rating is required for ANY municipal borrowing. Cabinet of Ministers Regulation 207 requires an issuer credit rating for borrowing in the form of loans and an issue credit rating for borrowing in the form of municipal bond issuance.

Currently, if a small town wishes to borrow UAH 300-500 thousand, it must pay UAH 50-100 thousand for a credit rating. Since the annual cost of the credit rating surveillance is usually at the same level, the total credit rating cost for a five-year borrowing will be UAH 250-500. Under such conditions, it would be absurd to discuss small loans to cities from any credit institution, whether a bank or the MFF.

E.g. INCA in South Africa makes its own direct loans to local governments, which it internally rates and monitors.

#### *Proposed Actions:*

*Short-term: amendments to the CabMin Regulation 207 abolishing mandatory credit rating for municipal borrowings.*

*Medium-term: CabMin Regulation 207 should be incorporated into a Local Borrowings and Local Guarantees Law (hereinafter, LBLGL)/amendments to the Budget Code providing no mandatory credit rating for municipal borrowings.*

#### **Ministry of Finance approval**

Cabinet of Ministers Regulation 207 requires MinFin approval for ANY municipal borrowing.

Therefore the MFF's lending operation would be subject to the Ministry of Finance borrowing approval process. The MFF will specialize in aggregating pools of relatively small municipal loans which it will finance with large borrowings. Ministry of Finance approval on every local borrowing would make it difficult, if not impossible, for the MFF to operate efficiently.

The MFF will assess creditworthiness of potential borrowers, thus we suggest to abolish MinFin approval for municipal loans from MFF, or at least to introduce MinFin's suspensive veto, i.e.

municipal borrowings would automatically approved if MinFin does not express any objections during prescribed time.

*Proposed Actions:*

*Short-term: amendments to the CabMin Regulation 207 abolishing MinFin approval for municipal loans from MFF/introducing suspensive veto for municipal borrowings.*

*Medium-term: CabMin Regulation 207 should be incorporated into the LBLGL/amendments to the Budget Code providing no MinFin approval for municipal loans from MFF/introducing suspensive veto for municipal borrowings.*

### **Strengthening of financial independence and predictability of city budgets**

Equalization grants are not predictable or stable, and for many cities equalization grants comprise a large share of local budgets. Incentives for cities to grow their economies and revenues have been weakened. Donor cities have a more stable financial position than equalization grant recipient cities.

*Proposed Actions: amendments to the Budget Code.*

*Note: on Ms. Shcherbyna, Director of Institute for Budgetary, Social and Economic Research (IBSER), opinion, these issues should be separated from local borrowings issues. Association of Ukrainian Cities and IBSER are actively involved in drafting relevant changes to the Budget Code.*

### **Credit enhancements: pledging Basket 2 future revenues. Intercept**

The Civil Code and the Pledge Law provide for pledging property that will be acquired in the future, after a pledge is made. In addition, the Charge Law stipulates that future movable property (including funds) may be charged. To our best knowledge, no precedent exists for pledging future revenues by municipalities.

Planning an MFF means there must be realistic expectations for significant loan volume and good loan performance. Under current intergovernmental financing and local tariff structures, the creditworthiness of many cities and most communal enterprises is weak. Credit enhancements and improved loan security will be critical to MFF success. The ability for cities to pledge future revenues should be directly provided by law, along with a mechanism for recording and enforcing the pledge. Limited intercepts of local budget funds would be a vital tool for securing MFF loans. International financial institutions may require intercepts as a condition for funding.

Basket One revenues are intended to fund essential services delegated by the State to cities for execution, resulting in an understandable policy objection to the notion of pledging/intercepting Basket One revenues to pay local debt. However, Basket Two revenues, which are not included by the State

when calculating equalization transfer grants, could be a possible candidate for pledging future revenues and revenue intercept agreements.

*Proposed Actions: the LBLGL/amendments to the Budget Code.*

### **Debt refinancing**

The five year ban on borrowing by a local government that has defaulted on the payment of its debt would prohibit the refinancing or restructuring of the debt. Refinancing is an extremely useful tool in a trouble situation.

Perhaps the ban could be on the financing of “new” projects.

*Proposed Actions: the LBLGL/amendments to the Budget Code.*

### **Debt servicing and principal repayment – protected items**

Expenditures for debt servicing and principal repayment should be referred to protected items of municipal budget, which are not reduced in case of budget sequestration.

*Proposed Actions: the LBLGL/amendments to the Budget Code.*

## COMMUNAL SERVICE ENTERPRISES

### **Local guarantees**

City guarantees of communal enterprises debt are provided by the Budget Code, Art. 17, although insufficiently. That is why Laws On State Budget for 2003 – 2008 have prohibited guarantees by cities (except for loans or co-loans from international financial institutions).

Responsible city guarantees of communal enterprises debt should be permitted. Communal service enterprises are a key market segment for the MFF. The credit enhancement of a city guarantee would be an essential tool for serving that market. Even though there are many problems in city finance, cities in general are stronger credits than communal enterprises. City guarantees of municipally owned utility enterprises are a common financing device in emerging market economies.

*Proposed Actions: the LBLGL/amendments to the Budget Code*

### **Infrastructure may not be pledged by utilities.**

Article 5 of the Law On Privatization of State Property stipulates that engineering infrastructure facilities and city utilities including networks, structures, and equipment related to supplying water, gas, heat and sewage and waste treatment may not be privatized (i.e. alienated). This restriction prohibits communal enterprises from pledging the infrastructure but does not prohibit pledging other assets.

*Proposed Actions: None. Amendments to the Law On Privatization of State Property are hardly possible due to political objections.*

### **Enforcement of Law On Housing and Communal Services**

According to the Law On Housing and Communal Services local council shall approve full cost-recovery tariffs. If local council fails to approve full cost tariffs, it shall compensate the difference to communal service enterprise.

Frequently local councils do not compensate the difference, getting communal enterprises finances much worse.

*Proposed Actions: ??? Local councils are responsible for proper implementation of the Law On Housing and Communal Services*

*General note: Communal enterprises must obtain approval of the city council for pledging of property, they also depend on the city in terms of tariffs, etc. Therefore, their creditworthiness depends on the city to a significant extent. Therefore, MFF would focus primarily on lending to cities, and cities can further use the borrowed funds to finance communal enterprises and other infrastructure development and capital construction projects.*

### **MUNICIPAL FINANCE FACILITY**

#### **State contribution to statutory capital of a joint stock company**

The Economic Code (Article 86) and the Law On Business Partnerships (Company Law) (Article 13) prohibit using state and local budget funds for the purposes of forming companies' statutory capital.

However, by passing the Law on State Budget for the corresponding year, which would be a special law in relation to the general laws, i. e. the Economic Code and the Company Law, it would be possible to make such a contribution. Recently, contributions with state budget funds were made to the authorized capital of two open joint-stock companies wholly-owned by the state, namely, Oschadbank and Ukreximbank (the Law of Ukraine On Introducing Changes to the Law of Ukraine On the State Budget of Ukraine for 2004 dated June 17, 2004, No. 1801-IV).

As regards local budget funds, Article 71 of the Budget Code stipulates contributions by local governments to the authorized capital of business entities with funds from the development budgets within local budgets.

*Proposed Actions: amendments to the Law On State Budget for 2008*

### **Bond issuance limitation**

The Civil Code limits the bond issuance for joint stock companies to one statutory capital and/or the amount of additional collateral (Article 158). This article is currently valid but will be void starting from April 12, 2008.

The Law On Securities and Stock Market limits the bond issuance for all corporate entities to three times own capital and/or the amount of additional collateral (Article 8). However this article will come into force since April 12, 2008.

International experience shows that MFFs usually have higher leverage than 3:1. Thus if 3:1 leverage seems to be acceptable at the initial stage of MFF activity, in order to ensure further effective MFF activity, it would be expedient to increase it.

*Proposed Actions: MFF Law/amendments to the Law On Securities and Stock Market*

### **Amortizing bonds**

Law On Securities and Stock Market does not provide for amortizing bonds, and, accordingly, the SSCSM does not register them. Compared with bullet bonds, amortizing bonds would allow MFF to redeem a principal in a smooth manner.

*Proposed Actions: MFF Law/amendments to the Law On Securities and Stock Market*

### **Providing technical assistance by the MFF**

Throughout the world MFFs provide technical assistance to borrowers. But Article 1 of the Law On Financial Services and State Regulation of Financial Services Markets stipulates that the only activity of a financial institution should be provision of financial services.

On the other hand, rendering consulting services in regard to financial transactions carried out by a financial institution is envisaged by legislative and normative acts for other financial institutions. For example, Article 47 of the Law On Banks and Banking Activities makes it possible for banks to render consultative and information services regarding banking transactions. The Charter of the State Mortgage Institution approved by the Resolution of the Cabinet of Ministers of Ukraine No. 1715 dated 23 December 2004 envisages that this institution will elaborate and implement methodological

recommendations and common standards, norms and procedures for providing, refinancing and servicing mortgage assets.

Thus, consultative and information services related to the MFF transactions are its associated rather than standalone activity.

*Proposed Actions: MFF Law.*

# **ATTACHMENT 8**



# **Financial Holding “UKREXIMSTRAKH”**

25.03.2008 No. 20

**To Mr. David Lucterhand**

USAID Contractor  
Chief of Party  
Access to Credit Initiative  
The Pragma Corporation  
USAID/Ukraine and Moldova

72 V.Vasylykivska Street  
03150 Kyiv, Ukraine

**Dear Mr. Lucterhand:**

There is an immense and urgent need for investment in infrastructure of cities and utilities of Ukraine. Several large and medium-sized cities of Ukraine have issued municipal bonds to finance infrastructure. However, small and medium-sized towns of Ukraine have both limited access to long-term infrastructure financing and, if they succeed in entering the debt market, face higher costs and less favorable borrowing terms.

Therefore, one of the most effective methods of financing infrastructure projects could be the establishment of a financial institution that would borrow in the capital market on its own behalf with the view to financing municipal projects/lending to creditworthy cities and utilities to improve infrastructure at the lowest market interest rates.

By this letter, the CJSC “Ukreximstrakh” Financial Holding” confirms its commitment to invest up to UAH 500 million in the authorized capital of the Open Joint-Stock Company “Municipal Finance Facility,” provided such investment is matched by international financial institutions (in particular, the European Bank for Reconstruction and Development, the World Bank, the International Finance Corporation) at the ratio of 1:9.

To establish the above Facility, the CJSC “Ukreximstrakh” Financial Holding” confirms its commitment to initially invest UAH 50 million in the authorized capital of the MFF, provided the international financial institutions invest at least UAH 450 million at the same time. This would be considered a ‘good faith deposit’ on behalf of CJSC “Ukreximstrakh” Financial Holding” to get the MFF started.

**We hope for our fruitful cooperation in the future.**

**Sincerely,**

**V.P.Prykhodko**

(Signature)

**Chairman of the Board**



# **ATTACHMENT 9**



# THE STATE AGENCY ON INVESTMENTS AND INNOVATIONS

March 20, 2008

No. 0769/022-05-1-03

## **The Ministry of Finance of Ukraine**

### *Regarding creation of the State Municipal Development Financial Facility*

In execution of the Cabinet of Ministers of Ukraine Action Program “Ukrainian Breakthrough: For People, not Politicians” approved by the Resolution of the CMU dated January 16, 2008 No. 14, the State Agency on Investments and Innovations proposes to create the State Municipal Development Financial Facility (hereinafter - the SMDFF) in order to promote investment activity and encourage long-term financial investments in the communal infrastructure development. The above facility will lend to the regional communal infrastructure modernization projects using the funds raised from the bonds issue in the capital markets.

The State Agency on Investments and Innovations suggests that with regard to its organizational and legal status the SMDFF be created as a Joint-Stock Company, 100% of its authorized capital will be owned by the State. The SMDFF initial authorized capital is UAH 100 million. At a later stage, the SMDFF shares could be sold to legal persons and individuals following the procedure prescribed by the State.

In order to create the State Municipal Development Financial Facility, it is necessary to provision in the State Budget for 2009 the item of expenditures, under which the state funds will be channeled into forming the SMDFF authorized fund.

Pursuant to the generally accepted legal provisions, a later enacted law shall prevail over an earlier enacted law and a special-purpose law shall prevail over a general law. If the Law “On the State Budget of Ukraine for 2009” provisions expenditures for forming the SMDFF authorized fund, the Law “On the State Budget” shall prevail over the Economic Code, Clause 3 Article 86 thereof prohibits to use budget funds for forming the authorized fund of the company. Similar resolutions with regard to forming authorized funds of the economic companies were passed before. For example, the Law dated June 17, 2004 No. 1801-IV envisages increasing the authorized funds of the Open Joint-Stock Companies “The State Savings Bank” and “The State Export-Import Bank of Ukraine” from the budget funds.

The project of creation of the State Municipal Development Financial Facility was developed in cooperation with the United States Agency on International Development (USAID) (the Access to Credit Initiative Project). The representatives of the State Agency on Investments and Innovations held a joint meeting with the USAID representatives and discussed the possibilities for creating the State Municipal Development Financial Facility under the USAID aegis.

Factoring in the above, I would like to ask you to consider and support the initiative of creating the State Municipal Development Financial Facility.

In case you support this idea, the State Agency on Investments and Innovations will provide the drafts of relevant normative and statutory documents of the SMDFF for your approval.

S. Moskvina  
(Signature)  
Deputy Head



# **ATTACHMENT 10**





## CERTIFIED LEASE SPECIALISTS PROGRAM

**Certified Lease Specialists Program (CLSP)** (13 modules divided by 3 courses) covers the issues of legal framework of leasing in Ukraine, accounting and taxation of lease transactions, lease documentation and monitoring, risk analysis of the leasing portfolio and sources of financing, as well as marketing and sales techniques and leasing company’s structure.

Following the training and successfully passing all three exams, a candidate is awarded the Lease Specialist Certificate issued by Certified Lease Professionals Foundation (the USA) and Certified Lease Specialists Union (Ukraine).

In order to become certified, a candidate must pass all three exams within an 18-month period. Training on each course may not be taken in sequence, although it is recommended. If unsuccessful in passing an exam, each candidate may re-take the exam in accordance with the pre-determined exam schedule; repeating training is optional.

### Requirements for CLSP Candidates

1. Participate in the three training courses and pass all three certification exams.
2. Meet minimum experience and educational requirements:

Criteria Set 1		Criteria Set 2
Higher education + leasing experience.	or	Higher education + experience related to equipment or commercial real-estate finance with a bank or other financial institution.

### Requirements for CLSP Training Providers and Trainers

**Training provider** is defined as a legal entity that will offer paid training courses to individuals seeking to achieve the status of Certified Lease Specialist. In order to offer such training, a training-provider must be officially authorized by the relevant administrative body of the CLSP and enter into a contract defining the rights and responsibilities of both the training provider and the CLS Program.

The requirements of training providers in order to be authorized under the program consist of the following:

- Appropriate legal status to offer paid training to individuals
- Experience in offering training within the framework of similar certification programs
- Written agreements with trainers qualified to provide training in all subject areas (to begin, this may be in the form of a letter of intent but before officially announcing training, contracts should be finalized and signed)

**Trainer** is defined as an individual that is officially authorized to lead any part or all of the training courses offered by training providers for individuals seeking to achieve the status of Certified Lease Specialist. Trainers must be contractually engaged with an approved training provider, who will bear ultimate responsibility for ensuring that the trainer adheres to the appropriate standards and quality demanded by the CLS Program.



# **ATTACHMENT 11**





## Questionnaire for Leasing Companies

Date: \_\_\_\_\_

**1. General information about the company**

**1.1. Full company name** .....

**1.2. Mail address** .....

<b>1.3. Telephone</b> (.....).....	<b>1.4. Fax</b> (.....).....
<b>1.5. E-mail address</b> .....@.....	<b>1.6. Web-page</b> .....

<b>1.7. Director General/ President</b>	.....
---	-------

<b>1.8. Contact person</b>	.....
----------------------------	-------

<b>1.9. Number of employees of your company</b>	<b>End 2006</b>	<b>End 2007</b>

**2. Information about lease agreements**

<b>2.1. Total value of the assets mentioned in the lease agreements signed per year ( thousands UAH)</b>	<b>2006</b>	<b>2007</b>
	<i>thousands UAH</i>	<i>thousands UAH</i>

<b>2.2. Total volume of the lease agreements per annum ( thousands UAH)</b>	<b>2006</b>	<b>2007</b>

**Information about your company will not be disclosed without your permission**



<b>2.3. Sum of outstanding lease payments as of December 31)</b>	<b>2006</b>	<b>2007</b>
	<i>thousands UAH</i>	<i>thousands UAH</i>

<b>2.4. Portfolio of lease agreements by types of assets</b> <i>(as percentage of value of total portfolio as of December 31)</i>	<b>2006</b>	<b>2007</b>
• production equipment (except food processing equipment)	(a1) <input type="text"/> %	(a2) <input type="text"/> %
• food processing equipment	(b1) <input type="text"/> %	(b2) <input type="text"/> %
• medical equipment	(c1) <input type="text"/> %	(c2) <input type="text"/> %
• printing equipment	(d1) <input type="text"/> %	(d2) <input type="text"/> %
• agricultural machinery and equipment	(e1) <input type="text"/> %	(e2) <input type="text"/> %
• passenger cars, motorcycles	(f1) <input type="text"/> %	(f2) <input type="text"/> %
• vehicles for transportation of passengers (except passenger cars)	(g1) <input type="text"/> %	(g2) <input type="text"/> %
• vehicles for cargo transportation	(h1) <input type="text"/> %	(h2) <input type="text"/> %
• water and railway transportation means	(i1) <input type="text"/> %	(i2) <input type="text"/> %
• airplanes	(j1) <input type="text"/> %	(j2) <input type="text"/> %
• telecommunication equipment	(k1) <input type="text"/> %	(k2) <input type="text"/> %
• computers and hardware	(l1) <input type="text"/> %	(l2) <input type="text"/> %
• buildings	(m1) <input type="text"/> %	(m2) <input type="text"/> %
• other <i>(please, indicate)</i>	(n1) <input type="text"/> %	(n2) <input type="text"/> %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

**4. Financial and Economic Aspects of Leasing**

<b>4.1. What sources does your company use for financing of lease agreements:</b> <i>(as percentage of total volume of financial resources)</i>	
• own capital of your company	(a) <input type="text"/> %

**Information about your company will not be disclosed without your permission**



• loans of domestic banks	(b) <input type="text"/> %
• loans of foreign banks	(c) <input type="text"/> %
• commercial loans of equipment producers	(d) <input type="text"/> %
• issue of bonds	(e) <input type="text"/> %
• funds of international financial organizations	(f) <input type="text"/> %
• other (please, indicate)	(g) <input type="text"/> %
<b>Total</b>	<b>100%</b>

**5. Additional Questions**

**5.1. Did any of your employees participate in special training programs for leasing specialists (Certified Lease Specialist – CLS)?**

Yes  No

*If “Yes”, please, indicate the number of employees certified:*

**5.2 Which factors do you consider to be barriers in developing the Ukrainian leasing market? Please rate them with 1 having the strongest and 5 the weakest influence.**

• shortcomings of legislation	(a) <input type="text"/>
• lack of available sources of financing	(b) <input type="text"/>
• unfavorable terms of taxation for lease transactions	(c) <input type="text"/>
• competition on the part of banks	(d) <input type="text"/>
• lack of knowledge about leasing as an instrument of purchase of fixed assets	(e) <input type="text"/>
• high interest rate environment	(f) <input type="text"/>

**Information about your company will not be disclosed without your permission**



# MOLDOVA ATTACHMENTS



# **ATTACHMENT 1**





March 31, 2008

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007			2007-2008				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter
<p><b>NOTE:</b> Changes shall be indicated in <b>RED</b> for deletions; <b>PINK</b> for addition</p> <p><b>NOTE:</b> <b>GREEN</b> indicates "completed"; <b>LIME</b> indicates "to be completed".</p> <p>Dark Green indicates activity not planned in current quarter, but either (1) completed in this latter quarter, or (2) worked on in current quarter.</p>									
<b>Contract Management</b>									
A: Work Plans									
1. Draft Mobilization Plan	RD								
2. Draft Work Plan/1st Year and 2nd Year	RD, DL								
3. Agree Work Plan with USAID (Year 1 only approved)	RD, DL								
B: Mobilization									
1. Establish Reporting Relationships	RD								
2. Identify possible ST and Timeframes	RD, DL								
3. Rent and equip office space, hire local staff, open bank accounts, rent apartment	RD								
4. Meet Key Individuals, Client, Counterparts, Participants, GOM	RD								
C: Project Administration									
1. Quarterly Reports	RD/SM								
2. Develop Performance Monitoring Plan	MF, RD, DL								
3. ATCI Senior Staff Meeting, weekly with advisors	RD/SM								
4. ATCI Staff Meeting, monthly for all staff	RD/SM								
5. ATCI Staff Retreat or Team Building Activities	All								
<b>MORTGAGE LENDING COMPONENT</b>									
<b>A: Implement Certified Mortgage Lender Program</b>									
1. IUE review of CML training materials and methodology for applicability to Moldova : Assess mortgage activity; understand practices and policies of participants/regulators, etc.	AK, NR, MB								
2. Select candidates from banks and financial institutions engaged in mortgage lending	MB, RD								
3. a. Deliver a series of three CML courses in Chisinau, 2 programs during the first year: first program for mortgage professionals and second program for training providers	AK, NR								
3.b. Deliver a complete CML program in Tiraspol, as approved by US Ambassador, to 6-8 commercial banks; 24 trainees	AK, NR								
4. For second year, the third program implemented by training providers which is supervised by STTA-IUE CML trainers	AK, NR								
5. Conduct assessment of current mortgage activity and impact assessment of Certified Mortgage Lender Program (CMLP) on the mortgage lenders and on their lending practices	MB								
6. Assessment of rural lending, titling, title registration, appraisal, and of basic element of profitable agricultural production units.	MB								
7. Deliver specialized mortgage trainings related to above and legal framework, if applicable and as needed.	MB, ST, SA, AB								
<b>B. Assist Banks in Undertaking Mortgage Lending</b>									
1. Promote standardized rules, procedures, documentation for retail mortgage lending in Moldova	MB, LA								
2. Select candidate banks and financial institutions for on-site assistance (On-going), and as requested.	MB								
3. Provide on-site technical assistance (On-going)	MB, ST								
<b>C. Develop Mortgage-Related Life Insurance Products "as possible in Moldova</b>									
1. Analyze insurance and mortgage markets for existing products/practices	MB, LA, MG								
2. Assess legal and regulatory framework	MB, SA, AB								
3. Assess existing actuarial data (mortality tables)	MB, MG, LA								









March 31, 2008

The Pragma Corporation Work Plan: Access to Credit Initiative, Moldova

Activity Description	Staff	2006-2007			2007-2008				
		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	5th Quarter	6th Quarter	7th Quarter	8th Quarter
a) Vendors									
b) Potential Lessees									
c) Banks									
d) Government Officials									
<b>B. Implement Outreach/Information Network</b>									
1. Initiation	LA								
2. Hold / participate in conferences/roundtables on state of leasing industry for gov't officials, media and industry participants (added as 9.a) above)	LA								
3. Prepare and distribute educational materials on various aspects of international best practices and practices in Moldova (added as 9.b) above)	LA								
4. Prepare and distribute brochures relevant to "Leasing in Moldova", e.g., recent legislative developments; FAQs, etc.	LA								
<b>C. Facilitate Import Capital and Know-How to Leasing Industries of Moldova</b>									
1. Identify domestic and international lessors, investors, and suppliers for entry into Moldovan market	LA								
2. Analyze tax and legal environment in Moldova for foreign companies entering Moldovan market	SA, AB								
3. Contact foreign lessors, investors, and suppliers, providing information about the leasing activities and needs in Moldova, highlighting business opportunities	LA, ST								
<b>D. Provide Consulting Services to Market Participants (added as 9.c) above)</b>									
1. Conduct transaction-based (ad hoc) Advisory Services	LA								
2. Advisory Services to Lessors and Other Market Participants	LA								
3. Assist New Market Entry of Lessors	LA, ST								
4. Provide Consulting on Organizational and Management Issues	LA								
5. Assistance in Securing Financial Sources	LA, ST								

**DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING COMPONENT**

DEVELOPMENT CREDIT AUTHORITY (DCA) MONITORING COMPONENT									
<b>A. Monitor Activities of Financial Institutions Working with the DCA</b>									
1. Monitor how Financial Institutions are utilizing guarantees and submitting claims	MG								
2. Act as contact person for Financial Institutions and USAID to answer relevant questions	MG								
3. Assist Financial Institutions to complete questionnaires and surveys, where needed	MG								
4. Conduct meetings with Financial Institutions as needed and prepare semi-annual monitoring reports for USAID	MG								
5. Verify partner Financial Institutions' semi-annual reports submitted through the Credit Monitoring System	MG								

MF= Mohammed Fatoorechie DL=David Luterhand, RD=Rick Dvorin, SSM=Steve Moody, LA=Lease Advisor, SA= Sr. Attorney to be named, MB=Mariana Botezatu, MG=Mihail Gherghirc, AB=Alina Bisan, JP=Javier Piedra, OK+ Oleg Kaichenko  
 RH=Robert Homans, AK=Alexander Kopeykin, NR=Natalia Rogozhina, LS=Liliya Snigir, SK=Sergiy Kysil, OM=Oonagh McDonald, MA=Mads Andenas, NF= Norm Flynn, LT=Local Team, TBD=to be determined, ST=other short-termers; IUE=Ins itute of Urban Economics. **NOTE:** as here is a change in key personnel of Country Director from Rick Dvorin to Steve Moody, as of Jan. 2008, RD may be replaced by SSM



# **ATTACHMENT 2**



**REPORT**  
***On Certified Mortgage Lender Program Training***  
***Course I “Mortgage Lending Bases”***  
***Group I (Tiraspol)***

Training period:	January 29 - February 01, 2008
Trainers:	Natalia Rogojina, Institute for Urban Economics, Russia Alexandr Kopeikin, Institute for Urban Economics, Russia
Number of participants:	26
Number of represented institutions:	7
including:	
Banks	6
ATCI Project	1

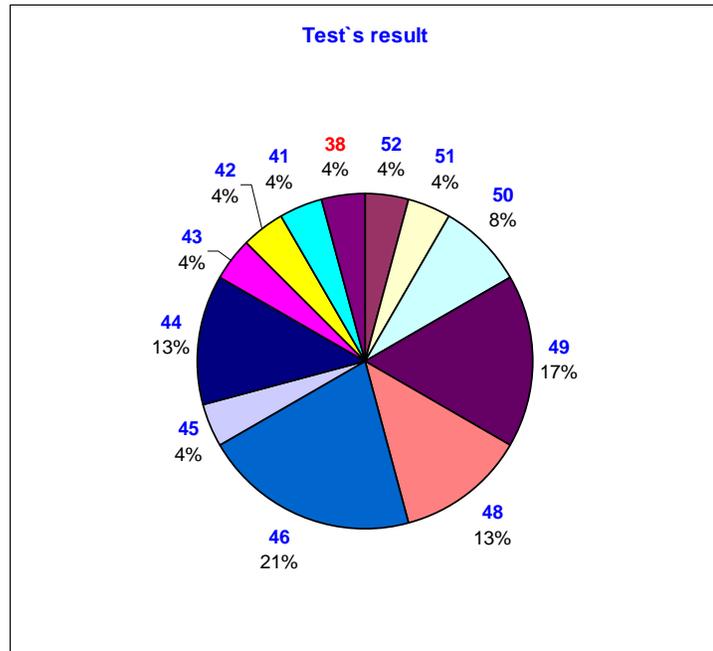
Subjects discussed:

The training course was derived from training courses offered by the IUE in other countries, with some adaptations relevant to the mortgage activities and environment of Moldova and constitutes the first module of three that will be offered within the Certified Mortgage Lender Program. The following subjects have been discussed during the first module:

1. Mortgage lending process main tasks, elements and stages
2. The experience of Western and Eastern European countries in organization of mortgage lending system
3. Main risks of housing mortgage lending
4. Mortgage law historic development
5. Lender preliminary evaluation. Collection of documents to submit an application for mortgage housing lending
6. Evaluation of the probability to pay off the loan (underwriting procedure)
7. Mortgage lending legal base
8. Mortgage lending traditional instruments, loan payments calculation schemes
9. Mortgage lending indexed instruments
10. Mortgage lending primary and secondary markets. Mortgage refinancing models, based on examples from Germany and US
11. The experience of countries with the economy in transition in mortgage lending (based on examples from Kazakhstan and Russia)
12. Residential saving programs in mortgage lending system

The training was finalized by a test offered to the participants. The results of the test are shown in the figure below:

Correct answers		Participants	
Nr	%	Nr	%
54	100.0%	0	0%
52	96.3%	1	4%
51	94.4%	1	4%
50	92.6%	2	8%
49	90.7%	4	17%
48	88.9%	3	13%
46	85.2%	5	21%
45	83.3%	1	4%
44	81.5%	3	13%
43	79.6%	1	4%
42	77.8%	1	4%
41	75.9%	1	4%
38	70.4%	1	4%
<b>Total</b>		<b>24</b>	<b>100%</b>



### Minimum accepted = 40

The persons, who didn't reach the minimum acceptable score of 40 points (1 person) and didn't take the test (2 persons), were offered the possibility to take the test for the second time.

At the end of each day the participants were offered the chance to evaluate the quality of training, both modules and training, in general. The results are shown in the table below:

	1	2	3	4	5	Too easy	Adequate	Too difficult
<b>1. Mortgage lending process main tasks, elements and stages</b>								
Presentation was informative	1	0	1	1	21			
Presentation was relevant to my situation	3	0	2	5	14			
Trainer possessed the necessary knowledge	0	0	0	3	21			
Trainer presented the material effectively	0	0	0	2	22			
In general, I would appreciate this seminar as						5	19	0
<b>2. The experience of Western and Eastern European countries in organization of mortgage lending system</b>								
Presentation was informative	0	0	1	5	18			
Presentation was relevant to my situation	3	0	1	10	10			
Trainer possessed the necessary knowledge	0	0	1	4	19			
Trainer presented the material effectively	0	0	1	2	21			
In general, I would appreciate this seminar as						4	20	0
<b>3. Main risks of housing mortgage lending</b>								
Presentation was informative	0		0	5	19			
Presentation was relevant to my situation	2		0	8	14			
Trainer possessed the necessary knowledge	0		0	7	17			
Trainer presented the material effectively	0		0	7	17			
In general, I would appreciate this seminar as						1	23	0

<b>4. Mortgage law historic development</b>								
Presentation was informative	0		0	2	22			
Presentation was relevant to my situation	1		1	7	15			
Trainer possessed the necessary knowledge	0		0	2	22			
Trainer presented the material effectively	0		1	1	22			
In general, I would appreciate this seminar as						1	21	2
<b>Level of knowledge and skills of following trainers DAY 1:</b>								
Natalia Rogojina	0		0	1	23			
Alexandr Kopeikin	0		0	0	24			
<b>5. Lender preliminary evaluation. Collection of documents to submit an application for mortgage housing lending</b>								
Presentation was informative	0		0	1	23			
Presentation was relevant to my situation	2		2	6	14			
Trainer possessed the necessary knowledge	0		0	0	24			
Trainer presented the material effectively	0		0	2	22			
In general, I would appreciate this seminar as						2	21	1
<b>6. Evaluation of the probability to pay off the loan (underwriting procedure)</b>								
Presentation was informative	0		0	0	24			
Presentation was relevant to my situation	0		0	2	21			
Trainer possessed the necessary knowledge	0		0	0	24			
Trainer presented the material effectively	0		0	0	24			
In general, I would appreciate this seminar as						9	15	0
<b>7. Mortgage lending legal base</b>								
Presentation was informative	0		0	2	22			
Presentation was relevant to my situation	0		0	3	20			
Trainer possessed the necessary knowledge	0		0	0	24			
Trainer presented the material effectively	0		0	2	22			
In general, I would appreciate this seminar as						6	17	1
<b>Level of knowledge and skills of following trainers DAY 2:</b>								
Natalia Rogojina	0		0	0	24			
Alexandr Kopeikin	0		0	0	24			
<b>8. Mortgage lending traditional instruments, loan payments calculation schemes</b>								
Presentation was informative	0		1	2	21			
Presentation was relevant to my situation	0		3	9	11			
Trainer possessed the necessary knowledge	0		0	2	22			
Trainer presented the material effectively	0		2	1	21			
In general, I would appreciate this seminar as						1	19	4
<b>9. Mortgage lending indexed instruments</b>								
Presentation was informative	0		0	2	22			
Presentation was relevant to my situation	2		0	3	18			
Trainer possessed the necessary knowledge	0		0	1	23			
Trainer presented the material effectively	0		0	2	22			
In general, I would appreciate this seminar as						5	18	1
<b>10. Mortgage lending primary and secondary markets. Mortgage refinancing models, based on examples from Germany and US.</b>								
Presentation was informative	0		0	2	22			
Presentation was relevant to my situation	2		2	2	18			
Trainer possessed the necessary knowledge	0		0	1	23			
Trainer presented the material effectively	0		0	2	22			
In general, I would appreciate this seminar as						2	21	1
<b>11. The experience of countries with the economy in transition in mortgage lending (based on examples from Kazakhstan and Russia)</b>								
Presentation was informative	0		0	3	21			
Presentation was relevant to my situation	3		1	5	13			
Trainer possessed the necessary knowledge	0		0	3	21			

Trainer presented the material effectively	0		0	4	20			
In general, I would appreciate this seminar as						1	21	2
<b>Level of knowledge and skills of following trainers DAY 3:</b>								
Natalia Rogojina	0		0	0	24			
Alexandr Kopeikin	0		0	2	22			
<b>12. Residential saving programs in mortgage lending system</b>								
Presentation was informative	0		0	3	21			
Presentation was relevant to my situation	5		1	3	15			
Trainer has the necessary knowledge	0		0	3	21			
Trainer presented the material effectively	0		0	4	20			
In general, I would appreciate this seminar as						1	23	0
<b>OVERALL COURSE EVALUATION</b>								
New knowledge gained as regards presented subjects	0		0	4	19			
I will be able to use in my work/company the knowledge gained during the training	0		4	8	11			
The way the training was conducted (i.e. pace, amount of time for each module, etc)	0		1	6	17			
Realism of exercises, cases, role-plays	0		2	8	12			
<b>Level of knowledge and skills of following trainers:</b>								
Natalia Rogojina	0		0	0	24			
Alexandr Kopeikin	0		0	2	22			

The most frequent answers to the question “What did you like the most?” were the following:

- ✓ Presented examples and practice;
- ✓ Interesting material is presented in accessible form, allowing to structure the acquired information;
- ✓ Objective evaluation of main subjects of the seminar, i.e. indication of positive and negative characteristics of mortgage lending;
- ✓ Presentation of material is understandable, logical, detailed and well thought;
- ✓ Existence of real examples from practice;
- ✓ A lot of interesting and useful information;
- ✓ Simplicity of proposed material presentation by the trainer, interactive communication;
- ✓ Method of material presentation, level of trainers knowledge;
- ✓ A lot of useful information, accessible explanation of material;
- ✓ Newly acquired information, experience of foreign countries.

The participants answering the question “What did you dislike the most?” frequently mentioned the same shortcoming: absence of questions and discussions sessions.

- ✓ Procedure of refinancing was covered superficially and not very accessibly;
- ✓ A lot of information presented in a short period provided for sessions;
- ✓ We would like more practical sessions;
- ✓ Speed of presentations was too fast;

These comments /wishes will be taken into account while organizing the next training, planned for February 26-29, 2008.

During the seminar individual consultancy was offered to the representatives of the following banks of Tiraspol: “Tirotext bank”, “Sberbank”, “Gazprombank”.

**REPORT**  
***On Certified Mortgage Lender Program Training***  
***Course II “Granting and Servicing of Mortgage Loans”***  
***Group 1, Transnistria***

Training period:	February 26-29, 2008
Trainers:	Natalia Rogojina, Institute for Urban Economics, Russia Alexandr Kopeikin, Institute for Urban Economics, Russia
Number of participants:	22
Number of represented institutions:	7
including:	
Banks	6
ATCI Project	1

Subjects discussed:

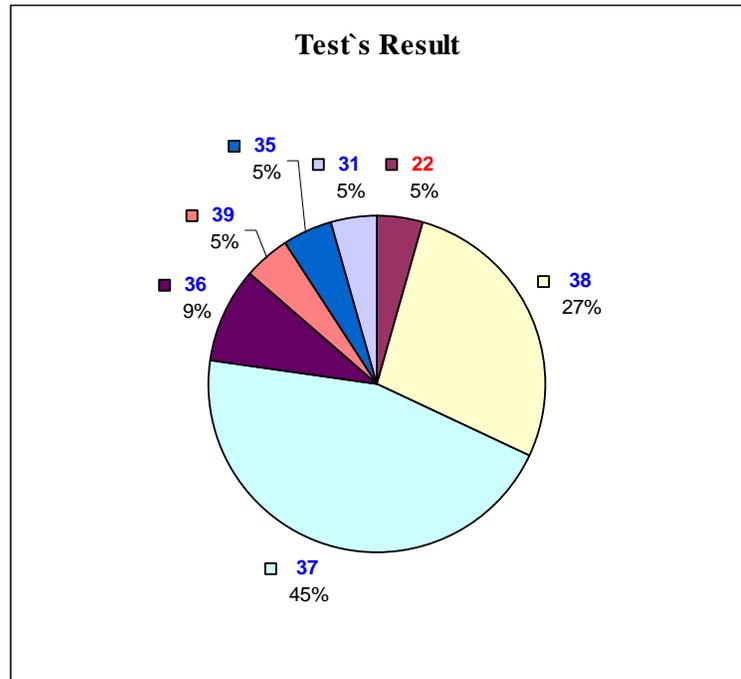
The training course was derived from training courses offered by the IUE in other countries, with some adaptations relevant to the mortgage activities and environment of Moldova and constitutes the second module of three, offered within the Certified Mortgage Lender Program. The first course “Mortgage Lending Bases” Group 1 was held in January 29- February 01, 2008.

The following subjects have been discussed during the second module:

1. Residential mortgage loans servicing process
2. Mortgage lending instruments. Practical session in the computer class
3. Residential construction financing
4. Civil and legal agreements in the process of mortgage lending. Loan agreement, mortgage agreement and cessation agreement, notary certification and registration. Round table on the Draft Mortgage Law
5. Methods of mortgage lending financial indicators calculation. Evaluation of lenders in the process of underwriting. Practical session using the financial calculator
6. Business game «Filling in the mortgage loan application»
7. Tasks and functions of the mortgage lending secondary market operator
8. The mortgage development experience in the US.
9. Business game «Granting and servicing long term residential mortgage loans»
10. Foreign systems of state registration of immovable property rights

The training was finalized by a test offered to the participants. The results of the test are shown in the figure below:

Correct answers		Participants	
Nr	%	Nr	%
40	100.0%	0	0%
39	97.5%	1	5%
38	95.0%	6	27%
37	92.5%	10	45%
36	90.0%	2	9%
35	87.5%	1	5%
31	77.5%	1	5%
22	55.0%	1	5%
<b>Total</b>		<b>22</b>	<b>100%</b>



### Minimum accepted = 30

The persons, who didn't reach the minimum acceptable score of 30 points (1 person) and didn't take the test (2 persons), were offered the possibility to take the test for the second time.

One person, who didn't take the test of the CLS I training course, got 46 points (minimum accepted score is 40). Another person didn't reach the minimum acceptable score of 40 points and decided not to continue the training course.

At the end of each day the participants were offered the chance to evaluate the quality of training, both modules and training, in general. The results are shown in the table below:

	1	2	3	4	5	Too easy	Adequate	Too difficult
<b>1. Residential mortgage loans servicing process</b>								
Presentation was informative	0	0	0	1	20			
Presentation was relevant to my situation	0	0	1	1	17			
Trainer possessed the necessary knowledge	0	0	0	2	17			
Trainer presented the material effectively	0	0	0	3	16			
In general, I would appreciate this seminar as						1	20	0
<b>2. Mortgage lending instruments. Practical session in the computer class</b>								
Presentation was informative	0	0	0	0	21			
Presentation was relevant to my situation	0	1	0	2	16			
Trainer possessed the necessary knowledge	0	0	0	2	17			
Trainer presented the material effectively	0	0	0	3	16			
In general, I would appreciate this seminar as						2	17	1

<b>3. Residential construction financing</b>									
Presentation was informative	0	0	0	1	20				
Presentation was relevant to my situation	0	0	3	1	15				
Trainer possessed the necessary knowledge	0	0	0	2	17				
Trainer presented the material effectively	0	0	0	4	15				
In general, I would appreciate this seminar as						0	21	0	
<b>4. Civil and legal agreements in the process of mortgage lending. Loan agreement, mortgage agreement and cessation agreement, notary certification and registration. Round table on the Draft Mortgage Law</b>									
Presentation was informative	0	0	0	1	20				
Presentation was relevant to my situation	0	0	3	2	14				
Trainer possessed the necessary knowledge	0	0	0	3	16				
Trainer presented the material effectively	0	0	0	4	15				
In general, I would appreciate this seminar as						2	19	0	
<b>Level of knowledge and skills of following trainers DAY 1:</b>									
Natalia Rogojina	0	0	0	0	20				
Alexandr Kopeikin	0	0	0	2	18				
<b>5. Methods of mortgage lending financial indicators calculation. Evaluation of lenders in the process of underwriting. Practical session using the financial calculator</b>									
Presentation was informative	0	0	0	1	15				
Presentation was relevant to my situation	0	0	1	2	13				
Trainer possessed the necessary knowledge	0	0	0	0	16				
Trainer presented the material effectively	0	0	0	0	16				
In general, I would appreciate this seminar as						0	16	0	
<b>6. Business game «Filling in the mortgage loan application»</b>									
Presentation was informative	0	0	1	0	15				
Presentation was relevant to my situation	0	0	2	1	13				
Trainer possessed the necessary knowledge	0	0	0	0	16				
Trainer presented the material effectively	0	0	0	1	15				
In general, I would appreciate this seminar as						2	14	0	
<b>7. Tasks and functions of the mortgage lending secondary market operator</b>									
Presentation was informative	0	0	0	4	13				
Presentation was relevant to my situation	0	1	2	4	10				
Trainer possessed the necessary knowledge	0	0	0	3	14				
Trainer presented the material effectively	0	0	0	4	13				
In general, I would appreciate this seminar as						1	16	0	
<b>Level of knowledge and skills of following trainers DAY 2:</b>									
Natalia Rogojina	0	0	0	0	16				
Alexandr Kopeikin	0	0	0	3	13				
<b>8. The mortgage development experience in the US.</b>									
Presentation was informative	0	0	0	4	13				
Presentation was relevant to my situation	0	1	1	4	11				
Trainer possessed the necessary knowledge	0	0	0	3	14				
Trainer presented the material effectively	0	0	0	4	13				
In general, I would appreciate this seminar as						0	17	0	
<b>9. Business game «Granting and servicing long term residential mortgage loans»</b>									
Presentation was informative	0	0	0	1	19				
Presentation was relevant to my situation	0	0	1	3	16				
Trainer possessed the necessary knowledge	0	0	0	1	19				
Trainer presented the material effectively	0	0	0	0	20				
In general, I would appreciate this seminar as						1	18	0	
<b>OVERALL COURSE EVALUATION</b>									
New knowledge gained as regards presented subjects	0	0	0	0	18				

Knowledge gained during the training I will be able to use in my work/company	0	0	1	1	17
The way the training was conducted (i.e. pace, amount of time for each module, etc)	0	0	0	0	19
Realism of exercises, cases, role-plays	0	0	0	1	18

The most frequent answers to the question “What did you like the most?” were the following:

- ✓ Combination of theory and practice
- ✓ Big experiences of trainers
- ✓ Style and rhythm of teaching

These comments /wishes will be taken into account while organizing the next training, planned for April, 2008.

Upon Corneliu Rusnac request, a preliminary survey of the representatives of 6 banks either interested in organizing one more training course «Certified Mortgage Lender Program» in Tiraspol or participating of 2-3 representatives of banks from Tiraspol in the next training course, held in Chisinau, was organized.

According to the survey, 20 persons representing 5 banks (Ipotecinii bank, Gazprombank, Tiraspromstroibank, Tirotexbank, Sberbank) manifested interest in participating in the next training course only if there is a possibility to hold it in Tiraspol.

If there is no possibility to organize this training course, only 3 persons agreed to come to Chisinau to participate in the training.

# **ATTACHMENT 3**

**REPORT**  
**on Certified Mortgage Lender Program Training**  
**Course I “Mortgage Lending Bases”**  
**Group III**

Training period:	March 18-21, 2008
Training provider:	Financial Banking and Consulting Training Center “ABM Consulting” set up by the Moldovan Banks Association
Observers:	Natalia Rogojina, Institute for Urban Economics, Russia Alexander Kopeikin, Institute for Urban Economics, Russia
Number of participants:	20
Number of represented institutions:	13
including:	
Commercial banks	10
Mortgage Agencies	2
Rural Finance Corporation (microfinance)	1

*Overview:*

The training course was derived from training courses offered by the IUE in other countries, with some adaptations relevant to the mortgage activities and environment of Moldova and constitutes the first module of three that will be offered within the Certified Mortgage Lender Program III by the local training provider - Financial Banking and Consulting Training Center “ABM Consulting” set up by the Moldovan Banks Association.

Establishing an efficient mortgage lending sector is one of the major objectives to be reached by the financial community of Moldova, including by formation of professionals in mortgage area based on international experience and best practices. Preparing of trainers, certified in Mortgage Lending (ABM Consulting also benefited from this course) represents the forecasted contribution of the ATCI Project to the establishment of qualitative international standards for financial professionals in the Republic of Moldova.

Since the beginning of the Project activity, ATCI is permanently looking for local partners for collaboration and cooperation, which, later – after the closing of the Project – could takeover the management and administration, on a commercial base, of the Certified Mortgage Lending Program.

Finally, the Financial Banking and Consulting Training Center “ABM Consulting” set up by the Moldovan Banks Association has been selected as a local training provider for CMLP. While selecting the partner for CMLP, ATCI took the following into account: the major contribution of the ABM to the development of training and consultancy market of Moldova; qualifications and professionalism of persons proposed by the ABM as CMLP trainers; as well as the contribution which CMLP could add to the strengthening of the ABM position within the financial community of Moldova.

The trainers of the Financial Banking and Consulting Training Center “ABM Consulting” delivered the course themselves with the trainers of the Institute for Urban Economics as observers.

The list of experts who on behalf of the Financial Banking and Consulting Training Center “ABM Consulting”, participated as instructors in CMLP III course:

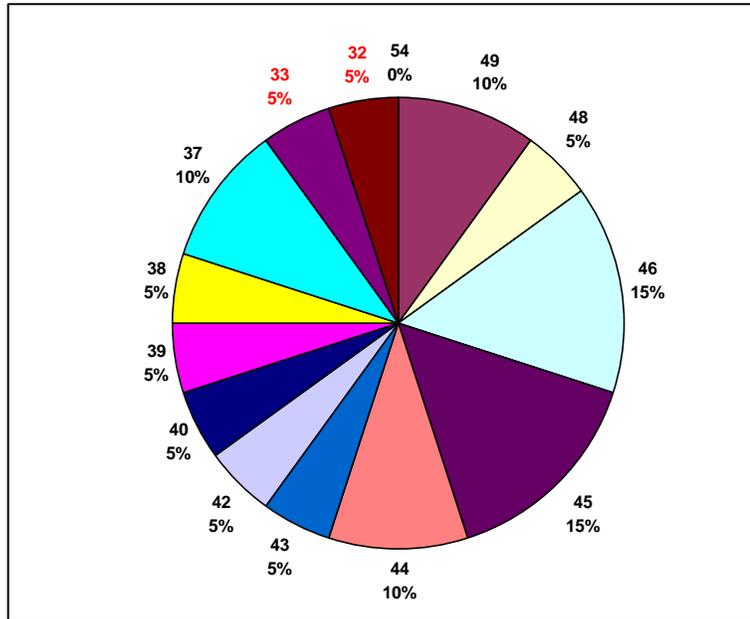
- economic and methodology compartment:
  - o Irina Dicov – PhD in economy, University professor, Academy of Economic Studies (Certified Mortgage Lender Program - Group I);
  - o Emma Tabirta – Director, foreign joint stock company “Business – Investments for All”;
- legal compartment:
  - o Ion Mamaliga, advisor to the Chairman of Banks Association of Moldova (Certified Mortgage Lender Program – Group I);
  - o Andrei Caciurencu - Partner Joint company “A.C.I. Partners” Ltd.

The following subjects have been discussed during the first module:

1. Mortgage lending process main tasks, elements and stages
2. The experience of Western and Eastern European countries in organization of mortgage lending system
3. Main risks of housing mortgage lending
4. Mortgage law historic development
5. Lender preliminary evaluation. Collection of documents to submit an application for mortgage housing lending
6. Evaluation of the probability to pay off the loan (underwriting procedure)
7. Mortgage lending legal base
8. Mortgage lending traditional instruments, loan payments calculation schemes
9. Mortgage lending indexed instruments
10. Mortgage lending primary and secondary markets. Mortgage refinancing models, based on examples from Germany and US
11. The experience of countries with the economy in transition in mortgage lending (based on examples from Kazakhstan and Russia)
12. Residential saving programs in mortgage lending system

The training was finalized by a test offered to the participants. The results of the test are shown in the figure below:

<i>Correct answers</i>		<i>Participants</i>	
<b>Nr</b>	<b>%</b>	<b>Nr</b>	<b>%</b>
54	100.0%	0	0%
49	90.7%	2	10%
48	88.9%	1	5%
46	85.2%	3	15%
45	83.3%	3	15%
44	81.5%	2	10%
43	79.6%	1	5%
42	77.8%	1	5%
40	74.1%	1	5%
39	72.2%	1	5%
38	70.4%	1	5%
37	68.5%	2	10%
33	61.1%	1	5%
32	59.3%	1	5%
<b>Total</b>		<b>20</b>	<b>100%</b>



**Minimum accepted = 35**

The persons (2), who didn't reach the minimum acceptable score of 35 points, were offered the possibility to take the test for the second time.

At the end of each day the participants were offered the chance to evaluate the quality of training, both modules and training, in general. The results are shown in the table below:

	1	2	3	4	5	Too easy	Adequate	Too difficult
<b>1. Mortgage lending process main tasks, elements and stages</b>								
Presentation was informative	0	1	2	5	12			
Presentation was relevant to my situation	0	1	2	6	11			
Trainer possessed the necessary knowledge	0	0	2	5	13			
Trainer presented the material effectively	0	0	4	5	12			
In general, I would appreciate this seminar as						1	17	0
<b>2. The experience of Western and Eastern European countries in organization of mortgage lending system</b>								
Presentation was informative	0	0	6	3	11			
Presentation was relevant to my situation	0	2	3	10	5			
Trainer possessed the necessary knowledge	0	1	2	6	11			
Trainer presented the material effectively	0	1	3	6	11			
In general, I would appreciate this seminar as						4	14	0
<b>3. Main risks of housing mortgage lending</b>								
Presentation was informative	1	1	5	8	5			
Presentation was relevant to my situation	1	1	5	8	4			
Trainer possessed the necessary knowledge	1	1	10	7	2			
Trainer presented the material effectively	2	1	8	9	0			
In general, I would appreciate this seminar as						1	19	0
<b>4. Mortgage law historic development.</b>								
Presentation was informative	0	0	5	11	4			
Presentation was relevant to my situation	0	0	5	10	4			
Trainer possessed the necessary knowledge	0	2	6	10	3			
Trainer presented the material effectively	1	2	4	11	2			

In general, I would appreciate this seminar as						2	15	2
<b>Level of knowledge and skills of following trainers DAY 1:</b>								
Irina Dicova	0	1	0	2	14			
Ion Mamaliga	0	2	6	7	2			
<b>5. Lender preliminary evaluation. Collection of documents to submit an application for mortgage housing lending</b>								
Presentation was informative	0	0	1	9	10			
Presentation was relevant to my situation	0	0	1	7	11			
Trainer possessed the necessary knowledge	0	0	1	7	11			
Trainer presented the material effectively	0	0	0	9	10			
In general, I would appreciate this seminar as						3	16	0
<b>6. Evaluation of the probability to pay off the loan (underwriting procedure)</b>								
Presentation was informative	0	0	0	11	9			
Presentation was relevant to my situation	0	0	0	6	13			
Trainer possessed the necessary knowledge	0	0	0	8	11			
Trainer presented the material effectively	0	0	2	7	10			
In general, I would appreciate this seminar as						2	17	0
<b>7. Mortgage lending legal base</b>								
Presentation was informative	0	0	1	4	14			
Presentation was relevant to my situation	0	0	1	4	14			
Trainer possessed the necessary knowledge	0	1	0	3	15			
Trainer presented the material effectively	0	0	3	4	13			
In general, I would appreciate this seminar as						1	18	0
<b>Level of knowledge and skills of following trainers DAY 2:</b>								
Ema Tabirta	0	0	0	8	12			
Andrei Caciurencu	0	0	0	4	16			
<b>8. Mortgage lending traditional instruments, loan payments calculation schemes</b>								
Presentation was informative	0	0	0	3	16			
Presentation was relevant to my situation	0	2	1	2	14			
Trainer possessed the necessary knowledge	0	0	0	3	16			
Trainer presented the material effectively	0	0	0	3	16			
In general, I would appreciate this seminar as						0	16	3
<b>9. Mortgage lending indexed instruments</b>								
Presentation was informative	0	0	1	6	13			
Presentation was relevant to my situation	1	1	0	7	11			
Trainer possessed the necessary knowledge	0	0	0	5	15			
Trainer presented the material effectively	0	0	1	4	15			
In general, I would appreciate this seminar as						1	14	3
<b>10. Mortgage lending primary and secondary markets. Mortgage refinancing models, based on examples from Germany and US.</b>								
Presentation was informative	0	0	2	5	13			
Presentation was relevant to my situation	1	1	3	5	10			
Trainer possessed the necessary knowledge	0	1	1	6	12			
Trainer presented the material effectively	0	1	1	7	11			
In general, I would appreciate this seminar as						1	13	4
<b>11. The experience of countries with the economy in transition in mortgage lending (based on examples from Kazakhstan and Russia)</b>								
Presentation was informative	0	1	0	7	12			
Presentation was relevant to my situation	0	2	1	5	11			
Trainer possessed the necessary knowledge	0	0	0	6	13			
Trainer presented the material effectively	0	0	0	7	13			
In general, I would appreciate this seminar as						1	13	2
<b>Level of knowledge and skills of following trainers DAY 3:</b>								
Irina Dicova	0	0	0	2	16			

Andrei Caciureno	0	0	0	3	14			
<b>12. Residential saving programs in mortgage lending system</b>								
Presentation was informative	0	0	0	1	19			
Presentation was relevant to my situation	0	0	1	3	16			
Trainer possessed the necessary knowledge	0	0	0	2	18			
Trainer presented the material effectively	0	0	0	0	19			
In general, I would appreciate this seminar as						1	18	0
<b>OVERALL COURSE EVALUATION</b>								
New knowledge gained as regards presented subjects	0	0	1	6	12			
Knowledge gained during the training I will be able to use in my work/company	0	0	2	4	13			
The way the training was conducted (i.e. pace, amount of time for each module, etc)	0	0	0	8	11			
Realism of exercises, cases, role-plays	0	0	1	7	8			
<b>Level of knowledge and skills of following trainers:</b>								
Irina Dicova	0	0	0	2	17			
Ema Tabirta	0	0	0	8	11			
Andrei Caciureno	0	0	0	3	16			
Ion Mamaliga	0	0	3	10	6			

The most frequent answers to the question “What did you like the most?” were the following:

- ✓ New and useful information acquired at the seminar, very well presented by the lecturers;
- ✓ Presentation of material, very good slides;
- ✓ Big experience in building residence mortgage programs in countries with the economy in transition and other countries;
- ✓ The level of lecturers’ preparedness, comments of Russian experts;
- ✓ Legal framework presented in conformity with the legislation of RM;
- ✓ Very well organized.

The participants answering the question “What did you dislike the most?” mentioned the following shortcoming:

- Huge volume of information for a short term of the training;
- The attitude of Russian expert to the local trainers and participants in general;
- There could be more discussion;
- No practical exercises and calculations;
- There were few examples about small countries such as Moldova.

These comments /wishes will be taken into account while organizing the next training, planned for May 13-16, 2008.

During the seminar individual consultancy was offered to the representatives of the following banks of Moldova: Moldova-Agroindbank, Moldindconbank, Banca de Economii, Victoriabank, EuroCreditBank as well as to Mortgage Company Prime Capital.



# **ATTACHMENT 4**



## **CML Training Proposal FTBCC ABM Consulting**

### **I. Qualifications of ABM Consulting**

The Banks Association of Moldova is the sole shareholder of The Financial-Banking Training and Consultancy Center ABM Consulting Ltd, which was established in May, 2002.

#### *Objectives*

ABM Consulting's primary objectives are training the employees of Moldova's banking sector to create a cadre of professional bankers and conducting on-site consultations for individual commercial banks to strengthen the banking sector.

ABM Consulting has developed a repertoire of specialized programs and presentations covering a range banking topics, many with the support and participation of foreign experts from the sister organizations listed below:

Romania:	Romanian Bank Institute – since 2002
Luxembourg:	ATTF (Financial Technology Transfer Agency) – since 2005
Russia:	the consulting Company “Noimark” – since 2003
Moldova:	the group of SWIFT users from the Republic of Moldova – since 2003

#### *Types of seminars*

FBTCC offers three types of training programs, which include short term seminars/trainings (2-5 days):

- Open seminars with the participation of representatives from all commercial banks;
- Corporate seminars for individual banks in which the program is adapted to the needs of the host bank;
- Seminars organized abroad.

#### Topics

- Assets/liability management;
- Alternative financing sources in international trade;
- Relations management between the Bank and its clients;
- Organization of the Bank budgeting process;
- Financial and credit analysis;
- Non-performing credits management;
- Crediting of small and medium enterprises;
- Bank operations management. Indicators in the banking activity;
- Real estate mortgage;
- Human resources management;
- Branch office management;
- Bank marketing;
- Project finance;
- Risk management;
- Credit assessment and credit management;
- Prevention and control of money laundering.

*ABM Consulting seminars from 2005 to the present*

Below is a list of the most relevant seminars and activities during 2005-2007.

<b>Nr.</b>	<b>Period</b>	<b>The Name of seminar/training</b>	<b>Lectors</b>
1.	24-27.01.2005	“International Trade Payments. Technical application of products and rules”	Vincent O’Brien International consultant in international trade finance
2.	22-23.03.2005	“Relations management between the Bank and its clients”	Romanian Bank Institute
3.	24-25.05.2005	“Relations management between the Bank and its clients”	Romanian Bank Institute
4.	27.06-01.07.2005	“Human resources management”	
5.	24-26.10.2005	“Branch office management”	ATTF
6.	27-28.10.2005	“Bank marketing”	ATTF
7.	12-15.12.2005	“Project finance”	ATTF
8.	12-14.12.2005	“Bank simulation game”	ATTF
9.	14-16.12.2005	“Bank simulation game”	ATTF
10.	13-15.02.2006	“Methodology, Thinking and Creativity”	ATTF
11.	19-21.04.2006	“Risk management”	ATTF
12.	10-12.05.2006	“Credit Assessment & Credit Management”	ATTF
13.	22-24.05.2006	“Prevention of money laundering”	ATTF
14.	23-26.05.2006	“International Trade Payments. Technical application of products and rules”	Vincent O’Brien International consultant in financing the international trade
15.	9.06.2006	SWIFTNet-SWIFTNet Phase 2 Roadshow	Steven Palstermans, SWIFT regional Manager for CIS
16.	4-6.09.2006	“Market research & Strategic planning” Casting the candidates	ATTF
17.	22.09.2006	“ACI Dealing Certificate”	ATTF
18.	20.10.2006	“The second stage of passing to SWIFTNet. New possibilities and perspectives”	Steven Palstermans, SWIFT regional Manager for CIS
19.	22-24.11.2006	“Negotiation skills”	ATTF
20.	2-8.12.2006	“What is a bank?”	ATTF
21.	12-14.03.2007	Quality and Performance Management	ATTF
22.	02.04.2007	“ACI Dealing Certificate”	ATTF
23.	21-23.05.2007	Banking Strategy and Bank Organization	ATTF
24.	25-26.05.2007	Application of UCP 600 rules	Vincent O’Brien International consultant in financing the international trade
25.	13-15.06.2007	Internal Control and External Audit	ATTF

26.	14-22.06.2007	Introduction to Fund Industry	ATTF
27.	01-09.10.2007	Private Banking	ATTF
28.	01-05.10.2007 and 22-26.10.2007	Risk Management Program	ATTF

To-date more than 400 individuals have participated in ABM Consulting seminars.

#### *Seminar Cost*

Depending on the type of seminar and the participating partner, costs vary between 50 and 200 Euro/participant/day.

#### *Seminar advertising*

FBTCC ABM Consulting informs commercial banks of scheduled seminars by direct correspondence, usually with the manager of Human Resources.

In the future, announcements will appear regularly on the Association's website ([www.abm.md](http://www.abm.md)).

## II. Certified Mortgage Lender Training

Mortgage lending is relatively new in Moldova. At the end of 2007, total mortgages outstanding amounted to MDL 1.1 billion, accounting for only 5.3% percent of total loans and financial leases outstanding. Of the 16 commercial banks in Moldova, only eight offer mortgage products, and one bank accounts for more than 60% of all outstanding mortgages. The potential market for Certified Mortgage Lender training is, therefore, relatively small, but growing.

ABM Consulting proposes to initially offer a minimum of two CML courses a year, and more only if demand materializes. Courses will be offered to as few as 12 participants with the maximum class size limited to 20. Assuming an average class size of 16, the approximate cost of each course will be 310 euros (see calculations below).

### 1.

<b>Nr.</b>	<b>Expense Item</b>	<b>Amount</b>
1	<i>Rent</i>	<i>600 Euro</i>
2	<i>Trainers</i>	
	1) <i>Course preparation</i>	<i>200Euro x 3 = 600 Euro</i>
	2) <i>Training</i>	<i>55 Euro/hour x 6 hours/day x 3,5 days = 1155 Euro</i>
	3) <i>Test monitoring</i>	<i>55 Euro/hour x 2 hours/day x 2 lectors = 220 Euro (test)</i>
	<i>Total</i>	<i>1975 Euro</i>
3	<i>Coffee Breaks and Water</i>	<i>400 Euro</i>
4	<i>Lunch</i>	<i>200 Euro</i>
5	<i>Copying, collating, et al.</i>	<i>30 Euro x 16 participants = 480 Euro</i>
6	<i>Other</i>	<i>60 Euro</i>
	<b><i>TOTAL Expenses</i></b>	<b><i>3715 Euro</i></b>
	<i>Number of participants</i>	<i>16</i>
	<i>Module cost per participant</i>	<i>310 Euro</i>
	<b><i>TOTAL Income</i></b>	<b><i>4960 Euro</i></b>
	<b><i>Net Profit</i></b>	<b><i>1245 Euro</i></b>

#### Assumptions:

2. Number of modules – 3;
3. Duration of module – 3,5 days;
4. Duration of test – 2 hours;
5. Number of Trainers (min) – 3 persons;
6. Number of test monitors – 2 persons;
7. Net remuneration of lecturers – 30Euro/hour net (55 Euro/hour-gross);
8. Average number of participants at one module – 16 persons;

#### *ATCI Support*

Inasmuch as ABM Consulting is in the business of conducting training seminars for banks and the ATCI Project may indeed close before the first CML course by ABM Consulting is given, FBTCC expects only minimal support from ATCI. FBTCC would, however, greatly appreciate a donation of 85 volumes of “Основы ипотечного кредитования” (The Basics of Mortgage Lending by UIE), 80 of which would be distributed to CML course participants in the first two years and 5 retained in the Associations library.

Should ATCI be extended, of course, ABM Consulting would welcome any technical assistance from the Project and assistance with the materials for the courses.

#### **Trainers**

CVs of trainers are attached.

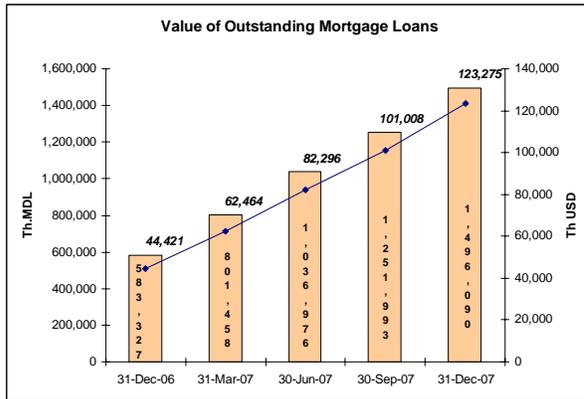


# **ATTACHMENT 5**



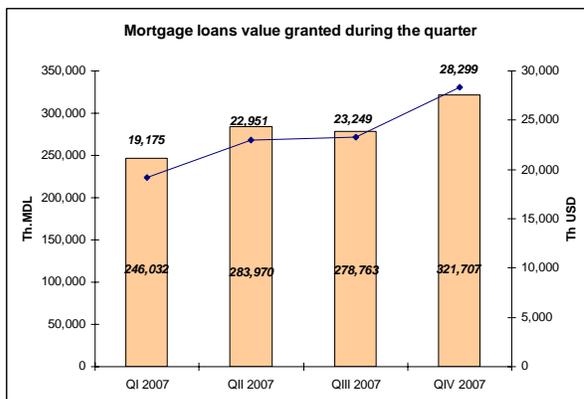
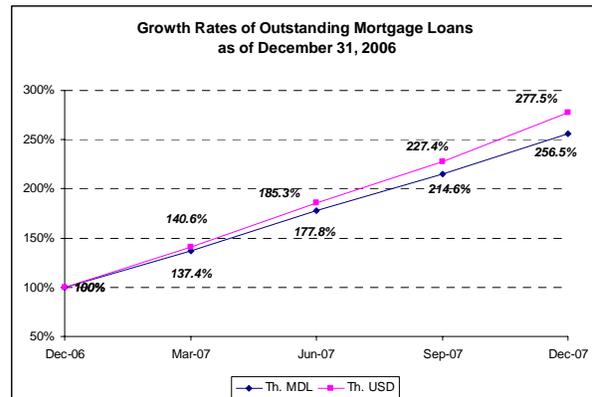
## MORTGAGE LENDING MARKET IN 2007

- The assessment is aimed at evaluating the current situation on the mortgage lending market in Moldova and determining of main tendencies of development in 2007. The data have been collected directly from financial institutions on the base of a questionnaire drafted by ATCI Project and, at the moment, this is the only source of such kind of information. The requested information was offered by the main players of the mortgage lending market: Moldova-Agroindbank, Moldindconbank, Mobiasbanca, Victoriabank, Banca de Economii, Banca Sociala, FinComBank (in the case of this bank only the statistic data for the first semester of 2007 were used) and the mortgage company Prime Capital, all of them being ATCI partners. Therefore, the results obtained on the base of the analysis can be extended over the whole financial sector.



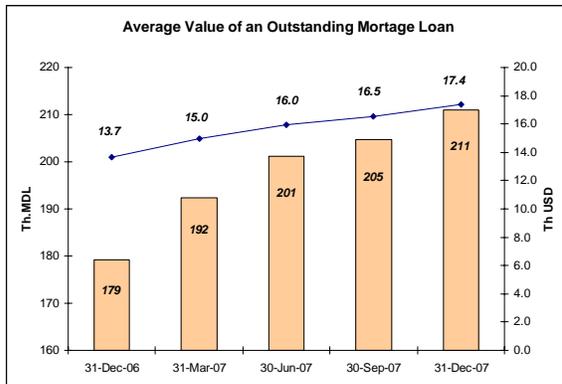
- The target segment for financial institutions in mortgage lending continues to be represented by the layer of the population with documentary confirmed salaries net superior to average salaries in the country, as well as by persons with stable collections/revenues from abroad (remittances).

- The volume of mortgage lending as of December 31, 2007 constituted over 1.5 billion lei, the equivalent of \$123 million. Therefore, the increase during the year constituted around 257% in national currency and 278% in USD. This increase is conditioned by: appearance during this period of new players on the mortgage market (Saving Bank and Banca Sociala); development and implementation of new mortgage products (14 new products in



2007, 23 new mortgage products being offered in total); as well as by the fact that the already existing players, which appeared on the market at the end of the last year, are in the process or have already reached the planned level of indicators. At the same time, it's worthy to mention the regress of some participants: FinComBank due to lack of medium and long term resources stopped its mortgage activities

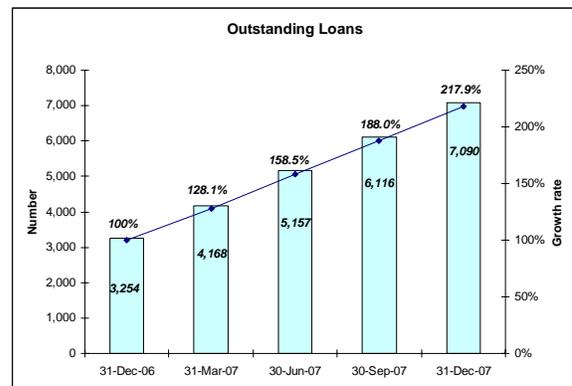
- In the Republic of Moldova the general ascension tendency of mortgage lending development is also reflected in the weight of indicators by quarters and annual figures. Even the period of summer vacations (III quarter) didn't register considerable deviations from the general trend: 21.8%; 25.1%; 24.7 and, respectively, 28.5%.



- The growth of the total value of mortgage lending was, first of all, determined by the increase of the number of mortgage loans and less by the average value of a mortgage loan. The annual value of an ongoing mortgage loan during 2007 was established on the level of 16 -17 thousand USD, registering an insignificant increase: by 17-27% as to the end of 2006. As of December 2007, the average value of an ongoing mortgage loan reached 211 thousand lei or 17.4 USD. At the same

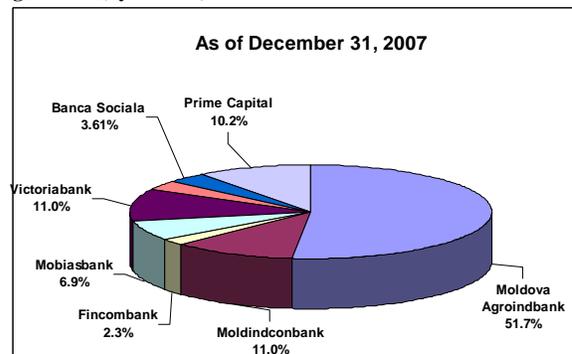
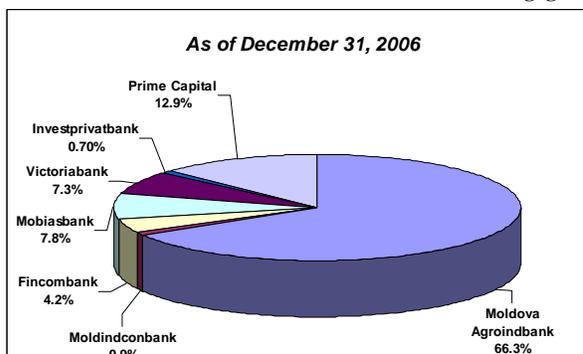
time there is a difference between the average volume of extended loans within each institution. For example, the average value of loans granted by Prime Capital, Banca Sociala and Mobiasbank is almost twice exceeding the existing average value of the sector, in general. The most "conservative" are: Moldova-Agroindbank and Victoriabank, one of the biggest banks in Moldova. However, even they responded to the demand existing on the market and during the year they have essentially increased the average value of this indicator.

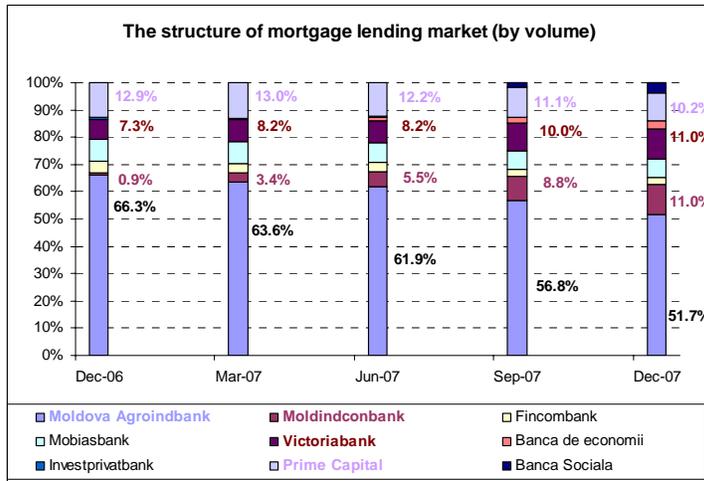
- By the end of 2007, the total number of on going mortgage loan exceeded the figure of 7000, being equal to 7090 loans. The growth rhythm of on going loans number, at the end of 2007 as to the same period of the previous year, is equal to 218%, exceeding the growth rhythm of the average value of an ongoing mortgage loan.



- The most experienced player on the market is Moldova-Agroindbank (more than 2 years of granting classic mortgage loans. Previously, it developed and implemented a mortgage product with elements based on residential saving programs). The largest range of products is offered on the financial mortgage market by the financial company Prime Capital: 7 products.

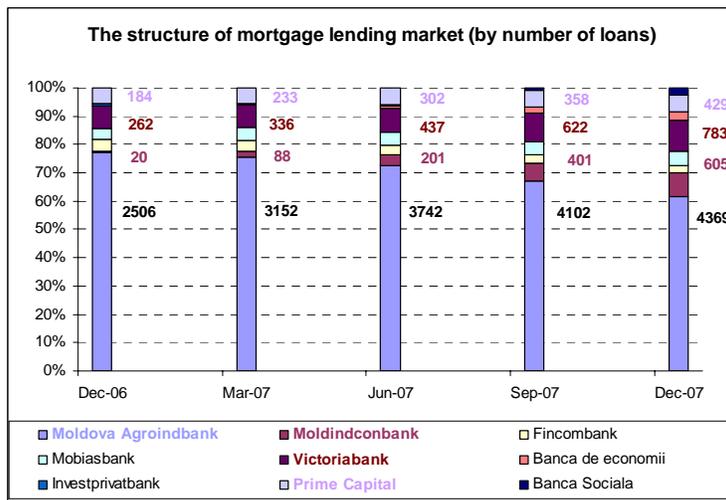
The structure of mortgage lending market (by volume)





- Four players on the mortgage lending market provide more than 80% of the total value of loans granted during 2007. They are Moldova-Agroindbank, which is firmly holding the leader position; Vitoria-bank, financial company Prime Capital and the recently appeared player, which registered high growth rhythms, Moldindconbank. Their cumulative shares varied during the year between 84 and 88%.

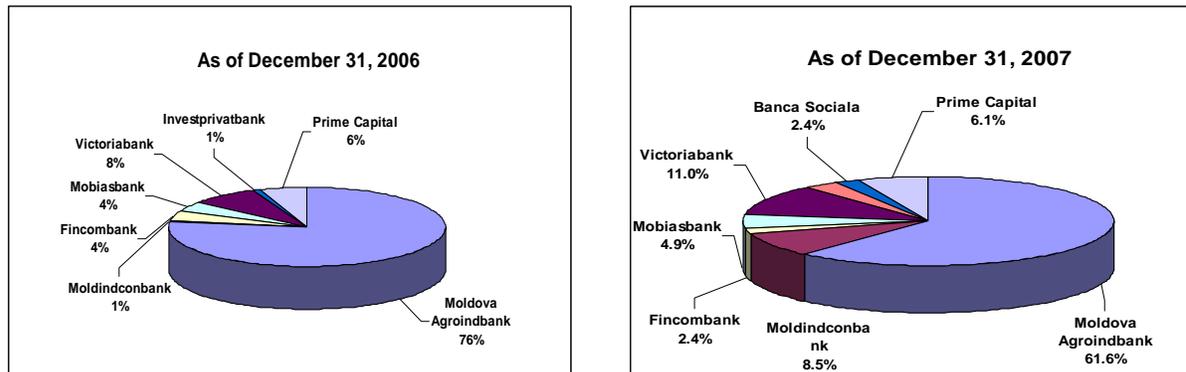
- Moldova-Agroindbank, though it continues to be the leader and reached a volume of ongoing mortgage loans of over 775 million lei, only during one year lost around 15% of the market in favor of the new players. The same trend was registered by the financial company Prime Capital, which weight decreased, but not so considerably, anyhow, it contributed to yielding the second place in the unofficial ranking to other 2 palyers: VictoriaBank and Moldoindconbank. During 2007 Victoriabank steadily increased its share on the market from 7.3% to 11%. Nevertheless, the most spectacular growth was registered by Moldindconbank, which during one year increased its weight on the mortgage lending market from less than 1% to 11%, thus ranking II in the unofficial placement. Not all financial institutions managed to estimate their own share on the market (lack of information).



- The trend registered in the structure of the mortgage lending market as to the volume of granted loans can be found in the structure of the market upon their number: reduction of leaders weight in favor of recently appeared players on the market. The indisputable leader Moldova-Agroindbank has also lost 15% of the market with respect to this indicator, while Moldindconbank grew up significantly granting during the last 3 months of 2007 mortgage loans in a quantity comparable with that offered by the leader (MAIB); the financial company Prime Capital has maintained its positions and Victorabank yielded a few of its position.

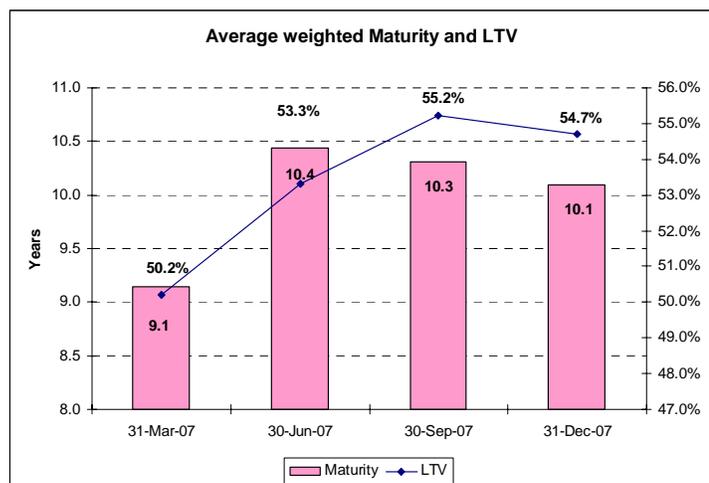
Moldindconbank grew up significantly granting during the last 3 months of 2007 mortgage loans in a quantity comparable with that offered by the leader (MAIB); the financial company Prime Capital has maintained its positions and Victorabank yielded a few of its position.

The structure of mortgage lending market (by number of loans)



- The term of a loan is varying between 6 and 15 years. During 2007, the average weighted value of the indicator determining the maturity of loans (period of granting) registered a rather stable value, being situated on the level of 10 years. The maturity of loans granted by Saving Bank, Banca Sociala and Mobiasbank is lower than the average registered in the sector. The average term of maturity is inferior to the one indicated in the contract, due to anticipated reimbursement of loans by the population, regardless of applying penalties for anticipated reimbursement (1-2%).

- The LTV indicator (loan to value) varies greatly in large range of issues: between 45% and 91%, the average weighted value of the indicator reaching around 55%. This average level indicates a good risk management policy, applied by the majority of financial institutions. However, there were changes in the credit and risk policy of Victoriabank. Though during the first half of 2007 the value of the indicator couldn't exceed 70%, during the III and IV quarters of 2007, there were presented data indicating the average value of LTV around 91%. This value of the indicator was confirmed during a phone conversation.



- Average annual interest applied on mortgage lending, as of the end of year 2007, was 14-16% for loans in lei and 12-14% for loans adjusted in USD or Euro. It is planned for 2008 to review the ATCI form used for analyses of the lending sector and another additional indicator shall be introduced: ‘average years weighted value of interest to granted loans’.
- Spread between interest rate and cost of funds applied by financial institutions on mortgage lending varies between 2-6%, registering a diminishing tendency. Mortgage lending financial sources of financial institutions are: their own resources, credit lines and long term loans attracted from abroad for this purpose, partially, deposits.

- Delinquency rate reported by financial institutions, participating in the survey, as of the end of year 2007 is up to 1.0% (indebted more than 30 days) and up to 1.5% (indebted more than 60 days) demonstrating the existence of a good potential for mortgage lending development in Moldova.
- The mortgage lending weight average in the total loan portfolio in the banking system is rather stable – around 8% maintaining the same level during the first 9 months of 2007. This indicator registered an insignificant growth during the IV quarter: from 8 to 9%. As to the situation at the end of 2007, the highest level was registered by Moldova Agroindbank – 16% and the smallest, respectively, by Saving Bank, one of the biggest banks of Moldova, which recently has offered its product on the mortgage market and which has a huge potential for growth (both financial and number of clients) – 3.2%. The credit portfolio of the mortgage company Prime Capital is represented in the amount of 97% by mortgage loans (and the rest 3% represent the crediting of developers). Since January 2008, Prime Capital started crediting SME.
- All the above mentioned issues, based on the information obtained directly from financial institutions, permit us to state that mortgage lending in Moldova is at its initial stage of development.

## Aggregated Indicators on Mortgage Lending in 2007

(based on data collected from the main participants of the mortgage lending market)

#	<i>Performance Indicators</i>	Measure unit	<i>March 31, 2007</i>	<i>June 30, 2007</i>	<i>September, 2007</i>	<i>December 31, 2007</i>
1	Ongoing mortgage loans value	th MDL	801,458	1,036,976	1,251,993	1,496,090
2	Mortgage loans value granted from the beginning of 2007 to the reporting date	th MDL	246,032	530,002	808,765	1,130,472
3	Number of ongoing mortgage loans		4,168	5,157	6,116	7,090
4	Number of mortgage loans granted from the beginning of 2007 to the reporting date		1,060	2,204	3,363	4,588
5	Average maturity (de facto) of a mortgage loan (period of granting)	years	Weighted average 9.1 Interval 6.3-14	Weighted average 10.4 Interval 6-15	Weighted average 10.3 Interval 6-12	Weighted average 10.1 Interval 6-11.7
6	Average value of an ongoing mortgage loan	th MDL	192	201	205	211
7	Average value of a mortgage loan granted from the beginning of 2007 to the reporting date	th MDL	232	240	240	246
8	Average value (de facto) of LTV coefficient (sum of loan to real estate value)	%	Weighted average 50% Interval 46-60%	Weighted average 53% Interval 47-70%	Weighted average 55% Interval 47-91%	Weighted average 55% Interval 45-91%
9	Delinquencies rate (>30 days)	%	0-2.22%	0-0.57%	0 - 1.1%	0-1.0%
10	Delinquencies rate (>60 days)	%	N/A	0-1.3%	0-0.7%	0-1.5%
12	Number of offered mortgage products		1-6 Total 18	1-6 Total 20	1-6 Total 24	1-7 Total 23
13	Number of mortgage products launched in 2007 until the reporting date		0-1 Total 3	0-2 Total 6	0-2 Total 12	0-2 Total 14
14	Mortgage lending weight in the total of mortgage portfolio of the company	%	Average banks 8%	Average banks 8%	Average banks 8%	Average banks 9%
15	Number of staff directly involved in mortgage lending		N/A	N/A	N/A	N/A

(CONFIDENTIAL)

Mortgage lending statistics as of March 31, 2007

#	Performance indicators		Total	Moldova Agroindbank	Moldindconbank	Fincombank	Mobiasbank	Victoriabank	Banca de economii	Investprivatbank*	Prime Capital
1	Value of outstanding mortgage loans	th.MDL	801,458	509,617	27,463	27,088	63,705	65,666	0	4,070	103,849
2	Mortgage loans value granted from the beginning of 2007 (- March 31, 2007)	th.MDL	246,032	151,647	23,252	4,040	20,286	25,337	0	N/A	21,470
3	Nr. of outstanding mortgage loans		4,168	3152	88	153	186	336		20	233
4	Number of mortgage loans granted from the beginning of 2007 (- March 31, 2007)		1,060	757	74	20	60	82	0	N/A	67
5	Average maturity (de facto) of a mortgage loan (period of granting)	years	Weighted Average 9.1 6.3-14	10	14	9.53	7.4	7	0	N/A	6.3
6	Average value of an outstanding mortgage loan	th.MDL	192	161	312	N/A	342.5	195	0	N/A	390.8
7	Average value of an mortgage loan granted from the beginning of 2007 (- March 31, 2007)	th.MDL	232	200	317	231.8	338.1	309	0	N/A	320.5
8	Average value (de facto) of LTV coefficient a (loan sum to real estate value)	%	Weighted Average 50% 46-60%	60%	70%	N/A	46%	<70% (N/A)	0%	N/A	46%
9	Delinquency rate (>30 days)	%	0-2.22%	0.005%	0.00%	0.0%	0.8%	2.22%	0.00%	N/A	0%
10	Delinquency rate (>60 days)	%	N/A	0.06%	0%	0%	0%	N/A	0%	N/A	0%
11	Estimated rate on the mortgage lending market	%		N/A	N/A	N/A	7.5%	10-12%	0%	N/A	14-16%
12	No of offered mortgage products		1-6 Total 18	3	2	1	3	2	1	N/A	6
13	No launched mortgage products in 2007 (- March 31, 2007)		0-1 Total 3	1	0	0	0	0	1	N/A	1
14	Mortgage lending weight in the total of credit portfolio of the company	%	8%	14.0%	1.6%	3.7%	5.0%	3.7%	0.0%	N/A	100.0%
15	Number of staff directly involved in mortgage lending			64	20	N/A	15	22	0	N/A	10
	Real share on the market		100.0%	63.6%	3.4%	3.4%	7.9%	8.2%	0.0%	0.5%	13.0%

## Mortgage lending statistics as of June 30, 2007

#	Performance indicators		Total	Moldova Agroindbank	Moldindconbank	Fincombank	Mobiasbank	Victoriabank	Banca de economii	Investprivatbank*	Prime Capital
1	Value of outstanding mortgage loans	th.MDL	1,036,976	642,166	57,092	33,935	74,691	85,096	13,000	4,070	126,926
2	Mortgage loans value granted from the beginning of 2007 (- June 30, 2007)	th.MDL	530,002	314,482	52,881	12,696	35,695	48,234	14,000	N/A	52,014
3	Nr. of outstanding mortgage loans		5,157	3742	201	171	228	437	56	20	302
4	Number of mortgage loans granted from the beginning of 2007 (- June 30, 2007)		2,204	1466	187	44	111	187	58	N/A	151
5	Average maturity (de facto) of a mortgage loan (period of granting)	years	6-15 Average 8.5	11.7	15	9.67	7.9	7.5	6	N/A	6.5
6	Average value of an outstanding mortgage loan	th.MDL	201	171.6	284	N/A	327.6	195	232	N/A	373.6
7	Average value of an mortgage loan granted from the beginning of 2007 (- June 30, 2007)	th.MDL	240	214.5	282	309	321.6	258	242	N/A	363.2
8	Average value (de facto) of LTV coefficient a (loan sum to real estate value)	%	47-65%	62%	70%	N/A	47%	<70% (N/A)	65%	N/A	56%
9	Delinquency rate (>30 days)	%	0-0.57%	0.004%	0.00%	0.0%	0.0%	0.4%	0.00%	N/A	0.57%
10	Delinquency rate (>60 days)	%	0-1.3%	0.15%	0%	0%	1.3%	0.7%	0%	N/A	0%
11	Estimated rate on the mortgage lending market	%		N/A	N/A	N/A	7.5%	10-12%	N/A	N/A	14-16%
12	No of offered mortgage products		1-6 Total 20	4	3	1	3	1	2	N/A	6
13	No launched mortgage products in 2007 (- June 30, 2007)		0-2 Total 6	2	1	0	0	0	2	N/A	1
14	Mortgage lending weight in the total of credit portfolio of the company	%	8%	16.0%	3.0%	4.15%	5.4%	4.0%	0.9%	N/A	100.0%
15	Number of staff directly involved in mortgage lending		N/A	64	20	N/A	15	22	N/A	N/A	10
	<b>Real share on the market</b>		<b>100.0%</b>	<b>61.9%</b>	<b>5.5%</b>	<b>3.3%</b>	<b>7.2%</b>	<b>8.2%</b>	<b>1.3%</b>	<b>0.4%</b>	<b>12.2%</b>

## Mortgage lending statistics as of September 30, 2007

#	Performance indicators		Total	Moldova Agroindbank	Moldindconbank	Fincombank	Mobiasbank	Victoriabank	Banca de economii	Banca Sociala	Prime Capital
1	Value of outstanding mortgage loans	th.MDL	1,251,993	711,222	110,206	33,935	85,141	125,777	27,764	19,435	138,514
2	Mortgage loans value granted from the beginning of 2007 (- September 30, 2007)	th.MDL	808,765	421,499	104,086	12,696	50,207	92,826	29,900	19,456	78,095
3	Nr. of outstanding mortgage loans		6,116	4102	401	171	281	622	128	53	358
4	Number of mortgage loans granted from the beginning of 2007 (- September 30, 2007)		3,363	1967	375	44	170	380	133	53	241
5	Average maturity (de facto) of a mortgage loan (period of granting)	years	6-12 Average 10.3	11.7	12	9.67	8.2	9.3	6	8	6.5
6	Average value of an outstanding mortgage loan	th.MDL	205	173	275	N/A	303.0	202	235	366.7	386.9
7	Average value of a mortgage loan granted from the beginning of 2007 (- September 30, 2007)	th.MDL	240	214	278	309	295.3	244	226	367	324
8	Average value (de facto) of LTV coefficient a (loan sum to real estate value)	%	Average 55% 47-91%	51%	70%	N/A	47%	91%	65%	70%	57%
9	Delinquency rate (>30 days)	%	0 - 1.1%	0.004%	0.00%	0.0%	1.1%	0.7%	0.00%	0.00%	0.30%
10	Delinquency rate (>60 days)	%	0-0.7%	0.20%	0%	0%	0.7%	0.5%	0%	0%	0.1%
11	Estimated rate on the mortgage lending market	%				N/A	7.0%				12%-15%
12	No. of offered mortgage products		1-6 Total 24	4	2	1	3	1	2	5	6
13	No. launched mortgage products in 2007 (- September 30, 2007)		0-2 Total 12	2	1	0	0	1	2	5	1
14	Mortgage lending weight in the total of credit portfolio of the company	%	8%	17.0%	4.8%	4.15%	6.0%	5.4%	1.7%	1.6%	99.9%
15	Number of staff directly involved in mortgage lending		N/A	66	20	N/A	15	30	N/A	8	11
	<b>Real share on the market</b>		<b>100.0%</b>	<b>56.8%</b>	<b>8.8%</b>	<b>2.7%</b>	<b>6.8%</b>	<b>10.0%</b>	<b>2.2%</b>	<b>1.6%</b>	<b>11.1%</b>

## Mortgage lending statistics as of December 31, 2007

#	Performance indicators		Total	Moldova Agroindbank	Moldindconbank	Fincombank	Mobiasbank	Victoriabank	Banca de economii	Banca Sociala	Prime Capital
1	Value of outstanding mortgage loans	th.MDL	1,496,090	774,118	165,117	33,935	103,190	163,976	49,029	54,072	152,654
2	Mortgage loans value granted from the beginning of 2007 (- December 31, 2007)	th.MDL	1,130,472	523,840	159,389	12,696	76,236	140,187	52,800	55,748	109,576
3	Nr. of outstanding mortgage loans		7,090	4369	605	171	349	783	213	171	429
4	Number of mortgage loans granted from the beginning of 2007 (- December 31, 2007)		4,588	2392	582	44	257	562	229	172	350
5	Average maturity (de facto) of a mortgage loan (period of granting)	years	6-11.7 Average 10.1	11.7	11.5	9.67	8.5	10	6	8	6.6
6	Average value of an outstanding mortgage loan	th.MDL	211	177	273	N/A	295.7	209	216	316	355.8
7	Average value of an mortgage loan granted from the beginning of 2007 (- December 31, 2007)	th.MDL	246	218	273.8	309	296.6	249	231	324	313.1
8	Average value (de facto) of LTV coefficient a (loan sum to real estate value)	%	45-91% Average 55%	51%	70%	N/A	45%	91%	70%	70%	51%
9	Delinquency rate (>30 days)	%	0-1.0%	0.003%	0.00%	0.0%	1.0%	0.1%	0.00%	0.00%	0.70%
10	Delinquency rate (>60 days)	%	0-1.5%	0.20%	1.5%	0%	1.0%	0.5%	0%	0%	0.6%
11	Estimated rate on the mortgage lending market	%				N/A	7.1%				13-16%
12	No of offered mortgage products		1-7 Total 23	4	2	1	1	1	2	5	7
13	No launched mortgage products in 2007 (- December 31, 2007)		0-2 Total 14	2	1	0	1	1	2	5	2
14	Mortgage lending weight in the total of credit portfolio of the company	%	9%	16.0%	6.2%	4.15%	6.4%	5.8%	3.2%	4.1%	96.9%
15	Number of staff directly involved in mortgage lending		N/A	67	20	N/A	15	36	4	10	14
	Real share on the market		100.0%	51.7%	11.0%	2.3%	6.9%	11.0%	3.3%	3.6%	10.2%

# **ATTACHMENT 6**





A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
53	38	270 635 059	2 573 800	3 263 840	5 837 640	3 701 694	0.38	232 786 376	2 573 800	2 573 800	2 807 387	794 487	6 175 674	3 916 045	0.41
54	39	268 061 259	2 573 800	3 232 800	5 806 800	3 638 136	0.39	229 418 089	2 573 800	2 573 800	2 766 766	782 991	6 123 557	3 836 726	0.41
55	40	265 487 459	2 573 800	3 201 760	5 775 560	3 575 567	0.39	226 061 298	2 573 800	2 573 800	2 726 283	771 534	6 071 618	3 758 852	0.41
56	41	262 913 659	2 573 800	3 170 720	5 744 420	3 513 972	0.39	222 719 964	2 573 800	2 573 800	2 685 939	760 117	6 019 856	3 682 397	0.41
57	42	260 339 858	2 573 800	3 139 680	5 713 480	3 453 338	0.40	219 382 047	2 573 800	2 573 800	2 645 732	748 738	5 968 271	3 607 338	0.41
58	43	257 766 058	2 573 800	3 108 640	5 682 441	3 393 630	0.40	216 059 508	2 573 800	2 573 800	2 605 662	737 399	5 916 861	3 533 650	0.42
59	44	255 192 258	2 573 800	3 077 600	5 651 401	3 334 894	0.40	212 748 309	2 573 800	2 573 800	2 565 729	726 098	5 865 628	3 461 309	0.42
60	45	252 618 458	2 573 800	3 046 561	5 620 361	3 277 056	0.40	209 448 411	2 573 800	2 573 800	2 525 933	714 835	5 814 569	3 390 292	0.42
61	46	250 044 657	2 573 800	3 015 521	5 589 321	3 220 123	0.40	206 159 775	2 573 800	2 573 800	2 486 272	703 612	5 763 684	3 320 577	0.42
62	47	247 470 857	2 573 800	2 984 481	5 558 281	3 164 082	0.41	202 882 363	2 573 800	2 573 800	2 446 747	692 426	5 712 973	3 252 141	0.42
63	48	244 897 057	2 573 800	2 953 441	5 527 241	3 108 919	0.41	199 616 137	2 573 800	2 573 800	2 407 356	681 278	5 662 435	3 184 962	0.42
64	49	242 323 257	2 573 800	2 922 401	5 496 201	3 054 621	0.41	196 361 058	2 573 800	2 573 800	2 368 100	670 169	5 612 070	3 119 017	0.42
65	50	239 749 456	2 573 800	2 891 361	5 465 162	3 001 176	0.41	193 117 089	2 573 800	2 573 800	2 328 978	659 098	5 561 876	3 054 287	0.42
66	51	237 175 656	2 573 800	2 860 322	5 434 122	2 948 571	0.41	189 884 191	2 573 800	2 573 800	2 289 990	648 064	5 511 854	2 990 749	0.42
67	52	234 601 856	2 573 800	2 829 282	5 403 082	2 896 794	0.41	186 662 327	2 573 800	2 573 800	2 251 134	637 068	5 462 002	2 928 383	0.42
68	53	232 028 055	2 573 800	2 798 242	5 372 042	2 845 832	0.41	183 451 459	2 573 800	2 573 800	2 212 412	626 109	5 412 321	2 867 170	0.42
69	54	229 454 255	2 573 800	2 767 202	5 341 002	2 795 673	0.41	180 251 549	2 573 800	2 573 800	2 173 821	615 188	5 362 809	2 807 087	0.41
70	55	226 880 455	2 573 800	2 736 162	5 309 962	2 746 305	0.41	177 062 561	2 573 800	2 573 800	2 135 362	604 304	5 313 467	2 748 118	0.41
71	56	224 306 655	2 573 800	2 705 122	5 278 923	2 697 717	0.41	173 884 456	2 573 800	2 573 800	2 097 034	593 458	5 264 292	2 690 241	0.41
72	57	221 732 854	2 573 800	2 674 082	5 247 883	2 649 897	0.41	170 717 198	2 573 800	2 573 800	2 058 837	582 648	5 215 286	2 633 437	0.41
73	58	219 159 054	2 573 800	2 643 043	5 216 843	2 602 834	0.41	167 560 750	2 573 800	2 573 800	2 020 771	571 875	5 166 446	2 577 689	0.41
74	59	216 585 254	2 573 800	2 612 003	5 185 803	2 556 516	0.41	164 415 074	2 573 800	2 573 800	1 982 834	561 139	5 117 774	2 522 978	0.41
75	60	214 011 454	2 573 800	2 580 963	5 154 763	2 510 932	0.41	161 280 135	2 573 800	2 573 800	1 945 027	550 440	5 069 267	2 469 286	0.40
76	61	211 437 653	2 573 800	2 549 923	5 123 723	2 466 071	0.41	158 155 895	2 573 800	2 573 800	1 907 349	539 777	5 020 926	2 416 595	0.40
77	62	208 863 853	2 573 800	2 518 883	5 092 683	2 421 924	0.41	155 042 317	2 573 800	2 573 800	1 869 799	529 151	4 972 750	2 364 887	0.40
78	63	206 290 053	2 573 800	2 487 843	5 061 644	2 378 478	0.41	151 939 367	2 573 800	2 573 800	1 832 378	518 560	4 924 739	2 314 146	0.40
79	64	203 716 253	2 573 800	2 456 804	5 030 604	2 335 723	0.41	148 847 006	2 573 800	2 573 800	1 795 084	508 006	4 876 891	2 264 354	0.40
80	65	201 142 452	2 573 800	2 425 764	4 999 564	2 293 650	0.41	145 765 199	2 573 800	2 573 800	1 757 918	497 488	4 829 206	2 215 495	0.39
81	66	198 568 652	2 573 800	2 394 724	4 968 524	2 252 248	0.41	142 693 911	2 573 800	2 573 800	1 720 878	487 006	4 781 685	2 167 553	0.39
82	67	195 994 852	2 573 800	2 363 684	4 937 484	2 211 507	0.40	139 633 104	2 573 800	2 573 800	1 683 965	476 560	4 734 325	2 120 512	0.39
83	68	193 421 052	2 573 800	2 332 644	4 906 444	2 171 417	0.40	136 582 744	2 573 800	2 573 800	1 647 178	466 149	4 687 128	2 074 355	0.39
84	69	190 847 251	2 573 800	2 301 604	4 875 405	2 131 969	0.40	133 542 795	2 573 800	2 573 800	1 610 517	455 774	4 640 091	2 029 068	0.38
85	70	188 273 451	2 573 800	2 270 564	4 844 365	2 093 152	0.40	130 513 221	2 573 800	2 573 800	1 573 980	445 434	4 593 215	1 984 635	0.38
86	71	185 699 651	2 573 800	2 239 525	4 813 325	2 054 958	0.40	127 493 986	2 573 800	2 573 800	1 537 568	435 130	4 546 498	1 941 041	0.38
87	72	183 125 851	2 573 800	2 208 485	4 782 285	2 017 376	0.40	124 485 056	2 573 800	2 573 800	1 501 281	424 860	4 499 942	1 898 271	0.37
88	73	180 552 050	2 573 800	2 177 445	4 751 245	1 980 399	0.39	121 486 396	2 573 800	2 573 800	1 465 117	414 626	4 453 544	1 856 312	0.37
89	74	177 978 250	2 573 800	2 146 405	4 720 205	1 944 016	0.39	118 497 969	2 573 800	2 573 800	1 429 077	404 427	4 407 304	1 815 148	0.37
90	75	175 404 450	2 573 800	2 115 365	4 689 165	1 908 219	0.39	115 519 742	2 573 800	2 573 800	1 393 160	394 262	4 361 222	1 774 766	0.36
91	76	172 830 650	2 573 800	2 084 325	4 658 126	1 873 000	0.39	112 551 680	2 573 800	2 573 800	1 357 365	384 132	4 315 298	1 735 151	0.36
92	77	170 256 849	2 573 800	2 053 285	4 627 086	1 838 349	0.39	109 593 747	2 573 800	2 573 800	1 321 693	374 037	4 269 530	1 696 291	0.36
93	78	167 683 049	2 573 800	2 022 246	4 596 046	1 804 257	0.38	106 645 909	2 573 800	2 573 800	1 286 142	363 976	4 223 919	1 658 172	0.35
94	79	165 109 249	2 573 800	1 991 206	4 565 006	1 770 717	0.38	103 708 133	2 573 800	2 573 800	1 250 713	353 950	4 178 463	1 620 781	0.35
95	80	162 535 448	2 573 800	1 960 166	4 533 966	1 737 720	0.38	100 780 383	2 573 800	2 573 800	1 215 404	343 958	4 133 162	1 584 105	0.35
96	81	159 961 648	2 573 800	1 929 126	4 502 926	1 705 259	0.38	97 862 625	2 573 800	2 573 800	1 180 216	334 000	4 088 016	1 548 132	0.34
97	82	157 387 848	2 573 800	1 898 086	4 471 886	1 673 324	0.37	94 954 825	2 573 800	2 573 800	1 145 148	324 075	4 043 024	1 512 849	0.34
98	83	154 814 048	2 573 800	1 867 046	4 440 847	1 641 908	0.37	92 056 949	2 573 800	2 573 800	1 110 200	314 185	3 998 186	1 478 243	0.34
99	84	152 240 247	2 573 800	1 836 007	4 409 807	1 611 003	0.37	89 168 964	2 573 800	2 573 800	1 075 371	304 329	3 953 500	1 444 303	0.33
100	85	149 666 447	2 573 800	1 804 967	4 378 767	1 580 601	0.37	86 290 825	2 573 800	2 573 800	1 040 661	294 506	3 908 967	1 411 018	0.33
101	86	147 092 647	2 573 800	1 773 927	4 347 727	1 550 695	0.36	83 422 529	2 573 800	2 573 800	1 006 070	284 716	3 864 586	1 378 375	0.32
102	87	144 518 847	2 573 800	1 742 887	4 316 687	1 521 278	0.36	80 564 012	2 573 800	2 573 800	971 596	274 960	3 820 357	1 346 362	0.32
103	88	141 945 046	2 573 800	1 711 847	4 285 647	1 492 341	0.36	77 715 252	2 573 800	2 573 800	937 240	265 238	3 776 278	1 314 970	0.32
104	89	139 371 246	2 573 800	1 680 807	4 254 608	1 463 879	0.36	74 876 214	2 573 800	2 573 800	903 002	255 548	3 732 350	1 284 186	0.31

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
105	90	136 797 446	2 573 800	1 649 767	1 435 882	4 223 568	1 435 882	0.35	72 046 865	2 573 800	868 880	245 892	3 688 572	1 254 000	0.31	
106	91	134 223 646	2 573 800	1 618 728	1 408 345	4 192 528	1 408 345	0.35	69 227 173	2 573 800	834 875	236 268	3 644 943	1 224 402	0.30	
107	92	131 649 845	2 573 800	1 587 688	1 381 260	4 161 488	1 381 260	0.35	66 417 105	2 573 800	800 986	226 678	3 601 464	1 195 380	0.30	
108	93	129 076 045	2 573 800	1 556 648	1 354 621	4 130 448	1 354 621	0.34	63 616 627	2 573 800	767 212	217 120	3 558 132	1 166 924	0.30	
109	94	126 502 245	2 573 800	1 525 608	1 328 421	4 099 408	1 328 421	0.34	60 825 706	2 573 800	733 554	207 595	3 514 949	1 139 025	0.29	
110	95	123 928 445	2 573 800	1 494 568	1 302 652	4 068 368	1 302 652	0.34	58 044 311	2 573 800	700 012	198 102	3 471 912	1 111 673	0.29	
111	96	121 354 644	2 573 800	1 463 528	1 277 309	4 037 329	1 277 309	0.33	55 272 409	2 573 800	666 581	188 642	3 429 023	1 084 857	0.28	
112	97	118 780 844	2 573 800	1 432 489	1 252 385	4 006 289	1 252 385	0.33	52 509 967	2 573 800	633 266	179 214	3 386 280	1 058 568	0.28	
113	98	116 207 044	2 573 800	1 401 449	1 227 874	3 975 249	1 227 874	0.33	49 756 954	2 573 800	600 065	169 818	3 343 683	1 032 796	0.28	
114	99	113 633 244	2 573 800	1 370 409	1 203 769	3 944 209	1 203 769	0.33	47 013 336	2 573 800	566 977	160 454	3 301 232	1 007 533	0.27	
115	100	111 059 443	2 573 800	1 339 369	1 180 064	3 913 169	1 180 064	0.32	44 279 082	2 573 800	534 003	151 122	3 258 925	982 769	0.27	
116	101	108 485 643	2 573 800	1 308 329	1 156 753	3 882 129	1 156 753	0.32	41 554 159	2 573 800	501 140	141 822	3 216 762	958 495	0.26	
117	102	105 911 843	2 573 800	1 277 289	1 133 831	3 851 090	1 133 831	0.32	38 838 537	2 573 800	468 390	132 554	3 174 744	934 702	0.26	
118	103	103 338 043	2 573 800	1 246 249	1 111 290	3 820 050	1 111 290	0.31	36 132 183	2 573 800	435 752	123 317	3 132 869	911 382	0.26	
119	104	100 764 242	2 573 800	1 215 210	1 089 125	3 789 010	1 089 125	0.31	33 435 066	2 573 800	403 225	114 112	3 091 137	888 526	0.25	
120	105	98 190 442	2 573 800	1 184 170	1 067 331	3 757 970	1 067 331	0.31	30 747 154	2 573 800	370 808	104 938	3 049 547	866 126	0.25	
121	106	95 616 642	2 573 800	1 153 130	1 045 902	3 726 930	1 045 902	0.30	28 068 415	2 573 800	338 503	95 796	3 008 099	844 174	0.24	
122	107	93 042 841	2 573 800	1 122 090	1 024 832	3 695 890	1 024 832	0.30	25 398 819	2 573 800	306 308	86 685	2 966 793	822 660	0.24	
123	108	90 469 041	2 573 800	1 091 050	1 004 115	3 664 850	1 004 115	0.30	22 738 334	2 573 800	274 223	77 605	2 925 628	801 579	0.24	
124	109	87 895 241	2 573 800	1 060 010	983 747	3 633 811	983 747	0.29	20 086 929	2 573 800	242 247	68 556	2 884 603	780 921	0.23	
125	110	85 321 441	2 573 800	1 028 970	963 721	3 602 771	963 721	0.29	17 444 573	2 573 800	210 380	59 537	2 843 718	760 679	0.23	
126	111	82 747 640	2 573 800	997 931	944 033	3 571 731	944 033	0.29	14 811 236	2 573 800	178 622	50 550	2 802 973	740 845	0.22	
127	112	80 173 840	2 573 800	966 891	924 677	3 540 691	924 677	0.28	12 186 886	2 573 800	146 973	41 593	2 762 366	721 412	0.22	
128	113	77 600 040	2 573 800	935 851	905 649	3 509 651	905 649	0.28	9 571 492	2 573 800	115 432	32 667	2 721 899	702 373	0.22	
129	114	75 026 240	2 573 800	904 811	886 943	3 478 611	886 943	0.28	6 965 025	2 573 800	83 998	23 771	2 681 569	683 721	0.21	
130	115	72 452 439	2 573 800	873 771	868 554	3 447 572	868 554	0.27	4 367 453	2 573 800	52 671	14 906	2 641 377	665 448	0.21	
131	116	69 878 639	2 573 800	842 731	850 477	3 416 532	850 477	0.27	1 778 747	1 778 747	21 452	0	1 800 199	448 124	0.14	
132	117	67 304 839	2 573 800	811 692	832 708	3 385 492	832 708	0.27	0	0	0	0	0	0	0.00	
133	118	64 731 039	2 573 800	780 652	815 242	3 354 452	815 242	0.26	0	0	0	0	0	0	0.00	
134	119	62 157 238	2 573 800	749 612	798 073	3 323 412	798 073	0.26	0	0	0	0	0	0	0.00	
135	120	59 583 438	2 573 800	718 572	781 198	3 292 372	781 198	0.26	0	0	0	0	0	0	0.00	
136	121	57 009 638	2 573 800	687 532	764 612	3 261 332	764 612	0.25	0	0	0	0	0	0	0.00	
137	122	54 435 838	2 573 800	656 492	748 310	3 230 293	748 310	0.25	0	0	0	0	0	0	0.00	
138	123	51 862 037	2 573 800	625 452	732 289	3 199 253	732 289	0.25	0	0	0	0	0	0	0.00	
139	124	49 288 237	2 573 800	594 413	716 542	3 168 213	716 542	0.24	0	0	0	0	0	0	0.00	
140	125	46 714 437	2 573 800	563 373	701 067	3 137 173	701 067	0.24	0	0	0	0	0	0	0.00	
141	126	44 140 637	2 573 800	532 333	685 859	3 106 133	685 859	0.24	0	0	0	0	0	0	0.00	
142	127	41 566 836	2 573 800	501 293	670 914	3 075 093	670 914	0.23	0	0	0	0	0	0	0.00	
143	128	38 993 036	2 573 800	470 253	656 228	3 044 053	656 228	0.23	0	0	0	0	0	0	0.00	
144	129	36 419 236	2 573 800	439 213	641 797	3 013 014	641 797	0.23	0	0	0	0	0	0	0.00	
145	130	33 845 436	2 573 800	408 174	627 616	2 981 974	627 616	0.22	0	0	0	0	0	0	0.00	
146	131	31 271 635	2 573 800	377 134	613 682	2 950 934	613 682	0.22	0	0	0	0	0	0	0.00	
147	132	28 697 835	2 573 800	346 094	599 991	2 919 894	599 991	0.22	0	0	0	0	0	0	0.00	
148	133	26 124 035	2 573 800	315 054	586 539	2 888 854	586 539	0.21	0	0	0	0	0	0	0.00	
149	134	23 550 234	2 573 800	284 014	573 323	2 857 814	573 323	0.21	0	0	0	0	0	0	0.00	
150	135	20 976 434	2 573 800	252 974	560 338	2 826 775	560 338	0.21	0	0	0	0	0	0	0.00	
151	136	18 402 634	2 573 800	221 934	547 581	2 795 735	547 581	0.20	0	0	0	0	0	0	0.00	
152	137	15 828 834	2 573 800	190 895	535 049	2 764 695	535 049	0.20	0	0	0	0	0	0	0.00	
153	138	13 255 033	2 573 800	159 855	522 738	2 733 655	522 738	0.20	0	0	0	0	0	0	0.00	
154	139	10 681 233	2 573 800	128 815	510 644	2 702 615	510 644	0.19	0	0	0	0	0	0	0.00	
155	140	8 107 433	2 573 800	97 775	498 764	2 671 575	498 764	0.19	0	0	0	0	0	0	0.00	
156	141	5 533 633	2 573 800	66 735	487 095	2 640 535	487 095	0.19	0	0	0	0	0	0	0.00	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
157	142	2 959 832	2 573 800	35 695		2 609 496	475 633	0,18		0	0	0	0	0	0	0,00
158	143	386 032	2 573 800	4 656		2 578 456	464 375	0,18		0	0	0	0	0	0	0,00
159						<b>683 866 752</b>	<b>366 259 682</b>	<b>43,98</b>						<b>606 523 976</b>	<b>365 865 669</b>	<b>36,79</b>

# **ATTACHMENT 7**





**USAID**  
FROM THE AMERICAN PEOPLE

**ACCESS TO CREDIT INITIATIVE**  
MORTGAGES. FIXED INCOME. LEASING.



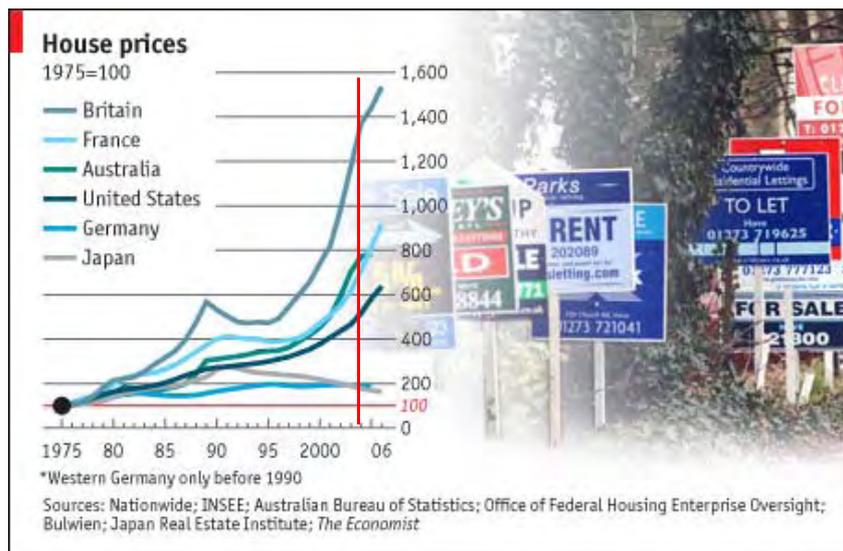
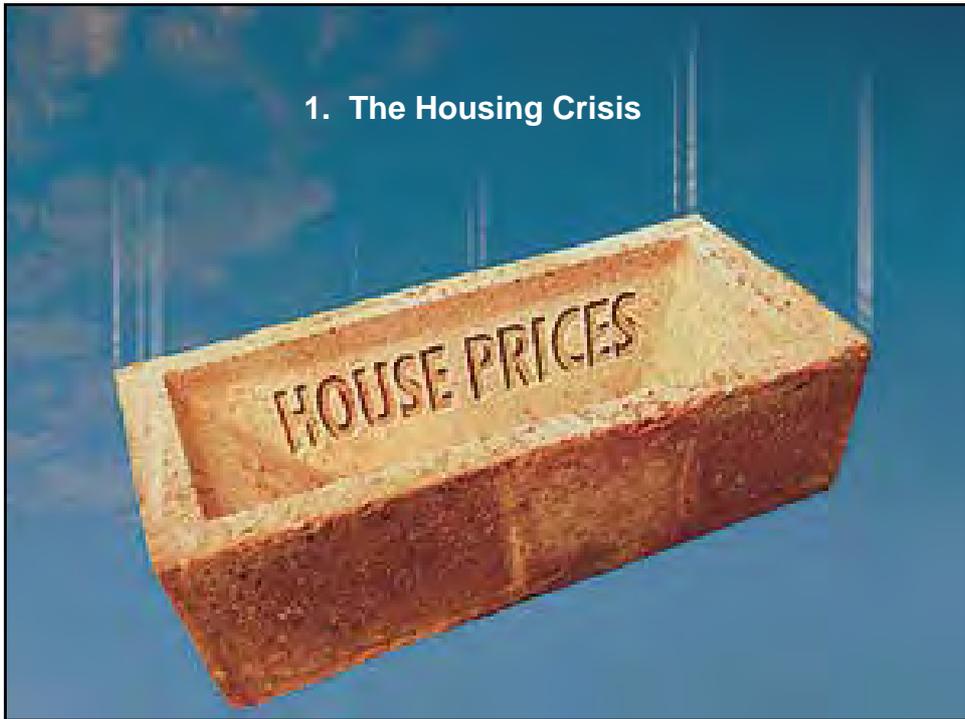
**SUB**  
**prime**

Steve Moody  
Chisinau, March 2008

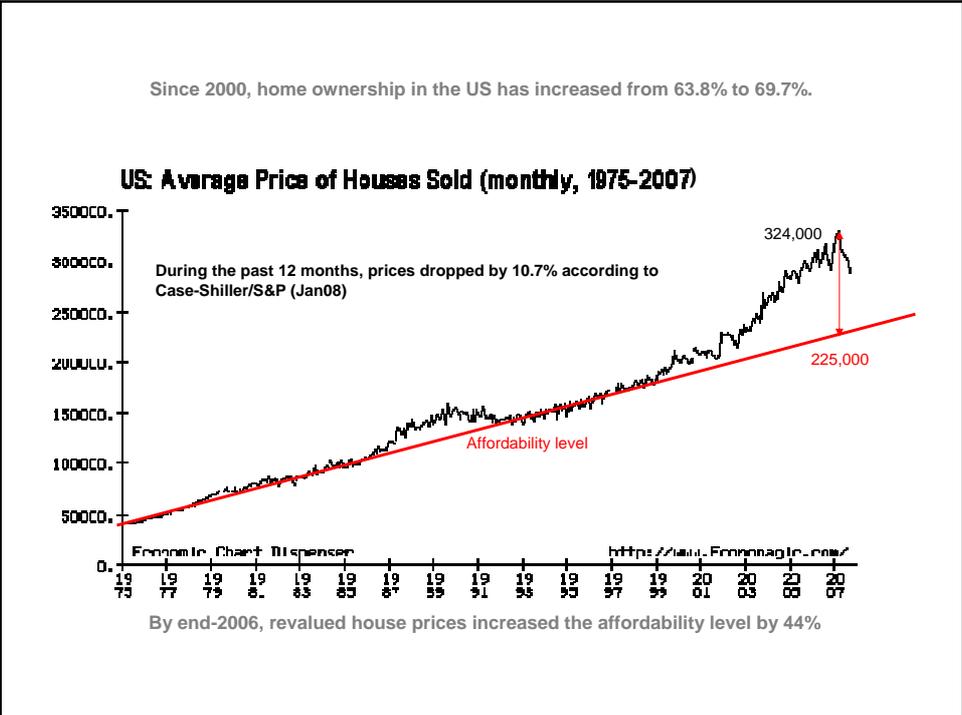
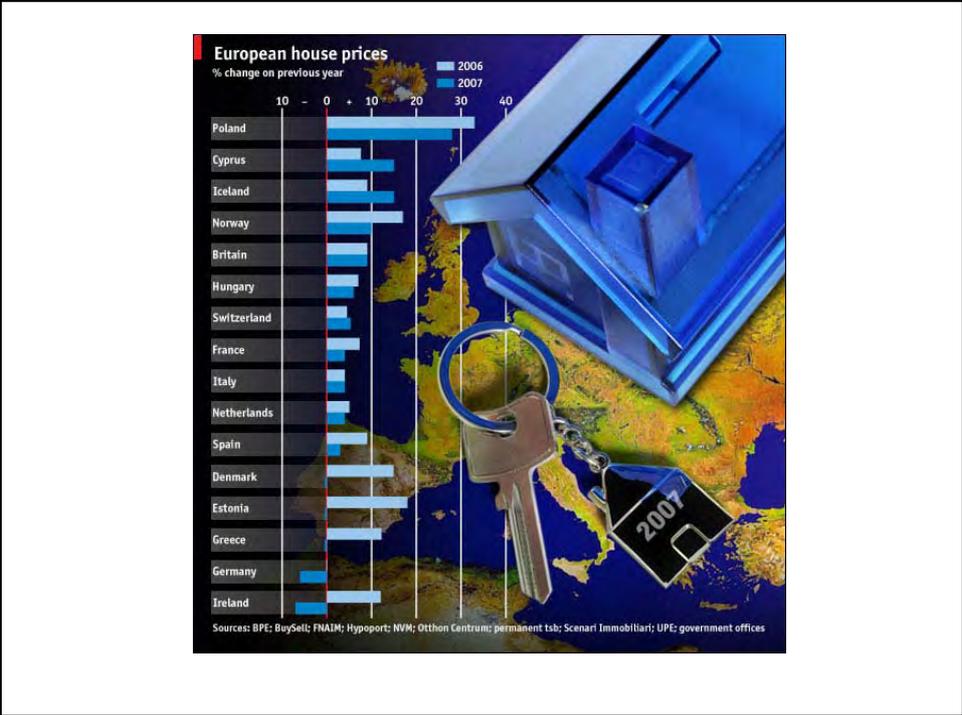
## Subprime crisis

1. Mortgage underwriting and real estate
2. Securitization, rating and single-product insurance companies crisis
3. Monetary policy crisis

# 1. The Housing Crisis

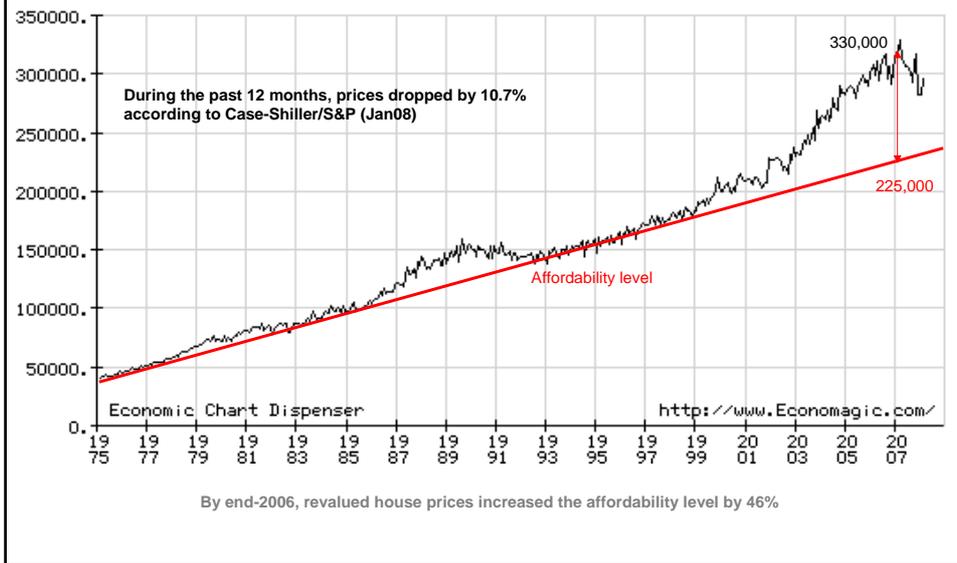


House prices in developed economies by end-2004 — USD 60.0 Trillion.

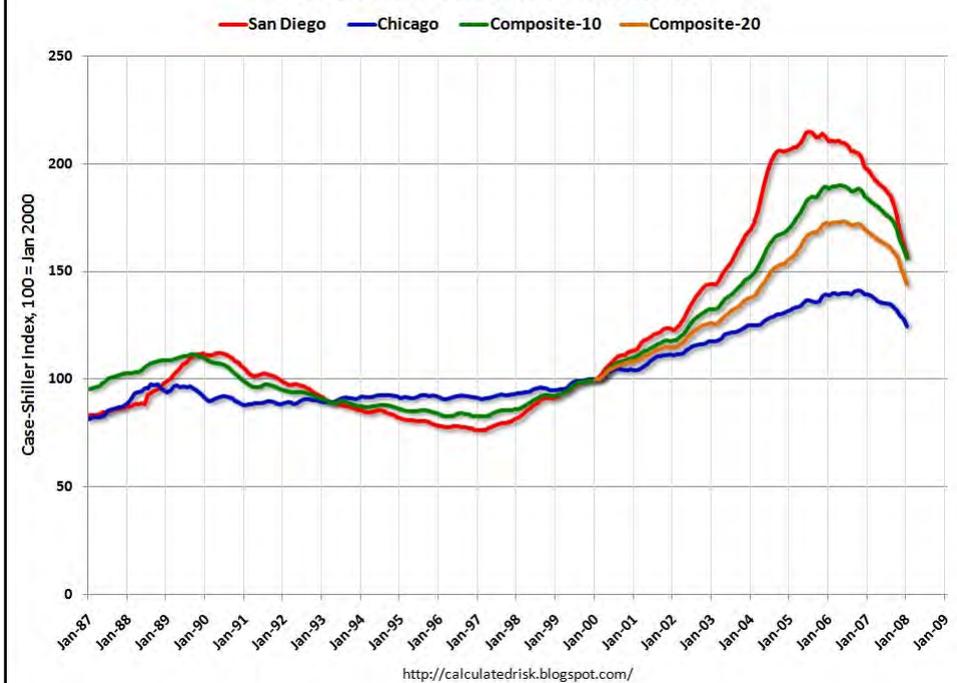


Since 2000, home ownership in the US has increased from 63.8% to 69.7%.

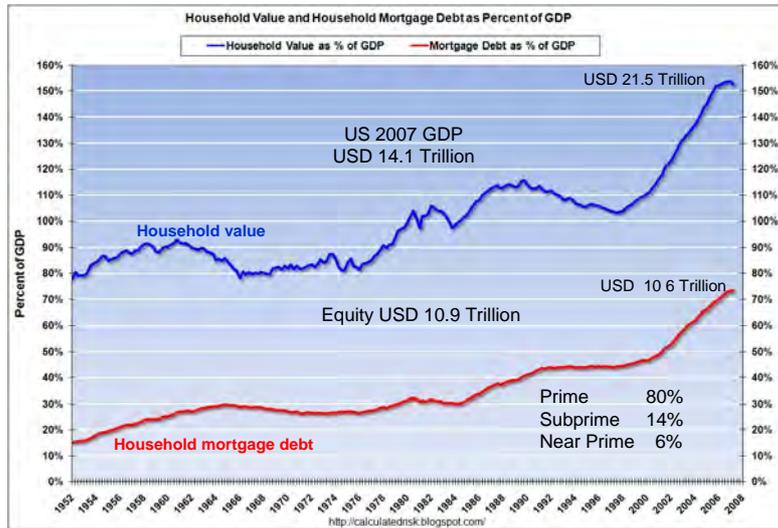
### US: Average Price of Houses Sold (monthly)



### Case-Shiller House Prices, Inflation Adjusted



The size of the mortgage market and sub-prime lending



The difference between household value and the household mortgage debt is own capital.



## Conclusions

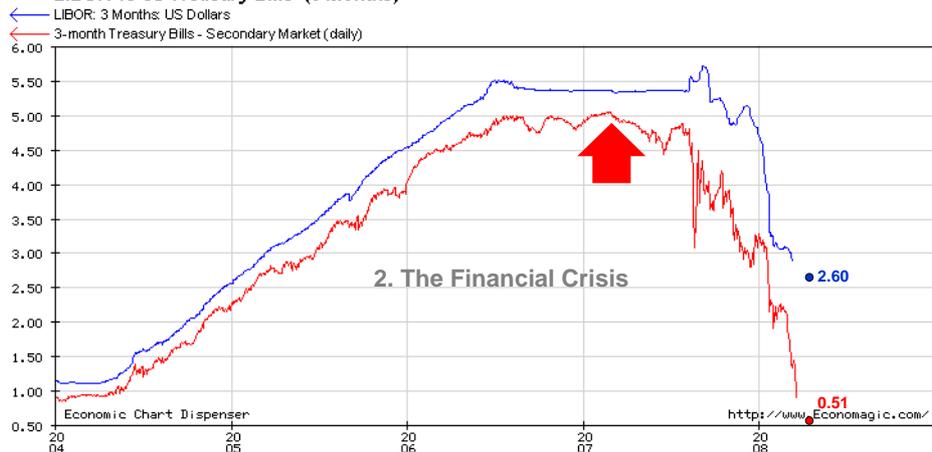
House prices have not been decreasing only because of subprime loans.

However, due to subprime loans, the prices will be going down more and faster.

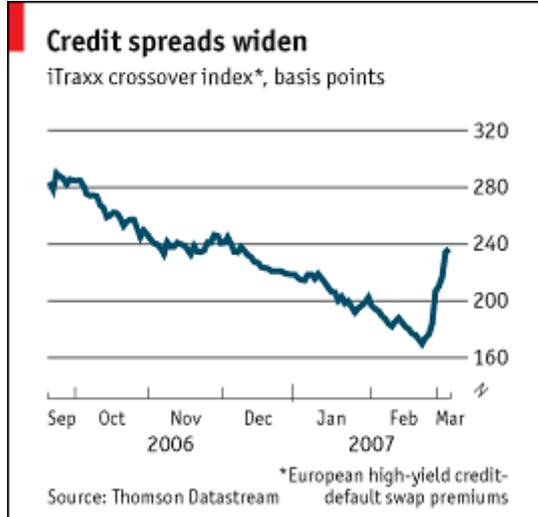
The decline of house prices has negative consequences for borrowers, investors and other financial entities. Mortgage lenders, however, are not subject to those consequences.

## Financial crisis

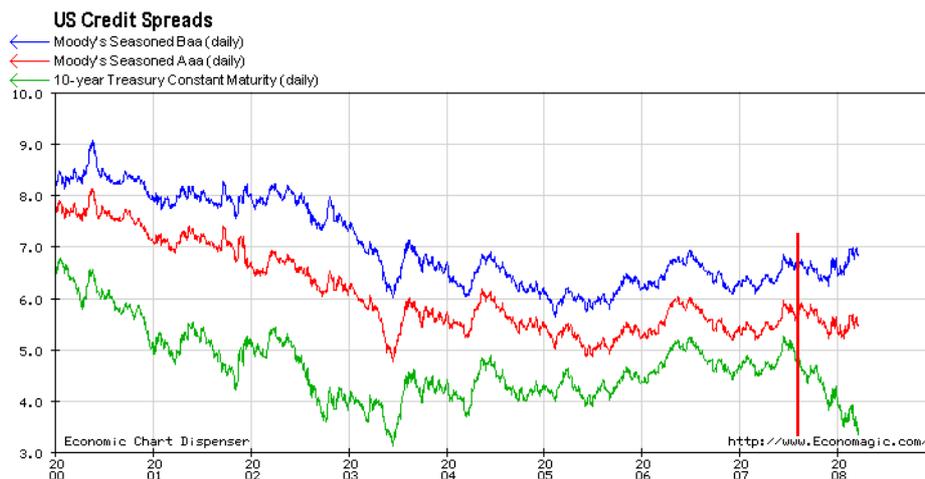
### LIBOR vs US Treasury Bills (3 Months)

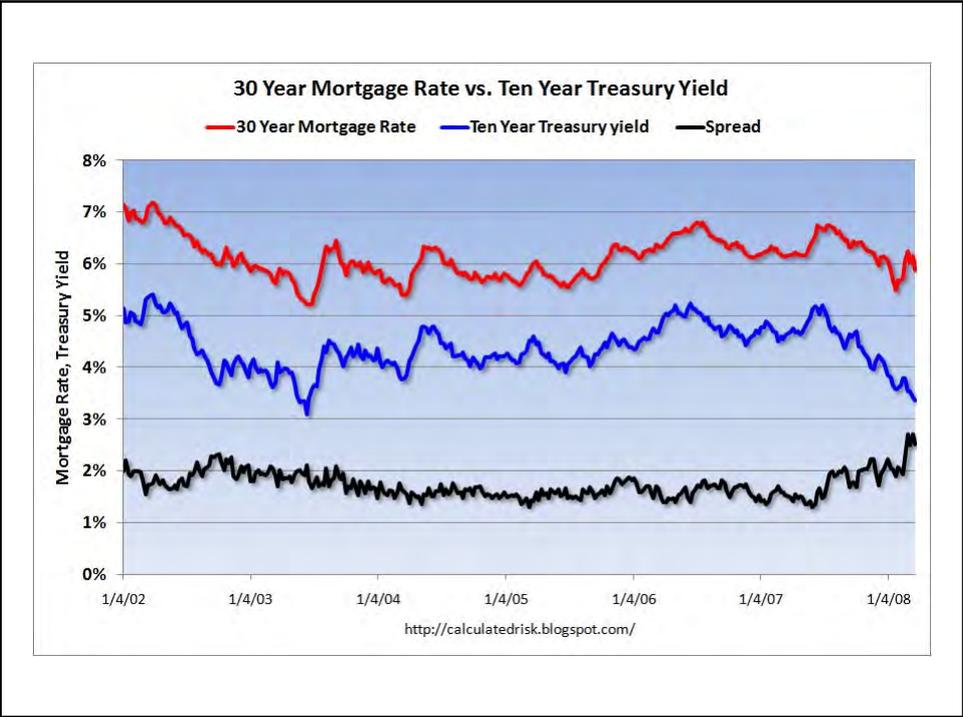
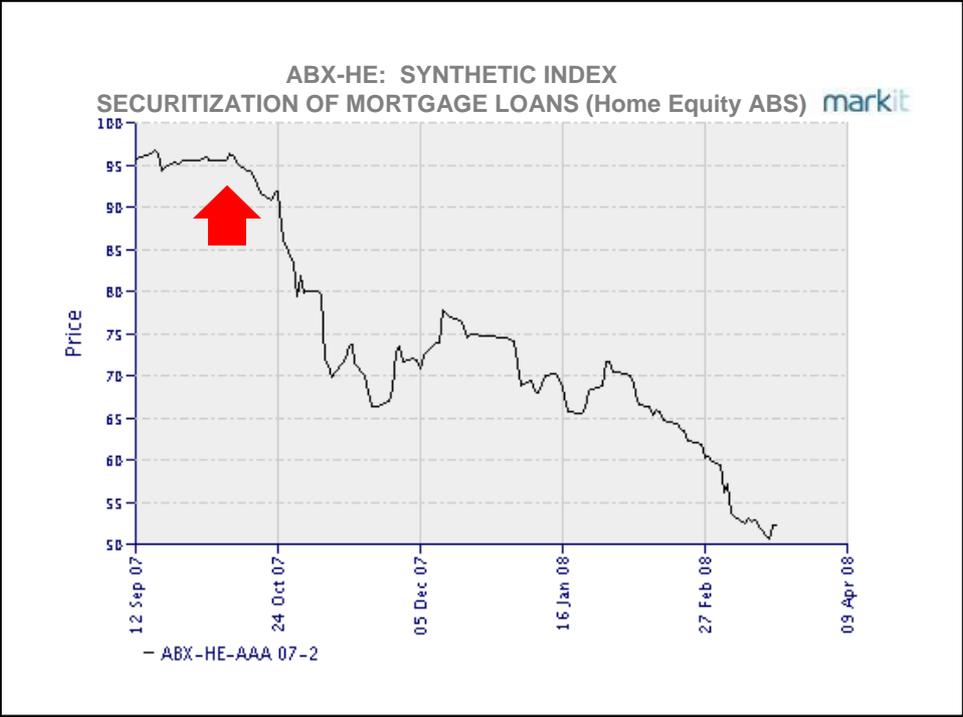


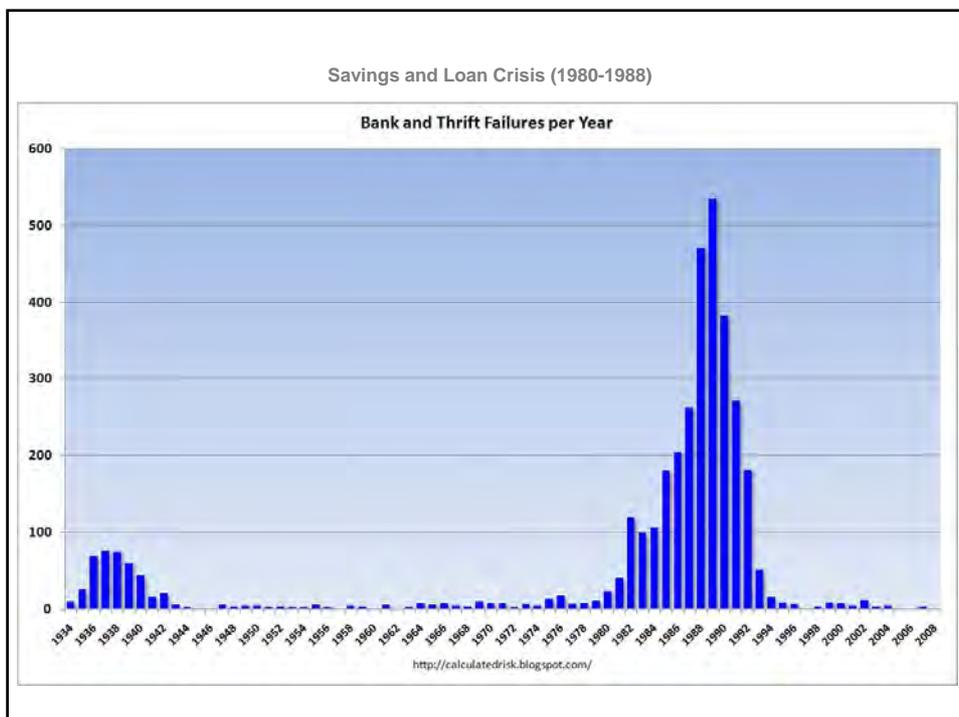
Credit default swaps



US Credit Spreads



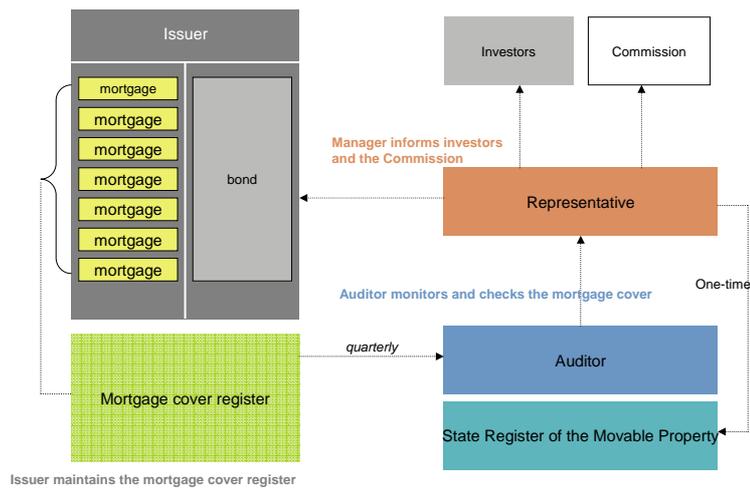




**World capital markets**  
(end of 2005, billions of USD)

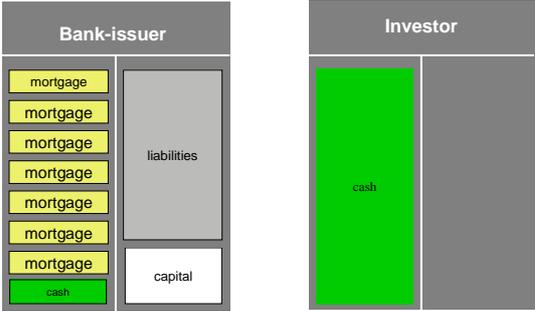
	GDP	Market Cap	Debt Securities			Bank Assets	Total	% GDP
			Public	Private	Total			
World	44 595.0	41 966.6	23 422.4	36 268.2	59 690.7	63 473.2	165 130.4	370.3
EU	12 879.0	9 555.7	6 673.8	12 024.1	18 697.8	30 975.1	59 228.6	459.9
US	12 455.8	17 000.9	5 921.6	18 151.6	24 073.1	9 324.1	50 398.1	404.6
<i>Emerging markets</i>	<i>12 014.1</i>	<i>6 385.1</i>	<i>3 175.8</i>	<i>1 610.4</i>	<i>4 786.2</i>	<i>10 895.2</i>	<i>22 066.5</i>	<i>183.7</i>
Asia	5 433.1	4 408.6	1 484.9	1 189.0	2 673.9	7 322.9	14 405.5	265.1
Latin America	2 448.5	972.5	1 013.9	276.8	1 290.8	1 374.3	3 637.6	148.6
Middle East	1 134.2	159.0	59.0	26.8	60.8	869.0	1.1	96
Africa	808.6	549.3	90.0	44.2	134.2	525.6	1,209.1	149.5
Europe	2 189.8	2 973.7	552.9	73.6	626.5	803.4	1.7	78.8
Kazakhstan	87.5	61.5	10.1	13.6	23.7	90.8	176	201.14

**Mortgage covered bonds**

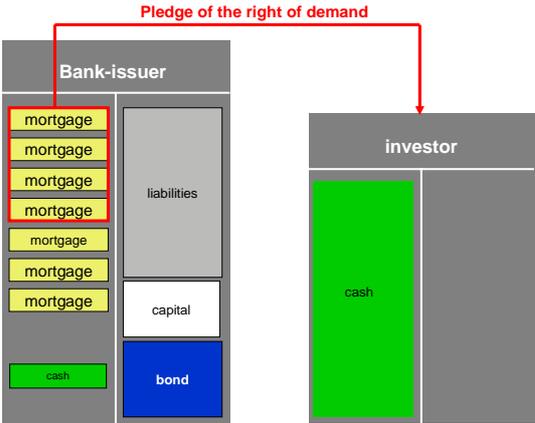


First appeared in Germany in 1789

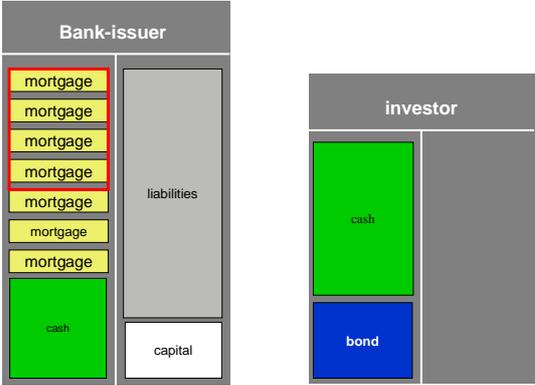
### Mortgage covered bonds



### Mortgage covered bonds



**Mortgage covered bonds**

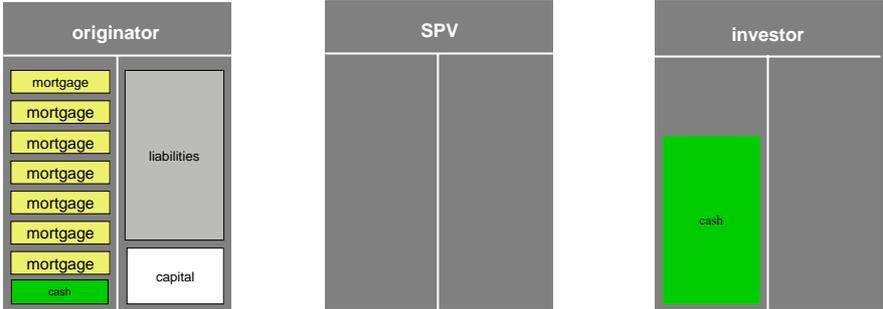


The pool is dynamic. Assets are on the balance sheet. No concession of rights.

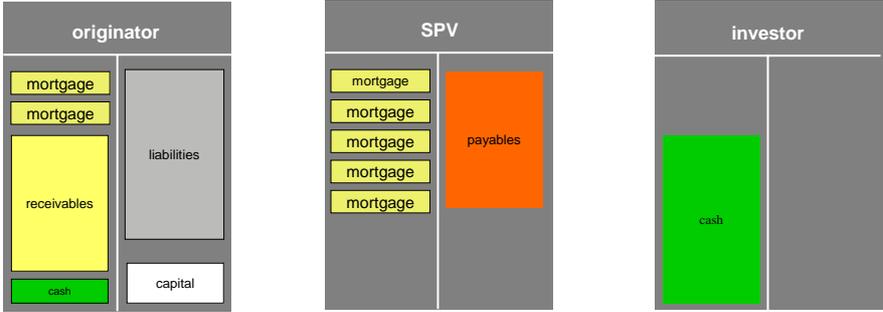
**securitization**

Fannie Mae or Private Label Pass-Through

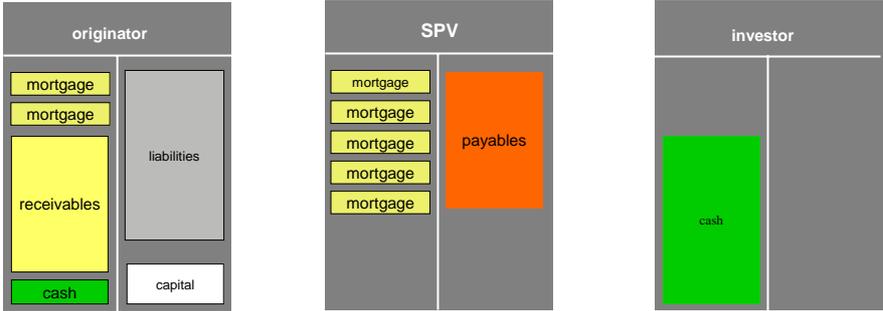
ACT OF PURCHASE AND SALE



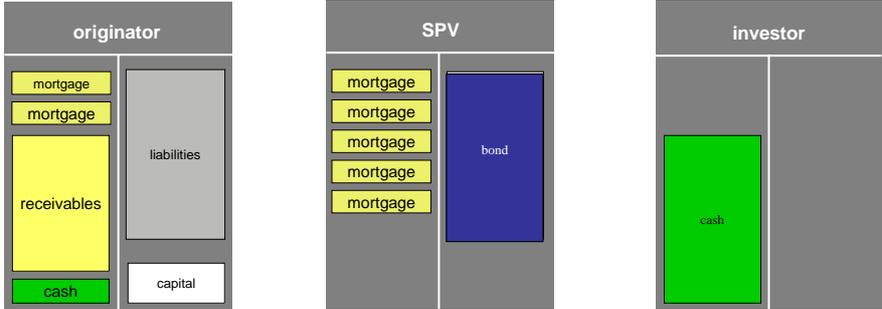
**securitization**  
Fannie Mae or Private Label Pass-Through



**securitization**  
Fannie Mae or Private Label Pass-Through



**securitization**  
Fannie Mae or Private Label Pass-Through



No more bears responsibility for the quality of the pool.

Transfers periodic asset payments to investors. Does not maintain the pool.

The pool is not dynamic. Investor bears both the credit risk and early repayment risk.

**Conclusions**

During the process of securitization, assets are transferred from the balance-sheet of the originating bank to the SPV balance-sheet. Consequently, the bank-originator does not bear any responsibility for the quality of the mortgage pool. Securitization does not create any “moral danger”, however if any “moral danger”, securitization makes it worse.

## Conclusions

During the process of securitization, assets are transferred from the balance-sheet of the originating bank to the SPV balance sheet. Consequently, the bank-originator does not bear any responsibility for the quality of the mortgage pool. Securitization does not create any “stupidity”, however if any “stupidity”, securitization makes it worse.

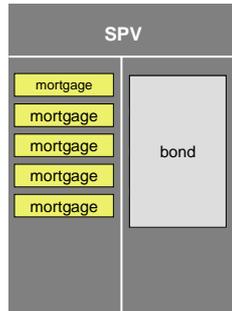
## 3. Rating crisis

STANDARD  
& POOR'S

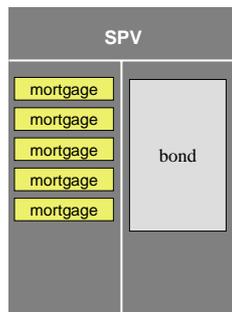
**FitchRatings**  
KNOW YOUR RISK



## Tranching



## tranching



Tranche 1

'Senior tranche' is the first to receive interest rate accrued and is the first to be repaid: AAA

Tranche 2

'Mezzanine tranche' receives interest rate accrued and is repaid after the first tranche: AA

Tranche 3

'Junior Mezzanine tranche' receives interest rate accrued and is repaid after the Mezzanine: A

Tranche 4

'first loss' or equity tranche; buys originator

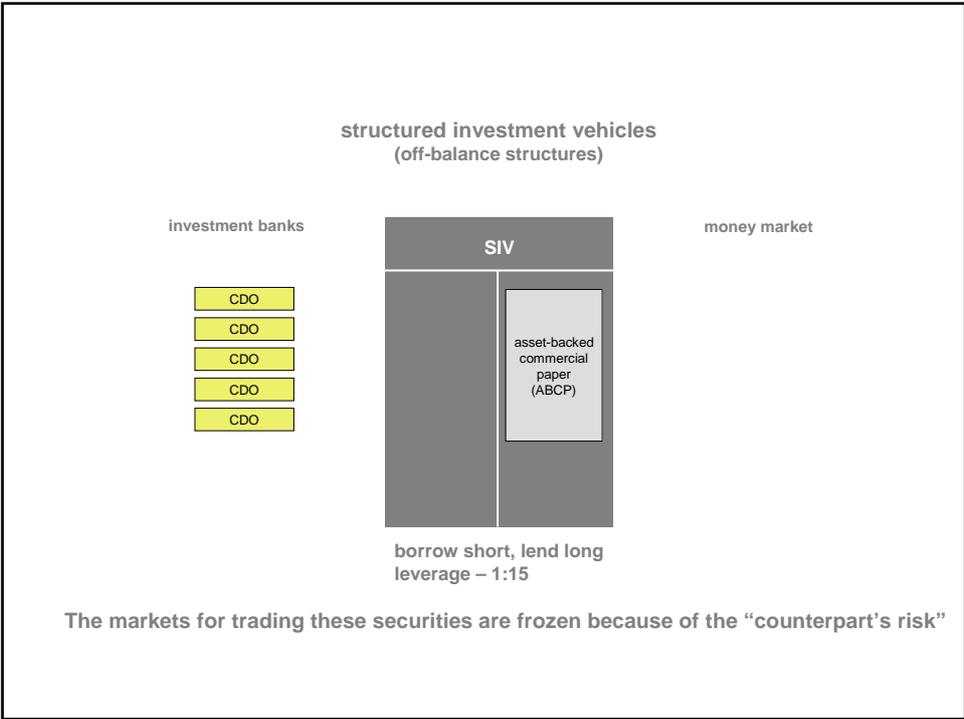
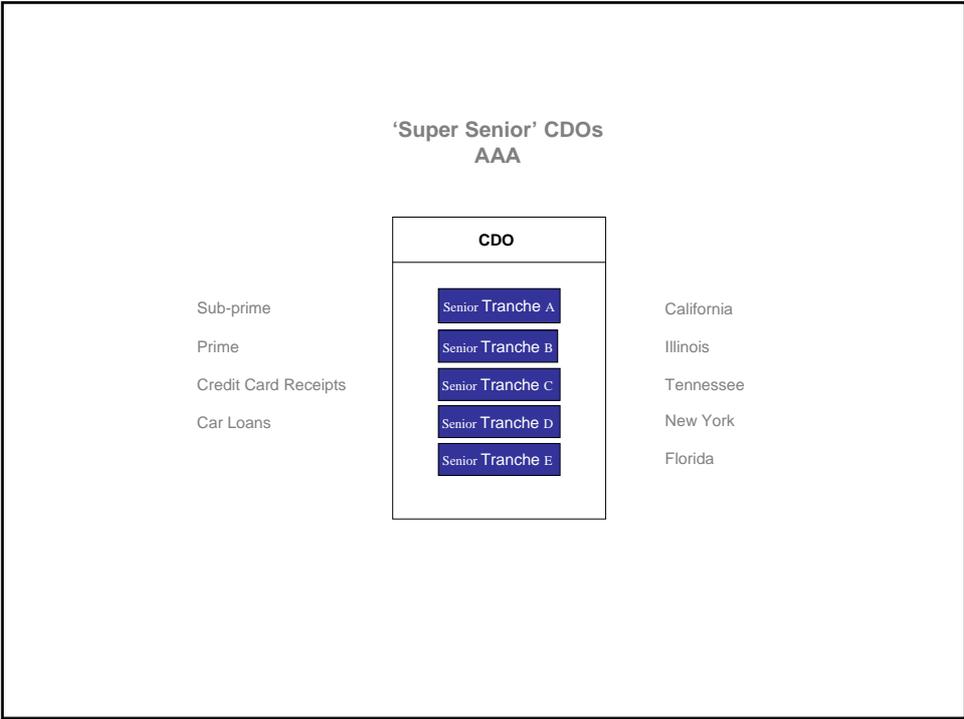
#### Clarification of the Fitch Ratings

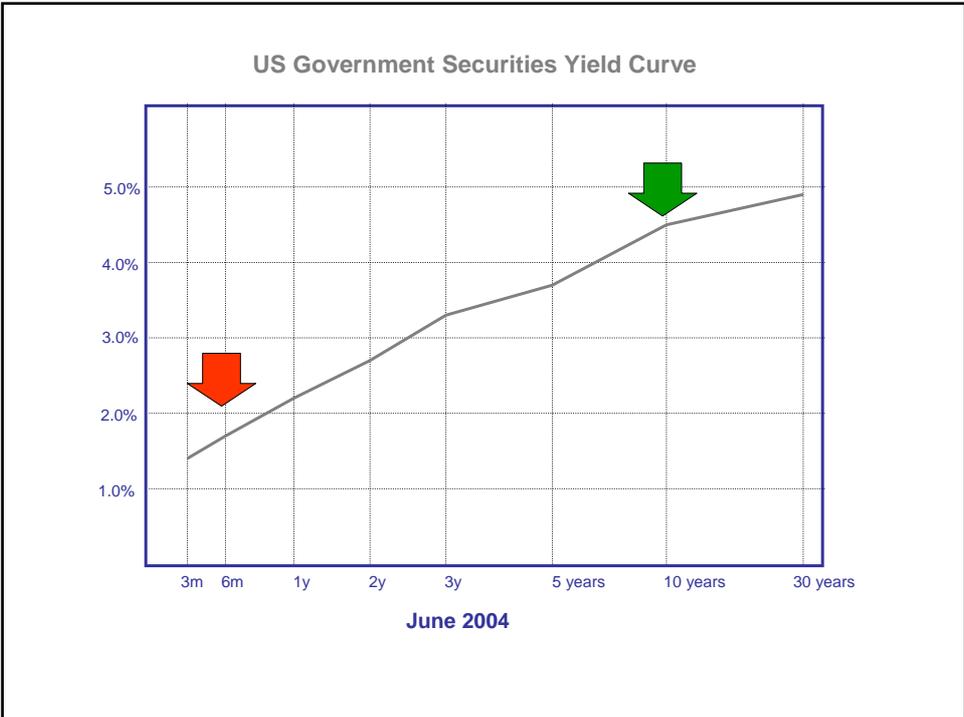
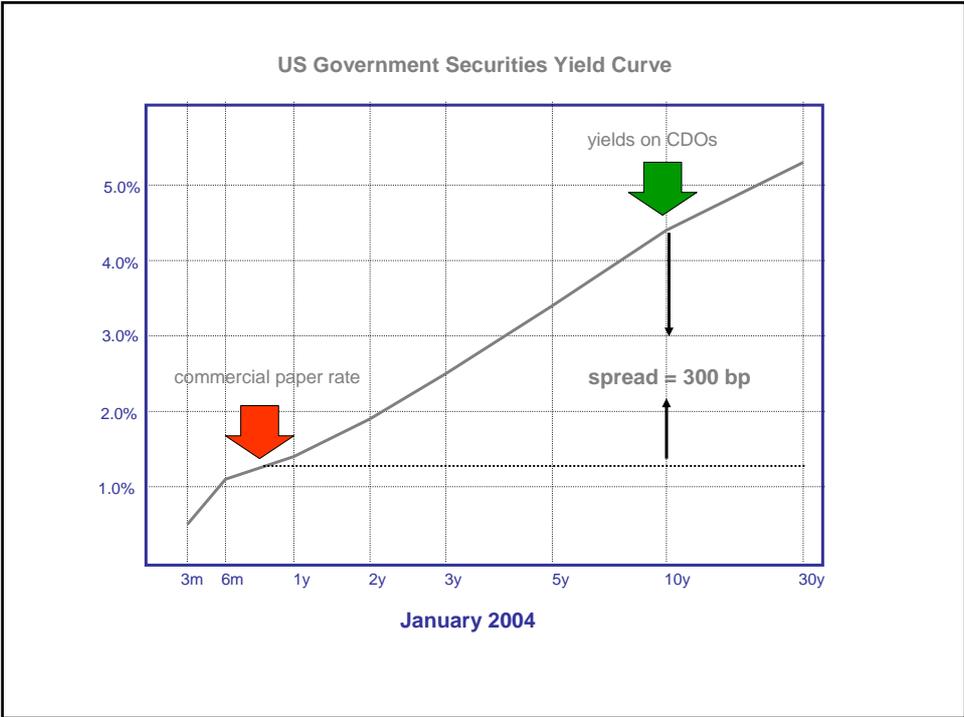
Rating	# Classes	Bal (\$Mil)	AVG BL	AVG LCR	Bench LCR
'AAA'	120	16,865	37.75	2.85	2.50
'AA+'	31	1,380	30.19	2.36	2.25
'AA'	17	687	27.50	2.15	2.00
'AA-'	17	418	24.84	2.00	1.75
'A+'	18	411	22.13	1.82	1.60
'A'	15	358	20.67	1.68	1.50
'A-'	18	414	20.45	1.56	1.40
'BBB+'	23	385	17.99	1.40	1.30
'BBB'	19	293	17.22	1.27	1.20
'BBB-'	21	325	15.80	1.15	1.10
'BB+'	14	162	14.15	1.08	1.03
'BB'	16	185	14.36	0.99	0.95
'BB-'	16	178	12.85	0.91	0.88
'B+'	6	49	12.13	0.84	0.82
'B'	11	126	11.60	0.79	0.75
'CCC'	20	186	11.55	0.65	< 0.75

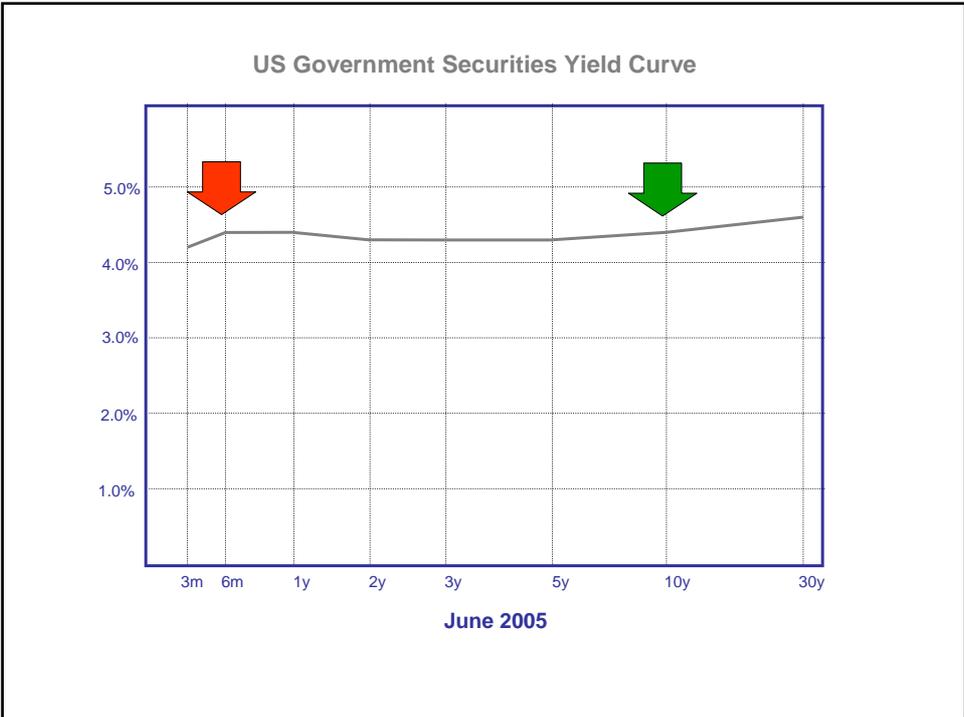
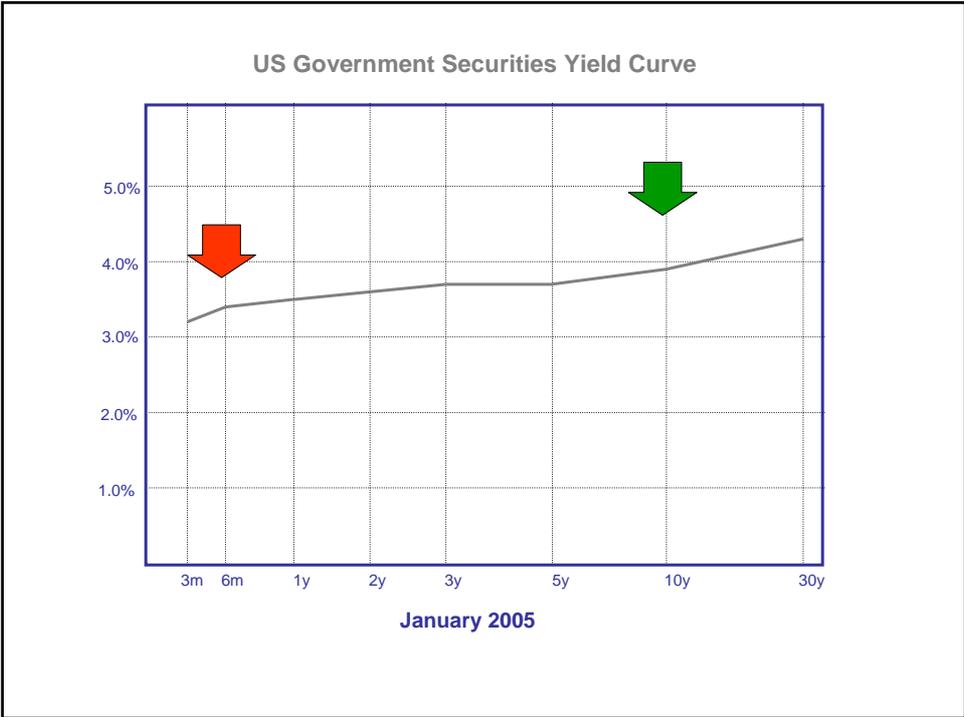
The quality of the pool is uniform. The rating of each tranche depends on its cushion – how far it stands from the lowest tranche

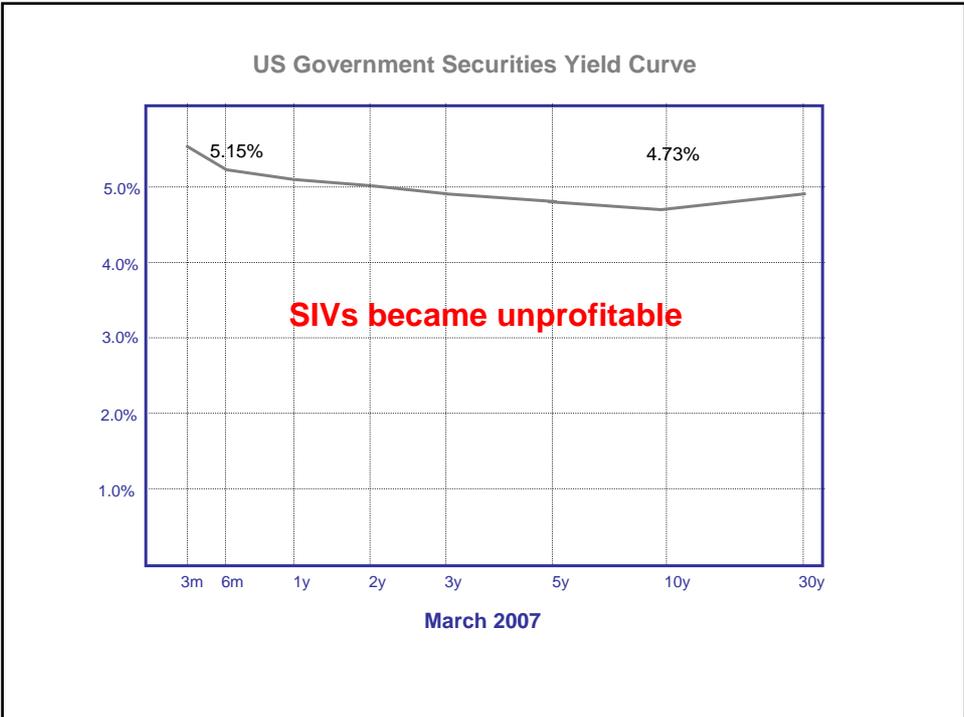
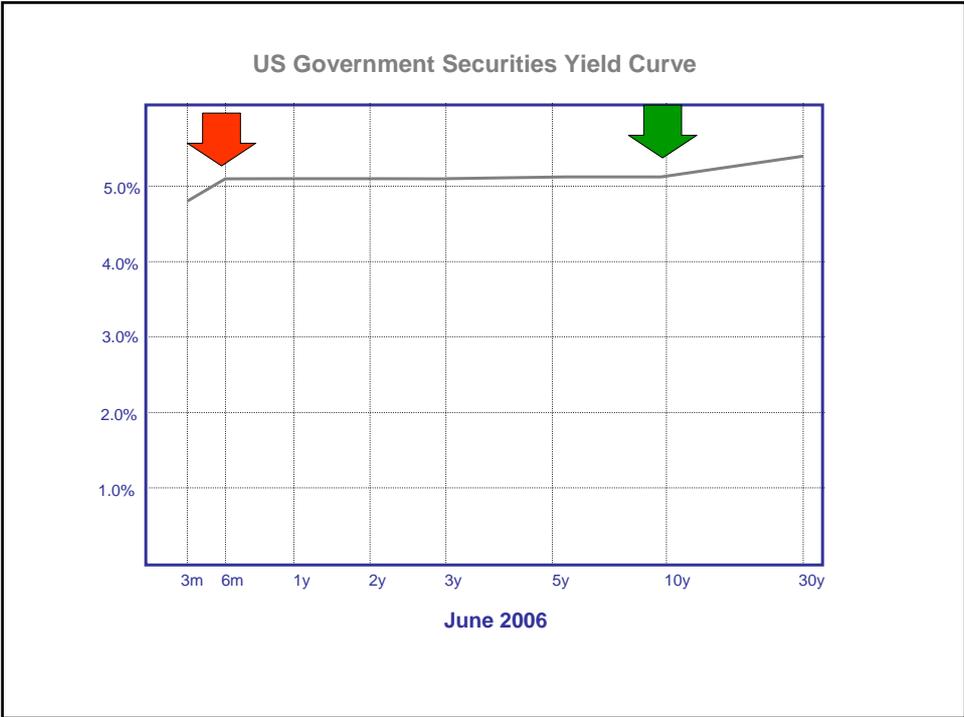
#### Conclusions

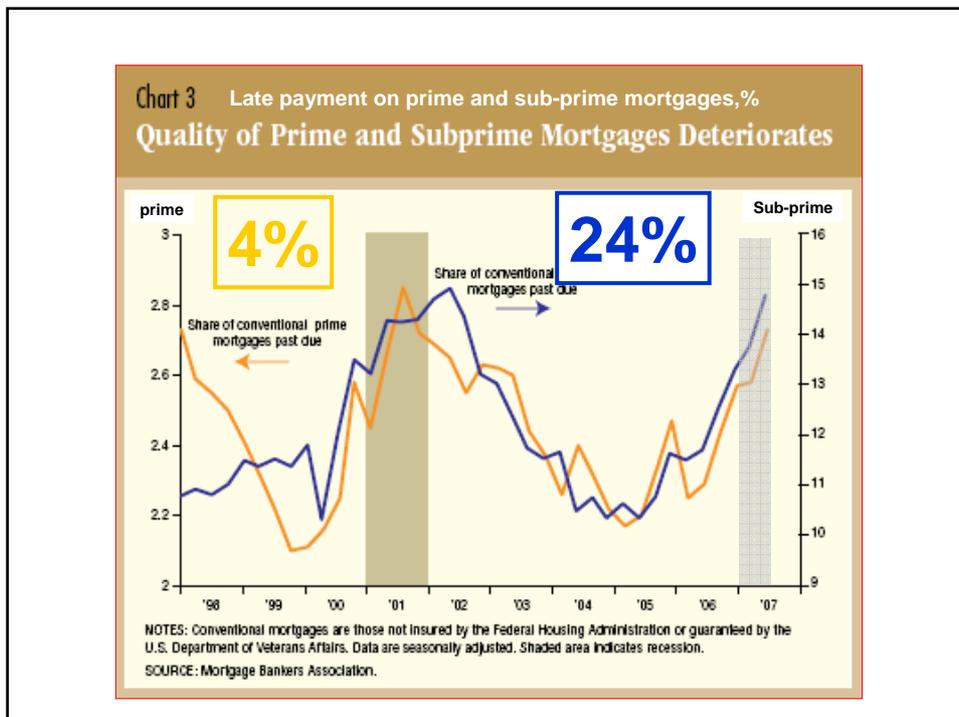
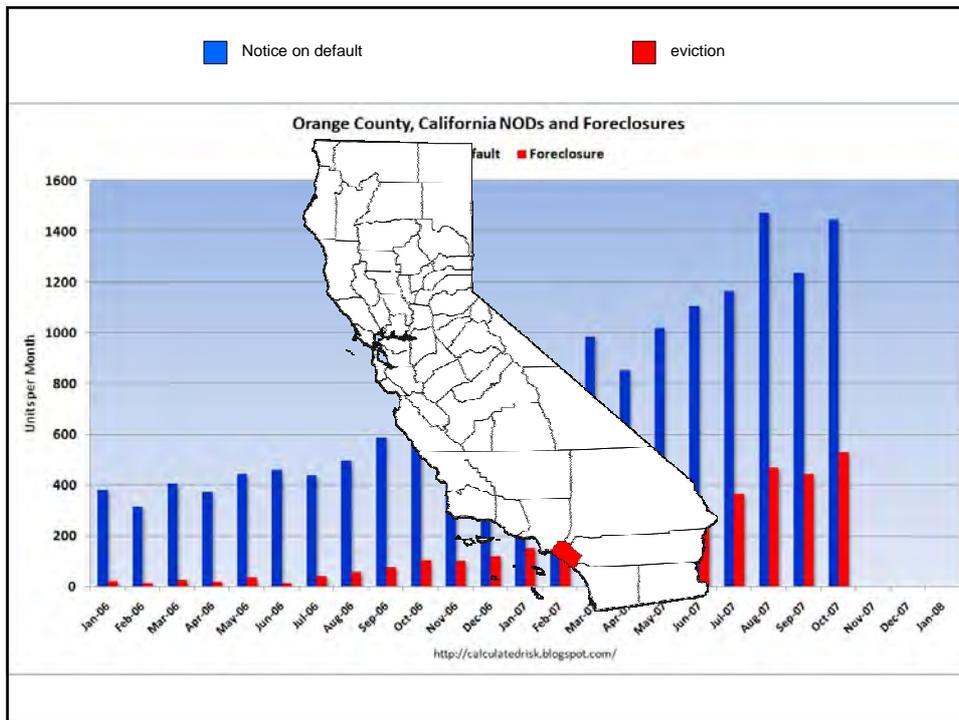
Rating shows relative risk of each tranche if compared to the lowest Tranche, its size is measured in interest rates of the whole issue and it evaluates an overall risk of default of the whole uniform pool.



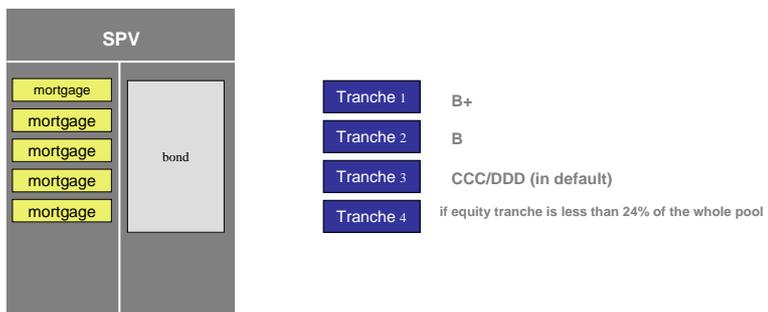








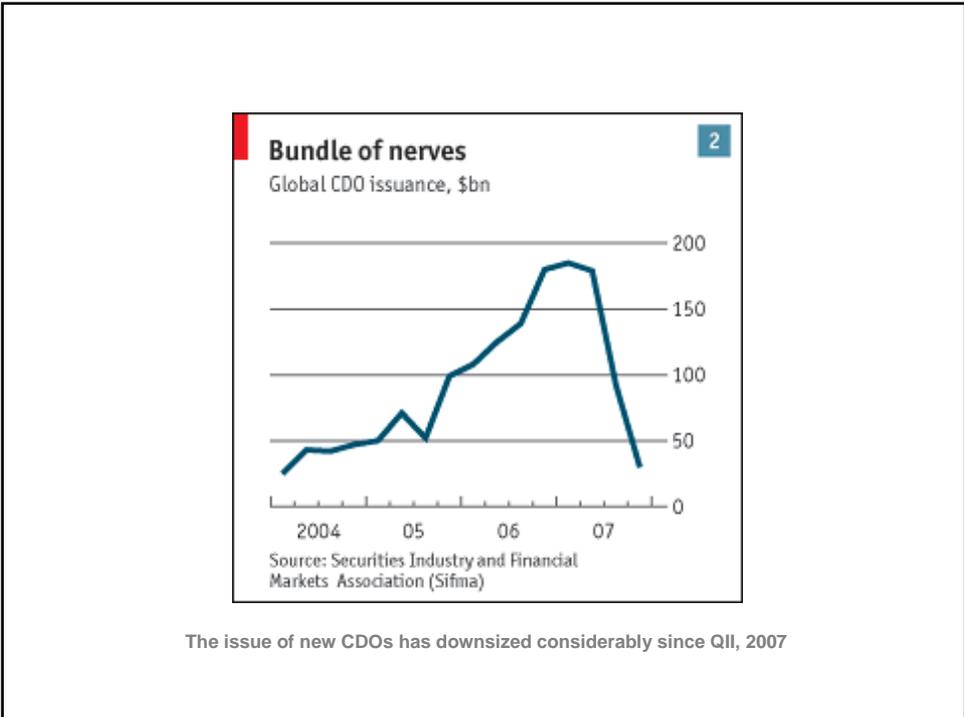
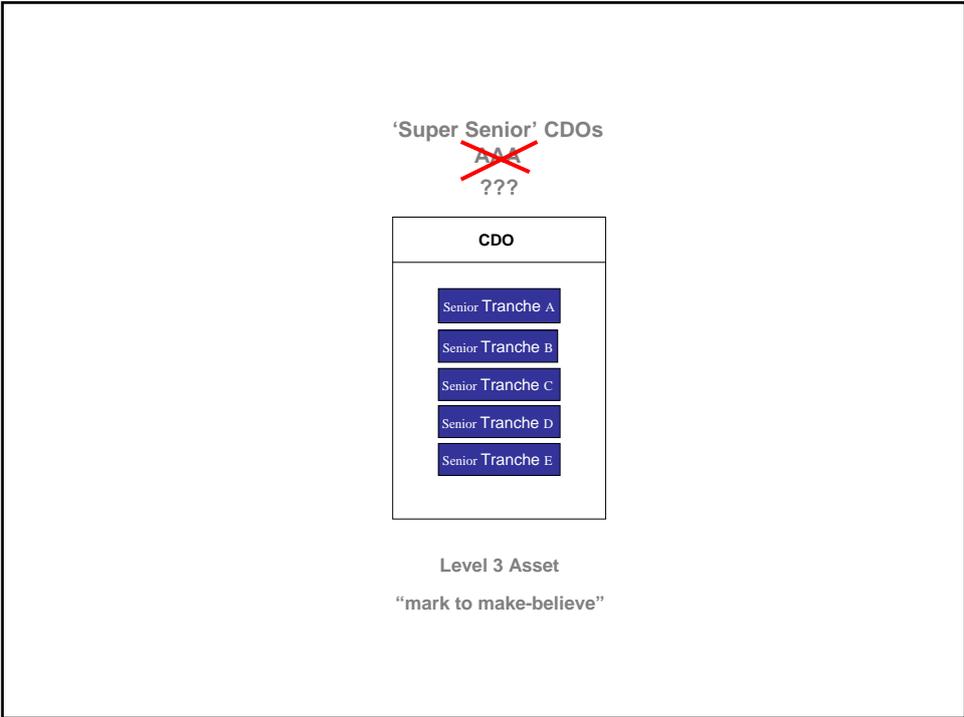
### Late payments and tranching



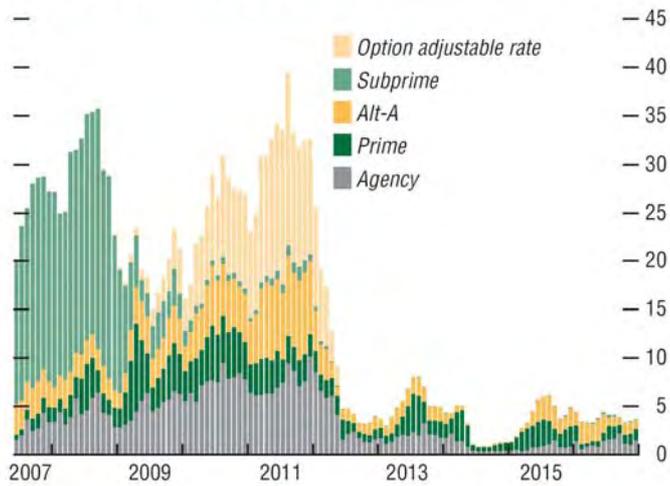
### Clarification of Fitch Ratings

Rating	# Classes	Bal (\$Mil)	AVG BL	AVG LCR	Bench LCR
'AAA'	120	16,865	37.75	2.85	2.50
'AA+'	31	1,380	30.19	2.36	2.25
'AA'	17	687	27.50	2.15	2.00
'AA-'	17	418	24.84	2.00	1.75
'A+'	18	411	22.13	1.82	1.60
'A'	15	358	20.67	1.68	1.50
'A-'	18	414	20.45	1.56	1.40
'BBB+'	23	385	17.99	1.40	1.30
'BBB'	19	293	17.22	1.27	1.20
'BBB-'	21	325	15.80	1.15	1.10
'BB+'	14	162	14.15	1.08	1.03
'BB'	16	185	14.36	0.99	0.95
'BB-'	16	178	12.85	0.91	0.88
'B+'	6	49	12.13	0.84	0.82
'B'	11	126	11.60	0.79	0.75
'CCC'	20	186	11.55	0.65	< 0.75

BL = break loss LCR = loss coverage ratio

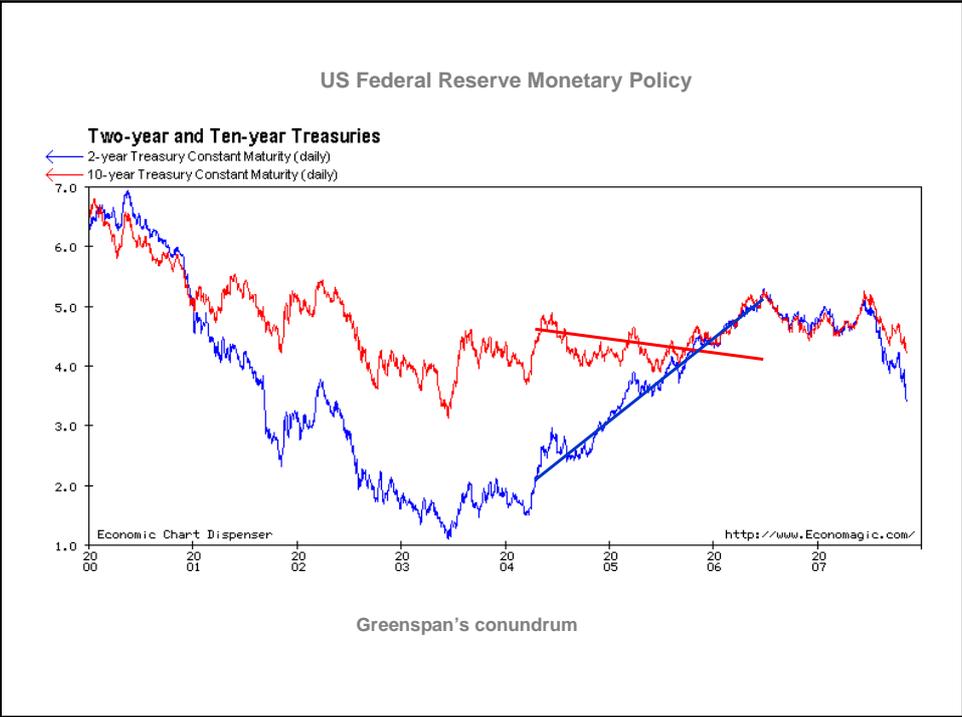
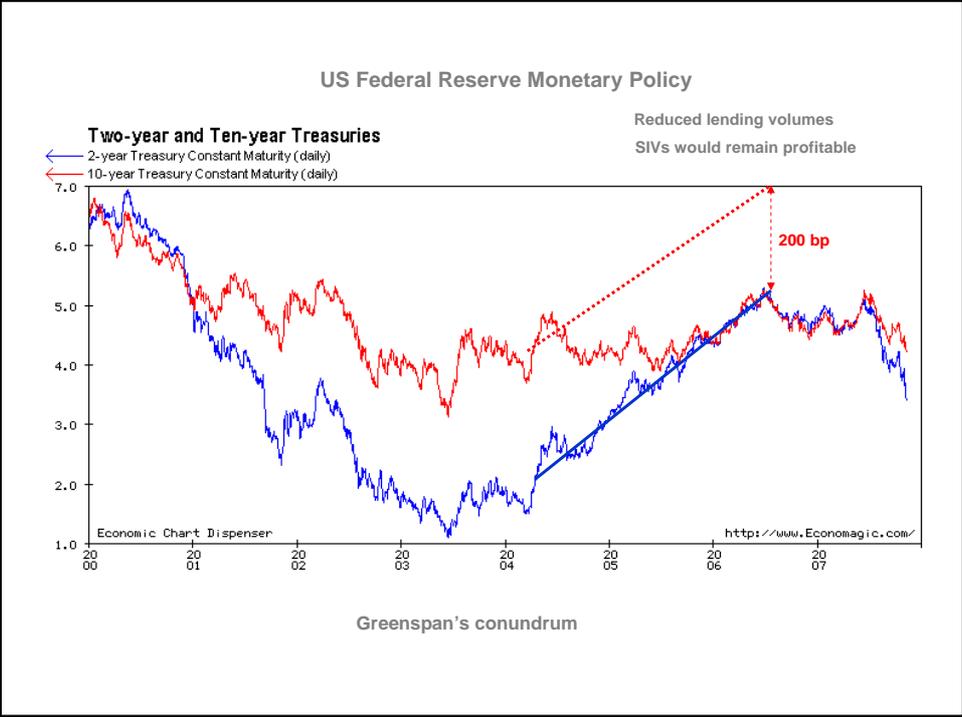


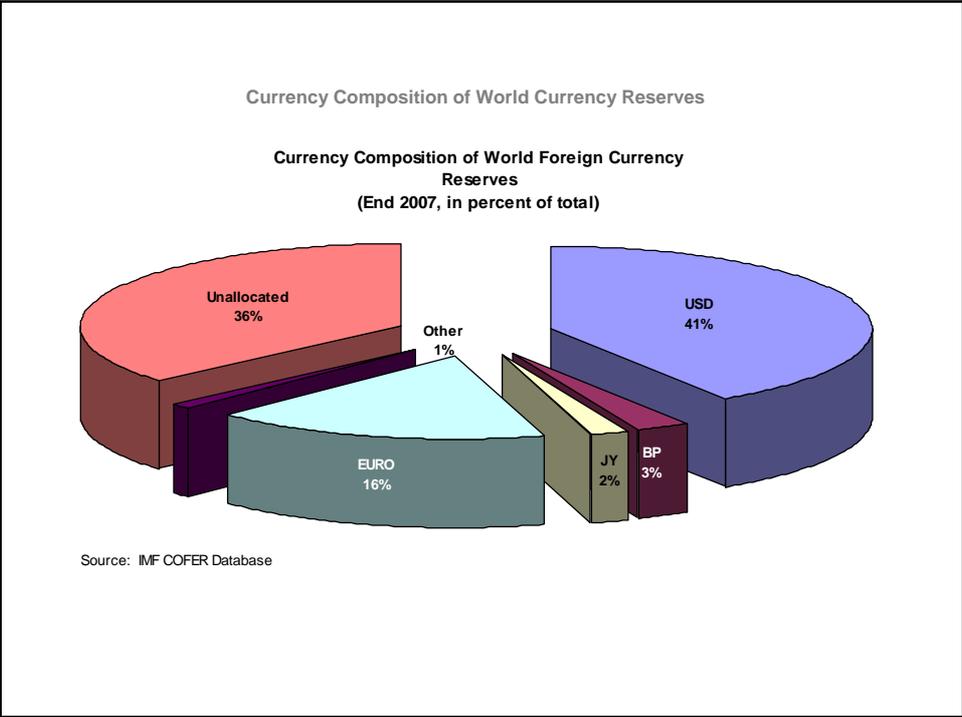
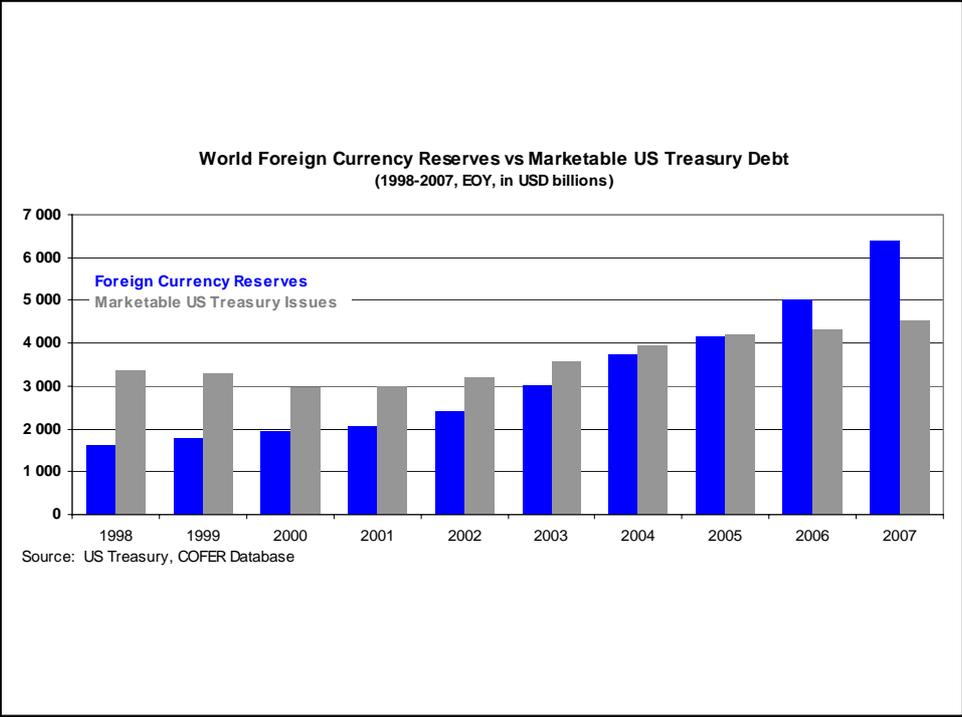
**Figure 1.7. Monthly Mortgage Rate Resets**  
(First reset in billions of U.S. dollars)



Source: Credit Suisse.

#### 4. The Monetary Policy Crisis







**USAID**  
FROM THE AMERICAN PEOPLE

**ACCESS TO CREDIT INITIATIVE**  
MORTGAGES. FIXED INCOME. LEASING.

Thank you

# **ATTACHMENT 8**





## Glosar de leasing

### Глоссарий о лизинге

---

**Agent** – persoană care acționează în numele altei persoane și nu este angajatul acesteia.

**Агент** – лицо, действующее от имени другого лица и не являющееся его наемным работником.

---

**Anuități** – o serie de plăți egale, care sunt efectuate la sfârșitul unor perioade de timp egale și asupra cărora se aplică dobânda compusă.

**Ануитеты** – серия равной величины платежей, которые произведены в конце равных периодов времени и к которым применяются сложные проценты.

---

**Arendă** – locațiune a terenurilor agricole, pădurilor, animalelor domestice și a altor active biologice.

**Аренда** – наем сельскохозяйственных угодий, лесов, домашнего скота и других биологических активов.

---

**Arvună** – suma de bani sau un alt bun pe care locatarul a dat-o locatorului pentru a confirma încheierea contractului de leasing și a-i garanta executarea.

**Задаток** – денежная сумма или иное имущество, которое лизингополучатель передал лизингодателю в подтверждение заключения договора лизинга и в обеспечение его исполнения.

---

**Auditul raportului financiar** – examinare independentă a raportului financiar a întreprinderii pentru exprimarea opiniei asupra veridicității acestuia.

**Аудит финансового отчета** – независимое изучение финансового отчета предприятия с целью выражения мнения по поводу его подлинности.

---

**Brokeraj** – recompensă acordată brokerului pentru serviciile sale de intermediere.

**Брокераж** – вознаграждение брокеру за оказанные им посреднические услуги.

---

**Cambie** – document ce include o obligație necondiționată, exprimată în scris, în forma strict stabilită de lege, ce oferă proprietarului (deținătorului cambiei) dreptul incontestabil să ceară la termenul de achitare a plății de la datornic și în cazul ne satisfacerii creanței date de la alte persoane datornice, plata sumei bănești indicate în cambie.

**Вексель** – это документ, содержащий безусловное письменное обязательство, строго установленной законом формы, дающее его владельцу (векселедержателю) бесспорное право при наступлении срока платежа требовать от должника, а при неудовлетворении этого требования – и от иных, обязанных по векселю лиц уплаты обозначенной в векселе денежной суммы.

---

**Capitalul întreprinderii** – capitalul propriu și împrumutat al întreprinderii.

**Капитал предприятия** – собственный и заемный капитал предприятия.

---

**Capital împrumutat** – capitalul, acordat întreprinderii cu condiția de rambursare, pe un anumit termen și, de regulă, contra plată.

**Заемный капитал** – это капитал, предоставленный предприятию на условиях возвратности, срочности и, как правило, платности.

---

**Capitalul propriu al întreprinderii** – capitalul întreprinderii ce, în ultimă instanță, aparține participanților acesteia. Se formează din cotizațiile fondatorilor (participanților) și acumulările rezultatelor financiare ale activității întreprinderii. Numeric este egal cu activele nete ale întreprinderii.

**Собственный капитал предприятия** – капитал предприятия, принадлежащий в конечном счете его участникам. Образуется за счет вкладов учредителей (участников) и накопленных финансовых результатов деятельности предприятия. Численно равен чистым активам предприятия.

---



---

**Cerere de chemare în judecată (acțiune)** – cerere în instanța judecătorească competentă, ce poate fi depușă de oricine care pretinde un drept împotriva unei alte persoane sau are un interes pentru constatarea existenței ori inexistenței unui anumit drept civil.

**Исковое заявление (иск)** – заявление в компетентную судебную инстанцию, которое может подать любое лицо, заявляющее свое право против другого лица либо заинтересованное в установлении наличия либо отсутствия того или иного гражданского права.

---

**Cheltuieli** – diminuările de avantaje economice care apar în procesul desfășurării activității economico-financiare.

**Расходы** – уменьшение экономических выгод возникающих в процессе финансово - экономической деятельности.

---

**Clauza penală (penalitatea)** – prevedere contractuală prin care părțile evaluează anticipat prejudiciul, stipulînd că debitorul, în cazul neexecutării obligației, urmează să remită creditorului o sumă de bani sau un alt bun stabilită în mărime fixă sau sub forma unei cote din valoarea obligației garantate garantată prin penalitate.

**Неустойка** – условие договора, в соответствии с которым стороны предварительно оценивают убытки и устанавливают, что в случае неисполнения обязательства должник обязан уплатить кредитору определенную сумму денег или передать определенную вещь, установленную в конкретном размере или в виде доли от стоимости обеспеченного неустойкой обязательства.

---

**Coeficientul de autonomie** – structura surselor de finanțare a agentului economic sub aspectul cotei capitalului propriu în totalul pasivului bilanțului contabil.

**Кoeffициент финансовой автономии** – коэффициент, который отражает структуру источников финансирования экономического объекта в виде доли собственного капитала в общей сумме пассивов бухгалтерского баланса.

---

**Compensarea taxei de stat la litigiu civil** – compensarea taxei de stat care se efectuează de pîrît (reclamat) în beneficiu reclamantului în cazul în care judecata a recunoscut acțiunea reclamantului. Dacă acțiunea a fost recunoscută parțial, compensarea taxei de stat plătite de reclamant se efectuează proporțional sumei recunoscute de judecată.

**Возмещение государственной пошлины в гражданском споре** – возмещение ответчиком истцу государственной пошлины в случае, если суд признал иск справедливым. Если иск признан частично, ответчик возмещает истцу только часть уплаченной государственной пошлины, пропорционально сумме иска, признанной судом.

---

**Consumator** – orice persoană fizică care comandă, procură sau folosește produse și/sau servicii pentru necesități nelegate de activitatea de întreprinzător sau cea profesională.

**Потребитель** – любое физическое лицо, заказывающее, приобретающее или использующее товары и/или услуги для нужд, не связанных с предпринимательской или профессиональной деятельностью.

---

**Contract consensual** – contract pentru încheierea căruia este destul exprimarea voinței părților acestuia.

**Консенсуальный договор** – договор, для заключения которого достаточно лишь волеизъявления его сторон.

---

**Contract cu executare succesivă** – contract care se execută consecutiv și durează un timp îndelungat.

**Договор с последовательным исполнением** – договор, который исполняется последовательно и продолжается длительное время.

---

**Contract de fidejusiune** – contract prin care o parte (fidejutor) se obligă față de cealaltă parte (creditor) să execute integral sau parțial, gratuit sau oneros obligația debitorului.

**Договор поручительства** – договор, на основе которого одна сторона (поручитель) обязуется перед другой стороной (кредитором) безвозмездно или за вознаграждение исполнить обязательство должника полностью или частично.

---



**Contract de leasing** – contract în a cărui bază o parte acestuia (*locator*) se obligă, la cererea altei părți (*locatar*), să-i asigure posesiunea și folosința temporară a unui bun, achiziționat sau produs de locator, contra unei plăți periodice (*rată de leasing*), iar la expirarea contractului să respecte dreptul de opțiune al locatarului de a cumpăra bunul, de a prelungi contractul de leasing ori de a înceta raporturile.

**Договор лизинга** – договор, в соответствии с которым одна сторона (*лизингодатель*) обязуется по ходатайству другой стороны (*лизингополучатель*) предоставить во временное владение и пользование вещь, приобретенную или произведенную лизингодателем, взамен периодических платежей (*лизинговых платежей*), а по истечению срока действия договора соблюсти право лизингополучателя выбрать приобрести вещь, продлить договор лизинга или прекратить договорные отношения.

**Contract real** – contract pentru încheierea căruia este necesară și exprimarea voinței părților acestuia și transmiterea bunurilor și/sau acordarea serviciilor.

**Реальный договор** – договор, для заключения которого необходимо не только волеизъявление его сторон, но и передача имущества и/или предоставление услуг.

**Contract sinalagmatic** – contract care generează obligații pentru toate părțile acestuia.  
**Синаллагматический договор** – договор, порождающий обязательства для всех его сторон.

**Cotă zero** – cota T.V.A. ce constituie zero procente.

**Нулевая ставка** – ставка НДС, составляющая ноль процентов.

**Creanțe** – drepturi juridice ale agentului economic ca creditor de a primi la scadența stabilită o sumă de bani sau alte valori de la persoane numite debitori.

**Требования** – юридические права экономического агента выступающего в качестве кредитора для получения в срок погашения определенной суммы денег или других ценностей от других лиц названных дебиторами.

**Creanțe pe termen scurt** – drepturi ale agentului economic de a primi în termen nu mai mare de un an, de la debitori o sumă de bani, bunuri materiale sau alte valori.

**Краткосрочные требования** – права экономического агента требовать от дебиторов, в течение срока не более одного года, определенную сумму денег, материальные или другие ценности.

**Credit bancar** – mijloace bănești, acordate cu împrumut de către bănci, pe un termen stabilit, rambursabile și cu achitarea unei anumite dobânzi.

**Банковский кредит** – это денежные средства, предоставляемые банком займы, на определенный срок на условиях возвратности и уплаты определенного процента.

**Credit consorțial** – credit acordat unui locator de două sau mai multe bănci în baza unui consorțiu format de acesta.

**Консорциальный кредит** – это кредит, предоставляемый одному лизингодателю двумя и более банками на основе созданного им консорциума.

**Datorii** – angajamente de plată ale agentului economic față de alte persoane numite creditori.

**Долги** – обязательства экономического агента по платежам другим лицам, именуемые кредиторами.

**Datorie subordonată** – datorie monetară, cu o prioritate mai joasă în comparație cu datoria superioară. În caz de insolvabilitate deținătorii datoriei subordonate vor primi mijloacele bănești doar după ce vor fi achitate toate datoriile superioare.

**Субординированный долг** - денежный долг, имеющий более низкий приоритет в сравнении со старшим долгом. В случае банкротства держатели субординированного долга получают денежные средства лишь после полного обслуживания старшего долга.

**Deducere** – sumă care, la calcularea venitului impozabil, se scade din venitul brut al contribuabilului conform prevederilor legislației fiscale.

**Вычет** – сумма вычитаемая из валового дохода налогоплательщика в соответствии с положениями налогового законодательства при расчете налогооблагаемого дохода.



**Добîнда** (venit sub formă de dobîndă) – orice venit obținut conform creanțelor de orice fel (indiferent de modul întocmirii), inclusiv veniturile de pe depunerile bănești și veniturile obținute în baza unui contract de leasing financiar.

**Процентные начисления** (доход в виде процентов) – любой доход полученный по долговому обязательству (независимо от способа его оформления), включая доходы от денежных вкладов и доходы полученные по договору финансового лизинга.

**Добîнда de întîrziere** – dobînda care debitorul este obligat să plătească creditorului, drept despăgubire, pentru toată perioadă de întîrziere a îndeplinirii obligației pecuniare.

**Процент за просрочку** – процент, который должник обязан уплатить кредитору за весь период просрочки исполнения денежного обязательства в качестве возмещения причиненного ущерба.

**Дрептури de import** – drepturile care, în cazul trecerii marfurilor peste frontiera vamală și în alte cazuri, stabilite de legislație, includ perceperea:

- **Тaxa vamală** (se determină conform Legii cu privire la tariful vamal. **Базa de calcul** – volumul natural sau valoarea în vamă a mărfurilor, determinată conform legislației);
- **Тaxa pe valoarea adăugată** (se determină în conformitate cu titlul III al Codului fiscal și alte acte legislative. **Базa de calcul** – volumul natural sau valoarea în vamă a mărfurilor importate, determinată conform legislației vamale, precum și impozitele și taxele ce urmează a fi achitate la data importului, fără a ține cont de accize și TVA);
- **Accize** (se percep în conformitate cu titlul IV al Codului fiscal și alte acte legislative aferente în vigoare. **Базa de calcul** (valoarea impozabilă cu TVA) – valoarea în vamă a mărfurilor importate, determinată conform legislației vamale și drepturile de import, fără TVA);
- **Тaxa pentru proceduri vamale (procedurile vamale** – totalitatea serviciilor acordate de organele vamale în sfera activității vamale. Se achită în cazul utilizării oricărei destinații vamale și se transferă la bugetul de stat. În volum deplin se utilizează pentru finanțarea activității vamale. **Базa de calcul** – valoarea în vamă a mărfurilor sau taxele fixe, stabilite de legislație);
- **Тaxa pentru eliberarea autorizației și taxa pentru actualizarea valabilității autorizației;**
- **Тaxa pentru participarea la licitația vamală;**
- **Alte sume, prevăzute de legislație.**

**Права на импорт** – права, которые в случае провоза товаров через таможенную границу и в других случаях, определенных законодательством, предусматривать взимание:

- **Таможенной пошлины** (определяется в соответствии с Законом о таможенном тарифе. **Основа для расчета** – натуральный объем или стоимость товаров на таможне, определенных согласно законодательству).
- **Налога на добавленную стоимость** (определяется в соответствии с Разделом III Налогового Кодекса и другими действующими соответствующими законодательными актами. **Основа для расчета** – натуральный объем или стоимость импортируемых товаров в таможне, определенных согласно таможенного законодательства, а также налоги и сборы подлежащие оплате в день импорта, без учета акцизов и НДС);
- **Акцизов** (взимаются в соответствии с разделом IV Налогового кодекса и другими действующими соответствующими законодательными актами. **Основа для расчета** (стоимость облагаемая НДС) – стоимость импортируемых товаров в таможне, определенная согласно таможенному законодательству и права на импорт, без учета НДС);
- **Сбора за осуществление таможенных процедур (таможенные процедуры** – совокупность услуг предоставленных таможенными органами в области таможенной деятельности. Уплачивается в случае использования любого таможенного назначения и перечисляются в государственный бюджет. В полном объеме используется для финансирования таможенной деятельности. **Основа для расчета** – стоимость товаров в таможне или установленные сборы предусмотренные законодательством);
- **Сбора за выдачу разрешения и сбор за продление действия разрешения;**
- **Сбора за участие в таможенном аукционе;**
- **Других сумм, предусмотренные законодательством.**



---

**Dobînda de leasing fixă** – dobîndă mărimea căreia, conform contractului de leasing, rămîne neschimbată pe parcursul înregii perioade de leasing.

**Твердый доход от лизинга (процентные начисления)** – размер которых согласно договору остается неизменным в течение всего срока лизинга.

---

**Dobînda de leasing flotantă** – dobîndă mărimea căreia, potrivit contractului de leasing, se poate modifica în conformitate cu condițiile stipulate în lege și/sau contract.

**Плавающий доход от лизинга (процентные начисления)** – доход от лизинга, который может изменяться в течение срока лизинга в соответствии с условиями предусмотренными законом и/или договором.

---

**Durata probabilă de funcționare utilă** – perioada în decursul căreia întreprinderea prevede folosirea activului.

**Возможный срок полезного использования** – период, в течение которого предприятие планирует использовать данный актив.

---

**Entitate de interes public** – entitate care are importanță semnificativă pentru public datorită domeniului (tipului) de activitate, mărimii sale sau numărului de angajați, de clienți, deținerii poziției dominante pe piață și care depășește limitele (criteriile) stabilite de legislație.

**Субъект публичного интереса** – субъект имеющий существенное значение для общества в силу сферы (вида) своей деятельности или численности работников, клиентов, занимающий доминирующее положение на рынке, превышая пределы установленные законом.

---

**Evidența cambiei** – cumpărarea de către bancă a cambiei până la expirarea termenului scadent al cambiei. Astfel, dreptul de proprietate asupra cambiei și toate drepturile ce reies din deținerea cambiei trec către bancă.

**Учет векселя** – это покупка банком векселя до истечения срока платежа по векселю. При этом право собственности на вексель и все права, вытекающие из владения векселем, переходят к банку.

---

**Export de mărfuri** – scoaterea mărfurilor de pe teritoriul Republicii Moldova în conformitate cu legislația vamală.

**Экспорт товаров** – вывоз товаров с территории Республики Молдова в соответствии с таможенным законодательством.

---

**Export de servicii** – prestare de către persoane juridice și fizice rezidente ale Republicii Moldova persoanelor juridice și fizice nerezidente ale Republicii Moldova de servicii al căror loc de livrare nu este Republica Moldova.

**Экспорт услуг** – оказание юридическими и физическими лицами - резидентами Республики Молдова юридическим и физическим лицами - нерезидентам Республики Молдова услуг, местом поставки которых не является Республика Молдова.

---

**Factor de fructificare** – factor numeric care se folosește la aducerea în prezent a unor sume investite în trecut sau la ducerea din prezent a sumelor investite spre viitor.

**Фактор наполнения** – численный фактор, используемый для приведения к настоящему моменту времени сумму, инвестированных в прошлом, или для перенесения в будущее сумм, инвестированных в настоящем.

---

**Factură fiscală** – formular tipizat de document primar cu regim special, prezentat cumpărătorului de către subiectul impozabil, înregistrat în modul stabilit, la efectuarea livrărilor impozabile.

**Налоговая накладная** – типовая форма первичного документа строгой отчетности, представляемого покупателю при осуществлении облагаемых поставок субъектом налогообложения, зарегистрированным в установленном порядке.

---

**Finanțare** – acordarea sau atragerea mijloacelor (resurselor) bănești.

**Финансирование** – это предоставление или привлечение денежных средств (ресурсов).

---



---

**Finanțarea – factoring a locatorului cu drept de regres** – finanțarea de către bancă a locatorului în baza contractorului de factoring, ce prevede că banca (factorul) are dreptul să înapoieze locatorului creanțele față de locatar, procurate de la el, în caz că ultimul refuză sau evită să execute aceste creanțe. În cazul dat riscul ne stingerii creanțelor monetare cedate băncii îl poartă locatorul.

**Факторинговое финансирование лизингодателя с правом регресса** – финансирование банком лизингодателя по договору факторинга, предусматривающему, что банк (фактор) вправе вернуть лизингодателю приобретенные у него права требования к лизингополучателю при отказе или уклонении последнего от исполнения этих требований. В этом случае риск непогашения уступленных банку денежных требований несет лизингодатель.

---

**Finanțarea factoring a locatorului fără drept de regres** – finanțarea de către bancă a locatorului în baza contractorului de factoring, ce prevede că banca (factorul) nu are dreptul să înapoieze locatorului creanțele procurate de la el față de locatar în caz că ultimul refuză sau evită să execute aceste creanțe. În cazul dat riscul ne stingerii creanțelor monetare cedate băncii îl poartă banca, în legătură cu acest fapt scontul aferent creanțelor monetare dobândite de bancă crește în comparație cu factoringul cu drept de regres.

**Факторинговое финансирование лизингодателя без права регресса** – финансирование банком лизингодателя по договору факторинга, предусматривающему, что банк (фактор) не вправе вернуть лизингодателю приобретенные у него права требования к лизингополучателю при отказе или уклонении последнего от исполнения этих требований. В данном случае риск непогашения уступленных банку денежных требований несет банк, в связи с чем дисконт с приобретаемых банком денежных требований возрастает в сравнении с факторингом с правом регресса.

---

**Fluxul net al mijloacelor bănești (Net Cash Flow – NCF)** – diferența dintre încasări obținute și plăți efectuate în cursul perioadei de timp.

**Чистый поток денежных средств (Net Cash Flow – NCF)** – разница между полученными денежными поступлениями и осуществленными платежами за определенный период времени.

---

**Gajul** – drept real în al cărui temei creditorul (creditorul gajist) poate pretinde satisfacerea creanțelor sale cu preferință față de ceilalți creditori, inclusiv statul, din valoarea bunurilor depuse în gaj în cazul în care debitorul (debitorul gajist) nu execută obligația garantată prin gaj.

**Залог** – вещное право на основании которого кредитор (залогодержатель) имеет право в случае неисполнения должником (залогодателем) обеспеченного залогом обязательства получить удовлетворение своих требований из стоимости заложенного имущества преимущественно перед другими кредиторами, в том числе государством.

---

**Garanția debitorului** – obligația lui la o prestație necondiționată sau la o prestație depășind obiectul propriu-zis al contractului.

**Гарантия должника** – обязанность должника произвести безусловное исполнение либо исполнение, превышающее собственно предмет договора.

---

**Import de mărfuri** – introducerea mărfurilor pe teritoriul Republicii Moldova în conformitate cu legislația vamală.

**Импорт товаров** – ввоз товаров на территорию Республики Молдова в соответствии с таможенным законодательством.

---

**Insolvabilitate** – incapacitatea agentului economic de a achita datoriile scadente.

**Неплатежеспособность** – неспособность экономического агента оплачивать непогашенную долги, срок погашения которых наступил.

---

**Investiții de portofoliu** – investiții în întreprindere cu scopul de a obține venit.

**Портфельные инвестиции** – инвестиции в предприятие с целью получения дохода.

---

**Investiții directe** – investiții în întreprindere, efectuate nu doar în scopul obținerii venitului, dar și în scopul gestionării active a întreprinderii.

**Прямые инвестиции** – инвестиции в предприятие, преследующие цель не только получение дохода, но и активное управление предприятием.

---



---

**Investiții pe termen scurt** – investiții (acțiuni, obligațiuni, cambii, depozite, cote de participație în capitalul social al altor întreprinderi) pe care întreprinderea are intenția să le dețină în termen nu mai mare de un an.

**Краткосрочные инвестиции** – инвестиции (акции, облигации, векселя, депозиты, доли участия в уставном капитале других предприятий), которые предприятие намерено удерживать не более года.

---

**Împrumut bănesc** – mijloace, obținute de locator de la persoane fizice și/sau juridice pe un termen stabilit și contra unei anumite plăți.

**Денежный займ** – это средства, полученные лизингодателем от юридических и/или физических лиц на установленный срок и за определенную плату.

---

**Încetarea contractului de leasing** – încetarea acțiunii contractului de leasing în cazul expirării termenului acestuia, rezilierii sau declarării lui nul ori în alte cazuri prevăzute de lege.

**Прекращение договора лизинга** – прекращение действия договора лизинга в случае истечения его срока, расторжения или объявления его недействительным либо в других предусмотренных законом случаях.

---

**Leasing** – totalitate a raporturilor de drept care iau naștere în procesul încheierii, executării, modificării și încetării contractului de leasing.

**Лизинг** – совокупность правоотношений, возникающих в процессе подписания, исполнения, изменения и прекращения договора лизинга.

---

**Leasing de consum** – leasing în care locatarul este consumător.

**Потребительский лизинг** – лизинг, в котором лизингополучатель является потребителем.

---

**Личидitate** – capacitatea activelor de a se transforma în mijloace bănești, în timp util, și de a achita datoriile agentului economic.

**Ликвидность** – способность активов оперативно превращаться в денежные средства и оплачивать долги экономического субъекта.

---

**Linie de credit ne-reînnoibilă** – linie de credit ce acordă credite în părți, dar se stinge, de regulă, dintr-o singură dată, după terminarea termenului de acțiune a contractului de credit bancar.

**Невозобновляемая кредитная линия** – кредитная линия, при которой кредит предоставляется частями, а погашается, как правило, единовременно, по окончании срока действия договора банковского кредита.

---

**Linie de credit reînnoibilă** – linie de credit, ce permite stingerea creditelor acordate anterior, în mod automat, odată cu apariția mijloacelor bănești în contul întreprinderii, cu dreptul de a utiliza a sumei creditului înnoit pe parcursul întregului termen de acțiune a contractului de credit bancar.

**Возобновляемая кредитная линия** – кредитная линия, при которой происходит автоматическое погашение ранее выданных кредитов по мере поступления денежных средств на счет предприятия, с правом использования возобновленной суммы кредита в течение всего срока действия договора банковского кредита.

---

**Livrare (prestare) de servicii** – activitate de prestare a serviciilor materiale și nemateriale, de consum și de producție, inclusiv darea proprietății în arendă, locațiune, uzufruct, **leasing operațional**, transmiterea drepturilor privind folosirea oricăror mărfuri contra plată sau gratuit; activitate de executare a lucrărilor de construcții și montaj, de reparație, de cercetări științifice, de construcții experimentale și a altor lucrări contra plată sau gratuit.

**Поставка (оказание) услуг** – деятельность по оказанию материальных и нематериальных, потребительских и производственных услуг, включающая передачу собственности в аренду, имущественный наем, uzufruct, **операционный лизинг**, передачу прав на использование любых товаров за плату или без оплаты; деятельность по выполнению строительно-монтажных, ремонтных, научно-исследовательских, опытно-конструкторских и других работ за плату или без оплаты.

---



**Livrare de mărfuri** – transmitere a dreptului de proprietate asupra mărfurilor prin comercializarea lor, schimb, transmitere gratuită, transmitere cu plată parțială, achitarea salariului în expresie naturală, prin alte plăți în expresie naturală, prin comercializarea mărfurilor gajate în numele debitorului gajist, prin transmiterea mărfurilor în baza **contractului de leasing financiar**.  
**Поставка товаров** – передача права собственности на товары посредством их реализации, обмена, передачи без оплаты или с частичной оплатой, выплаты заработной платы в натуральном выражении, других платежей, осуществляемых в натуре, реализации заложенных товаров от имени залогодателя, передачи товаров на основе **договора финансового лизинга**.

**Livrare imposibilă** – livrare de mărfuri, livrare (prestare) de servicii, cu excepția celor scutite de T.V.A., efectuate de către subiectul imposibil în procesul activității de întreprinzător.

**Облагаемая поставка** – поставка товара, поставка (оказание) услуг, за исключением тех освобожденных от НДС, осуществляемые субъектом налогообложения в процессе предпринимательской деятельности.

**Locatar** – persoană fizică sau juridică care primește, în baza contractului de leasing, în posesiune și folosință bunul specificat în contract pentru o anumită perioadă în schimbul achitării ratelor de leasing).

**Лизингополучатель** – физическое или юридическое лицо, которое в соответствии с договором лизинга получает во владение и пользование предмет лизинга на определенный срок взамен лизинговых платежей.

**Locațiune** – totalitate a raporturilor drept, care iau naștere în baza contactului, conform căruia o parte (locator) se obligă să dea celeilalte părți (locatar) un bun determinat individual în folosință temporară sau în posesiune și folosință temporară, iar aceasta se obligă să plătească chirie.

**Имущественный наем** – совокупность правоотношений возникающих, на основе договора, согласно которому одна сторона (**наймодатель**) обязуется передать другой стороне (**нанимателю**) индивидуально определенную вещь во временное пользование либо во временное владение и пользование, а последний обязуется вносить плату за это.

**Locator** – persoană fizică sau juridică care practică activitate de întreprinzător și transmite, în baza contractului de leasing, **locatarului**, la solicitarea acestuia, pentru o anumită perioadă, dreptul de posesiune și de folosință asupra unui bun al cărui proprietar este locator.

**Лизингодатель** – физическое или юридическое лицо, занимающееся предпринимательской деятельностью, которое согласно условиям договора лизинга передает **лизингополучателю**, по его ходатайству, на определенный срок, право на владение и пользование вещью, собственником которой является лизингодатель.

**Locul livrării mărfurilor, serviciilor** – locul efectuării livrării, determinat conform regulilor stabilite în art.110 și 111 din Codul fiscal.

**Место поставки товаров и услуг** – место осуществления поставок в соответствии с правилами, установленными статьями 110 и 111 Налогого кодекса.

**Marfă, valori materiale** – rezultat al muncii sub formă de articole, mărfuri de larg consum și produse cu destinație tehnico-economică, clădiri, construcții și alte bunuri imobiliare, activele nemateriale.

**Товар, товарно-материальные ценности** – продукт труда в форме изделий, товаров народного потребления и продукции производственно – технического назначения, здания, сооружения и другое недвижимое имущество, нематериальные активы.

**Metoda însumării cifrelor** – metodă de stabilire a mărimii ratei de leasing pornind de la valoarea uzurii calculată aferentă unei perioade de leasing la care se adaugă grupa elementelor de costuri și cheltuieli, dobânzi și ale altor elemente.

**Метод суммирования** – метод установление размер лизингового платежа учитывающий сумму износа, рассчитанную за срок лизинга, к которой добавляется группа других элементов затрат, расходов и процентов.



**Metoda valorii actualizate nete a leasingului (VANL)** – metodă ce prevede determinarea fluxurilor mijloacelor bănești nete actualizate ale locatorului care sunt reprezentate de fluxurile de ieșire a mijloacelor bănești la achiziționarea obiectului de leasing și de un flux de numerar de intrare legat de economiile fiscale.

**Метод дисконтированной стоимости лизинга (ДСЛ)** – метод, который предполагает определение потоков чистых актуализированных сумм денежных средств лизингодателя, которые представлены исходящими потоками денежных средств по приобретению предмета лизинга и входящего потока наличности, связанного с налоговой экономией.

**Mijloacele fixe** – activele materiale, a căror valoarea unitară depășește plafonul stabilit de legislație (3 000 lei conform art.26 alin. (2) din Codul fiscal), destinate pentru utilizare în activitatea întreprinderii mai mult de un an sau destinate transmiterii în arendă, leasing sau locațiune).

**Основные средства** – материальные активы единичная стоимость которых превышает порог, установленный законодательством (3 000 лей согласно ст. 26, ч. (2) Налогового кодекса), предназначенных для использования в деятельности предприятия больше года или предназначенные для сдачи в аренда, лизинг или наем).

**Nivelul de siguranță** a coeficienților financiari (ratelor financiare) – nivelul coeficienților care reflectă situația financiară normală (favorabilă) a agentului economic.

**Уровень стабильности** финансовых коэффициентов (финансовых соотношений) – уровень коэффициентов, отражающий нормальное (благоприятное) финансовое положение экономического агента.

**Obiectul leasingului** – orice bun neconsumptibil, mobil sau imobil, ce locatorul transmite locatarului, la solicitarea acestuia, în posesiune și folosință pentru o anumită perioadă, în schimbul achitării ratelor de leasing.

**Предмет лизинга** – любая непотребляемая вещь, движимая или недвижимая, которую лизингодатель передает лизингополучателю во владение и пользование, по его ходатайству, на определенный срок, взамен лизинговых платежей.

**Obligațiune** – valoare mobiliară de împrumut, ce atestă dreptul proprietarului obligațiunii să primească de la emitentul acesteia valoarea nominală sau valoarea nominală și dobânda aferentă în volumul și termenul stabilit în decizia de emisiune a obligațiunii.

**Облигация** – ценная бумага о займе, удостоверяющая право владельца облигации на получение от ее эмитента номинальной стоимости или номинальной стоимости и процента по ней в размере и сроки, установленные решением об эмиссии облигаций.

**Ordonanța judecătorească** – dispoziție dată unipersonal de judecător, în baza materialelor prezentate de creditor, privind încasarea de sume bănești sau revendicarea de bunuri mobiliare de la debitor indicate în pretențiile ce rezultă din acordarea în leasing a unor bunuri sau în alte pretenții specificate în Codul de procedura civilă.

**Судебный приказ** – постановление судьи, вынесенное им единолично на основании представленных кредитором материалов, о взыскании денежных сумм или истребовании движимого имущества с неисправного должника по требованиям, вытекающим из передачи вещи в лизинг или по иным требованиям, предусмотренным Гражданским процессуальным кодексом.

**Overdraft** – formă specială a creditului bancar pe termen scurt, acordat de bancă ce constă în sustragerea resurselor financiare din contul clientului – întreprinderii. De altfel, suma sustragerii poate fi mai mare decât soldul din contul întreprinderii, ca urmare contul întreprinderii rămâne cu soldul negativ, ce de fapt și se numește overdraft.

**Овердрафт** – особая форма краткосрочного банковского кредита, предоставляемого банком путем списания средств со счета клиента-предприятия. При этом сумма списания может быть больше, чем остаток на счете предприятия, в результате этого на счете предприятия возникает отрицательный баланс, который и называется овердрафтом.



---

**Plata parțială** – îndeplinirea incompletă de către cumpărător a obligațiilor sale bănești față de furnizor.

**Частичная оплата** – неполное выполнение покупателем денежных обязательств перед поставщиком.

---

**Plată de leasing** – plata locatarului pentru utilizarea obiectului livrat acestuia prin contractul de leasing.

**Лизинговые платежи** – оплату лизингополучателя за пользование предметом переданным ему по договору лизинга.

---

**Portofoliul** companiei de leasing – totalitatea contractelor de leasing încheiate de o companie de leasing și care se află în stadiu de executare la un moment dat sau în cursul anumitei perioade.

**Портфель лизинговой компании** – совокупность лизинговых контрактов, заключенных лизинговой компанией, которые находятся в процессе исполнения на определенную дату или в течение определенного периода.

---

**Procedura în ordonanță (simplificată)** – procedura judiciară simplificată, destinată pentru încasarea silită a sumelor bănești sau revendicarea silită a bunurilor mobile de la debitorii necorespunzător. Este bazată pe eliberarea ordonanței judecătorești.

**Приказное (упрощенное) производство** – упрощенная судебная процедура, предназначенная для принудительного взыскания денежных сумм или принудительного возврата движимого имущества от неисправного должника. Основано на выдаче судебного приказа.

---

**Procesul de scontare în regim de dobânda compusă (sau tehnica de actualizare)** – actualizarea tuturor valorilor investițiilor dispersate în timp la un singur moment, care, de regulă, este cel actual.

**Процесс дисконтирования на условиях сложных процентов (техника актуализации)** – процесс приведение стоимостей всех инвестиций определенных во времени, к единому моменту, который обычно является настоящим моментом

---

**Profitul din activitatea operațională** – diferența dintre venituri obținute și cheltuieli suportate de agentul economic în urma desfășurării activității de bază.

**Доход от операционной деятельности** – разница между доходами и расходами экономического агента, полученными и понесенными в процессе основной деятельности.

---

**Profitul net** – profitul rămas la dispoziția agentului economic după achitarea impozitului pe venit.

**Чистая прибыль** – прибыль, оставшаяся в распоряжении экономического агента после уплаты налога на доход.

---

**Provizion** – rezerva financiară creată de întreprindere pentru recuperarea eventualelor diminuări ale activelor sau posibilităților creșterii ale datoriei.

**Провизион** – финансовый резерв, созданный предприятием для возмещения возможного сокращения активов или возможного увеличения обязательств.

---

**Rata de actualizare** – rata dobânzii lipsită de risc și calculată după impozitare.

**Ставка актуализации** – ставка, представленная процентной ставкой лишенной риска и рассчитанной после налогообложения.

---

**Rată de leasing** – plată periodică efectuată de locatar către locator. În cazul leasingului financiar, reprezintă cota-parte din valoarea de intrare a bunului și dobânda de leasing, iar în cazul leasingului operațional - cota de amortizare normativă a bunului și dobânda de leasing.

**Лизинговые платежи** – периодические платежи, осуществляемые лизингополучателем лизингодателю. В случае финансового лизинга представляют собой часть первоначальной стоимости вещи и доход от лизинга, а в случае операционного лизинга - нормативный износ вещи и доход от лизинга.

---



---

**Rata interna de rentabilitate a leasingului pentru locator (RIRL)** – rată pentru care valoarea actualizată a fluxurilor de leasing este nulă ( $VANI = 0$ ). **Внутренняя ставка рентабельности лизинга для лизингодателя (ВСРЛ)** – ставка для которой актуализированная стоимость лизинговых потоков равна нулю  $VANI = 0$ .

---

**Rata neutră de leasing** – rată a locatorului/locatarului obținută pe piața de leasing perfectă, după care are loc conturarea ratei de leasing, pe baza ratei minime acceptate de locator și a ratei maxime acceptate de locatar.

**Нейтральная ставка лизинга** – ставка которая предполагает определение ставок лизингодателя/лизингополучателя полученных на идеальном лизинговом рынке, а также последующее формирование лизинговой ставки, на основе минимальной ставки, с которой согласен лизингодатель, и максимальной ставки, с которой согласен лизингополучатель.

---

**Rata rentabilității activelor** – profitul obținut de agent economic în raport la o unitate bănească a activelor disponibile.

**Уровень рентабельности активов** – прибыль, полученная экономическим агентом в расчете на одну денежную единицу применимых агентом активов.

---

**Remarketing** – obligația de re-vînzare de către (vînzător) furnizor a obiectului leasingului terțelor persoane conform condițiilor contractuale stabilite inițial.

**Ремаркетинг** – обязательство по перепродаже (продавцом) поставщиком предмета лизинга третьим лицам, согласно условиям договора предусмотренных первоначально.

---

**Relații specifice** – relații speciale, caracteristice și aplicabile numai unui anumit subiect sau unei circumstanțe concrete, care se deosebesc de relațiile caracteristice pentru subiecți și circumstanțe analogice.

**Специфические отношения** – особые отношения, свойственные и применяемые только к данному конкретному субъекту или обстоятельству, отличающиеся от отношений, сложившихся для аналогичных субъектов и обстоятельств.

---

**Rețenție** – reținere a bunului care debitor trebuie să remită sau să restituie creditorului, în cazul prevăzut de lege și atîta timp cît creditorul nu-l despăgubește pentru cheltuielile necesare și utile pe care le-a făcut pentru acel bun și pentru prejudiciile pe care bunul le-a cauzat.

**Удержание** – удержание вещи, которую должник должен передать или возместить кредитору в предусмотренных законом случаях до тех пор, пока кредитор не возместит ему необходимые и полезные расходы, произведенные в связи с этой вещью, и причиненные ею убытки.

---

**Rezilierea contractului** – încetarea contractului pînă la expirarea termenului acestuia efectuată prin acordul părților contractante sau la cererea unei din părți ai acestuia.

**Расторжение договора** – прекращение договора до истечения срока его действия, основанное на соглашении сторон договора или произведенное по требованию одной из его сторон.

---

**Rezultate financiare (profit/pierderi)** = Venituri – Cheltuieli.

**Финансовые результаты (прибыль / убытки)** = Доходы – Расходы.

---

**Securitzare** – formă de re-finanțare prin emisiunea de obligațiuni sau alte valori mobiliare de datorie, asigurate de active (datorii aferente altor credite bancare omogene, obligații omogene de leasing financiar, etc.), ce generează fluxuri monetare stabile. Presupune înstrăinarea împrumuturilor către o persoană juridică specială, ce efectuează emisiunea valorilor mobiliare de datorie.

**Секьюритизация** – форма рефинансирования путём эмиссии облигаций или других долговых ценных бумаг, обеспеченных активами (задолженностью по однородным банковским кредитам, по однородным обязательствам финансового лизинга и др.), генерирующими стабильные денежные потоки. Предполагает отчуждение займов специальному юридическому лицу, которое и осуществляет эмиссию долговых ценных бумаг.

---



---

**Surse externe de finanțare** – mijloace bănești atrase de întreprindere de la alte persoane fizice și/sau juridice în condiții de împrumut.

**Внешние источники финансирования** – денежные средства, привлеченные предприятием от сторонних юридических и/или физических лиц на условиях займа.

---

**Surse interne de finanțare** – mijloace bănești proprii ale întreprinderii.

**Внутренние источники финансирования** – собственные денежные средства предприятия.

---

**Taxă pe valoarea adăugată (T.V.A.)** – impozit general de stat care reprezintă o formă de colectare la buget a unei părți a valorii mărfurilor livrate, serviciilor prestate care sînt supuse impozitării pe teritoriul Republicii Moldova, precum și a unei părți din valoarea mărfurilor și serviciilor impozabile importate în Republica Moldova.

**Налог на добавленную стоимость (НДС)** – общегосударственный налог, представляющий собой форму изъятия в бюджет части стоимости поставленных товаров и оказанных услуг подлежащих налогообложению на территории Республики Молдова, а также части стоимости облагаемых товаров и услуг, импортированных в Республику Молдова.

---

**Tranzacție de barter** – operațiune de schimb în cadrul căreia clientul (cumpărătorul, consumatorul) își achită datoria prin mijloace ne-bănești (bunuri, servicii).

**Бартерная сделка** – сделка по обмену, в ходе которой клиент (покупатель, потребитель) оплачивает свой долг с использованием не-денежных средств (товаров, услуг).

---

**Tras** – plătitorul, cui este adresat ordinul de a efectua plata aferentă cambiei.

**Трассат** – это плательщик, которому адресован приказ произвести платеж по векселю.

---

**Trasant** – persoana care eliberează sau a eliberat cambia (trăgător).

**Трассант** – лицо, выдающее или выдавшее вексель (векселедатель).

---

**Trecere în cont** – sumă reținută și/sau achitată prealabil, conform prevederilor cap.12, 13, 14 și 15 din Codul Fiscal, cu care contribuabilul are dreptul să micșoreze suma impozitului.

**Зачет** – сумма, удержанная и/или предварительно уплаченная согласно положениям глав 12, 13, 14 и 15 Налогового кодекса, на которую налогоплательщик имеет право уменьшить сумму налога.

---

**Uzura morală** a obiectului de leasing – procesul de învechire (demodare) a obiectului de leasing în urma schimbărilor continue atât ale tehnologiei de producție a obiectelor similare, cât și ale nevoilor locatarilor.

**Моральный износ** предмета лизинга – процесс изнашивания (старения) предмета лизинга в результате постоянных изменений технологий изготовления подобных предметов и потребностей лизингополучателей.

---

**Valoarea actuală netă (Net Present Value sau NPV)** – diferența dintre fluxurile nete ale mijloacelor bănești actualizate la momentul efectuării investițiilor și costul inițial al capitalului investit.

**Чистая приведенная стоимость (Net Present Value или NPV)** – разница между чистыми потоками денежных средств, скорректированными на момент осуществления инвестиции и первоначальной стоимости инвестированного капитала.

---

**Valoarea actuală (Present Value sau PV)** – suma de bani care este necesară de investit azi ca peste o anumită perioadă de timp (în viitor) de obținut o valoare cerută (Future Value sau FV).

**Фактическая (актуальная) стоимость (Present Value или PV)** – сумма денег, которую необходимо вложить сегодня чтобы через определенный период времени (в будущем) получить требуемую стоимость (Future Value или FV).

---

**Valoarea de bilanț** = valoarea de intrare – uzura calculată în scopuri contabile.

**Балансовая стоимость** = входящая стоимость - амортизация рассчитанная в целях бухгалтерского учета.

---

**Valoarea de bilanț a activelor gajate** - valoare de intrare a activelor cu scăderea uzurii calculate.

**Балансовая стоимость заложенных активов** – первоначальная стоимость активов за вычетом начисленного износа.

---



---

**Valoarea de gaj a activelor gajate** - valoare la care activele grevate prin gaj au fost estimate în contractul de gaj.

**Залоговая стоимость заложенных активов** – стоимость, по которой активы, обремененные залогом, были оценены в договоре о залоге.

---

**Valoarea de intrare a activelor gajate** – valoare de procurare sau costul de creare a activelor gajate.

**Входящая стоимость заложенных активов** – стоимость приобретения или затраты по созданию заложенных активов.

---

**Valoarea de intrare a obiectului** – valoarea la care bunul (obiectul leasingului) a fost achiziționat sau produs de către locator; taxele vamale și alte impozite prevăzute de legislația în vigoare (cu excepția impozitelor care urmează a fi restituite agentului economic de către organele fiscale); orice alte cheltuieli aferente achiziționării, livrării și punerii în funcțiune a bunului în corespundere cu contractul de leasing.

**Первоначальная стоимость предмета** – стоимость по которой товар (предмет лизинга) был приобретен или произведен лизингодателем; таможенные пошлины и другие налоги предусмотренные действующим законодательством (за исключением налогов которые налоговый орган должен будет возместить экономическому агенту); любые другие расходы связанные с приобретением, поставкой и пуском в эксплуатацию товара в соответствии с договором лизинга.

---

**Valoarea de răscumpărare (contractuală) a obiectului de leasing** – valoarea obiectului leasingului convenită de părți care urmează a fi recuperată locatorului în decursul contractului de leasing.

**Стоимость выкупа (договорная стоимость) предмета лизинга** – стоимость предмета лизинга согласованная сторонами, которая должна будет возмещена лизингодателю в течение периода действия договора о лизинге.

---

**Valoarea estimativă (coordonată) a obiectului de leasing** – valoarea obiectului leasingului convenită de părți în cazul leasingului operațional.

**Оценочная (согласованная) стоимость предмета лизинга** – стоимость предмета лизинга, согласованная сторонами в случаях операционного лизинга.

---

**Valoarea probabilă rămasă** – valoarea bunurilor materiale utilizabile, pe care întreprinderea prevede să obțină la expirarea duratei de utilizare a acestora.

**Остаточная возможная стоимость** – стоимость используемых материальных ценностей, которые предприятие планирует получить по истечению срока их использования.

---

**Valoare reziduală** – valoare în baza căreia, la expirarea contractului de leasing financiar, se face transferul către locatar a dreptului de proprietate asupra obiectului de leasing.

**Остаточная стоимость** – стоимость, по которой лизингополучателю (по истечению срока договора финансового лизинга) передается право собственности на предмет лизинга.

---

**Valoarea uzurabilă a obiectului** = valoarea de intrare – valoarea probabilă rămasă.  
**Используемая стоимость объекта** = входящая стоимость – оставшаяся возможная стоимость.

---

**Veniturile** – afluxuri (creșterea) avantajelor economice obținute de agentul economic sub formă de majorare a activelor sau de micșorare a datoriilor, care conduc la creșterea capitalului propriu, cu excepția sporurilor pe seama contribuțiilor proprietarilor agentului economic.

**Доходы** – потоки (рост) экономических выгод полученных экономическим агентом в форме увеличения активов или уменьшения долгов способствующих росту собственного капитала, за исключением роста за счет вложений владельцев экономического агента.

---

**Venitul brut** – diferența dintre venituri din vânzări și costul vânzărilor.

**Валовый доход** – разница между доходами от продаж и расходами по продажам.

---



---

**Venit din investiții** – venit obținut din investițiile de capital și din investițiile în activele financiare, dacă participarea contribuabilului la organizarea acestei activități nu este regulată, permanentă și substanțială.

**Инвестиционный доход** – доход полученный от капитальных инвестиций и инвестиций в финансовые активы, если участие налогоплательщика в организации такой деятельности не является регулярным, постоянным и значительным.

---

**Venit financiar** – venit obținut sub formă de royalty (redevență), anuități, de la darea bunurilor în arendă, locațiune, de la uzufruct, pe diferența de curs valutar, de la activele ce au intrat în mod gratuit, alte venituri obținute ca rezultat al activității financiare, dacă participarea contribuabilului la organizarea acestei activități nu este regulată, permanentă și substanțială.

**Финансовый доход** – доход, полученный в форме роялти (периодических платежей), ануитетов, от сдачи имущества в аренду, имущественный наем, uzufruct, курсовой валютной разницы, безвозмездно поступивших активов, других доходов полученных в результате финансовой деятельности, если участие налогоплательщика в организации такой деятельности не является регулярным, постоянным и значительным.

---

**Venit impozabil** – venitul brut, inclusiv facilitățile acordate de patron, obținut de contribuabil din toate sursele într-o anumită perioadă fiscală, cu excepția deducerilor și scutirilor, aferente acestui venit, la care are dreptul contribuabilul conform legislației fiscale.

**Налогооблагаемая прибыль** – валовый доход, включая льготы предоставленные работодателем, полученный налогоплательщиком из всех источников за определенный налоговый период, за минусом вычетов и освобождений, относящихся к данному доходу, на которые налогоплательщик имеет право согласно налоговому законодательству.

---

**Vînzător (furnizor)** – persoană fizică sau juridică care potrivit contractului vinde locatorului bunul solicitat de locatar.

**Продавец (поставщик)** – физическое или юридическое лицо, которое по договору продает лизингодателю вещь, выбранную лизингополучателем.

---

# **ATTACHMENT 9**



**REPORT**  
**On Certified Leasing Specialist Program**  
**Training Module I “Leasing: business environment”**  
**Group 2 (Chisinau, Moldova)**

<b>Training period:</b>	<b>February 7–9, 2008</b>
<b>Trainers:</b>	<b>Liliya Snigir</b> – Financial Leasing and Credit Adviser (ATCI/Ukraine) <b>Stanislav Shapa</b> – Senior Attorney (ATCI/Moldova) <b>Natalia Tsiriulnicova</b> – ACAP Trainer <b>Tatiana Prisacar</b> – ACAP Trainer
<b>Number of participants</b>	<b>25</b>
<b>Number of represented institutions</b>	<b>8</b>
	including:
leasing companies	6 (22 participants)
banks	1 (1 participant)
ATCI/Moldova	1 (2 participants)

## Overview

The CLS training course was derived from training courses offered by ATCI/Ukraine, with significant adaptations to current local market needs and conditions. CLS was mainly adapted to fiscal, accounting and legal frameworks of Moldova and constitutes the first local training course focused on leasing industry, that combines the analysis of all the activities undertaken within a leasing company and outside factors that have an impact on it.

Establishing an efficient leasing sector is one of ATCI/Moldova’s key components as well as a major objective to be reached for the financial community of Moldova, including by formation of professionals in leasing area based on international experience and world best practices. Facilitation of access to financing through leasing will accelerate the renovation of equipment/machinery and transportation fleet, worn out physically and morally, of the enterprises from the majority of branches of the Moldovan economy, which in their turn, will contribute to the enhancement of economic activity, generation of new jobs and finally improvement of living conditions in Moldova. All of these can be achieved only in conditions when the leasing industry has high qualified personnel with a clear view of the market and full understanding of customers’ needs.

Preparing this kind of personnel (Certified Leasing Specialists) and CLS trainers represents the forecasted contribution of the ATCI/Moldova Project to the establishment of qualitative international standards for financial professionals in the Republic of Moldova. Since the beginning of the Project activity, ATCI/Moldova is permanently looking for local partners for collaboration, which,

later – after the closing of the Project – could takeover the management and administration, on a commercial basis, of the Certified Leasing Specialist program. Presently, ATCI Moldova is looking at ACAP as training provider as well as exam controller. While selecting the partner for CLS, ATCI/Moldova took the following into account: the major contribution of the ACAP to the development of training and consultancy market of Moldova; qualifications and professionalism of persons proposed by ACAP as CLS trainers; as well as the contribution which CLS could add to the strengthening of the ACAP position within the financial community of Moldova.

### **Course structure:**

CLS course is made up of three modules that are as follows:

- I. Leasing: business environment.
- II. Leasing transactions: stages and procedures.
- III. Leasing company: development strategy and operational activity.

The first module, in its turn, consists of 12 sessions (80 minutes each). During these sessions the following subjects were discussed:

1. Introduction to the Certified Leasing Specialist program. Leasing development history.
2. Global tendencies and achievements. Statistic data on leasing development in Moldova. Ethic standards and practices in the leasing industry.
3. Legislation of the Republic of Moldova on leasing and related issues. Legal definition of notions regarding leasing. Leasing contract – form and clauses; signing, amending and ceasing.
4. Legal means to provide fulfillment of leasing contracts. Legislation regarding leasing in Moldova in comparison with that of other countries. Difficulties in application of legislation on leasing. *Case study.*
5. General aspects of leasing transactions' accounting in Moldova. Financial accounting in the information and financial system of the economic entity.
6. Basic normative acts regulating accounting of leasing transactions. Main accounting entries related to leasing transactions. *Case study.*
7. Basic notions of IAS 17 and GAAP 13. Comparative analysis of fixed assets obtaining alternatives: procurement, lending and leasing.
8. Quantitative evaluation criteria of leasing transactions efficiency. Approaches and general notions of the net present value method. Update techniques. Net present value rule. *Case study.*
9. Fiscal aspects of leasing transactions in Moldova. Fiscal legislation, income tax and other taxes. Calculation of depreciation with taxation purposes.

10. Deduction of expenses for property repairing. Income tax at the source of payment. Taxation of non residents. Customs regulations. *Case study.*
11. Basic notions on VAT and specific relations of VAT application. VAT calculation and payment procedures. VAT exempted supplies.
12. Tax liability terms. Paper work on supply of goods representing leasing objects. *Case study.*

In order to make the CLS course closer to the leasing business reality, ATCI/Moldova staff together with ACAP trainers developed several case studies, that required participants' active involvement, mainly in performing specific calculations and analysis during the course.

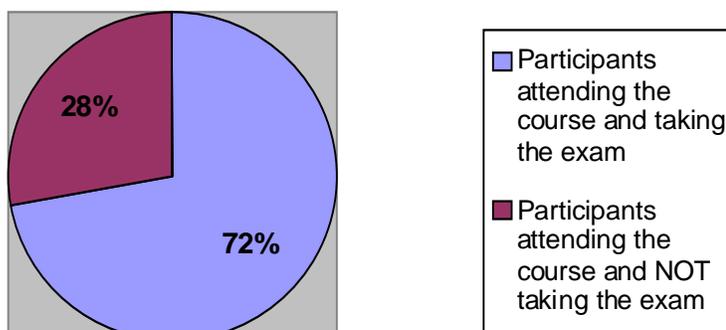
### **Examination:**

CLS examination procedure is made up of 3 exams, one for each module respectively and a re-take examination session, where the participants that failed one or more exams have the chance to take it once again (new sets of questions were prepared for this purpose).

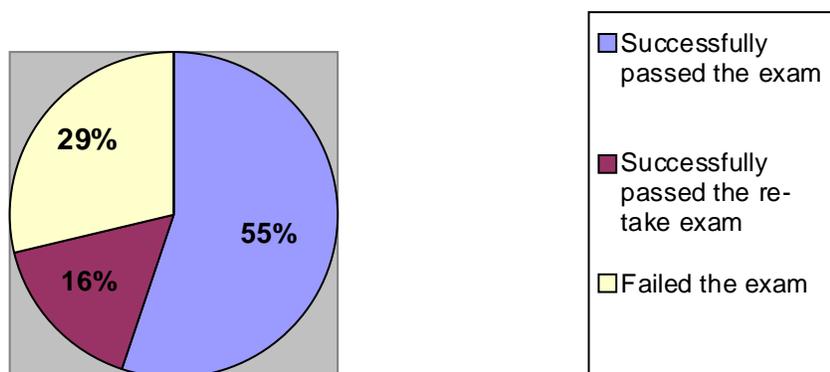
The pool of examination questions were prepared by the CLS trainers and ATCI/Ukraine selected the appropriate ones to be included in the examination materials. These questions (that were prepared in Romanian and Russian) were translated in English and coordinated with CLP Foundation for certification purposes. In order to ensure complete impartiality and confidentiality of the examination process – the exam administration was delegated to a third party (CIPAEN from Ukraine). CIPAEN processed the results of the examinations and an independent examination committee made up of ATCI personnel (Mrs. Liliya Snigir, Mr. Stephen Scott Moody and Mr. Stanislav Shapa) established the passing grade.

We had 18 participants taking the exam, out of 25 that attended the first module of the CLS course. Out of these 18 participants 10 managed to pass the exam during the first examination session. Please see below the detailed analysis of the examination on module one:

#### **Examination attendance**



### Examination Results



Each participant had to answer 75 questions (out of which 65 – multiple choice questions with 5 answer-options each and 10 – yes/no questions). Every question had a specific value ranging from 2 to 5 points, depending on its complexity. The **maximum** number points that could be accumulated were: 200, but because two questions were excluded by the examination committee (due to irrelevance and imprecise formulation) this number was reduced to **194**. The **passing grade** was established at **104** points (54%). Please see below the points accumulated by each participant that took the exam:

Place	Number of points	Place	Number of points
I	150	<b>X</b>	<b>104</b>
II	146	XI	99
III	143	XII	97
IV	132	XIII	92
V	126	XIV	84
VI	114	XV	73
VII	109	XVI	72
VIII	108	XVII	69
IX	105	XVIII	67

During the re-take examination session each participant had to answer the same number (75 questions) of a new set of questions (out of which 65 – multiple choice questions with 5 answer-options each and 10 – yes/no questions). The **maximum** number points that could be accumulated were: **194** and the **passing grade** was established at **124** points (64%). Please see below the points accumulated by each participant that took the re-take exam:

Place	Number of points	Place	Number of points
I	157	V	99
II	131	VI	95
<b>III</b>	<b>124</b>	VII	84
IV	103		

### CLS Module 1 evaluation

At the end of each training day, participants were offered the possibility to evaluate the quality of CLS training course. Unfortunately, not all the participants took this opportunity to provide us with feedback, mainly motivating that they were generally satisfied by the CLS course content and structure and had nothing to object.

Evaluation was performed by attributing to each criterion a certain number of points, from 1 – *the lowest* to 5 – *the highest*. The results are shown in the table below:

CLS Module I Evaluation										
CLS Module I, day 1										
	1	2	3	4	5	Easy	Moderate	Demanding	Difficult	
<b>Session 1 – Introduction to the Certified Leasing Specialist program. Leasing development history.</b>										
Presentation was informative (I learned new things)	0	3	2	10	6					
Presentation was relevant to my situation	0	2	11	3	5					
Trainer is knowledgeable	0	1	3	5	12					
Trainer presented materials in an effective way	0	4	2	8	7					
In general, I find the material:						4	17	0	0	
<b>Session 2 – Global tendencies and achievements. Statistic data on leasing development in Moldova. Ethic standards and practices in the leasing industry.</b>										
Presentation was informative (I learned new things)	0	2	4	10	5					
Presentation was relevant to my situation	0	1	4	9	7					
Trainer is knowledgeable	0	1	3	5	12					
Trainer presented materials in an effective way	0	2	5	9	5					

In general, I find the material:							3	17	1	0
<b>Session 3 – Legislation of the Republic of Moldova on leasing and related issues. Legal definition of notions regarding leasing. Leasing contract – form and clauses; signing, amending and ceasing.</b>										
Presentation was informative (I learned new things)	0	2	3	6	10					
Presentation was relevant to my situation	0	0	4	8	9					
Trainer is knowledgeable	0	1	0	5	15					
Trainer presented materials in an effective way	0	1	2	10	8					
In general, I find the material:							0	16	4	1
<b>Session 4 – Legal means to provide fulfillment of leasing contracts. Legislation regarding leasing in Moldova in comparison with that of other countries. Difficulties in application of legislation on leasing.</b>										
Presentation was informative (I learned new things)	0	2	2	8	9					
Presentation was relevant to my situation	0	1	2	8	10					
Trainer is knowledgeable	0	0	2	5	14					
Trainer presented materials in an effective way	0	1	1	10	9					
In general, I find the material:							0	15	4	2
<b>Level of knowledge and skills of following trainers DAY 1:</b>							<b>Average</b>			
<b>Liliya Snigir</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>7</b>	<b>13</b>		<b>4.65</b>			
<b>Stanislav Shapa</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>5</b>	<b>13</b>		<b>4.55</b>			
<b>CLS Module I, day 2</b>										
	1	2	3	4	5		Easy	Moderate	Demanding	Difficult
<b>Session 5 – General aspects of leasing transactions’ accounting in Moldova. Financial accounting in the information and financial system of the economic entity.</b>										
Presentation was informative (I learned new things)	0	0	0	2	18					
Presentation was relevant to my situation	0	0	1	2	17					
Trainer is knowledgeable	0	0	0	0	20					
Trainer presented materials in an effective way	0	0	0	1	19					
In general, I find the material:							0	12	8	0
<b>Session 6 – Basic normative acts regulating accounting of leasing transactions. Main accounting entries related to leasing transactions.</b>										
Presentation was informative (I learned new things)	0	0	0	3	17					
Presentation was relevant to my situation	0	0	0	1	19					
Trainer is knowledgeable	0	0	0	0	20					
Trainer presented materials in an effective way	0	0	0	1	19					
In general, I find the material:							1	12	7	
<b>Session 7 – Basic notions of IAS 17 and GAAP 13. Comparative analysis of fixed assets obtaining alternatives: procurement, lending and leasing.</b>										
Presentation was informative (I learned new things)	0	0	0	2	18					
Presentation was relevant to my situation	0	0	1	1	19					
Trainer is knowledgeable	0	0	0	1	19					
Trainer presented materials in an effective way	0	0	0	2	18					
In general, I find the material:							0	12	8	
<b>Session 8 – Quantitative evaluation criteria of leasing transactions efficiency. Approaches and general notions of the net present value method. Update techniques. Net present value rule.</b>										
Presentation was informative (I learned new things)	0	0	0	2	18					
Presentation was relevant to my situation	0	0	1	3	16					
Trainer is knowledgeable	0	0	0	1	19					
Trainer presented materials in an effective way	0	0	0	2	18					
In general, I find the material:							0	13	7	
<b>Level of knowledge and skills of following trainers DAY 2:</b>							<b>Average</b>			
<b>Natalia Tsiriulnicova</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>20</b>		<b>5</b>			
<b>CLS Module I, day 3</b>										
	1	2	3	4	5		Easy	Moderate	Demanding	Difficult
<b>Session 9 – Fiscal aspects of leasing transactions in Moldova. Fiscal legislation, income tax and other taxes. Calculation of depreciation with taxation purposes.</b>										
Presentation was informative (I learned new things)	0	1	1	12	6					
Presentation was relevant to my situation	0	0	6	3	11					
Trainer is knowledgeable	0	0	3	3	14					
Trainer presented materials in an effective way	0	0	5	10	5					

In general, I find the material:						1	8	8	3
<b>Session 10 – Deduction of expenses for property repairing. Income tax at the source of payment. Taxation of non residents. Customs regulations.</b>									
Presentation was informative (I learned new things)	0	0	2	14	4				
Presentation was relevant to my situation	0	0	6	6	8				
Trainer is knowledgeable	0	0	1	5	14				
Trainer presented materials in an effective way	0	0	3	10	7				
In general, I find the material:						1	8	10	1
<b>Session 11 – Basic notions on VAT and specific relations of VAT application. VAT calculation and payment procedures. VAT exempted supplies.</b>									
Presentation was informative (I learned new things)	0	1	1	11	7				
Presentation was relevant to my situation	0	1	4	6	9				
Trainer is knowledgeable	0	0	3	6	11				
Trainer presented materials in an effective way	0	0	4	11	5				
In general, I find the material:						1	6	10	3
<b>Session 12 – Tax liability terms. Paper work on supply of goods representing leasing objects.</b>									
Presentation was informative (I learned new things)	0	0	3	11	6				
Presentation was relevant to my situation	0	1	4	6	9				
Trainer is knowledgeable	0	0	3	6	11				
Trainer presented materials in an effective way	0	0	6	8	6				
In general, I find the material:						1	9	9	1
<b>Level of knowledge and skills of following trainers DAY 3:</b>						<b>Average</b>			
<b>Tatiana Prisacari</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>4</b>	<b>13</b>	<b>4.5</b>			
<b>CLS Module I – Overall Evaluation</b>									
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>				
New knowledge gained as regards presented subjects	0	0	2	12	6				
Knowledge gained during the training I will be able to use in my work/company	0	0	3	9	8				
The way the training was conducted (i.e. pace, amount of time for each module, etc)	0	0	4	10	6				
Realism of exercises, cases, role-plays	0	0	6	7	7				

The most frequent answers to the question “What did you like the most?” were the following:

- Organizational aspects of the event;
- The entire course;
- The professionalism of the trainers and the materials that cover all activities within a leasing company;
- The existence of such a specialized course for the leasing industry;
- The part about “Accounting of leasing transactions” was the most interesting and most efficiently presented.

We did not receive any answer to the question “What did you dislike the most?”, maybe due to the fact that there were no major failures registered, that could have bothered the participants.

And finally answering the question “What are your opinions/suggestions?” participants proposed the following:

- Case studies and practical examples for all course sessions;
- Allocate more time for discussions and debates;
- On-line or e-mailed examination procedure;
- Examination should be performed after each module.

All the comments/wishes expressed by the CLS participants as well as requests and suggestions coming from the CEOs of the major leasing companies in Moldova will be taken into account when organizing the next CLS course.

**REPORT**  
**On Certified Leasing Specialist Program**  
**Training Module II “Leasing transactions: stages and procedures”**  
**Group 2 (Chisinau, Moldova)**

<b>Training period:</b>	<b>March 12–14, 2008</b>
<b>Trainers:</b>	<b>Natalia Tsiriulnicova</b> – ACAP Trainer <b>Natalia Prodan</b> – ACAP Trainer <b>Iuliana Tsugulschi</b> – ACAP Trainer <b>Stanislav Shapa</b> – Senior Attorney (ATCI/Moldova)
<b>Number of participants</b>	<b>20</b>
<b>Number of represented institutions</b>	<b>7</b>
	including:
leasing companies	5 (16 participants)
banks	1 (1 participant)
ATCI/Moldova	1 (2 participants)

## **Overview**

The CLS training course was derived from training courses offered by ATCI/Ukraine, with significant adaptations to current local market needs and conditions. CLS was mainly adapted to fiscal, accounting and legal frameworks of Moldova and constitutes the first local training course focused on leasing industry, that combines the analysis of all the activities undertaken within a leasing company and outside factors that have an impact on it.

Establishing an efficient leasing sector is a major deliverable of ATCI/Moldova as well as one of the major objectives to be reached by the financial community of Moldova, including by formation of professionals in leasing area based on international experience and world best practices. Facilitation of access to financing through leasing will accelerate the renovation of equipment/machinery and transportation fleet, worn out physically and morally, of the enterprises from the majority of branches of the Moldovan economy, which in their turn, will contribute to the enhancement of economic activity, generation of new jobs and finally improvement of living conditions in Moldova. All of these can be achieved only in conditions when the leasing industry has high qualified personnel with a clear view of the market and full understanding of customers' needs.

Preparing this kind of personnel (Certified Leasing Specialists) and CLS trainers represents the forecasted contribution of the ATCI/Moldova Project to the establishment of qualitative international standards for financial professionals in the Republic of Moldova. Since the beginning of the Project activity, ATCI/Moldova is permanently looking for local partners for collaboration, which,

later – after the closing of the Project – could takeover the management and administration, on a commercial basis, of the Certified Leasing Specialist program. Presently, ATCI Moldova is looking at ACAP as the training provider as well as exam controller. While selecting the partner for CLS, ATCI/Moldova took the following into account: the major contribution of the ACAP to the development of training and consultancy market of Moldova; qualifications and professionalism of persons proposed by ACAP as CLS trainers; as well as the contribution which CLS could add to the strengthening of the ACAP position within the financial community of Moldova.

### **Course structure:**

CLS course is made up of three modules that are as follows:

- I. Leasing: business environment.
- II. Leasing transactions: stages and procedures.
- III. Leasing company: development strategy and operational activity.

The second module, in its turn, consists of 12 sessions (80 minutes each). During these sessions the following subjects were discussed:

1. Appreciation of risks related to leasing transactions. Risk analysis by categories.
2. Structure and content of the financial statements. *Case study.*
3. Analysis of lessee's activity, basing on data from the financial statements. *Case study.*
4. Analysis and importance of non-financial information about potential lessees. *Case study.*
5. Structure and classifications of leasing payments. The main and supplementary elements of a leasing rate.
6. Leasing mathematics – rational ways of taking decisions in regards to leasing payments. *Case study.*
7. Discounting the cash flows. Comparative analysis of different methods used to calculate the leasing rate.
8. Leasing operations efficiency. Methods to determine the profitability of leasing operations. *Case study.*
9. Choice of vendor, of the leasing object and preparation of the sale agreement. Documents necessary for concluding a leasing transaction.
10. Means of guarantee the execution of contractual obligations. *Case study.*
11. Monitoring of the leasing contract.
12. Monitoring of lessee's activity and stimulation of timely leasing payments. Mechanisms of object re-possession and contract termination. *Case study.*

In order to make the CLS course closer to the leasing business reality, ATCI/Moldova staff together with ACAP trainers developed several case studies that required participants' active involvement, mainly in performing specific calculations and analysis during the course.

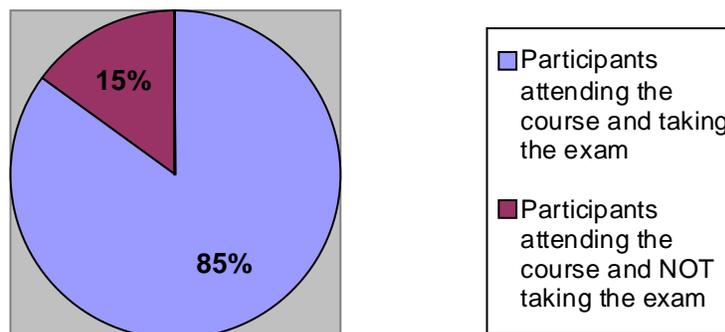
## Examination:

CLS examination procedure is made up of 3 exams, one for each module respectively and a re-take examination session, where the participants that failed one or more exams have the chance to take it once again (new sets of questions were prepared for this purpose).

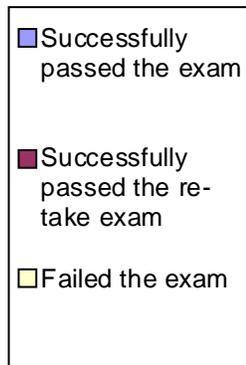
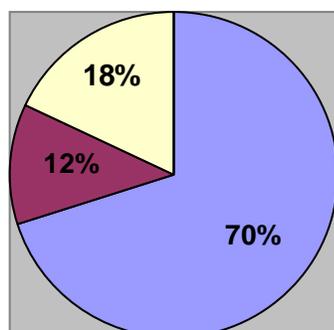
The pool of examination questions were prepared by the CLS trainers and ATCI/Ukraine selected the appropriate ones to be included in the examination materials. These questions (that were prepared in Romanian and Russian) were translated in English and coordinated with CLP Foundation for certification purposes. In order to ensure complete impartiality and confidentiality of the examination process – the exam administration was delegated to a third party (CIPAEN from Ukraine). CIPAEN processed the results of the examinations; an independent examination committee established the passing grade.

We had 17 participants taking the exam, out of 20 that attended the second module of the CLS course. Out of these 17 participants, 12 passed the exam during the first examination session and the other 2 participants succeeded during the re-take exam. Please see below the detailed analysis of the examination on module one:

**Examination attendance**



### Examination Results



Each participant had to answer 65 questions (out of which 55 – multiple choice questions with 5 answer-options each and 10 – yes/no questions). Every question had a specific value ranging from 2 to 5 points, depending on its complexity. The **maximum** number points that could be accumulated were: 200, but because three questions were excluded by the examination committee (due to irrelevance and imprecise formulation) this number was reduced to **192**. The **passing grade** was established at **102** points (53%). Please see below the points accumulated by each participant that took the exam:

Place	Number of points	Place	Number of points
I	160	X	108
II	147	XI	103
III	145	<b>XII</b>	<b>102</b>
IV	135	XIII	92
V	127	XIV	89
VI	127	XV	83
VII	124	XVI	81
VIII	114	XVII	74
IX	110		

During the re-take examination session each participant had to answer the same number (65 questions) of a new set of questions (out of which 55 – multiple choice questions with 5 answer-options each and 10 – yes/no questions). The **maximum** number points that could be accumulated were: **200** and the **passing grade** was established at **121** points (60%). Please see below the points accumulated by each participant that took the re-take exam:

Place	Number of points	Place	Number of points
I	153	III	80
<b>II</b>	<b>121</b>	IV	77

## CLS Module 1 evaluation

At the end of each training day, participants were offered the possibility to evaluate the quality of CLS training course. Unfortunately, not all the participants took this opportunity to provide us with feedback, mainly motivating that they were generally satisfied by the CLS course content and structure and had nothing to object.

Evaluation was performed by attributing to each criterion a certain number of points, from 1 – *the lowest* to 5 – *the highest*. The results are shown in the table below:

CLS Module I Evaluation										
CLS Module I, day 1										
	1	2	3	4	5	Easy	Moderate	Demanding	Difficult	
<b>Session 1 – Appreciation of risks related to leasing transactions. Risk analysis by categories.</b>										
Presentation was informative (I learned new things)	2	0	1	1	11					
Presentation was relevant to my situation	1	0	1	2	11					
Trainer is knowledgeable	0	0	1	0	14					
Trainer presented materials in an effective way	0	0	1	1	13					
In general, I find the material:						1	6	6	2	
<b>Session 2 – Structure and content of the financial statements.</b>										
Presentation was informative (I learned new things)	0	0	3	0	12					
Presentation was relevant to my situation	0	0	2	1	12					
Trainer is knowledgeable	0	0	1	1	13					
Trainer presented materials in an effective way	0	0	1	0	14					
In general, I find the material:						0	6	7	2	
<b>Session 3 – Analysis of lessee's activity, basing on data from the financial statements.</b>										
Presentation was informative (I learned new things)	0	1	2	1	11					
Presentation was relevant to my situation	0	1	2	0	12					

Trainer is knowledgeable	0	0	1	0	14				
Trainer presented materials in an effective way	0	0	1	0	14				
In general, I find the material:						0	6	7	2
<b>Session 4 – Analysis and importance of non-financial information about potential lessees.</b>									
Presentation was informative (I learned new things)	1	2	0	2	10				
Presentation was relevant to my situation	0	1	2	1	11				
Trainer is knowledgeable	0	0	1	0	14				
Trainer presented materials in an effective way	0	0	1	2	12				
In general, I find the material:						1	7	5	2
<b>Level of knowledge and skills of following trainers DAY 1:</b>						<b>Average</b>			
<b>Natalia Tsiriulnicova</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>14</b>	<b>4.87</b>			
<b>CLS Module I, day 2</b>									
	1	2	3	4	5	Easy	Moderate	Demanding	Difficult
<b>Session 5 – Structure and classifications of leasing payments. The main and supplementary elements of a leasing rate.</b>									
Presentation was informative (I learned new things)	0	0	5	2	7				
Presentation was relevant to my situation	1	0	5	1	7				
Trainer is knowledgeable	0	0	2	2	10				
Trainer presented materials in an effective way	0	1	1	3	9				
In general, I find the material:						1	5	2	6
<b>Session 6 – Leasing mathematics – rational ways of taking decisions in regards to leasing payments.</b>									
Presentation was informative (I learned new things)	0	0	1	6	7				
Presentation was relevant to my situation	1	1	2	2	8				
Trainer is knowledgeable	0	0	2	2	10				
Trainer presented materials in an effective way	0	1	0	3	10				
In general, I find the material:						1	5	2	6
<b>Session 7 – Discounting the cash flows. Comparative analysis of different methods used to calculate the leasing rate.</b>									
Presentation was informative (I learned new things)	0	0	2	4	8				
Presentation was relevant to my situation	1	0	4	2	7				
Trainer is knowledgeable	0	0	2	3	9				
Trainer presented materials in an effective way	0	1	3	1	9				
In general, I find the material:						1	4	3	6
<b>Session 8 – Leasing operations efficiency. Methods to determine the profitability of leasing operations.</b>									
Presentation was informative (I learned new things)	0	0	4	2	8				
Presentation was relevant to my situation	1	0	3	3	7				
Trainer is knowledgeable	0	0	3	1	10				
Trainer presented materials in an effective way	0	1	0	3	9				
In general, I find the material:						1	5	3	5
<b>Level of knowledge and skills of following trainers DAY 2:</b>						<b>Average</b>			
<b>Natalia Prodan</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>12</b>	<b>4.86</b>			
<b>CLS Module I, day 3</b>									
	1	2	3	4	5	Easy	Moderate	Demanding	Difficult
<b>Session 9 – Choice of vendor, of the leasing object and preparation of the sale agreement. Documents necessary for concluding a leasing transaction.</b>									
Presentation was informative (I learned new things)	0	0	3	6	6				
Presentation was relevant to my situation	0	2	3	4	6				
Trainer is knowledgeable	0	0	1	4	10				
Trainer presented materials in an effective way	0	0	0	7	8				
In general, I find the material:						1	9	5	0
<b>Session 10 – Means of guarantee the execution of contractual obligations.</b>									
Presentation was informative (I learned new things)	0	0	3	5	7				
Presentation was relevant to my situation	0	2	2	4	7				
Trainer is knowledgeable	0	0	1	4	10				
Trainer presented materials in an effective way	0	0	1	6	8				
In general, I find the material:						0	10	5	0
<b>Session 11 – Monitoring of the leasing contract.</b>									
Presentation was informative (I learned new things)	1	0	2	6	6				

Presentation was relevant to my situation	0	0	4	5	6				
Trainer is knowledgeable	0	0	2	4	9				
Trainer presented materials in an effective way	0	0	2	4	9				
In general, I find the material:						2	8	5	0
<b>Session 12 – Monitoring of lessee’s activity and stimulation of timely leasing payments. Mechanisms of object re-possession and contract termination.</b>									
Presentation was informative (I learned new things)	0	1	3	3	8				
Presentation was relevant to my situation	0	1	3	2	9				
Trainer is knowledgeable	0	0	2	3	10				
Trainer presented materials in an effective way	0	0	2	3	9				
In general, I find the material:						1	8	6	0
<b>Level of knowledge and skills of following trainers DAY 3:</b>									<b>Average</b>
<b>Iuliana Tsugulschi</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>11</b>				<b>4.73</b>
<b>Stanislav Shapa</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2</b>	<b>12</b>				<b>4.73</b>
<b>CLS Module I – Overall Evaluation</b>									
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>				
New knowledge gained as regards presented subjects	0	0	3	4	8				
Knowledge gained during the training I will be able to use in my work/company	0	1	2	5	7				
The way the training was conducted (i.e. pace, amount of time for each module, etc)	0	0	2	11	3				
Realism of exercises, cases, role-plays	0	1	3	8	3				

The most frequent answers to the question “What did you like the most?” were the following:

- Mrs. Tsiriulnicova’s presentation;
- Mr. Shapa’s presentation;
- Interesting and practical case-studies;

The question “What did you dislike the most?”, brought in the following answers:

- Two different trainers had different opinions on the same subject;
- Not all the sessions included practical examples.

And finally answering the question “What are your opinions/suggestions?” participants proposed the following:

- To exclude very complex formulas;
- The exams should be held within a week after the course termination;
- Case studies conducted by the representatives of the industry.

All the comments/wishes expressed by the CLS participants as well as requests and suggestions coming from the CEOs of the major leasing companies in Moldova will be taken into account when organizing the next CLS course.



# **ATTACHMENT 10**



## Collaboration Agreement N: 12

22.03.2007  
date, month and year

Chisinau, Moldova  
locality

### BETWEEN

*Access to Credit Initiative Project, implemented by The Pragma Corporation*, further on called *Beneficiary*

name

with the office on the address: # 8/4, N. Iorga Street, Republic of Moldova, Chisinau,  
represented by Mr. Richard W. Dvorin, Country Director  
position, name and surname

### AND

*The Association of Professional Accountants and Auditors of Moldova*, further on called *Provider*,

name

with the office on the address: #65, of. 434, M. Varlaam Street, Chisinau Republic of Moldova,  
represented by Ms. Marina Shelaru, Executive Director,  
position, name and surname

*the Beneficiary and Provider* further on called *Parties*, have agreed on the following:

## 1. CONTRACT OBJECT

1.1. *Provider* is obligated to render the services stipulated in the Annex N:1 to this Contract, within the terms established in the same Annex N:1, and the *Beneficiary* is obligated to pay the remuneration provided by Article 2 of this Contract.

## 2. PAYMENT FOR SERVICES

- 2.1. Payment for services is made in national currency (MLD), at the exchange rate of the National Bank of Moldova, in conformity with Annex # 1 of this Contract on the date of transaction.
- 2.2. Payment for services is made to the Provider by bank transfer within three working days from the day when the delivery-receiving act is signed.
- 2.3. The *Parties* can modify the quantum of payment for services, within the conditions of this Contract, for each training course and module separately.

## 3. RIGHTS AND OBLIGATIONS OF THE PROVIDER

- 3.1 To render services in conformity with the agreement and terms provided in the Annex N:1 to this Contract and/or in conformity with the agreement and terms provided in each case separately, agreed by *Parties*.
- 3.2 To obtain payment for services in conformity with Article 2.1. and 2.2.
- 3.3 To maintain in good condition any equipment or outfit offered by the *Beneficiary*.
- 3.4. *Provider* has other rights and obligations provided by this Contract.

#### 4. RIGHTS AND OBLIGATIONS OF THE BENEFICIARY

- 4.1. To request rendering of services in conformity with this Contract and/or in conformity with the agreement and terms provided in each case separately, approved by *Parties*.
- 4.2. To receive the services from the *Provider* pursuant to this Contract.
- 4.3. To contribute by submitting information and necessary data, by creating other conditions, within the possibilities, to adequate rendering of services by the *Beneficiary*.
- 4.4. To make the payment for services in conformity with points 2.1. and 2.2.
- 4.5. *Beneficiary* has other rights and obligations provided by this Contract.

#### 5. OTHER PROVISIONS

- 5.1. This Contract can be modified only based on a written agreement signed between *Parties*.
- 5.2. All disputes on this Contract, if not amiably settled, shall be solved by the court instance in conformity with the legislation of the Republic of Moldova and the provisions of this Contract.

#### 6. ENTERING INTO FORCE

- 6.1. This Contract enters into force on the date of its signature.
- 6.2. In its testimony, this Contract was signed by *Parties*, in 4 (four) original copies (two copies for the *Beneficiary* and the other two copies for the *Provider*). The English copies prevails over Romanian copies.

#### 7. PARTIES REQUISITES

##### **PROVIDER:**

**The Association of Professional Accountants and Auditor of Moldova**  
MD - 2012, Chisinau, str. M. Varlaam 65, of 434  
Cod Fiscal 1019610  
Bank account: 222400011100344  
BC "Victoriabank" S.A.  
Banc code: VICBMD2X883

**Marina Shelaru**  
Director Name

\_\_\_\_\_  
Signature

Stamp

##### **BENEFICIARY:**

**ATCI Project, implemented by The Prgama Corporation**  
Chisinau, 8/4 N. Iorga street  
Fiscal code: 42006018  
BC "Mobiasbanca" S.A.  
central branch N: 9, Chisinau  
Bank code: MOBBMD22749  
Bank account: 22518004988288

**Richard W. Dvorin**  
Director Name

\_\_\_\_\_  
Signature

Stamp

**ANNEX No. 1**

<b>Type of work (services)</b>	<b>Execution term</b>	<b>Cost per hour</b>	<b>Total expenses covered by ATCI</b>
1. Preparing theoretic materials for CLS courses	16 hours	10\$	160\$
2. Preparing practical courses: problems and exercises with multiple answers for CLS courses	12 hours	10\$	120\$
3. Preparing mini reports, describing the theory presented at the CLS courses	12 hours	10\$	120\$
4. To make the presentation of the last three subjects of the first module of CLS courses	16 hours	25\$	400\$
<b>Total:</b>	<b>56 hours</b>		<b>800\$</b>
5. Administrative costs			80\$
<b>GRAND TOTAL:</b>	<b>56 hours</b>		<b>880\$</b>

**PROVIDER:**

**The Association of Professional Accountants and Auditor of Moldova**  
 MD - 2012, Chisinau, str. M. Varlaam 65, of 434  
 Cod Fiscal 1019610  
 Bank account: 222400011100344  
 BC "Victoriabank" S.A.  
 Banc code: VICBMD2X883

**Marina Shelaru**  
 Director Name

\_\_\_\_\_  
 Signature

Stamp

**BENEFICIARY:**

**ATCI Project, implemented by The Pragma Corporation**  
 Chisinau, 8/4 N. Iorga street  
 Fiscal code: 42006018  
 BC "Mobiasbanca" S.A.  
 central branch N: 9, Chisinau  
 Bank code: MOBBMD22749  
 Bank account: 22518004988288

**Richard W. Dvorin**  
 Director Name

\_\_\_\_\_  
 Signature

Stamp



# **ATTACHMENT 11**





## Access to Credit Initiative Project

(ATCI/Moldova)

# The Leasing Sector in Moldova: BENCHMARKS

**Sorbală Dorin**  
Financial Leasing Advisor

Chişinău – May, 2008

**ATCI**



## THE TABLE OF CONTENTS

- Lessors from the Republic of Moldova;
- Leasing sales and portfolio structure in Moldova;
- Risks specific for the leasing portfolio in Moldova;
- Lessees from the Republic of Moldova;
- Leasing transactions in Moldova;
- The main indicators of the Moldavian leasing market;
- Ratings;
- Current problems and suggestions.

**ATCI**



USAID  
FROM THE AMERICAN PEOPLE

ACCESS TO CREDIT INITIATIVE

MORTGAGES FIXED INCOME LEASING

3

## Lessors from the Republic of Moldova

ATCI



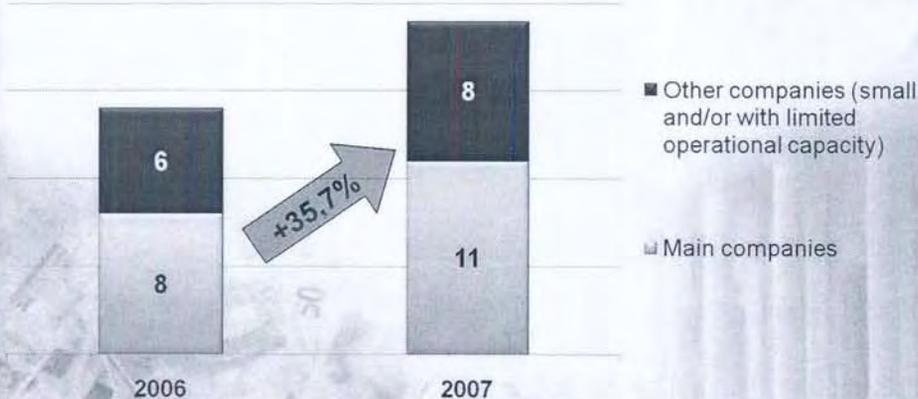
USAID  
FROM THE AMERICAN PEOPLE

ACCESS TO CREDIT INITIATIVE

MORTGAGES FIXED INCOME LEASING

4

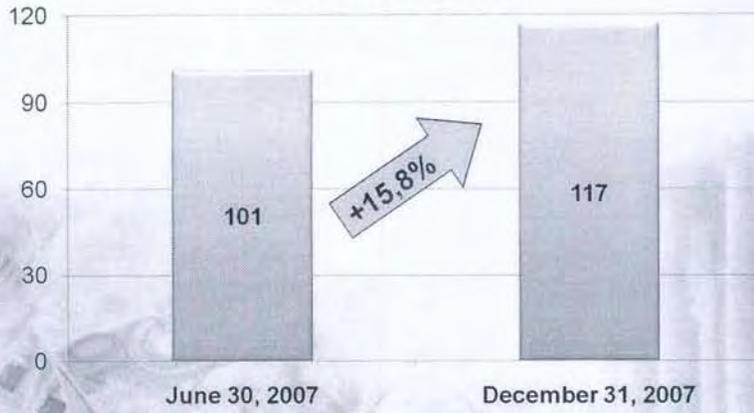
## The total number of leasing operators in Moldova



ATCI



### The total number of employees in the leasing industry in 2007\*

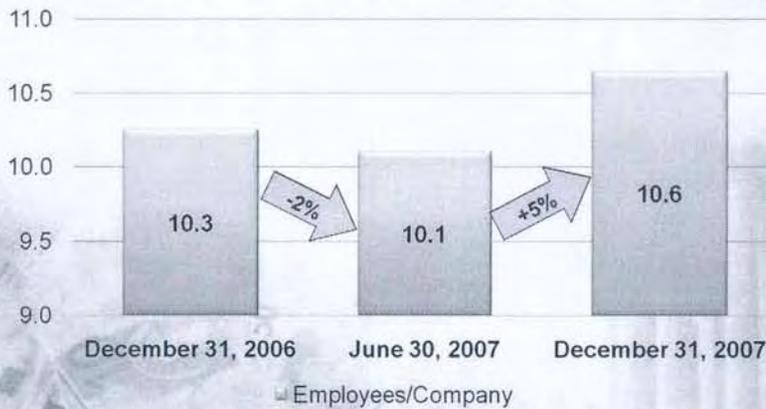


**ATCI**

\* That are active in the main companies from the market



### The evolution of the "employees per company" indicator within the leasing industry in Moldova



**ATCI**

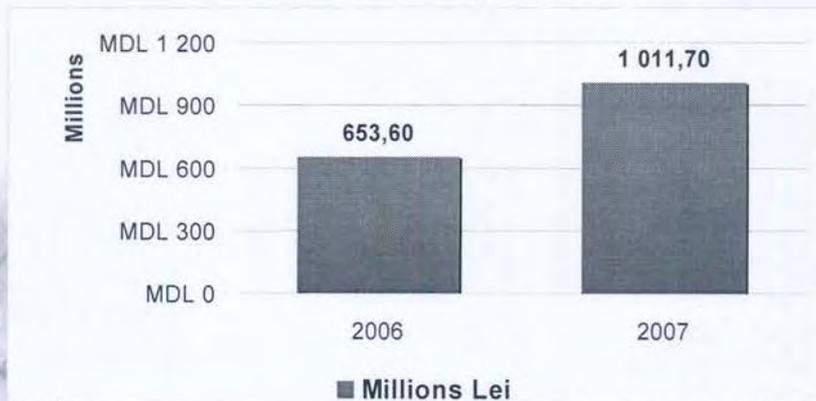


## Leasing sales and portfolio structure in Moldova

ATCI



### The evolution of the total value of the leased assets (total sales) – in MDL



ATCI



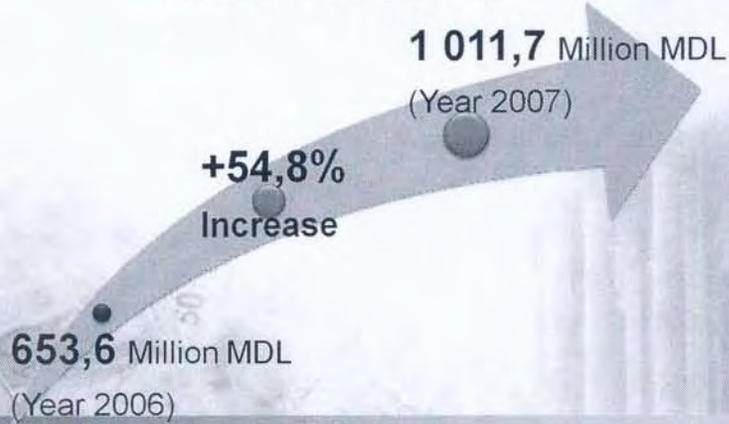
USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES, FIXED INCOME, LEASING

## ACCESS TO CREDIT INITIATIVE

9

### Increase in leasing sales 2006-2007 (MDL)



ATCI



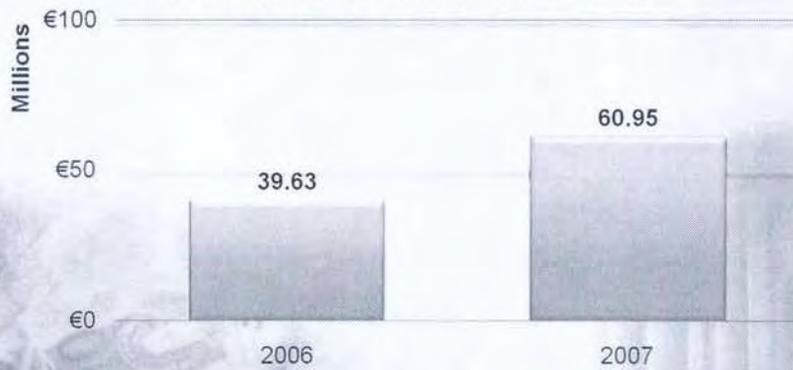
USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES, FIXED INCOME, LEASING

## ACCESS TO CREDIT INITIATIVE

10

### The evolution of the total value of the leased assets (total sales) – in EURO \*



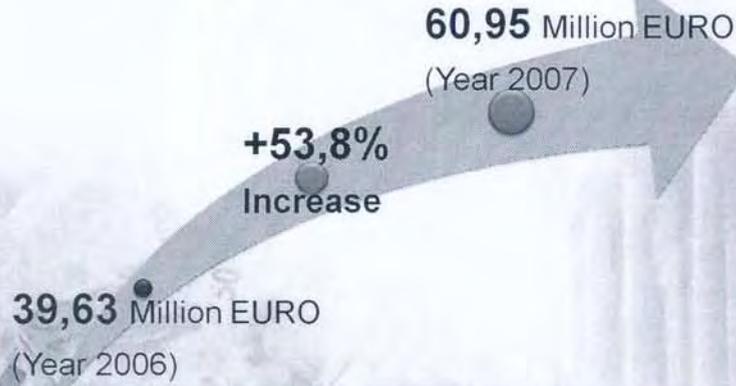
Millions EURO \*

\* Average official exchange rate:  
2006 : 1 EURO = 16,4918 MDL  
2007 : 1 EURO = 16,5986 MDL

ATCI



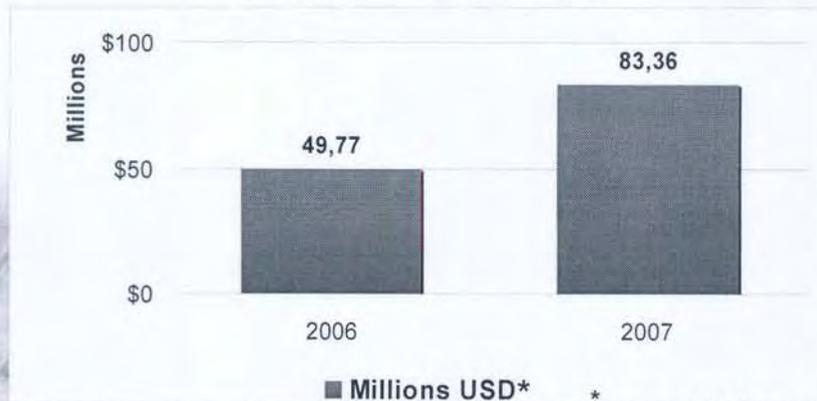
### Increase in leasing sales 2006-2007 (EURO)



**ATCI**



### The evolution of the total value of the leased assets (total sales) – in USD\*



■ Millions USD\*

\* Average official exchange rate:  
2006 : 1 USD = 13,1319 MDL  
2007 : 1 USD = 12,1362 MDL

**ATCI**



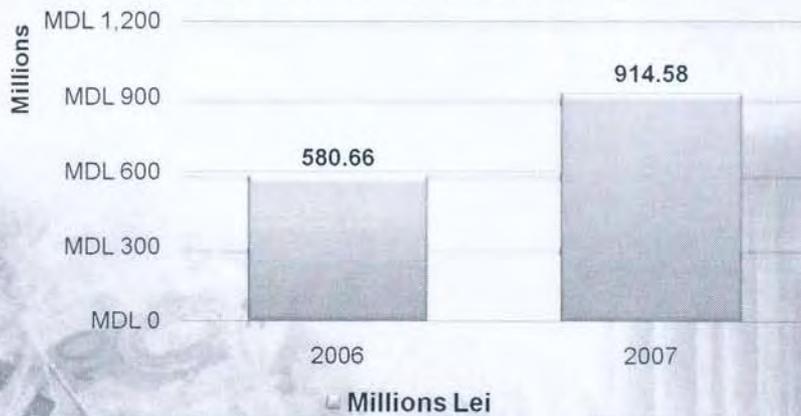
### Increase in leasing sales 2006-2007 (USD)



**ATCI**



### The evolution of the total value of the leasing portfolio in Moldova (MDL)



**ATCI**



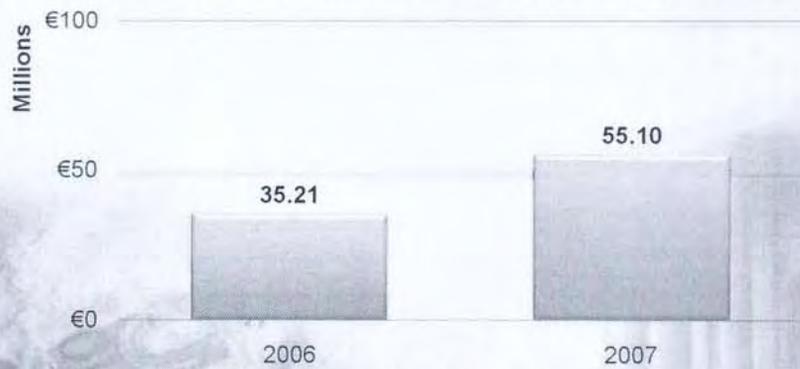
### The increase in the leasing portfolio 2006-2007 (MDL)



**ATCI**



### The evolution of the total value of the leasing portfolio in Moldova (EURO\*)



Millions EURO\*

\* Average official exchange rate:  
2006 : 1 EURO = 16,4918 MDL  
2007 : 1 EURO = 16,5986 MDL

**ATCI**



### The increase in the leasing portfolio 2006-2007(EURO)



**ATCI**



### The evolution of the total value of the leasing portfolio in Moldova (USD\*)



\* Average official exchange rate:  
2006 : 1 USD = 13,1319 MDL  
2007 : 1 USD = 12,1362 MDL

**ATCI**



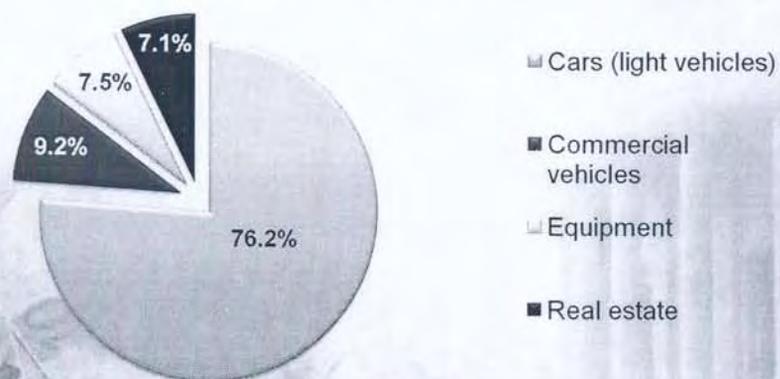
### The increase in the leasing portfolio 2006-2007(USD)



ATCI



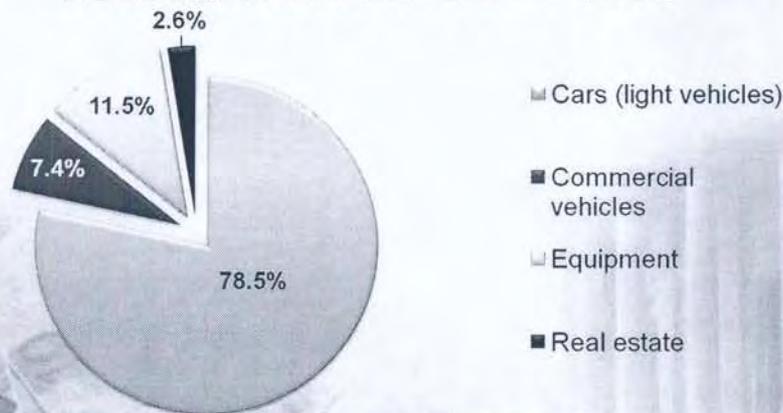
### Weighted structure of the leasing portfolio of Moldova, as of June 30<sup>th</sup>, 2007



ATCI



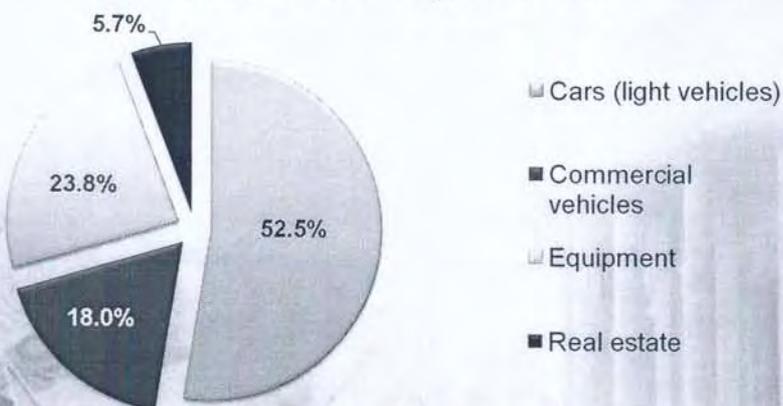
### Weighted structure of the leasing portfolio of Moldova, as of December 31<sup>st</sup>, 2007



ATCI



### Forecasted leasing portfolio structure in Moldova for the year 2008\*

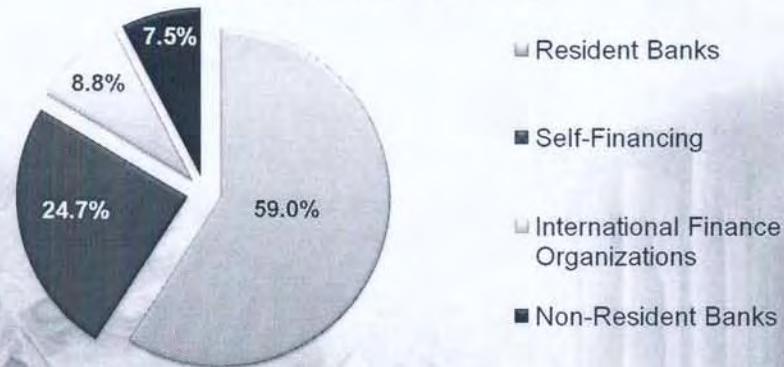


ATCI

\* Estimated by the survey participants



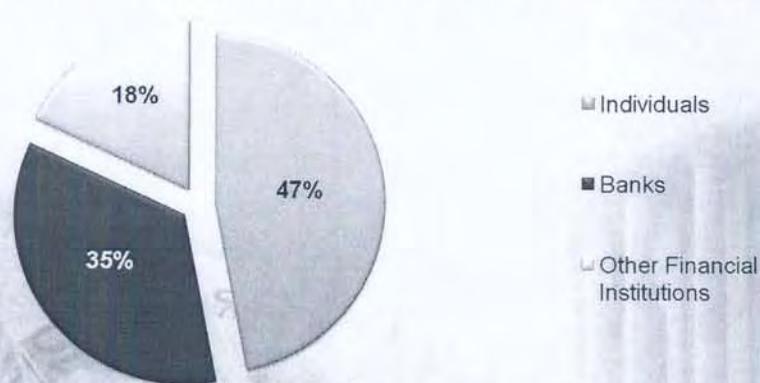
**Weighted average structure of the sources of finance of the leasing transactions, as of December 31<sup>st</sup>, 2007**



**ATCI**



**Weighted structure of the capital of the leasing companies, as of December 31<sup>st</sup>, 2007**



**ATCI**



## Risks specific for the leasing portfolio in Moldova

ATCI



## The share of prescheduled buyouts in the leasing portfolio of Moldova in 2007



ATCI



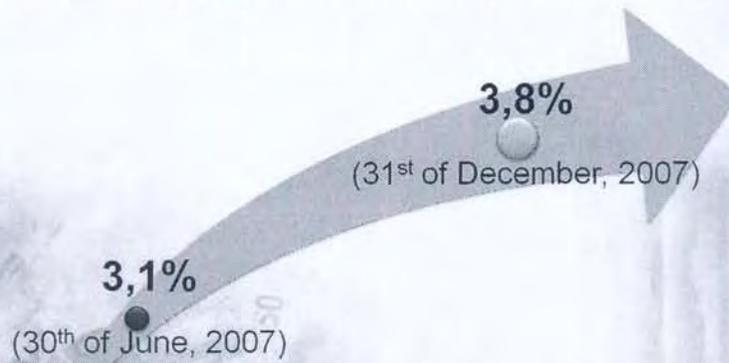
USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES. FIXED INCOME. LEASING.

## ACCESS TO CREDIT INITIATIVE

27

### The share of the repossession procedures from the leasing portfolio of Moldova initiated in 2007



ATCI



USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES. FIXED INCOME. LEASING.

## ACCESS TO CREDIT INITIATIVE

28

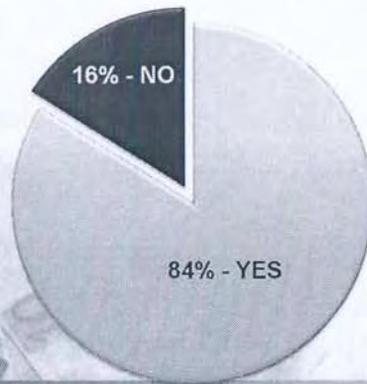
### The share of defaulted contracts from the leasing portfolio of Moldova in 2007



ATCI



### The companies that have the risk management position/department within their organizational structure



- Companies that DO have such a position/department
- Companies that DO NOT have such a position/department

ATCI

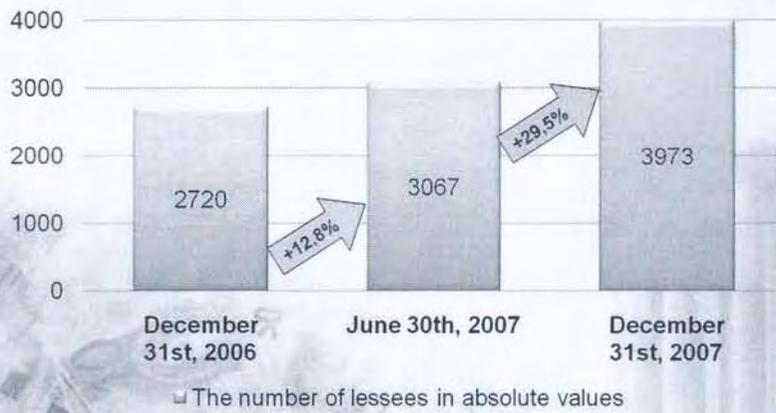


### Lessees from the Republic of Moldova

ATCI



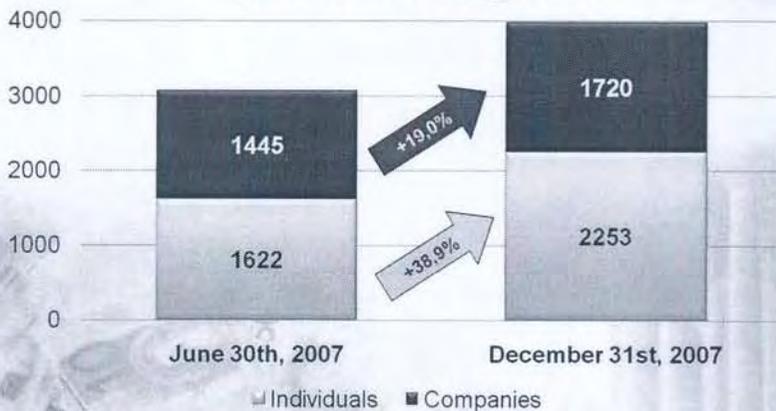
### The total number of lessees in Moldova



**ATCI**



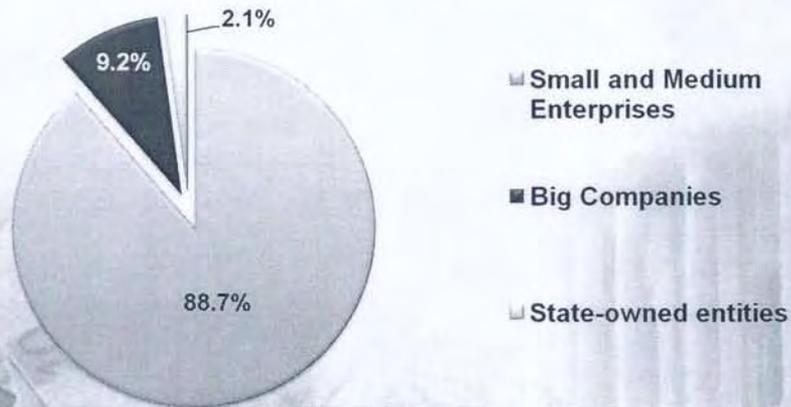
### The evolution of the clients' structure in Moldova during 2007



**ATCI**



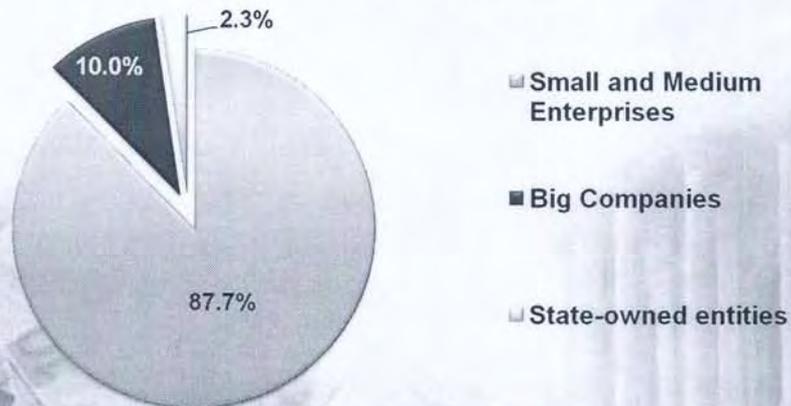
### Types of lessees-companies, as of June 30<sup>th</sup>, 2007



**ATCI**



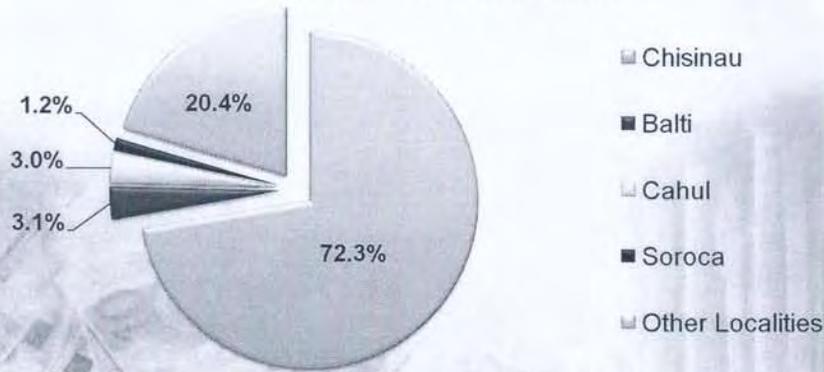
### Types of lessees-companies, as of December 31<sup>st</sup>, 2007



**ATCI**



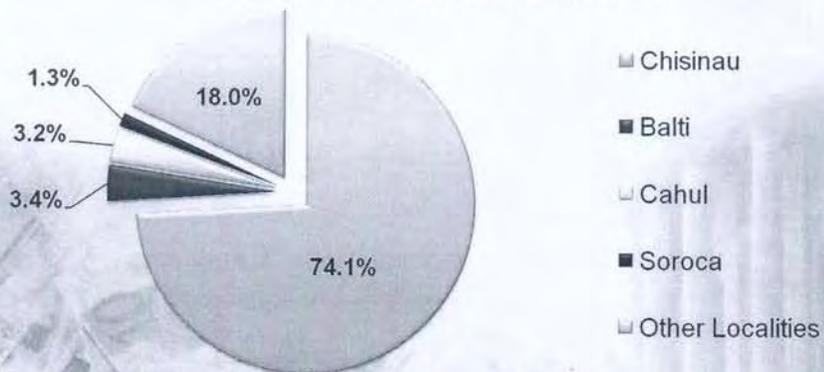
### Regional distribution of the customers of the leasing companies in Moldova, as of June 30<sup>th</sup>, 2007



ATCI



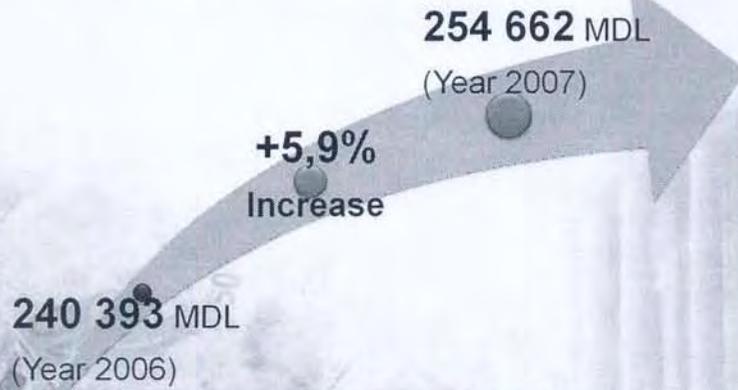
### Regional distribution of the customers of the leasing companies in Moldova, as of December 31<sup>st</sup>, 2007



ATCI



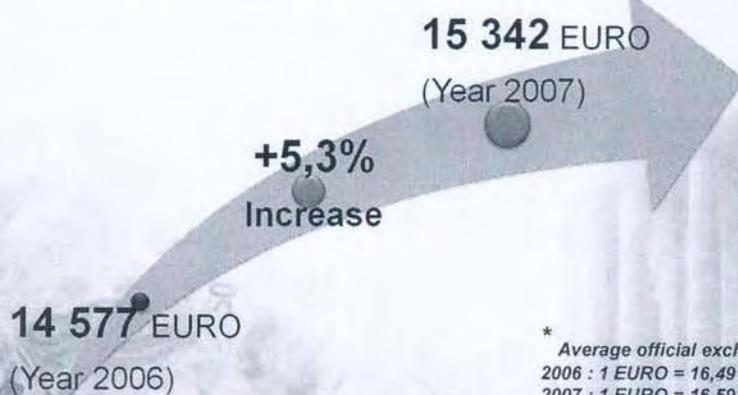
**Average value (per lessee) of the leased assets during: 2006 – 2007 (MDL)**



**ATCI**



**Average value (per lessee) of the leased assets during: 2006 – 2007 (EURO)\***

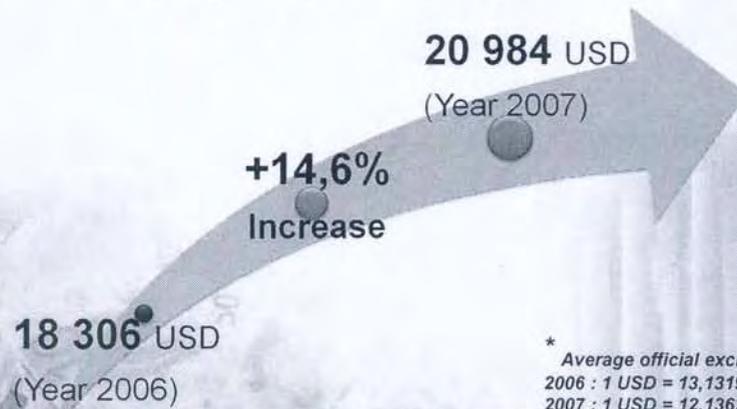


\* Average official exchange rate:  
2006 : 1 EURO = 16,4918 MDL  
2007 : 1 EURO = 16,5986 MDL

**ATCI**



**Average value (per lessee) of the leased assets during: 2006 – 2007(USD\*)**



\* Average official exchange rate:  
2006 : 1 USD = 13,1319 MDL  
2007 : 1 USD = 12,1362 MDL

**ATCI**



**Average value of the financed amount per lessee during: 2006 – 2007 (MDL)**



**ATCI**



**Average value of the financed amount per lessee during: 2006 – 2007 (EURO\*)**



\* Average official exchange rate:  
2006 : 1 EURO = 16,4918 MDL  
2007 : 1 EURO = 16,5986 MDL

**ATCI**



**Average value of the financed amount per lessee during: 2006 – 2007 (USD\*)**



\* Average official exchange rate:  
2006 : 1 USD = 13,1319 MDL  
2007 : 1 USD = 12,1362 MDL

**ATCI**

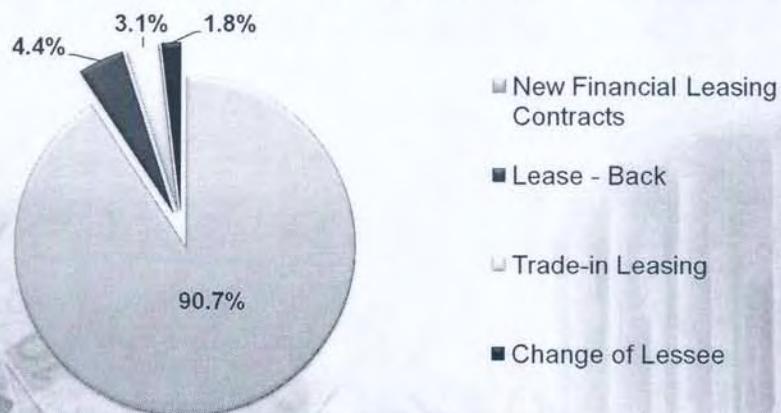


## Leasing transactions in Moldova

ATCI



### The types of leasing transactions in Moldova, as of December 31<sup>st</sup>, 2007



ATCI



### Average general conditions for automobiles (cars) financing

Minimum down-payment	Contract duration	Interest rate	One-time commission
15%	32 months	14,67%	1,5%

Period of decision-making	Prescheduled buyout fee	Recalculation commission	Insurance premium
25 ore??	1,58%	1,13%	4,43%

**ATCI**



### Average general conditions for commercial vehicles financing

Minimum down-payment	Contract duration	Interest rate	One-time commission
21%	34 luni	14,83%	1,67%

Period of decision-making	Prescheduled buyout fee	Recalculation commission	Insurance premium
41 ore	1,58%	1,13%	2,7%

**ATCI**



### Average general conditions for equipment financing

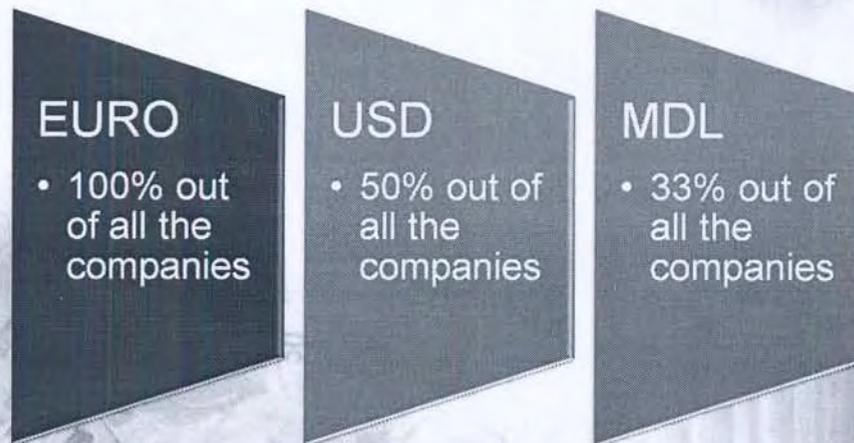
Minimum down-payment	Contract duration	Interest rate	One-time commission
21%	32 luni	14,92%	1,67%

Period of decision-making	Prescheduled buyout fee	Recalculation commission	Insurance premium
62 ore	1,58%	1,13%	1,84%

**ATCI**



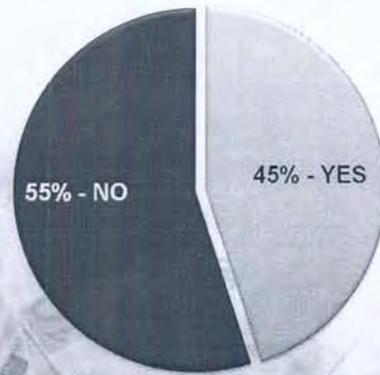
### Currencies utilized in financing the leasing transactions



**ATCI**



### Companies that have permanent partnerships with equipment vendors

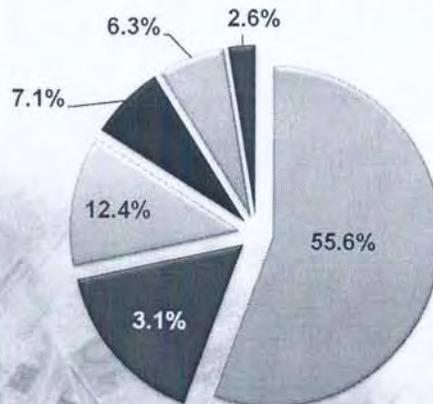


- Companies that DO have permanent partnerships with equipment vendors
- Companies that DO NOT have permanent partnerships with equipment vendors

ATCI



### Types of equipment leased in Moldova, as of December 31<sup>st</sup>, 2007



- Processing equipment
- Agricultural equipment
- Construction equipment
- IT equipment
- Fork lifts
- Other types of equipment

ATCI



**Factors that matter when choosing an equipment vendor/supplier/dealer (rating: from 1 to 5 (highest))**

- 4,8 • Buy-back agreements
- 4,2 • Quality
- 3,9 • Reputation on the market (Brand name)
- 3,9 • Lessees' requirements/preferences
- 3,7 • Warranty and post-sales services

**ATCI**



**Factors that matter when choosing an equipment vendor/supplier/dealer (rating: from 1 to 5) continuation**

- 3,6 • Time of delivery
- 3,1 • Vendor's managerial team
- 3,1 • Discounts
- 2,8 • Deferred payments
- 2,4 • Vendor's credit history

**ATCI**



**Information channels and methods used when choosing an equipment vendor (rating: from 1 to 5)**

- 5,0 • Direct contacts with dealers or producers
- 4,3 • Suggestions from potential customers
- 4,0 • Exhibitions
- 3,3 • Local business centers
- 2,7 • Specialized periodicals

ATCI



**Information channels and methods used when choosing an equipment vendor (rating: from 1 to 5)  
continuation**

- 2,3 • Different projects implemented in Moldova
- 2,3 • Chamber of Commerce and Trade
- 2,2 • TV and/or radio
- 2,0 • Leaflets

ATCI



**The main barriers in developing leasing transactions with equipment** (rating: from 1 to 5)

- 4,5 • Complex repossession procedure
- 4,3 • Limited secondary market
- 3,5 • Lack of adequate experience on these markets
- 3,2 • High start-up costs
- 2,8 • Insurance against damage and losses

ATCI



**The main barriers in developing leasing transactions with equipment** (rating: from 1 to 5)  
*continuation*

- 2,8 • Accelerated depreciation
- 2,3 • Lack of information about technical characteristics of specific equipment
- 2,0 • Lack of adequate assets on the market (supply)
- Altele • VAT tax

ATCI

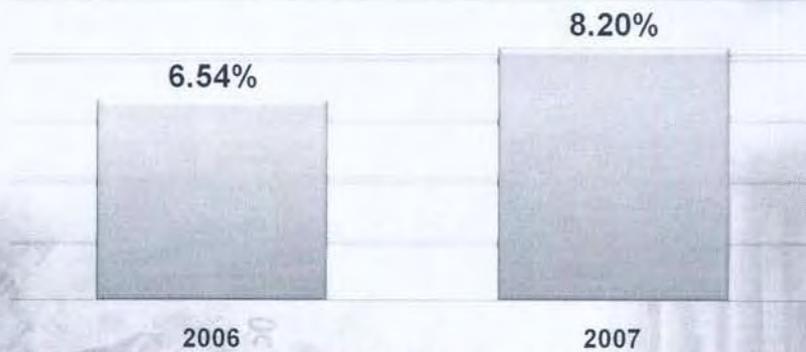


## The main indicators of the Moldavian leasing market

**ATCI**



## The leasing penetration rate in Moldova\*

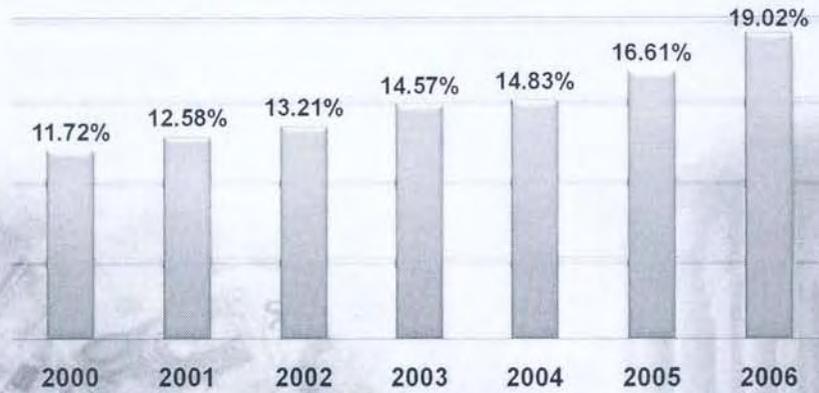


\* Calculated in accordance with LEASEEUROPE methodology: the proportion of assets financed by leasing out of the total amount of investments, which is defined as the national gross fixed capital formation less investments from households in dwellings.

**ATCI**



### Average leasing penetration rate in Europe\*



\* source: LEASEUROPE.

ATCI



### The share of leasing transactions in the fixed capital investments in Moldova



ATCI



### The share of leasing transactions in the fixed capital investments in 2007 \*

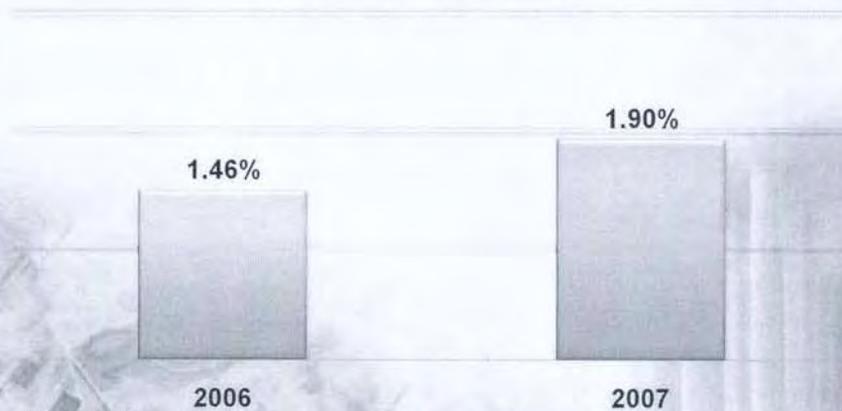


\* source: International Finance Corporation.

**ATCI**



### Weight of leasing operations in the GDP of Moldova



**ATCI**



### Weight of leasing operations in the GDP in 2007 \*



\* source: International Finance Corporation.

ATCI



### Ratings

ATCI



Rating: the size of leasing sales for 2006

- 1 • IMC Leasing
- 2 • MAIB Leasing
- 3 • Euroleasing
- 4 • BS Leasing
- 5 • Status Leasing
- 6 • Electrosistem
- 7 • Total Leasing
- 8 • Top Leasing

ATCI



Rating: the size of leasing sales for 2007

- 1 • MAIB Leasing 
- 2 • IMC Leasing 
- 3 • Euroleasing
- 4 • Total Leasing 
- 5 • BS Leasing 
- 6 • Status Leasing 
- 7 • Top Leasing 
- 8 • Electrosistem 

ATCI



**Rating: the dynamics of leasing sales increase (in absolute values comparison), for the period: 2006 – 2007**

- 1 • Total Leasing
- 2 • MAIB Leasing
- 3 • Euroleasing
- 4 • Top Leasing
- 5 • BS Leasing
- 6 • Status Leasing
- 7 • Electrosistem
- 8 • IMC Leasing

**ATCI**



**Rating: the size of the leasing portfolio in 2006**

- 1 • MAIB Leasing
- 2 • IMC Leasing
- 3 • Euroleasing
- 4 • BS Leasing
- 6 • Status Leasing
- 6 • Electrosistem
- 7 • Total Leasing
- 8 • Top Leasing

**ATCI**



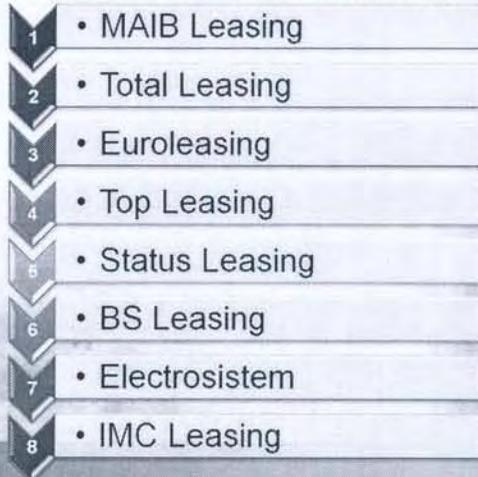
Rating: the size of the leasing portfolio in 2007



ATCI



Rating: the dynamics of leasing portfolio increase (in absolute values comparison), for the period: 2006 – 2007



ATCI



USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES FIXED INCOME LEASING

## ACCESS TO CREDIT INITIATIVE

71

### Current problems and suggestions

ATCI



USAID  
FROM THE AMERICAN PEOPLE

MORTGAGES FIXED INCOME LEASING

## ACCESS TO CREDIT INITIATIVE

72

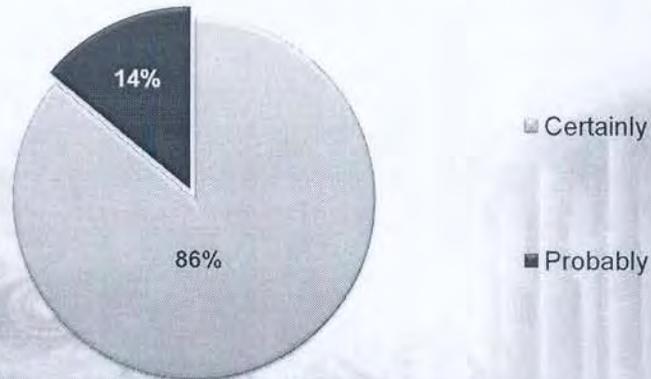
### The main obstacles in development of leasing in Moldova, from the perspective of the major lessors from this market

- **Imperfect legislation** (mainly the problem of temporary imports through means of international leasing that leads to VAT tax exemption and favors unfair competition) ;
- **The lack of a sound secondary market for certain categories of assets financed** (mainly – equipment);
- **Lack of transparency and veridical (verifiable?) information about the leasing market in Moldova;**
- **Significant difficulties in attracting cheap financial resources.**

ATCI



**Would you like to become a member of the National Leasing Association, if such one is created?**



**ATCI**



**We would like to show our deepest gratitude for cooperation to our partners\*:**

- **BS Leasing**
- **IMC Leasing**
- **MAIB Leasing**
- **Raiffeisen Leasing**
- **Status Leasing**
- **Total Leasing**

**ATCI**

*\* Arranged in alphabetical order*



**USAID | ACCESS TO CREDIT INITIATIVE**  
FROM THE AMERICAN PEOPLE MORTGAGES. FIXED INCOME. LEASING.

## **Proiectul Acces la Inițiativa de Credit**

(ATCI/Moldova)

**THANK YOU VERY MUCH FOR YOUR  
ATTENTION!!!**

**Sorbală Dorin**  
Specialist în leasing financiar

**ATCI**

# **ATTACHMENT 12**





# USAID | MOLDOVA

FROM THE AMERICAN PEOPLE

April 2, 2008

Mr. Mihail Cibotaru  
Chairman of the National Commission of Financial Markets  
Republic of Moldova

Mr. Chairman:

Thank you for your letter dated February 21, 2008 regarding the National Commission of Financial Markets' (NCFM) Strategy for the development of the non-banking financial market for 2008-2012. We appreciate the opportunity to comment on this important document for Moldova's continued progress in developing sound financial markets and achieving broad-based economic growth.

In 2006, the United States Agency for International Development (USAID) commenced the Access to Credit (ATCI) Project to strengthen Moldova's financial sector. As part of its work, ATCI is promoting an enabling legal environment within the financial markets and building the capacity of banks, non-bank financial companies, and regulatory institutions. On behalf of USAID, American experts with the ATCI Project developed commentaries on several aspects of the proposed Strategy, attached to this letter. We hope that you will find this input and commentary useful as you seek to finalize this important document.

If you should require additional information from our office, please do not hesitate to contact me. We remain committed to supporting the Republic of Moldova in its efforts to creating a strong, transparent and business oriented financial market that will stimulate broad-based economic growth.

Sincerely,

Gary Linden  
Moldova Country Program Officer

Commentaries provided by ATCI Project:

In 2007, USAID and the World Bank made recommendations on development of the Mega Regulator with Action Plans included. The NCFM should initially review these for implementation.

One other general comment relates to **regulation and the development of markets**. In markets across the world, the development of financial markets is not solely driven by the Regulator(s); development is a communal effort that can be coordinated by the Regulator with participation from the stakeholders. Often a Commission assumes that its strategy will dramatically improve circumstances for development of the financial sector and that it can mandate higher levels of trading volumes and market capitalization for the Stock Exchange. In fact, there is no direct correlation between the objectives in the strategy and future market performance related to new issuance, trading volume, or market capitalization. More specific comments and recommendations are listed below.

- 1) Overall, this ‘Strategy’ is more of a list of things to accomplish, without much direction. Needs for the Strategy include an **action plan** as to who (e.g., NCFM; Ministry of Economy and Trade) does what. The activity should be described as to which body takes the lead; and to identify which person from that body is responsible for the specific activity. Goals are listed but specific activities must be detailed for introduction and implementation to create the “Action Plan”. A Commissioner should be delegated for each activity in question; the Commissioner can delegate but should be responsible for reporting updates at least monthly as far as activity’s progress.

The heading of *Indicator of the performance or the result of proposal implementation* in Annex 1 along with the details specified below need to be enumerated, as to specific actions necessary to reach the goals indicated; where relevant, numbers of new products or money volumes of turnover need to be indicated.

- 2) Perhaps more importantly, all activities listed in the Annex should be chronologically listed as to dates when objectives are to be met; this would cross reference the specific activity to the dates planned for accomplishment. For example, all activities planned for accomplishment in 2008 would be listed in 2008; all those planned for accomplishment in 2009 would be listed in 2009. In particular, this would help **prioritize activities** (as it is likely that not all activities will be accomplished or completed) as well as help identify activities which need to occur *prior to* other activities taking place.
- 3) The NCFM, Commissioners and Staff, need to be trained, with Commissioners taking part, as the Commissioners were appointed last year with little or no regulatory or markets experience. Where does this **training** come from? We suppose donor organizations, e.g., USAID; World Bank.

Regarding reporting requirements and needed disclosures for issuers, providing information to the NCFM as well as to investors and to shareholders, ATCI has proposed to introduce and install at the NCFM and at (initially) selected issuers the Electronic Disclosure System (EDS) which was developed by a USAID project in Ukraine. Training for installation, entry of information, and receipt and interpretation of information would be included with not only the installation. ATCI would provide this in cooperation with the Ukrainian project.

- 4) The NCFM need to encourage development of the markets, e.g., securities market, insurance, pension, etc. This means to strengthen or build markets' infrastructure as well as introducing and encouraging **product development** for these sectors. However, it must be emphasized that before drafting any legislation in support of new financial instruments, the NCFM should seek professional opinions on which, if any, new financial instruments are needed in Moldova for the foreseeable future.

For example, financial sector participants (banks, leasing companies, mortgage companies) would welcome an instrument which would allow them to use balance sheet assets to collateralize bond issues; that is, Asset-Backed Securities (ABS). The mortgage bond ('covered bond') ATCI is developing is an ABS, and it can be adapted for use by leasing companies and even companies with non-financial assets (physical inventory). The 'covered bonds' (i.e., mortgage bonds) are fully supported by existing legislation; new NCFM regulations are required, and ATCI has proposed to draft them.

Eventually, all companies might be interested in the development of a REPO (repurchase agreement) market. REPOs are a cash management tool that all companies—not just non-bank financial companies—can use to their benefit. REPOs also add to liquidity for Government Bond market development as well.

- 5) The **objectives of the Strategy** are noted below with comments from ATCI:
  - a) **To draft a control and supervision system in the financial sector adjusted to international standards and EU directives:** A Control/supervisory system was outlined in the Action Plans as mentioned above, by USAID and Ernst and Young;
  - b) **To develop the primary securities market, to simplify procedures, to decrease expenses and time for securities emission:** Issuances can be prompted by allowing private placements; shelf registrations; and certainly by limiting review time by Regulators; legislation and/or regulations can and should reflect these as well as simple registration protocol, in particular, for smaller issues;
  - c) **To develop the secondary securities market, to create a modern structure of the central depository and improvement of trades on Moldova Stock Exchange (MSE):** The secondary market needs a complete overhaul including a continuous trading platform, a Central Registry as part of the Central Depository (CD); both linked to the MSE, the NCFM, and to intermediaries).

The Moldova “Stock Exchange” is a misnomer as such, as the equipment used is over 10 years old with no continuous trading and with trading occurring only if emanated from the floor. There are many registrars, yet there is a Central Depository; therefore, the CD should be transformed to also be the Central Registrar. New products should be introduced to the Stock Exchange, including corporate bonds (with ATCI’s help). In reality, this current stock exchange doesn’t fit into the 21<sup>st</sup> century. Either existing shareholders of the MSE should add money to the stock exchange or a new stock exchange should be formed by interested parties, e.g., financial institutions that would be interested and that could benefit in a vibrant, business-developing exchange. Shortly thereafter, that exchange should seek regional partners for cooperation, cross trading, etc.

- d) **To diversify financial instruments, to stimulate new financial instruments appearance:** (also see 4 above) New financial instruments, i.e., supply, can be driven by demand; new financial instruments should include not only equities, but debt instruments and possibly derivatives, the latter if controlled and subject to the liquidity of the underlying issues. Demand is mentioned below, regarding the development of institutional investors, specifically, mutual funds, pension funds, and insurance companies...all under the supervision of the NCFM. Currently, with hardly any trading on the MSE, it is difficult to develop mutual funds, certainly open-ended mutual funds. However, an enterprising venture would be to develop and register an index or indices which might reflect the overall trading volumes and activities on the MSE, and therefore provide some hedging vehicles for individuals, companies, and these institutional investors. ATCI will continue to assist companies with their issuances of debt securities. When speaking of the development of a Debt Market, however, this presumes the development of the Government Bond market, development of a long-term yield curve; development of a repurchase (repo) and reverse-repo market; development of an OTC derivatives market for institutional investors to lay off their risks. It should be noted here, relating to section 1.4 of the Strategy, that in most markets, OTC derivatives are un-regulated, where parties deal with each other based on trust. Regulated derivatives are those derivatives traded on an Exchange.

A bond market is ‘encouraged’ to develop in a stable political and financial environment, with lowering rates of inflation overall. Current conditions in Moldova preclude the development of a bond market (as an alternative to bank loans) as interest rates are too high; bank deposit rates are kept at high levels; and the non-existence of a long term government bond market;

- e) **To develop the financial market infrastructure, also to create necessary conditions for the appearance and development of institutional investors:** This is helping in the development of the ‘demand side’ of the capital market infrastructure. Part of this modern market infrastructure is not only the implementation of continuous trading but the capability of trading off-site, i.e., from remote locations not just from the stock exchange floor as trading floors are becoming obsolete throughout the world. Infrastructure needs to be developed in Moldova while being aware of neighboring countries’ infrastructures, to allow for latter cooperation and merger possibilities.

The introduction and control of Short Selling might also prove to be an effective way for institutions to hedge their investments; with Short Selling, however, this mandates the introduction of margin and therefore leverage, which can prove to be a risky venture.

Relating to section 1.5 of the strategy, it is recommended that the NCFM keep its focus on developing the core institutional investors of the pension funds, insurance companies, and mutual funds. With their development, the ‘demand side’ generates the need for the supply side, meaning products for investment, including government and other bonds. Currently, there is hardly a demand for products. Putting products into the market does not create a demand if there are no institutional investors to purchase the investment and hedging products. This is the answer to the ‘chicken and egg’ question: the development of the demand side will bring necessary development of the supply side. Otherwise the institutional investors will find other countries for their needed investments.

And one other note on the ‘demand side’: Institutional investors such as investment banks and international management companies **do not perform the same role as private pension funds or insurance companies, and can change the nature of the markets they develop from long-term investment to short-term speculation.**

- f) **To decrease risks on the financial market and to protect the interests and rights of participants on the financial market:** (Also related to Section 1.7) It should be added to “invoke trust into the marketplace”, through the effective regulation and enforcement of the markets; through the introduction of hedging vehicles; through the implementation of continuous trading; through the publicity of illegal operations, fines, and sanctions showing true enforcement activities; through the promotion of transparent, reportable, and disclosed information via web sites; ensuring that this information is Accurate, Complete, Timely, and Up to date (using the *ACT-UP* principle), allowing access by anyone at anytime.

Best use of resources by a Regulator is through the implementation of Risk-Based Supervision (RBS). RBS can be ‘taught’ by or through donor organizations. The settlement of securities trades must always be done on a delivery versus payment (DVP) basis, i.e., where delivery is made by the seller on the payment for the securities.

- 6) With regard to Section 1.7, *Development of the Insurance Market*, it seems unlikely that Moldova will ever develop a robust life insurance market that if it is not 75-80% reinsured in Europe. With life products accounting for only four percent of insurance premiums last year in Moldova, this is not a good indication of growth. Insurance companies are major institutional investors and need a sufficiently large pool of long-dated (10-20 year) securities to supply investment vehicles for annuity issuance (by insurance companies); additionally, annuitant mortality tables used by insurance companies differ significantly from ‘national mortality’ tables and take seasoned actuaries years to develop. Annuitant numbers will be too small to establish statistically valid annuitant mortality rates.

As to actuaries and actuarial societies, if Moldova will be unable to support domestic life insurance companies, it will not be able to support an actuarial society.

ATCI proposed, if USAID's approval granted, to analyze Moldovan demographics, incomes and mortality rates to determine how large the financial markets need to be to cover the investment needs of the proposed private pension fund system and the related private insurance company annuity programs. In the long run, the most sinister result of an undeveloped financial sector is the inability to fund pensions and annuities in the local currency which creates two risks for workers and pensioners alike: a) currency risk, because the all or portion of the pension fund or annuity is invested in foreign currency denominated instruments, and b) inflation mismatch, because the rates of return on foreign instruments do not compensate for local rates of inflation. Covered (i.e. mortgage) bonds can help to fund private pension needs, but more than likely there will be a funding shortfall in the coming years without available investable instruments.

A couple of additional comments on Insurance Development: on review of the Law on Insurance, there are two deficiencies. First, Securities legislation requires that all bonds be secured or guaranteed by a third party. The guarantee may be provided by an insurance company in the form of 'financial instrument insurance.' In western markets, 'financial instrument insurance' is a monoline insurance product subject to different reserve calculations and requirements for premium segregation. This class of insurance exists in name only in Moldova, that is, there are no special reserve calculation and no requirements for segregated funds.

Second and likewise, local insurance companies have begun insuring mortgages. Again, private mortgage insurance (PMI) is a monoline product subject to special reserve calculations and funds segregation requirements. Local banks (i.e., daughter-related insurance companies) are issuing these policies in a class of insurance called 'civil responsibility,' which is not a monoline product. Should there be a catastrophic set of events, the insurance companies could follow the sub-prime lenders' plummet as what has occurred in the so-called "developed markets". This could lead to the bank having to cover its daughter-insurance company's commitments, either on a legal basis or to keep the good name and reputation of the bank itself.

- 7) In some instances, the pursuit of a strong SRO (Self-Regulatory Organization) regime could prove to aid the development and regulatory/enforcement capabilities of the NCFM.
- 8) As developments are made in the markets, there needs to be public awareness and educational campaigns. In addition to the whole population, segments of the populace need to be educated, including the media, the judges, the educators themselves.
- 9) If need be, specific analyses can be made for each sector under this Strategy, i.e., securities market, savings and loan, insurance, and pension as to existing conditions and needs for development. ATCI has placed in its work plan the "analysis and assessment of the private pension fund law and system

for Moldova”, expecting to carry this out during the coming quarter. However, if no actions are implemented by the NCFM, then such analyses would again prove to be ineffective exercises.