

Report

No.1

# “THE OFFSHORE REPUBLIC”

Review of factors leading to systemic fraud and money laundering in Moldova’s banking, financial and insurance sectors



Independent Anti-Corruption  
Advisory Committee

# **“THE OFFSHORE REPUBLIC”**

## **Review of factors leading to systemic fraud and money laundering in Moldova’s banking, financial and insurance sectors**

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In the event of any inconsistency between the English original and its translation into Romanian and Russian, the provisions of the English version shall prevail.

**Chisinau, July, 2022**

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## ACRONYMS

|               |  |
|---------------|--|
| <b>AML</b>    | Anti-Money Laundering  |
| <b>APO</b>    | Anti-Corruption Prosecution Office   |
| <b>BEM</b>    | Banca de Economii  |
| <b>CARA</b>   | Criminal Assets Recovery Agency  |
| <b>CCECC</b>  | Center for Combating Economic Crime and Corruption   |
| <b>CCIA</b>   | Independent Anti-Corruption Advisory Committee /<br>Comitetul Consultativ Independent Anticorupție |
| <b>EBRD</b>   | European Bank for Reconstruction and Development   |
| <b>FATF</b>   | Financial Action Task Force  |
| <b>FIU</b>    | Financial Intelligence Unit / Office for Prevention and Combating of<br>Money Laundering           |
| <b>IFC</b>    | International Finance Corporation  |
| <b>IMF</b>    | International Monetary Fund  |
| <b>MAIB</b>   | Moldova Agroindbank  |
| <b>MLA</b>    | Mutual Legal Assistance  |
| <b>MSE</b>    | Moldovan Stock Exchange  |
| <b>NAC</b>    | National Anti-Corruption Center  |
| <b>NBM</b>    | National Bank of Moldova   |
| <b>NBMI</b>   | National Bureau of Motor Insurers  |
| <b>NCFM</b>   | National Commission for Financial Markets  |
| <b>NCFS</b>   | National Commission for Financial Stability  |
| <b>PCCOCS</b> | Prosecutor's Office for Combating Organized Crime and Special Cases                                |
| <b>PGO</b>    | Prosecutor General's Office  |
| <b>SCM</b>    | Superior Council of Magistracy   |
| <b>SCP</b>    | Superior Council of Prosecutors  |

## FOREWORD

This report is the result of excruciating, exhaustive and comprehensive research into the facts regarding the exploitation of weaknesses in oversight of the finance sector and in the performance of the justice sector in Moldova. From its earliest days as a republic, independent of the former Soviet Union in 1991 until the present, politicians, their patrons and cronies have abused their positions of authority or influence to create flawed systems or undermine functional ones to benefit personally. In some cases, individuals have been so hard-line in their corrupt activities and have benefited so dramatically that the impact – the accumulation of wealth and concentration of power by these individuals, at the expense of the Moldovan people – threatens the entire economy. If they were to expand their power and fully take over control of the economy, they would effectively control the country – the definition of “state capture.” The voices of the many would be lost, and along with it democracy, in favor of the voices of the very few.

All is not lost. Reformists within the government have taken serious and often difficult steps to address egregious deficiencies in the rule of law that exist in each and every element of the law enforcement and the justice system. It will be a long process, with success fraught with uncertainty. Similarly, while there have been some improvements in regulation of the finance sector, obvious flaws remain unaddressed with respect to money laundering and beneficial ownership.

Moldova’s domestic problems transcend its national borders. Many foreign jurisdictions have played their part in helping to mitigate or to create the precarious situation in which the country finds itself. The international community has been largely helpful, but not completely so, in its assistance to Moldova. It can do more and do better.

The report’s recommendations provide clear, specific and actionable activities with respect to reforms. The CCIA expects serious effort from the relevant national agencies to carry out these actions to the maximum and will work closely and actively, with official partners to ensure full – or, at least, reasonable – implementation. At the same time, we look forward to working closely with Moldova’s partners on confronting the country’s problems, those home grown, as well as those that have been imported from abroad.

Finally, the war next door looms large over the whole region but more particularly Ukraine and Moldova and its people. It also creates enormous opportunities for domestic and transnational individual oligarchs and kleptocrats, their networks and, where extant, their state sponsors, to profit enormously from instability, from wartime disruption and distraction. Moldova must now be more vigilant than ever in its struggle to avoid even more pernicious corruption during these extraordinarily dangerous times.

**Tamara A. Razin**  
Co-Chair

**James I. Wasserstrom**  
Co-Chair

**Chisinau, Moldova**  
**12 July 2022**

## I. EXECUTIVE SUMMARY

### ***Understanding the “Raider Attacks”, “Laundromat”, and “Theft of a Billion” in the broader framework of systematized banking and insurance sector fraud, embezzlement, and money laundering***

Illicit activities in Moldova’s banking and insurance sector have led to significant losses of public funds. Shocking events encapsulated by the catchwords “Raider Attacks”, “Laundromat”, and “Theft of a Billion” have ingrained themselves on the collective conscience of Moldovans. These terms suggest discrete events when, in fact, they are high-water marks for an industry of fraud, embezzlement, and money laundering that started in the early 2000s under the Communist led government and grew in scale after 2010.

Bank shareholders employed the Soviet-era practice of using offshore shell entities to maintain and obscure ownership, with the jurisdiction of Cyprus featuring strongly. The fraudulent use of such companies scaled in sophistication and scope with ownership often passing between co-conspirators. Strong ties to former Soviet states and Moldovan banks’ dealings with banks in Russia, Latvia and Ukraine ensured Moldova’s experience in the banking sector followed a similar pattern as in those countries. This included participation in the international money laundering system often called the “Russian Laundromat” or the “Laundromat”, which resulted in \$22 billion<sup>1</sup> being cycled between 2010 to 2014. Shell entities incorporated in the United Kingdom, Cyprus, and New Zealand - amongst other jurisdictions - were used by the final beneficiaries of the banks to create the appearance of commercial lending activity to allow for larger related party loans and embezzlement of bank assets. These shell companies issued multimillion dollar promissory notes to each other, thus creating fictitious debts, guaranteed by Russian companies which wanted to move funds out of Russia. The shell companies claimed the repayment of the debts in Moldovan courts, due to the fact that the fake promissory notes were endorsed by Moldovan individuals as well. Moldovan judges issued rulings on such non-existent debts, thus allowing the organizers to legalize and transfer the funds to the accounts of the shell companies through Moldovan banks - specifically through at least 34 court rulings and transfers through Moldindconbank.

The cycling of money to support the laundering system was exposed in the Banca de Economii (BEM), Banca Sociala and Unibank in 2014 when they were put under regulatory administration by the National Bank of Moldova (NBM), Moldova’s central bank. The long-standing mismanagement of the three banks involved changes to the ownership structures - sometimes including fraudulent court judgments in a tactic referred to as “Raider Attacks” - followed by a massive increase in lending to a group of related Moldovan and offshore firms in transactions without any apparent economic purpose. This ultimately led to the collapse of the banks in November 2014. NBM provided the banks nearly \$1 billion in emergency loans secured by state guarantees to replace embezzled funds, so depositor and creditor funds were protected, this is popularly called the “Theft of a Billion” or the “Bank Fraud”.

### ***A handful of notable players in the banking and insurance sector are associated with large scale fraud and money laundering***

There were numerous enablers, participants and beneficiaries in the banking and insurance sector fraud underlying the money laundering and embezzlement of funds. Important players included Vladimir

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<sup>1</sup> All figures are in United States dollars unless otherwise indicated

Plahotniuc, who became involved in the ownership of several key banks after gaining influence in the mid-2000s during the presidency of the Communist President, Vladimir Voronin, and wielded significant control of important government institutions; Veaceslav Platon, who gained ownership in various Moldovan banks and insurance companies in the post-Soviet economy and maintained strong ties to Russian bankers involved in money laundering; Ilan Shor, who has been identified as being one of the main beneficiaries of the "Theft of a Billion"<sup>2</sup> after gaining ownership and control of BEM, Banca Sociala and Unibank as a young entrepreneur; Vladimir Filat, who served as Prime Minister of Moldova from 2009 - 2013 and was a central figure in the battle for control of key banks, especially BEM, of which Moldova was a significant shareholder. There were others, such as Oleg Reidman, the former Economic Advisor of President Voronin and Member of Parliament representing the Communist Party, whose actions enabled money laundering and banking fraud. Reidman supported a legislative agenda that facilitated financial flows in Moldova in the mid-2000s and in 2013 he led a special parliamentary commission which recommended an additional issue of BEM shares as a solution to its capitalization problems, which subsequently allowed Shor to gain control over the bank.

### ***Moldovan courts were used to extort ownership changes in banks and insurance companies***

Plahotniuc and Platon obtained ownership of banks and insurance companies by resorting to court decisions based on fraudulent loan default cases that resulted in orders to transfer ownership to shell companies under their control. The earliest example of this practice is the acquisition of Victoriabank in 2005 by companies whose beneficial owners<sup>3</sup> were Plahotniuc and his former partners, Victor Topa and Viorel Topa, acting in concert without the required consent of the NBM. In 2008, the Moldasig insurance company came under the control of a Cyprus shell company and in 2009, a District Court ruling ordered the transfer of 100% of the company to a Ukrainian citizen under a fraudulent debt.<sup>4</sup> Later, in 2010 and 2011 the Topas – who had obtained ownership alongside Plahotniuc - ironically found their shares in Victoriabank transferred through court proceedings without their knowledge to a South African company. In May 2011, a court ruling transferred the ownership of ASITO insurance company to offshore companies and 18.5% of BEM shares were transferred to a shell company from New Zealand following a similar court ruling. In July 2011, a Court of Appeal ruling passed 27.5% of Moldova Agroindbank (MAIB) shares to a shell company from Seychelles; however, two months later the Supreme Court returned the shares to their original owners. In August 2011, 78% of Universalbank was passed to a Panamanian company, following a court ruling on the recovery of a debt. By 2014, five of the six largest banks were under the control of two separate groups of interests, with a combined 60-70% of the banking system under their control.

### ***Banking sector fraud and money laundering were essential tools in supporting related party lending, which expanded to become an integral part of the international money laundering system***

Fraud in the banking sector predominantly came in the form of inappropriate lending activity contrary to regulatory risk thresholds. According to NBM regulations, a bank's loan portfolio must be sufficiently collateralized to ensure liquidity at the bank, but liquidity ratios assessed by NBM were based on fraudulently inflated valuations of collateral and unverified interbank deposits with Russian banks used as

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<sup>2</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>3</sup> The individual person who has an ownership interest how-so-ever registered.

<sup>4</sup> Timpul, How Oleg Voronin took over the Moldasig, 28 July 2015, [https://web.archive.org/web/20100731205554/https://www.timpul.md/articol/cum-a-acaparat-oleg-voronin-moldasig-ul-\(vezi-documente\)-13772.html](https://web.archive.org/web/20100731205554/https://www.timpul.md/articol/cum-a-acaparat-oleg-voronin-moldasig-ul-(vezi-documente)-13772.html).

collateral. Additional regulatory limitations, on related party lending and the concentration of loans, were avoided by banks using shell companies with obscure ownership to disguise loans to the same related party debtors. These practices formed the foundations to launder funds external to the banking system (ie. from Russian tax officials). Moldovan banks became integral to a broader Eastern European network of banks found to have laundered billions of dollars using an array of shell companies registered in high-risk offshore jurisdictions.<sup>5</sup> Banks and their shareholders were able to tap into the international money laundering network constructed by corporate registration, and nominee firms, providing services tailored to money laundering and tax evasion. Outside of Eastern Europe, the United Kingdom was central to this system because it offered simple registration and the allure of legitimacy. A key Moldovan corporate registration service provider - Calin Corjan<sup>6</sup> of Suntiger International – appears in the early 2000s in a United Kingdom corporate registration alongside firms central to money laundering activities involving Plahotniuc, Platon, Shor and Filat.<sup>7</sup>

***NBM took selective and inadequate enforcement action despite having the capacity to intervene earlier, especially related to beneficial owners***

A high number of non-performing loans attracted scrutiny with some banks having non-performing loan ratios exceeding 60%.<sup>8</sup> NBM demonstrated the capacity to detect regulatory infractions and take enforcement action, having done so multiple times throughout the years. The absence of stronger action against banks in the face of red flags associated with loan portfolios and obscured beneficial owners can be attributed to a conscious act<sup>9</sup> resulting from Plahotniuc's control of NBM in 2009 after the appointment of an unqualified Governor over whom he had great influence.<sup>10</sup> NBM did not take severe enforcement action against shareholders of key banks until 2016, well after the 2014 banking crisis and the NBM leadership change. At this time, following Moldova's commitments to the International Monetary Fund (IMF),<sup>11</sup> NBM forced shareholders found to be acting in concert for the same unapproved beneficial owners to sell their shares.

***Other mechanisms meant to provide transparency and oversight failed; local legal profession turned a blind eye***

Banks are joint stock companies and as such must be listed on the Moldovan Stock Exchange (MSE), which includes the requirement to publicize information about the company's ownership structure and beneficial owners. However, the public disclosure system regarding the beneficial owners of the banks in Moldova is inadequate and must be improved. Legal professionals have a critical role to play in helping to prevent abuse of shells and corporate structures meant to obscure ownership and hide activities but they

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<sup>5</sup> Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, July 2019. <https://rm.coe.int/moneyval-2019-6-5th-round-mer-repmoldova/168097a396>.

<sup>6</sup> See page 22 of ABLV bank's annual report for 2008, [https://www.ablv.com/content/4/2/4/6/d73fa2cc/ablv\\_AR\\_2008\\_ru.pdf](https://www.ablv.com/content/4/2/4/6/d73fa2cc/ablv_AR_2008_ru.pdf).

<sup>7</sup> <https://find-and-update.company-information.service.gov.uk/company/04378712/officers>.

<sup>8</sup> IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>.

<sup>9</sup> *Idem*.

<sup>10</sup> *Idem*.

<sup>11</sup> IMF, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, <https://www.imf.org/external/np/loi/2016/mda/102416.pdf>.

have not engaged in the anti-money laundering community of practice to date. Mandatory external bank audits are another critical piece of the accountability structure. However, they were not made public and were not acted on by regulatory authorities when significant concerns were identified.

***The Financial Intelligence Unit (FIU) and prosecutors' investigations were not instigated prior to the 2014 bank crisis***

Prosecutors and FIU analysts did not fulfil their duties in a timely manner and appear to have selected initial targets based on political considerations. The FIU failed to disseminate information regarding widespread money laundering until 2014, at a time when Plahotniuc and Platon were fighting for control of Victoriabank. This information later formed the evidentiary basis to prosecute Filat and Platon, both enemies of Plahotniuc at the time. Shor was also prosecuted and convicted by a District Court for causing material damage, through deception or abuse of trust and money laundering,<sup>12</sup> but absconded to Israel. The case has so far not reached finality; it has been examined for over three years now in the Appeal Court. Plahotniuc fled to Turkey and has never been prosecuted.

***The Prosecutor General demonstrated a pattern of disregard for the rule of law and standards of conduct***

During 2009 to 2019, the Prosecutor General's Office (PGO) was under the control of Plahotniuc and did not conduct investigations involving him and his allies. After the appointment of Alexandru Stoianoglo as Prosecutor General in 2019, the Prosecutor General reportedly unilaterally purged dozens of prosecutors – despite questions regarding his legal authority to do so – based on his subjective belief they were corrupt. Other indiscretions of Stoianoglo included leading the ad hoc re-examination of cases with final judgments, and inappropriately using public resources to investigate allegations against his wife, presenting clear conflicts of interest and abuses of office. It is impossible for the rule of law to prevail when the Prosecutor General abandons it, regardless of the purpose for which it is allegedly done.

***Recoveries of funds lost to banking embezzlement and fraud have been challenged by a lack of coordination and jurisdictional fractures***

The NBM provided state-secured emergency loans worth MDL 14.1 billion to BEM, Unibank and Banca Sociala, which were placed under NBM administration in 2014. The administration of funds was highly questionable, and the administrator is being prosecuted for paying companies owned by shareholders involved in the fraud, contrary to the terms of the emergency loans.<sup>13</sup> There have been active efforts to recover funds in transit through civil and criminal channels. The civil recovery effort mostly involves shell company debtors being pursued through liquidation proceedings for default loans. Criminal recoveries are pursued by the Criminal Assets Recovery Agency (CARA), but a gap in their mandate limits CARA to cases involving the National Anticorruption Center (NAC). Those requiring international assistance must

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<sup>12</sup> On 16 December 2021, the Interim Prosecutor General submitted 9 requests to the Moldovan Parliament for lifting the immunity, detention, arrest, and prosecution of the "Shor" Party leader, Shor. He is under investigation for fraud, money laundering, creation, or leading of a criminal organization, forgery in declarations, embezzlement of foreign assets, abuse of power, in several criminal cases, including the "Bank fraud" case and the case concerning the concession of the Chisinau International Airport. On 23 December 2021 the parliamentary immunity of MP Shor was lifted. On 19 May 2022, acting Prosecutor General requested to lift the legislative immunity of Shor Party MPs Shor and Marina Tauber. Marina Tauber is featured in two of the applications, while Shor in another two applications for money laundering and swindle. On 25 May 2022, the Parliament lifted the immunities of these two MPs, <https://www.parlament.md/SesiuniParlamentare/%c5%9eedin%c5%a3eplenare/tabid/128/SittingId/4779/language/ro-RO/Default.aspx>.

<sup>13</sup> Government decision no. 938/2014, [https://www.legis.md/cautare/getResults?doc\\_id=84860&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=84860&lang=ro#).

be communicated through the Anti-Corruption Prosecutors' Office (APO), the PGO, or Ministry of Justice, which requires a level of coordination that is absent.

***International cooperation is generally good, but can be improved with increased responsiveness of a small number of key jurisdictions and better results in extraditing alleged perpetrators***

Moldovan authorities have well established Mutual Legal Assistance Agreements (MLA) and channels for seeking and receiving international assistance in the investigation of money laundering. However, there are several key jurisdictions which have been unresponsive. Translation is also a limiting factor in the analysis of large volumes of material from other jurisdictions. Interpol found requests for the extradition of Plahotniuc and Shor to be politically motivated and rejected them.

***International investors play a significant role in the Moldovan banking system, but due diligence and oversight have been lacking***

The European Bank for Reconstruction and Development (EBRD) has been an important and central participant in the Moldovan banking sector, having equity positions in Victoriabank, extending credit to many banks to provide loans to small and medium enterprises, and through purchase of shares after NBM forced shareholders to sell. It is unclear what – if any – due diligence or oversight they undertook to respond to red flags for large scale fraud, embezzlement, and money laundering.

***Moldova's banking sector health has improved, but there are gaps in oversight which remain and could allow similar events to recur***

The banking sector now consists of 11 banks – four of which are systemic<sup>14</sup> – and showed improvement in the quality of assets, with a high level of capitalization and liquidity<sup>15</sup> and non-performing loans (excluding 2013-2015 exposures) in 2020 at approximately 5%. Yet NBM's efforts to identify the beneficial owners of the banks remain dangerously deficient.

***Recommendations***

1. Parliament should implement a procedure to ensure all future appointments of NBM Governors and Deputy Governors are merit based and transparent (effective from the next vacancy).
2. NBM should strengthen its capacity to investigate money laundering red flags with money laundering approaches being integrated into on-site and off-site bank inspections (within 6 months from issuance of this report).
3. NBM should make bank inspection reports publicly available online, excluding the information related to commercial secrets (6 months).
4. NBM should disclose and make public and easily accessible information on ultimate beneficial owners of the commercial banks (9 months).
5. NBM should make sure all decisions of the Supervisory Board and the Executive Board are published on the website of the State Register of Legal Acts [www.legis.md](http://www.legis.md) (3 months).

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<sup>14</sup> According to an NBM press-release of 7 March 2022, <https://www.bnm.md/ro/content/comunicat-cu-privire-la-stabili-rea-ratelor-amortizorului-o-sii-martie-2022>, these banks are MAIB, Moldindconbank, Victoriabank and Mobiasbanca.

<sup>15</sup> NBM, Financial Stability Report, 2020, [https://www.bnm.md/files/RSF-2020\\_EN.pdf](https://www.bnm.md/files/RSF-2020_EN.pdf).

6. The IMF should examine the efficacy of NBM efforts to identify beneficial owners of banks (6 months).
7. The MSE should develop and implement an accessible and easy-to-use public interface providing joint stock company disclosures including externally audited financial statements (18 months).
8. NCFM annual reports should incorporate the value and ratio of the reinsured risks, with a breakdown by the country of the reinsurer as opposed to the current practice of disclosing only the amount of insurance premiums transferred to reinsurers (immediate).
9. Parliament should amend the relevant statute to make sure that the appointment of the administrators of insurance companies without prior notice to NCFM are invalid (9 months).
10. NCFM should disclose and make easily accessible information on the ultimate beneficial owners of insurance companies (9 months).
11. Parliament should amend legislation to require NCFM to conduct onsite inspections of insurance companies at specific intervals as required in the banking sector (9 months).
12. NCFM should assess the assets of all insurance companies to determine whether liquidity indicators are overestimated, or assets appear overvalued. (18 months).
13. NCFM should make sure that all the decisions are published on the website of the State Register of Legal Acts [www.legis.md](http://www.legis.md) (3 months).
14. Parliament should introduce legislation expanding restrictions and increasing the penalty against actuaries who minimize risks in their assessment reports (9 months).
15. Parliament should introduce legislation – and NCFM should adopt rules – restricting shareholders, management, actuaries and auditors from reopening business under another name or to hold management positions if they have previously been sanctioned (12 months).
16. Parliament should introduce legislation to ensure any NCFM decision is approved by a majority of NCFM's appointed members and not by a majority of quorum (9 months).
17. Parliament should amend the NCFM law and the administrative code imposing the suspension of NCFM decisions by the Courts of Appeal as opposed to District Courts (9 months).
18. Parliament should introduce measures to hold judges accountable for decisions to transfer shares without the consent of the NCFM (9 months).
19. Banks should increase their institutional capacity to identify suspicious transactions and report them to the FIU (6 months).
20. FIU should create a specialized function to analyse corporate registration activities to identify money laundering patterns (12 months).
21. NAC, CARA, FIU, and the specialized prosecution offices should request additional resources to attract finance/banking specialists (6 months).
22. FIU should provide capacity building support for judges, lawyers, notaries, and bailiffs on submitting information on suspicious transactions (12 months).
23. Parliament should introduce legislative amendments requiring bailiffs and judges to submit suspicious transaction reports to the FIU and providing dissuasive sanctions for not fulfilling this obligation (9 months).
24. Parliament should introduce requirements for independent auditors to report to NBM and law enforcement agencies when banks, insurance companies and other financial institutions are suspected of participating in fraudulent or illegal activity (12 months).

25. NAC, APO, PCCOCS should improve cooperation and exchange of data, including, but not limited to, establishing joint investigation teams, including NBM, NCFM and legal professionals, where appropriate (3 months).
26. APO should establish joint international investigation teams with the agreement of other countries' relevant authorities (9 months).
27. PGO, APO, NAC, and CARA should consistently communicate investigative and recovery milestones related to the bank fraud to the public. These should be made available on institutions' websites in an easily accessible format (3 months).
28. The Agency for Court Administration should publish online all court decisions of the Economic District Court and the Economic Court of Appeal issued from 2009 till now (12 months).
29. The Agency for Court Administration should amend the civil procedure code to improve its case management system to avoid the registration of cases already pending or previously decided (6 months).
30. The Parliament should increase the efficiency and transparency of disciplinary proceedings by amending Law on Disciplinary Liability of Judges (6 months).
31. Parliament should revise the liquidation process for private companies to expedite recoveries of assets and more directly deal with falsified debts (12 months).
32. NBM Banking Supervision department should exercise its functions to audit and oversee the activities of liquidators as stringently as they would for banks and publish such reports in a timely manner, including information regarding payments to bank creditors (9 months).
33. CARA, NAC, and APO should draft and implement a well-resourced, rigid, asset tracking and recovery effort supported by international technical assistance (6 months).
34. CARA and bank liquidators appointed by NBM should improve cooperation and exchange of data, including establishing joint teams (3 months).
35. Parliament should adopt legislation empowering non-criminal asset seizures (6 months).
36. The EBRD should finance an external assessment of its past lending practices in Moldova and should investigate ways to mitigate any potential contributions to fraud, money laundering, and corruption (12 months).
37. The Government of Moldova and international partners should strengthen bilateral (MLA) and multilateral institutional partnerships regarding wanted persons, confiscation and asset recovery (15 months).
38. The Government of Moldova should undertake all efforts on the appointment of a liaison prosecutor to Eurojust and a representative to the headquarters of Interpol (6 months).
39. The Republic of Moldova should continue political and diplomatic efforts to expedite the seizure and recovery of proceeds of money laundering and fraud, and to extradite suspected perpetrators (immediate).
40. PGO must ensure all the requests to Interpol are grounded and have no political motivation (immediate).
41. PGO, Ministry of Interior and the Ministry of Justice should establish a joint group and evaluate all the requests to Interpol (especially those related corruption, money laundering) from the last three years (12-months).
42. The Government of Moldova should approve law enforcement agencies' additional funding for translation purposes and for contracting specialists (e.g. financial experts) (3-months).

## II. FACTUAL OVERVIEW

### a. Emergence of the banking sector in the post-Soviet era provides the framework for large scale money laundering (1991 – 2008)

#### ***Political continuity in post-Soviet Moldova provided economic opportunities for people close to the Communist leadership***

In many ways, the transition from the Soviet Union to the Republic of Moldova was more form than substance at the outset. Senior Communists emerged as leaders of prominent political parties and continued to occupy the seats of power in Moldova after independence. The Chairman of the Supreme Soviet Mircea Snegur was Moldova's Head of State from 1989 – 1997, serving as the first President with Communist Andrei Sangheli as his Prime Minister for the most part. President Snegur was succeeded by President Petru Lucinschi, a former First Secretary of the Soviet Communist Party, and then by Vladimir Voronin of the Communist Party of Moldova who served as President for eight years from 2001 – 2009. President Voronin's administration was notable in two respects. First, it provided continuity and stability for people close to power to gain access to economic opportunities and thrive, and second, it was the basis for Plahotniuc's growth in influence and power as he became close to the President, a connection he later leveraged in the post-Communist era of coalition governments.

Soviet Union state banks active in Moldova were privatized in the early 1990s. Numerous new banks were established with people close to the Communist power structure became owners and managers. This included Platon at Moldindconbank and Oleg Voronin – the son of the future President – who became a Fincombank shareholder.<sup>16</sup> The use of misappropriated funds to gain bank ownership was apparent as early as 1994, when the Ministry of Finance provided \$27 million for the supply of oil to an offshore company,<sup>17</sup> which used the funds to acquire 56% of BEM shares from the Moldovan government and 99% of shares of Petrolbank (now Euro Credit Bank) through subsidiaries.<sup>18</sup> The transaction was reversed in 1998 after NBM identified concerns resulting in the Moldovan Government regaining its 56% shareholding.<sup>19</sup> The Minister of Finance was indicted for embezzlement in relation to the transfer, but was found innocent after a lengthy trial.<sup>20</sup>

<sup>16</sup> International Finance Corporation, World Bank Group, IFC Project Information & Data Portal Fincombank II, 2003, <https://disclosures.ifc.org/project-detail/SPI/21224/fincombank-ii>.

<sup>17</sup> Neftegazgroup was registered in Malta and was represented by Grigore Cusnir, the head of economic council of the President Petru Lucinschi.

<sup>18</sup> Government, Decision no. 906 of 14 December 1994, not published in the Official Gazette. Centre for Journalistic Investigations, Petrolbank, the business which embezzled \$10 million from the state budget, 2002, <https://www.investigatii.md/ro/investigatii/bani-publici/petrolbank-afacerea-care-a-deturnat-10-mln-dolari-din-bugetul-statului>.

<sup>19</sup> Government Decision 1214e of 17 December 1998, [https://www.legis.md/cautare/getResults?doc\\_id=47780&lang=ro](https://www.legis.md/cautare/getResults?doc_id=47780&lang=ro) and Government Decision 78 of 2 February 1999, [https://www.legis.md/cautare/getResults?doc\\_id=48611&lang=ro](https://www.legis.md/cautare/getResults?doc_id=48611&lang=ro). Both Decisions of the government were contested to the Constitutional Court, which were returned with no examination on the matter - <https://constcourt.md/ccdocview.php?tip=sesizari&docid=134&l=ro>; IMF, Staff Country Report no. 98/58, Republic of Moldova: Recent Economic Developments, 1998, <https://www.elibrary.imf.org/view/journals/002/2001/022/article-A002-en.xml>

<sup>20</sup> Anticoruptie, Criminal past of the new director of the NCFM. With what wealth did Valeriu Chitan take the office. 13 April 2017, <https://anticoruptie.md/ro/stiri/trecutul-penal-al-noului-presedinte-cnfp-cu-ce-avere-a-intrat-in-functie-valeriu-chitan>.

## **Regulatory liquidity requirements drove the development of money laundering structures to hide fraudulent related party loans<sup>21</sup>**

The banking sector in Moldova initially expanded rapidly as banks were viewed by founding shareholders as a source of funds to support unsecured high-risk loans to their own business interests or embezzling the funds for other purposes. This phenomenon saw Moldova's banking sector grow to 27 banks with 13 becoming insolvent and having their licenses revoked before 2000. Rampant related party lending was evident in the top banks despite NBM restrictions on related party lending, loan concentration exposures, and the ratio of non-performing loans,<sup>22</sup> with Moldindconbank cited for granting loans with insufficient collateral.<sup>23</sup> The need to demonstrate lending activity to disguise the nature and scale of related party lending is at the root of the industry of money laundering that emerged in the banking sector. Shell companies with manufactured commercial activity were used to create the appearance of lending activity, which then allowed the banks to provide larger related party loans and for the banks to be able to report fewer non-performing loans to NBM. This practice became sophisticated and systematized with Moldovan banks integral to a broader Eastern European money laundering network, that included banks found to have been significantly involved in money laundering, such as PrivatBank (Ukraine)<sup>24</sup> and ABLV Bank (Latvia).<sup>25</sup> By 2007 Moldova appears to have been a key player in money laundering in Eastern Europe with Platon and Plahotniuc allegedly involved with Russian bankers<sup>26</sup> in developing a mechanism to launder money.<sup>27</sup> Vladimir Plahotniuc and Platon allegedly laundered 500 billion roubles from Russia through Moldindconbank to banks in Latvia and Ukraine.<sup>28</sup> Furthermore, according to an investigation conducted by accountant and whistle-blower Sergei Magnitsky, at least \$50 million in illicit funds were wired from Russia to Moldova through BEM.<sup>29</sup>

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<sup>21</sup> Related parties are defined as "related to another person" by the Law on the Activity of Banks, No 202 of 6 October 2017, [https://www.bnm.md/files/Law%20on%20the%20activity%20of%20banks%20no\\_202\\_2017.pdf](https://www.bnm.md/files/Law%20on%20the%20activity%20of%20banks%20no_202_2017.pdf). This includes key positions; legal entities and/or individuals who, directly or indirectly, individually or in concert, holds or controls a share equal to or higher than 1% of the bank; any entity associated with the person or is a member of a joint venture; persons related to the persons; person related to an individual - spouses, relatives of the first and second degree, the spouses of the relatives, as well as the legal entity over which the individual hold control, or have a share in joint ventures, or exercises significant influence over it, or are the members of the management body thereof; person which a transaction with the bank is carried out under the influence of a related party.

<sup>22</sup> IMF, Memorandum of Economic and Financial Policies of the Government and National Bank of Moldova for 1999, 29 July 1999, <https://www.imf.org/external/np/loi/1999/072999.htm>.

<sup>23</sup> Court of Account Decision no. 83 of 4 October 2011, [https://www.legis.md/cautare/getResults?doc\\_id=50137&lang=ro](https://www.legis.md/cautare/getResults?doc_id=50137&lang=ro).

<sup>24</sup> United States District Court, southern District of Florida, Case No. 1:22-cv-20238 <https://www.justice.gov/opa/press-release/file/1464071/download>.

<sup>25</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>26</sup> Oleg Kuzmin owner of Evropeyskiy Express LLC, co-owners of JSCB Russian Land Bank, OJSC, Bank Zapadny OJSC, a branch of KKB Creditbank OJSC – Creditinvest Alexander Grigoriev and Beslan Bulguchev, the heads of the treasury of these banks Rinat Yusupov and Viner Sharipova, as well as Alexei Sobolev and Lev Pakhomov.

<sup>27</sup> Letter from BrownRudnick to the Prosecutor General of Latvia regarding suspected money laundering suspicious reports, dated 30 July 2012, <https://www.dropbox.com/s/otalh6kyxovmyv8/Latvian-Complaint-signed-FULL-21.pdf?dl=0>. SIS provides information on the involvement of Plato, Plahotniuc, Șor and Usatii in laundromat, Cotidianul, 24 May 2021, <https://cotidianul.md/2021/05/24/doc-sis-ofera-informatii-despre-implicarea-lui-platon-plahotniuc-sor-si-usatii-in-laundromat/>.

<sup>28</sup> Latvian Trustcomertbank, Rabinovici Ru citizen, PrivatBank Ukraine, ABLV in Latvia. Letter from BrownRudnick to the Prosecutor General of Latvia regarding suspected money laundering suspicious reports, dated 30 July 2012, <https://www.dropbox.com/s/otalh6kyxovmyv8/Latvian-Complaint-signed-FULL-21.pdf?dl=0>.

<sup>29</sup> OCCRP, Following the Magnitsky Money, 12 August 2012, <https://www.occrp.org/en/the-proxy-platform/following-the-magnitsky-money>.

This Eastern Europe money laundering network itself was an integral part of the wider international money laundering system involving the United Kingdom and several notorious offshore jurisdictions. The use of United Kingdom limited partnerships was central to providing the veneer of legitimacy. Several United Kingdom corporate service companies appear on thousands of suspicious corporate registrations with nationals from Moldova, Ukraine, Russia, and Cyprus as beneficial owners.<sup>30</sup>

### **Victoriabank ownership changes in 2005 set the precedent for later attempts to secure ownership of other Moldovan banks.**

Victoriabank provides a window into the problematic practices related to the use of offshore shells and obscure ownership structures. In 2000, Victoriabank's largest shareholder was a Cyprus limited liability company owned in part by the International Finance Corporation (IFC) of the World Bank Group and EBRD.<sup>31</sup> Given the high-risk environment, there are unanswered questions as to the logic for international organizations such as the IFC and EBRD to retain ownership of Moldovan banks in Cyprus-based shells. In 2005, 39% of Victoriabank shares were acquired by companies linked to Plahotniuc<sup>32</sup> with ownership of two United Kingdom limited partnerships,<sup>33</sup> a company from Belize,<sup>34</sup> and two local companies<sup>35</sup> all acquiring ownership below the 10% threshold requiring NBM approval.<sup>36</sup> Interestingly, the group initially included Victor Topa and Viorel Topa<sup>37</sup> who took ownership through the company registered in Belize<sup>38</sup> and later themselves became victims of the same scheme when Plahotniuc sought to secure their shares in 2011. At the time of the 2005 transfer, Victoriabank's founder and the President was arrested by the Center for Combating Economic Crime and Corruption (CCECC, later NAC) for allegedly benefiting from a \$15,000 bribe.<sup>39</sup> The founder claimed powerful interests and had organised a takeover of the bank<sup>40</sup> and suggested the CCECC was being used to settle political quarrels.<sup>41</sup> Another key shareholder was forced to sign a power of attorney resulting in shares being transferred to the purchasers. During this period, parliamentarians questioned NBM's silence, calling the process a redistribution of influence in the banking sector and warning MAIB would be next.<sup>42</sup>

<sup>30</sup> Oswalds of Edinburgh Limited and Jordan Nominees (Scotland) Limited. Dellvale Limited and Company.

<sup>31</sup> IFC Victoriabank, Moldova, 19 October 2000, <https://disclosures.ifc.org/project-detail/SPI/9780/victoriabank-moldova>; and EBRD, Victoria Bank Capital Increase II, 25 May 1999, <https://www.ebrd.com/work-with-us/projects/psd/victoria-bank-capital-increase-ii.html>.

<sup>32</sup> NCFM, Annual Report on NCFM's activity and non-banking financial market functioning, 2006, [http://old.cnpf.md/file/CNPF/Raport\\_2006\\_ENGL.pdf](http://old.cnpf.md/file/CNPF/Raport_2006_ENGL.pdf).

<sup>33</sup> Victoria Invest Limited and Financial Investments Corporation Ltd.

<sup>34</sup> Atrium limited.

<sup>35</sup> Repcor-Com SRL and Program Invest SRL.

<sup>36</sup> Moldova.org, Victoriabank President: New Shareholders Want to Destroy the Bank, <https://www.moldova.org/en/victoria-bank-president-new-shareholders-want-to-destroy-the-bank-1491-eng/>.

<sup>37</sup> Victor and Viorel Topa later claimed in 2011 to be victims of fraud when they were dispossessed of their shares in an attack perpetrated by Plahotniuc. However, the Economic Court found the original agreements invalid and Topa guilty of illegally obtaining Victoriabank shares. "Atrium" Ltd (Belize), "Victoria Invest" Ltd and "Financial Investments Corporation Limited" (Edinburgh, UK), "Program Invest" SRL and "Repcor-Com" SRL (Moldova). The truth triumphed when Topa was convicted, former Victoriabank President, [https://www.ipn.md/en/truth-triumphed-when-topa-was-convicted-former-victoriabank-president-7967\\_993475.html](https://www.ipn.md/en/truth-triumphed-when-topa-was-convicted-former-victoriabank-president-7967_993475.html).

<sup>38</sup> Atrium limited.

<sup>39</sup> Ziarul de Garda Director of Victoriabank, Victor Turcanu: hopefully was no gunshot, 17 September 2011, <https://www.zdg.md/editia-print/stiri-vechi/directorul-victoriabank-din-fericire-nu-s-a-tras/>.

<sup>40</sup> European Court of Human Rights, Turcan and Turcan vs. Moldova (no. 39835/05), <https://hudoc.echr.coe.int/app/conversion/pdf/?library=ECHR&id=001-83484&filename=001-83484.pdf&TID=ihgdqbxnfi>.

<sup>41</sup> Transcript of the sitting of the Parliament of 4 November 2005, <https://old.parlament.md/news/plenaryrecords/04.11.2005/>.

<sup>42</sup> Transcript of the sitting of the Parliament of 4 November 2005, <https://old.parlament.md/news/plenaryrecords/13.10.2006/>

## ***The legislative agenda in the mid-2000s contributed to the development of the framework for money laundering***

In 2005, Reidman, then Economic Advisor to President Voronin, prepared a memorandum laying out steps Moldova could take to attract and obtain economic benefits from international financial flows.<sup>43</sup> Just four months later, the Parliament amended the Anti-Money Laundering (AML) law to exclude the obligation of banks to report transactions of non-resident companies.<sup>44</sup> This act was annulled a half year later,<sup>45</sup> after CCECC efforts to make non-resident suspicious transactions reportable.<sup>46</sup> The legislative agenda from 2005 – 2008 also included several other actions favourable to money laundering, including reducing business income tax from 15% to zero for banks,<sup>47</sup> changing the law on state secrets<sup>48</sup> and eliminating criminal code liability for concealing assets pledged to secure loans.<sup>49</sup> Members of the Democratic Party in Parliament also pushed amendments<sup>50</sup> to allow commercial banks to grant foreign currency loans<sup>51</sup> and sought the removal of Cyprus as an offshore area, requiring banks to submit special activity reports based on its reputation as an alleged centre for money laundering.<sup>52</sup>

### **b. A fractured post-Communist political environment allowed banks and insurance companies to be taken over without effective regulatory intervention in “Raider Attacks” (2009 – 2014)**

#### ***Political leverage in 2009 allowed Plahotniuc to gain firmer control of key government institutions***

In 2009 the political environment in Moldova became particularly complicated after the Communist Party, which had held power for eight years under President Voronin, won the Parliamentary election, but with too few seats to elect a President. Allegations of irregularities prompted strong public protests. A second election resulted in the victory of the Alliance for European Integration coalition,<sup>53</sup> but who also failed to obtain enough seats to elect a President. After another round of Parliamentary elections in 2010, Marian Lupu of the Democratic Party was elected President, and Filat, leader of the Liberal Democratic Party, another member of the coalition, was made Prime Minister.

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<sup>43</sup> Veaceslav Negruta, The chronology of the BEM situation in four chapters, page 5 and 6, <https://vnegruta.files.wordpress.com/2015/05/2-bem-cronologie-partea-i.pdf>.

<sup>44</sup> Law no. 255 of 27 October 2005, [https://www.legis.md/cautare/getResults?doc\\_id=107311&lang=ro](https://www.legis.md/cautare/getResults?doc_id=107311&lang=ro).

<sup>45</sup> Law no. 78 of 6 April 2006, [https://www.legis.md/cautare/getResults?doc\\_id=25330&lang=ro](https://www.legis.md/cautare/getResults?doc_id=25330&lang=ro).

<sup>46</sup> Article 5 of Law No. 633 of 15 November 2001 on the Prevention and Combating of Money Laundering and Terrorist Financing, [https://www.legis.md/cautare/getResults?doc\\_id=64403&lang=ro](https://www.legis.md/cautare/getResults?doc_id=64403&lang=ro). The transcript of the sitting of the Parliament when the amendments were adopted, are available at <https://old.parlament.md/news/plenaryrecords/23.03.2006/>.

<sup>47</sup> IMF Working Paper, Fiscal Policy Response to External Crises: The Case of Moldova 1998-2010, Driton Qehaja, March 2012, <https://www.imf.org/en/Publications/WP/Issues/2016/12/31/Fiscal-Policy-Response-to-External-Crises-the-Case-of-Moldova-1998-2010-25789>.

<sup>48</sup> Information retrieved from 2015 alternative report of Member of Parliament Iurie Chirinciuc, who was member of the special parliamentary commission designated to investigate the banking fraud, <https://www.chirinciuc.md/raportul-de-alternativa-a-deputatului-iurie-chirinciuc-membru-al-comisiei-de-ancheta-bem-2015/> Report regarding the situation at Banca de Economii, Banca Sociala and Unibank. Reconstructing the chronology of events and revealing hidden interests and shadow directors, Iurie Chirinciuc, March 2015, <https://pl.md/libview.php?l=ro&idc=78&id=6358&t=/Presatiri/DOC-Raportul-Fractiunii-PL-cu-privire-la-situatia-BEM-Banca-Sociala-i-Unibank/> and Law no. 550 on Financial Institutions of 21 July 1995, [https://www.legis.md/cautare/getResults?doc\\_id=121164&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121164&lang=ro).

<sup>49</sup> Veaceslav Negruta, The chronology of the BEM situation in four chapters, page 5 and 6, <https://vnegruta.files.wordpress.com/2015/05/2-bem-cronologie-partea-i.pdf>. See article 251 of the Criminal Code amended as of by law no. 173 of 25 July 2014, [https://www.legis.md/cautare/getResults?doc\\_id=21357&lang=ro](https://www.legis.md/cautare/getResults?doc_id=21357&lang=ro).

<sup>50</sup> Article 22 of the Law no. 62 on Foreign Exchange Regulation of 21 March 2008, [https://www.legis.md/cautare/getResults?doc\\_id=93238&lang=ro](https://www.legis.md/cautare/getResults?doc_id=93238&lang=ro).

<sup>51</sup> Transcript of the Parliament sitting of 25 March 2010, <https://old.parlament.md/news/plenaryrecords/25.03.2010/>.

<sup>52</sup> Transcript of the Parliament sitting of 16 November 2007, <https://old.parlament.md/news/plenaryrecords/16.11.2007/>;

Transcript of the Parliament sitting of 25 April 2008, <https://old.parlament.md/news/plenaryrecords/25.04.2008/>.

<sup>53</sup> The coalition included the Liberal Party, Liberal Democratic Party, the Democratic Party, and Our Moldova.

After the election, nominations for key government appointments were distributed amongst coalition parties as part of their agreement.<sup>54</sup> The position of Governor of NBM was to be nominated by Liberal Party leader Ghimpu who put forward Dorin Dragutanu who had connections to Plahotniuc's godson Andrian Candu.<sup>55</sup> The law on NBM prescribes that the candidates must have at least ten years of experience in finance, law or audit, among others.<sup>56</sup> Dragutanu was challenged in Parliament by Reidman and the Communist Party for having too little experience in banking and insufficient skill to hold the position at a time of global economic crisis. The Parliamentary majority ultimately relied on Dragutanu's experience working on banking sector audits and good relationships with bank Presidents and appointed him, despite the objections raised by the Communist Party Members of Parliament.<sup>57</sup>

Another important government institution in the fight against money laundering came under Plahotniuc's influence when the Democratic Party (under his leadership since 2009) used its leverage to secure approval for its nomination Valeriu Zubco for Prosecutor General by threatening to pull out of the coalition. After securing Plahotniuc's preferred appointments, the PGO reportedly worked often in the interests of the party. In addition, the leadership of the National Commission for Financial Markets (NCFM) and NAC were also appointed by the Democratic Party,<sup>58</sup> thereby deepening the influence Plahotniuc already had with public officials.

### ***Plahotniuc relied on fraud and extortion to buy and sell shares in Victoriabank, but never gave up control***

By 2010, Viorel Topa and Victor Topa had strained relations with Plahotniuc and were negotiating the sale of their Victoriabank shares to him at a \$40 million valuation. In 2010, the Topas came to the Victoriabank Annual General Meeting of shareholders and found their shares had been transferred to offshore companies owned by Plahotniuc,<sup>59</sup> according to a court ruling issued by the Slobozia District Court in 2010 and again later in 2011,<sup>60</sup> under the pretext of paying an alleged debt of \$4.5 million.<sup>61</sup> Viorel Topa attempted to raise concerns with NBM Governor Dragutanu but claims the Governor did not act. Topa further claims Plahotniuc initiated a criminal case against Topa, resulting in Topa fleeing Moldova.

In 2011, Plahotniuc sold 100% of an offshore company,<sup>62</sup> which owned 26.75% of Victoriabank, to Platon's brother-in-law. Candu, who at that time was a Democratic Party Member of Parliament,<sup>63</sup> participated in the negotiations and was a signatory to the agreement on behalf of Plahotniuc's company.<sup>64</sup> The shares were registered in the name of offshore companies beneficially owned by Platon, with Russian nominees

<sup>54</sup> ADEPT, Alliance for European Integration II, [http://alegeri.md/w/Alian%C8%9Ba\\_pentru\\_Integrare\\_European%C4%83\\_II](http://alegeri.md/w/Alian%C8%9Ba_pentru_Integrare_European%C4%83_II).

<sup>55</sup> Personal connections to and who was a member of the Democratic Party entering Parliament in 2010, including as a member of the Legal, Appointments and Immunities Committee.

<sup>56</sup> Art. 23 para. (7) of the Law no 548 on the National Bank of Moldova of 21 July 1995, [https://www.legis.md/cautare/get-Results?doc\\_id=95643&lang=ro#](https://www.legis.md/cautare/get-Results?doc_id=95643&lang=ro#).

<sup>57</sup> Transcript of the Parliament sitting of 6 November 2009, <https://old.parlament.md/news/plenaryrecords/06.11.2009/>.

<sup>58</sup> Publika, Find the secret annexes of establishment of the Alliance for European integration, 16 November 2011, [https://www.publika.md/exclusiv-vedeti-aici-anexele-secrete-ale-acordului-de-constituire-a-aie\\_572041.html](https://www.publika.md/exclusiv-vedeti-aici-anexele-secrete-ale-acordului-de-constituire-a-aie_572041.html).

<sup>59</sup> Yuri Kontievski Statement dated 31 October 2014. Report of the parliamentary committee on the investigation of bank fraud, October 2019, <https://www.parlament.md/LegislationDocument.aspx?Id=21a059ef-b34b-4ffc-ac89-cfb8eaaf34b5>.

<sup>60</sup> Beneficial owner of Atrium Limited is Viorel Topa, <https://www.rise.md/articol/razboiul-bancar-topa-vs-plahotniuc/>.

<sup>61</sup> Slobozia District Court decision of 19 November 2010, <https://www.rise.md/wp-content/uploads/2021/10/Atrium-Decizie-Jud-Slobozia-19-noiembrie-2010.pdf>, The bank war: Topa vs. Plahotniuc, RISE Moldova, <https://www.rise.md/articol/razboiul-bancar-topa-vs-plahotniuc/>.

<sup>62</sup> OTIV Prime Financial (renamed Generashon Financial).

<sup>63</sup> Share sale-purchase agreement concluded on 2 December 2011 between Yuri Kontievski and OTIV Prime Holding B.V., represented by Andrian Candu, <https://www.dropbox.com/s/olcxeyv9mva3yv7/Annex%201.%20Share-purchase%20agreement%20Generashon.pdf?dl=0>.

<sup>64</sup> Addendum to the Share Sale-Purchase Agreement executed 2 December 2011 between Yuri Kontievski and OTIV Prime Holding BV.

as directors.<sup>65</sup> A purchase price of \$80 million<sup>66</sup> was paid with \$40 million borrowed from Victoriabank and \$35 million borrowed from Moldindconbank and MAIB.<sup>67</sup> An additional \$5 million was transferred from a Moldindconbank account of a Platon associated United Kingdom limited partnership<sup>68</sup> to a Plahotniuc-associated company<sup>69</sup> under the guise of a timber contract.<sup>70</sup> The granting of loans by Victoriabank violated NBM regulations on large exposures, which restricts bank loans to 15% of the bank's equity (total regulatory capital) for any affiliated group. The borrowed funds were used contrary to the purpose indicated in the credit agreements and it is not clear why NBM did not detect these violations and sanction the bank's management.

Plahotniuc continued to maintain control over Victoriabank even after the sale to Platon, which created conflict between Platon and Plahotniuc. Tensions escalated in 2013 when Platon tried to remove the President of Victoriabank, who was an associate of Plahotniuc, and to elect a new bank Supervisory Board.<sup>71</sup> In February 2014, the day before the Annual General Meeting, Plahotniuc reportedly pressured NBM to take enforcement action, suspending the voting rights of Platon's companies, thereby blocking his ability to elect a new board.<sup>72</sup> Under these conditions, in November 2014 Platon agreed to sell his 39% stake in Victoriabank to Plahotniuc, while the latter agreed to repay Platon's loans originally obtained in 2011 to acquire the Victoriabank shares.<sup>73</sup> The beneficiary of Victoriabank's shares became a Cyprus firm controlled by Plahotniuc and Shor,<sup>74</sup> which in 2018 sold the shares to EBRD and Banca Transilvania.<sup>75</sup> On the day Plahotniuc took the shares from Platon,<sup>76</sup> the Government of Moldova approved the first state guarantee of MDL 9.5 billion to shore-up finances at banks in Moldova, including MDL 1.8 billion placed on deposit at BEM by Victoriabank,<sup>77</sup> which was subsequently repaid from emergency loans secured with state guarantees.

### ***BEM's demise was precipitated by years of weak lending practices and fights for control***

The takeover of BEM lasted several years. In May 2011, 18.5% of BEM was transferred from two Moldovan companies to a New Zealand company with ties to Vanuatu, following a Causeni District Court ruling on a

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<sup>65</sup> Yuri Kontievski Statement dated 31 October 2014. See Dmitrovskaya Energy Company LLC, Aleksey Golubev (Russian Federation), TopEnergoAudit LLC, Alina Konkova (Russian Federation), Energoremservice LLC, Vladimir Dragan yuk (Russian), Yurenergo UES CJSC, Lev Pakhomov (Unified Energy Systems' Legal Firm Closed Joint Stock Company) (Russian).

<sup>66</sup> Yuri Kontievski Statement dated 31 October 2014. Transferred via Westburn Enterprises Limited.

<sup>67</sup> NewsMaker, These are money of our parents and grandparents. What did ex-head of Victoriabank on Plahotniuc case say in court, 21 April 2021, <https://newsmaker.md/rus/novosti/eto-dengi-nashih-ottsov-i-babushek-chto-rasskazala-v-sude-po-delu-platona-eks-glava-victoriabank/>; Yuri Kontievski Statement dated 31 October 2014. See SRL Stealz, SRL Dvogani, SA Succes, SRL Gser-Group, SRL Semigrup, SRL Stok-Trading, SRL Dormari Construct, SRL Victomax, SA Cristal-Impex, SRL Neghina-Com, SRL Infoart International, and SRL Bogdan&Co.

<sup>68</sup> Ronida Invest LLP.

<sup>69</sup> Kelway Trading (Panama).

<sup>70</sup> Ronida Invest LLP's (UK), <https://www.documentcloud.org/documents/3731553-Contract-Dintre-Ronida-Invest-LLP-Si-Kelway.html>. Statement dated 31 October 2014. See Maxpower Invest Limited, Folignor CC, Inatos Limited, Westex Management Limited.

<sup>71</sup> RISE Moldova, Natalia Politov-Cangas, <https://www.rise.md/wp-content/uploads/2016/05/AOAM.pdf>.

<sup>72</sup> AGORA, The NBM blocked the control package of two groups of Victoriabank's shareholders, 6 February 2014, <https://agora.md/stiri/27/bnm-a-blocat-pachetul-de-control-a-doua-grupuri-de-actionari-victoriabank>.

<sup>73</sup> Jurnal TV, How the money from BEM came to Victoriabank, 27 February 2018, <https://www.jurnaltv.md/news/90ed7513f511d867/cum-au-ajuns-banii-de-la-bem-la-victoriabank.html>.

<sup>74</sup> Office of the Prosecutor General, A new episode from a criminal record from "Bank fraud" sent to court, 24 March 2021, <http://procuratura.md/md/news/1211/1/8538/>.

<sup>75</sup> EBRD, EBRD welcomes Banca Transilvania's acquisition of Victoriabank stake, 16 January 2018, <https://www.ebrd.com/news/2018/ebrd-welcomes-banca-transilvanias-acquisition-of-victoriabank-stake.html>

<sup>76</sup> Transactions registered on the stock exchange on 13 November 2014, page 2, <http://www.moldse.md/statis.mse/2014/noiembrie2014.pdf>.

<sup>77</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, page 58, table 25, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

debt claim.<sup>78</sup> Subsequently, in July 2011, a judge of the Centru District Court issued a ruling transferring the shares in a company beneficially owned by Plahotniuc,<sup>79</sup> who then sold the BEM shares to Platon through his brother-in-law in December 2011.<sup>80</sup> By 2012, BEM was deteriorating due to non-performing loans, dubious lending practices, and poor governance.<sup>81</sup> In August 2012, Member of Parliament Reidman, among others,<sup>82</sup> filed a failed application requesting the Constitutional Court<sup>83</sup> to reduce the Moldovan government ownership of 56% of BEM shares as described above – to below a controlling share.<sup>84</sup> During January and February 2013, a public relations campaign was conducted against BEM,<sup>85</sup> heavily publicized by television channels owned and controlled by Plahotniuc,<sup>86</sup> resulting in depositor panic and withdrawals of MDL 900 million, or more than 10% of BEM’s capital.<sup>87</sup> The situation became a crisis and a proposed capital injection became the subject of intense political debate.<sup>88</sup> Parliament appointed Reidman to chair a commission,<sup>89</sup> which recommended that BEM issue shares and increase the bank’s equity.<sup>90</sup> On 2 August 2013, the extraordinary assembly of share holders of BEM proposed an additional injection of closed shares<sup>91</sup>, thus diluting of state’s holding from 56% to 33% + 1. Parliament requested the government to identify solutions within two months,<sup>92</sup> but no follow-up document regarding this was published. The Shor-associated shareholder company raised its stake from 10% to 34%<sup>93</sup> along with other United Kingdom registered shareholder companies controlled by directors from Russia and Ukraine. As part of the agreement with the government, MDL 1 billion of non-performing loans on BEM’s balance sheet were

<sup>78</sup> Adevarul Moldova, In raider attacks on Moldovan Banks gun dealers were also involved, 14 September 2011, [https://adevarul.ro/moldova/in-atacurile-raider-bancile-republica-moldova-fost-implicati-traficanti-arme-1\\_50ad01007c42d5a6638d66ed/index.html](https://adevarul.ro/moldova/in-atacurile-raider-bancile-republica-moldova-fost-implicati-traficanti-arme-1_50ad01007c42d5a6638d66ed/index.html).

<sup>79</sup> Moldova.org, New disclosures about the Moldovan Mafia, 13 September 2011, <https://www.moldova.org/noi-dezvaluiri-de-spre-mafia-din-rm-224915-rom/>. “Lectom” Ltd (UK), Rietel Limited to Lectom Ltd (UK); The transfer was possible based on the ordinances of the District Economic Court no. 2p / o – 48/12 of 7 March 2012, 45/12 of 7 March 2012 - issued by Judge Victor Orindas, 2p / o – 44/12 of 12 March 2012 and 2p / o – 43/12 of 12 March 12, 2012, issued by Judge Natalia Plugari.

<sup>80</sup> Report of the parliamentary committee on the investigation of bank fraud, October 2019, <https://www.parlament.md/LegislationDocument.aspx?Id=21a059ef-b34b-4ffc-ac89-cfb8eaaf34b5>.

<sup>81</sup> IMF, Aide-Mémoire of the IMF Mission to the Republic of Moldova, 28 November 2012, <https://www.imf.org/en/News/Articles/2015/09/28/04/52/mcs112112>.

<sup>82</sup> Members of Parliament Serghei Sirbu and Vladimir Vitiuc, representing the Communist Party at that time, but later became members of Plahotniuc’s Democratic Party

<sup>83</sup> Application no. 29a of 30 August 2012, available <https://www.constcourt.md/ccdocview.php?tip=sesizari&docid=134&l=ro>.

<sup>84</sup> Government decision no. 1214e of 17 December 1998, [https://www.legis.md/cautare/getResults?doc\\_id=47780&lang=ro](https://www.legis.md/cautare/getResults?doc_id=47780&lang=ro). See also the section “Political continuity in post-Soviet Moldova provided economic opportunities for people close to Communist leadership” above.

<sup>85</sup> PUBLIKA Fiodor Ghelici: Vlad Filat bought 40% shares of the Banca de Economii, 8 February 2013, [https://www.publika.md/fiodor-ghelici--vlad-filat-a-cumparat-40prc--din-actiunile-bancii-de-economii\\_1250371\\_comentarii.html](https://www.publika.md/fiodor-ghelici--vlad-filat-a-cumparat-40prc--din-actiunile-bancii-de-economii_1250371_comentarii.html).

<sup>86</sup> Publika, One and a half billion lei lost in businessman’s pockets, 2 February 2013, [https://www.publika.md/un-miliard-si-jumatate-de-lei-pierdut-in-buzunarele-businessmanilor-cum-a-ajuns-bem-in-colaps-financiar\\_1240631.html](https://www.publika.md/un-miliard-si-jumatate-de-lei-pierdut-in-buzunarele-businessmanilor-cum-a-ajuns-bem-in-colaps-financiar_1240631.html).

<sup>87</sup> Veaceslav Negruta, The chronology of the BEM situation in four chapters, page 16, <https://vnegruta.files.wordpress.com/2015/05/2-bem-cronologie-partea-i.pdf>.

<sup>88</sup> Parliament decisions of 15 February 2013, <https://www.parlament.md/LinkClick.aspx?fileticket=HHg%2bPLkzX0A%3d&tabid=128&mid=506&language=ro-RO> and 22 February 2013, <https://www.parlament.md/LinkClick.aspx?fileticket=b9pr2LclSfs%3d&tabid=128&mid=506&language=ro-RO>, and the Parliament Decision of the Parliament no. 152 of 21 June 2013, [https://www.legis.md/cautare/getResults?doc\\_id=10358&lang=ro](https://www.legis.md/cautare/getResults?doc_id=10358&lang=ro).

<sup>89</sup> Draft decision no. 152 of the Parliament on the report of the Inquiry Commission for the examination of the administration of the state-owned package held by the Banca de Economii SA and the situation in the financial-banking system of the Republic of Moldova of 18 June 2013, <https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/Legislativ-Id/1825/language/ro-RO/Default.aspx>

<sup>90</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, section 7.2, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>91</sup> BEM Report for 2014, page 23, [http://bem.md/files/reports/Raportul%20Conducerii\\_2014.pdf](http://bem.md/files/reports/Raportul%20Conducerii_2014.pdf)

<sup>92</sup> Parliament decision no. 152 of 21 June 2013, [https://www.legis.md/cautare/getResults?doc\\_id=10358&lang=ro](https://www.legis.md/cautare/getResults?doc_id=10358&lang=ro).

<sup>93</sup> Russian Iana Gaydachuk was the former general director of a company associated with Ilan Shor’s duty-free business through OOO Konstanta (Russia) - Sisteme Informationale Integrate SRL, <https://www.zdg.md/investigatii/ancheta/propietarul-majoritar-al-bem-isi-are-sediul-la-ambasada-moldovei-de-la-moscova/>.

to be sold to improve its liquidity.<sup>94</sup> This was accomplished with the exchange of approximately \$80 million in non-performing loans from BEM to a United Kingdom shell company with partners from Cyprus and the Marshall Islands.<sup>95</sup>

With consolidated ownership of BEM alongside his other acquisitions of Unibank and Banca Sociala, Shor companies cycled \$2.9 billion in related-party loans through his banks with the largest beneficiaries receiving hundreds of millions of dollars.<sup>96</sup> The loan exposure of BEM, Unibank, and Banca Sociala to Shor companies increased from MDL 1.1 billion in 2012<sup>97</sup> to MDL 7.9 billion (75% of the banks' loan portfolio)<sup>98</sup> at 31 October 2014, before the last stage of the banking fraud.<sup>99</sup> BEM circumvented collateral requirements by placing interbank deposits totalling MDL 13.9 billion with Russian banks, which in turn placed the same amount of deposits with BEM to secure loans to Shor group companies.<sup>100</sup> NBM was aware of those violations and the risks they entailed at least from 2013.<sup>101</sup> NBM failed to enforce the requirements concerning bank loan risk exposure between August 2012 to November 2014, during which the banking fraud took place.

### ***MAIB was a target of an unsuccessful attempt to take over shares using the court system***

In July 2011, several companies and individuals from Slovenia and the Netherlands were left without their 27.5% shareholdings in MAIB, following an apparent arbitration decision in St. Petersburg, Russia, legalized by ruling of Moldova's Bender District Court of Appeal.<sup>102</sup> The shares were passed to a Seychelles company which transferred 23.2% of shares to another offshore company in Belize.<sup>103</sup> The Supreme Court cancelled the ruling in September 2011, returning the shares to their initial owners. After this episode, the shares from MAIB were returned and the head of NCFM resigned, allegedly under pressure from Parliament.<sup>104</sup>

### ***Moldindconbank's early involvement in money laundering presented red flags that were largely missed or ignored***

Moldindconbank, which was controlled by Platon, was an early participant in large scale money laundering and there were several significant red flags that were missed or ignored. For example, in numerous

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<sup>94</sup> Project Tenor II - detailed report prepared for NBM by Kroll, 22 March 2018 page 72, <https://www.zdg.md/wp-content/uploads/2019/07/Raportul-Kroll-3.pdf>.

<sup>95</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015 page 31 and 13, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>. Roseau Alliance LLP (UK).

<sup>96</sup> Project Tenor II - detailed report prepared for NBM by Kroll, 22 March 2018 page 39, 34, 33 and 145, <https://www.zdg.md/wp-content/uploads/2019/07/Raportul-Kroll-3.pdf>. Caritas Group ICS SRL receiving \$442.3 million, Voximar-Com SRL \$394.2 million, Davema-Com SRL \$233.3 million, Provoliorom SRL \$232.0 million, Contrade \$229.2 million, and Danmira SRL \$214.9 million

<sup>97</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015, page 22, table 4, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>98</sup> Loan portfolio on Banca de Economii, Banca Sociala and Unibank as of 30 September 2014 was MDL 10.5 billion, NBM report on the use of emergency loans, table 1, page 6, <https://www.bnm.md/files/Raport.pdf>.

<sup>99</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015, page 42, table 15, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>100</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015, page 56, section 10.2.4, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>101</sup> Report of the special parliamentary commission on the banking fraud (declassified), 20 March 2015, page 13, <https://www.parlament.md/LinkClick.aspx?fileticket=mXG3ZvxIGJs%3D&tabid=109&language=ro-RO>.

<sup>102</sup> Ziarul de Garda, Moldova Raider Ltd., 8 September 2011, <https://www.zdg.md/investigatii/ancheta/moldova-raider-srl/>.

<sup>103</sup> Parliamentary plenary transcripts of 29 September 2011, <https://www.parlament.md/LinkClick.aspx?fileticket=C38RM-PIOfRc%3d&tabid=128&mid=506&language=ro-RO>. Global System Corp. (Belize)

<sup>104</sup> Publika, The head of the NCMF will resign from office, 16 October 2011, [https://www.publika.md/maine-seful-cnfpf-isi-va-da-demisia\\_522871.html](https://www.publika.md/maine-seful-cnfpf-isi-va-da-demisia_522871.html).

instances, promissory notes were signed between offshore companies registered in the United Kingdom to create the basis for the transfer of funds derived from illicit activities.<sup>105</sup> These promissory notes could have been detected if NBM took a more AML approach to onsite and offsite inspection and pulled actual loan files. When debtors did not settle their debts, the lending companies submitted claims to Moldovan courts asking for simplified procedures to oblige the debtor and guarantors to repay. Court rulings were sent to bailiffs who initiated enforcement proceedings and sent seizure orders to Moldindconbank. The collected funds were transferred to lender accounts in Moldova and Latvia and then further abroad.<sup>106</sup> According to NBM's 2014 Moldindconbank audit report, contrary to court rulings, the bailiffs took money from the accounts of Russian banks in Moldindconbank<sup>107</sup> instead of from the Russian companies directly, because those companies did not have accounts in Moldovan banks. This money-laundering scheme involved 19 Russian banks with correspondent accounts at Moldindconbank.<sup>108</sup> The court rulings stated that the money must be withdrawn from the accounts of Russian companies who guaranteed the fictitious promissory notes. But those companies had no accounts whatsoever in any Moldovan bank. Instead of that, the bailiffs withdrew the money from the correspondent accounts of Russian banks opened with Moldindconbank, which is contrary to the court rulings.

Another red flag relates to offshore companies which laundered hundreds of millions of dollars through their accounts at Moldindconbank,<sup>109</sup> while reporting almost no assets to United Kingdom authorities in 2011.<sup>110</sup> The bank was obliged to verify their financial statements and continuously monitor transactions,<sup>111</sup> especially for offshore companies.<sup>112</sup> NBM and the FIU fined Moldindconbank MDL 2 million<sup>113</sup> and MDL 4.3 million,<sup>114</sup> respectively, for not reporting suspicious transactions,<sup>115</sup> but NBM failed to use sanctioning instruments provided by the Law on Financial Institutions.<sup>116</sup>

### ***NBM did not take regulatory enforcement action against shareholders of MAIB and Moldindconbank until after the banking crisis of 2014***

In December 2015 and January 2016<sup>117</sup> NBM suspended the rights of 43.11% of MAIB shares belonging to a group of shell companies beneficially owned by Platon for acting in concert without the permission

<sup>105</sup> Example of a promissory note - <https://www.documentcloud.org/documents/3520227-PROMISSORY-NOTES>.

<sup>106</sup> OCCRP, The Russian Laundromat Exposed, 20 March 2017, <https://www.occrp.org/en/laundromat/the-russian-laundromat-exposed/>.

<sup>107</sup> Report of the special parliamentary commission on the banking fraud, 20 March 2015, page 14, <https://www.parlament.md/LinkClick.aspx?fileticket=mXG3ZvxlGJs%3D&tabid=109&language=ro-RO>.

<sup>108</sup> OCCRP, The Russian Banks and Putin's Cousin, 22 August 2014, <https://www.occrp.org/en/laundromat/the-russian-banks-and-putins-cousin/>.

<sup>109</sup> Whistleblower Network News, Howard Stephen Jeremy Wilkinson, 19 October 2020, <https://whistleblowersblog.org/whistleblower-of-the-week/howard-stephen-jeremy-wilkinson/>.

<sup>110</sup> Westburn Enterprises financial report for 2012, <https://find-and-update.company-information.service.gov.uk/company/SC265387/filing-history/MzA5MDgxODkxMWFkaXF6a2N4/document?format=pdf&download=0> Seabon Limited financial report for 2011, <https://find-and-update.company-information.service.gov.uk/company/06026625/filing-history/MzA2N-TAwMzlzM2FkaXF6a2N4/document?format=pdf&download=0>

<sup>111</sup> NBM regulation no. 172/2011, art. 24 section 2 c), [https://www.legis.md/cautare/getResults?doc\\_id=35952&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=35952&lang=ro#).

<sup>112</sup> NBM regulation no. 172/2011, art. 33 section 4 d), [https://www.legis.md/cautare/getResults?doc\\_id=35952&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=35952&lang=ro#).

<sup>113</sup> "The Russian Laundromat" report of the Parliamentary commission, page 10 section 18, <https://anticoruptie.md/ro/stiri/video-raportul-comisiei-laundromat-inga-grigoriu-a-explicat-cum-au-fost-spalati-bani-din-rusia-prin-intermediul-republicii-moldova-de-pestea-22-de-miliarde-de-dolari-veaceslav-platon-printre-cei-implicati>.

<sup>114</sup> WatchDog, The Russian Laundromat – a \$70 billion laundering scheme facilitated by the Moldovan political elites, section 2, <https://watchdog.md/wp-content/uploads/2019/06/Russian-laundromat-Eng.pdf>.

<sup>115</sup> "The Russian Laundromat" report of the Parliamentary commission, page 8, section 8, <https://anticoruptie.md/ro/stiri/video-raportul-comisiei-laundromat-inga-grigoriu-a-explicat-cum-au-fost-spalati-bani-din-rusia-prin-intermediul-republicii-moldova-de-pestea-22-de-miliarde-de-dolari-veaceslav-platon-printre-cei-implicati>.

<sup>116</sup> Art. 38 of the Law on financial institutions, [https://www.legis.md/cautare/getResults?doc\\_id=88466&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=88466&lang=ro#).

<sup>117</sup> NBM, NBM has blocked a group of shareholders of BC „Moldova-Agroindbank” S.A. act in concert, 22 January 2016, <https://www.bnm.md/ro/content/bnm-blocat-un-grup-de-actionari-ai-bc-moldova-agroindbank-sa-care-activeaza-concertat>.

of NBM.<sup>118</sup> According to legal requirements, the implicated shareholders were required to sell their shares within three months,<sup>119</sup> but did not. As a result, MAIB cancelled the shares under scrutiny and then reissued new shares in the same amount. In October 2016, Parliament passed a law<sup>120</sup> allowing the state to acquire the shares of a bank under scrutiny.<sup>121</sup> In October 2018, the Public Property Agency sold 41.09% of the previously suspended MAIB shares for MDL 451.5 million<sup>122</sup> to an international investment consortium including EBRD.<sup>123</sup> A similar mechanism was applied with regard to Platon's shares in Moldindconbank when NBM blocked 63.89% of shares in 2016 for acting in concert without prior NBM approval.<sup>124</sup> Similar to MAIB, Moldindconbank cancelled the shares and issued new ones, which were subsequently acquired by the Public Property Agency for MDL 760 million in 2019.<sup>125</sup> Two months later, the shares were sold to a Bulgarian company for MDL 764 million.<sup>126</sup>

In total, the Republic of Moldova received MDL 1.2 billion after selling Platon's shares in MAIB and Moldindconbank. Out of these funds, MDL 341 million was transferred to special accounts to be repaid to Platon's companies as initial shareholders. The other MDL 869 million was seized by bailiffs to compensate for damages based on Platon's sentence for the alleged involvement in the bank fraud.<sup>127</sup> However, the revision of Platon's criminal case<sup>128</sup> (which now is under the review at the Chisinau Appellate Court) could result in the return of the seized amount from the state budget.<sup>129</sup> In fact, Platon has already initiated

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<sup>118</sup> Jurnal, Sources in the banking system: MAIB shareholders have been expropriated from the shares, and the beneficiary of the operation is a businessman, who, in fact, controls the country, 9 April 2016, <https://www.jurnal.md/ro/economic/2016/4/9/surse-din-sistemul-bancar-actionarii-maib-au-fost-expropriati-de-actiuni-iar-beneficiarul-operatiunii-este-un-afacerist-care-de-fapt-controleaza-tara/>.

<sup>119</sup> Art. 15<sup>6</sup>, section (2) of the Law no. 550 of financial institutions of 21 July 1995, [https://www.legis.md/cautare/getResults?doc\\_id=95648&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=95648&lang=ro#).

<sup>120</sup> According to Art. 106<sup>1</sup> of Moldovan Constitution, the government can pass a law by assuming responsibility before the Parliament. If the Parliament does not dismiss the government within 3 days, the bill is considered adopted.

<sup>121</sup> Art. 218 of the Law on the recovery and resolution of banks No. 232 of 3 October 2016, [https://www.legis.md/cautare/getResults?doc\\_id=953723&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=953723&lang=ro#); Art. 54<sup>1</sup> of the Law on the management of public property and its privatization no. 121 of 4 May 2007, <https://cis-legislation.com/document.fwx?rgn=18579>.

<sup>122</sup> Public Property Agency, Press release of 2 October 2018, <https://app.gov.md/comunicat-3-1531>.

<sup>123</sup> Moldova Agroindbank, Sale of 41,09% of the Moldova Agroindbank, 4 October 2018, <https://www.maib.md/ro/evenimente/vanzarea-pachetului-de-41-09-actiuni-emise-de-bc-moldova-agroindbank-sa-1>.

<sup>124</sup> NBM, National Bank of Moldova blocked a group of shareholders of BC "Moldindconbank" S.A. acting in concert, <https://www.bnm.md/en/content/national-bank-moldova-blocked-group-shareholders-bc-moldindconbank-sa-acting-concert>.

<sup>125</sup> Government decision no. 51 of 30 January 2019, [https://www.legis.md/cautare/getResults?doc\\_id=112424&lang=ro](https://www.legis.md/cautare/getResults?doc_id=112424&lang=ro).

<sup>126</sup> Public Property Agency, Press release of 18 March 2019, <https://app.gov.md/au-fost-achizitionate-actiunile-unei-banci-de-importanta-sistemica-3-1560>.

<sup>127</sup> Ziarul de Garda, Lawyers from Ukraine are demanding more than \$20 million in compensation from the Chisinau government for a former shareholder of some Moldovan commercial banks. The reaction of the authorities, 3 June 2020, <https://www.zdg.md/importante/doc-avocati-din-ucraina-solicita-guvernului-de-la-chisinau-despagubiri-de-peste-20-de-milioane-de-dolari-pentru-un-fost-actionar-al-unor-banci-comerciale-din-r-moldova-reactia-autoritator/>.

<sup>128</sup> On 18 May 2020, the Prosecutor General Alexandr Stoianoglo declared at a press conference that the case concerning Platon's involvement in the "Billion Theft" was fabricated, that Platon was condemned illegally, and that the prosecution would request the revision of his case. On 15 June 2020, the Chisinau District Court, Ciocana Office, admitted it. The court suspended the enforcement of the court judgments concerning Platon in the BEM Case that sentenced him to 18 years in prison and prohibited him from taking on jobs in the banking system for five years. The same day, Platon was released from the penitentiary. The release of Platon from prison was possible including due to the quashing of the sentence in the Moldasig Case in January 2020 and the referral of the case for retrial to the District Court. On 28 May 2021, PCCOCS dropped charges in Platon's case on the billion theft, on the grounds that „the incriminated deed was not committed by Veaceslav Platon”. On 14 June 2021, Platon was acquitted by the Chisinau District Court, Buiucani office. This case is pending the Chisinau Appellate Court. More details at [https://ipre.md/wp-content/uploads/2021/10/Opinie\\_MEMO\\_editie\\_speciala\\_25.10.2021\\_final\\_EN.pdf](https://ipre.md/wp-content/uploads/2021/10/Opinie_MEMO_editie_speciala_25.10.2021_final_EN.pdf) and [https://old.crim.org/wp-content/uploads/2020/11/Buletin-informativ-Nr.26\\_ENG.pdf](https://old.crim.org/wp-content/uploads/2020/11/Buletin-informativ-Nr.26_ENG.pdf).

<sup>129</sup> Ziarul de Garda, Platon's way to freedom and the state's way to pay billions in compensation, 22 May 2020, <https://www.zdg.md/importante/drumul-lui-platon-spre-libertate-si-al-statului-spre-plata-unor-despagubiri-de-miliarde/>.

several arbitration actions against Moldova. In one instance, two MAIB shareholders<sup>130</sup> unsuccessfully sued Moldova in Stockholm arbitration court in 2017.<sup>131</sup> Platon's associate<sup>132</sup> submitted another claim addressed to Moldovan authorities in June 2020,<sup>133</sup> questioning why the government sold the shares<sup>134</sup> for below market value.

### **State guarantees to cover bank deposits and creditors were funded relying on government bonds**

The National Committee for Financial Stability (NCFS) found there was a risk of a systemic financial crisis and recommended the approval of macroeconomic stability measures in the form of a state guarantee of up to MDL 9.5 billion. On 7 November 2014, NBM sent a contingency plan to the NCFS outlining the precarious situation in BEM, Banca Sociala and Unibank and identifying costs for financial redress.<sup>135</sup> At this time, Plahotniuc was pushing for state guarantees to secure the emergency loans provided by the NBM to commercial banks. The Governor of NBM reportedly convinced Prime Minister Iurie Leanca that the loans were needed to repay client deposits at failing banks. On 13 November 2014, Prime Minister Leanca signed a decision to provide the emergency loans.<sup>136</sup> In March 2015, NCFS found the need to provide additional support to banks and the Government issued an additional state guarantee in the amount of MDL 5.3 billion, bringing the total amount to MDL 14.5 billion.

On 3 October 2016, Parliament approved the issuance of government bonds to raise funds for the execution of payments derived from the state guarantees. On 17 June 2021, a group of the Party of Socialists of Moldova, Members of Parliament, challenged this law in the Constitutional Court on grounds that it creates an additional burden to the state budget since the expenses are increasing every year. On 22 April 2022, the Constitutional Court ruled that a Parliamentary decision is required under the Moldovan Constitution to issue guarantees and that the Parliament did not adopt any such decision.<sup>137</sup>

<sup>130</sup> Evrobalt LLC and Kompozit LLC

<sup>131</sup> Jurnal, Moldova-Agroindbank war for control: Moldova wins the Stockholm arbitration, 13 December 2017, <https://www.jurnal.md/ro/economic/2017/12/13/razboiul-pentru-controlul-moldova-agroindbank-moldova-a-castigat-arbitrajul-de-la-stockholm/>.

<sup>132</sup> Igor Ciuiiko owned 4.24% of Moldindconbank shares. He was previously the lawyer of Platon's Ukrainian company VVD.

<sup>133</sup> AGORA, Ukrainian company demands millions in damages from Moldovan government, allegedly linked to Veaceslav Platon, 2 June 2020, <https://agora.md/stiri/72055/o-companie-din-ucraina-cere-despagubiri-de-milioane-de-la-guvernul-rm-avea-legaturi-cu-veaceslav-platon-doc>.

<sup>134</sup> Government decision no. 51 of 30 January 2019, [https://www.legis.md/cautare/getResults?doc\\_id=112424&lang=ro](https://www.legis.md/cautare/getResults?doc_id=112424&lang=ro).

<sup>135</sup> NBM report on the use of emergency loans, para. 19, page 9, <https://www.bnm.md/files/Raport.pdf>.

<sup>136</sup> Government Decision 938-11 on Ensuring Macroeconomic Stability in the Context of Regional Conjuncture dated 13 November 2014, Government Decision 124 on Ensuring the Stability of the Banking System in the Republic of Moldova dated 30 March 2015; NCFS Minutes 2 dated 3 November 2014; and NCFS Minutes 3/2015 dated 26 March 2015. Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015, page 13, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>. The transcript of the secret government sitting of 7 November 2014, Ziarul de Garda, 19 November 2016, <https://www.zdg.md/stiri/politic/doc-stenograma-sedintei-in-care-s-a-decis-acordarea-a-95-mlrd-de-lei-bancilor-falimentare-candu-noi-avem-filtre/>. Government decision no. 938 of 13 November 2014, [https://www.legis.md/cautare/getResults?doc\\_id=84860&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=84860&lang=ro#).

<sup>137</sup> Decision no. 60 of 22 April 2022 of the Constitutional Court of the Republic of Moldova on the inadmissibility of the notification no. 141a/2021 regarding the constitutionality control of the of Law no. 235 of 3 October 2016 on the issuance of government bonds for payment of obligations derived from state guarantees no. 807 of 17 November 2014 and no. 101 of 1 April 2015 to be executed by the Ministry of Finance, <https://constcourt.md/ccdocview.php?tip=decizii&docid=1169&l=ro>. The Court found that the citizens' property right is not infringed since it's the task of the authorities to administer the state's financial means. Moreover, since the Agreement between NBM and the Ministry of Finance is also governed by the provisions of the law on public debt, state guarantees, redemption of state bonds and recrediting, the Court finds that the constitutionality control would question the relationship between two central public authorities which implement state financial policies. Also, the Court noticed that Ministry of Finance issued the state guarantees before the publication and entrance into force of the government decisions and failure of their publication renders them inexistent. The case object of the notification was extended and, the notice to the Parliament was formulated although the case was not examined on matter.

### ***State guarantees were administered inappropriately and benefited parties engaged in fraud, embezzlement, and money laundering***

From 19 to 24 November 2014, Victoriabank, under Plahotniuc and Shor's control, placed deposits amounting to MDL 1.8 billion in BEM.<sup>138</sup> This extra liquidity allowed BEM to increase its lending to Shor Group companies, although BEM had financial problems and could not repay to Victoriabank a previously placed deposit of MDL 93 million.<sup>139</sup> On 25 and 26 November, companies related to Shor borrowed \$956 million from Banca Sociala and transferred the funds to the Privatbank (Latvia) accounts of companies with ownership in Belize, Dominica, and Marshall Islands.<sup>140</sup> On 27 November 2014, BEM was placed under special administration, followed days later by Banca Sociala and Unibank,<sup>141</sup> and from this time until 2 April 2015, NBM provided a total of MDL 14.1 billion in emergency loans to BEM, Banca Sociala and Unibank.<sup>142</sup> The funds were used to repay the deposits of individuals (MDL 6.9 billion), deposits of enterprises (MDL 4.6 billion), interbank deposits (MDL 2.6 billion) and other creditors.<sup>143</sup> Once the guarantees were issued, repayments greater than MDL 500,000 required specific approval. However, the special administrators appointed by the NBM at the three collapsed banks ignored this provision and repaid the deposits placed by Victoriabank in BEM, as well as deposits of other related parties with money laundering concerns.<sup>144</sup> It is not clear why the government did not set a ceiling for compensating deposits. The proposal not to set ceilings on compensating deposits was submitted by Minister of Economy Candu – a close associate (and godson) of Plahotniuc – on 7 November 2014, when the first state guarantee was approved.<sup>145</sup>

### ***Mechanisms like ones applied in the banking system were being utilized to take over ownership in the insurance sector***

Similar to the hostile takeovers of banks, court rulings based on fictitious debt claims were used to take control of major insurance companies, thereby transferring ownership to shell companies without the approval of NCFM. The ownership of ASITO was transferred by a May 2011 court ruling issued by the District Court of Botanica, Chisinau municipality, to an offshore company associated with Platon which took ownership of 34.8% and another 48.3% from Insurance Consult SRL and Moldovan Investments

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<sup>138</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015, page 58, table 25, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>139</sup> Mold-street, Financial issues at the Banca de Economii. It can not return 93 million lei, 15 September 2014, <https://www.mold-street.com/?go=news&n=3225>.

<sup>140</sup> Project Tenor – Scoping Phase Final Report prepared for NBM by Kroll, 2 April 2015 page 62, section 10.3.4, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>. Danley Impex LP, United Technologies LP, Royalport Ltd., Ver-cell Solutions LP, and Expovision Logistics LP. Contrade SRL, Danmira SRL, Davema SRL, Caritas Group, Voximar SRL. Dracard SRL, Caritas Group SRL, Voximar-com SRL, and Provolirom SRL

<sup>141</sup> Report of the Parliament Inquiry Commission on Bank Fraud, March 2015, page 15, <https://www.parlament.md/LinkClick.aspx?fileticket=mXG3ZvxIGJs%3D&tabid=109&language=ro-RO>

<sup>142</sup> NBM report on the use of emergency loans, para. 33, page 12, <https://www.bnm.md/files/Raport.pdf>.

<sup>143</sup> NBM report on the use of emergency loans, para. 38, table 4, page 14, <https://www.bnm.md/files/Raport.pdf>.

<sup>144</sup> IMF Country Report No. 16/19, Staff Report for the 2015 Article IV Consultation and Third Post-Program Monitoring Discussions – Press Release; Staff Report; and Statement by the Executive Director for the Republic of Moldova, 20 January 2016, <https://imf.md/press/cr1619.pdf>.

<sup>145</sup> Ziarul de Garda, Transcript of the [Government] sitting in which it was decided to grant MDL 9.5 billion to the bankrupt banks. CANDU: "We have filters", 19 November 2016, <https://www.zdg.md/stiri/politic/doc-stenograma-sedintei-in-care-s-a-decis-acordarea-a-95-mld-de-lei-bancilor-falimentare-candu-noi-avem-filtre/>.

Limited, respectively. In July 2011, the shares were passed on to a United Kingdom shell company according to a ruling issued by the District Court of Buiucani, Chisinau Municipality.<sup>146</sup> In 2012, 17% and 16% stakes were sold to two offshore companies from Cyprus. This transaction came to the attention of NCFM, which found ASITO had artificially reduced its net assets to undervalue the shares and lower the selling price.<sup>147</sup> After Platon acquired ASITO, a scandal occurred around the suspension of supplementary pension insurance<sup>148</sup> where the premiums did not cover payments to policy-holders.<sup>149</sup> The payments under the supplementary pension insurances, bearing an annual interest rate of up to 200%, were for the entire period until the maturity of the contracts. That is why Platon wanted to get rid of these insurance contracts. These contracts were suspended by a court decision at the request of two minor Ukrainian shareholders<sup>150</sup> allegedly acting as Platon's proxies. Noteworthy is the speed with which the case was adjudicated: within a single day the complaints were submitted, the court issued the decision and the bailiff immediately executed it, suspending the payments.

Another example involves ownership of the insurance company, Moldasig, which was established in 2002 by state-owned entities and generated significant profits from doing business<sup>151</sup> with many state institutions and companies. In 2008, Moldasig conducted a share issuance and came under the control of a Cyprus shell company represented by President Voronin's son, who bought 80% of the company's shares.<sup>151</sup> In 2009, similar to ASITO, a court ruling issued by Chisinau District Court ordered the transfer of 100% of Moldasig to a Ukrainian citizen under a fraudulent debt worth EUR 12 million.<sup>152</sup> It is unclear how the shares were later passed on, but in 2012 NCFM granted a Russian private insurance company permission to sell 80% of the shares<sup>153</sup> to five companies controlled by Platon,<sup>154</sup> with funds from shell companies involved in money laundering.<sup>155</sup> In an attempt to avoid regulatory scrutiny, each company acquired stakes under the 20% threshold requiring NCFM permission (in 2016 the threshold was reduced to 10%).<sup>156</sup> However, the law also prohibits acting in concert, demonstrably the case in this instance, upon which NCFM failed to act.<sup>157</sup>

<sup>146</sup> Moldova.org, New disclosures about the Mafia from the Republic of Moldova, 13 September 2011, <https://www.moldova.org/noi-dezvaluiri-despre-mafia-din-rm-224915-rom/>.

<sup>147</sup> NCFM decision no 7/17 of 22 February 2013, [https://www.legis.md/cautare/getResults?doc\\_id=11417&lang=ro](https://www.legis.md/cautare/getResults?doc_id=11417&lang=ro).

<sup>148</sup> Mold-street, "Revolutionary" product which will destroy ASITO, 23 September 2015 <https://www.mold-street.com/?go=news&n=4122>.

<sup>149</sup> The pension insurances were issued in mid 1990's and bearded annual interest rate up to 200%, given the high inflation at that time. As the inflation rate decreased over the years, the insurance premiums collected by the company did not cover anymore the payments to the customers <https://www.rise.md/wp-content/uploads/2014/08/Decizia-Judecatoarei-Svet-lana-Garstea-Bria.pdf>.

<sup>150</sup> Letter of the NCFM of 13 November 2013 to the Superior Council of Magistracy, <https://www.rise.md/wp-content/uploads/2014/08/CSM-Comisia-Nationala-a-Pietei-Financiare.pdf>.

<sup>151</sup> Timpul, How Oleg Voronin took over the Moldasig, 28 July 2015, [https://web.archive.org/web/20100731205554/https://www.timpul.md/articol/cum-a-acaparar-oleg-voronin-moldasig-ul-\(vezi-documente\)-13772.html](https://web.archive.org/web/20100731205554/https://www.timpul.md/articol/cum-a-acaparar-oleg-voronin-moldasig-ul-(vezi-documente)-13772.html).

<sup>152</sup> *Idem*.

<sup>153</sup> NCFM, The sitting of the Administration Board of the NCFM, 3 July 2012, [https://www.cnpf.md/ro/sedinta-cosiliului-de-administratie-al-comisiei-nationale-a-pietei-financiare-6307\\_92574.html#](https://www.cnpf.md/ro/sedinta-cosiliului-de-administratie-al-comisiei-nationale-a-pietei-financiare-6307_92574.html#).

<sup>154</sup> Adevarul Moldova, The companies involved in the raider attacks are new owners of the Moldasig, 2 August 2012, [https://adevarul.ro/moldova/economie/firme-implicate-atacuri-raider-noii-proprietari-moldasig-1\\_50aee5e57c42d5a663a18b00/index.html](https://adevarul.ro/moldova/economie/firme-implicate-atacuri-raider-noii-proprietari-moldasig-1_50aee5e57c42d5a663a18b00/index.html).

<sup>155</sup> RISE Moldova, Profile of Platon, 16 October 2020, <https://profiles.rise.md/profile.php?id=200722151732&lang=eng>.

<sup>156</sup> Art. 29 section (3) of the Law on Insurance no. 407 of 12 December 2006 (in the formulation of 2012). According to legal provisions, it is prohibited to borrow funds for the acquisition of shares of insurance companies Art. 21 section (4) of the Law.

<sup>157</sup> [https://deschide.md/ro/stiri/economic/76323/DOC--Cum-Platon-a-cump%C4%83rat-Moldasig-cu-banii-de-la-Moldasig.htm?fbclid=IwAR2A8kWJgMG0XuzPsp8oKXUKai6UG8UK5vOlx\\_\\_tDmS12kfECvGfY2MJ01c](https://deschide.md/ro/stiri/economic/76323/DOC--Cum-Platon-a-cump%C4%83rat-Moldasig-cu-banii-de-la-Moldasig.htm?fbclid=IwAR2A8kWJgMG0XuzPsp8oKXUKai6UG8UK5vOlx__tDmS12kfECvGfY2MJ01c).

### ***Funds were misappropriated from National Bureau of Motor Insurers (NBMI) accounts at Platon-controlled banks***

In December 2014, Platon allegedly exercised indirect control over NBMI by organizing to have a close associate appointed as deputy director,<sup>158</sup> who then reportedly excluded other insurance companies from lucrative contracts.<sup>159</sup> Although members of NBMI elected a new director a month later, a District Court of Chisinau judge, at the request of Platon's insurance company, prohibited the newly elected director from issuing decisions,<sup>160</sup> and limited access to accounts held at Platon-controlled banks (Moldindconbank and MAIB). Instead, these banks allowed the dismissed deputy director to perform several operations in February 2015,<sup>161</sup> which siphoned off MDL 30 million from NBMI.<sup>162</sup>

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<sup>158</sup> The NBMI director at that time hired Platon's crony as deputy director, <https://www.zdg.md/wp-content/uploads/2016/03/Contract-de-munca-Pinchuk-O..pdf>.

<sup>159</sup> Mold-street, Investigation: The Green Card system defrauded with the bank's help, 11 June 2015, <https://www.mold-street.com/?go=news&n=3861>.

<sup>160</sup> Ziarul de Garda, A Judge, two banks and a mysterious Ukrainian, the success recipe in a \$2 million scheme, 7 September 2015, <https://www.zdg.md/investigatii/ancheta/o-judecatoare-doua-banci-si-un-ucrainean-misterios-reteta-succesu-lui-intr-o-schema-de-2-milioane-usd/>.

<sup>161</sup> The contract between Moldincombank and NBI of 30 January 2015, <https://www.zdg.md/wp-content/uploads/2016/03/Contractele-de-depozit-cu-Moldindconbank.pdf>.

<sup>162</sup> Anticoruptie, 10 March 2016, "Platonic" Ukrainians' businesses in Chisinau, <https://anticoruptie.md/en/investigations/economic/platonic-ukrainians-businesses-in-chisinau>

### III. ASSESSMENT OF CONTRIBUTING FACTORS & INSTITUTIONAL RESPONSE

#### a. NBM failures in licensing, supervision, and enforcement perpetuated banking sector fraud and exacerbated the financial damage to the Moldovan state

***NBM demonstrated the ability to take strong enforcement action and was able to identify banking sector risks related to obscure ownership and related party lending after conducting several bank inspections, but failed in its supervision and oversight role in the massive fraud, embezzlement and money-laundering schemes that took place during the period in question***

The NBM Supervision Department was widely seen as having the capacity to detect regulatory infractions and take enforcement action, being described early on as “hands-on” and “proactive”.<sup>163</sup> Notably, in 2009 NBM revoked the license of InvestPrivatBank – a mid-sized Moldovan bank with obscure United Kingdom shell company ownership<sup>164</sup> – due to a high concentration of risky mortgages<sup>165</sup> improper use of loan funds,<sup>166</sup> and loans supported by inadequate collateral, often consisting of unfinished projects.

InvestPrivatBank epitomized behaviours in other Moldovan banks and put NBM on notice regarding the potential risks, especially at systemic banks like BEM. In 2010, NBM conducted assessments at other banks,<sup>167</sup> taking measures to reduce the loan exposure limits at some banks.<sup>168</sup> NBM intervened in BEM in November 2011 and forced it to increase its reserve for non-performing loans.<sup>169</sup> As a result, by the end of 2012 NBM increased bank minimum capital requirements<sup>170</sup> much higher than in the European Union.<sup>171</sup> NBM conducted numerous additional onsite inspections and thematic inspections in 2013 and 2014, finding dozens of violations for not monitoring transactions, lack of information regarding source of funds, not verifying beneficial owners, and failure to report suspicious transactions and activities.<sup>172</sup> Weak governance was also identified as a major risk to systemic financial stability,<sup>173</sup> with banks involved in money laundering and fraud exhibiting blurred ownership and management roles, significant shareholder

<sup>163</sup> IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>; and 2010 Article IV Consultation and Staff Report for the 2010 Article IV Consultation, First Reviews Under the Extended Arrangement and Under the Three-Year Arrangement Under the Extended Credit Facility, and Request for Modification of a Performance Criterion, IMF Country Report No. 10/234, 27 July 2010, [https://imf.md/press/sr-jul2010\\_cr10234.pdf](https://imf.md/press/sr-jul2010_cr10234.pdf).

<sup>164</sup> NBM, Annual report for 2009, <https://www.bnm.md/files/ra2009en.pdf>. Tabor Projects Limited (UK).

<sup>165</sup> Republic of Moldova: Request for a Three-Year Arrangement Under the Extended Credit Facility and Request for an Extended Arrangement, IMF Country Report No. 10/32, 1 February 2010, <https://imf.md/press/SR-2010-cr1032.pdf>.

<sup>166</sup> NBM, Annual report for 2009, <https://www.bnm.md/files/ra2009en.pdf>.

<sup>167</sup> Republic of Moldova: Request for a Three-Year Arrangement Under the Extended Credit Facility and Request for an Extended Arrangement, IMF Country Report No. 10/32, 1 February 2010, <https://imf.md/press/SR-2010-cr1032.pdf>.

<sup>168</sup> Republic of Moldova: Request for a Three-Year Arrangement Under the Extended Credit Facility and Request for an Extended Arrangement, IMF Country Report No. 10/32, 1 February 2010, <https://imf.md/press/SR-2010-cr1032.pdf>.

<sup>169</sup> Report of the parliamentary commission led by Oleg Reidman, of 2013, page 10, <https://www.parlament.md/Legislation-Documents.aspx?Id=2c7b85fe-5b04-4a52-97f0-67536716549a>.

<sup>170</sup> NBM increased the minimum required capital to MDL 200 million, or EUR 12.5 million at that time; NBM regulation no. 269 of 17 October 2001, section 9, [https://www.legis.md/cautare/getResults?doc\\_id=48900&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=48900&lang=ro#).

<sup>171</sup> EU banks minimum requirements are EUR 5 million; EU directive 2013/36, art 12, section 1, <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013L0036&from=RO>.

<sup>172</sup> Staff Report for the 2015 Article IV Consultation and Third Post-Program Monitoring Discussions – Press Release; Staff Report; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 16/19, 20 January 2016, <https://imf.md/press/cr1619.pdf>.

<sup>173</sup> IMF, Article IV Consultation and First Post-Program Monitoring Discussions – Staff Report; Press Release; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 14/190, July 2014, <https://imf.md/press/cr14190.pdf>.

influence,<sup>174</sup> boards lacking independence, shareholders directing related-party transactions,<sup>175</sup> and the absence of audit and risk committees.<sup>176</sup>

Although NBM issued written warnings and fines and required compliance plans from banks,<sup>177</sup> it failed to pursue red flags for money laundering and to take sufficient enforcement action based on real risks identified in supervision of inspection reports and bank audits.<sup>178</sup> There are questions why NBM did not introduce special administration at BEM until November 2014,<sup>179</sup> instead of when the law on state guarantees was amended in 2014,<sup>180</sup> or when the government approved the first state guarantee in 2014.<sup>181</sup> In addition, NBM never sufficiently enforced obligations to implement client due diligence procedures when opening correspondent accounts for Russian banks between 2010–2014.<sup>182</sup> This absence of enforcement demonstrates the need for NBM to provide greater anti-money laundering scrutiny in bank inspections and more intensive efforts to investigate potential fraud and money laundering.<sup>183</sup>

### ***NBM never seriously pursued efforts to enforce beneficial ownership regulations until after the banking crisis in 2014***

The failure of NBM enforcement is particularly evident in NBM's inability or unwillingness to identify beneficial owners of banks and ensure they were assessed as "fit and proper"<sup>184</sup> and to facilitate detection of excessive related party lending, loan concentration, and liquidity.<sup>185</sup> Although NBM progressively

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<sup>174</sup> Project Tenor II – detailed report prepared for NBM by Kroll, 22 March 2018 page 24, <https://www.zdg.md/wp-content/uploads/2019/07/Raportul-Kroll-3.pdf>.

<sup>175</sup> IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>.

<sup>176</sup> *Idem*.

<sup>177</sup> Staff Report for the 2015 Article IV Consultation and Third Post-Program Monitoring Discussions – Press Release; Staff Report; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 16/19, 20 January 2016, <https://imf.md/press/cr1619.pdf>.

<sup>178</sup> Republic of Moldova: Request for a Three-Year Arrangement Under the Extended Credit Facility and Request for an Extended Arrangement, IMF Country Report No. 10/32, 1 February 2010, <https://imf.md/press/SR-2010-cr1032.pdf>.

<sup>179</sup> Report of the special parliamentary commission on the banking fraud, 20 March 2015, page 15, <https://www.parlament.md/LinkClick.aspx?fileticket=mXG3ZvxIGJs%3D&tabid=109&language=ro-RO>.

<sup>180</sup> On 25 September 2014.

<sup>181</sup> On 7 November 2014.

<sup>182</sup> Know Your Customer (KYC) standards are designed to protect financial institutions against fraud, corruption, money laundering and terrorist financing. NBM regulation no. 172/2011, art. 35 section 9 and art. 36 section 5, [https://www.legis.md/cautare/getResults?doc\\_id=35952&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=35952&lang=ro#).

<sup>183</sup> IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>.

<sup>184</sup> Republic of Moldova: Request for a Three-Year Arrangement Under the Extended Credit Facility and Request for an Extended Arrangement, IMF Country Report No. 10/32, 1 February 2010, <https://imf.md/press/SR-2010-cr1032.pdf>.

<sup>185</sup> Art. 10 section 5 of the AML Law no. 190/2007, [https://www.legis.md/cautare/getResults?doc\\_id=24271&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=24271&lang=ro#) Republic of Moldova: 2006 Article IV Consultation and Request for a Three-Year Arrangement Under the Poverty Reduction and Growth Facility—Staff Report; Staff Statement; Public Information Notice and Press Release on the Executive Board Discussion; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 06/184, 25 May 2006, <https://imf.md/press/SR-cr06184.pdf>; Republic of Moldova: First Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility and Requests for Waiver of Performance Criterion and Augmentation of Access—Staff Report; Staff Supplement; Press Release on the Executive Board Discussion; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 07/45, 6 February 2007, <https://imf.md/press/cr0745.pdf>; and 2014 Article IV Consultation and First Post-Program Monitoring Discussions – Staff Report; Press Release; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 14/190, July 2014, <https://imf.md/press/cr14190.pdf>. IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>.

lowered the threshold for reporting beneficial ownership from 10% to 5%, to 1%,<sup>186</sup> shareholders simply broke their holdings into yet smaller shell companies, which was referred to as “the Moldovan scissors.” Shares obtained without the approval of NBM may have their voting rights suspended by NBM pending approval or the relevant shareholders may be forced to liquidate the shares.<sup>187</sup> There are questions as to why NBM did not intervene in the various ownership changes from 2010 – 2014, especially to block shareholders who acquired the bank shares in a concerted manner<sup>188</sup> using funds borrowed by offshore companies.<sup>189</sup> It was not until 2015 that NBM established supervision over MAIB, Moldindconbank and Victoriabank in 2015<sup>190</sup> for non-transparent structures and high-risk lending,<sup>191</sup> but NBM enforcement against these banks did not occur until after NBM Governor Dragutanu, who was closely associated with the Democratic Party<sup>192</sup> directed by Plahotniuc, resigned in 2015. In 2016, NBM ordered Platon’s group to sell 43% of undisclosed ownership in MAIB.<sup>193</sup> After failing to do so, MAIB cancelled the shares and they were ultimately sold on the Moldovan Stock Exchange (MSE) to an EBRD-led consortium.<sup>194</sup> Similarly, Moldindconbank shares were cancelled and offered for sale on the MSE resulting in a Bulgarian firm purchasing a 77.62% stake.<sup>195</sup> However, NBM did not enforce a similar procedure with respect to Plahotniuc and Shor’s shares in Victoriabank, owned through a Cyprus company.<sup>196</sup> Instead of suspending those shares, NBM allowed the Cyprus company to sell them to Banca Transilvania and EBRD,<sup>197</sup> which increased their overall joint stake in Victoriabank to 72%.<sup>198</sup>

<sup>186</sup> Republic of Moldova: Staff Report for the 2012 Article IV Consultation, Fifth Reviews Under the Extended Arrangement and Under the Three-Year Arrangement Under the Extended Credit Facility, and Requests for Waivers for Non-Observance and Modification of Performance Criteria, IMF Country Report No. 12/288, 22 October 2012, [https://imf.md/press/SR\\_cr12288.pdf](https://imf.md/press/SR_cr12288.pdf); 2014 Article IV Consultation and First Post-Program Monitoring Discussions – Staff Report; Press Release; and Statement by the Executive Director for the Republic of Moldova, IMF Country Report No. 14/190, 8 July 2014, <https://imf.md/press/cr14190.pdf>; and IMF, Republic of Moldova: Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, [https://www.imf.md/press/MoldovaLOI\\_MEFP\\_TMU\\_2016.pdf](https://www.imf.md/press/MoldovaLOI_MEFP_TMU_2016.pdf).

<sup>187</sup> Parliamentary plenary records of 29 September 2011, <https://www.parlament.md/LinkClick.aspx?fileticket=C38RM-PIOfRc%3d&tabid=128&mid=506&language=ro-RO>.

<sup>188</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, section 6.1, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>189</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, appendix II, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>.

<sup>190</sup> Jurnal, The NBM instituted special supervision at MAIB, Victoriabank and Moldindconbank, 12 June 2015, <https://www.jurnal.md/ro/economic/2015/6/12/bnm-a-instituit-supraveghere-speciala-la-maib-victoriabank-si-moldinconbank/>.

<sup>191</sup> IMF, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, <https://www.imf.org/external/np/loi/2016/mda/102416.pdf>; and Yuri Kontievski Statement dated 31 October 2014.

<sup>192</sup> In the secret annexes of establishing the Alliance for the European Integration, the appointment of the heads of the independent institutions were “divided” among the AIE parties, [https://www.publika.md/exclusiv-vedeti-aici-anexele-secrete-ale-acordului-de-constituire-a-aie\\_572041.html](https://www.publika.md/exclusiv-vedeti-aici-anexele-secrete-ale-acordului-de-constituire-a-aie_572041.html). As on paper, Dragutanu was appointed by the Liberal Party. In practice, it turned out that he was a proxy of Plahotniuc via Candu.

<sup>193</sup> Anticorruption Prosecution Service, Raider Attack on a bank with money from the Russian Laundromat, 29 October 2021, <http://procuratura.md/md/newslst/1211/1/8735/>.

<sup>194</sup> According to Article 15, paragraph (2) of the Law no. 550 on Financial Institutions of 21 July 1995, [https://www.legis.md/cautare/getResults?doc\\_id=121164&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121164&lang=ro).

<sup>195</sup> Article IV Consultation and Second Reviews under the Extended Fund Facility and Extended Credit Facility Arrangements, IMF Country Report No. 17/398, 21 December 2017, <https://www.imf.org/en/Publications/CR/Issues/2017/12/21/Republic-of-Moldova-Article-IV-Consultation-and-Second-Reviews-under-the-Extended-Fund-45507>; and Fourth and Fifth Reviews Under the Extended Credit Facility and Extended Fund Facility Arrangements, Completion of the Inflation Consultation, and Request for Extension of the Arrangements and Rephasing of Access, IMF Country Report No. 19/305, 25 September 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/09/25/Republic-of-Moldova-Fourth-and-Fifth-Reviews-Under-the-Extended-Credit-Facility-and-Extended-48706>.

<sup>196</sup> INSIDOWN Ltd (Cyprus)

<sup>197</sup> EBRD, EBRD welcomes Banca Transilvania’s acquisition of Victoriabank stake, 16 January 2018, <https://www.ebrd.com/news/2018/ebrd-welcomes-banca-transilvanias-acquisition-of-victoriabank-stake.html>.

<sup>198</sup> EBRD, FIF - EaP SMEC – Victoriabank, 7 December 2021, <https://www.ebrd.com/work-with-us/projects/psd/53205.html>; and EBRD, Victoriabank New Equity, 13 January 2016, <https://www.ebrd.com/work-with-us/projects/psd/victoriabank-new-equity.html>.

NBM imposed a fine on Banca Sociala's former administrators in 2016<sup>199</sup> and BEM / Unibank former administrators in 2017,<sup>200</sup> for violating the Law on Financial Institutions and the regulations of NBM for engaging the bank in excessively risky operations, non-compliance with the limits on the concentration of credit risks, manipulation of financial statements by non-reflection of certain operations and presentation of erroneous data to the NBM. In 2019, NBM suspended the voting rights of a group of Energbank's shareholders after it was found acting in concert with 52.55% of undeclared ownership<sup>201</sup> and forced some Fincombank shareholders to sell 36.15% stake for acting in concert.<sup>202</sup> Despite more recent efforts to identify beneficial owners using new software,<sup>203</sup> NBM still has suspicions about the ownership of some banks, and other Moldovan government institutions have expressed concern regarding the 2019 purchase of Moldindconbank and Fincombank due to alleged ties to associates of Plahotniuc.

### ***NBM efforts were undermined by Moldovan courts who overruled some of NBM's enforcement action***

NBM enforcement efforts were affected by attempts to circumvent NBM's regulations following a Constitutional Court decision in October 2013 allowing District Courts to suspend NBM's regulations.<sup>204</sup> After that, Shor's associates<sup>205</sup> filed complaints in the District Court of Chisinau (Riscani office) to suspend NBM's regulation on credit risk exposure, which were suspended three times by the lower courts in 2014<sup>206</sup> and overturned each time by the Court of Appeal.<sup>207</sup>

Since 2016, legislative amendments have minimized the role of courts in overturning NBM decisions.<sup>208</sup> In addition, fines have been increased, personal liability and industry bans have been enacted,<sup>209</sup> and a set of

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<sup>199</sup> NBM, National Bank applied sanctions to former administrators of BC „BANCA SOCIALĂ” S.A., 19 May 2016, <https://www.bnm.md/en/content/national-bank-applied-sanctions-former-administrators-bc-banca-sociala-sa>.

<sup>200</sup> NBM, National Bank applied sanctions to former administrators of BC „Banca de Economii” S.A. and BC “Unibank” S.A., 8 February 2017, <https://www.bnm.md/ro/content/banca-nationala-aplicat-sanctiuni-fostilor-administratori-ai-bancii-de-economii-sa-si-bc>

<sup>201</sup> NBM: National Bank of Moldova suspended the voting rights of certain shareholders of two Moldovan banks, 11 January 2019, <https://www.bnm.md/en/content/nbm-suspended-rights-certain-shareholders-two-banks-republic-moldova>

<sup>202</sup> *Idem*.

<sup>203</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsr/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>; and IMF, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, <https://www.imf.org/external/np/loi/2016/mda/102416.pdf>.

<sup>204</sup> According to legal provisions that were in force previously, the NBM regulations could be suspended only by a final decision of the Supreme Court, Constitutional Court Decision no. 31 of 1 October 2013, <https://constcourt.md/ccdocview.php?tip=hotariri&docid=463&l=ro>.

<sup>205</sup> Reghina Apostolova, Nani Abashidze and Veaceslav Lupov.

<sup>206</sup> Chisinau District Court (Riscani Office) Decision of 10 February 2014, [https://jc.instante.justice.md/ro/pigd\\_integration/pdf/d1d8c5b0-7292-e311-aa5b-005056a5fb1a](https://jc.instante.justice.md/ro/pigd_integration/pdf/d1d8c5b0-7292-e311-aa5b-005056a5fb1a), Chisinau District Court (Riscani Office) Decision of 19 September 2014, [https://jc.instante.justice.md/ro/pigd\\_integration/pdf/5fb91ad1-d73f-e411-8956-005056a5fb1a](https://jc.instante.justice.md/ro/pigd_integration/pdf/5fb91ad1-d73f-e411-8956-005056a5fb1a), Chisinau District Court (Riscani Office) Decision of 24 September 2014, [https://jc.instante.justice.md/ro/pigd\\_integration/pdf/137f4963-514d-e411-8956-005056a5fb1a](https://jc.instante.justice.md/ro/pigd_integration/pdf/137f4963-514d-e411-8956-005056a5fb1a).

<sup>207</sup> March 2014, [https://cac.instante.justice.md/ro/pigd\\_integration/pdf/757065dc-47ab-e311-9df1-005056a5d154](https://cac.instante.justice.md/ro/pigd_integration/pdf/757065dc-47ab-e311-9df1-005056a5d154), July 2014, [https://cac.instante.justice.md/ro/pigd\\_integration/pdf/1af12407-4603-e411-8e3e-005056a5d154](https://cac.instante.justice.md/ro/pigd_integration/pdf/1af12407-4603-e411-8e3e-005056a5d154), December 2014, [https://cac.instante.justice.md/ro/pigd\\_integration/pdf/30b18a64-6879-e411-8112-005056a5d154](https://cac.instante.justice.md/ro/pigd_integration/pdf/30b18a64-6879-e411-8112-005056a5d154).

<sup>208</sup> IMF Country Report No. 16/70, Financial Systems Stability Assessment, 29 February 2016, <https://www.elibrary.imf.org/view/journals/002/2016/070/article-A000-en.xml>.

<sup>209</sup> IMF, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, <https://www.imf.org/external/np/loi/2016/mda/102416.pdf>.

international banking regulation standards has been introduced,<sup>210</sup> including structural changes to internal audit and control functions at banks.<sup>211</sup> In 2016, a new Governor of the NBM was appointed by Parliament and a memorandum with the IMF was signed, aiming at strengthening NBM's independence.<sup>212</sup>

### **Recommendations**

1. Parliament should implement a procedure to ensure all future appointments of NBM Governors and Deputy Governors are merit based and transparent (effective from the next vacancy).
  2. NBM should strengthen its capacity to investigate money laundering red flags with money laundering approaches being integrated into on-site and off-site bank inspections (within 6 months from issuance of this report).
  3. NBM should make bank inspection reports publicly available online, excluding the information related to commercial secrets (6 months).
  4. NBM should disclose and make public and easily accessible information on ultimate beneficial owners of the commercial banks (9 months).
  5. NBM should make sure all decisions of the Supervisory Board and the Executive Board are published on the website of the State Register of Legal Acts [www.legis.md](http://www.legis.md) (3 months).
  6. The IMF should examine the efficacy of NBM efforts to identify beneficial owners of banks (6 months).
- b. The MSE failed to function effectively, removing an additional layer of transparency important to detecting fraudulent activity**

### ***The MSE exists in part to provide potential investors and other stakeholders with full disclosure regarding a company's activities***

The MSE can play an important role in maintaining transparency and oversight of companies traded on its exchange. As joint-stock companies (public companies), all banks in Moldova must fulfil the public disclosure regime meant to inform regulators, shareholders, and potential investors about the true nature of the business. Banks are required to provide financial statements, audit reports, a list of significant shareholders, disclose important events and decisions, issues of securities, management changes, and shareholder meetings.<sup>213</sup> New banking regulations require publication of information on governance,

<sup>210</sup> NBM, Financial Stability Report for 2020, [https://www.bnm.md/files/RSF-2020\\_EN.pdf](https://www.bnm.md/files/RSF-2020_EN.pdf); and Regulation on Leverage for Banks, approved by the Decision of the Executive Board of the NBM no.274 of 10 December 2020, <https://www.bnm.md/en/content/regulation-leverage-banks-approved-decision-executive-board-national-bank-moldova-no274-10>. NBM, Strategy for implementing the BASEL III standards in the Republic of Moldova under the legal framework of European legislation (CRD IV), 7 June 2017, <https://www.bnm.md/en/content/strategy-implementing-basel-iii-standards-republic-moldova-under-legal-framework-european>.

<sup>211</sup> NBM, Strategy for implementing the BASEL III standards in the Republic of Moldova under the legal framework of European legislation (CRD IV), 7 June 2017, <https://www.bnm.md/en/content/strategy-implementing-basel-iii-standards-republic-moldova-under-legal-framework-european>.

<sup>212</sup> IMF, Letter of Intent, Memorandum of Economic and Financial Policies, and Technical Memorandum of Understanding, 24 October 2016, <https://www.imf.org/external/np/loi/2016/mda/102416.pdf>.

<sup>213</sup> Moldova Stock Exchange, Rules of the Regulated Market, 8 October 2018, [http://www.moldse.md/statis.mse/zak/eng/MSE\\_rules\\_site.doc](http://www.moldse.md/statis.mse/zak/eng/MSE_rules_site.doc)

shareholders, funds, risk exposures, capital buffers, and remuneration.<sup>214</sup> However, the disclosure and enforcement regime has been ineffective to date and the information to which bank stakeholders are entitled is not easily available. The dissemination of information does not conform to best practices and using modern methods. The MSE should use its authority to cancel transactions or suspend members where there is evidence of violation, fraud, or manipulation.<sup>215</sup>

## **Recommendations**

7. The MSE should develop and implement an accessible and easy-to-use public interface providing joint stock company disclosures including externally audited financial statements (18 months).

### **c. NCFM demonstrated weak regulatory oversight of insurance sector transactions**

#### ***NCFM failed to take timely action to address unreported ownership changes in key insurance companies***

The ASITO shares were acquired by Platon-controlled companies in 2012. The NCFM suspended Platon's shares in Moldasig acquired without the permission of NCFM in March 2014.<sup>216</sup> However, they were unable to force him to sell his shares then, as the law did not provide for this mechanism. Parliament changed the law on insurance in 2016,<sup>217</sup> allowing NCFM to force him to sell his shares.<sup>218</sup> In 2016, NCFM put ASITO under special administration,<sup>219</sup> and forced shell companies associated with Platon to sell their stake within three months.<sup>220</sup> When Platon was released from prison in 2020, he appealed NCFM's decision to put ASITO under special administration in court.<sup>221</sup> The next court hearing has been delayed due to the state of emergency in Moldova following the war in Ukraine.<sup>222</sup> In November 2020, he also regained control over Moldasig using a court ruling issued by a judge<sup>223</sup> (in just about two months from being appointed as a judge until reaching the age limit by President Igor Dodon<sup>224</sup>), who named an interim administrator without prior notice to NCFM, contrary to legal provisions.<sup>225</sup> In 2021, the Court of Appeal cancelled the district court ruling<sup>226</sup> and the District Court judge was accused by the APO in April 2022 of adopting an illegal decision.<sup>227</sup>

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<sup>214</sup> Regulation on the requirements for publication of information by banks, approved by the Decision of the Executive Board of the NBM, No. 158 of 9 July 2020, <https://www.bnm.md/en/content/regulation-requirements-publication-information-banks-approved-decision-executive-board>.

<sup>215</sup> Law no. 171 on Capital Market of 11 July 2012, [https://www.legis.md/cautare/getResults?doc\\_id=121985&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121985&lang=ro).

<sup>216</sup> NCFM, Order no. 18/2 of 28 March 2014, [https://www.legis.md/cautare/getResults?doc\\_id=6749&lang=ro](https://www.legis.md/cautare/getResults?doc_id=6749&lang=ro)

<sup>217</sup> Draft Law no. 4 of 25 February 2016, <https://www.parlament.md/ProcesulLegislativ/Proiectedeactelegislative/tabid/61/LegislativId/2785/language/ro-RO/Default.aspx>.

<sup>218</sup> NCFM, Decision no. 60/2 of 6 December 2016, [https://www.legis.md/cautare/getResults?doc\\_id=97859&lang=ro](https://www.legis.md/cautare/getResults?doc_id=97859&lang=ro).

<sup>219</sup> NCFM, Decision no. 56/2 of 17 November 2016, [https://www.legis.md/cautare/getResults?doc\\_id=96516&lang=ro](https://www.legis.md/cautare/getResults?doc_id=96516&lang=ro).

<sup>220</sup> NCFM, Decision no. 45/2 of 26 August 2016, <http://lex.justice.md/index.php?action=view&view=doc&lang=1&id=366572>.

<sup>221</sup> Paranteze, Veaceslav Platon and Alexandr Stoianoglo in a holster, 26 November 2020, <https://paranteze.md/news/veaceslav-platon-si-alexandr-stoianoglo-doi-intr-o-teaca>.

<sup>222</sup> Windon & Flanders Limeted vs. NCFM, [https://jc.instante.justice.md/ro/pigd\\_integration/pdf/generate/pending/2-20114652-12-3-16092020-1/88DDD2F6-2AA7-DD11-9299-001E0B8014EB](https://jc.instante.justice.md/ro/pigd_integration/pdf/generate/pending/2-20114652-12-3-16092020-1/88DDD2F6-2AA7-DD11-9299-001E0B8014EB).

<sup>223</sup> Mold-street, NCFM lost control over the Moldasig, 9 November 2020, <https://www.mold-street.com/?go=news&n=11293>; [https://www.ipn.md/public/index.php/en/judge-olesea-turcan-suspected-of-passing-illegal-judgment-7967\\_1089119.html](https://www.ipn.md/public/index.php/en/judge-olesea-turcan-suspected-of-passing-illegal-judgment-7967_1089119.html)

<sup>224</sup> Decree of the President of the Republic of Moldova no. 1746 of 2 September 2020, [https://www.legis.md/cautare/getResults?doc\\_id=122950&lang=ro](https://www.legis.md/cautare/getResults?doc_id=122950&lang=ro).

<sup>225</sup> Art. 422 section (2) of the Law no. 407 on Insurance of 21 December 2006, "Special administration shall be exercised by a special administrator appointed by the supervisory authority".

<sup>226</sup> NCFM, The majority of "MOLDASIG" SA shares returned to state management, 16 July 2021, [https://www.cnpf.md/ro/pachetul-majoritar-de-actiuni-al-moldasig-sa-a-revenit-6307\\_93308.html](https://www.cnpf.md/ro/pachetul-majoritar-de-actiuni-al-moldasig-sa-a-revenit-6307_93308.html).

<sup>227</sup> Anticorruption Prosecution Office informs about the recent actions carried out in the case in which a judge from the Chisinau Court (Risican office) is concerned, 12 April 2022, <http://procuratura.md/md/news/12111/1/8959/> and [https://www.ipn.md/en/judge-olesea-turcan-suspected-of-passing-illegal-judgment-7967\\_1089119.html](https://www.ipn.md/en/judge-olesea-turcan-suspected-of-passing-illegal-judgment-7967_1089119.html).

## ***NCFM failed to provide sufficient oversight regarding reinsurance requirements, audits, and annual reports***

According to the law, an insurance company can bear a risk limit of up to 25% of equity and reserves,<sup>228</sup> with the difference required to be reinsured by a foreign company.<sup>229</sup> In at least two cases, insurance companies failed to meet the reinsurance requirement, including in 2014, when the air traffic control authority signed a \$500 million third-party liability insurance policy<sup>230</sup> and, in 2015, when Moldovagaz insured their assets worth MDL 2.6 billion.<sup>231</sup> These failures should have been reflected in the technical/ financial reports submitted monthly to NCFM,<sup>232</sup> which are verified and co-signed by an actuary.<sup>233</sup>

Beginning in 2012, actuaries were obliged to notify NCFM of any violations committed by insurance companies.<sup>234</sup> Insurance companies also have an annual audit requirement and auditors are obliged to notify NCFM of any violations.<sup>235</sup> The insurance companies involved may have submitted false monthly reports to NCFM.<sup>236</sup> However, NCFM did not conduct any investigations concerning these violations and no sanctions were imposed on the insurance companies, actuaries or auditors involved. Nothing is mentioned in NCFM's annual reports. This means that either NCFM did not detect any irregularities in the reports, or NCFM covered up serious lapses, which reveals significant shortcomings. The level of sanctions for facilitators of such violations is also inadequate. An actuary risks a fine of just MDL 1,200-6,000 for presenting incorrect or inaccurate estimates and conclusions.<sup>237</sup>

### ***Recommendations***

8. NCFM annual reports should incorporate the value and ratio of the reinsured risks, with a breakdown by the country of the reinsurer as opposed to the current practice of disclosing only the amount of insurance premiums transferred to reinsurers (immediate).
9. Parliament should amend the relevant statute to make sure that the appointment of the administrators of insurance companies without prior notice to NCFM are invalid (9 months).

<sup>228</sup> Art. 31 section (4) of the Law on Insurance no. 407 of 21 December 2006, [https://www.legis.md/cautare/getResults?doc\\_id=28035&lang=ro](https://www.legis.md/cautare/getResults?doc_id=28035&lang=ro).

<sup>229</sup> Section 12 of NCFM regulation no. 17/6 of 21 April 2017, [https://www.legis.md/cautare/getResults?doc\\_id=115498&lang=ro](https://www.legis.md/cautare/getResults?doc_id=115498&lang=ro).

<sup>230</sup> Minutes of the working group for acquisitions of MoldATSA no. 7 of 21 July 2016 / 25 July 2016, last page, <https://www.zdg.md/wp-content/uploads/2016/11/Proces-verbal-achizitii.pdf>. MoldATSA, Invitation to tender no. 7 of 6 July 2016, <https://www.zdg.md/wp-content/uploads/2016/11/Caietul-de-sarcini-IS-MoldATSA-2016.pdf>.

<sup>231</sup> WatchDog.MD, Moldovagaz - 20 years of massive frauds under protection of state shareholders and institutions, Section 6.1, September 2019, <https://www.watchdog.md/2019/09/23/moldovagaz-20-de-ani-de-fraude-masive-sub-protectia-actionarilor-si-institutiilor-de-stat/>.

<sup>232</sup> Section 4 of the NCFM regulation no. 26/15 of 7 July 2011, [https://www.cnpf.md/storage/files/files/hot\\_26\\_15\\_din\\_07\\_07\\_2011.pdf](https://www.cnpf.md/storage/files/files/hot_26_15_din_07_07_2011.pdf).

<sup>233</sup> Art. 41 of the Law on Insurance no. 407 of 21 December 2006, [https://www.legis.md/cautare/getResults?doc\\_id=28035&lang=ro](https://www.legis.md/cautare/getResults?doc_id=28035&lang=ro).

<sup>234</sup> Art. 41, section (21) I) of the Law on Insurance no. 407 of 21 December 2006, [https://www.legis.md/cautare/getResults?doc\\_id=28035&lang=ro](https://www.legis.md/cautare/getResults?doc_id=28035&lang=ro).

<sup>235</sup> Art. 40 section (3) of the Law on Insurance no. 407 of 21 December 2006, [https://www.legis.md/cautare/getResults?doc\\_id=28035&lang=ro](https://www.legis.md/cautare/getResults?doc_id=28035&lang=ro).

<sup>236</sup> Criminal Code, art. 239<sup>1</sup>, section (2), [https://www.legis.md/cautare/getResults?doc\\_id=130983&lang=ro](https://www.legis.md/cautare/getResults?doc_id=130983&lang=ro). According to the Criminal Code, if the managers of insurance companies present false information, they risk a fine of up to MDL 67,500 or a prison sentence of up to 3 years and can be deprived of the right to hold certain positions or to exercise certain professional activities for a period of up to 5 years.

<sup>237</sup> Art. 305 section (9) of the Contravention Code, [https://www.legis.md/cautare/getResults?doc\\_id=131058&lang=ro](https://www.legis.md/cautare/getResults?doc_id=131058&lang=ro).

10. NCFM should disclose and make easily accessible information on the ultimate beneficial owners of insurance companies (9 months).
11. Parliament should amend legislation to require NCFM to conduct onsite inspections of insurance companies at specific intervals as required in the banking sector (9 months).
12. NCFM should assess the assets of all insurance companies to determine whether liquidity indicators are overestimated, or assets appear overvalued. (18 months).
13. NCFM should make sure that all the decisions are published on the website of the State Register of Legal Acts [www.legis.md](http://www.legis.md) (3 months).
14. Parliament should introduce legislation expanding restrictions and increasing the penalty against actuaries who minimize risks in their monthly assessment reports (9 months).
15. Parliament should introduce legislation – and NCFM should adopt rules – restricting shareholders, management, actuaries and auditors from reopening business under another name or to hold management positions if they have previously been sanctioned (12 months).
16. Parliament should introduce legislation to ensure any NCFM decision is approved by a majority of NCFM's appointed members and not by a majority of quorum (9 months).
17. Parliament should amend the NCFM law and the administrative code imposing the suspension of NCFM decisions by the Courts of Appeal as opposed to District Courts (9 months).
18. Parliament should introduce measures to hold judges accountable for decisions to transfer shares without the consent of the NCFM (9 months).

**d. Detection of money laundering should be enhanced by strengthening the FIU and the role of legal and audit professionals in reporting**

***The FIU allegedly did not send any information regarding money laundering schemes to prosecutorial authorities until Plahotniuc and Platon began fighting for control of Victoriabank***

The FIU is a detection agency responsible for receiving and analysing suspicious transaction reports for funds suspected of being proceeds of criminal activity and for disseminating its analysis to law enforcement for investigation.<sup>238</sup> However, there was allegedly no dissemination of information regarding widespread money laundering in the banking sector until 2014, when Plahotniuc and Platon were fighting for control of Victoriabank. In February 2014, the FIU disseminated information regarding suspicious transactions at

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<sup>238</sup> NBM, Regulation on requirements for prevention and combating money laundering and terrorist financing in the activity of banks no. 200, 9 August 2018, <https://www.bnm.md/en/content/regulation-requirements-related-prevention-and-combating-money-laundering-and-terrorist>.

Moldindconbank. A joint FIU and NAC investigative team was established, and a wide range of investigative measures were applied including secret observations, wiretapping, forensic computer analysis, witness interviews and searches resulting in opening of criminal cases against several bank employees for abuse of power.

After the November 2014 bank crisis, the FIU sought to identify similar schemes in other banks, resulting in a list of 150 offshore and domestic companies sent to banks to apply enhanced due diligence.<sup>239</sup> From 2013 – 2017, the FIU sent between 250 – 350 requests yearly to their counterparts in different nations<sup>240</sup> and received a significant amount of information, including the identification of beneficial owners. The FIU conducted analysis of accounts in 78 institutions (from 61 states) by 1,267 non-resident entities and 27 complex financial studies, including the identity of organisers and beneficiaries of the money-laundering schemes mentioned herein. The results of these efforts were provided to prosecutorial authorities and formed the basis for convictions that followed in 2015 – 2017.

### ***The suspicious transaction reporting, analysis and dissemination procedure can be improved***

Until 2017, bank reporting of suspicious transactions related to money laundering to the FIU was based on mandatory reporting of all suspicious transactions above MDL 500,000. This resulted in hundreds of thousands of low-quality suspicious transaction reports creating an excessive burden for FIU employees who sifted through the data for financial analysis.<sup>241</sup> Amendments in 2017 to the Law on anti-money laundering and combating terrorist financing<sup>242</sup> and FIU regulations for reporting made the system subjective,<sup>243</sup> allowing reporting entities, including banks, to identify transactions based on their own risk assessments. However, this new approach runs the obvious risk that banks' subjective standards and analysis overlook suspicious transactions and patterns. The FIU should ensure that suspicious activity reports are being made appropriately and should analyse whether all suspicious transactions are being reported. Although the FIU is best placed to provide support to banks, they themselves need technical support. Since 2018, the FIU has increased its staff from 17 to 30 persons and enhanced their specialization, analysis capacity, and information technology, but the FIU still lacks specialists with the essential finance/banking background. Finally, FIU detection is focused on financial transactions as opposed to assessing corporate registration activities to identify money laundering patterns. This type of corporate analysis capacity needs to be firmly established within the FIU.

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<sup>239</sup> Fourth and Fifth Reviews Under the Extended Credit Facility and Extended Fund Facility Arrangements, Completion of the Inflation Consultation, and Request for Extension of the Arrangements and Rephasing of Access, IMF Country Report No. 19/305, 25 September 2019, <https://www.imf.org/en/Publications/CR/Issues/2019/09/25/Republic-of-Moldova-Fourth-and-Fifth-Reviews-Under-the-Extended-Credit-Facility-and-Extended-48706>; and Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>240</sup> Belize, Cyprus, Estonia, France, Germany, Greece, Israel, Italy, Latvia, Liechtenstein, Maldives, Monaco, Panama, Poland, Russia, Seychelles, Switzerland, United Kingdom and USA.

<sup>241</sup> Annual Activity Report of the FIU for 2018, page 17, <http://spscb.cna.md/storage/reports/January2020/brnbZSpnbB7vHR-wp5y0h.pdf>.

<sup>242</sup> Law no. 308 on the prevention and anti-money laundering and terrorism financing of 22 December 2017, [https://www.legis.md/cautare/getResults?doc\\_id=125309&lang=ro](https://www.legis.md/cautare/getResults?doc_id=125309&lang=ro).

<sup>243</sup> Office for Prevention and Fight against Money Laundering, Legislation, <http://spscb.cna.md/en/page/legislatia-nationala>.

### **Professional corporate service providers were critical in creating the corporate structures required to support vast money laundering networks**

Professional corporate service providers in Moldova and other jurisdictions created the framework for large scale fraud and money laundering. Service providers incorporated shell companies and acted as nominees to obscure beneficial ownership and maintain a veneer of legitimacy to avoid regulatory scrutiny. The United Kingdom, as an integral jurisdiction offering the allure of legitimacy, had several such service providers creating thousands of shell companies.<sup>244</sup> Since the early 2000s, many Moldovan bank shareholders relied on a local Moldovan corporate service provider<sup>245</sup> to create their corporate structures, allowing them to tap into international money laundering systems. In Moldova, notaries, accountants, auditors and lawyers are reporting entities and must file suspicious activity reports to the FIU since 2001,<sup>246</sup> but lawyers have submitted few, if any. There is thus a need for improved reporting of suspicious activities involving notaries and lawyers.<sup>247</sup> There is also a gap in law, as there is no requirement for judges or bailiffs to report suspicious activities.

### **Auditors can play a critical role in identifying fraud, but must have the appropriate channels for action to be taken on their findings**

Bank audits are a critical piece of the accountability structure. NBM approved auditors review internal audit and control practices, audit banks' financial statements,<sup>248</sup> prepare opinions and are required to inform NBM of fraudulent, irregular, or deficient acts.<sup>249</sup> Auditors in Moldova's banking sector were criticized for not spotting red flags, for weak capacity and for inappropriately valuing assets.<sup>250</sup> However, even where fraud was detected, NBM failed to act. For example, Grant Thornton<sup>251</sup> audited BEM in 2010, 2011, and 2013 and issued a confidential letter to NBM identifying fraudulent activity in 2012 – 2013.<sup>252</sup> At that time the firm issued opinions qualifying the loan portfolio and collateral saying it did not see the bank surviving the next 12 months. Grant Thornton audited 30-40 BEM loans, including collateral in other countries, shareholders transactions and ultimate beneficiaries resulting in its conclusion that the loan portfolio was not acceptable. The audit firm issued a disclaimer and pulled out from BEM, yet there was still no reaction from NBM.

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<sup>244</sup> Axiano Company Secretaries Ltd., Axiano Company Directors Limited, and Axiano International Limited. based on CCIA analysis of corporate registries.

<sup>245</sup> Calin Corjan, Suntiger, <https://www.intellinews.com/scottish-shell-companies-at-centre-of-1bn-moldovan-bank-fraud-scheme-500446586/?archive=bne>.

<sup>246</sup> See art. 4 Law no. 308 on the prevention and anti-money laundering and terrorism financing of 22 December 2017, [https://www.legis.md/cautare/getResults?doc\\_id=125309&lang=ro](https://www.legis.md/cautare/getResults?doc_id=125309&lang=ro).

<sup>247</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>248</sup> NBM, Regulation on financial statements and audit for other purposes of Banks, approved by the Decision of the Executive Board of the NBM no.118 of 24 May 2018, [https://www.bnm.md/files/REG%20118\\_EN\\_08\\_12\\_21.pdf](https://www.bnm.md/files/REG%20118_EN_08_12_21.pdf).

<sup>249</sup> Law no. 550 on Financial Institutions of 21 July 1995, [https://www.legis.md/cautare/getResults?doc\\_id=121164&lang=ro](https://www.legis.md/cautare/getResults?doc_id=121164&lang=ro);

<sup>250</sup> Transcript of the sitting of the Parliament of 6 November 2009, <https://old.parlament.md/news/plenaryrecords/06.11.2009/>

<sup>251</sup> Grant Thornton has increased the share of audited banks in Moldova from 0% in 2009 to 43% in 2013. The audit market is traditionally very conservative, dominated by "Big-4 companies" - PWC, Deloitte, EY and KPMG. 99% of FTSE 100 or Fortune 100 companies are audited by one of the "Big-4s". Many mutual funds have strict rules regarding the mandatory audit of one of the Big-4s for portfolio companies. In fact, all banks with Western capital in Moldova continue to be audited by one of "Big-4s".

<sup>252</sup> AGORA, Confidential document in BEM case: Schemes with VAT and non-performing loans for offshore companies, 11 March 2015, <https://agora.md/stiri/6732/document-confidential-in-cazul-bem-scheme-cu-tva-si-credite-neperformante-pentru-companii-offshore>.

|    |                       | 2009         | 2010           | 2011           | 2012           | 2013           |
|----|-----------------------|--------------|----------------|----------------|----------------|----------------|
| 1  | Banca Sociala         | Deloitte     | Deloitte       | Deloitte       | Deloitte       | Grant Thornton |
| 2  | Moldova Agro Ind Bank | EY           | PWC            | PWC            | PWC            | PWC            |
| 3  | Banca de Economii     | EY           | KPMG           | Grant Thornton | Grant Thornton | Grant Thornton |
| 4  | Victoria Bank         | EY           | Deloitte       | Deloitte       | Deloitte       | Deloitte       |
| 5  | Mold Ind Com Bank     | EY           | Grant Thornton | Grant Thornton | Grant Thornton | Grant Thornton |
| 6  | Mobias Banca          | EY           | EY             | EY             | EY             | Deloitte       |
| 7  | EximBank              | PWC          | PWC            | PWC            | PWC            | KPMG           |
| 8  | UniBank               | KPMG         | Moldauditing   | Grant Thornton | Grant Thornton | Grant Thornton |
| 9  | Pro Credit Bank       | PWC          | PWC            | PWC            | PWC            | KPMG           |
| 10 | Energ Bank            | EY           | Grant Thornton | Grant Thornton | Grant Thornton | Grant Thornton |
| 11 | FinCom Bank           | EY           | EY             | EY             | EY             | EY             |
| 12 | BCR Chişinău          | EY           | EY             | EY             | EY             | EY             |
| 13 | ComertBank            | *            | *              | Grant Thornton | Grant Thornton | Grant Thornton |
| 14 | EuroCredit Bank       | Moldauditing | Moldauditing   | Moldauditing   | Moldauditing   | Moldauditing   |

Figure no. 1. External Auditors of Moldovan Banks (2009-2013)<sup>253</sup>

## Recommendations

19. Banks should increase their institutional capacity to identify suspicious transactions and report them to the FIU (6 months).
20. FIU should create a specialized function to analyse corporate registration activities to identify money laundering patterns (12 months).
21. NAC, CARA, FIU, and the specialized prosecution offices should request additional resources to attract finance/banking specialists (6 months).
22. FIU should provide capacity building support for judges, lawyers, notaries, and bailiffs on submitting information on suspicious transactions (12 months).
23. Parliament should introduce legislative amendments requiring bailiffs and judges to submit suspicious transaction reports to the FIU and providing dissuasive sanctions for not fulfilling this obligation (9 months).
24. Parliament should introduce requirements for independent auditors to report to NBM and law enforcement agencies when banks, insurance companies and other financial institutions are suspected of participating in fraudulent or illegal activity (12 months).

### e. Prosecution was characterized by selective engagement

#### ***Criminal investigations are conducted by multiple organizations who have secured some convictions against high-profile targets selected based on political considerations***

In Moldova, there are several institutions responsible for the investigation and prosecution of money laundering and its predicate offenses. NAC coordinates activities of anti-money laundering supervisory authorities and cooperates with international organizations dealing with the prevention of money

<sup>253</sup> Vasile Tofan, Banca de Economii, Unibank, Banca Sociala – who the auditors are?, 2 January 2015, <https://vasiletofan.blogspot.com/2015/01/banca-de-economii-unibank-banca-sociala.html>.

laundering. APO is a specialised prosecution office which leads criminal investigation cases initiated by NAC. The PGO has general authority over the criminal justice system with the Prosecutor's Office for Combating Organized Crime and Special Cases (PCCOCS) prosecuting organized crime cases. All have initiated dozens of money laundering investigations with the bank fraud itself resulting in nearly 60 case files, several of which were sent from APO to PCCOCS and vice-versa.

NAC and APO conducted 20 investigations into InvestPrivatBank's 2009 collapse, fining debtors for acquiring fraudulent loans and pursuing directors and managers. With respect to the money laundering schemes, according to open sources APO was aware of them at least since February 2012.<sup>254</sup> However, the application of justice was definitely slow and selective and it was not until 2014 that the APO initiated criminal cases for abuse of power, fraud, bribery and money laundering against certain individuals active in the banking and insurance sectors.<sup>255</sup> Filat was charged in 2015 with trading in influence and corruption, receiving luxury goods and services from funds defrauded from a bank, and receiving millions transferred through non-resident offshore companies to affiliated resident companies.<sup>256</sup> Filat was convicted and sentenced to 9 years in prison<sup>257</sup>. NAC opened a criminal case regarding Platon's NBMI conduct in 2015,<sup>258</sup> but it was not until December 2021 that prosecutors indicted him in this case.<sup>259</sup>

### ***Changes in investigative tactics in 2016 resulted in the conviction of Platon and Shor***

In 2016, the investigation of other cases by APO was ongoing, but moving slowly. APO leadership increased the number of prosecutors working on bank fraud and cases were distributed to a larger group, as opposed to concentrating them in the hands of a small group of prosecutors. This effort resulted in 53 criminal cases against 191 legal entities and 36 individuals involved in money laundering, including 15 employees of banks, 16 judges, four bailiffs and two other persons related to the banking sector for violating credit rules, fraudulent loans, money laundering, abuse of trust and abuse of power.<sup>260</sup> The indicted included Platon, who was accused of illegal actions to take control of MAIB and management for the benefit of an organized criminal group, fraud and money laundering.<sup>261</sup> Evidence collected by prosecutors included documents showing Platon was using companies involved in money laundering and bank fraud which were identified by computer internet protocol addresses, witness statements of employees and forensic

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<sup>254</sup> WatchDog.MD and Transparency International Moldova, The Russian Laundromat – a \$70 billion laundering scheme facilitated by the Moldovan political elites, Section 3.4, <https://watchdog.md/wp-content/uploads/2019/06/Russian-laundromat-Eng.pdf>; Adevarul Moldova, Three Russian billionaires and one of the largest companies in Russia, the target of Moldovan swindlers, 21 February 2012, [https://adevarul.ro/moldova/economie/trei-miliardari-rusi-cele-mai-mari-companii-rusia-tinta-smecherilor-moldova-1\\_50ae7b3d7c42d5a6639d1ccf/index.html](https://adevarul.ro/moldova/economie/trei-miliardari-rusi-cele-mai-mari-companii-rusia-tinta-smecherilor-moldova-1_50ae7b3d7c42d5a6639d1ccf/index.html)

<sup>255</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>256</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>257</sup> The investigations refer to facts falling under provisions of art. 324, para 3a, b and art. 326 para 3a of the Criminal Code.

<sup>258</sup> Prosecutorial Order of 24 March 2015, <https://www.zdg.md/wp-content/uploads/2016/03/Ordonanta-de-pronire-aurmarii-penale.pdf>.

<sup>259</sup> Mold-street, A new criminal case against Veaceslav Platon, 3 December 2021, <https://www.mold-street.com/?go=news&n=13162>.

<sup>260</sup> Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL), Anti-money laundering and counter-terrorist financing measures, Republic of Moldova Fifth Round Mutual Evaluation Report, July 2019, <https://www.fatf-gafi.org/media/fatf/documents/reports/mer-fsrb/Moneyval-Mutual-Evaluation-Report-Moldova-2019.pdf>.

<sup>261</sup> The investigations refer to facts falling under provisions of art. 190 par. (5) and art. 243 para. (3) letter b) of the Criminal Code.

analysis.<sup>262</sup> After a trial in 2017, Platon was convicted and sentenced to 18 years in prison, which was upheld by the Supreme Court of Justice in 2018. In 2016, NAC also arrested five people from ASITO,<sup>263</sup> but only began analysing the acquisition of Moldasig' shares by Platon's companies in 2017.<sup>264</sup>

There are reasons to believe that the prosecution of Platon in the case of bank fraud was misguided. The then Head of the APO did not reveal that in 2011, the \$40 million borrowed by Platon from Victoriabank was ultimately transferred to Plahotniuc's offshore company<sup>265</sup> to purchase Plahotniuc's shares in Victoriabank.<sup>266</sup> Nor did he reveal that in November 2014, Plahotniuc and Shor acquired Platon's 39% share of Victoriabank by having Shor companies agree to repay Platon's loans in Victoriabank using funds embezzled from BEM.<sup>267</sup> The shares were transferred on 14 November 2014<sup>268</sup> to a Cyprus company controlled by Plahotniuc and Shor.<sup>269</sup> The loans Shor companies took from Platon were repaid by Zenit Management LP on 19 and 20 November 2014,<sup>270</sup> using the funds that Shor borrowed from BEM.<sup>271</sup> Also, the Head of the APO hid the fact that on 24 November 2014, Shor transferred another EUR 34 million to Zenit Management,<sup>272</sup> for which Platon was convicted for being allegedly the beneficial owner, according to Shor.<sup>273</sup> There is more evidence that Zenit Management was actually controlled by Shor.<sup>274</sup> Zenit Management repaid the loans in Victoriabank on 19 and 20 November 2014, a week after Platon ceded the loans to Shor group companies. In addition, Zenit Management was represented by a close Shor associate,<sup>275</sup> who was an administrator of a Shor company.<sup>276</sup>

<sup>262</sup> Platon's money was transferred to build ASITO, Voximar Com, Hostas Level, VEB Solutions Corp, Ankor Getaway LP, Tayra Limited. Multigold shares in MAIB from money laundering.

<sup>263</sup> Mold-street, NAC apprehended a group managers of the ASITO, 1 July 2016, <https://www.mold-street.com/?go=news&n=4924>.

<sup>264</sup> Deschide, How Platon bought Moldasig with money... from the Moldasig, 1 December 2020, [https://deschide.md/ro/stiri/economic/76323/DOC--Cum-Platon-a-cump%C4%83rat-Moldasig-cu-banii-de-la-Moldasig.htm?fbclid=IwAR2A8kWJgM-GOXuzPsp8oHXUKai6UG8UK5vOlx\\_tDmS1ZkfECvGfY2MJ01c](https://deschide.md/ro/stiri/economic/76323/DOC--Cum-Platon-a-cump%C4%83rat-Moldasig-cu-banii-de-la-Moldasig.htm?fbclid=IwAR2A8kWJgM-GOXuzPsp8oHXUKai6UG8UK5vOlx_tDmS1ZkfECvGfY2MJ01c).

<sup>265</sup> OTIV Prime holding BV (Netherlands).

<sup>266</sup> Share-purchase agreement between Plahotniuc's OTIV Prime Holding BV and Platon's crony Yuri Kontievski, <https://www.dropbox.com/s/olcxevv9mva3yv7/Annex%201.%20Share-purchase%20agreement%20Generashon.pdf?dl=0>.

<sup>267</sup> Contract between Cristal Impex Ltd, Grand Imobiliare Ltd and Victoria. During 7-11 November 2014, at least two companies controlled by Platon (Cristal-Impex SRL and Neghina-Com SRL) transferred the loans to the companies controlled by Shor (Grand Imobiliare SRL and Agercom Grup SRL), <https://www.dropbox.com/s/2nlcpu8nscn8ov4/Cristal%20Impex%20docs.pdf?dl=0>

<sup>268</sup> Transactions registered on the stock exchange on 13 November 2014, page 2, <http://www.moldse.md/statis.mse/2014/noiembrie2014.pdf>.

<sup>269</sup> INSIDOWN Ltd, <http://procuratura.md/md/newslist/1211/1/8538/>.

<sup>270</sup> Zenit Management LP surety contracts with Victoriabank, <https://www.dropbox.com/s/6bal37yhm358da3/Zenit%20Management%20surety%20contract.pdf?dl=0>. On 19 and 20 November 2014, Zenit Management LP signed surety agreements with Victoriabank for EUR 24 million and repaid the loans of Shor which he took over from Platon.

<sup>271</sup> Shor's complaint against Platon, <https://www.deschide.md/ro/stiri/social/387/DOC--Autodenun%C8%9Bul-lui-Shor-%C3%AEn-care-spune-c%C4%83-i-a-dat-credite-de-milioane-de-la-BEM-lui-Platon.htm>.

<sup>272</sup> Turnover on bank accounts of Globus Corporation, transfers to Zenit Management LP, <https://www.dropbox.com/s/kx3tp-fq1h2z6ulj/Transfers%20to%20Zenit%20Management%20LP.pdf?dl=0>.

<sup>273</sup> Supreme Court Judgement of 12 December 2017, <https://profiles.rise.md/upload/200206-Dosar%20Filat.pdf>.

<sup>274</sup> NewsMaker, The theft of the billion is based on "Zenith". How the revision of Platon's criminal case could attract also Plahotniuc and Şor, 26 May 2020, <https://newsmaker.md/ro/furtul-miliardului-se-spriijina-pe-zenit-cum-revizuirea-dosarului-lui-platon-i-ar-putea-atrage-pe-plahotniuc-si-sor/>.

<sup>275</sup> Victoria Stoian was an employee of Shor's company Dufremol, NewsMaker, The theft of the billion is based on "Zenith". How the revision of Platon's criminal case could attract also Plahotniuc and Shor, 26 May 2020, <https://newsmaker.md/ro/furtul-miliardului-se-spriijina-pe-zenit-cum-revizuirea-dosarului-lui-platon-i-ar-putea-atrage-pe-plahotniuc-si-sor/>.

<sup>276</sup> Kroll, Project Tenor – Scoping Phase Final Report prepared for NBM, section 10.3.4, 2 April 2015, <https://www.rise.md/wp-content/uploads/2017/03/Kroll-Shor-Melnic.pdf>. In November 2014 Banca Sociala issued new loans to five Shor Group companies, including MDL 2.6 billion to Caritas Group.

Shor was convicted in 2017 and sentenced to 7 years and 6 months of imprisonment for the creation and management of a criminal organization, embezzlement of foreign assets, abuse of office, fraud, and money laundering.<sup>277</sup> The prosecutors requested a 19-year prison sentence. However, the trial judge replaced the offense of fraud with “deception or abuse of trust” which provides a lighter sentence and is eligible for amnesty under the Amnesty Law,<sup>278</sup> which was passed one year before Shor’s sentencing.<sup>279</sup> There are several connections between Shor and his trial judge. For example, in 2018, an intimate of the judge opened a beauty salon at Chisinau International Airport managed by a company of which Shor was the chairperson. Moreover, the intimate travelled with Shor’s stepsister to Paris and Milan in 2019. Of note, the judge did not disclose a house of EUR 500,000, as well as two luxury cars in his income statement.<sup>280</sup>

Plahotniuc was not investigated until 2019 as it was viewed as impossible when the Democratic Party was influential.

### ***Prosecutor General Stoianoglo breached proper procedure and poorly managed conflicts of interest***

In 2019 Prosecutor General Stoianoglo was appointed by Moldova’s President Dodon.<sup>281</sup> Stoianoglo believed most of APO’s prosecutors were corrupt and replaced 35 senior prosecutors, despite acknowledging that the authority to do so resides with the Supreme Council of Prosecutors.<sup>282</sup> Stoianoglo withdrew the bank fraud case from the APO and submitted it to PCCOCS, which repeated much of what had been done before. Stoianoglo issued detention warrants for former NBM Governor Dragutanu and other senior management, alleging they were involved in crimes. Plahotniuc was charged with forming an organized criminal group, extortion, and fraud.

When Stoianoglo became Prosecutor General, he received petitions detailing Platon’s concerns and agreed to meet him. Platon came with materials and flipcharts showing that the crimes of which he was convicted were committed by other people. Stoianoglo declared that the Platon case was based on fabricated evidence and sent a request to the Chisinau Court to suspend the judgment.<sup>283</sup> Platon was released from prison allegedly with the assistance of President Dodon,<sup>284</sup> was acquitted in 2021, and then

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<sup>277</sup> Anticoruptie Moldova, The Parliament Voted for Lifting the Parliamentary Immunity of Ilan Shor, 23 December 2021, <https://anti-coruptie.md/en/cases-of-corruption/the-parliament-voted-for-lifting-the-parliamentary-immunity-of-ilan-shor>. Ziarul de Garda, Breaking news: Ilan Shor sentenced to 7 years and six months with imprisonment, but released from custody, 21 June 2017, <https://www.zdg.md/stiri/stiri-justitie/ultima-ora-ilan-sor-condamnat-la-7-ani-si-sase-luni-de-inchisoare-dar-eliberat-din-arest/>.

<sup>278</sup> RISE Moldova, Shor’s Judge, 22 April 2021, <https://www.rise.md/articol/judecatorul-lui-sor/>. Law on Amnesty no. 210 of 29 July 2016, [https://www.legis.md/cautare/getResults?doc\\_id=94827&lang=ro](https://www.legis.md/cautare/getResults?doc_id=94827&lang=ro).

<sup>279</sup> RISE Moldova, Made in Parliament, 25 September 2017, <https://www.rise.md/articol/fabricat-in-parlament/>.

<sup>280</sup> RISE Moldova, Shor’s Judge, 22 April 2021, <https://www.rise.md/articol/judecatorul-lui-sor/>.

<sup>281</sup> The Decree of the President of the Republic of Moldova no. 1334 of 29 November 2019, [https://www.legis.md/cautare/get-Results?doc\\_id=119227&lang=ro](https://www.legis.md/cautare/get-Results?doc_id=119227&lang=ro). On 24 May 2022, Mr. Dodon was arrested and faces charges of bribery, receiving illegal financing for his political party from a criminal organization, high treason, and illicit enrichment, <http://procuratura.md/md/news/1211/1/9010/>.

<sup>282</sup> Art. 70 para. (1) g) of the Law on Prosecution Service no. 3 of 25 February 2016, [https://www.legis.md/cautare/get-Results?doc\\_id=131217&lang=ro](https://www.legis.md/cautare/get-Results?doc_id=131217&lang=ro).

<sup>283</sup> Ziarul de Garda, Veaceslav Platon was released, 15 June 2020, <https://www.zdg.md/stiri/stiri-justitie/ultima-ora-veaceslav-platon-a-fost-eliberat/>. Report on the Implementation of the EU Association Agreement with the Republic of Moldova, European Parliament, page 9 – 12, 28 September 2020, [https://www.europarl.europa.eu/doceo/document/A-9-2020-0166\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2020-0166_EN.html).

<sup>284</sup> TV8, PAS Member of the Parliament: “Platon’s apology would be coordinated by the special services of the Russian Federation”, 15 June 2020, <https://tv8.md/2020/06/15/doc-deputat-pas-disculparea-lui-platon-ar-fi-coordonata-de-catre-serviciile-speciale-ale-federatiei-ruse>

left Moldova. There were accusations that Stoianoglo had a questionable connection with Platon through Stoianoglo's wife, who was listed as a beneficiary of Ukrainian companies owned by Platon<sup>285</sup> holding Moldindconbank debts of \$5.5 million. Upon hearing this accusation, Stoianoglo acted outside normal procedures and called his Ukrainian prosecutorial counterpart, sent a group of prosecutors to Ukraine to investigate and used his office to send a legal assistance request, resulting in Ukraine authorities collecting evidence. These actions appear highly inappropriate and present significant conflicts of interest. Stoianoglo was suspended from office in October 2021<sup>286</sup> and a commission to evaluate the performance of the Prosecutor General was established<sup>287</sup> citing mistakes in the management of the PGO.<sup>288</sup>

In October 2021, the Superior Council of Prosecutors (SCP) initiated the performance evaluation procedure<sup>289</sup> and on 23 May 2022, assessed the work of Stoianoglo as unsatisfactory, recommending his dismissal to the Moldovan President.<sup>290</sup> The SCP based its decision on the findings of the Evaluation Commission's report that includes among the factors leading to this decision accusations of partiality in criminal cases of Platon, Plahotniuc, "Bank Fraud" and the "Laundromat".<sup>291</sup> Meanwhile, Stoianoglo is being prosecuted under the Criminal Code for abuse of office, passive corruption and false statements in declarations.<sup>292</sup> The first criminal case involving Stoianoglo, in which he is accused of exceeding his official duties, was sent to Court for examination in December 2021.<sup>293</sup> Stoianoglo is also being investigated over new charges related to a file concerning the disclosure of prosecution data and the inviolability of personal life.<sup>294</sup>

<sup>285</sup> Verlok Development Inc (Ukraine) and Jet Bussiness Limited (Ukraine)

<sup>286</sup> On 5 October 2021, the SCP appointed a prosecutor to examine the allegation of committed crimes by the Prosecutor General, and suspended Stoianoglo from office, <https://csp.md/sites/default/files/2021-10/1-122.pdf>. In addition to Prosecutor General Stoianoglo, the SCP also suspended by law his deputies - Ruslan Popov, Mircea Roşioru, and Iurie Perevoznic.

<sup>287</sup> Drago Kos, international anti-corruption expert, proposed by the President of the Republic of Moldova; Angela Popil, lawyer, proposed by the Ministry of Justice; Lidia Bulgac, former judge, proposed by the Superior Council of Magistracy; Mariana Alexandru, advisor to the Chief Prosecutor of DIICOT, Romania, proposed by the Superior Council of Prosecutors; Ion Matusenco, lawyer, proposed by the suspended Prosecutor General Alexandr Stoianoglo. See NewsMaker, Stoianoglo prepared for liability. What is known about the work of the commission that checks the work of the Prosecutor General, 3 December 2021, <https://newsmaker.md/rus/novosti/stoianoglo-gotovyat-k-otvetu-cto-izvestno-o-rabote-komissii-kotoraya-proveryaet-rabotu-genprokurora/>.

<sup>288</sup> Article 31 of the Law on Prosecutor's Office no.3 of 25 February 2016, as amended, [https://www.legis.md/cautare/getResults?doc\\_id=127870&lang=ro](https://www.legis.md/cautare/getResults?doc_id=127870&lang=ro). Presidential Notification of the initiation of the performance evaluation procedure of the (suspended) Prosecutor General, Alexandr Stoianoglo, 4 November 2021, <https://www.presedinte.md/rom/comunicate-de-presa/presedintele-maia-sandu-solicita-initierea-procedurii-de-evalua-re-a-performantelor-procurorului-general-suspendat-alexandr-stoianoglo>.

<sup>289</sup> NewsMaker, Stoianoglo prepared for liability. What is known about the work of the commission that checks the work of the Prosecutor General, 3 December 2021, <https://newsmaker.md/rus/novosti/stoianoglo-gotovyat-k-otvetu-cto-izvestno-o-rabote-komissii-kotoraya-proveryaet-rabotu-genprokurora/>.

<sup>290</sup> Decision of the SCP no. 1-92/2022 of 23 May 2022, <https://csp.md/sites/default/files/2022-05/9.%20DISPOZITIV%20%20Raport%20%20CEPPG%20-%20dispozitiv.pdf>.

<sup>291</sup> The report of the evaluation Committee was approved on 5 May 2022, and publicly available [https://www.csp.md/sites/default/files/2022-05/Raportul%20Comisiei\\_final\\_%20aprobat%20\\_05.05.2022%20%20REDACT%2010.05.22\\_1.pdf](https://www.csp.md/sites/default/files/2022-05/Raportul%20Comisiei_final_%20aprobat%20_05.05.2022%20%20REDACT%2010.05.22_1.pdf).

<sup>292</sup> Ziarul de Garda, Details of each of the five charges for which the suspended Prosecutor General Alexandr Stoianoglo was detained. The list of actions for which he is accused, 12 October 2021, <https://www.zdg.md/stiri/stiri-justitie/detalii-de-spre-fiecare-dintre-cele-cinci-capete-de-acuzare-pentru-care-procurorul-general-suspendat-alexandr-stoianoglo-a-fost-retinut-lista-actiunilor-de-care-este-invinuit/>.

<sup>293</sup> At that time Prosecutor General ordered the granting of a onetime allowance of MDL 270,000 to the former head of PCCOCS, upon his departure from the system. Mold-street, Prosecutor General (suspended from office) was apprehended, 5 October 2021, <https://www.mold-street.com/?go=news&n=12790>.

<sup>294</sup> The new accusations are related to the disclosures made by Stoianoglo in October 2021 during a briefing for media, <http://procuratura.md/file/societatea%20civila.pdf>. The disclosure contained conversations between former APO chief Viorel Morari and the former head of the EU Delegation to Moldova, Peter Michalko.

### ***Prosecutors continue to investigate and prosecute perpetrators of bank fraud and money laundering***

Despite distractions at the political level, in 2021 the APO joined forty-five cases connected to the large bank fraud scheme, including fraudulent bank management, misappropriation of property, embezzlement, obstruction of banking supervision, money laundering, fiscal evasion and service negligence. Six criminal cases were sent to court in respect of former leaders of BEM, a former Special Administrator of BEM and accountants and administrators of companies affiliated to Shor, supported by a 700-page indictment and dozens of volumes with thousands of pages containing evidence of large-scale fraud and money laundering in the interest of the criminal organization.<sup>295</sup> The cases are reportedly proceeding in the courts appropriately, but one in the Court of Appeal related to Shor is of concern due to the unusual procedures of the investigative judge, which are under review. PCCOCS has also finalised the investigation regarding the special administrator of another Shor related bank who allegedly allowed repayment of funds lost by accounts suspected of connections to fraud.<sup>296</sup> <sup>297</sup> In November 2021, PCCOCS also initiated criminal proceedings for the failure to pay taxes from 2012-2015 against Platon.<sup>298</sup>

According to APO, the following bank fraud cases are currently under investigation or court examination:

- a) Management of Victoriabank – the criminal investigation was finalized, but not sent to court. In 2020, APO separated this case from the bank fraud cases. The first instance court annulled the prosecutors' decision to separate the case, a decision appealed to the Court of Appeal. Now the case is with the Supreme Court of Justice, which accepted the defence request to raise the overall constitutionality of the case.
- b) BEM leadership and certain employees in NBM, accused of fraud and money laundering in especially large amounts in the interest of a criminal organization, are being examined by the first instance court.
- c) In April 2021, APO sent to court another case of the former Presidents of BEM, Banca Sociala and Unibank. The case is being examined by the first instance court.
- d) Criminal investigation was initiated in 2020 in respect of the former President of BEM who has allegedly defrauded BEM and transferred \$100 million to GazPromBank. The case is being examined by the first instance court.
- e) The case of a Member of Parliament in Shor's party who allegedly committed large-scale fraud and money laundering in the interest of a criminal organization, was sent to court in July 2021 and is being examined by the first instance court.<sup>299</sup>

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<sup>295</sup> PGO Press Release, Another episode of "bank fraud" sent to court. As defendants: the former leaders of the three bankrupt banks, together with the special administrator of BEM, 20 April 2020, <http://procuratura.md/md/news/1211/1/8573/>.

<sup>296</sup> PCCOCS Press Release, "Bank fraud": the criminal investigation in the criminal case of the former special administrator of Unibank has ended, 20 December 2021, <http://procuratura.md/md/news/1211/1/8795/>.

<sup>297</sup> Anticorruption Prosecutor's Office Annual Report for 2021.

<sup>298</sup> Article 274 of the Criminal Procedure Code under Article 244/1 of the Criminal Code (tax evasion by individuals who do not practice entrepreneurial activity).

<sup>299</sup> Ziarul de Garda, The General Prosecutor's Office announces what is happening with the criminal cases regarding the new Members of the Parliament. The names of the deputies from criminal cases and from NIA's findings, 15 July 2021, <https://www.zdg.md/stiri/stiri-justitie/procuratura-general-a-anunta-ce-se-intampla-cu-dosarele-penale-in-care-figureaza-deputati-din-noul-parlament-numele-deputatilor-din-dosare-penale-si-din-actele-de-constatare-ale-ani/>.

- f) A case in respect of two accountants from Shor holdings, accused of large-scale money laundering, was sent to court.
- g) The case of a representative of INSIDOWN company, accused of complicity in large-scale fraud in the interest of a criminal organization, is being examined by the first instance court.
- h) The involvement of a former Member of Parliament for laundering approximately MDL 32 million, is being investigated. Five persons are accused, seizures of MDL 26 million have been applied. In respect of 3 persons, the criminal investigation has been finalized and the defence is preparing its response.<sup>300</sup>

### **Recommendations**

- 25. NAC, APO, PCCOCS should improve cooperation and exchange of data, including, but not limited to, establishing joint investigation teams, including NBM, NCFM and legal professionals, where appropriate (3 months).
- 26. APO should establish joint international investigation teams with the agreement of other countries' relevant authorities (9 months).
- 27. PGO, APO, NAC, and CARA should consistently communicate investigative and recovery milestones related to the bank fraud to the public. These should be made available on institutions' websites in an easily accessible format (3 months).

### **f. The lack of judicial integrity and oversight contributed to fraud in the banking and financial sectors**

Concerns about corruption in the judiciary are almost universal. More than twenty judges were allegedly involved in facilitating money laundering by legitimizing illegal money flows with court rulings favouring offshore companies.<sup>301</sup> In September 2016, sixteen judges and four bailiffs were accused by APO of involvement in money laundering by knowingly making illegal decisions,<sup>302</sup> but prosecutors dropped

<sup>300</sup> Replica, Episode from the "bank fraud" case, sent to court: A contract was simulated and about MDL 32 million were stolen from the Banca de Economii. Some money were used to buy a plane, 4 April 2022, <https://replicamedia.md/ro/article/Y20-qjvrP7/episod-din-dosarul-frauda-bancara-trimis-in-judecata-s-a-simulat-incheierea-unui-contract-si-s-au-sustras-circa-32-de-milioane-de-lei-din-banca-de-economii-o-parte-din-bani-utilizati-pentru-procurarea-unui-avion.html>

<sup>301</sup> RISE Moldova, "Russian Laundromat": Moscow – Riga via Chisinau, 22 August 2014, <https://www.rise.md/articol/operatiunea-ruseasca-the-laundromat/>.

<sup>302</sup> Supreme Court of Justice notice, <https://www.zdg.md/wp-content/uploads/2016/09/csj-nota-informativa1.pdf>; <https://www.csm.md/files/Hotaririle/2014/16/470-16.pdf>.

investigations in respect of thirteen judges in 2020 after the new Prosecutor General was appointed.<sup>303</sup> By mid-2022, the Chisinau District Court is expected to issue rulings in the other cases under examination.

The Superior Council of Magistracy (SCM) was aware of suspicious court rulings in December 2012,<sup>304</sup> but the SCM did not take any disciplinary action and it was not until April 2014 that the President of the Supreme Court of Justice<sup>305</sup> reviewed the rulings related to the “Laundromat”.<sup>306</sup> In addition, NBMI submitted a complaint to SCM about the illegal actions of the judge in the case of the Green Card insurance system,<sup>307</sup> but initially the SCM refused to take any measures.<sup>308</sup> The Ministry of Justice challenged this decision<sup>309</sup> and in December 2016 the respective judge was fired by the SCM.<sup>310</sup> These episodes support judicial reform priorities that include transparency in disciplinary proceedings and in SCM’s decisions.<sup>311</sup> Since 2009, following the court optimization reform, all court decisions are publicly available on the court’s web portal,<sup>312</sup> but the court rulings of the Economic District Court and the Economic Court of Appeal are not included, nor are the decisions adopted by judges related to the “Laundromat”<sup>313</sup>. Moldova’s Strategy for Ensuring the Independence and Integrity of the Justice Sector for 2020–2023 includes the vetting of judges to clean the judiciary of judges and prosecutors of questionable integrity.<sup>314</sup>

## Recommendations

28. The Agency for Court Administration should publish online all court decisions of the Economic District Court and the Economic Court of Appeal issued from 2009 till now (12 months).
29. The Agency for Court Administration should amend the civil procedure code to improve its case management system to avoid the registration of cases already pending or previously decided (6 months).

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<sup>303</sup> Ziarul de Garda, Judges investigated for complicity in money laundering in the “Laundromat” case, removed from prosecution by the Anticorruption Prosecutor’s Office. They ask the SCM to be reinstated, 21 October 2020, <https://www.zdg.md/stiri/stiri-justitie/ultima-ora-judecatorii-anchetati-pentru-complicitate-la-spalare-de-bani-in-dosarul-laundromat-scosi-de-sub-urmarire-penala-de-procuratura-anticoruptie-cer-csm-ului-restabilirea-in/>

<sup>304</sup> SCM, Decision no. 812/38 of 18 December 2012, <https://csm.md/files/Hotaririle/2012/38/812-38.pdf>.

<sup>305</sup> Supreme Court of Justice notice, <https://www.zdg.md/wp-content/uploads/2016/09/csj-nota-informativa1.pdf>; <https://www.csm.md/files/Hotaririle/2014/16/470-16.pdf>.

<sup>306</sup> Ziarul de Garda, 15 Judges apprehended after two years and a half of silence, 22 September 2016, <https://www.zdg.md/reporter-special/reportaje/15-judecatori-retinuti-dupa-doi-ani-si-jumatate-de-tacere/>

<sup>307</sup> Mold-street, Green card policies provided high incomes to insurance companies, 18 April 2015, <https://www.mold-street.com/?go=news&n=3735>.

<sup>308</sup> Ziarul de Garda, The judge accused her of participating in the NBMI fraud - unpunished by the SCM, 14 December 2015, <https://www.zdg.md/investigatii/ancheta/judecatoarea-acuzata-ca-a-participat-la-fraudarea-bnaa-nepedepsita-de-csm/>.

<sup>309</sup> Agora, Adela Andronic dismissed from office by the SCM, 18 May 2016, <https://agora.md/stiri/19218/adela-andronic--eliberata-din-functia-de-judecator-de-catre-csm>.

<sup>310</sup> Decree of the President of the Republic of Moldova no. 11 of 29 December 2016, [https://www.legis.md/cautare/get-Results?doc\\_id=97009&lang=ro](https://www.legis.md/cautare/get-Results?doc_id=97009&lang=ro).

<sup>311</sup> The Strategy for Ensuring the Independence and Integrity of the Justice Sector for 2020–2023, [https://justice.gov.md/public/files/directia\\_analiza\\_monitorizare\\_si\\_evaluare\\_a\\_politicilor/EN\\_Draft\\_Strategy\\_Ensuring\\_Independence\\_Integrity\\_of\\_Justice\\_Sector\\_2020-2023.pdf](https://justice.gov.md/public/files/directia_analiza_monitorizare_si_evaluare_a_politicilor/EN_Draft_Strategy_Ensuring_Independence_Integrity_of_Justice_Sector_2020-2023.pdf)

<sup>312</sup> The court optimisation reform consisted, in principle, to reducing the District Courts from 48 to 15 and closing two specialized District Courts, Military Court and Economic Court and the Economic Court of Appeal.

<sup>313</sup> The CCIA Secretariat requested the president of the Chisinau District Court (Central Office) to provide all the court rulings of the Economic District Court. Contrary to the law, the request was denied claiming that the CCIA Secretariat is not party and can’t have access to the case files.

<sup>314</sup> IMF, Article IV Consultation and Requests for an Arrangement IV under the Extended Fund Facility and an Arrangement under the Extended Credit Facility, IMF Country Report No. 22/1, January 2022, <https://www.imf.org/-/media/Files/Publications/CR/2022/English/1MDAEA2022001.ashx>.

30. The Parliament should increase the efficiency and transparency of disciplinary proceedings by amending Law on Disciplinary Liability of Judges (6 months).

**g. Civil and criminal recoveries can improve with better coordination amongst all agencies**

***Public funds were embezzled from emergency loans provided by NBM when parties related to the perpetrators of fraud were reimbursed contrary to the terms of the loans***

Significant damage was caused to Moldova's state treasury when loans of MDL 14.1 billion were provided by the government to cover deposits at BEM, Unibank, and Banca Sociala in 2014 and 2015.<sup>315</sup> The distribution of funds from NBM's emergency loans was made by a Special Commission, which included representatives from several ministries, NAC, and Moldova's national intelligence agency.<sup>316</sup> Emergency loan rules established by the Government did not allow any payments to the related parties of the banks,<sup>317</sup> but at least EUR 5 million was used to repay a deposit of an offshore company<sup>318</sup> which received loans from two Shor related companies.<sup>319</sup> The funds from the state-guaranteed loan were also used to repay the deposits to MAIB and Moldindconbank, despite the loans being secured by pledges of Victoriabank shares by Plahotniuc and Shor.<sup>320</sup> The special administrator of BEM should have sold the collateral (the shares of Victoriabank) to pay back the deposits to MAIB and Moldindconbank, rather than to use emergency loans from NBM for this purpose.

***Civil recoveries are pursued by liquidators appointed by NBM some of whom have faced sanctions for breaching banking and finance law***

Recoveries of state loans can be pursued with recourse to civil mechanisms and also using criminal law mechanisms. Civil recoveries are conducted by bank liquidators appointed by NBM to represent the bank, in liquidation proceedings, before Moldovan courts. By February 2022, total recoveries from liquidation and confiscation of assets of liquidated banks was about 19% or MDL 2.7 billion.<sup>321</sup> There is a further EUR 110 million to be recovered through the civil process. In 2015, Unibank allegedly conducted money laundering operations while under special administration<sup>322</sup> when, according to the Russian Central Bank, \$110 million in suspicious transactions from a Russian bank flowed through Unibank.<sup>323</sup>

<sup>315</sup> NBM report on the use of emergency loans, 2020, <https://www.bnm.md/files/Raport.pdf>.

<sup>316</sup> Government decision no. 938 of 13 November 2014, para.7, [https://www.legis.md/cautare/getResults?doc\\_id=84860&lang=ro#](https://www.legis.md/cautare/getResults?doc_id=84860&lang=ro#).

<sup>317</sup> Government decision no. 938 of 13 November 2014, para.8, [https://www.legis.md/cautare/getResults?doc\\_id=84860&lang=ro](https://www.legis.md/cautare/getResults?doc_id=84860&lang=ro).

<sup>318</sup> Jurnal, State guaranteed theft, 19 November 2018, <https://www.jurnaltv.md/news/38fd98c5e61b78ab/furt-garantat-de-stat.html>.

<sup>319</sup> NewsMaker, Leave the witness alone. How Platon nearly gave the BEM liquidator a "heart attack" in a court hearing, 14 May 2021, <https://newsmaker.md/rus/novosti/ostavte-uzhe-svidetelya-v-pokoe-kak-platon-chut-ne-dovel-v-sude-do-infarkta-likvidatora-bem/>.

<sup>320</sup> General Prosecution Office, A new episode of "bank fraud" sent to court. As defendants: ex-President, along with the special administrator of BEM, 24 March 2021, <http://procuratura.md/md/news/1211/1/8538/>.

<sup>321</sup> NBM, Information related to the liquidation process of Banca de Economii S.A., BC „BANCA SOCIALĂ” S.A. and B.C. UNIBANK S.A. as of 31 December 2021, <https://www.bnm.md/ro/content/informatia-aferinta-procesului-de-lichidare-bancii-de-economii-sa-bc-banca-sociala-sa-si-18>

<sup>322</sup> Mold-street, Unibank has conducted billions in operations with Russian banks even under the special administration of the NBM, 14 April 2016, <https://www.mold-street.com/?go=news&n=4693>.

<sup>323</sup> Kommersant, For a new cash came to the old address, 27 April 2015, <https://www.kommersant.ru/doc/2717821>; Anticoruptie, "Russian Laundromat": Suspect transactions and administrator from Unibank, 2 August 2016, [https://anticoruptie.md/ro/stiri/spalatoria-ruseasca-tranzactii-suspecte-si-administrator-de-neinlocuit-la-unibank?fb\\_comment\\_id=1135443859862259\\_1136063076467004](https://anticoruptie.md/ro/stiri/spalatoria-ruseasca-tranzactii-suspecte-si-administrator-de-neinlocuit-la-unibank?fb_comment_id=1135443859862259_1136063076467004)

### ***Criminal justice recoveries have identified a high proportion of assets for recovery, but have failed to convert them into proceeds for the state budget***

CARA is a technical autonomous branch within NAC empowered to seize criminal assets and to represent Moldova in proceedings for the recovery of property related to crime.<sup>324</sup> Tracking, evidence collection and rendering criminal assets unavailable fall within the competence of CARA, while the confiscation of criminal property, reparation of damages and restitution of criminal property is carried out by bailiffs and the State Fiscal Service. A total of EUR 551 million is targeted for recoveries by APO and CARA. Of this, EUR 398.6 million (72%) is related to cases currently being considered by the courts; EUR 97.8 million (18%) is under investigation by the prosecution with beneficial owners identified; and EUR 54.6 million (10%) is under investigation by the prosecutors where the beneficial owners were not identified. Since the initiation of the bank fraud case, total seizures and confiscation have been applied by CARA and APO in the amount of MDL 7.3 billion which represents 55% of the total from the emergency loans provided by NBM in 2014 – 2015. However, seizures in the amount of MDL 196 million were withdrawn between 2019 – 2022 based on court decisions with respect to the discontinuation of criminal investigations. Thus, under 1% of all the confiscations reached the state budget, an appalling record.<sup>325</sup>

### ***Increased coordination from civil and criminal actors will increase the efficiency of prosecution and recoveries***

The National Asset Recovery Program is to be finalized in mid-2022<sup>326</sup> and will be coordinated by CARA who will monitor implementation and report to Parliament. There was also a Task force on Assets Recovery comprised of high-level government officials and donors, that began meeting in November 2021 to pursue legislative amendments to extend non-conviction-based confiscation<sup>327</sup> and develop terms of reference to secure an interconnected information technology system<sup>328</sup> for all relevant institutions to have a clear view of the assets identified, seized and confiscated.

### ***Recommendations***

- 31.** Parliament should revise the liquidation process for private companies to expedite recoveries of assets and more directly deal with falsified debts (12 months).
- 32.** NBM Banking Supervision department should exercise its functions to audit and oversee the activities of liquidators as stringently as they would for banks and publish such reports in a timely manner, including information regarding payments to bank creditors (9 months).

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<sup>324</sup> Law no. 48 on the Agency for the Recovery of Criminal Assets of 30 March 2017, [https://www.legis.md/cautare/getResults?doc\\_id=105677&lang=ro](https://www.legis.md/cautare/getResults?doc_id=105677&lang=ro); and IMF, Republic of Moldova: 2021 Article IV Consultation and Requests for an Arrangement under the Extended Fund Facility and an Arrangement under the Extended Credit Facility, IMF Country Report No. 22/001, 4 January 2022, <https://www.imf.md/press/1MDAEA2022001.pdf>.

<sup>325</sup> Seizures of billions vs. confiscations of less than 1%. How we found out, for five months, how much money (not) ends up in the state budget, after the seizures announced by CARA, Ziarul de Garda, 6 May 2022, <https://www.zdg.md/stiri/sechestre-de-miliarde-vs-confiscari-de-sub-1-cum-am-aflat-timp-de-cinci-luni-cati-bani-nu-ajung-in-bugetul-de-stat-dupa-sechestrele-anuntate-de-arbi/>.

<sup>326</sup> NAC, Over 20 National Authorities, Supported by the EU High-Level Advisors and Civil Society Will Be Involved in Elaborating an Extensive Program of Criminal Assets Recovery, 24 March 2022, <https://www.cna.md/libview.php?!=en&id=3842&id-c=222&t=/CARA/Press-releases/Over-20-National-Authorities-Supported-by-the-EU-High-Level-Advisors-and-Civil-Society-Will-Be-Involved-in-Elaborating-an-Extensive-Program-of-Criminal-Assets-Recovery/>.

<sup>327</sup> Improving the Recovery of Stolen Assets in the Republic of Moldova 2021-2023, Experts Task Force - Presidency of the Republic of Moldova, 24 November 2021.

<sup>328</sup> Government Decision no. 14 of 18 January 2019, [https://www.legis.md/cautare/getResults?doc\\_id=128876&lang=ro](https://www.legis.md/cautare/getResults?doc_id=128876&lang=ro)

33. CARA, NAC, and APO should draft and implement a well-resourced, rigid, asset tracking and recovery effort supported by international technical assistance (6 months).
34. CARA and bank liquidators appointed by NBM should improve cooperation and exchange of data, including establishing joint teams (3 months).
35. Parliament should adopt legislation empowering non-criminal asset seizures (6 months).

#### **h. International support can be strengthened in a variety of ways**

##### ***International cooperation has been predominantly good, but several key countries have not been fully engaged***

Moldova has a comprehensive and regularly used multilateral legal framework for requesting international legal assistance. The PGO and the Ministry of Justice are the central authorities for requesting legal assistance and the PGO has a dedicated section with an automated system registering all requests. Countries are expected to provide the widest range of legal assistance in relation to money laundering investigations, prosecutions and action to identify, freeze and confiscate proceeds of crime.<sup>329</sup> Up to now, the APO has drafted 88 mutual legal assistance requests seeking data from Cyprus, Germany, Greece, Hong Kong, Latvia, Luxembourg, Qatar, Romania, Russia, Singapore, Switzerland, Turkey, Ukraine, and the United Kingdom. Of these, 37 have been fully executed, 14 have been partially executed and five have been refused and reformulated, a final 32 have not been executed. Moldova has faced challenges getting meaningful responses from Russia and Switzerland. Since June 2021, Cyprus, Switzerland, and France have been more open to cooperation, with Cyprus submitting tens of thousands of pages of information (in Greek, presenting an urgent need to increase the budget for translation). It is worthy of note that Ukrainian authorities attempted to conduct interviews with Ukrainian citizens who acted as nominee directors of the shell companies involved in fraudulent activities in Moldova but many were socio-economically vulnerable people made to sign by recruiters and who refused to make statements.

More operationally, the APO and the PGO of Latvia have been working effectively on a joint investigation team since 2020. The use of entities registered in foreign jurisdictions is effective in adding time and complexity to the investigation as it requires interjurisdictional cooperation. It takes hours to incorporate a foreign entity but can take months and sometimes years to get information, making enforcement less likely. The common joint investigation team with Latvia was created to exchange information and evidence in real time and has resulted in the identification of some beneficiaries of the bank fraud. In 2022, the group was enhanced with members covering anti-money laundering more broadly and is intended to be prolonged for one more year with other countries invited to join. The advantages of these joint investigation teams are obvious – the communication is done expediently and all questions are answered very fast by group members. Deriving from the positive results of this exercise, other joint investigation teams are to be created with other countries soon.

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<sup>329</sup> FATF, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, updated 21 October 2021, <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>.

## ***Moldova must conclude bilateral assistance agreements regarding wanted persons beyond Interpol***

Moldova is part of Interpol, an inter-governmental organization whose members are expected to execute money laundering and other crimes extradition requests without delay.<sup>330</sup> Moldova requested the arrests of Platon, Shor, Plahotniuc, Olga Bondarciuc<sup>331</sup> and others under this framework. The request to Interpol headquarters for Plahotniuc to be extradited from Turkey was sent in 2019 but surprisingly determined to be a political case by the Commission for Control of Files of Interpol and was not accepted.<sup>332</sup> Shor was confirmed to be in Israel; an extradition request was accepted by Interpol headquarters in August 2019, but he has not been extradited yet.<sup>333</sup> The Commission for the Control of Interpol's Files received a request from Shor, challenging the compliance of the data concerning him with Interpol's rules. Following an April 2022 decision of the Commission, the appeal was rejected. Now the extradition process must follow Israeli rules - a decision of the Israeli Ministry of Justice, followed by potential appeals before courts. Following his release from prison, Platon flew to London and has asked for political asylum in the United Kingdom. In 2021 international arrest warrants were issued for Platon by a District Court of Chisinau. In January 2022, the United Kingdom Ambassador to Moldova claimed any Interpol request about Platon was not received, although Moldovan authorities affirm that a request to Interpol has been sent.

## ***EBRD's longstanding involvement in the banking sector calls into question the extent of their knowledge and due diligence***

The extensive role of the EBRD in Moldova's banking sector throughout the period when fraud was rife raises serious questions. Especially troubling is their participation in ownership of banks at critical times of large-scale fraud and money laundering. It is difficult to imagine EBRD staff were not aware of some of the highly dubious, prevalent practices. EBRD had equity ownership in Victoriabank and extensive credit arrangements for banks to provide loans to small and medium enterprises. Some dispossessed shareholders view EBRD as complicit in money laundering, having bought disputed shares<sup>334</sup> from a Cyprus-based company beneficially owned by Plahotniuc and Shor.<sup>335</sup> EBRD had already made an equity investment in the bank<sup>336</sup> and was deeply involved in the banking sector providing millions of dollars of credit to Victoriabank, MAIB, Moldindconbank, Mobiasbanca, and FinComBank to support loans to small

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<sup>330</sup> FATF, International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, updated 21 October 2021, <https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>.

<sup>331</sup> Olga Bondarciuc is the notary who was previously involved in the authentication of several contracts issued by companies affiliated to Vladimir Plahotniuc, Ilan Shor, or Platon. Bondarciuc is being charged with committing forgery in public documents and a false statement. According to Kroll 2 Report, Olga Bondarciuc was mentioned as being one of Unibank's shareholders, after borrowing millions of Moldovan lei.

<sup>332</sup> Interpol's Commission annual report for 2019-2020, page 3, section 6, <https://www.interpol.int/en/content/download/16993/file/Activity%20Report%20of%20the%20CCF%202019%20%E2%80%93%202020.pdf>.

<sup>333</sup> There is reportedly a way under Israeli law for him to be tried in Moldova and serve a sentence in Israel.

<sup>334</sup> EBRD, EBRD welcomes Banca Transilvania's acquisition of Victoriabank stake, 16 January 2018, <https://www.ebrd.com/news/2018/ebrd-welcomes-banca-transilvanias-acquisition-of-victoriabank-stake.html>.

<sup>335</sup> Office of the Prosecutor General, 24 March 2021, <http://procuratura.md/md/newslst/1211/1/8538/> and [Topa notice to EBRD, 20 November 2017](#).

<sup>336</sup> IFC, Victoriabank, Moldova, 19 October 2000, <https://disclosures.ifc.org/project-detail/SPI/9780/victoriabank-moldova>; EBRD, Victoriabank Capital Increase II, 29 April 1999, <https://www.ebrd.com/work-with-us/projects/psd/victoria-bank-capital-increase-ii.html>; and EBRD, Victoriabank Credit Line (II), 4 October 2001, <https://www.ebrd.com/work-with-us/projects/psd/victoriabank-credit-line-ii.html>.

and medium enterprises.<sup>337</sup> It is not clear what due diligence was done or reporting on the specific loans was provided. Enhanced awareness of fraud and probative actions to investigate red flags may have led to stronger intervention from EBRD. There is a need for a review of its practices in Moldova.

### **Recommendations**

- 36.** The EBRD should finance an external assessment of its past lending practices in Moldova and should investigate ways to mitigate any potential contributions to fraud, money laundering, and corruption (12 months).
- 37.** The Government of Moldova and international partners should strengthen bilateral (MLA) and multilateral institutional partnerships regarding wanted persons, confiscation and asset recovery (15 months).
- 38.** The Government of Moldova should undertake all efforts on the appointment of a liaison prosecutor to Eurojust and a representative to the headquarters of Interpol (6 months).
- 39.** The Republic of Moldova should continue political and diplomatic efforts to expedite the seizure and recovery of proceeds of money laundering and fraud, and to extradite suspected perpetrators (immediate).
- 40.** PGO must ensure all the requests to Interpol are grounded and have no political motivation (immediate).
- 41.** PGO, Ministry of Interior and the Ministry of Justice should establish a joint group and evaluate all the requests to Interpol (especially those related corruption, money laundering) from the last three years (12-months).
- 42.** The Government of Moldova should approve law enforcement agencies' additional funding for translation purposes and for contracting specialists (e.g. financial experts) (3-months).

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<sup>337</sup> EBRD, Moldova-Agroindbank Senior Convertible Loan (Debt & Equity), 20 November 1998, <https://www.ebrd.com/work-with-us/projects/psd/moldovaagroindbank-senior-convertible-loan-debt-equity.html>; and IFC, Moldovan Banks Credit Line, 26 April 2000, <https://disclosures.ifc.org/project-detail/SPI/9934/moldovan-banks-credit-line>.



[www.ccia.md](http://www.ccia.md)  
[contact@ccia.md](mailto:contact@ccia.md)  
[presa@ccia.md](mailto:presa@ccia.md)

