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Borrowers in Moldova Impacted By Coronavirus. Are you ready?

Moldovan state banking regulators issued only statements instructing financial institutions how to work with clients impacted by COVID-19/coronavirus and avoid contamination but nothing about: **how to get ready for potential events of default?**

Several industries in the country are experiencing **disruption that may affect their ability to comply with loan covenants and even affect their ability to make timely loan payments.**

The message regulators must send that banks should not strictly enforce loan obligations if a borrower is impacted by coronavirus.

Moreover, how banks do this, while still following safe and sound banking practices, is left to individual banks to determine.

Among the questions you need to ask yourself are:

- ▶ How do you establish that a borrower is financially impacted by coronavirus?
- ▶ What are reasonable conditions to place on a borrower claiming such impact in exchange for your institution forbearing on its rights?
- ▶ What actions are consistent with safe lending practices, while at the same time address the expectations of the regulators?

Main Considerations to Avoid Disruption

Although banks are expected to work with their distressed borrowers, they must still follow safe lending practices.

Unlike other economic disruptions, **borrowers may assert novel defences in loan, such as the "justifying impediment" and force majeure clauses that could unnecessarily complicate a loan.**

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