



Pursuant to Article 11, paragraph 1, subparagraph 1.2, Article 21, paragraph 1, and Article 35, paragraph 1, subparagraph 1.1, of Law No. 03/L-209 on Central Bank of the Republic of Kosovo, as well as Article 16, paragraph 1 of Law No. 04/L-155 on Payment System, the Board of the Central Bank of the Republic of Kosovo, at the meeting held on 30 April 2020, approved the following:

REGULATION ON INTRADAY AND OVERNIGHT LENDING

Article 1

Purpose and Scope

1. The purpose of this Regulation is to determine the conditions and criteria according to which the Central Bank of the Republic of Kosovo (CBK) may provide collateralized intraday and overnight liquidity loans for eligible banks. The purpose of these two liquidity facilities is to enable CBK to perform operations with eligible banks and ensure a secure operation of the interbank payment settlement system.
2. This Regulation shall be applied to all banks and branches of foreign banks licensed by the CBK to operate in the Republic of Kosovo.

Article 2

Definitions

1. All terms used in this Regulation have the same meaning as terms defined in Article 3 of Law No. 04/L-093 on Banks, Microfinance Institutions and Non Bank Financial Institutions and/or with the following definitions for the purpose of this Regulation:
 - 1.1. **Collateralized lending** - means a short-term loan provided by the CBK to eligible banks against the pledge in the form of Government securities;
 - 1.2. **Eligible bank** - means a bank or branch of a foreign bank, licensed by the CBK to operate in Kosovo, which is participant and holds accounts within ARS and IPS systems, operated by CBK, and that has signed a General Repurchase Agreement with the CBK, and owns the collateral required to guarantee the loan (hereinafter: *the bank*);

- 1.3. **ARS**– means the Accounting Registry System, which enables the issuance, registration, sale and full transfer in electronic form of securities of the Government of Kosovo;
- 1.4. **IPS** - means the Interbank Payment System for real-time payment;
- 1.5. **Government Securities** - means tradable securities issued by the Ministry of Finance and Transfer of the Republic of Kosovo, with the right to be pledged as collateral for a loan;
- 1.6. **Intraday liquidity loan** - means a collateralized loan provided to a bank by the CBK, within the working hours of the ARS, using Government securities as collateral, when the balance of a bank in its account at the CBK is insufficient to process payment orders;
- 1.7. **Overnight liquidity loan**- means a collateralized loan, extended overnight for a bank by the CBK, using Government securities as collateral. This loan can be extended if a bank, for technical reasons, cannot settle the intraday liquidity loan during the working hours of the ARS of the day when the loan is due;
- 1.8. **Base Interest Rate** - means the overnight repurchase rate of the European Central Bank (ECB), also referred to as marginal lending rates.
- 1.9. **Defined margin** - means the amount of the fixed percentage added to the base interest rate, as determined by the CBK;
- 1.10. **Interest rate on overnight liquidity loans** - means the base interest rate plus the margin rate set by the CBK;
- 1.11. **General Repurchase Agreement** - means the agreement between the bank and the CBK, whereby the bank agrees to sell to the CBK the security(s) with a specific amount for a certain period of time under the Repurchase Agreement and agrees to repurchase the collateral on a future date according to the price and maturity agreed by both parties.

Article 3

Intraday liquidity loan

1. The bank shall use the intraday liquidity loan only to meet the daily liquidity needs for its payment operations.
2. In order for the CBK to provide an intraday liquidity loan to a bank, the bank shall initiate the application through ARS, pledging Government securities with a nominal value of at least 110 percent of the loan amount.
3. The bank may require one or more intraday liquidity loans; however, the unpaid amount of intraday liquidity loans to be provided by the CBK must not exceed 30 percent of the demand from the minimum reserve set for the bank.

4. Any individual request initiated by any of the eligible banks shall be authorized by the CBK, which may reject the bank's request for intraday liquidity loan, in accordance with its objectives and without any justification.
5. The bank shall pay the intraday liquidity loan with the CBK on the same working day by returning the positive balance in the settlement account, no later than the initial deadline, as defined in the operative schedule of the ARS.

Article 4

Overnight liquidity loan

1. If the bank is unable to settle the intraday liquidity loan until the due date set out in Article 3, paragraph 5 of this Regulation, CBK may extend the intraday liquidity loan automatically in an overnight liquidity loan for the respective bank. The CBK shall determine the exact amount of the loan required to bring the bank's settlement account to a zero balance and then round that figure to the nearest multiple of EUR 10,000.00. This calculation shall allow the operation in the ARS to be completed.
2. The overnight liquidity loan requires the CBK to take full ownership and determine the required amount of collateral initially provided by the bank, in accordance with the General Repurchase Agreement signed with the CBK. The collateral mortgage will be the value of at least 110 percent of the final loan amount. The transfer of securities in the possession of the CBK shall take place simultaneously with the lending of sufficient funds in the account for settlement of the bank.
3. The standard agreement under which the CBK will provide a loan for collateralized liquidity for the bank is specified in the Main General Repurchase Agreement.
4. Maturity term for pledged securities for collateralized liquidity should be longer than the maturity term of the loan.
5. With the opening of ARS and IPS systems and the start of the next working day, CBK shall automatically refund the remaining loan amount, as well as the applicable interest, by debiting the bank settlement account.
6. A bank shall not be able to process payment operations from its settlement account until all debt liabilities arising from overnight liquidity loan are paid and the bank settlement account reaches the amount of the minimum balance reserve requirement for that day.
7. The amount of an overnight liquidity loan to be provided by the CBK shall not exceed 30 percent of the minimum reserve requirement of a bank.
8. The interest rate for overnight liquidity loan, which will be applied by the CBK for overnight liquidity loan, shall be published on the CBK website.

Article 5
Frequency and Termination

1. Banks can use the intraday liquidity loans to manage their daily liquidity and meet operating needs.
2. The overnight liquidity loan may be used for technical issues cases faced by the bank, and which cannot timely pay the intraday liquidity loan. The CBK shall take the necessary measures in case it finds frequent repetition of the request for overnight liquidity loan, which may come as a result of improper management of technical issues by the bank which affect the inadequate liquidity management and consequently affect the application for an overnight liquidity loan.
3. CBK shall assess whether continued support in this facility by a bank justifies the imposition of additional fees or charges or even the structural change of the functioning of the bank's banking operations.
4. CBK may suspend, restrict or terminate a bank's access to intraday and overnight liquidity lending, if the bank is considered to pose a risk to the market.

Article 6
Entry into force

This Regulation shall enter into force on 1 June 2020.

Flamur Mrasori

Chairman of the Board of the Central Bank of the Republic of Kosovo