



Pursuant to Article 35, paragraph 1, to Article 35, paragraph 1, subparagraph 1.1 of the Law No. 03/L-209 of the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010), and Articles 15, 16 and 85 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (Official Gazette of the Republic of Kosovo, No. 11/11 May 2012), the Board of the Central Bank of the Republic of Kosovo at the meeting held on November 29, 2018, approved the following:

REGULATION ON THE LEVERAGE RATIO

Article 1

Purpose and Scope

1. The purpose of this regulation is to introduce simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements.
2. The leverage ratio is intended to restrict the build-up of leverage in the banking sector to avoid destabilizing deleveraging processes that can damage the broader financial system and the economy and to reinforce the risk-based requirements with a simple and non-risk based measure.
3. This regulation is applicable for all banks which are licensed by CBK to operate in the Republic of Kosovo, excluding branches of foreign banks.

Article 2

Definitions

1. All terms used in this Regulation are as defined in Article 3 of the Law No.04/L-093 on Banks, Micro-finance Institutions and Non-Bank Financial Institutions (hereinafter: the Law on Banks) and/or as further defined herein for the purpose of this Regulation:
 - 1.1. A **central counterparty** (CCP) is a clearing house that interposes itself between counterparties to contracts traded in one or more financial markets, becoming the buyer to every seller and the seller to every buyer and thereby ensuring the future performance of open contracts. A CCP becomes counterparty to trades with market participants through novation, an open offer system, or another legally binding arrangement. For the purposes of the capital framework, a CCP is a financial institution.

- 1.2. A **qualifying central counterparty** (QCCP) is an entity that is licensed to operate as a CCP, and is permitted by the appropriate regulator/overseer to operate as such with respect to the products offered. This is subject to the provision that the CCP is based and prudentially supervised in a jurisdiction where the relevant regulator/overseer has established, and publicly indicated that it applies to the CCP on an ongoing basis, domestic rules and regulations that are consistent with the CPSS-IOSCO Principles for Financial Market Infrastructures.
- 1.3. A **clearing member** is a member of, or a direct participant in, a CCP that is entitled to enter into a transaction with the CCP, regardless of whether it enters into trades with a CCP for its own hedging, investment or speculative purposes or whether it also enters into trades as a financial intermediary between the CCP and other market participants.
- 1.4. A **client** is a party to a transaction with a CCP through either a clearing member acting as a financial intermediary, or a clearing member guaranteeing the performance of the client to the CCP.
- 1.5. **Initial margin** means a clearing member's or client's funded collateral posted to the CCP to mitigate the potential future exposure of the CCP to the clearing member arising from the possible future change in the value of their transactions.
- 1.6. **Variation margin** means a clearing member's or client's funded collateral posted on a daily or intraday basis to a CCP based upon price movements of their transactions.
- 1.7. **Trade exposures** include the current and potential future exposure of a clearing member or a client to a CCP arising from OTC derivatives, exchange traded derivatives transactions or SFTs, as well as initial margin. The current exposure of a clearing member includes the variation margin due to the clearing member but not yet received.
- 1.8. **Default funds**, also known as clearing deposits or guaranty fund contributions (or any other names), are clearing members' funded or unfunded contributions towards, or underwriting of, a CCP's mutualised loss sharing arrangements. The description given by a CCP to its mutualised loss sharing arrangements is not determinative of their status as a default fund; rather, the substance of such arrangements will govern their status.
- 1.9. **Offsetting transaction** means the transaction leg between the clearing member and the CCP when the clearing member acts on behalf of a client (e.g. when a clearing member clears or novates a client's trade).
- 1.10. **Long Settlement Transactions** are transactions where a counterparty undertakes to deliver a security, a commodity, or a foreign exchange amount against cash, other

financial instruments, or commodities, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular instrument and five business days after the date on which the bank enters into the transaction.

- 1.11. **Securities Financing Transactions (SFTs)** are transactions such as repurchase agreements, reverse repurchase agreements, security lending and borrowing, and margin lending transactions, where the value of the transactions depends on market valuations and the transactions are often subject to margin agreements.
- 1.12. **Margin Lending Transactions** are transactions in which a bank extends credit in connection with the purchase, sale, carrying or trading of securities. Margin lending transactions do not include other loans that happen to be secured by securities collateral. Generally, in margin lending transactions, the loan amount is collateralized by securities whose value is greater than the amount of the loan.
- 1.13. **Netting Set** is a group of transactions with a single counterparty that are subject to a legally enforceable bilateral netting arrangement and for which netting is recognized for regulatory capital purposes.
- 1.14. **Risk Position** is a risk number that is assigned to a transaction under the CCR standardized method using a regulatory algorithm.
- 1.15. **Hedging Set** is a group of risk positions from the transactions within a single netting set for which only their balance is relevant for determining the exposure amount or EAD under the CCR standardized method.
- 1.16. **Margin Agreement** is a contractual agreement or provisions to an agreement under which one counterparty must supply collateral to a second counterparty when an exposure of that second counterparty to the first counterparty exceeds a specified level.
- 1.17. **Current Market Value (CMV)** refers to the net market value of the portfolio of transactions within the netting set with the counterparty. Both positive and negative market values are used in computing CMV.
- 1.18. **Current Exposure** is the larger of zero, or the market value of a transaction or portfolio of transactions within a netting set with a counterparty that would be lost upon the default of the counterparty, assuming no recovery on the value of those transactions in bankruptcy. Current exposure is often also called Replacement Cost.
- 1.19. **Cross-Product Netting** refers to the inclusion of transactions of different product categories within the same netting set pursuant to the Cross-Product Netting Rules.

Article 3

Definition and minimum requirement

1. Leverage ratio is defined as the capital measure (the numerator) divided by the exposure measure (the denominator), with this ratio expressed as a percentage:

1.1 $\text{Leverage ratio} = \text{Capital measure} / \text{Exposure measure}$

2. The minimum requirement for the leverage ratio is 3%.

Article 4

Capital measure

The capital measure for the leverage ratio is the Tier 1 capital of the risk-based capital as defined in Article 6 of Chapter II of the Regulation on Capital Adequacy of Banks.

Article 5

Exposure measure

1. The exposure measure for the leverage ratio should generally follow the accounting value, subject to the following:
 - 1.1. on-balance sheet, non-derivative exposures are included in the exposure measure net of specific provisions or accounting valuation adjustments (e.g. accounting credit valuation adjustments);
 - 1.2. netting of loans and deposits is not allowed.
2. Banks must not take account of physical or financial collateral, guarantees or other credit risk mitigation techniques to reduce the exposure measure.
3. A bank's total exposure measure is the sum of the following exposures:
 - 3.1 on-balance sheet exposures;
 - 3.2 derivative exposures;
 - 3.3 securities financing transaction (SFT) exposures; and
 - 3.4 off-balance sheet (OBS) items.

Article 6
On-balance sheet exposures

1. Banks must include *all* balance sheet assets in their exposure measure, including on-balance sheet derivatives collateral and collateral for SFTs, with the exception of on-balance sheet derivative and SFT assets that are covered in Articles 7 to 8 of this regulation.
2. Banks may deduct from the exposure measure balance sheet assets which are deducted from Tier 1 capital.
3. Liability items must not be deducted from the exposure measure.

Article 7
Derivative exposures

1. Banks must calculate their derivative exposures, including where a bank sells protection using a credit derivative, as the replacement cost (RC) for the current exposure plus an add-on for potential future exposure (PFE), as described in paragraph 4 of this article.
2. For derivative exposures covered by an eligible bilateral netting contract as specified in the Annex 1 cross-product netting is not permitted in determining the leverage ratio exposure measure.
3. Written credit derivatives are subject to an additional treatment, as set out in paragraphs 14 to 16 below.
4. For a single derivative exposure not covered by an eligible bilateral netting contract as specified in paragraphs 8 and 9 of the Annex 1, the amount to be included in the exposure measure is determined as follows:
 - 4.1 *Exposure measure = replacement cost (RC) + add-on*, where, *RC* = the replacement cost of the contract (obtained by marking to market), where the contract has a positive value and *add-on* = an amount for PFE over the remaining life of the contract calculated by applying an add-on factor to the notional principal amount of the derivative. The add-on factors are included in paragraphs 2 and 4 of the Annex 1.
5. When an eligible bilateral netting contract is in place as specified in paragraphs 8 and 9 of the Annex 1, the RC for the set of derivative exposures covered by the contract will be the net replacement cost and the add-on will be *ANet* as calculated in paragraph 11 of the Annex 1.
6. When calculating the exposure amount by applying paragraphs 1 to 5 of this article, a bank must not reduce the exposure amount by any collateral received from the counterparty.

7. Banks must gross up their exposure measure by the amount of any derivatives collateral provided where the provision of that collateral has reduced the value of their balance sheet assets.
8. The cash portion of variation margin exchanged between counterparties may be viewed as a form of pre-settlement payment, if the following conditions are met:
 - 8.1. For trades not cleared through a *qualifying* central counterparty (QCCP) the cash received by the recipient counterparty is not segregated.
 - 8.2. Variation margin is calculated and exchanged on a daily basis based on mark-to-market valuation of derivatives positions.
 - 8.3. The cash variation margin is received in the same currency as the currency of settlement of the derivative contract.
 - 8.4. Variation margin exchanged is the full amount that would be necessary to fully extinguish the mark-to-market exposure of the derivative subject to the threshold and minimum transfer amounts applicable to the counterparty.
 - 8.5. Derivatives transactions and variation margins are covered by a single master netting agreement (MNA) between the legal entities that are the counterparties in the derivatives transaction. The MNA must explicitly stipulate that the counterparties agree to settle net any payment obligations covered by such a netting agreement, taking into account any variation margin received or provided if a credit event occurs involving either counterparty. The MNA must be legally enforceable and effective in all relevant jurisdictions, including in the event of default and bankruptcy or insolvency.
9. If the conditions in paragraph 8 are met, the cash portion of variation margin received may be used to reduce the replacement cost portion of the leverage ratio exposure measure, and the receivables assets from cash variation margin provided may be deducted from the leverage ratio exposure measure as follows:
 - 9.1. In the case of cash variation margin received, the receiving bank may reduce the replacement cost (but not the add-on portion) of the exposure amount of the derivative asset by the amount of cash received if the positive mark-to-market value of the derivative contract(s) has not already been reduced by the same amount of cash variation margin received under the bank's operative accounting standard.
 - 9.2. In the case of cash variation margin provided to a counterparty, the posting bank may deduct the resulting receivable from its leverage ratio exposure measure, where the cash variation margin has been recognized as an asset under the bank's operative accounting framework.
10. Cash variation margin may not be used to reduce the PFE amount (including the calculation of the net-to-gross ratio (NGR) as defined in paragraph 11 of Annex 1).
11. Banks which act as clearing member (CM) and offer clearing services to clients, the clearing member's trade exposures to the central counterparty (CCP) that arise when the clearing

member is obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that the CCP defaults, must be captured by applying the same treatment that applies to any other type of derivatives transactions.

12. If the clearing member, based on the contractual arrangements with the client, is not obligated to reimburse the client for any losses suffered due to changes in the value of its transactions in the event that a QCCP defaults, the clearing member need not recognize the resulting trade exposures to the QCCP in the leverage ratio exposure measure.
13. Where a client enters directly into a derivatives transaction with the CCP and the CM guarantees the performance of its clients' derivative trade exposures to the CCP, the bank acting as the clearing member for the client to the CCP must calculate its related leverage ratio exposure resulting from the guarantee as a derivative exposure as set out in paragraphs 1 to 10 of this article, as if it had entered directly into the transaction with the client, including with regard to the receipt or provision of cash variation margin.
14. Written credit derivatives are treated consistently with cash instruments (e.g. loans, bonds) for the purposes of the exposure measure.
15. In order to capture the credit exposure to the underlying reference entity, in addition to the above CCR treatment for derivatives and related collateral, the effective notional amount referenced by a written credit derivative is to be included in the exposure measure. The effective notional amount is obtained by adjusting the notional amount to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of the transaction. The effective notional amount of a written credit derivative may be reduced by any negative change in fair value amount that has been incorporated into the calculation of Tier 1 capital with respect to the written credit derivative. The resulting amount may be further reduced by the effective notional amount of a purchased credit derivative on the same reference name provided:
 - 15.1. the credit protection purchased is on a reference obligation which ranks *pari passu* with or is junior to the underlying reference obligation of the written credit derivative in the case of single name credit derivatives; and
 - 15.2. the remaining maturity of the credit protection purchased is equal to or greater than the remaining maturity of the written credit derivative.
16. Since written credit derivatives are included in the exposure measure at their effective notional amounts, and are also subject to add-on amounts for PFE, the exposure measure for written credit derivatives may be overstated. Banks may therefore choose to deduct the individual PFE add-on amount relating to a written credit derivative (which is not offset according to

paragraph 15 and whose effective notional amount is included in the exposure measure) from their gross add-on in paragraphs 1 to 5.

Article 8

Securities financing transaction exposures

1. SFTs are included in the exposure measure according to the treatment in paragraphs 2 to 7 of this article.
2. General treatment of the bank acting as principal is the sum of the amounts in paragraphs 3 and 4 of this article and should be included in the leverage ratio exposure measure.
3. Gross SFT assets recognized for accounting purposes (i.e. with no recognition of accounting netting), adjusted as follows:
 - 3.1. excluding from the exposure measure the value of any securities received under an SFT, where the bank has recognized the securities as an asset on its balance sheet; and
 - 3.2. cash payables and cash receivables in SFTs with the same counterparty may be measured net if all the following criteria are met:
 - 3.2.1. Transactions have the same explicit final settlement date;
 - 3.2.2. The right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable both currently in the normal course of business and in the event of: (i) default; (ii) insolvency; and (iii) bankruptcy; and
 - 3.2.3. The counterparties intend to settle net, settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement, that is, the cash flows of the transactions are equivalent, in effect, to a single net amount on the settlement date. To achieve such equivalence, both transactions are settled through the same settlement system and the settlement arrangements are supported by cash and/or intraday credit facilities intended to ensure that settlement of both transactions will occur by the end of the business day and the linkages to collateral flows do not result in the unwinding of net cash settlement.
4. A measure of CCR calculated as the current exposure without an add-on for PFE, is calculated as follows:
 - 4.1. Where a qualifying MNA is in place, the current exposure (E^*) is the greater of zero and the total fair value of securities and cash lent to a counterparty for all transactions included in the qualifying MNA ($\sum E_i$), less the total fair value of cash and securities received from the counterparty for those transactions ($\sum C_i$). This is illustrated in the following formula: $E^* = \max \{0, [\sum E_i - \sum C_i]\}$

- 4.2. Where no qualifying MNA is in place, the current exposure for transactions with a counterparty must be calculated on a transaction by transaction basis: that is, each transaction i is treated as its own netting set, as shown in the following formula: $E_i^* = \max \{0, [E_i - C_i]\}$
5. Where sale accounting is achieved for an SFT under the bank's operative accounting framework, the bank must reverse all sales-related accounting entries, and then calculate its exposure as if the SFT had been treated as a financing transaction under the operative accounting framework (i.e. the bank must include the sum of amounts in subparagraphs a) and b) of paragraph 8 of Article 7 for such an SFT for the purposes of determining its exposure measure).
 6. Where a bank acting as agent in an SFT provides an indemnity or guarantee to a customer or counterparty for any difference between the value of the security or cash the customer has lent and the value of collateral the borrower has provided, then the bank will be required to calculate its exposure measure by applying only paragraph 4 of this article.
 7. A bank acting as agent in an SFT and providing an indemnity or guarantee to a customer or counterparty will be considered eligible for the exceptional treatment set out in paragraph 6 of this article only if the bank's exposure to the transaction is limited to the guaranteed difference between the value of the security or cash its customer has lent and the value of the collateral the borrower has provided. In situations where the bank is further economically exposed (i.e. beyond the guarantee for the difference) to the underlying security or cash in the transaction, a further exposure equal to the full amount of the security or cash must be included in the exposure measure.

Article 9

Off-balance sheet items

1. OBS items as defined in Annex 1 of the Regulation of Capital Adequacy of Banks amounts for credit risk should be incorporated into the leverage ratio exposure measure.
2. OBS items include commitments (including liquidity facilities), whether or not unconditionally cancellable, direct credit substitutes, acceptances, standby letters of credit and trade letters of credit.
3. OBS items should be converted under the standardized approach into credit exposure equivalents through the use of credit conversion factors (CCFs).
4. For the purpose of determining the exposure amount of OBS items for the leverage ratio, the CCFs set out in annex 1 of the chapter on risk weighted exposure amounts for credit risk must be applied to the notional amount.

5. For the purpose of the leverage ratio, any commitments that are unconditionally cancellable at any time by the bank without prior notice, or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness, will receive a 10% CCF.

Article 10
Disclosure of the Leverage Ratio

Banks shall disclose their leverage ratio on a consolidated basis at the same frequency with the publication of their financial statements.

Article 11
Reporting to the Central Bank of the Republic of Kosovo

Banks shall submit to CBK reporting forms prescribed by CBK according to relevant instructions, no later than fifteen days (15) after ending of each quarter, together with regular quarterly reports.

Article 12
Enforcement, Remedial Measures and Civil Penalties

Any violation of the provisions of this Regulation shall be subject to corrective and punitive measures, as defined in the Law on the Central Bank and the Law on Banks.

Article 13
Annexes

An integral part of this regulation is Annex 1.

Article 14
Entry into force

This regulation enters into force on 01.01.2020.

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

Prof. Dr. Flamur Mrasori

Annex 1

1. This annex includes additional requirements applicable for the purposes of calculating the leverage ratio.
2. The following add-on factors apply to financial derivatives based on residual maturity:

Table 1.

	Interest rates	FX and gold	Equities	Precious metals except gold	Other commodities
One year or less	0.0%	1.0%	6.0%	7.0%	10.0%
Over one year to five years	0.5%	5.0%	8.0%	7.0%	12.0%
Over five years	1.5%	7.5%	10.0%	8.0%	15.0%

- 2.1. For contracts with multiple exchanges of principal, the factors are to be multiplied by the number of remaining payments in the contract.
 - 2.2. For contracts that are structured to settle outstanding exposures following specified payment dates and where the terms are reset such that the market value of the contract is zero on these specified dates, the residual maturity would be set equal to the time until the next reset date. In the case of interest rate contracts with remaining maturities of more than one year that meet the above criteria, the add-on is subject to a floor of 0.5%.
 - 2.3. Forwards, swaps, purchased options and similar derivative contracts not covered by any of the columns in this matrix are to be treated as “other commodities”.
 - 2.4. No potential future credit exposure would be calculated for single currency floating / floating interest rate swaps; the credit exposure on these contracts would be evaluated solely on the basis of their mark-to-market value.
3. In the event that the stated notional amount is leveraged or enhanced by the structure of the transaction, banks must use the effective notional amount when determining potential future exposure.

4. The following add-on factors apply to single-name credit derivatives:

Table 2.

	Protection buyer	Protection seller
Total return swaps		
“Qualifying” reference obligation	5%	5%
“Non-qualifying” reference obligation	10%	10%
Credit default swaps		
Qualifying” reference obligation	5%	5%**
“Non-qualifying” reference obligation	10%	10%**
There will be no difference depending on residual maturity. ** The protection seller of a credit default swap shall only be subject to the add-on factor where it is subject to closeout upon the insolvency of the protection buyer while the underlying is still solvent. The add-on should then be capped to the amount of unpaid premiums.		

5. Where the credit derivative is a first-to-default transaction, the add-on will be determined by the lowest credit quality underlying the basket, i.e. if there are any non-qualifying items in the basket, the non-qualifying reference obligation add-on should be used. For second and subsequent nth-to-default transactions, underlying assets should continue to be allocated according to the credit quality, i.e. the second or, respectively, nth lowest credit quality will determine the add-on for a second-to-default or an nth-to-default transaction, respectively.
6. The “qualifying” category includes securities issued by public sector entities and multilateral development banks, plus other securities that are:
 - 6.1. rated investment grade by at least two credit rating agencies recognized by CBK; or
 - 6.2. rated investment grade by one rating agency and not less than investment grade by any other rating agency recognized by CBK (subject to supervisory oversight); or
 - 6.3. subject to supervisory approval by CBK, unrated, but deemed to be or comparable to investment grade credit quality by the reporting bank, and the *issuer* has securities listed on a recognised exchange.
7. Furthermore, the “qualifying” category shall include securities issued by institutions that are deemed to be equivalent to investment grade quality and subject to supervisory and regulatory arrangements.

8. In cases of bilateral netting, for the purposes of the leverage ratio, the following will apply:
 - 8.1. Banks may net transactions subject to novation under which any obligation between a bank and its counterparty to deliver a given currency on a given value date is automatically amalgamated with all other obligations for the same currency and value date, legally substituting one single amount for the previous gross obligations.
 - 8.2. Banks may also net transactions subject to any legally valid form of bilateral netting not covered in (a), including other forms of novation.
9. In both cases 8.1 and 8.2, a bank will need to satisfy to CBK that it has:
 - 9.1. a netting contract or agreement with the counterparty that creates a single legal obligation, covering all included transactions, such that the bank would have either a claim to receive or obligation to pay only the net sum of the positive and negative mark-to-market values of included individual transactions in the event a counterparty fails to perform due to any of the following: default, bankruptcy, liquidation or similar circumstances;
 - 9.2. written and reasoned legal opinions that, in the event of a legal challenge, the relevant courts and administrative authorities would find the bank's exposure to be such a net amount under:
 - 9.2.1. the law of the jurisdiction in which the counterparty is chartered and, if the foreign branch of a counterparty is involved, then also under the law of jurisdiction in which the branch is located;
 - 9.2.2. the law that governs the individual transactions; and
 - 9.2.3. the law that governs any contract or agreement necessary to effect the netting.
 - 9.3. procedures in place to ensure that the legal characteristics of netting arrangements are kept under review in the light of possible changes in relevant law.
10. Contracts containing walkaway clauses will not be eligible for netting for the purpose of calculating the leverage ratio requirements pursuant to this regulation. A walkaway clause is a provision that permits a non-defaulting counterparty to make only limited payments or no payment at all, to the estate of a defaulter, even if the defaulter is a net creditor.
11. Credit exposure on bilaterally netted forward transactions will be calculated as the sum of the net mark-to-market replacement cost, if positive, plus an add-on based on the notional underlying principal. The add-on for netted transactions (*ANet*) will equal the weighted average of the gross add-on (*AGross*) and the gross add-on adjusted by the ratio of net current replacement cost to gross current replacement cost (*NGR*). This is expressed through the following formula:

- 11.1 $ANet = 0.4 \cdot AGross + 0.6 \cdot NGR \cdot AGross$, where: *NGR* = level of net replacement cost/level of gross replacement cost for transactions subject to legally enforceable netting agreements and *AGross* = sum of individual add-on amounts (calculated by multiplying the notional principal amount by the appropriate add-on factors set out in paragraphs 1 to 7 of this Annex) of all transactions subject to legally enforceable netting agreements with one counterparty.
12. For the purposes of calculating potential future credit exposure to a netting counterparty for forward foreign exchange contracts and other similar contracts in which the notional principal amount is equivalent to cash flows, the notional principal is defined as the net receipts falling due on each value date in each currency. The reason for this is that offsetting contracts in the same currency maturing on the same date will have lower potential future exposure as well as lower current exposure.
13. When banks have exposures securities financing transaction, netting agreements must:
- 13.1. provide the non-defaulting party with the right to terminate and close out in a timely manner all transactions under the agreement upon an event of default, including in the event of insolvency or bankruptcy of the counterparty;
 - 13.2. provide for the netting of gains and losses on transactions (including the value of any collateral) terminated and closed out under it so that a single net amount is owed by one party to the other;
 - 13.3. allow for the prompt liquidation or setoff of collateral upon the event of default; and
 - 13.4. be, together with the rights arising from provisions required in 13.1 and 13.3 above, legally enforceable in each relevant jurisdiction upon the occurrence of an event of default regardless of the counterparty's insolvency or bankruptcy.
14. Netting across positions held in the banking book and trading book will only be recognized when the netted transactions fulfil the following conditions:
- 14.1. all transactions are marked to market daily; and
 - 14.2. the collateral instruments used in the transactions are recognized as eligible financial collateral in the banking book.