



Pursuant to the competence provided by Article 35, paragraph 1, subparagraph 1.2 and Article 36, paragraph 1, subparagraph 1.15 of the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo, The Board of the Central Bank of the Republic of Kosovo, in the meeting held on September 30,2015, adopted this:

REGULATION ON EMERGENCY LIQUIDITY ASSISTANCE

Article 1 Purpose and scope

This regulation defines the terms and criteria that must be fulfilled from a bank upon application for the emergency liquidity assistance in CBK, the acceptable collateral types and conditions, and the process of evaluation of such application, in order to implement the Article 14 of the Law on Central Bank, which authorizes the CBK, in extraordinary circumstances and according to its judgment, to act as a lender of the last resort, for a licensed bank, and pursuant to Article 12.1 of the Law on CBK which authorizes the Central Bank to hold temporary the minimum reserves of the specific banks.

Article 2 Definitions

- 1. Bank** – a licensed entity from CBK, as defined in the Law on Banks, Micro-finance Institutions and Non-Bank Financial Institutions.
- 2. CBK** – Central Bank of the Republic of Kosovo.
- 3. Emergency Liquidity Assistance (ELA)** - The CBK provides liquidity assistance for financial stability purposes to a bank by way of a temporary reduction of the minimum reserves, or by a loan to a bank licensed by the CBK, or by a combination of both when the bank is solvent but requires ELA to meet its short-term (temporary) liquidity needs.

- 4. ELA funds available** – the total amount of reserves prescribed under Article 7 of this Regulation.
- 5. ELA Interest rate** – the interest rate charged on ELA, prescribed under Article 4, paragraph 1 of this Regulation.
- 6. Solvent bank** – a bank that in the opinion of the CBK Banking Supervision Department based on the information currently available to it, has assets that exceed its liabilities on a forward looking basis.
- 7. Viable bank** – a bank that is considered viable in the opinion of the CBK based on the information available to it.
- 8. Temporary reduction of a bank’s minimum reserves** – a temporary reduction of a bank’s minimum reserves granted by the CBK in terms of Article 12 of the Law on CBK.
- 9. Form ELA 1** – Application of emergency liquidity assistance.
- 10. Form ELA 2** – Internal procedure on ELA and Appraisal Form for ELA.

Article 3

Requests for Emergency Liquidity Assistance

1. A request for emergency liquidity assistance must be made on Form ELA 1 and be accompanied by the documents as:
 - 1.1.A copy of a decision of the applicant bank’s board of directors signed by the chairman and the chief executive of the bank, that determine that the bank is solvent;
 - 1.2.A copy of the bank’s latest financial statements;
 - 1.3.A statement of the reasons why the bank has been unable to meet its liquidity needs and that all sources of liquidity have been explored and fully exhausted;
 - 1.4.A completed and signed copy of the Form ELA 1, which sets out the amount and maturity of the liquidity assistance requested and a full description of the collateral what will be provided to support the loan;
 - 1.5.The bank shall provide to the CBK, for approval, a remedial program for restoring its liquidity position;
 - 1.6.The CBK may request additional information from the applicant bank that might be necessary to review the application.

Article 4
ELA Criteria

1. ELA's granting shall be done according to the following criteria:
 - 1.1. The interest rate shall be at least three percentage points above the latest monthly average deposit interest rate of banks in Kosovo as calculated and published by the CBK;
 - 1.2. The actual interest rate to be applied in each case of assistance will be determined by the CBK Executive Board as part of the recommendation from CBK Executive Board;
 - 1.3. The maximum of reduction in a bank's minimum reserve that can be approved is four percentage points;
 - 1.4. The approved amount for ELA will be fully collateralized in terms of collateral types and conditions set out in Article 5 of this Regulation.
 - 1.5. The CBK reserves the right to impose any conditionality required for approval at the time of the ELA request.

Article 5
Collateral types and conditions

1. The CBK can provide ELA only for those cases covered by collateral types as follows:
 - 1.1. Securities of the Government of the Republic of Kosovo, with a haircut rate applied to the market value on the day of the request for ELA;
 - 1.2. Negotiable securities issued by a sovereign government or an international financial institution, denominated in Euros and with a credit rating by at least two international rating agencies of at least BBB minimum rating or equivalent, with a haircut rate applied to the market value on the day of the request for ELA;
 - 1.3. Gold at with a haircut rate applied to the market value on the day of the request for ELA;
 - 1.4. For ELA purposes, in addition to the types of collateral as specified above, CBK Executive Board may accept additional eligible collateral, as specified in separate CBK internal document, issued by the CBK Executive Board.
2. The maturity of collateral collateralizing the ELA must be longer than the maturity of the ELA;
3. Collateral should be deposited with the CBK or to its decision in another bank acceptable to the CBK;
4. If the CBK decides to grant the liquidity assistance by way of a temporary reduction in a bank's minimum reserves, the bank will not be required to set collateral at the CBK.

Article 6
Renewal of ELA

1. If at least 3 working days before the expiry date of the ELA granted to a bank, the bank receiving the ELA states in writing to the CBK Banking Supervision Department that it will be unable to repay the ELA, either fully or partially, the Executive Board of the CBK by an approval from the Board of the Central Bank may renew the ELA at a rate of interest equal to or higher than the rate of interest applicable to the initial ELA.
2. The CBK Executive Board can alter the terms and the form in which the ELA will be granted, in case of a renewal provided its provision continues to comply with this Regulation.
3. According to the same procedure defined in paragraph 1 of this Article, a bank may apply for a renewal of ELA.
4. Before approving any renewal, the CBK Executive Board will need to receive acceptable evidence and be satisfied that the remedial program is being implemented satisfactorily.
5. For approval of such request from a bank for a renewal of an ELA, conditions for this approval includes:
 - a. No dividend payouts while the ELA is outstanding;
 - b. No payments of bonuses or other exceptional payments to Board members and senior staff of the bank;
8. When the Board of the Central Bank decides that an ELA will not be renewed, the bank will be required to repay the ELA on the due date. If the bank is unable to do so in full, the CBK will seek to enforce the collateral provided for the ELA and it will take actions available to it under Law on Banks, Micro-finance Institutions and Non-Bank Financial Institutions. The CBK will continue to charge interest on the ELA from the incomes from the collateral until the loan is entirely paid.

Article 7

Funds available for ELA

For the purposes of ELA, the funds available shall include the reserves of the CBK and the Special Reserve Fund established by the Treasury for this purpose, as defined in Article 14, point 4 of the Law no. 03/L-209 on the Central Bank of the Republic of Kosovo. Sequencing of the use of funds available as specified above, will be defined in a separate CBK internal document, issued by the CBK Executive Board.

Article 8

Annexes

Essential parts of this Regulation are Forms ELA 1 and ELA 2.

Article 9
Abrogation

By the entry into force this Regulation, the Regulation on Emergency Liquidity Assistance will be replaced, that is approved by the Board of the Central Bank on 29 December 2011.

Article 10
Entry into Force

This Regulation enters into force 5 days after the approval from the Central Bank Board.

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

Dr. Bedri PEÇI _____

Date: _____



Forma ELA 1: Application form for Emergency Liquidity Assistance

1. Name and address of applicant bank: _____
2. Name and title of authorized representative: _____

3. Signature of authorized representative: _____

(The person signing the request must be one of the authorized representatives the bank is in the list in the CBK).

4. Type of liquidity assistance requested:
 - i) Initial liquidity assistance: _____
 - ii) A first renewal of existing ELA: _____
 - iii) A second renewal of existing ELA: _____
 - iv) Period for which assistance is requested _____
 - v) Amount requested: _____ (Euro million)
 - vi) Collateral offered for an ELA loan (must be consistent with Section 5 of CBK's ELA Regulation)

Description Accounting Value Market Value Maturity Pledge (Y/N)

vii) Documents to be attached:

1. For domestic securities offered as collateral, a properly exercised lien form from the Central Registry of the Central Treasury.
 2. For foreign securities offered as collateral, a properly executed lien form in the manner prescribed under the relevant legislation of the country of issue.
 3. A copy of the decision of the applicant bank's Board of Directors signed by the Chairman and the bank's Chief Executive Officer verifying that the Board has concluded that the bank is solvent.
 4. A copy of the latest financial statements of the bank as per Article 3, point 1.2 of the CBK Regulation on ELA.
 5. A statement signed by the Chief Executive Officer on the reasons why the bank has been unable to meet its liquidity needs from market sources.
 6. If the applicant bank is a foreign bank, a formal statement from its parent bank, explaining why the parent bank is unable to provide for the applicant bank liquidity needs.
 7. The applicant bank should provide a remedial program, for approval and in a format agreed by the CBK, in relation to restoring its liquidity position.
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Form ELA 2.

Internal procedure on ELA (Analysis and Decision Process for ELA)

1. The request for ELA and the accompanying documents will be received by the Banking Supervision Department. This Department checks that all the information required under Articles 3 and 6 of this Regulation has been supplied by the requesting bank and that the bank is eligible for ELA.
2. Banking Supervision Department of the CBK provides a written opinion that based on the information currently available (including any forward looking indicators), the requesting bank is solvent and viable. In addition, the opinion should include a follow-up plan (including potential remedial measures) to ensure as best as possible that an institution remains on track with regard to its funding plan.
3. CBK Banking Supervision Department forwards the request to the Executive Board with an opinion that the application either meets or fails to meet the requirements of Articles 12 and 14 of the CBK Law and of this Regulation for the granting of ELA to the bank. The CBK Banking Supervision Department will forward the application and the assessment opinion to the CBK Executive Board within 24 hours of the application being received by the CBK.
4. In case of the recommendation for approval, the assessment opinion includes the modality of ELA support as defined in this Regulation;
5. The CBK Executive Board reviews the assessment decision and in its full discretion decides for approval or rejection of the request for ELA, including the modalities of ELA in case of approval;
6. The decision of the CBK Executive Board for ELA shall be notified to the CBK Banking Supervision Department and the applying bank;
7. In case of approval, the execution of ELA is applicable only after the applying bank deposited the collateral as specified in Article 5 of ELA Regulation, and also to have signed the agreement with CBK which sets out the conditions and responsibilities regarding the ELA.

Appraisal Form for ELA

A. Date and time of request submission:

Date:

Time:

Signature of the officer receiving the application:

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Signature of the person submitting the application on behalf of the bank:

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B. Checklist of information submitted:

Item

Supplied

Adequate

Yes No

Yes No

Form ELA 1 submitted by bank:

Has the ELA form been signed by an authorized representative of the applicant bank?

Is the amount and the maturity of loan required stated clear?

Is the collateral section of ELA 1 completed?

Does the collateral offered meet the requirements of Article 5 on ELA Regulation?

Has the bank supplied a resolution from its Board attesting the bank's solvency?

Has the bank supplied its latest Financial Statements?

Has the bank supplied a statement of the reasons it cannot obtain liquidity from the market?

If it is foreign-owned bank, has it provided a statement explaining why the parent bank cannot supply the liquidity?

Has the applicant bank forwarded a funding plan for approval?

Has the CBK asked the applicant bank to supply any additional information?

If so, has it been supplied?

Has a statement been received from the CBK/Banking Supervision Department regarding the bank's solvency?

C. Appraisal Conclusions:

1. Have all the legal and administrative requirements of the CBK Law and ELA Regulation been met?

Yes; No

2. If no, list the information the bank still needs to supply:

3. Have the following been prepared?

a) Does the institution comply with current regulatory solvency requirements :

Yes; No:

Is the Banking Supervision Department aware of anything that is likely to materially impact the solvency of this institution before the maturity of the ELA operation?

Yes; No:

If yes, please elaborate:

b) In terms of viability, and based on the information available to CBK staff, does the institution show a strong prospect of having an ability to repay the ELA operation, on or before maturity? :

Yes; No:

c) Date at which funding plan will be approved:

Signature of appraising officer: _____

Name of appraising officer: _____

Date and time appraisal from completed: _____

Date and time appraisal form submitted to Secretary of the Executive Board:

Signature of the Secretary of the Executive Board: _____