



Pursuant to Article 35, paragraph 1 subparagraph 1.1 of Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77 / August 16, 2010), and articles 19 and 85 of 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 August 4 2022, approved the following:

REGULATION ON THE LIQUIDITY COVERAGE RATIO

CHAPTER I

GENERAL PROVISIONS

Article 1

Purpose and scope

1. The purpose of this regulation is to determine the criteria for the calculation of the liquidity coverage requirement and the minimum level of the banks' liquidity coverage ratio to ensure that the banks have an adequate stock of free and high-quality liquid assets that can be easily and immediately converted into cash to meet their requirements for a 30 calendar day liquidity stress scenario.
2. This regulation shall apply to all banks in the Republic of Kosovo that are licensed by the CBK, including branches of foreign banks.

Article 2

Definitions

1. All terms used in this regulation shall have the same meaning as defined in Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Banking Financial Institutions (hereinafter: Law on Banks) and/or according to the following definitions for the purpose of of this regulation:
 - 1.1. **Level 1 assets** – means assets of extremely high liquidity and credit quality, as defined in Article 10 of this Regulation;
 - 1.2. **Level 2 assets** – means assets of high liquidity and credit quality, further subdividend into Level 2A and 2B assets in accordance with subchapter II of Chapter II of this Regulation, as defined in Article 11 and 12 of this Regulation;
 - 1.3. **Liquidity buffer** – means the amount of liquid assets that a bank holds in accordance with Chapter II of this Regulation;

- 1.4. **Net liquidity outflow** – means the sum which is obtained by deducing liquidity inflows from liquidity outflows of the bank in compliance with Chapter III of this Regulation;
- 1.5. **Significant currency** – means all currencies where the aggregate liabilities denominated in a currency other than the euro reporting currency (on balance sheet and off balance sheet) reach or exceed 5% of the bank's total liabilities;
- 1.6. **Business organisation** – means the types of business organizations according to the Law on Business Organizations in force. The classification of business organizations (businesses) will be done in accordance with the Law on Accounting, Financial Reporting and Auditing of the Republic of Kosovo in force;
- 1.7. **Deposit** – means an amount of money paid by a natural person or a legal person to a Bank, which has been accepted by that Bank on the condition that this money is repaid in full, with or without interest or premium, either on demand or on a date assigned to that natural person or legal entity;
- 1.8. **Retail deposits** – means a liability to a natural person or to a Small and Medium Enterprise, where the natural person or Small and Medium Enterprise would qualify for the exposure class "Exposures to individuals and small and medium businesses" according to the standardized approach for credit risk, pursuant to Article 51 of the Regulation on Bank Capital Adequacy, and when aggregate deposits from natural persons or SMEs on a group basis shall not exceed the amount of 1,000,000 (one million) euros;
- 1.9. **Wholesale deposit** – means any deposit not included in the retail deposits category;
- 1.10. **Financing** – means the obligations in the form of debt, that are not included in the deposit category;
- 1.11. **Financial customer** – means a customer that performs one or more activities listed in Article 44 of the Law on Banks, Microfinance Institutions and Non-Banking Financial Institutions, or is one of these institutions:
 - 1.11.1. a bank;
 - 1.11.2. a microfinance institution;
 - 1.11.3. non-bank financial institution ;
 - 1.11.4. an investment company;
 - 1.11.5. an insurer;
 - 1.11.6. a reinsurer, and
 - 1.11.7. any legal entity that carries out financial activities within or outside the Republic of Kosovo.
- 1.12. **Stress** – means a sudden or significant deterioration in the solvency or liquidity position of a bank due to changes in market conditions or idiosyncratic factors (bank-specific factors) as a result of which there is a significant risk that the bank will be unable to meet its obligations as they become due within the next 30 calendar days;
- 1.13. **Margin loans** – means collateralized loans extended to customers for the purpose of taking leveraged trading positions;

- 1.14. **Secured lending transaction** – means any transaction that gives rise to a collateral secured exposure that does not include a provision giving the bank the right to receive margin at least on a daily basis;
- 1.15. **Capital market-based transaction** – means any transaction that gives rise to an exposure that is secured by collateral that includes a provision that entitles the bank to receive margin at least on a daily basis;
- 1.16. **Trade finance** – means financing, including guarantees, related to the exchange of goods and services through financial products of fixed short-term maturity, mainly less than one year, without automatic renewal as defined in Annex I of the Regulation on Capital Adequacy of Banks.

Article 3

Liquidity coverage requirement

1. Banks shall hold liquid assets, the sum of whose values cover liquidity outflows after deducting liquidity inflows under stress conditions in order to ensure that they maintain levels of liquidity buffers that are adequate to withstand any possible imbalance between liquidity inflows and outflows under severe stress conditions over a thirty-day period.
2. Banks can use their liquid assets to cover their net liquidity outflows during stress periods.
3. Banks shall not double count liquid assets, liquidity inflows and outflows.

Article 4

Liquidity Coverage Ratio

1. Banks shall calculate the liquidity coverage ratio as equal to the ratio between the bank's liquidity buffer to net liquidity outflows over 30 calendar days stress period, expressed as a percentage, at an individual and consolidated level in accordance with the following formula:

$$\text{Liquidity Coverage Ratio (\%)} = \frac{\text{Liquidity buffer}}{\text{Net liquidity outflows over a 30 calendar day stress period}}$$

2. Banks shall maintain a liquidity coverage ratio of at least 100%.
3. The banks, without prejudice to paragraph 2 of this Article, may monetise their liquid assets, to cover net liquidity outflows during stress periods, even if such utilization of liquid assets may affect the liquidity coverage ratio to fall below 100% during such periods.
4. The bank, where at any time the liquidity coverage ratio has fallen or can reasonably be expected to fall below 100%, must notify the CBK immediately and shall submit without undue delay to the CBK a plan for timely restoration of compliance with paragraph 2 of this Article.
5. The bank shall report to the CBK on a daily basis at the end of each operating day unless the CBK authorizes a lower reporting frequency and a longer reporting delay until compliance is restored to the level defined in paragraph 2 of this Regulation.

6. CBK shall allow such authorizations based on a bank's individual situation and taking into account the scale and complexity of the bank's activities.
7. CBK shall monitor the implementation of the plan for restoring compliance until the liquidity coverage ratio is restored to the level defined in paragraph 2 of this Article, and may require faster restoration if necessary.
8. Banks shall calculate and monitor the liquidity coverage ratio in the reporting currency and in each currency that is the subject of separate reporting in accordance with the methodological guidelines set by the CBK.
9. For the purposes of reporting on a consolidated basis, as defined by paragraph 1 of this Article, banks shall also take into account the following provisions:
 - 9.1. assets of a foreign country that are held by a subsidiary / branch of the bank in a foreign country may be recognized as liquid assets for consolidation purposes when they qualify as liquid assets under the local law of the foreign country that determines the liquidity coverage requirement and when they meet one of the following conditions:
 - 9.1.1. the assets meet all the requirements defined in Chapter II of this regulation;
 - 9.1.2. the assets do not meet the specific requirements defined in Chapter II of this regulation regarding the size of their issuance, but meet all other requirements defined in the regulation;
 - 9.1.3. assets recognised based on point 9.1.2. of paragraph 9 of this Article can be recognized up to the amount of net stressed liquidity outflows occurring in a certain currency in which they are denominated and originating from the same subsidiary / branch of the bank in a foreign country.
 - 9.2. outflows in a subsidiary/ branch of the bank in a foreign country that are subject according to the local law of that foreign country that determines the requirement for liquidity coverage at a higher percentage than those defined in Chapter III of this regulation will be subject to consolidation in accordance with the highest rates set forth in the local law of the foreign country;
 - 9.3. the liquidity inflows in a subsidiary/branch of the bank in a foreign country that are subject according to the local law of that foreign country that determines the requirement for liquidity coverage requirement at a lower percentage than those defined in Chapter III of this regulation will be subject to consolidation in accordance with the lowest rates set forth in the local law of the foreign country;
 - 9.4. for a subsidiary/ branch of the bank in a foreign country that are subject according to the local law of that foreign country that determines the liquidity coverage requirement that are different from the requirements defined in this Regulation, the calculation for consolidation purposes shall be carried out in accordance with the requirements of this Regulation.

Article 5

Stress scenarios for the purpose of calculating the liquidity coverage ratio

1. The following scenarios can be considered as indicators/signals of the circumstances in which the bank can be considered to be subject to a stress situation:

- 1.1. the draw down (withdrawal) of a significant/considerable proportion of retail deposits;
- 1.2. a total or partial loss of capacity of wholesale unsecured funding, including wholesale deposits and other sources of contingent funding such as committed or uncommitted liquidity or lines of credit received;
- 1.3. a total or partial loss of secured short-term funding;
- 1.4. additional liquidity outflows, as a result of a bank's credit rating downgrade of up to three notches;
- 1.5. increased market volatility, which affects the value of collateral or its quality, or additional collateral needs;
- 1.6. unscheduled draws on liquidity and credit facilities, that bank has granted to its customers;
- 1.7. potential obligation to buy-back debt or to honour non-contractual obligations;

CHAPTER II LIQUIDITY BUFFER

SUBCHAPTER I General requirements

Article 6 Composition of the liquidity buffer

1. In order to qualify to be part of the bank's liquidity buffer, liquid assets must comply with each of the following requirements:
 - 1.1. general requirements, defined in Article 7 of this Regulation;
 - 1.2. operational requirements, defined in Article 8 of this Regulation;
 - 1.3. the respective eligibility criteria, for their classification as Level 1 or Level 2 assets, in accordance with Subchapter II of this Chapter.

Article 7 General requirements for liquid assets

1. In order to qualify as liquid assets, the bank's assets must be in compliance with paragraphs 2 to 6 of this Article.
2. Assets shall be in the form of a right, entitlement or interest held by the bank, or included in a pool as defined in subparagraph 2.1 of this article, and must be free of any encumbrance or obligation (without any impediment). For those purposes, an asset is considered to be free from any encumbrance or obligation if it is not subject to any legal, contractual, regulatory or other restriction that prohibits the bank from liquidating, selling, transferring or assigning rights arising from the right of ownership, or in general the removal of the asset from the bank's portfolio

through a sale with full rights or through a repurchase agreement within the next 30 calendar days. The following assets should be considered to be free from any encumbrance or obligation:

- 2.1. the assets included in the pool that are available for immediate use as collateral to obtain additional financing under committed but not yet funded credit lines to the bank or, if the pool of assets is under the operation of a central bank, according to the uncommitted and not funded lines of credit available to the bank. Banks must assume that the assets in the pool are encumbered in order to increase liquidity based on the classification of liquidity defined in Subchapter II, starting with ineligible assets for the liquidity buffer;
- 2.2. the assets that the bank has taken as collateral for the purpose of mitigating credit risk in mutual repurchase agreement transactions or securities funding transactions and that the bank can sell;
3. The assets shall not be issued by the bank itself, by its shareholder, except when the shareholder is a public sector entity that is not a bank, by one of its subsidiaries or another subsidiary of its shareholder, or a Securitisation Special Purpose Entity (SSPE), with which the bank has close relations.
4. Assets shall not be issued by:
 - 4.1. another bank, unless the issuer is a public sector entity as defined in Article 10, paragraph 1, subparagraph 1.3. and in article 11, paragraph 1, subparagraph 1.1. of this regulation;
 - 4.2. a microfinance institution;
 - 4.3. a non-bank financial institution ;
 - 4.4. an investment company;
 - 4.5. an insurance company;
 - 4.6. a reinsurer; and
 - 4.7. any other legal entity that performs financial activities in the Republic of Kosovo and abroad.
5. For the purpose of this Article, SSPEs shall be considered as an entity not included within the entities defined in paragraph 4, subparagraph 4.7 of this Article.
6. The value of assets should be able to be determined on the basis of widely published and readily available market prices. In the absence of these market prices, the value of assets should be possible to determine based on a simple formula that uses published data and is based on realistic assumptions.
7. The assets must be listed on a recognized stock exchange or tradable through outright sale or simple repurchase transactions on generally accepted repurchase markets. These criteria must be evaluated by the bank for each market separately. An asset accepted for trading in an organised market, which is not a recognised stock exchange, shall be considered liquid only if this market shall be active and of significant size for asset outright sales. The bank, for the purposes of this paragraph, shall consider a market being active and of significant size based on the following criteria:

- 7.1. historical data on market liquidity (breadth and depth of the market), proven by low bid-ask spreads, high volume of transactions and a large and diversified number of market participants;
- 7.2. the presence of a robust market infrastructure.
8. The requirements defined in paragraphs 5 and 6 of this Article shall not be applied for:
 - 8.1. banknotes and coins, as defined in Article 11, paragraph 1, subparagraph 1.1 of this Regulation; and
 - 8.2. exposures to central banks defined in Article 10, paragraph 1, subparagraph 1.2. and 1.4. and Article 11 paragraph 1, subparagraph 1.1 of this Regulation;
 - 8.3. exposures to central governments defined in article 10, paragraph 1, subparagraph 1.4 of this Regulation.

Article 8

Operational requirements

1. The banks shall draft internal policies and set limits to ensure that holdings of liquid assets comprising their liquidity buffer remain appropriately diversified at all times. For these purposes, banks must take into account the degree of diversification between different categories of liquid assets and within the same category of liquid assets defined in Subchapter II of this Chapter and any other relevant diversifying factors, such as types of issuers, counterparties or the geographic locations of these issuers and counterparties.
2. CBK may set specific restrictions or requirements on the bank's liquid assets to ensure compliance with the requirements set forth in paragraph 1 of this Article, however such restrictions or requirements shall not apply to:
 - 2.1. the following categories of Level 1 assets:
 - 2.1.1. banknotes and coins, as defined in article 10, paragraph 1, subparagraph 1.1. of this regulation;
 - 2.1.2. exposures to central banks, as defined in article 10, paragraph 1, subparagraph 1.2. and 1.4. and Article 11 paragraph 1, subparagraph 1.1. of this regulation.
 - 2.1.3. assets representing claims against or guaranteed by multilateral development banks and international organizations, as defined in Article 10, paragraph 1, subparagraph 1.5. of this Regulation;
 - 2.2. the categories of Level 1 assets that represent claims against or guaranteed by central or regional governments, local authorities or public sector entities defined in article 10 paragraph 1, subparagraph 1.3 and 1.4. of this Regulation, provided that the bank holds the relevant assets to cover stressed net outflows occurring in the currency in use or the asset is issued by central or regional governments, local authorities or public sector entities of foreign countries;
3. Banks shall have ready access to the liquid assets that they hold and shall be able to monetise these assets at any time, during a 30 calendar days stress period, through outright sale or repurchase agreements, in generally accepted repurchase markets.

4. For the purpose of paragraph 3 of this article, the bank shall consider the following assets:
 - 4.1. A liquid asset shall be considered readily accessible to the bank when there are no legal or practical impediments to the bank's ability to monetise such an asset in a timely fashion;
 - 4.2. Assets used to provide credit enhancement in structured transactions or to cover operational costs of the bank, shall not be considered as readily accessible to the bank;
 - 4.3. Assets held in a foreign country when there are restrictions to their free transferability shall be considered readily accessible only insofar as the bank uses those assets to meet liquidity outflows in that foreign country;
 - 4.4. Assets held in non-convertible currency shall be considered readily accessible only insofar as the bank uses those assets to meet liquidity outflows in that currency.
5. Banks shall ensure that their liquid assets are under the control of a specific liquidity management function within the bank. Compliance with this requirement will be demonstrated to CBK through:
 - 5.1. placing the liquid assets in a separate pool under the direct management of the liquidity function, with the sole intent of using them as a source of contingent funds, including during stress periods;
 - 5.2. putting in place internal systems and controls to give the liquidity management function effective operational control to monetise the holdings of liquid assets at any point during a 30 calendar days stress period and to access the contingent funds, without directly conflicting with any existing business or risk management strategy. In particular, an asset shall not be included in the liquidity buffer, where its sale without replacement throughout a 30 calendar days stress period would remove a hedge that would create an open risk position in excess of the internal limits of the bank; or
 - 5.3. a combination of the determinations according to subparagraphs 5.1 and 5.2., provided that CBK deems such a combination acceptable;
6. The bank shall regularly, and at least once a year, monetise a sufficiently representative sample of their holdings of liquid assets by means of outright sale or simple repurchase agreement on a generally accepted repurchase market. Banks shall develop strategies for disposing of liquid assets which are adequate to:
 - 6.1. test the access to the market for those assets and their usability;
 - 6.2. check that the bank's processes for the timely monetisation of assets are effective;
 - 6.3. minimise the risk of sending a negative signal to the market as a result of the bank's monetising its assets during liquidity stress periods.
7. The requirement defined in subparagraph 6.1. of paragraph 6 of this article shall not apply to level 1 assets as defined in Article 10 of this Regulation.
8. The requirement set out in paragraph 3 of this Article shall not prevent banks from hedging the market risk associated with their liquid assets, provided that the following conditions are met:
 - 8.1. the bank shall draft internal procedures in accordance with paragraphs 3 to 5 of this Article, ensuring that these assets are readily available and under the control of the liquidity management function;

- 8.2. Net liquidity outflows and inflows that would result in the event of an early close-out of the hedge are taken into account in the valuation of the relevant asset in accordance with Article 9 of this Regulation.

Article 9

Valuation of Liquid Assets

The bank, for the purposes of calculating the liquidity coverage ratio, shall use the market value of its liquid assets. The market value of liquid assets shall be reduced in accordance with the haircut defined in Subchapter II and in Article 8, paragraph 8, subparagraph 8.2. of this Regulation, where applicable.

SUBCHAPTER II

LIQUID ASSETS

Article 10

Level 1 assets

1. Level 1 assets shall only include assets that are classified in one or more of the following categories and meeting in each case the eligibility criteria defined herein:
 - 1.1. coins and banknotes;
 - 1.2. the following exposures to central banks:
 - 1.2.1. assets representing claims on or guaranteed by the Central Bank of the Republic of Kosovo, excluding the assets defined in point 1.2.3 of this subparagraph;
 - 1.2.2. assets representing claims on or guaranteed by central banks of foreign countries, provided that exposures to the central bank or central government of these countries are assigned a credit assignment by a nominated external credit assessment institution (ECAI), in accordance with Article 44, paragraph 2 of the Regulation on Bank capital adequacy;
 - 1.2.3. the mandatory liquidity reserve held in the CBK, to the extent allowed to use it, according to the regulations of the CBK in force, as well as for the subsidiaries or branches of the bank in foreign countries, the mandatory liquidity reserve held in the central banks of the countries, as defined in point 1.2.2 of subparagraph 1.2 of this article, to the extent allowed to use it, as defined by the respective central banks;
 - 1.3. assets representing claims on or guaranteed by the following central or regional governments, local authorities or public sector entities as follows:
 - 1.3.1. the government of the Republic of Kosovo
 - 1.3.2. the central government of a foreign country, provided that it is assigned a credit assignment by a nominated ECAI, which is at least credit quality step 1 in accordance with Article 44, paragraph 2 of the Regulation on Bank capital adequacy;

- 1.3.3. regional governments or local authorities in a foreign country of the type defined in point 1.3.2. of this article, provided that they are treated as exposures to the central government of the foreign country in accordance with article 45, paragraph 3 of the Regulation on Bank capital adequacy;
- 1.3.4. public sector entities provided that they are treated as exposures to one of the regional governments or local authorities defined in point 1.3.3. of this article, in accordance with article 46, paragraph 6 of the Regulation on Bank capital adequacy;
- 1.4. the following assets:
 - 1.4.1. assets representing claims on or guaranteed by the central government or central bank of a foreign country, where the bank operates through a branch or a subsidiary, which has not been assigned a credit quality step 1 credit assignment by a nominated ECAI, in accordance with Article 44, paragraph 2 of the Regulation on Bank capital adequacy;
 - 1.4.2. mandatory liquidity reserves held by the bank with a central bank defined in point 1.4.1. of this article, to the allowed extent of its use, as determined by the respective Central Banks;
 - 1.4.3. the aggregate amount of assets that can be included within points 1.4.1 and 1.4.2. of this Article and denominated in the specified currency that the bank can recognize as Level 1 Assets must not exceed the amount of the bank's net stressed liquidity outflows in the same currency. Also, in cases where a part or all of the assets that may be included within points 1.4.1. and 1.4.2. of this article are denominated in a currency that is not the local currency of the foreign country in question, the bank may recognize those assets as Level 1 Assets up to the amount that is equal to the amount of the net stressed liquidity outflows occurred in that foreign currency corresponding to the bank's operations in the jurisdiction where the liquidity risk is taken.
- 1.5. assets representing claims on or guaranteed by multilateral development banks and international organizations, as defined in article 47, paragraph 3 and article 48 of the Regulation on Bank Capital Adequacy.

Article 11

Level 2A Assets

1. Level 2A assets shall only include those assets that are classified under one or more of the following categories and that meet in each case the eligibility criteria defined herein:
 - 1.1. assets representing claims on or guaranteed by the central government or central bank of a foreign country or by regional governments, local authority or public sector entity of a foreign country, provided that they are assigned a 20% risk weight, in accordance with Article 44, paragraph 2, article 45 paragraph 2 and article 46 paragraph 4 of the Regulation on Bank Capital Adequacy, as the case may be;
 - 1.2. corporate debt securities that meet all of the following requirements:

- 1.2.1. have a credit assignment assigned by a nominated ECAI that is at least credit quality step 1 in accordance with Article 50 paragraph 1 of the Regulation on Bank Capital Adequacy or an equivalent credit quality step for short-term credit assessment cases;
 - 1.2.2. the total value of the securities issue is at least 250 million euros (or the equivalent amount in the local currency);
 - 1.2.3. the maximum value of the period until the maturity of the security at the time of issue is 10 years.
2. The market value of each of the Level 2A assets is subject to a haircut of at least 15% by the bank.

Article 12

Level 2B Assets

1. Level 2B assets shall only include assets that are classified under one or more of the following categories and meeting in each case the eligibility criteria defined herein:
 - 1.1. assets representing claims on or guaranteed by the central government or central bank of a foreign country, provided that they are assigned a credit assessment by a nominated ECAI of at least credit quality step 3 in accordance with Article 44, paragraph 2 of the Regulation on Bank Capital Adequacy;
 - 1.2. corporate debt securities that fulfil all the following requirements:
 - 1.2.1. they have been assigned a credit assessment by a nominated ECAI of at least credit quality step 3 in accordance with Article 50 paragraph 1 of the Regulation on Bank Capital Adequacy or an equivalent credit quality step in the event of a short-term credit assessment;
 - 1.2.2. the total value of securities issue is at least EUR 250 million (or equivalent amount in the domestic currency);
 - 1.2.3. the maximum time to maturity of these securities at the time of the issuance is 10 years.
2. The bank shall apply a haircut of at least 50% on the market value of each of the level 2B assets defined in paragraph 1 of this Article.

Article 13

The Composition of the liquidity buffer by asset level

1. Banks shall, in any case, fulfil the following requirements on the composition of their liquidity buffer:
 - 1.1. a minimum of 60% of the liquidity buffer is to be composed of level 1 assets; and;
 - 1.2. a maximum of 15% of the liquidity buffer may be held in level 2B assets..
2. The requirements set out in paragraph 1 of this Article shall be applied after adjusting for the impact on the stock of liquid assets of secured funding, secured lending transactions or collateral swaps transactions using liquid assets where these transactions mature within 30 calendar days,

after deducting any applicable haircuts and provided that the bank shall fulfil the operational requirements defined in Article 8 of this Regulation.

3. The banks shall define the composition of their liquidity buffer in accordance with the formula laid down in Annex 1 of this Regulation.

Article 14

Breach of requirements

Where a liquid asset ceases to comply with any applicable general requirements laid down in Article 7 of this Regulation, the operational requirements laid down in Article 8 paragraph 3 of this Regulation, or any eligibility criteria laid down in this Subchapter, the bank shall cease to recognise this asset as a liquid asset no later than 30 calendar days from the moment when the breach of requirements occurred.

CHAPTER III

LIQUIDITY OUTFLOWS AND INFLOWS

SUBCHAPTER I

NET LIQUIDITY OUTFLOWS

Article 15

Definition of net liquidity outflows

1. The net liquidity outflows will be the sum of the outflows in sub-paragraph 1.1. of this article reduced by the sum of inflows in subparagraph 1.2., but shall not be less than zero, and shall be calculated as follows:
 - 1.1. the sum of liquidity outflows, as defined in Subchapter II of this Chapter;
 - 1.2. the sum of liquidity inflows, as defined in Subchapter III of this Chapter, calculated as the lower of the value between liquidity inflows and 75% of liquidity outflows.
2. Liquidity inflows and liquidity outflows shall be assessed over a 30 calendar day stress period, under the assumption of a combined idiosyncratic (specific) and market-wide (systemic) scenario as defined in article 5 of this Regulation.
3. The calculation defined in paragraph 1 of this article shall be performed in accordance with the formula defined in Annex II of this Regulation.

Article 16

Netting of derivative transactions

1. Banks shall calculate liquidity outflows and inflows expected over a 30 calendar day period for the contracts listed in Annex IV of the Regulation on Bank Capital Adequacy and for credit derivatives on a net basis by counterparty subject to the bilateral netting agreements.

2. By derogation from paragraph 1 of this article, banks shall calculate cash outflows and inflows resulting from derivative transactions in foreign currency that include full exchange of principal amounts simultaneously (or within the same day) on a net basis, even where those transactions are not covered by a bilateral netting agreement.
3. For the purposes of this article, the net basis shall be considered to be net of the collateral that will be delivered or received over the next 30 calendar days. However, in cases where the collateral is received within the next 30 calendar days, the net basis is considered to be net of this collateral only if both of the following conditions are met:
 - 3.1. in the case when the collateral is accepted, it will be qualified as a liquid asset according to Chapter II Subchapter II of this regulation;
 - 3.2. the bank shall be legally and operationally able to reuse the collateral in case of acceptance.

SUBCHAPTER II LIQUIDITY OUTFLOWS

Article 17 Definition of liquidity outflows

1. Liquidity outflows shall be calculated by multiplying the outstanding balances of various categories or types of liabilities and off-balance sheet commitments by the rates at which they are expected to run off or be drawn down as indicated in this Chapter.
2. The liquidity outflows defined in paragraph 1 of this Article shall include, in each case multiplied by the relevant outflow rate:
 - 2.1. the current outstanding amount for stable retail deposits and other retail deposits, as defined in Articles 19 and 20 of this Regulation;
 - 2.2. the current outstanding amount for other liabilities that become due, which may be called for pay-out by the issuer or by the provider of funding, or entail an expectation by the provider of funding that the bank would repay the liability during the next 30 calendar days, as defined in Articles 21 and 22 of this regulation;
 - 2.3. additional outflows, as defined in Article 23 of this regulation;
 - 2.4. the maximum amount that can be drawn over the next 30 calendar days, from undrawn committed credit and liquidity facilities, as defined in Article 24 of this Regulation;
 - 2.5. additional outflows identified in the assessment for other products and services, as defined in Article 18 of this regulation.

Article 18 Additional outflows for other products and services

1. The bank shall regularly assess the likelihood (probability) and potential volume of liquidity outflows during 30 calendar days for products or services that are not provisioned in Articles 21

to 24 of this Regulation, and which they offer or sponsor or which potential purchasers may consider associated with them.

2. These products or services defined in paragraph 1 of this article shall include, but not limited to, the outflows resulting from any of the contractual agreements for which the bank applies minimum outflow rates, such as:
 - 2.1. 10% for other off-balance sheet obligations and contingent (emergency) funding liabilities, including non-committed funding facilities, which may be cancelled unconditionally at any time and without notice;
 - 2.2. 10 % for undrawn loans and advances to non-retail counterparties, which may be cancelled unconditionally at any time and without notice;
 - 2.3. 100% for the loans secured by real estate, approved, but not yet drawn down;
 - 2.4. 5% for credit cards, which can be unconditionally cancelled at any time and without any notice;
 - 2.5. 7% for overdrafts, which can be unconditionally cancelled at any time and without any notice;
 - 2.6. 100% for planned outflows related to the renewal of existing retail or wholesale loans or the granting of new retail or wholesale loans;
 - 2.7. 100% for scheduled payable derivatives and credit derivatives;
 - 2.8. 5% for products related with off-balance sheet items of trade finance.
3. The outflows defined in paragraph 1 of this article will be assessed under the assumption of a combined idiosyncratic (specific) and market-wide (systemic) stress scenario, as defined in article 5 of this Regulation. For this assessment, banks should especially take into account the material reputational damage that may result from not supporting with liquidity these products or services.
4. Banks shall report at least once a year to the CBK those products and services for which the possibility and potential volume of liquidity outflows defined in paragraph 1 of this article are material and the CBK will determine whether to review certain outflow rates.

Article 19

Outflows from stable retail deposits

1. Except in cases when the criteria for higher outflow rates are fulfilled, according to article 20 paragraph 2, 3, or 8 of this Regulation, the amount of retail deposits covered by the Deposit Insurance Fund of Kosovo in accordance with the current Legislation on Insurance of Deposits or an equivalent deposit guarantee scheme in a foreign country shall be considered as stable and multiplied by 5% in cases where the deposit is:
 - 1.1. part of a previously established relationship with the bank, making deposit withdrawal highly unlikely; or
 - 1.2. held in the form of a current (transactional) account.

2. For the purpose of paragraph 1 subparagraph 1.1. of this article, a stable deposit shall be considered to be part of an established relationship, where the depositor meets at least one of the following criteria:
 - 2.1. has an active contractual relationship with the bank of at least 12 months duration;
 - 2.2. has a borrowing relationship with the bank for loans covered (guaranteed) by collateral in the form of residential real estate or other long-term loans;
 - 2.3. has at least one other active product, other than a loan, with the bank.
3. For the purpose of paragraph 1 subparagraph 1.2. of this article, a retail deposits shall be considered as being held in a current (transactional) account, where salaries, income or transactions are regularly credited and debited respectively against that account.

Article 20

Outflows from other retail deposits

1. Banks shall multiply by 10% other retail deposits, including the part of retail deposits that are not included in article 19 of this Regulation, except when the conditions defined in paragraph 2 of this article are applied.
2. Other retail deposits shall be subject to higher outflow rates, as determined by the bank, in accordance with paragraph 3 of this article, where the following conditions are met:
 - 2.1. the total deposit balance, including all client deposit accounts in the bank or in the banking group to which the bank belongs, exceeds 500,000 (five hundred thousand) Euros.
 - 2.2. the deposit is an account only accessible through internet;
 - 2.3. the deposit offers an interest rate that fulfils the following conditions:
 - 2.3.1. the interest rate significantly exceeds the average rate for similar retail products;
 - 2.3.2. the deposit return rate is defined by the return on a market index or a set of market indexes;
 - 2.3.3. the deposit return rate is defined by other market factors, other than a variable interest rate;
 - 2.4. the deposit was originally placed as a fixed-term deposit, where the maturity date falls within 30 calendar days or the deposit presents a fixed notice period shorter than 30 calendar days, in accordance with contractual arrangements, with the exception of deposits that qualify for the treatment defined in paragraph 5 of this Article;
 - 2.5. the depositor is a non-resident in Kosovo or the deposit is denominated in a currency other than the euro. For banks or subsidiaries/branches in foreign countries, the depositor is a non-resident in a foreign country or the deposit is denominated in a currency other than the local currency used in the foreign country;
3. Banks shall apply a higher outflow rate determined as follows:
 - 3.1. where the retail deposits fulfil the criterion defined in subparagraph 2.1. or two of the criteria in subparagraph 2.2. to 2.5 of paragraph 2 of this article, an outflow rate between 10% and 15% shall be applied;

- 3.2. where the retail deposits fulfil the criterion defined in subparagraph 2.1. of paragraph 2 of this article and at least one criterion defined in paragraph 2 of this article, or three or more criteria of paragraph 2 of this article, an outflow rate between 15% and 20% shall be applied.
4. On a case by case basis, CBK may apply a higher outflow rate where justified by the specific circumstances of the bank. Banks shall apply the outflow rate defined in paragraph 3, subparagraph 3.2., of this article for retail deposits where the assessment defined in paragraph 2 of this article has not been carried out or is not completed.
5. Banks may exclude from the calculation of outflows certain clearly limited categories of retail deposits as long as in each case the bank strictly applies the following provisions for the whole category of such deposits, unless an exception can be justified on the basis of circumstances of hardship for the depositor :
- 5.1. within 30 calendar days, the depositor is not allowed to withdraw the deposit; or
- 5.2. for early withdrawals within 30 calendar days, the depositor must pay a penalty that includes the loss of interest between the withdrawal date and the contractual maturity date plus a material penalty that must not exceed the late interest for the time elapsed between the date of deposit and date of withdrawal.
6. If a portion of the deposit defined in paragraph 5 of this article can be withdrawn without applying the corresponding penalties, only that portion shall be treated as a demand deposit and the remaining balance shall be treated as a term deposit as defined in this paragraph.
7. An outflow rate of 100% shall be applied to cancelled deposits with a residual maturity of less than 30 calendar days and where pay-out has been contracted to another bank.
8. By derogation from paragraphs 1 to 7 of this article and article 19 of this Regulation, banks shall multiply retail deposits that they have accepted in foreign countries by a higher percentage outflow rate if such a percentage is provided for by the local legislation establishing liquidity requirements in that foreign country.

Article 21

Outflows from operational deposits

1. Banks shall multiply by 25% liabilities resulting from deposits that are maintained as follows:
- 1.1. by the depositor in order to obtain clearing, custody, cash management, or other comparable services in the context of an established operational relationship with the bank;
- 1.2. by the depositor in the context of an established operational relationship other than that defined in subparagraph 1.1., of this article.
2. By derogation from paragraph 1 of this article, banks shall multiply by 5% the portion of liabilities resulting from deposits defined in paragraph 1 subparagraph 1.1. of this article, covered by the Deposit Insurance Fund of Kosovo in accordance with the legislation in force on Insured Deposits or an equivalent deposit guarantee scheme in a foreign country.

3. Clearing, custody, cash management or other comparable services defined in subparagraph 1.1. of paragraph 1 of this article, only cover such services to the extent that they are provided in the context of a previously established relationship that is critically important to the depositor. Deposits defined in subparagraph 1.1. and 1.2. of paragraph 1 of this article shall have significant legal or operational limitations that make significant withdrawals within 30 calendar days impossible. Funds in excess of the amount required for operational services will be treated as non-operational deposits.
4. Deposits that are created as a result of a relationship with a correspondent bank or from the provision of brokerage services shall not be treated as operational deposits and shall receive an outflow rate of 100%.
5. In order to identify the deposits defined in subparagraph 1.2. of paragraph 1, of this article, the bank shall take into account that there is an operational relationship established with a non-financial client, with the exception of time deposits, savings deposits and brokered deposits, in the case when all of the following criteria are met:
 - 5.1. the deposit is held by a non-financial customer;
 - 5.2. the deposit is not a time deposit or a saving account;
 - 5.3. the remuneration of the account is priced at least 5 basis points below the actual rate for wholesale deposits with comparable characteristics, but that are not negative;
 - 5.4. the deposit is held in dedicated (special) accounts and priced without creating economic incentives for the depositor to maintain funds in the deposits in excess of what is needed for the operational relationship;
 - 5.5. material transactions are credited and debited regularly for significant (material) customer transactions;
 - 5.6. one of the following criteria is met:
 - 5.6.1. the relationship with the depositor has existed for at least 24 months;
 - 5.6.2. the deposit has been used for a minimum of 2 active services. These services may include direct or indirect access to national or international payment services, security trading or depository services.
6. Only that part of the deposit that is necessary to make use of the service for which the deposit was established shall be treated as an operational deposit. The excess part of the deposit shall be treated as non-operational deposit.

Article 22

Outflows from other liabilities

1. The bank shall multiply by 40%, the liabilities resulting from deposits that are non-financial customers, central government, central banks, multilateral development banks or public sector entities, to the extent they do not fall under Article 21 of this Regulation.
2. By derogation from paragraph 1 of this article, where the liabilities defined in the first paragraph are covered by the Deposit Insurance Fund of Kosovo in accordance with the Legislation on

Deposit Insurance or an equivalent deposit guarantee scheme in a foreign country they shall be multiplied by 20%.

3. Banks shall multiply the liabilities resulting from the bank's operating expenses by 0%.
4. Banks shall multiply liabilities resulting from secured lending transactions and capital market-based transactions maturing within 30 calendar days by:
 - 4.1. 0% in cases when they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 10 of this Regulation as liquid assets of any of the categories of Level 1 Assets, defined in Article 10 of this regulation;
 - 4.2. 15% in cases where they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 11 of this Regulation as liquid assets of any of the categories of Level 2A Assets, defined in Article 11 of this Regulation;
 - 4.3. 25% in cases where they are collateralized with assets that would not qualify as liquid assets in accordance with articles 10 and 11 of this regulation and the lender is the Government of the Republic of Kosovo, a public sector entity, a regional government or a local authority in the Republic of Kosovo and the central government, a public sector entity, a regional government or a local authority of a foreign country in which the bank has been licensed or established a branch, or a multilateral development bank. Public sector entities that receive this treatment will be limited to those that have a risk weight of 20% or lower in accordance with Article 45 and Article 46, paragraph 4 and 5 of the Regulation on Bank Capital Adequacy;
 - 4.4. 50% in cases where they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 12 of this regulation as liquid assets of any of the categories of Level 2B Assets, defined in Article 12, paragraph 1, subparagraph 1.2. of this regulation ;
 - 4.5. 100% in cases where they are collateralized by assets that do not qualify for inclusion in any of the sub-paragraphs 4.1. to 4.4. of this paragraph.
 - 4.6. By derogation from subparagraphs 4.1. to 4.5., of this paragraph, in cases when counterparty in secured lending or transactions based on the capital market is the domestic central bank of the bank, the outflow rate shall be 0%.
5. collateral swaps and other transactions of a similar form, maturing within the next 30 days shall lead to an outflow in cases where the borrowed asset is subject to a lower haircut according to Subchapter II than the asset lent. The outflow shall be calculated by multiplying the market value of the borrowed asset by the difference between the outflow rate applied to the asset lent and the outflow rate applied to the borrowed asset determined in accordance with the rates set forth in paragraph 4 of this Article. For the purpose of this calculation, a haircut of 100% shall be applied to assets that do not qualify as liquid assets. With the exception of the rates defined in paragraph 4 of this article where the counterparty in the collateral swap or any other transaction of a similar form is the domestic central bank of the bank, the outflow rate that shall be applied to the market value of the borrowed asset shall be 0%.
6. Banks shall apply an outflow rate of 100% to all notes, bonds and other debt securities issued by banks, except where the bond is sold exclusively in the retail market and held in a retail account, in which case those instruments can be treated as the appropriate retail deposit category.

Limitations shall be placed such that those instruments cannot be bought and held by parties other than retail customers.

7. Unsecured borrowed assets maturing within the next 30 calendar days shall be assumed to be fully withdrawn creating a liquid asset outflow of 100%, except where the bank owns the borrowed assets and the borrowed assets do not form part of the liquidity buffer of the bank.
8. For the purpose of this article, 'domestic central bank' means any of the following:
 - 8.1. Central Bank of the Republic of Kosovo;
 - 8.2. the central bank of a foreign country in which the bank is licensed to operate.

Article 23

Additional outflows

1. Collateral other than cash and assets defined in Article 10 which is posted by the bank for the contracts listed in Annex IV of the Regulation on Bank Capital Adequacy and credit derivatives, shall be subject to an additional outflow of 20 %.
2. The bank shall calculate and notify the CBK of the additional outflow for all contracts entered into, the contractual conditions of which, and following a material deterioration of the credit quality of the bank, lead within 30 calendar days that bank have additional liquidity outflows or collateral needs.
3. Banks shall notify the CBK of this outflow defined in paragraph 2 of this article, no later than the date of submission of the reporting in compliance with this Regulation.
4. In cases where the CBK considers that this outflow according to paragraph 2 of this article is material in terms of additional liquidity outflows of the bank, it will ask the bank to add an additional outflow for those contracts that correspond to additional collateral needs or cash outflows resulting from a material deterioration in the bank's credit quality that corresponds to a deterioration in its external credit rating of at least three notches. The bank shall apply an outflow rate of 100% for additional collateral or cash outflows. The bank on a regular basis shall review the extent of this material deterioration that is relevant according to the contracts it has entered into and shall notify the result of this review to CBK.
5. The bank shall add an additional outflow corresponding to the collateral needs resulting from the impact of an adverse market scenario on the bank's derivative transactions, if material.
6. Outflows and inflows expected during 30 calendar days from the contracts listed in Annex IV of the Regulation on Bank Capital Adequacy and from credit derivatives shall be taken into account on a net basis in accordance with Article 16 of this Regulation. In cases of net outflow, the bank shall multiply the result by an outflow rate of 100%. Banks shall exclude from such calculations those liquidity requirements resulting from the implementation of paragraphs 1 to 5 of this article.
7. In cases where the bank has short positions covered by an unsecured security borrowing, the bank shall add an additional outflow corresponding to 100% of the market value of the securities or other assets sold short, unless the conditions on the basis of which the bank has borrowed them require their return only after 30 calendar days. In cases where the short position is covered

by a collateralized securities financing transaction, the bank shall assume that the short position will be held for a period of 30 calendar days and will receive an outflow of 0%.

8. The bank shall calculate an additional outflow rate corresponding to 100% of:
 - 8.1. the excess collateral held by the bank, that can be required at any time by the counterparty, in accordance with the contractual conditions;
 - 8.2. collateral that is due to be posted to a counterparty within 30 calendar days;
 - 8.3. collateral that corresponds to the assets that would qualify as liquid assets for the purposes of Chapter II of this Regulation, that can be substituted for assets corresponding to assets that would not qualify as liquid asset for the purposes of Chapter II without the consent of the bank.
9. Deposits received as collateral shall not be considered as liabilities, for the purposes of Article 19, 20, 21, 22 or 24 paragraph 7 and 8 of this Regulation, but shall be subject to the requirements of paragraphs 1 to 8 of this Article, where applicable. The amount of cash received that exceeds the amount of cash received as collateral shall be treated as a deposit in accordance with articles 19, 20, 21, 22 or 24 paragraph 7 and 8 of this regulation.
10. In relation to the provision of prime brokerage services, in cases where the bank has covered the short sales of a customer by matching them with the assets of another customer, and the assets do not qualify as liquid assets , such transactions shall be subject to an outflow rate of 50% for a contingent liability.

Article 24

Outflows from credit and liquidity facilities

1. For the purposes of this Article, a liquidity facility shall be considered any committed, undrawn back up facility that would be utilised to refinance the debt obligations of a client in situations where such a client is unable to rollover that debt in financial markets. Its amount shall be calculated as the amount of debt issued by the client currently outstanding and maturing within 30 calendar days that is backstopped by this liquidity facility. The portion of the liquid facility that is backing a debt that does not mature within 30 calendar days shall be excluded from the scope of the definition of the liquidity facility. Any additional amount of the facility shall be treated as a committed credit facility with the associated drawdown rate as specified in this Article. General working capital facilities for corporate entities will not be classified as liquidity facilities, but as credit facilities.
2. Banks shall calculate outflows for liquidity and credit facilities by multiplying the amount of liquidity and credit facilities with the corresponding outflow rates defined in paragraphs 3 to 5 of this Article. Outflows from liquidity and credit facilities shall be determined as a percentage of the maximum amount that can be drawn down within 30 calendar days, net of any liquidity requirement applicable for off-balance sheet items of trade finance, in accordance with Article 18 of this Regulation and net of any collateral made available to the bank, valued in accordance with Article 9 of this Regulation, provided that the collateral fulfils the following conditions:
 - 2.1. it may be reused or hypothecated by the bank;
 - 2.2. it is held in the form of liquid assets, but is not recognised as part of the liquidity buffer; and

- 2.3. it does not consist in assets issued by the counterparty of the facility or its affiliated entities. If the necessary information is available to the bank, the maximum amount that can be drawn down for credit and liquidity facilities shall be determined as the maximum amount that could be drawn down, based on the counterparty's obligations or on the pre-defined contractual drawdown schedule coming due over 30 calendar days.
3. The maximum amount that can be drawn down from undrawn committed credit facilities and undrawn committed liquidity facilities within 30 calendar days shall be multiplied by 5% if they qualify for the retail deposit exposures class.
 4. The maximum amount that can be drawn down from undrawn committed credit facilities within 30 calendar days shall be multiplied by 10% in cases where the following conditions are met:
 - 4.1. they do not qualify for the retail deposit exposure class;
 - 4.2. they have been provided to client that are not financial customers, including non-financial corporates, central governments, central banks, multilateral development banks and public sector entities;
 - 4.3. they have not been provided for the purposes of replacing funding of the client in the situations where the client is unable to obtain funding requirements in financial markets.
 5. The maximum amount that can be drawn down from undrawn committed liquidity facilities within the next 30 calendar days shall be multiplied by 30% when they meet the conditions defined in paragraph 4, subparagraph 4.1 and 4.2., of this article and by 40% when they are provided to personal investment companies.
 6. The bank shall multiply the maximum amount that can be drawn down from other undrawn committed credit and liquidity facilities within 30 calendar days by the corresponding outflow rate as follows:
 - 6.1. 40% for credit and liquidity facilities extended to banks and for credit facilities extended to other regulated financial institutions, including insurance companies and investment companies.
 - 6.2. 100% for liquidity and credit facilities granted to financial customers not referred to in subparagraph 6.1. of this paragraph, and paragraphs 1 to 5 of this Article.
 7. The banks shall multiply by 100% any liquidity outflows resulting from liabilities maturing within 30 calendar days, other than those defined in Articles 19 to 24 of this Regulation.
 8. In cases where the total amount of all contractual commitments to extend financing to non-financial customers within 30 calendar days, except for the commitments defined in articles 19 to 24 of this Regulation, exceeds the amount of inflows from these non- financial customers calculated according to article 25 paragraph 3 subparagraph 3.1., the addition will be subject to an outflow rate of 100%. For the purpose of this paragraph, non- financial customers shall include, but not be limited to, natural persons, small and medium-sized enterprises, corporations, governments, multilateral development banks and public sector entities, and shall exclude financial customers and central banks.

SUBCHAPTER III LIQUIDITY INFLOWS

Article 25

Inflows

1. Inflows shall be assessed over a period of 30 calendar days. They shall comprise only contractual inflows from exposures that are not past due and for which the bank has no reason to expect non-performance within 30 calendar days.
2. Banks shall apply an inflow rate of 100% for the inflows defined in paragraph 1 of this article, including in particular the following inflows:
 - 2.1. amounts due from central banks and financial clients with a residual maturity of no longer than 30 calendar days;
 - 2.2. amounts due from securities maturing within 30 calendar days;
 - 2.3. amounts due from the positions in the major indexes of equity instruments, provided that there is no double counting, as liquid assets and liquidity inflows. Such amounts shall include amounts contractually due within 30 calendar days, such as cash dividends from such major indexes and cash due from such equity instruments sold but not yet settled, if they are not recognized as liquid assets in accordance with Chapter II of this regulation ;
3. By derogation from paragraph 2 of this article, inflows defined in this paragraph shall be subject to the following requirements:
 - 3.1. Amount due from non-financial customer with a residual maturity of no more than 30 calendar days, except for amounts due from clients from trade finance or matured securities transactions, shall be deduced for the purposes of principal payments by 50% of their value. For the purpose of this subparagraph, the term " non-financial customers" has the same meaning as in article 24 paragraph 8 of this regulation;
 - 3.2. the amounts due from secured lending transactions and capital market-based transactions as defined in article 2 of this Regulation with a residual maturity of no longer than 30 calendar days shall be multiplied by:
 - 3.2.1. 0% in cases where they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 10 of this regulation as liquid assets of any of the categories of Level 1 Assets, defined in Article 10 of this regulation;
 - 3.2.2. 15% in cases where they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 11 of this regulation as liquid assets of any of the categories of Level 2A Assets, defined in Article 11 of this regulation;
 - 3.2.3. 25% in cases where they are collateralized with assets that would not qualify as liquid assets in accordance with articles 10 and 11 of this regulation and the lender is the Government of the Republic of Kosovo, a public sector entity, a regional government or a local authority in the Republic of Kosovo and the central government, a public sector entity, a regional government or a local authority of a foreign country in which the bank has been licensed or established a branch, or a multilateral development bank. Public sector entities that receive this treatment will be limited to those that

have a risk weight of 20% or lower in accordance with Article 45 and Article 46, paragraph 4 and 5 of the Regulation on Bank Capital Adequacy;

3.2.4. 50% in cases where they are collateralized by assets that, to be used as collateral for those transactions, would qualify in accordance with articles 7 and 12 of this regulation as liquid assets of any of the categories of Level 2B Assets, defined in Article 12, paragraph 1, subparagraph 1.2. of this regulation;

3.2.5. 100% in cases where they are collateralized by assets that do not qualify for inclusion in any of the subparagraphs 3.2.1. to 3.2.4. of this paragraph.

3.3. amounts due from contractual margin loans maturing within the next 30 calendar days provided against collateral consisting of non-liquid assets can receive an inflow rate of 50%. Those inflows can be considered in cases where the bank is not using the collateral it initially accepted against loans to cover any short positions;

3.4. amounts due that the bank owns shall be treated in compliance with Article 21, and shall be multiplied by the corresponding symmetrical inflow rate. In cases where the corresponding rate cannot be determined, an inflow rate of 5% shall be applied;

3.5. swap collateral contracts and other transaction of similar form maturing within 30 calendar days shall lead to an inflow in cases where the asset lent is subject to a lower haircut under Subchapter II than the asset borrowed. The inflow shall be calculated by multiplying the market value of the asset lent by the difference between the inflow rate applied to the borrowed asset and the inflow rate applied to the asset lent determined in accordance with the rates set out in the subparagraph 3.2. of this article. For the purpose of this calculation, the haircut of 100% shall be applied to assets that do not qualify as liquid assets;

3.6. in cases where collateral received through mutual repurchase agreements, securities lending, collateral swaps, or other transactions of a similar form that mature within a period of 30 calendar days, is used to cover short positions that may exceed 30 days, the bank shall assume that such repurchase agreements, securities borrowing contracts, collateral swaps or other transactions of similar form will be renewed again and will not create inflows that reflect the need to continue to cover short position or repurchase the relevant securities. Short positions will include both levels in cases where in the matched book the bank has sold the right of the security for sale as part of the trading or hedging strategy and the levels where in the matching book the bank has borrowed a security for a given period and credited the security for a longer period;

3.7. undrawn credit or liquidity facilities, including undrawn committed liquidity facilities from central banks, shall not be considered as an inflow;

3.8. amounts received from securities issued by the bank or any SSPE with which the bank has a close relationship shall be taken into account on a net basis with an inflow rate applied based on the inflow rate applicable to the underlying asset under this article;

3.9. loans with an undefined contractual maturity date will be considered at an inflow rate of 20%, provided the contract allows the bank to withdraw or demand payment within 30 calendar days.

4. Subparagraph 3.1. of paragraph 3 of this article shall not apply to amounts due from secured lending and capital market-based transactions that are collateralized by liquid assets in

accordance with Chapter II as defined in subparagraph 3.2. of paragraph 3 of this Article. Inflows from the release of balances held in segregated accounts in accordance with regulatory requirements for the protection of customer trading assets shall be taken into account in full, provided that those segregated balances are maintained in liquid assets as defined in Chapter II of this Regulation.

5. Outflows and inflows expected over 30 calendar days from the contracts listed in Annex IV of the Regulation on Bank Capital Adequacy and from credit derivatives shall be calculated on a net basis in accordance with Article 16 of this Regulation and shall be multiplied by an inflow rate of 100% in case of a net inflow.
6. Banks shall not take into account any inflows from any of the liquid assets defined in Chapter II other than payments due on the assets that are not reflected in the market value of the asset.
7. Banks shall not take into account inflows from any new obligations that they contract.
8. Banks shall take into account the liquidity inflows which are to be received in foreign countries where there are transfer restrictions or which are denominated in non-convertible currencies, only to the extent that they correspond to outflows respectively in the foreign country or currency in question.

Article 26 **Cap on inflows**

1. Banks shall limit the recognition of liquidity inflows to 75% of total liquidity outflows, as defined in Chapter II of this Regulation.
2. Banks shall determine the amount of net liquidity outflows under the application of the inflow cap in accordance with the formula laid down in Annex II of this Regulation.

CHAPTER IV **REPORTING, REMEDIAL MEASURES, TRANSITIONAL PROVISIONS AND ENTRY** **INTO FORCE**

Article 27 **Reporting to the Central Bank of the Republic of Kosovo**

1. Banks shall submit to the CBK the reporting forms determined by the CBK according to the methodological instruction on the reporting of the liquidity coverage ratio no later than fifteen days (15) after the end of each month.

2. CBK shall issue instructions for the implementation of this regulation.

Article 28

Enforcement, Remedial Measures and Civil Penalties

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

Article 29

Annexes

Annex I and Annex II are an integral part of this Regulation.

Article 30

Entry into force

This Regulation shall enter into force on 1 January 2023.

Flamur Mrasori

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

ANNEX I

FORMULA FOR THE DETERMINATION OF THE LIQUIDITY BUFFER COMPOSITION

1. Banks shall use the formula laid down in this Annex to determine the composition of their liquidity buffer in accordance with Article 13 of this Regulation.
2. Calculation of liquidity buffer: as of the calculation date, the liquidity buffer of the bank shall be equal to:
 - 2.1. the amount of level 1 assets; plus

- 2.2. the amount of level 2A assets; plus
 - 2.3. the amount of level 2B assets; minus the lesser of:
 - 2.4. the amount provided in points 2.1., 2.2., and 2.3.; or
 - 2.5. the excess amount of liquid assets as calculated in accordance with paragraphs 3 and 4 of this annex.
3. "The excess amount of liquid assets": this amount shall be comprised of the elements defined as follows:
 - 3.1. the amount of adjusted level 1 assets shall be equal to the value post-haircuts of all level 1 assets, that would be held by the bank in case of taking into account secured funding transactions, secured lending transactions or collateral swap transaction that matures within 30 calendar days from the calculation date and where the bank and counterparty exchange liquid assets on at least one leg of the transaction;
 - 3.2. the amount of adjusted level 2A assets shall be equal to the value post-haircuts of all level 2A assets that would be held by the bank in case of taking into account secured funding transactions, secured lending transactions or collateral swap transaction that matures within 30 calendar days from the calculation date and where the bank and counterparty exchange liquid assets at least on one leg of the transaction; and
 - 3.3. the amount of adjusted level 2B assets shall be equal to the value post-haircuts of all level 2B assets that would be held by the bank in case of taking into account secured funding transactions, secured lending transactions or collateral swap transaction that matures within 30 calendar days from the calculation date and where the bank and counterparty exchange liquid assets at least on one leg of the transaction.
 4. calculation of the " amount of excess liquid assets": this amount shall be equal to:
 - 4.1. the amount of adjusted level 1 assets; plus
 - 4.2. the amount of adjusted level 2A assets; plus
 - 4.3. the amount of adjusted level 2B assets; minus
 - 4.4. the lesser of:
 - 4.5. the amount of point 4.1., 4.2., and 4.3.
 - 4.6. $100/30 \times$ point 4.1
 - 4.7. $100/60 \times$ point 4.1
 - 4.8. $100/85 \times$ sum of point 4.1 and 4.2.
 5. The formula for calculating the Liquidity Buffer is as follows:

Liquidity buffer = Level 1 Assets + Level 2A Assets + Level 2B Assets – Adjustments for 15% cap – Adjustments for 40% cap.

Where:

Adjustments for 15% cap = Max (Adjusted Level 2B Assets - 15/85 * (Adjusted Level 1 Assets + Adjusted Level 2A Assets), Adjusted Level 2B Assets - 15/60 * Adjusted Level 1 Assets, 0)

Adjustments for 40% cap = Max (Adjusted Level 2A Assets + Adjusted Level 2B Assets - Adjustments for 15% cap) - 2/3 * Adjusted Level 1 Assets, 0)

Alternatively, the formula can be expressed as:

Liquidity Buffer = Level 1 Assets + Level 2A Assets + Level 2B Assets – Maximum (Adjusted Level 2A Assets + Adjusted Level 2B Assets) – 2/3 * Adjusted Level 1 Assets, Adjusted Level 2B Assets – 15/85 * (Adjusted Level 1 Assets + Adjusted Level 2A Assets),0)

ANNEX II

FORMULA FOR THE CALCULATION OF THE NET LIQUIDITY OUTFLOWS

NLO = Net liquidity outflows

TO = Total outflows

TI = Total inflows

Inflows subject to cap of 75% of outflows

Net liquidity outflows are equal = $NLO = TO - \text{Min}(TI; 0.75*TO)$