



Based on Article 35, paragraph 1 sub-paragraph 1.1 of Law No. 03/L-209 of the 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 NET STABLE FUNDING RATIO

Article 1

Purpose and scope

1. The purpose of this regulation is to ensure the stability of the bank for a longer period of time by establishing the criteria for the calculation of the net stable funding requirement and the minimum level of the Net Stable Funding Ratio, to ensure that banks maintain a profile of stable funding in relation to their assets and off-balance sheet items.
2. This regulation shall apply to all banks licensed by the Central Bank of the Republic of Kosovo (hereinafter: CBK) to operate in the Republic of Kosovo, including branches of foreign banks.

Article 2

Definitions

1. Unless otherwise specified, 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-Bank Financial Institutions (hereinafter: Law on Banks); The CBK Regulation on Banks' Capital Adequacy as well as the CBK Regulation on the Liquidity Coverage Ratio; and/or according to the following definitions for the purpose of this regulation:
 - 1.1. **Material penalty** – includes the loss of interest between the date of withdrawal and the contractual maturity of the deposit plus a material fine that shall not exceed the interest payable for the time elapsed between the date of deposit and the date of withdrawal;
 - 1.2. **Sight deposit** – means all cash deposits which can be withdrawn, without notice, at any time;
 - 1.3. **Netting set fair value** - the sum of the fair values of all transactions included in that netting set.

CHAPTER I

NET STABLE FUNDING RATIO

Article 3

Application on a consolidated basis

1. In cases where the net stable funding ratio (hereinafter: the NSFR) determined according to this regulation is applied on a consolidated basis, the following provisions are applied:
 - 1.1. the assets and off-balance sheet items of the subsidiary entity, operating with its main headquarters in the foreign country, which are subject to the required stable funding factors (hereinafter: RSF - Required Stable Funding) determined according to the legislation of the foreign country and that are higher than those specified in Chapter IV of this regulation, shall be subject to consolidation in accordance with the higher factors determined according to the legislation of that foreign country;
 - 1.2. liabilities and regulatory capital of the subsidiary entity, operating with its main headquarters in the foreign country, which are subject to the available stable funding factors (hereinafter: ASF - Available Stable Funding) determined according to the legislation of the foreign country and that are lower than those specified in Chapter III of this regulation, shall be subject to consolidation in accordance with the lowest factors determined according to the legislation of this foreign country;
 - 1.3. assets of foreign country that are in compliance with the requirements set forth in the CBK regulation on the Liquidity Coverage Ratio and that are held by the subsidiary entity with the main headquarters in the foreign country, shall not be recognized as liquid assets for the purposes of consolidation if these do not qualify as liquid assets according to the legislation that determines the liquidity coverage requirements of this foreign country.

Article 4

Net stable funding ratio

1. The net stable funding requirement shall be equal to the ratio between the amount of bank's available stable funding (hereinafter: ASF), as defined in Chapter III of this regulation, to the amount of bank's required stable funding (hereinafter: RSF), as defined in Chapter IV of this regulation, and must be expressed as a percentage. Banks must calculate their NSFR indicator according to the following formula:

$$\frac{\text{Amount of available stable funding (ASF)}}{\text{Amount of required stable funding (RSF)}} \geq 100\%$$

2. Banks shall maintain their stable net funding ratio of at least one hundred percent (100%), calculated in the reporting currency for all their transactions regardless of the denomination of their current currency.
3. If the bank's NSFR indicator has fallen below one hundred percent (100%), or is reasonably estimated to fall below one hundred percent (100%), the bank must immediately notify the CBK and must submit without undue delay a plan to restore compliance with the request from paragraph

2 of this Article. CBK will assess the reasons for the bank's non-compliance with paragraph 2 of this Article and may take administrative measures according to the Law on Banks.

4. Banks shall calculate and monitor their net stable funding ratio in the reporting currency for all their transactions, regardless of the current currency they use and separately for each currency for their transactions in other currencies if reporting in other currencies is in compliance with guidelines set by CBK.
5. Banks shall ensure that the distribution of their funding profile by currency is broadly consistent with the distribution of their assets by currency. The CBK may require banks to limit currency mismatches by defining limits on the portion of stable funding required for a particular currency that can be met by available stable funding that is not denominated in that currency. This limitation can only be applied to a currency that is subject to special reporting in accordance with guidelines set by CBK.
6. In determining the level of any limitation on currency mismatches that may be used in compliance with this article, the CBK shall consider at least:
 - 6.1. whether the bank has the ability to transfer available stable funding from one currency to another currency and across jurisdictions and legal entities within its group as well as the ability to swap currencies and raise funds from foreign exchange markets during the one-year period of the net stable funding ratio;
 - 6.2. the impact of adverse exchange rate movements on existing mismatched positions and the effectiveness of any foreign currency exchange hedges in place.

CHAPTER II

GENERAL RULES FOR THE CALCULATION OF THE NET STABLE FUNDING RATIO

Article 5

Calculation of the net stable funding ratio

1. Unless otherwise specified in this regulation, banks shall take into account the gross value of their assets, liabilities and off-balance sheet items during the calculation.
2. For the purposes of calculating their NSFR indicator, banks shall apply the appropriate stable funding factors, defined in Chapters III and IV of this regulation, to the book value of their assets, liabilities and off-balance sheet items, unless defined otherwise in this regulation.
3. Banks should not double count the amount of required stable funding (RSF) and the amount of available stable funding (ASF). Unless otherwise specified in this regulation, when an item can be allocated to more than one category of RSF, this item must be allocated to the category of RSF from which derives a longer contractual stable funding obligation required for that item.

Article 6

Derivative Contracts

1. Banks shall apply this article to calculate the RSF amount for derivatives contracts as defined in Chapters III and IV of this regulation.
2. Banks shall take into account the fair value of derivative positions according to the net basis where these positions are included in the same netting set. Where the former requirement of this paragraph is not applicable, then banks shall take into account the fair value of the derivative positions on a gross basis and must treat those positions as if they belonged to their own netting set for the purposes of Chapter IV of this regulation.
3. All derivative contracts listed in sub-paragraphs 2.1 to 2.5 of Annex II of this regulation, which include the full exchange of principal amounts on the same date must be calculated on a net basis between currencies, including the currency that is subject to separate reporting, even when those transactions are not included in the same netting set.
4. Cash accepted as collateral to reduce the exposure of the derivative position must be treated as it is and must not be treated as a deposit as defined in Chapter III of this regulation.

Article 7

Netting of securities-financed transactions and capital markets-based transactions

1. Banks may calculate the exposure value of cash receivables and cash payables in securities-financed transactions with the same counterparty on a net basis only when all the following conditions are met:
 - 1.1. transactions have the same final settlement date;
 - 1.2. the right to settle the amount owed to the counterparty with the amount the counterparty owes is legally enforceable in the normal course of business as well as in cases of failure, insolvency and bankruptcy;
 - 1.3. the counterparties intend to settle on a net basis or settle simultaneously, or the transactions are subject to a settlement mechanism that results in a function that is equal to net settlement.

CHAPTER III

AVAILABLE STABLE FUNDING FOR CALCULATING THE NSFR INDICATOR

SUB-CHAPTER I

GENERAL PROVISIONS

Article 8

Calculation of the available stable funding amount

1. Unless otherwise specified in this Chapter, the amount of ASF shall be calculated by multiplying the accounting value of the various categories of liabilities and capital by the sum of the ASF factors defined in Subchapter II of this Chapter. The total amount of ASF is the sum of the weighted amounts of liabilities and equity.
2. Bonds and other debt securities issued by the bank, sold exclusively in the retail market, and held in the retail account, may be treated as if they were part of the appropriate category of retail deposits. Limitations must be determined by the bank, in order to prohibit their purchase and retention by customers other than retail customers.

Article 9

Remaining maturity of the liability or regulatory capital

1. Unless otherwise specified in this Chapter, banks must consider the remaining contractual maturity of their liabilities and capital to determine the ASF factors when applying under Subchapter II of this Chapter.
2. Banks shall take into account existing option contracts when determining the maturity of a liability or its capital. Banks shall also consider assumptions that the counterparty will repurchase the call options at the earliest possible date. For option contracts exercisable at the bank's discretion, the bank must take into account reputational factors that may limit the bank's ability not to exercise the option contract, in particular market expectations that banks must repurchase certain liabilities before their maturity.
3. Banks must treat deposits with a fixed notice time according to this fixed notice time and must treat time deposits in accordance with the remaining maturity. Excluding paragraph 2 of this Article, banks shall not take into account the possibility of early withdrawal even when the depositor must pay a material penalty due to early withdrawals that occur within a period of one (1) year.
4. To determine the ASF factors that must be applied under Subchapter II of this Chapter for liabilities with a remaining contractual maturity of one year or more, any portion that matures in less than six (6) months and any portion that matures from six (6) months to one (1) year should be treated as remaining maturity for less than six (6) months as well as remaining maturity for six (6) months to less than one (1) year, respectively.

SUB-CHAPTER II

AVAILABLE STABLE FUNDING FACTORS

Article 10

Zero percent (0%) ASF factor

1. Unless otherwise specified in this Subchapter, all liabilities that do not have a defined maturity, including short positions and open maturity positions, are subject to a zero percent (0%) ASF factor, except for:
 - 1.1. deferred tax liabilities, which must be treated according to the closest date on which such liabilities can be realized;

- 1.2. Minority interest, which must be treated according to the duration of the instrument in question.
2. Deferred tax liabilities and minority interest defined in paragraph 1 of this Article are subject to the following factors:
 - 2.1. zero percent (0%) when the remaining effective maturity of the deferred tax liability or minority interest is less than one (1) year; and
 - 2.2. one hundred percent (100%) when the effective remaining maturity of the deferred tax liability or the minority interest is one (1) year or more.
3. The following liabilities are subject to the zero percent (0%) ASF factor:
 - 3.1. payables according to the trading date arising from purchases of financial instruments, foreign currencies and commodities, which are expected to be settled within the standard settlement cycle or period that is normal for the relevant exchange or type of transaction, or which have failed to be repaid but are expected to be repaid;
 - 3.2. liabilities with a remaining maturity of less than one (1) year provided by:
 - 3.2.1. CBK;
 - 3.2.2. European Central Bank (ECB) or Central Bank of a foreign country;
 - 3.2.3. Financial clients;
 - 3.3. any other liability and capital item or instrument that is not defined in this article or articles 11 to 14 of this regulation.
4. Banks shall apply the zero percent (0%) ASF factor to the absolute value of the difference, if it is negative, between the sum of the fair values of all netting sets with positive fair value and the sum of the fair values of all netting sets with the negative fair value calculated according to Article 6 of this regulation.
5. The following rules must be applied during the calculation referred to in paragraph 4 of this article:
 - 5.1. variation margin that banks have received from their counterparties must be deducted from the fair value of the netting set with the positive fair value when the collateral received as the variation margin qualifies as a Level one (1) asset, defined in the CBK regulation on liquidity coverage ratio, and when banks have the legal and operational right to reuse that collateral;
 - 5.2. all variation margins posted by banks to their counterparties will be deducted from the fair value of the netting set with the negative fair value.

Article 11

Fifty percent (50%) ASF factor

1. The following liabilities shall be subject to the fifty percent (50%) ASF factor:
 - 1.1. accepted deposits that meet the criteria for operational deposits, defined in Article 21 of the CBK Regulation on the liquidity coverage ratio;
 - 1.2. liabilities with remaining maturity of less than one year offered by:
 - 1.2.1. Government of the Republic of Kosovo or Central Government of a foreign country;

- 1.2.2. Regional governments or local authorities of a foreign country;
- 1.2.3. Public sector entities of the Government of Kosovo or of a foreign country;
- 1.2.4. Multilateral development banks defined in paragraph 3 of Article 47 and international organizations defined in Article 48 of the CBK Regulation on Bank Capital Adequacy;
- 1.2.5. non-financial corporations;
- 1.2.6. credit unions, private investment companies and clients who are deposit brokers, with the exception of accepted deposits, which meet the criteria for operational deposits defined in Article 21 of the CBK Regulation on the liquidity coverage ratio.

Article 12

Ninety percent (90%) ASF Factor

1. Sight retail deposits, retail deposits with a fixed notice period of less than one (1) year as well as time retail deposits with a remaining maturity of less than one (1) year that meet the relevant criteria for other retail deposits, defined in Article 20 of the CBK Regulation on the liquidity coverage ratio, shall be subject to the ninety percent (90%) ASF factor.

Article 13

Ninety five percent 95% ASF factor

2. Sight retail deposits, retail deposits with a fixed notice period of less than one (1) year, as well as term retail deposits with a remaining maturity of less than one (1) year that meet the relevant criteria for stable retail deposits, defined in article 19 of the CBK Regulation on the liquidity coverage ratio, shall be subject to ninety-five percent (95%) ASF factor.

Article 14

One hundred percent (100%) ASF factor

1. The following liabilities, items and equity instruments shall be subject to one hundred percent (100%) ASF factor:
 - 1.1. Bank's Tier 1 core capital items before the application of the regulatory adjustments defined in articles 20, 21 and articles 30 to 36 of the CBK Regulation on the bank capital adequacy and paragraph 6 of article 47 of the Law on Banks;
 - 1.2. Bank's Tier 1 additional capital items before the application of the regulatory adjustments defined in articles 20, 21 and articles 30 to 36 of the CBK Regulation on the bank capital adequacy and paragraph 6 of article 47 of the Law on Banks, except for instruments with explicit and embedded options that, if executed, will reduce the remaining effective maturity to less than one (1) year;
 - 1.3. Bank's Tier 2 capital items before the application of the regulatory adjustments defined in articles 20, 21 and articles 30 to 36 of the CBK Regulation on the bank capital adequacy and paragraph 6 of article 47 of the Law on Banks, with the exception of instruments with explicit and embedded options that, if executed, will reduce the remaining effective maturity to less than one (1) year;

- 1.4. any other instrument of the bank's capital with a remaining maturity of one (1) year or longer, with the exception of instruments with explicit or embedded options that, if executed, would reduce the effective remaining maturity in less than one (1) year;
- 1.5. any other secured and unsecured lending and liabilities with a remaining maturity of one (1) year or longer, including time deposits, unless otherwise specified in articles 10 to 13 of this regulation.

CHAPTER IV

REQUIRED STABLE FUNDING FOR THE CALCULATION OF THE NSFR INDICATOR

SUB-CHAPTER I

GENERAL REQUIREMENTS

Article 15

Calculation of the required stable funding amount

1. Unless otherwise specified in this Chapter, banks shall calculate the required stable funding by multiplying the accounting value of different categories or different types of assets and off-balance sheet items with RSF factors in compliance with Sub-Chapter II of this Chapter. The total amount of required stable funding must be equal to the sum of the weighted amounts of assets and off-balance sheet items.
2. Assets borrowed from the bank, including securities-financed transactions, which are included in the balance sheet and to which the banks do not hold beneficial ownership should be excluded from the calculation of the RSF amount. Assets borrowed from the bank, including securities-financed transactions which are not included in the balance sheet but for which the banks hold beneficial ownership must be subject to the application of RSF factors according to Subchapter II of this Chapter.
3. Assets that have been lent by banks, including securities-financed transactions, to which the banks hold beneficial ownership, even when they do not keep them on the balance sheet, should be considered as encumbered assets for the purposes of this Chapter and shall be subject to the applicable RSF factors under Subchapter II of this Chapter. In the opposite case, such assets should be excluded from the calculation of required stable funding.
4. Assets that are encumbered for the remaining time maturity of six (6) months or longer, one of the following factors must be applied: the RSF factor determined according to Subchapter II, of this Chapter, to those assets if they were to be held free or the RSF factor which is otherwise applicable to those encumbered assets, whichever factor is higher. The same should be applied when the remaining maturity of the encumbered assets is shorter than the remaining maturity of the transaction that is the source of the encumbrance. Assets with an encumbrance period of less than six (6) months must be subject to the RSF factors defined in Subchapter II, of this Chapter, as if the same assets were to be held free.

5. In cases where the bank re-uses or re-replaces as collateral an asset that was borrowed, included in securities-financed transactions, and that is calculated as an off-balance sheet asset, the transaction through which this asset was borrowed must be treated as encumbered to the extent that this transaction cannot mature without the bank returning the borrowed asset.
6. The following assets are considered unencumbered:
 - 6.1. 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 operated by a central bank, according to the uncommitted and unfunded lines of credit available to the bank. Banks must assume that the assets in the group are encumbered in order to increase liquidity based on the liquidity classification defined in Chapter II of the CBK Regulation on the liquidity coverage ratio, starting with non-acceptable assets for the liquidity reserve;
 - 6.2. assets that the bank has taken as collateral for the purpose of mitigating credit risk in the mutual transactions of the repurchase agreement or securities-financed transaction and that the bank can sell.
7. In the case of unusual, temporary operations carried out by the ECB or by a Central Bank of a foreign country to fulfill their mandate during a period of financial stress in the broader market or during exceptional macroeconomic circumstances, the following assets can be treated with reduced RSF factors:
 - 7.1. Excluding article 21 and sub-paragraph 1.1 of paragraph 1 of article 24 of this regulation, encumbered assets for the purposes of paragraph 7 of this article;
 - 7.2. excluding article 21 and sub-paragraph 1.2 of paragraph 1 of article 23 of this regulation, the amounts resulting from the operations according to paragraph 7 of this article.
8. In relation to paragraph 7 of this article, CBK shall determine, in agreement with the central bank that is the counterparty in the transaction, the RSF factor that should be applied to the assets referred to in paragraph 7, sub-paragraphs 7.1 and 7.2 of this article. For the encumbered assets, referred to in paragraph 7, sub-paragraph 7.1 of this article, the RSF factor that must be applied shall not be lower than the RSF factor that would be applied according to Subchapter II, of this Chapter, to those assets if they were held free.
 - 8.1. In case of application of the lower RSF factor in accordance with paragraph 8 of this article, the CBK will carefully monitor the impact of this reduced factor on the bank's stable funding positions and, if necessary, will take appropriate supervisory measures.
9. Banks shall exclude assets linked to collateral accepted as variation margin posted in accordance with sub-paragraph 5.2 of paragraph 5 of article 10 and paragraph 2 of article 24 of this regulation, from other parts for calculating the amount of required stable funding in accordance with this Chapter in order to avoid double counting.
10. Banks must include in the calculation of the amount of required stable funding, financial instruments, foreign currencies and commodities for which a purchase order has been executed. Banks, in calculating the RSF amount, must exclude financial instruments, foreign currencies and commodities for which a sale order has been executed, provided that these transactions are not included as derivatives or transactions with stable funding in the bank's balance sheet in the moment of repayment.

11. The CBK may determine the RSF factors that will be applied to off-balance sheet exposures that are not defined by this Chapter to ensure that banks maintain an adequate stable funding amount available for the portion of these exposures for which they are expected to require funding during the one (1) year period of the net stable funding ratio. For the determination of these factors, CBK shall especially take into account the material damage to the bank's reputation that may result from the bank's inability to provide such funding.

Article 16

Remaining maturity of an asset

1. Unless otherwise specified in this Chapter, banks must take into account the remaining contractual maturity of their off-balance sheet assets and transactions to determine the RSF factors that must be applied to off-balance sheet assets and items under Subchapter II of this Chapter.
2. To calculate the remaining maturity of an asset, banks must consider options, based on the assumption that the issuer or counterparty will exercise any option to extend the maturity of an asset. For options that can be exercised at the bank's discretion, the bank must take into account reputational factors that may limit its ability not to exercise the option, in particular market and customer expectations that the bank should extend the maturity of certain assets on the date of their maturity.
3. In order to determine the RSF factors that must be applied in compliance with Subchapter II of this Chapter, for amortizing loans with a remaining contractual maturity of one (1) year or more, the parts maturing in less than six (6) months and between six (6) months and less than one (1) year, shall be treated as if their remaining maturity is less than six (6) months and between six (6) months and less than one (1) year respectively.

SUBCHAPTER II

REQUIRED STABLE FUNDING FACTORS

Article 17

Zero percent (0%) RSF factor

1. The following assets shall be subject to the zero percent (0%) RSF factor:
 - 1.1. free assets which belong to Level 1 defined in the CBK Regulation on the liquidity coverage ratio, regardless of whether they meet the operational requirements defined in the same regulation.
 - 1.2. all the reserves that the bank holds at the CBK, the European Central Bank or the Central Bank of a foreign country, including required reserves and excess reserves;
 - 1.3. all claims against the CBK, the European Central Bank or the Central Bank of a foreign country with a remaining maturity of less than six (6) months.
2. Excluding sub-paragraph 1.2 of paragraph 1 of this Article, CBK may decide, in agreement with the relevant Central Bank of a foreign country, to apply a higher RSF factor to the required reserves, taking into account, in particular, the degree in which the reserve requirement exists over a one (1) year horizon and therefore requires stable interrelated funding.

3. For subsidiary entities that have their main headquarters in a foreign country, where the required reserves of the Central Bank are subject to the higher RSF factor according to the net required stable funding defined in the Legislation of that foreign country, the RSF factor that is higher should be considered for consolidation purposes.

Article 18

Five percent (5%) RSF factor

1. The undrawn part of credit and liquidity commitments defined in the CBK Regulation on the liquidity coverage ratio, shall be subject to the five percent (5%) RSF factor.
2. For all derivatives contract netting sets, banks shall apply the five percent (5%) RSF factor to the absolute fair value of these derivative contract netting sets, gross of any collateral posted when these netting sets have negative fair value. For the purposes of this paragraph, banks shall determine the fair value as gross of any collateral posted or settled payments and receipts related to market valuation changes to such contracts.

Article 19

Ten percent (10%) RSF factor

1. The following off-balance sheet assets and items shall be subject to the RSF factor of ten percent (10%):
 - 1.1. trade finance products registered as off-balance sheet items, as referred to in Annex I of this regulation.

Article 20

Twenty percent (20%) RSF factor

1. Unencumbered assets belonging to Level 2A assets defined in the CBK Regulation on the liquidity coverage ratio shall be subject to the RSF factor of twenty percent (20%), regardless of whether they meet operational requirements and requirements of the composition of the liquidity buffer as defined in the CBK regulation on the liquidity coverage ratio.

Article 21

Fifty percent (50%) RSF factor

1. The following assets shall be subject to the RSF factor of fifty percent (50%):
 - 1.1. loans secured by collateral and unsecured loans with a remaining maturity of less than one (1) year and provided that these are encumbered for less than one (1) year;
 - 1.2. all other assets with a remaining maturity of less than one (1) year, unless otherwise specified in articles 17 to 20 of this regulation;
 - 1.3. assets encumbered for the remaining maturity of at least six (6) months but less than one (1) year, except when these assets must be assigned the higher RSF factor in accordance with articles 22, 23 and 24 of this regulation, if they were held unencumbered, in which case the higher RSF factor should be applied as if these assets were held free.

Article 22

Fifty-five percent (55%) RSF factor

1. Assets belonging to Level 2B assets defined in the CBK regulation on the liquidity coverage ratio shall be subject to the RSF factor of fifty-five percent (55%), regardless of whether they meet the operational requirements and the composition requirements of the liquidity buffer defined in the same regulation, provided that they are encumbered for less than one (1) year.

Article 23

Eighty-five percent (85%) RSF factor

1. The following off-balance sheet assets and items shall be subject to the eighty-five percent (85%) RSF factor:
 - 1.1. Any off-balance sheet assets and items, including cash, posted as initial margin for derivative contracts, unless these assets must be assigned the higher RSF factor in accordance with Article 24 of this regulation, if they were held free, in which case the higher RSF factor should be applied as if these assets were held free;
 - 1.2. unencumbered loans with a remaining maturity of one (1) year or more, with the exception of loans to financial customers, which are not more than 90 days in arrears;
 - 1.3. trade finance products on the balance sheet, with a remaining maturity of one (1) year or more;
 - 1.4. unencumbered securities with a remaining maturity of one (1) year or more that have not been classified as "defaulted" according to the CBK Regulation on credit risk management and that are not considered liquid assets according to the CBK Regulation on the liquidity coverage ratio;
 - 1.5. unencumbered capital instruments traded on the stock exchange that are not considered Level 2B assets according to the CBK Regulation on the liquidity coverage ratio;
 - 1.6. physically traded commodities, including gold, but excluding commodity derivatives.

Article 24

One hundred percent (100%) RSF factor

1. The following assets shall be subject to the RSF factor of one hundred percent (100%):
 - 1.1. any asset encumbered for the remaining maturity of one (1) year or longer;
 - 1.2. any other asset except those referred to in Articles 17 to 23 of this regulation, including loans to financial clients that have a remaining contractual maturity of one (1) year or longer, non-performing exposures, items deducted from capital, fixed assets, non-exchange traded equities, retained interest, defaulted securities.
2. Banks shall apply the RSF factor of one hundred percent (100%) to the difference, if positive, between the sum of the fair values in all netting sets with positive fair values and the sum of the fair values in all netting sets with negative fair values calculated in accordance with Article 6 of this regulation.

3. The following rules shall be applied during the calculation referred to in paragraph 2 of this article:
 - 3.1. the variation margin that banks have received from their counterparties must be deducted from the fair value of the netting set with the positive fair value when the collateral accepted as the variation margin qualifies as a Level 1 asset, defined in the CBK regulation on the liquidity coverage ratio, and when banks have the legal and operational right to reuse that collateral;
 - 3.2. all variation margins posted by banks to their counterparties must be deducted from the fair value of the netting set with the negative fair value.

CHAPTER V REPORTING, REMEDIAL MEASURES AND ENTRY INTO FORCE

Article 25

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 relevant guidelines set by the CBK, no later than fifteen (15) calendar days after the end of each quarter.
2. Annex I and Annex II shall be an integral part of this regulation.

Article 26

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 Law No. 03/L-209 on the Central Bank of the Republic of Kosovo and the Law on Banks.

Article 27

Entry into force

This regulation shall enter into force on January 1, 2023.

Flamur Mrasori

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

ANNEX I

TRADE FINANCE OFF-BALANCE SHEET ITEMS

1. Average risk:
 - 1.1. trade finance off-balance sheet items, such as documentary credits issued and confirmed;
2. Medium/low risk:
 - 2.1. trade finance off-balance sheet items:
 - 2.1.1. documentary credits, in which the shipment or commodity serves as collateral, as well as other self-liquidating transactions;
 - 2.1.2. guarantees and commitments (including performance and tender bonds and guarantees related to advance payments and retention guarantees) and guarantees that do not have the characteristics of guarantees of a credit substitution character;
 - 2.1.3. irrevocable letters of credit that do not have the characteristics of credit substitutes.

ANNEX II TYPES OF DERIVATIVES

1. Interest rate contracts:
 - 1.1. interest rate swaps in a single currency;
 - 1.2. basic swap contract;
 - 1.3. forward rate agreements;
 - 1.4. interest rate futures contracts;
 - 1.5. interest rate options;
 - 1.6. other contracts of a similar nature.
2. Foreign exchange contracts and contracts relating to gold:
 - 2.1. interest rate swap contracts in different currencies
 - 2.2. forward exchange agreement;
 - 2.3. currency futures contracts;
 - 2.4. currency options;
 - 2.5. other contracts of a similar nature;
 - 2.6. contracts of a similar nature from 2.1 to 2.5 relating to gold.
3. Contracts of a similar nature to those in subparagraphs 1.1 to 1.5 of paragraph 1 and 2.1 to 2.4 of paragraph 2 of this annex that relate to other referent items or indexes. This includes as a minimum all the instruments defined in points 4) to 7), 9) and 10) of Annex V of the CBK Regulation on Bank Capital Adequacy, which are not otherwise included in points 1 or 2 of this the Annex.