



Roadmap for the Implementation of the Supervisory Review Process

*Roadmap for the Implementation of the Supervisory Review Process is approved by the
Executive Board on 28th of February 2025*

The Central Bank of the Republic of Kosovo aims to gradually implement the Supervisory Review Process considering the specificities of the Republic of Kosovo's banking sector to ensure that practices are proportionate and appropriate to the size, scope and complexity of the banking system. In addition, CBK aims to enhance the risk scoring system by selecting relevant criteria and refining the scoring guidance, leveraging its regular prudential data analysis to achieve more harmonized scoring outcomes.

The Central Bank of the Republic of Kosovo aims to transition from the current CAMELS rating system of banks to a new Supervisory Review Evaluation Process (SREP) approach in line with the principles outlined by the European Banking Authority Guidelines (EBA).

The main aim of the overall SREP is continuous monitoring and assessment of the risks that the bank is exposed to and establishing appropriate supervisory strategy with the ultimate aim of maintaining or improving the situation in the bank and/or the banking system.

CBK aims to enhance its risk-based supervisory framework, notably its risk assessment framework and Pillar 2 toolkit, to adopt the EU model of SRP.

Key elements of this roadmap will be the preparation of an initial draft of SREP manual, piloting the draft manual for the assessment of a few banks, updating the draft manual based on the feedback from the pilot exercise, and finalizing the manual. In addition, the roadmap details plan to train the staff, organize outreach and consultations with domestic banks and other stakeholders about SREP, and set a target date for the full implementation of the SREP manual.

CBK recognizes the Importance of Supervisory Review Process, considering that:

- The supervisory review process intends not only to ensure that banks have adequate capital and liquidity to support all the risks in their business, but also to encourage banks to develop and use better risk management techniques in monitoring and managing their risks.
- The supervisory review process recognizes the responsibility of bank management in developing an internal capital assessment process and setting capital targets that are commensurate with the bank's risk profile and control environment. Bank management continues to bear responsibility for ensuring that the bank has adequate capital to support its risks beyond the core minimum requirements.
- CBK is expected to evaluate how well banks are assessing their capital needs relative to their risks and to intervene, where appropriate. This interaction is intended to foster an active dialogue between banks and CBK such that when deficiencies are identified, prompt and decisive action can be taken to reduce risk or restore capital. Accordingly, CBK wish to adopt an approach to focus more intensely on those banks with risk profiles or operational experience that warrants such attention.
- The CBK recognizes the relationship that exists between the amount of capital held by the bank against its risks and the strength and effectiveness of the bank's risk management and internal control processes. However, increased capital should not be viewed as the only option for addressing increased risks confronting the bank. Other means for addressing risk, such as strengthening risk management, applying internal limits, strengthening the level of provisions and reserves, and improving internal controls, must

also be considered. Furthermore, capital should not be regarded as a substitute for addressing fundamentally inadequate control or risk management processes.

The SREP roadmap is built on the:

- Business model analysis;
- Assessment of internal governance arrangements and institution-wide controls;
- Assessment of risks to capital and adequacy of capital to cover these risks; and
- Assessment of risks to liquidity and adequacy of liquidity resources to cover these risks.

The SREP roadmap incorporates the recommendations provided by the IMF to CBK during their mission in December 2024 as part of the Technical Assistance (TA) on the Supervisory Review Process.

A detailed timeline for the implementation of the SREP roadmap is provided in Annex 1, which forms an integral part of this roadmap.

Annex 1

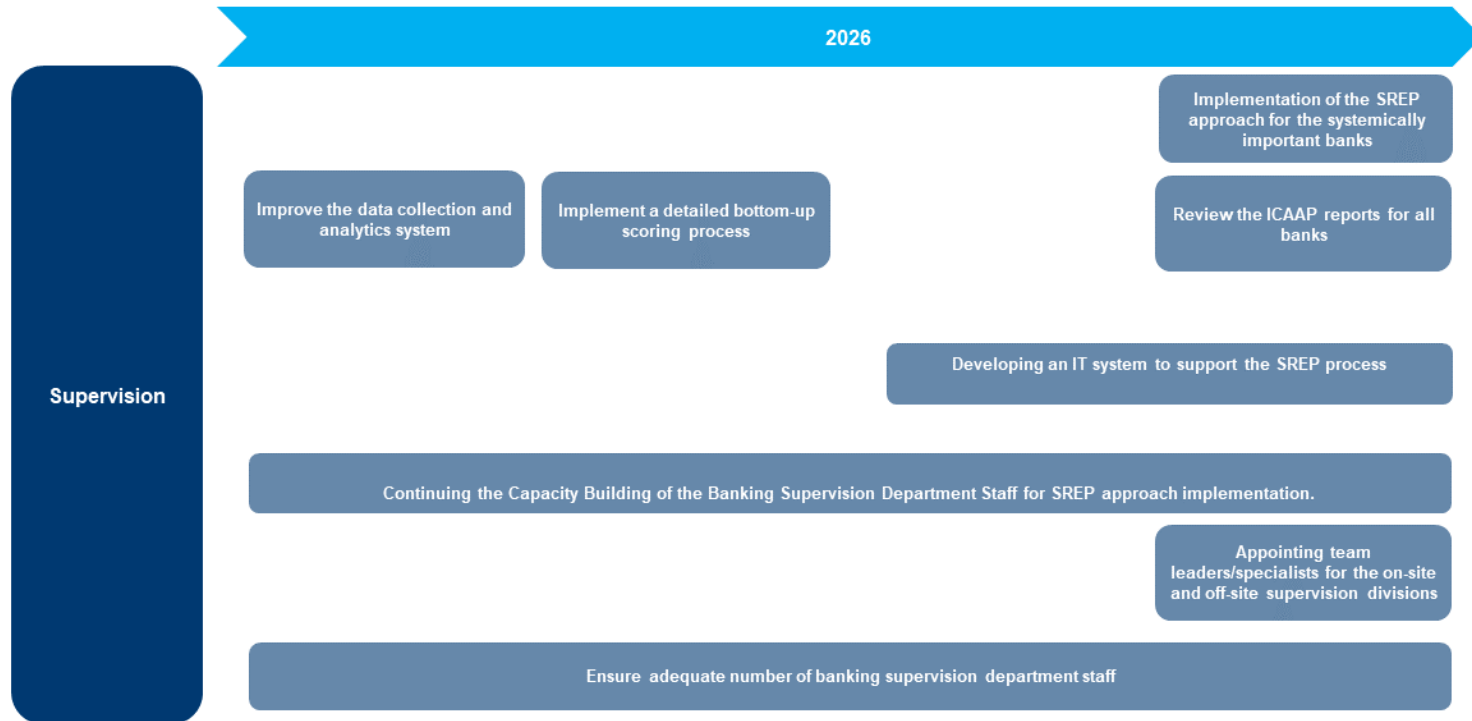
Roadmap and actions

Roadmap for 2025



Roadmap and actions

Roadmap for 2026



Roadmap and actions

Roadmap for 2027

