



Pursuant to Article 35, paragraph 1, subparagraph 1.1, of Law No. 03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77/16 August 2010), supplemented and amended by Law No. 05/L-150 on Amending and Supplementing Law No. 03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 10 / 03 April 2017), and Articles 16 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 its meeting held on 29 April 2025, approved the following:

REGULATION ON MACROPRUDENTIAL CAPITAL BUFFERS

Article 1

Purpose and scope

1. The purpose of this Regulation is to define and specify Macroprudential Capital Buffers, in the function of macroprudential supervision.
2. This Regulation is implemented by all banks licensed by the Central Bank of the Republic of Kosovo (CBK).

Article 2

Definitions

1. For the purposes of this Regulation, the following definitions shall apply:
 - 1.1. **Countercyclical Capital Buffer**– means the amount of Common Equity Tier 1 that a bank is required to hold in accordance with Article 3 of this Regulation;
 - 1.2. **Bank-specific Countercyclical Buffer** – means the amount of Common Equity Tier 1 that a bank is required to hold in accordance with paragraph 1 of Article 3 of this Regulation;
 - 1.3. **Other Systemically Important Institutions Buffer (O-SII Buffer)**– means the amount of Common Equity Tier 1 that systemically important banks are required to hold in accordance with Article 4 of this Regulation;
 - 1.4. **Systemic Risk Buffer**– means the amount of Common Equity Tier 1 capital that a bank is required to hold in accordance with Article 5 of this Regulation;
 - 1.5. **Combined Buffer Requirement**– means the total Common Equity Tier 1 capital that is necessary to meet the requirements for all applicable macroprudential capital buffers.

Article 3

Countercyclical Capital Buffer

1. Banks shall hold a countercyclical capital buffer in Common Equity Tier 1 capital (CET 1) capital, equivalent to the total risk-weighted exposure amount multiplied by the bank-specific countercyclical buffer rate referred to in paragraph 2 of this Article, on an individual and consolidated basis.
2. The bank-specific countercyclical capital buffer rate is the weighted average of the countercyclical capital buffer rates applicable in the Republic of Kosovo and in other jurisdictions in which the bank has material exposures, weighted by the total amount of risk-weighted exposures of the relevant jurisdictions.
3. The CBK shall set the countercyclical buffer rate for banks' exposures in the Republic of Kosovo, expressed as a percentage of the total risk-weighted exposure amount, in the range of 0% - 2.5%, calibrated in steps of 0.25 percentage points, or as an integer multiple of 0.25 percentage points. However, the CBK may set a countercyclical buffer rate above 2.5% of the total risk-weighted exposure amount, where this is justified on the basis of the assessment referred to in paragraph 7 of this Article.
4. For material exposures in other jurisdictions, banks shall use the countercyclical buffer rate set by the relevant macroprudential authority for that jurisdiction, except where the CBK has announced a different rate as referred to in paragraph 10 of this Article. The principle of materiality shall mean that banks shall take into account the countercyclical buffer rates of other jurisdictions only in cases where their exposures to those jurisdictions exceed 2% of the total risk-weighted exposure amount. Where such exposures constitute less than 2% of the total risk-weighted exposure amount, the bank-specific rate shall be equal to the rate set by the CBK for exposures in the Republic of Kosovo.
5. For the purposes of calculating bank-specific buffer rates under paragraph 2 of this Article, a bank shall identify the geographical locations of all its credit exposures and provide an adequate record of the countercyclical capital buffer rates applicable in those locations, including the procedures established for the regular updating of this record.
6. Banks may not use the Common Equity Tier 1 capital (CET 1) held to meet the requirement under paragraph 1 of this Article to meet any of the requirements imposed under Articles 4 and 5 of this Regulation, or any additional requirements imposed as part of supervisory measures.
7. The CBK shall periodically develop a “buffer guide” as a reference to guide the exercise of its judgment in setting the countercyclical buffer rate in accordance with paragraph 8 of this Article. The “buffer guide” shall reflect, in an understandable way, the credit cycle and the risks associated with excessive credit growth in the Republic of Kosovo, and shall take into account the specific features of the Kosovo economy. It shall be based on the deviation of the credit to Gross Domestic Product (GDP) ratio from its long-term trend, taking into account, inter alia:
 - 7.1. an indicator of the growth of credit levels within the Republic of Kosovo and, in particular, an indicator that reflects changes in the credit to GDP ratio in the country;
 - 7.2. current guidelines and recommendations/best practices issued by the Basel Committee on Banking Supervision (BCBS) and the European Systemic Risk Board (ESRB) on setting the countercyclical buffer rate.
8. The CBK shall assess and set the appropriate countercyclical buffer rate referred to in paragraph 3 of this Article on a periodic basis, taking into account:
 - 8.1. The “Buffer Guide” compiled in accordance with paragraph 7 of this article;

- 8.2. Any current guidance and recommendations issued by the Basel Committee on Banking Supervision (BCBS) and the European Systemic Risk Board (ESRB) on setting the countercyclical buffer rate;
 - 8.3. Other variables that it considers important for addressing the cyclical component of systemic risk.
9. The CBK shall announce the countercyclical buffer rate by publication on its website. The announcement shall include at least the following information:
- 9.1. the applied countercyclical buffer rate;
 - 9.2. the buffer guide mentioned in paragraph 7 of this article;
 - 9.3. the rationale for the countercyclical buffer rate;
 - 9.4. where the buffer rate is increased, the date from which banks must apply that increased buffer rate for the purposes of calculating the bank-specific countercyclical buffer. The application date shall not be later than 12 months after the date on which the rate increase is announced. If the application date is less than 12 months after the rate increase is announced, such a shortened application deadline shall be justified on the basis of exceptional circumstances;
 - 9.5. when the buffer rate is reduced, whether or not it is reduced to zero, the indicative period during which no increase in the buffer rate is expected. However, that indicative period shall not entail any obligation for the CBK.
10. For the purposes of calculating the countercyclical buffer for banks with exposures in other jurisdictions, the CBK may adopt a decision on:
- 10.1. A countercyclical buffer rate for that country in cases where such a rate has not been set and published by the relevant authority of the relevant jurisdiction, or
 - 10.2. A different countercyclical buffer rate for that jurisdiction if it considers that the rate set by the relevant authority of the relevant jurisdiction is not adequate to adequately protect those banks from the risks of excessive credit growth in that jurisdiction. The rate set by the CBK for other jurisdictions shall not be lower than the level set by the relevant authority of the relevant jurisdiction, unless that rate exceeds the rate of 2.5%, expressed as a percentage of the total risk-weighted exposure amount.
11. In the event that a bank fails to fully comply with the requirement under paragraph 1 of this Article, it shall be subject to the restrictions on dividend distributions set out in Article 6 of this Regulation. In the event that the application of these restrictions on dividend distributions does not result in an adequate improvement in the bank's Common Equity Tier 1 capital, the CBK may take additional measures in accordance with the Law on the Central Bank of Kosovo and the Law on Banks, MFIs and NBFIs.

Article 4

Buffer for Other Systemically Important Institutions (O-SII Buffer)

1. The CBK will identify, on an individual, sub-consolidated or consolidated basis, other systemically important institutions (O-SII) licensed by the CBK in the Republic of Kosovo.
2. Systemically important institutions shall be those banks which, due to their systemic importance, are more likely to pose risks to financial stability in Kosovo when they experience financial difficulties or in the event of failure. The CBK shall specify the methodology for identifying

systemically important banks, based on current guidance from the European Banking Authority and taking into account national specificities.

3. The methodology will include criteria for identifying systemically important banks and the manner of classifying them into subcategories to determine the O-SII buffer rate of up to 3.5% of the total risk-weighted exposure amount.
4. Based on the methodology referred to in paragraph 3 of this Article, the CBK shall at least once a year identify systemically important banks, classify them into relevant subcategories and set the relevant O-SII capital buffer rates that each systemically important bank must maintain. The O-SII buffer must be covered by Common Equity Tier 1 capital.
5. The CBK will notify each systemically important bank through a decision on the O-SII buffer rate that they must maintain.
6. The CBK will publish on its website information on the methodology it uses to identify systemically important banks, and other relevant information according to its assessment.
7. Banks may not use the Common Equity Tier 1 capital (CET 1) held to meet the requirement under paragraph 4 of this Article to meet any of the requirements imposed under Articles 3 and 5 of this Regulation, or any additional requirements imposed as part of supervisory measures.
8. In the event that a bank fails to fully comply with the requirement under paragraph 4 of this Article, it shall be subject to the restrictions on distributions set out in Article 6 of this Regulation. If the application of these restrictions on distributions does not result in an adequate improvement in the bank's Common Equity Tier 1 capital, the CBK may take additional measures in accordance with the Law on the Central Bank of Kosovo and the Law on Banks, MFIs and NBFIs.

Article 5

Systemic Risk Buffer

1. The CBK may impose a systemic risk capital buffer for the banking sector or for one or more segments of this sector, with the aim of preventing and mitigating long-term non-cyclical systemic or macroprudential risks, not covered by other articles of this Regulation, in the sense of a risk of disruption in the financial system that has the potential to have serious negative consequences for the financial system and the real economy in Kosovo. This capital buffer must be met with Common Equity Tier 1 capital (CET1).
2. For the purposes of paragraph 1 of this Article, banks may be required by the CBK to maintain a systemic risk buffer of at least 1% of the exposures to which this buffer applies. The rate may be different for different banks or sub-groups of banks and may be applied to all or only a portion of the exposures without jurisdictional limitation, at the level and in the manner determined by the CBK. The rate of the systemic risk buffer shall be in gradual or accelerated steps of 0.5%, up to a maximum of 3%. Once set, the rate of the systemic risk buffer shall be reviewed at least every two years.
3. As an exception to paragraph 2 of this Article, the CBK may set a systemic risk buffer rate higher than 3% where this is justified for the purpose for which it was established under paragraph 1 of this Article. In such cases, the CBK shall provide a description of the systemic risk that the buffer is intended to address and the reasons why the dimension of this risk threatens the stability of the financial system, including a justification why none of the other measures available under this

Regulation, separately or in combination, would be sufficient to address the identified risk. The justification shall be made public, except in cases where the information provided is considered to threaten the stability of the financial system.

4. Banks may not use the Common Equity Tier 1 capital (CET 1) held to meet the requirement under paragraph 2 of this Article to meet any of the requirements imposed under Articles 3 and 4 of this Regulation, or any additional requirements imposed as part of supervisory measures.
5. In the event that a bank fails to fully comply with the requirement under paragraph 2 of this Article, it shall be subject to the restrictions on dividend distributions set out in Article 6 of this Regulation. If the application of these restrictions on dividend distributions does not result in an adequate improvement in the bank's Common Equity Tier 1 capital, the CBK may take additional measures in accordance with the Law on the Central Bank of Kosovo and the Law on Banks, MFIs and NBFIs.

Article 6

Restrictions on distributions

1. A bank that meets the Combined Buffer Requirement (CBR) must not distribute Common Equity Tier 1 capital to an extent that would reduce the level of this capital below the level where the Combined Buffer Requirement is no longer met.
2. The CBK shall require a bank that fails to meet the combined capital buffer requirement to calculate the Maximum Distributable Amount (MDA) in accordance with paragraph 4 of this Article, and to notify the CBK. When the first paragraph of this Article applies, banks are prohibited from taking any of the following actions before having calculated the MDA:
 - 2.1. to make distributions of common equity tier 1;
 - 2.2. create an obligation to pay variable remuneration or discretionary pension benefits or to pay variable remuneration, if the obligation is created when the bank has not met the requirements for the combined capital buffer;
 - 2.3. to make payments on additional Tier 1 capital instruments.
3. When a bank does not meet or exceeds the combined capital buffer requirement, it is prohibited from distributing more than the MDA calculated under paragraph 4 of this article, through taking the actions referred to in points 2.1, 2.2 and 2.3 of paragraph 2 of this article.
4. Banks shall calculate the MDA by multiplying the value calculated under paragraph 5 of this Article by the factor determined under paragraph 6 of this Article. The MDA shall be reduced by any action referred to in points 2.1, 2.2 or 2.3 of paragraph 2 of this Article.

Table 1. MAXIMUM DISTRIBUTION AMOUNT -MDA

Value of interim and year-end profits, not included in	FACTOR = Maximum distribution percentage	MAXIMUM DISTRIBUTION AMOUNT (MDA)
--	---	--

Common Equity Tier 1 (VP)		
VP	0%	VP * FACTOR = Maximum Distribution Amount (MDA)
VP	20%	VP * FACTOR = Maximum Distribution Amount (MDA)
VP	40%	VP * FACTOR = Maximum Distribution Amount (MDA)
VP	60%	VP * FACTOR = Maximum Distribution Amount (MDA)

5. The value to be multiplied according to paragraph 4 of this article shall consist of:

- 5.1. Interim profits not included in the Common Equity Tier 1 according to the Regulation on Capital Adequacy of Banks, generated since the most recent decision on the distribution of profits or any of the actions referred to in points 2.1, 2.2 or 2.3 of paragraph 2 of this article;
- 5.2. Year-end profits not included in the Common Equity Tier 1 according to the Regulation on Capital Adequacy of Banks, generated since the most recent decision on the distribution of profits or any of the actions referred to in points 2.1, 2.2 or 2.3 of paragraph 2 of this article;
minus
- 5.3. The amounts that would be paid for taxes if the provisions set out in points 5.1 and 5.2 of this paragraph were maintained.

6. The factor is defined as follows:

- 6.1. Where the Common Equity Tier 1 capital held by the bank, which is not used to meet regulatory capital requirements under the Regulation on Capital Adequacy of Banks, expressed as a percentage of the risk-weighted exposure amount calculated under paragraph 5 of Article 5 of the same regulation, is within the first (lowest) quartile of the combined buffer requirement, the factor is 0;
- 6.2. When it is within the second quartile, the factor is 0.2;
- 6.3. When it is within the third quartile, the factor is 0.4;
- 6.4. When within the fourth (highest) quartile of the combined buffer requirement, the factor is 0.6.

The lower and upper bounds of each combined capital buffer quartile are calculated as follows:

Lower bound of the quartile = (Combined buffer requirement)/4 × (Qn-1)

Upper bound of the quartile = (Combined buffer requirement)/4 × Qn;

Where "Qn" represents the ordinal number of the quartile concerned.

Table 2.

<p>Combined Capital Buffer (CCB) Quartile where is positioned VP= Combined Capital Buffer (CCB)/4*Qn-1 For example: If the value of interim and year-end profits not included in the Common Equity Tier 1 (CET1) capital, results in the quartile of 25% to 50% of the combined capital buffer (CCB) level, then distribution of up to 20% of VP (as dividends) is permitted.</p>	<p>FACTOR = Maximum distribution percentage</p>
<p>Quartile 1 0%-25% of the CCB level</p>	<p>0%</p>
<p>Quartile 2 >25% - 50%</p>	<p>20%</p>
<p>Quartile 3 >50% - 75%</p>	<p>40%</p>
<p>Quartile 4 >75% - 100%</p>	<p>60%</p>

7. The restrictions imposed by this article apply only to payments that result in a reduction in Common Equity Tier 1 or a reduction in profits and in cases where the suspension or failure to make payments does not constitute an event of default or a condition for initiating proceedings under the liquidation requirements applicable to the bank.
8. Where a bank does not meet the combined capital buffer requirement and submits a request to the CBK for approval of the distribution of any distributable profit or to take one of the actions referred to in points 2.1, 2.2 and 2.3 of paragraph 2 of this article, it must submit the following information to the CBK:
 - 8.1. the value of the capital held by the bank, divided as follows:
 - 8.1.1. Common equity Tier 1;
 - 8.1.2. additional tier 1 capital;
 - 8.1.3. tier 2 capital;
 - 8.2. the value of interim profits and year-end profits;
 - 8.3. the MDA calculated according to paragraph 4 of this article;
 - 8.4. the value of distributable profits that the bank intends to allocate between the following items:
 - 8.4.1. dividend payments;
 - 8.4.2. share buybacks;
 - 8.4.3. payments for Additional Tier 1 Capital instruments;
 - 8.4.4. payments of variable remuneration or discretionary pension benefits, either through the creation of a new payment obligation or through payment under an obligation created when the bank has not met the requirements for the combined buffer.

9. Banks must maintain procedures to ensure that the value of distributable profits and MDA are calculated accurately and must be able to demonstrate their accuracy upon request by the CBK.
10. For the purposes of paragraphs 1 and 2 of this Article, a distribution in relation to Common Equity Tier 1 capital includes:
 - 10.1. A cash dividend payment;
 - 10.2. Distribution of fully or partially paid bonus shares, or other capital instruments referred to in Article 7 of the Regulation on Capital Adequacy of Banks;
 - 10.3. The repurchase or purchase by a bank of its own shares or other capital instruments referred to in Article 7 of the Regulation on Capital Adequacy of Banks;
 - 10.4. Reimbursement of amounts paid in relation to capital instruments referred to in Article 7 of the Regulation on Capital Adequacy of Banks;
 - 10.5. Distribution of items referred to in Article 7 of the Regulation on Capital Adequacy of Banks.

Article 7

Capital Preservation Plan

1. If a bank fails to meet its combined capital buffer requirement, it must prepare a capital preservation plan and submit it to the CBK no later than five business days after identifying that it is not meeting this requirement, unless the CBK authorizes a longer period of up to 10 days. The CBK will grant such authorizations only on the basis of the bank's individual situation and taking into account the scale and complexity of its activities.
2. The capital preservation plan should include the following:
 - 2.1. estimates of income and expenses as well as a forecast of the balance sheet;
 - 2.2. measures to increase bank capital ratios;
 - 2.3. a plan and timeline for increasing the Common Equity Tier 1 in order to fully meet the combined capital requirement;
 - 2.4. any other information that the CBK considers necessary to carry out the assessment referred to in paragraph 3 of this article.
3. The CBK will assess the capital conservation plan and will approve the plan only if it considers that, by implementing it, the bank is reasonably likely to maintain or increase sufficient capital to enable it to meet the combined capital buffer requirements within a period that the CBK considers appropriate.
4. If the CBK does not approve the capital preservation plan in accordance with paragraph 3, it shall impose one or both of the following measures:
 - 4.1. require the bank to increase its Common Equity Tier 1 to certain levels within specified periods;
 - 4.2. to take additional measures in accordance with the Law on the CBK and the Law on Banks, MFIs and NBFIs.

Article 8
Enforcement, remedial measures and civil penalties

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

Article 9
Final provisions

1. The macroprudential buffer set out in the Regulation on Capital Adequacy of Banks, referred to as the Capital Conservation Buffer, remains in force and is applied in accordance with the requirements and provisions of that regulation.
2. The Regulation on Macroprudential Capital Buffers defines all other capital buffers within the framework of macroprudential supervision.
3. Legal acts (decisions/ordinances) issued by the CBK prior to the entry into force of this Regulation, on the Implementation of Macroprudential Instruments - Positive Neutral Countercyclical Capital Buffer and Capital Buffer for Systemically Important Banks shall remain in force and are not affected.

Article 10
Entry into force

This Regulation shall enter into force on May 1, 2025.

Dr. Sc. Bashkim Nurboja
Chairman of the Board of the Central Bank of the Republic of Kosovo