



In accordance with the authorization granted in Article 35, paragraph 1, subparagraph 1.1 and Article 12 of the Law on Central Bank of the Republic of Kosovo, the Board of the Central Bank of the Republic of Kosovo, in the meeting held on January 13, 2012, approved:

## **Regulation On Minimum Reserve Requirement**

### **Article 1 Scope**

This regulation is issued to set the minimum reserves required to be maintained by all banks in Kosovo as foreseen by Article 12 of the Law on CBK.

### **Article 2 Reserve base**

Bank reserve requirement for each maintenance period is calculated as a percentage of the following liabilities with maturities up to one year:

- (a) Deposits
- (b) Borrowings
- (c) Securities

For purposes of this Regulation, current account deposits and savings account deposits are considered to have maturities of less than one year.

### **Article 3 Minimum required reserve ratio**

The CBK shall determine the percentage of the applicable bank reserve base that is required to be maintained (the ratio of the minimum required reserve). The CBK may adjust this ratio any time before or during the maintenance period to which it applies. As of the issuance of this Regulation, the minimum required reserve ratio shall be 10 per cent.

**Article 4**  
**Required Reserve calculation**

The basis for calculating the minimum reserve requirement shall be determined as the average amount of the daily balances on the deposit-taking institution's accounts for each calendar day of the previous calendar month.

**Article 5**  
**Reserve maintenance period**

The period over which banks are required to maintain minimum required reserves shall be one calendar month and shall begin from the fifth calendar day after the reported basis period and end on the fourth calendar day of the following period, and shall be called the reserve maintenance period.

**Article 6**  
**Reserve assets**

The assets with which the bank can meet its demands for reserve are its deposits with the CBK and fifty per cent (50%) of the cash in its vaults. However, deposits with the CBK may not be less than half of the applicable minimum reserve requirement. Eligible cash must be in Euros or other readily convertible currencies.

**Article 7**  
**Reserve assets requirement is a daily minimum requirement**

The reserve ratio and the balance with the CBK must always equal or exceed the minimum required amounts. In other words, these are not average balances to be maintained, but absolute minimums that must be maintained every day.

**Article 8**  
**Interest on minimum reserve required**

The interest rate shall be established from time to time by the CBK.

The CBK shall pay interest on the balances held at the CBK up to the amount of 10% of the minimum required reserve ratio.

This remuneration shall be credited to the bank's clearing accounts at the CBK within five business days following the end of the maintenance period to which it applies.

**Article 9**  
**Calculation and reporting requirements**

The bank shall calculate its reserve requirement and submit a report on its applicable deposits to the CBK in accordance with the schedule established by the CBK. In order to calculate averages for the reserve basis, end of business day closing balances shall be used.

**Article 10**  
**Penalties**

The failure of a bank to maintain the minimum daily reserve required shall result in appropriate fines and other penalties to be determined in accordance with CBK powers under section 67.2 of the Law on the CBK. Repeated failure can result in exclusion from the payments system until compliance is re-obtained. The Banking Supervision Department of the CBK shall be notified promptly of all failures to maintain the required amounts.

### **Article 11**

#### **Exemption from maintaining liquidity reserves**

Banks that have been declared insolvent or in liquidation, shall be exempt from maintaining minimum required liquidity reserves with the CBK, as of the effective date of the Ruling on insolvency or as of the date of initiating proceedings for foreclosure or voluntary liquidation and the appointment of a liquidator. The assets on bank's clearing accounts may be disposed of by administrators or liquidators upon presenting a written request to the CBK Bank Supervision Department, together with all necessary documents certifying their authorization.

### **Article 12**

#### **Repeal**

Upon entrance in force of this Regulation, Regulation XVII on Minimum Required Liquidity Reserves shall be repealed.

### **Article 13**

#### **Effective date**

This Regulation will take effect on January 16, 2012.

Gazmend Luboteni

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