
DECIDED:

1 To adopt the Regulation "On the minimum required reserve maintained by banks with the Bank of Albania", as provided in the text attached thereto.

2 Banks shall implement the provisions of the Regulation set out in paragraph 1 of this Decision, for the forthcoming base period of the calendar month when this decision enters into force.

3 The Monetary Operations Department, Supervision Department, Issue Department and other structures at the Bank of Albania are responsible for the implementation of this Decision.

4 Foreign Relations, European Integration and Communication Department shall be responsible for publishing this Decision in the Official Journal of the Republic of Albania and Bank of Albania's Official Bulletin.

5 The Decision No. 43, dated 16.07.2008 of the Supervisory Council on the approval of the Regulation "On the minimum required reserve maintained by banks with the Bank of Albania", as amended shall be repealed upon the entry into force of this Decision.

This decision shall enter into force immediately.

SECRETARY                                      CHAIR

YLLI MEMISHA                                          ARDIAN FULLANI
BANK OF ALBANIA
SUPERVISORY COUNCIL

REGULATION
“ON THE REQUIRED MINIMUM RESERVES MAINTAINED BY BANKS WITH THE BANK OF ALBANIA”

CHAPTER I
General provisions

Article 1
Scope
The purpose of this Regulation is to set out the rules on the calculation, report, holding, use and remuneration of the minimum required reserve maintained with the Bank of Albania.

Article 2
Legal Basis
This regulation is issued pursuant to:

c) Decision of the Supervisory Council on the approval of the Regulation "On the organisation and functioning of Monetary Operations Department"; and
d) other by-laws issued by the Bank of Albania.

Article 3
Purpose of holding the required reserve
The required reserve is the monetary policy instrument of the Bank of Albania, which aims to regulate banking system liquidity and the stability of interest rates in the money market.

Article 4
Definitions
In this Regulation, the following terms shall have these meanings:
a) **Base period** – is each calendar month, whose end serves for the monitoring of the required reserve base, for calculating the required reserve.

b) **Maintenance period** – is the period within which the commercial banks hold the required reserve with the Bank of Albania.

c) **Reserve base** – is the sum of a bank’s liabilities, observed in the last day of the base period, for which the required reserve will be maintained.

d) **Required reserve** – is the minimum level of the reserves that a bank is required to hold with the Bank of Albania. Required reserves will be calculated as aliquot of the reserve base with the minimum reserve rate.

e) **Reserve account** – is the bank’s account with the Bank of Albania.

f) **Minimum Reserve ratio** – is the percentage of the minimum reserve base.

g) **Bank** – means the banks and branches of foreign banks licenced by the Bank of Albania.

h) **Remuneration** – means the interest amount paid by the Bank of Albania to banks, on the required reserve that banks hold with the Bank of Albania.


j) **Sanction** – is the monetary amount applied as a penalty rate, which the bank and branch of foreign bank shall pay, in the event of failure to meet the required reserve in compliance with the provisions stipulated in this Regulation.

k) **Cash in custody** – means the depositing of banknotes and coins for maintenance with the Bank of Albania.

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**CHAPTER II**

**Calculation and reporting of the required reserve**

**Article 5**

**Entities subject to maintaining the required reserve**

1. All banks shall hold required reserve with the Bank of Albania in accordance with the provisions set forth in this Regulation.

2. The bank shall report on the required reserve at the moment of being granted the licence by the Bank of Albania, in accordance with the terms and conditions set forth in this Regulation, even if its reserve base is zero.
3. The following will be exempted from the stipulation set forth in paragraph 1 of this Article:
   a) banks, which are under liquidation procedures; and
   b) banks, during the final closure of their activity in accordance with the provisions set out in the Law "On banks in the Republic of Albania", as amended, due to the revocation of their licence.

**Article 6**

**Reserve base**

1. Reserve base shall comprise the liabilities arising from the acceptance of funds by banks, reflected in their balance-sheet, denominated in Lek and foreign currency.

2. The following liabilities shall be excluded from the reserve base:
   a) liabilities owed to other banks (time deposits and current accounts);
   b) liabilities owed to the Bank of Albania;
   c) liabilities owed to the government and authorities of public administration;
   d) liabilities created to cover the letter of credits;
   e) liabilities established from the depositing of funds as a guarantee; and
   f) escrow accounts

Annex 1 with the statement of the balance-sheet accounts, included in the reserve base, is an integral part of this Regulation.

3. Reserve base will be calculated in respect of the data of banks' balance-sheet at the last day of the calendar month, prior to the month within which the maintenance period starts.

4. Euro and USD will be the foreign currencies, in which the reserve base deriving from banks' liabilities in foreign currency will be stated.

5. All liabilities of banks denominated in foreign currencies, different from those stipulated in paragraph 4 of this Article, shall be converted in Euro, with the fixed exchange rate of the last day of the base period, published by the Bank of Albania.

**Article 7**

**Required reserve ratios**

1. A reserve ratio of 0% shall apply to the following liability categories:
   a) deposits with agreed maturity over two years;
   b) deposits certificates with initial agreed maturity over two years;
   c) repurchasing and reverse repurchasing agreements.

2. The required reserve ratio applied to all the other types of liabilities shall be set forth by a decision of the Supervisory Council of the Bank of Albania and shall be notified to
banks at least 30 (thirty) days prior to the start of the required reserve maintenance period.

**Article 8**

**Calculation of the required reserve**

1. The amount of required reserve to be held by each bank in respect of a particular maintenance period shall be calculated by applying the required reserve ratios to each relevant liability category, as defined in Article 7 of this Regulation.

2. The figures of the reserve base and required reserve shall be reported in full integers, having no additional figures after the decimal point.

**Article 9**

**Reporting of the required reserve**

1. The required reserve shall be reported in accordance with the form set out in Annex 1, attached to this Regulation.

2. Banks liabilities denominated in foreign currencies different from those set out in Article 6, paragraph 4 of this Regulation, shall be included in the required reserve base in Euro, and also in a separate statement for each currency, in accordance with the form in Annex No. 2 of this Regulation.

3. Banks shall deliver to the Bank of Albania the calculation statement of the required reserve in Lek and foreign currency, as stipulated in annexes No. 1 and No. 2 of this Regulation, within the 15th day of the month when the maintenance period of holding the required reserve starts.

4. The calculation statement of the required reserve will be submitted to the Bank of Albania via the registry office, as follows: *Banka e Shqipërisë, Departamenti i Operacioneve Monetare, Sektori i Operacioneve* (Eng: Bank of Albania, Monetary Operations Department, Operations Division):

   a) signed by the person that prepared the report; signed by the authorised representative of the bank, and stamped with the bank’s official stamp;

   b) accompanied by a cover letter signed by the authorised representative of the bank and stamped by the bank’s official stamp;

   The date of receiving the statement by the Bank of Albania shall be the date taken in consideration for assessing whether the reporting is within the deadline or not.

5. The statement in compliance with annexes No. 1 and No. 2 of this Regulation will be submitted to the Bank of Albania even electronically to the address (addresses) that will be published by the Monetary Operations Department of the Bank of Albania.
Chapter III
Required reserve holding, use and remuneration

Article 10
Required reserve holding

1. A bank shall hold its required reserve denominated in Lek and foreign currency (Euro USD) on reserve accounts with the Bank of Albania.

2. A bank may hold its required reserve denominated in Lek as cash in custody with the Bank of Albania. The required reserve in cash in custody may be held either for a part or for the entire amount.

That is for Lek: \[ RD = RD_{LL} + RD_{C} \]

Where:  
- \( RD_{LL} \) – is the value of the required reserve held in the account;
- \( RD_{C} \) – is the value of the required reserve held as cash in custody.

3. The Committee for the Implementation of the Monetary Policy shall review bank’s application for the holding of Lek required reserve in cash in custody. The Committee shall, at the end of the reviewing process, deliver a decision. The decision shall provide, among other things, the duration and the part of the required reserve in cash in custody.

4. The maintenance period of the required reserve is one month. It shall start on the 24th day of the month succeeding the base period, and end on the 23rd of the next month.

5. If date 24 is an official holiday in the Republic of Albania, then:

   a) the operations for the holding of the required reserve shall be carried out in the next business day;
   b) the maintenance period of the existing reserve shall be extended till the day preceding the operations for the holding of the required reserve, in respect of “a” above.

6. In the event the date 24 is an official holiday in the relevant jurisdiction for each foreign currency (Euro or USD), the operations for the holding of the required reserve in this foreign currency (EUR or USD) shall take place in respect of paragraph 5 of this Article.
Article 11
Use of the required reserve denominated in Lek

1. During the maintenance period, a bank may use the required reserve denominated in Lek, if the average end-of-day balance on its reserve accounts over the maintenance period is not less than the amount defined for the required reserve.

2. The amount of the required reserve that may be used in one day by a bank will be expressed as a percentage of the required reserve and will be determined by a decision of the Supervisory Council of the Bank of Albania, and notified at least thirty business days prior to the start of the maintenance period.

3. A bank that maintains partially the Lek-denominated required reserve in cash in custody may continue to use the balance in the reserve account till its zero level, but always by complying with the measure set out in paragraph 2 of this Article.

4. A bank, which has placed the Lek denominated required reserve as a guarantee higher than the amount set out in paragraph 2 of this Article, will be exempted from the right of using the required reserve denominated in Lek.

5. A bank may not use the required reserve placed as collateral and/or the required reserve maintained in cash in custody, notwithstanding its complete or partial use/placement.

Article 12
Remuneration of the required reserve

1. Bank of Albania shall remunerate banks for the holding of the required reserve denominated in Lek or foreign currency for its maintenance period. The remuneration will be applied only for the required reserve that is held in the reserve account with the Bank and not for the required reserve held in cash in custody or the part that is placed as a guarantee.

2. Interest on the remuneration of required reserve will be transferred to the reserve accounts of banks in the next day following the end of the required reserve maintenance period.

3. The interest on remuneration of required reserve is calculated to two decimals, according to the following formulas:

   a) for the Lek denominated required reserve  \[ I = \frac{RDLL \times NI \times d}{365} \];

   b) for the foreign currency denominated required reserve  \[ I = \frac{RD \times NI \times d}{360} \];
Where:

\( I = \) remuneration paid on holdings of the required reserve for the maintenance period;

\( RD = \) amount of the required reserve for the maintenance period;

\( NI = \) rate of remuneration on holdings of the required reserve;

\( d = \) duration of required reserve maintenance period, in days.

4. The Supervisory Council of the Bank of Albania shall decide the remuneration rates of the required reserve denominated in Lek and foreign currency. The rates will be notified no later than 30 business days prior to the start of the maintenance period.

**CHAPTER IV**

Sanctions applied in the event of failure to meet the obligations on required reserve

**Article 13**

Sanctions in cases of non-compliance with the required reserve requirements

1. If, at the end of the maintenance period, the average balance of funds in the Lek-denominated reserve and of cash in custody is less than the amount of Lek-denominated required reserve, then the Bank of Albania will apply a penalty rate set out in Article 16, paragraph 1 for the amount that does not meet the required reserve for the respective maintenance period in accordance with the following formula:

\[
I_{\text{gj}} = \left[ \frac{\sum GJL + RDC}{d} - RD \right] * NI_{\text{gj}} * \frac{d}{365}
\]

Where:

\( I_{\text{gj}} = \) applied penalty to be paid;

\( GJL = \) daily balance of the reserve account during the maintenance period of the required reserve;

\( RDC = \) is the value of Lek-denominated required reserve held as cash in custody;

\( RD = \) amount of the required reserve for the maintenance period;

\( d = \) duration of required reserve maintenance period, in days;
\( N_{igj} \) = penalty rate.

2. In the event in the first day of the maintenance period of required reserve in Euro and/or USD, the balance in the reserve account of the bank by respective currencies is lower than the level of the required reserve, then Bank of Albania shall apply a penalty rate set out in Article 16, paragraph 2 on the amount of not meeting the required reserve denominated in Euro and/or USD for the non-complying period, in accordance with the following formula:

\[
I_{igj} = \frac{(GJL - RD) \times N_{igj} \times d}{360}
\]

Where:

\( I_{igj} \) = applied penalty;

\( GJL \) = balance of the required reserve account of the bank denominated in Euro and/or USD in the first day of the maintenance period;

\( RD \) = amount of the required reserve for the maintenance period;

\( N_{igj} \) = penalty rate;

\( d \) = duration of the non-complying required reserve maintenance period, in days.

**Article 14**

Sanctions in cases of failure to report within the due term

1. In the event the bank fails to meet the obligation for reporting the required reserve within the term set out in Article 9 paragraph 3 of this Regulation, then the level of the required reserve shall be set out at 10 per cent higher than the level of the required reserve of the bank in its latest reporting, but not higher than ALL 700 million (or the equivalent of this amount in Euro and USD).

2. In case the factual, but not-reported, amount of the required reserve, as verified by the Bank of Albania in respect of Article 15, paragraph 1, is higher than the amount set forth in paragraph 1 of this Article, stipulations of Article 15, paragraph 2 (a) of this Regulation shall apply.

**Article 15**

Sanctions applied in case of incorrect reporting

1. The Bank of Albania shall verify the accuracy of the required reserve report in respect of the data reported in URS and/or through on-site examinations.
2. In the event, after the required reserve maintenance period, it is verified a difference higher than ALL 1,000 (one thousand) (or its equivalent in Euro and USD) of the reported data on the required reserve in URS and/or with the data resulting from bank's on-site examinations then:

a) In case of a lower amount of the reported required reserve, a penalty rate will be applied in accordance to the rate set out in Article 16, on the difference between the correct amount of the required reserve and the reported one for the respective maintenance period, in accordance with the following formula:

\[
I_{gj} = \frac{(RD_s - RD_g) \times NIGj \times d}{vk}
\]

Where:

- \( I_{gj} \) = applied penalty;
- \( RD_s \) = the correct verified amount of the required reserve (in Lek, Euro, USD);
- \( RD_g \) = the incorrect reported amount of the required reserve (in Lek, Euro, USD);
- \( NIGj \) = penalty rate;
- \( d \) = duration of required reserve maintenance period, in days;
- \( vk \) = calendar year; 365 days for the required reserve denominated in Lek and 360 days for the required reserve denominated in foreign currency.

b) In the event of reporting a higher amount of the required reserve, the bank shall return to the Bank of Albania the interest on the additional remuneration of the reported reserve.

3. In the event the Bank of Albania verifies non-compliance of the reported data on the required reserve with the data reported in URS and/or the data resulting from the [on-site] examinations, prior to the start of the required reserve maintenance, then upon the notification by the Bank of Albania, the bank shall submit the correct report prior to the start of the maintenance period. In the event the bank fails to submit the correct report prior to the start of the maintenance period, then specifications of paragraph 2 of this Article shall apply.

4. In the event the bank informs the Bank of Albania on errors in the report on the required reserve and submits the correct report prior to the start of the maintenance period, then the Bank of Albania shall not apply any measure on the bank provided the bank has not reported on errors more than once within the calendar year. In the event the errors are reported after the start of the maintenance period, then paragraph 2 of this Article shall apply.

**Article 16**

**Penalty rate**
1. In the event of non-compliance with the Lek denominated required reserve, in respect of Article 13, paragraph 1 and Article 15, paragraph 2 “a “of this Regulation, the Bank of Albania shall apply a penalty rate equal 600 basis points higher than the key interest rate of the Bank of Albania, as at the last day of the base period, but not higher than the double of the key rate.

2. In the event of non-compliance with the foreign currency denominated required reserve stipulated in Article 13, paragraph 2 and Article 15, paragraph 1 of this Regulation the Bank of Albania shall apply a penalty rate equal to:

a) for the required reserve denominated in Euro, 200 points higher than the key interest rate of the European Central Bank, as at the last day of the base period, but not higher than the double of the key interest rate of the Bank of Albania;

b) for the required reserve denominated in USD, 200 points higher than the key interest rate of the Federal Reserve Bank, as at the last day of the base period, but not higher than the double of the key interest rate of the Bank of Albania;

Article 17
Notification on the application of the penalty rate

The Bank of Albania shall notify immediately the bank on which the penalty rate is applied in line with the provisions stipulated in this Regulation. The notification shall consist in data and arguments supporting the application of the penalty.

Article 18
Contraventions and/or breaches of the legal and by-law provisions

Any failure to present the report on the required reserve according to the term and form set forth in Article 9, paragraphs 1 to 4, the verified difference between the data in compliance with Article 15, paragraphs 1 to 3 and the repeated notification on errors more than the number set out in Article 15, paragraph 4 shall be considered as contravention and/or breach of legal and by-law provisions stipulated in Article 76, paragraph 1 "d“ of the Law “On banks in the Republic of Albania”.

Article 19
Right of appeal

The bank, subject of any administrative act applied by the Bank of Albania as stipulated in Article 18 of this Regulation, has the right to appeal in compliance with the terms and procedures stipulated in Article 93 of the Law No. 9662, dated 18.12.2006 “On banks in the Republic of Albania”, as amended;

Article 20
Final provision

Annexes 1 and 2, attached thereto are an integral part of this Regulation.

Chair of the Supervisory Council

ARDIAN FULLANI