



**REPUBLIC OF ALBANIA
BANK OF ALBANIA
SUPERVISORY COUNCIL**

**DECISION
No. 41, dated 5.6.2019**

Approval of the Regulation “On macroprudential capital buffers”

In accordance with Article 12 (a), Article 43 (c) of the Law No. 8269 dated 23.12.1997 “On the Bank of Albania”, as amended, and Article 66/1 of the Law No. 9662 dated 18.12.2006 “On banks in the Republic of Albania”, as amended; and Decision No. 38 dated 23/12/1997 “Approval of Macroprudential Policy Strategy”; having regard to the proposal from the Financial Stability Department; the Supervisory Council of the Bank of Albania,

DECIDED:

1. To adopt the Regulation “On the macroprudential capital buffers” in accordance with the text attached to this Decision.
2. The Supervision Department, the Financial Statistics Department and the Financial Stability Department shall be responsible for monitoring the implementation of this Decision.
3. The Governor’s Office and the Research Department shall be responsible for publishing this Decision respectively in the Official Journal of the Republic of Albania and in the Official Bulletin of the Bank of Albania.

This Decision shall enter into force 15 days after its publication in the Official Journal of the Republic of Albania.

SECRETARY

CHAIR

Elvis ÇIBUKU

Gent SEJKO

Article 1

Purpose of regulation

- (1) The purpose of the regulation:
 - (a) is to determine the application method of each of the macro-prudential capital buffers and their combination;
and
 - (b) is not to show the method of how each of the macro-prudential capital buffers and their combination interact with the requirements on capital instruments and eligible liabilities according to the Law no. 133/2016, “On the resolution of banks in the Republic of Albania” (hereinafter Law No.133/2016).
- (2) The implementation of these macro-prudential capital buffers shall neither prevent nor restrict the adoption of other supervisory measures on the subjects of the regulation.

Article 2

Scope of Regulation

Pursuant to the stipulations laid down in this Regulation, the Bank of Albania shall implement each of the macroprudential capital buffers:

- (a) potentially, on each of the banks it has licensed;
- (b) at the level of an institution (solo) and/or at a consolidated level, according to a specific notification made to the bank for this purpose, which determines also where would the amount of macro-prudential capital buffer be held (accounted for). The holding of macro-prudential capital buffers shall be oriented according to the matrix laid down in Annex I and in specific cases can be determined based on the preliminary communication between the Bank of Albania and the responsible foreign authority.

Article 3

Legal basis

This Regulation is adopted pursuant to:

- (a) Article 12 (a), Article 43 (c) of the Law No. 8269, dated 23.12.1997 ,“On the Bank of Albania,” as amended;
- (b) Article 66/1 of the Law No. 9662 dated 18.12.2006 ,“On banks in the Republic of Albania”, as amended (hereinafter Law No. 9662/2006);
- (c) Article 8 of the Regulation No. 19, dated 18.01.2016, “On the organisation and function of the Financial Stability Department”;
- (ç) Decision No. 38, dated 02.08.2017, of the Supervisory Council of the Bank of Albania “On the approval of Strategy on the Macro-prudential Policy.”

Article 4 Definitions

(1) For the purposes of this Regulation the following terms apply:

1. **Bank** has the meaning defined in the Law No. 9662/2006.
2. **Common Equity Tier 1 capital** has the meaning defined in Article 6 of Regulation No. 69, dated 18.12.2014 “On the bank's regulatory capital”, as amended (hereinafter “Regulation 69/2014”). The **CET1** acronym will be used in this Regulation.
3. **CET1 ratio** means the ratio of the CET1 capital to the risk-weighted exposures (as referred to in subparagraph 22) expressed in percentage. The **CET1r** acronym will be used in this Regulation.
4. **Tier 1 capital** has the meaning defined in Article 6 of Regulation 69/ 2014. The **T1C** acronym will be used in this Regulation.
5. **T1C ratio** means the ratio of the T1C to the risk-weighted exposures, expressed in percentage. The **T1Cr** acronym will be used in this Regulation.
6. **Regulatory capital** has the meaning defined in Article 6 of Regulation 69/ 2014. The **REGC** acronym will be used in this Regulation.
7. **Capital adequacy ratio (CAR)** is the ratio of the REGC amount to risk-weighted exposures, expressed in percentage, in accordance with Article 5 of Regulation No. 48, dated 31/07/2013 “On Capital Adequacy Ratio”, as amended (hereinafter Regulation 48/2013). The **CAR** acronym will be used in this Regulation.
8. **Minimum capital requirements** mean the mandatory requirements on the minimum amounts of CET1r, T1Cr and CAR in accordance with Article 42 of Regulation 69/2014. The **MCR** acronym will be used in this Regulation.
9. **Other mandatory capital requirements** mean the mandatory requirements on the amount of capital, different from (and usually above) the MCR, pursuant to the provisions laid down in the law or the sub-legal act (for example, requirements in the framework of the supervisory review process (SREP) and other requirements in the process of banks resolution in accordance with Law no. 133/2016).
10. **Net available capital** means the bank’s CET1 remaining after subtracting the sum of the amount necessary to meet:
 - (a) CET1r, T1Cr and CAR; and
 - (b) other mandatory capital requirements adopted toward banks for as long as they are met with CET1 instruments.The **NAC** acronym will be used in this Regulation.
11. **NAC ratio** means the ratio of the NAC to the risk-weighted exposures of banks, expressed in percentage. The **NACr** acronym will be used in this Regulation.
12. **Capital conservation buffer** means the amount of capital held by a bank in CET1 instruments, above the MCR, pursuant to Article 10. It shall be expressed in percentage as a ratio of risk-weighted exposures of the bank. In this regulation it shall

- be noted with the **CCB** acronym. The size of the buffer (rate in %) is unique and its impact is the same on each of the banks.
13. **Countercyclical capital buffer** means the amount of capital held by banks in CET1 instruments, above the CCB, pursuant to Article 11. It shall be expressed in percentage as a ratio to risk-weighted exposures of banks. The **CCyB** acronym will be used in this Regulation. The size of the buffer (rate in %) is unique, but its impact on each of the banks will depend on the composition and the level of relevant credit exposures (set out in subparagraph (29)).
 14. **Applied CCyB** means the rate of CCyB applied in Albania and in foreign jurisdictions, laid down in Article 12 and 13. The **ACCyB** acronym will be used in this Regulation.
 15. **Bank's specific CCyB** means the CCyB calculated for the bank pursuant to Article 11. The **SpeCCyB** acronyms will be used in this Regulation.
 16. **Systemically important banks** means banks that have systemic importance according to the methodology drawn up by the Bank of Albania as defined in Article 14. The **SIBA** acronyms will be used in this Regulation.
 17. **Capital buffers for systemically important banks** means the amount of capital that a SIB shall hold in CET1 instruments, beyond the CCB, pursuant to Article 14. It shall be expressed in percentage as a ratio to risk-weighted exposures of banks. The **SIB** acronyms will be used in this Regulation. The size of the buffer (% ratio) depends entirely on the systemic importance of the bank.
 18. **Capital buffers for systemic risk** means the amount of capital that a bank shall hold in CET1 instruments, beyond the CCB, pursuant to Article 15. It shall be expressed in percentage as a ratio to risk-weighted exposures of banks. The **SRB** acronyms will be used in this Regulation. The application method of this buffer has a high degree of flexibility.
 19. **Macroprudential capital buffers** means, according to the ratios adopted by the Bank of Albania and the relevant deadlines, each of the capital buffers in the framework of implementing the macroprudential policy on CCB, CCyB, SIB and SRB. The **MCB** acronyms will be used in this Regulation.
 20. **Combined macroprudential capital buffers** means the application of more than one MCB at the same time (for example, of CCB and of CCyB). The **CBR** acronym will be used in this Regulation. If only one MCB is applied (for example, only CCB), then MCB and CBR represent the same thing (value).
 21. **The ratio of CBR fulfilment** means the ratio of NACr to CBR, expressed in percentage.
 22. **Risk-weighted exposures** means the bank's assets weighted according to risk in order to determine the capital requirement, in accordance with Regulation No. 48/2013. The **RWE** acronym will be used in this Regulation.
 23. **Distribution payment** for a bank means carrying out a payment or setting up a payment arrangement which is accompanied by a decline in the value of CET1 and revenues, and which consist of:
 - (a) dividend;
 - (b) the purchase or settlement of CET1 instruments;
 - (c) instruments of Additional Tier 1 capital;

- (c) bonuses or pension fund for the institution's executive directors or staff;
- (d) any other similar form.

Pursuant to this Regulation, the reduction of the CET1 level shall not include the case when the MCR is at risk of not being met according to Regulation No.69/2014, Article 42, for which the bank must act according to the stipulations laid down in that regulation.

24. **Revenues** mean the amount calculated:

(a) by adding together:

- (i) the profit of the intermediate periods (in accordance with Regulation No. 69/2014, Article 6, paragraphs 2 and 8) not included in the CET1, and generated since carrying out the latest distribution payment, and
- (ii) the profit calculated for the year end (in accordance with Regulation No. 69/2014, Article 6, paragraphs 2 and 8) not included in the CET1, and generated since carrying out the latest distribution payment;

and

(b) by subtracting from the calculated amount pursuant to point (a), any taxes or other similar liabilities, which would have to be paid if the profit generated in accordance with point (a) would be fully retained.

25. **Maximum percentage of distribution** shall be determined by referring to the quartile of CBR where NACr is positioned, as demonstrated in Table 1 of Article 8.

26. The **maximum distribution value** for a bank is the production between: (a) bank's revenues in accordance with subparagraph (24); and (b) the maximum percentage of distribution in accordance with subparagraph (25).

27. **Preceding period**, in reference to the determination of the macro-prudential capital buffer, means the period that starts in the working day that follows the announcement of the macro-prudential buffer and ends in the working day that precedes the effective date of the macroprudential buffer.

28. **Effective date**, which refers to macro-prudential capital buffer, means the date when it is implemented, i.e., when the bank shall satisfy the MCB.

29. The **relevant credit exposure** for the purpose of this Regulation and referring to a bank, means an exposure that, simultaneously, complies with the provisions laid down in points (a) and (b), as follows:

(a) is:

- (i) a non-securitized exposure, for which the bank calculates a capital value according to subparagraph (30) (a),
- (ii) a securitized exposure, for which the bank calculates a capital value according to subparagraph (30) (b),
- (iii) an exposure, for which the bank calculates a capital value for market risk according to subparagraph (30) (c);

b) which was granted to an entity that, as a result, has a financial obligation towards the bank and where this entity IS NOT:

- (i) a central government;
- (ii) a local/regional governing body;
- (iii) a company of the public sector,
- (iv) a development bank;
- (v) a bank.

The **RCE** acronym will be used in this Regulation.

30. **Capital requirement**, for the purpose of this Regulation:

- (a) for the RCE-s of banks, pursuant to subparagraph 29(a)(i), means the capital requirement for credit risk, in accordance with Regulation No.48/2013: Article 6, paragraph (1)(a), Article 7, paragraph (2)(a), excluding the counterparty credit risk, as well as in accordance with Chapter III;
- b) for the RCE-s of banks, pursuant to subparagraph 29(a)(ii), means the capital requirement in accordance with Regulation No. 48/2013, Chapter V;
- c) for the ACE-s of banks, pursuant to subparagraph 29(a)(iii), means the capital requirement for market risk, in accordance with Regulation No. 48/2013: Article 6 paragraph (1)(b), Article 7, paragraph (2)(b), and Chapter VII, where the capital requirement will only cover the risk specific to debt instruments and financial instruments, the value of which depends on factors related to the individual situation of the issuer, including also derivative credit instruments.

The **CR** acronym will be used in this Regulation.

31. **Ultimate risk**, pursuant to this Regulation, means the identification of the entity that is last in line to carry the risk that accompanies an RCE (for example, the *borrower*, in case of a nonguaranteed exposure; or the *issuer/owner* of the guarantee/collateral, for a guaranteed exposure).

32. The **localisation of the ultimate risk**, for the purpose of identifying the ACCyB, means the jurisdiction of the entity which carries the ultimate risk of the RCE (which is an obligor to the bank).

33. The **jurisdiction of the entity that carries the ultimate risk of the RCE-s**, by first considering points (c) and (d), means,:

- (a) when the entity is a natural person, the jurisdiction where the entity is a resident;
- (b) when the entity is a legal person:
 - (i) the jurisdiction where the activity of the entity is licensed/registered; or
 - (ii) the jurisdiction where the central management directorate of the entity is established, if this jurisdiction is different from the one mentioned in sub-point (i);
- (c) in the case when credit exposure is specialised (for example in the case of *project finance*):
 - (i) the jurisdiction from where the main revenues of the project is generated, or
 - (ii) the jurisdiction in which assets used as the project's collateral are placed (registered) (if this jurisdiction is different from the one mentioned in sub-point (i));
- d) the jurisdiction of the bank where credit exposure to private entity was accounted for, if the provisions laid down in Article 13 (6) are fulfilled.

34. **Foreign jurisdiction** means a country or a territory other than Albania, where a bank licensed in Albania, has RCE.

35. The **responsible foreign authority** means the public authority in the foreign jurisdiction, which has the legal or regulatory obligation to decide the rate of CCyB. When the foreign jurisdiction is part (member) of the European Economic Area, then, the responsible authority might be the European Central Bank when it acts in accordance with the European Council Regulation No.1024/, Article 5, paragraph (2).

36. **European Systemic Risk Board** means the institution that functions in accordance with Regulation No.1092/2010, dated 24.11.2010 of the European Parliament and of

the Council on European Union macro-prudential oversight of the financial system. The **ESRB** acronym will be used in this Regulation.

37. **Applied SRB** means the applied level of the SRB provided for in Article 15. The **ASRB** acronym will be used in this Regulation.

- (2) Whenever MCB, CBR, CCB, CCyB, ACCyB, SpeCCyB, SIB, SRB and ASRB are mentioned in the Regulation they mean, as necessary, the level or rate for each of them.

Article 5

Exemptions

- (1) Despite the provision laid down in Article 2(a), by means of the bank's request, the Bank of Albania may exclude banks of certain characteristics from the application of the MCB, when the exemption does not weaken the stability of the financial system in Albania.
- (2) If the Bank of Albania shall adopt the exemption referred to in paragraph (1), the Decision thereof:
- (a) shall identify the bank or banks to be excluded;
 - (b) shall provide reason on the selection;
 - (c) shall expound why this exclusion does not weaken the stability of the financial system in Albania.
- (3) If it is provided for or serves to the engagement in international agreements, the Bank of Albania shall also notify the authorities of other countries, which have a supervisory competence in the place of origin of the bank or its parent banking group, in relation to the exclusion referred to in paragraph (1).

Article 6

The composition and expression of the macroprudential capital buffer (MCB) and the combined macro-prudential capital buffer (CBR)

- (1) MCB:
- (a) in any case, shall be established and held with CET1 instruments;
 - (b) shall be expressed as a percentage ratio to the total RWE;
 - (c) shall be announced by the Bank of Albania in accordance with Article 17, paragraph (1).
- (2) On the basis of the announcement of the Bank of Albania, the CBR shall be:
- (a) for a bank defined as systemically important, in accordance with Article 14, equal to: “CCB + SpeCCyB+ SIB + ASRB”;
 - (b) for a bank not defined as systemically important, equal to: “CCB + SpeCCyB + ASRB”

Article 7
The fulfilment and reporting of the combined macroprudential capital buffer (CBR)

- (1) The bank shall aim to constantly satisfy (at any time) the CBR ratio (i.e., so that $NACr \geq CBR$ or so that $NACr/CBR \geq 100\%$).
- (2) In order to realise the requirement set out in paragraph (1), the bank shall employ the necessary human, technical and financial resources, as well as establish, file and re-evaluate, on a regular basis, the necessary processes of data collection, calculation, monitoring, reporting and decision-making.
- (3) By first taking into account paragraph (5), the bank shall report to the Bank of Albania the fulfilment level of the CBR, on a quarterly basis, based on the data of the last working day for March, June, September and December, according to the reporting deadlines adopted by the Bank of Albania.
- (4) With a view to satisfy the requirement referred to in paragraph (3), the bank shall include in the periodical report data on:
 - (a) the amount calculated for CBR, based on the sum of:
 - (i) CCB, according to Article 10,
 - (ii) the value calculated for SpeCCyB, according to Article 11, for which the following shall be identified:
 - the jurisdictions where there are RCEs,
 - the ACCyB for each jurisdiction, according to Articles 12 and 13,
 - (iii) the ratio of SIB, according to Article 14,
 - (iv) the ratio of ASRB, according to Article 15;
 - (b) MCR for CET1r, for T1Cr and for CAR;
 - (c) the current values of CET1r, T1Cr and CAR;
 - (ç) other mandatory capital requirements, if such are implemented on the bank;
 - (d) the value calculated for NACr, by subtracting from the current value of CET1 the amount necessary to satisfy the MCR and other mandatory capital requirements;
 - (dh) the ratio of NACr to CBR, expressed as a percentage;
 - (e) determining the CBR quartile according to Table 1 of Article 8 and identifying the position of the NACr ratio according to subparagraph (dh), in quartile;
 - (ë) the maximum value of distribution.
- (5) For the first time, reporting in accordance with paragraphs (3) and (4) shall be on the last working day of March 2020.
- (6) In order to adhere to the reporting requirements in accordance with paragraph (4) and (5), the bank shall use the reporting form delineated in Annex 2.

Article 8

The combined macro-prudential capital buffer (CBR) and the distribution payment

- (1) The bank, by first taking into consideration paragraph (3), may carry out a distribution payment, if:
 - (a) it fulfils the CBR;
 - (b) it does not fulfil the CBR but it generates positive net income.
- (2) By first taking into consideration paragraph (4), the bank shall not carry out any distribution payment, in case when:
 - (a) it does not fulfil the CBR and it does not generate a positive net income;
 - (b) although it does not find itself under the situation of subparagraph (a):
 - (i) it has not yet accomplished the other activities provided for in Article 9, paragraphs (1) and (2),
 - (ii) the Bank of Albania has opposed the making of the payment according to Article 9, paragraph (3).
- (3) In the case when:
 - (a) the bank is under the conditions set out in paragraph (1)(a) of this Article and aims to carry out a distribution payment, then the payment may be carried out up to the value that does not threaten the fulfilment of CBR;
 - (b) the bank is under the conditions set out in paragraph (1)(b) of this Article and aims to carry out a distribution payment, then, based on the indicators of Table 1, the payment may be carried out only:
 - (i) after the bank has determined the CBR quartile where the NACr is positioned; and
 - (ii) up to the maximum value of distribution.

Table 1.

The CBR quartile where NACr is positioned	<i>The maximum percentage of distribution</i>
Quartile 1 (0%-25% of the CBR level)	0%
Quartile 2 (>25% - 50%)	20%
Quartile 3 (>50% - 75%)	40%
Quartile 4 (>75% - 100%)	60%

- (4) The restrictions provided for in paragraphs (2) and (3) shall be applied towards distribution payments only when the suspension or prevention of said payment does not represent an event of failure/bankruptcy, cause the initiation of procedures for appointing the manager or liquidator of the bank or does not obstructs the necessary actions in the framework of the bank resolution according to Law no.33/2016. The bank shall notify the Bank of

Albania in advance when assessing that it finds itself in one of the situations described above.

Article 9

Other bank activities in case of distribution payment

- (1) When the bank shall identify that it may cause non-compliance or increase non-compliance with the CBR, due to the distribution payment, then the bank shall:
 - (a) consult with the Bank of Albania by notifying it not later than 15 days prior to carrying out the distribution payment;
 - (b) provide any information required by the Bank of Albania, including:
 - (i) the value of CET1, T1C, CAR and (eventually) of the other mandatory capital requirements,
 - (ii) the profit value for the intermediate periods and the end of the year;
 - (iii) the maximum value of distribution, as calculated;
 - (iv) the size and type of distribution payment;
 - (c) provide for approval to the Bank of Albania, within a reasonable time period as provided for by the Bank of Albania, a plan that consists of the measures undertaken by the bank, according to the deadlines that the Bank of Albania may set out, for the purpose of improving bank's capital position and complying with the CBR.
- (2) The bank shall primarily consult with the Bank of Albania, also in the case when:
 - (a) it aims to generate capital in the market, in order to enable the distribution payment to be carried out at a value that is higher than the maximum value of distribution which would be the case if the bank did not increase capital;
 - (b) the capital value to be added within the meaning of subparagraph (a) would not result in a notable improvement in the capital position of the bank, after the distribution payment has been carried out;
 - (c) it aims to carry out the distribution payment by benefiting from the reduction in the level of CBR, following the announcements of the Bank of Albania.
- (3) All the actions carried out by the Bank of Albania, in the situations provided for in paragraphs (1) and (2) shall not restrict or remove the right of the Bank of Albania to:
 - (a) refuse in writing the distribution payment carried out by the bank, in general or for as much as the compliance with the CBR is threatened;
 - (b) refuse or make changes to the plan provided by the bank and decide upon other measures towards the bank in order to improve its capital position.

Article 10
Capital conservation buffers (CCB)

- (1) Save where paragraphs (4) and (5) shall apply, CCB and its compliance periods are provided for in Table 2 and are set out in accordance with Article 16, paragraph 1 and announced in accordance with Article 17, paragraph (1).

Table 2:

	2020 (29 March – 31 (December)	2021	2022	2023	2024 forward
CCB =	0.50%	1.00%	1.50%	2.00%	2.50%

- (2) In order to determine the CBR of the relevant periods, in accordance with Article 16, the bank shall include the CCB levels pursuant to paragraph (1).
- (3) Every CET1 value that exceeds the minimum value required to satisfy the CET1r, shall be considered valid to include in the CCB only for the part remaining after meeting the minimum capital requirement(s) for T1C, CAR and (eventually) for other mandatory capital requirements applied to the bank.
- (4) In spite of the provisions laid down in paragraph (1), the Bank of Albania may announce a higher CCB value in each of the years of the 2020-2023 period, without exceeding the maximum value of 2.5%, if this is assessed as necessary due to the presence of higher systemic risks.
- (5) In the case when paragraph (4) is applied:
- (a) the decision-making of the Bank of Albania on the CCB shall be realized in accordance with Article 16, paragraph (1) and its announcement shall be realized in accordance with Article 17, paragraph (1);
- (b) the effective date of CCB shall not be earlier than 6 months and later than 12 months from the announcement date.

Article 11
**Countercyclical capital buffers (CCyB), applied countercyclical capital buffers (ACCyB)
and bank-specific countercyclical capital buffers (SpeCCyB)**

- (1) CCyB:
- (a) for Albania shall be announced by the Bank of Albania after it has been determined in accordance with Article 12, and it shall be used by the bank pursuant to this Article;
- (b) for a foreign jurisdiction, the bank shall use the rate announced by the responsible authority in the foreign jurisdiction, if the Bank of Albania has not announced another rate according to Article 13.
- (2) Under the conditions laid down in paragraph (1)(a), the Bank of Albania shall take care that

CCyB:

- (a) is evaluated and set out on a quarterly basis;
 - (b) is valued between 0% and 2.5% as a rule, except when the analysis according to Article 12, paragraph 2 justifies a higher rate; and
 - (c) undergoes changes by a full multiplier of 0.25%.
- (3) Under the conditions set out in paragraph 1(a), the bank of Albania shall take care that the CCyB is determined by taking into consideration:
- (a) the reference indicators referred to in paragraph (4);
 - (b) the ESRB recommendations on determining the rate of the countercyclical capital buffer; and
 - (c) other factors that according to the Bank of Albania are significant to handle the cyclical characteristics of systemic risk.
- (4) The Bank of Albania shall carefully monitor that the reference indicators referred to in paragraph 3(a):
- (a) reflect, as fairly as possible, the credit cycle and the risks that accompany the excess increase of credit in Albania;
 - (b) take into consideration at an adequate manner the specifics of the Albanian economy;
 - (c) rely, without restrictions, on the deviance of the ratio of credit to growth domestic product (GDP) from its long-term trend, by considering:
 - (i) an indicator on the increase of lending within the country, and particularly, an indicator on the change of the ratio of the credit granted in Albania to GDP;
 - (ii) any guideline provided for this reason by the ESRB.
- (5) The Bank of Albania shall develop and publish the methodology for determining the CCyB. The methodology shall identify the reference indicators that serve to assess the financial cycle based on the credit development, the way they interact with the CCyB level and the process adopted by the Bank of Albania to assess risks related to accelerated lending.
- (6) On the basis of the CCyB adopted in accordance with paragraph (1), the bank shall calculate:

(a) SpeCCyB following the formula:

$$\text{SpeCCyB} = (\sum (\text{CR_RCE}_j * \text{ACCyB}_j)) / \sum \text{CR_RCE}_j$$

where:

j - is meant for Albania and any foreign jurisdiction where the bank has a RCE that applies the countercyclical capital buffer (including the 0% rate),

CR_RCE_j is the sum of :

- the capital requirement deriving from the RCE of the bank pursuant to Article 4, subparagraph (30)(a), in jurisdiction *j*, and
- the capital requirement deriving from the RCE of the bank pursuant to Article 4, subparagraph (30)(b), in jurisdiction *j*, and
- the capital requirement deriving from the RCE of the bank pursuant to Article 4, subparagraph (30)(c), in jurisdiction *j*,

ACCyB_j - is the CCyB applied in the jurisdiction *j* (in Albania or another foreign country) or any additional capital with the same purpose of CCyB for jurisdiction *j*, adopted within the meaning of Articles 12 and 13;

- (b) the absolute value of the countercyclical capital buffer, which is equal to the production of SpeCCyB with RWE (SpecCCyB * RWE).
- (7) If the calculated value of SpeCCyB according to paragraph 6(a) exceeds the value in Table 3 according to the compliance period, then the bank may choose to use the relevant value in Table 3 as the rate of SpecCCyB:

Table 3:

	2020 (20 March - 31 December)	2021	2022	2023	2024 forward
SpeCCyB ≤	0.625%	1.25%	1.875%	2.50%	3.00%

- (8) The level of SpeCCyB is included in the CBR calculation for the relevant period in accordance with Article 6.
- (9) The bank shall have the responsibility:
- (a) to determine and report all the jurisdictions where there are RCEs according to paragraph 10, and the type of RCEs;
 - (b) to identify the rate of and changes to the ACCyB in the jurisdictions where there are or it aims to create RCEs;
 - (c) without avoiding its responsibility to comply with the requirements set out in subparagraph (b), it may consult with the Bank of Albania beforehand if there are difficulties in identifying the ACCyB.
- (10) In order to comply with the requirement of paragraph (9)(a), the bank shall identify the relevant jurisdiction referring to the concept of ultimate risk localization, in accordance with Article 4, paragraph 1, sub paragraphs (31), (32), (33).
- (11) As regards the identification of the RCE and the calculation of SpeCCyB, the bank shall report by following the form outlined in Annex 3, with the exception when it acts pursuant to Article 13, paragraph (6)(c).

Article 12

Applied countercyclical capital buffers (ACCyB) for Albania and the effective date of implementation

- (1) When banks have a RCE in Albania and when there is compliance with the provision laid down in Article 13, paragraph 6, ACCyB is the same with the CCyB announced by the Bank of Albania, in accordance with this Article.

- (2) In spite of the stipulation provided for in Article 11, paragraph 2, the Bank of Albania may announce a CCyB higher than 2.5% if simultaneously:
 - (a) the latest level of CCyB is 2.5% and has been implemented for a period of not less than 6 months;
 - (b) it assesses that the growth pace of credit has not decelerated during the period;
 - (c) it assesses that this is necessary to protect banks from the possible unwanted consequences of a rapid increase in credit and higher risks for the entire financial system in the country.
- (3) The Bank of Albania shall announce the rate of CCyB for the first time in June 2019 and shall repeat such course of action every three months.
- (4) The Bank of Albania shall set the effective date of CCyB, by ensuring that:
 - (a) when it announces the CCyB rate for the first time, the effective date of CCyB shall be not be earlier than 29 March 2020;
 - (b) by first taking into consideration point (a), when it decides to increase the CCyB, the effective data shall not be earlier than 6 months and not later than 12 months from the announcement date;
 - (c) when it decides to lower the CCyB in accordance with paragraph (5), it shall act pursuant to paragraph (6).
- (5) If the Bank of Albania shall assess that the risks of the entire financial system related to excessive lending are going down or that the financial system is facing difficulties in the process of the financial intermediation activity, it may declare a reduction in the CCyB rate.
- (6) If the CCyB is reduced in accordance with paragraph (5), the Bank of Albania shall also announce:
 - (a) the effective date which, if different from the announcement date, shall not exceed 6 months from it;
 - (b) the time period during which it is not expecting an increase of the CCyB.

Article 13

Applied countercyclical capital buffers (ACCyB) for the foreign jurisdiction and the effective date of implementation

- (1) When banks hold a RCE in a foreign jurisdiction, and by first taking into account paragraph (6), the ACCyB of the foreign jurisdiction shall be determined in accordance with this Article.
- (2) By first taking into consideration paragraph (6):
 - (a) when the relevant authority of the foreign jurisdiction has not announced the CCyB, then:

- (i) if there is an announcement by the Bank of Albania according to paragraph (3), the ACCyB is the one announced by the Bank of Albania,
 - (ii) if the provision laid down in subparagraph (a)(i) is not adopted, the ACCyB of the foreign jurisdiction is 0%;
- (b) when the CCyB announced by the responsible authority of the foreign jurisdiction is up to 2.5%, then:
 - (i) if there is an announcement by the Bank of Albania according to paragraph (3), the ACCyB is the one announced by the Bank of Albania,
 - (ii) if the provision laid down in subparagraph (b)(i) is not adopted, the jurisdiction's ACCyB is equal to the CCyB announced for that jurisdiction;
- (c) if the CCyB announced in a foreign jurisdiction is higher than 2.5%, then:
 - (i) if there is an announcement by the Bank of Albania according to paragraph (3), the ACCyB is the one announced by the Bank of Albania,
 - (ii) if the provision laid down in subparagraph (c)(i) is not adopted, the foreign jurisdiction's ACCyB is equal to 2.5%.
- (3) If the Bank of Albania shall assess that the CCyB of a foreign jurisdiction according to paragraph (20), subparagraph (a)(ii), (b)(ii) or (c)(ii), is not sufficient to improve bank's resistance towards risks posed by the excessive lending in that jurisdiction, the Bank of Albania may announce as ACCyB the following amounts:
 - (a) regarding the case referred to in paragraph (2), (a) or (b), an amount higher than the CCyB of the foreign jurisdiction, but not exceeding 2.5%;
 - (b) regarding the case referred to in paragraph (2)(c), an amount equal to the CCyB in the foreign jurisdiction.
- (4) By first taking into account paragraph (6)(c), the effective date of the ACCyB for the foreign jurisdiction shall be the effective date of the CCyB as announced by the responsible authority in said jurisdiction.
- (5) Regardless of the provisions laid down in paragraph (4), the effective date of the foreign jurisdiction's ACCyB:
 - (a) shall be 29 March 2020, if it is earlier than this date;
 - (b) if the CCyB is increased, and by first taking into account point (a): it shall not be earlier than 6 months or later than 12 months from the announcement date;
 - (c) if the CCyB is reduced and by first taking into account point (a): if it is not the same to the announcement date, it shall not be later than 6 months from it.
- (6) If:
 - (a) in relation to the total RCE of the bank:
 - (i) the sum of the RCE localised in the foreign jurisdictions does not exceed 2%, and/or

(ii) the sum of the RCE as laid down in Article 4, paragraph (1)(29)(a)(iii), does not exceed 2%;
and/or:

(b) despite the bank's special efforts, based on the data available, it is impossible to determine the entity which carries the ultimate risk of a RCE placed in a foreign jurisdiction;

in that case the bank:

(c) may consider the RCE amount in accordance with sub-paragraphs (a) and (b) as being localised in the bank's jurisdiction (in Albania) and shall act in accordance with Article 12 in order to identify the ACCyB and with Article 11 in order to calculate SpeCCyB; and

(ç) shall report pursuant to the form laid down in Annex 4;

(d) if the exposures on the bank's jurisdiction shall also include the exposures referred to in sub-paragraphs (a) and (b), the bank shall identify them with a special note in the reporting form, pursuant to subparagraph (ç).

Article 14

Capital buffers for systemically important banks (SIB) and the effective date of implementation

- (1) A bank shall be evaluated as SIBA if, in the evaluation of the Bank of Albania, the indicators of size, interaction, degree of substitutability, complexity of the bank's activity and other indicators related to its activity, are such that they make the bank have an important impact on the effective functioning and the stability of the financial sector in Albania, in the case when the bank would be faced with an unstable financial situation.
- (2) The Bank of Albania shall develop a special methodology in order to designate a bank as a SIBA and the application method of SIB, and shall publish it. As a rule, the methodology shall be reviewed at least once every 5 years.
- (3) In the methodology the Bank of Albania shall provide, among others,:
 - (a) the share of the indicators referred to in paragraph (1), their component sub-indicators and the share of these sub-indicators;
 - (b) at least five baskets of systemic importance, where the last basket does not have an upper limit (open basket);
 - (c) the fact that going from the first basket to the other baskets shows an increase of the bank's contribution in the systemic risk and suggests the linear growth of SIB, except for the open basket;
 - (ç) point width of each basket, save the open basket and the point limits that divide the consecutive baskets;

- (d) the systemic importance mark for the bank assessed as SIB, which later allows its positioning in the relevant basket of systemic risk;
 - (dh) the level of SIB for the first basket, the growth size of SIB from the first/lower basket until the open basket (excluding it), and the value of SIB for the open basket.
- (4) If the Bank of Albania shall not provide otherwise:
- (a) the first basket of systemic risk shall have as SIB the value of 0.5%;
 - (b) the size of linear growth of SIB from the first basket until the open basket (excluding it) shall be 0.5%;
 - (c) the value of SIB for the open basket shall be 3%.
- (5) For the application of the SIB, the Bank of Albania:
- (a) by first taking into consideration paragraph (6), shall determine once a year, within the first quarter, the list of relevant SIBAs and respective SIBs, on the basis of the data of December from the previous year;
 - (b) shall determine the effective date of the application of SIB, which shall be:
 - (i) when SIB increases (due to a higher degree of systemic risk of the bank designated as SIBA and its transfer to a higher systemic-risk basket), as a rule, 1st of January of the following year, but, in any case, not later than 12 months after its announcement,
 - (ii) when SIB decreases, on the first working day that follows the announcement date.
- (6) For the first time, in accordance with this Regulation, SIBAs shall be determined until June 2019.
- (7) As regards the bank that is designated as SIBA in accordance with paragraph (6), the SIB rate that the banks shall fulfil, depending on the systemic-risk basket where it is positioned, shall be according to the amounts set out in Table 4:

Table 4:

	2020 (29 March – 31 December)	2021	2022	2023	2024 forward
SIB =	0.5%	One of: {0.5%; 1% }	One of: {0.5%; 1.0%; 1.5% }	One of: {0.5%; 1.0%; 1.5%; 2.0% }	One of: {0.5%; 1.0%; 1.5%; 2.0%; 3.0% }

- (8) The SIB determined pursuant to paragraph (7) shall be included in the designation of CBR for the relevant period in accordance with Article 6.
- (9) Following the process provided for in paragraphs (1) to (7), the Bank of Albania shall declare the list of banks designated as SIBAs together with the respective rate of SIB they should fulfil in accordance with the systemic-risk basket where they are positioned as per the relevant degree of systemic risk.

Article 15

Capital buffers for systemic risk (SRB), applied capital buffers for systemic risk (ASRB) and the effective date of implementation

- (1) When the Bank of Albania assesses that the banking sector and the financial system are faced with structural (non-cyclical) developments or events, which may risk the stability of the entire financial system or of a certain segment of it, it may implement the SRB by taking into consideration paragraphs (2) and (3).
- (2) The SRB may be implemented for all or a part of banks, by reviewing all the bank's exposures or part of them, without restrictions as regards the jurisdiction of exposures and in the same or different level for banks. As regards banks designated as SIBA, the SRB shall be implemented after the Bank of Albania assesses that the structural risk is not appropriately addressed through SIB.
- (3) Among banks:
 - (a) for those designated as SIBA, ASRB may be equal or smaller than SRB, under the condition when the common implementation SIB and ASRB, when added together, shall not exceed 4%;
 - (b) for those that are not designated as SIBA, ASRB shall be equal to SRB.
- (4) When the Bank of Albania shall announce or later change the SRB, then it shall ensure that the following criteria are met:
 - (a) shall publish the reasons for designating the SRB and its expectations on how this macroprudential capital buffer will address the risks according to paragraphs (1) and (2);
 - (b) the minimum SRB level shall be 1%;
 - (c) above the minimum level, the SRB shall change by a full multiplier of 0.5%;
 - (c) the maximum level of SRB shall be 3%.
- (5) By first taking into account the restrictions referred to in paragraph (3)(a) and depending on the SRB's announcement time by the Bank of Albania following paragraph (6), the ASRB rate to be met by the bank shall be according to values in Table 5:

Table 5:

	2020 (29 March - 31 December)	2021	2022	2023	2024 forward
ASRB =	1.0%	One of: { 1.0%; 1.5% }	One of: { 1.0%; 1.5%; 2.0% }	One of: { 1.0%; 1.5%; 2.0%; 2.5% }	One of: { 1.0%; 1.5%; 2.0%; 2.5%; 3% }

- (6) By first taking into consideration paragraph (7):

- (a) the Bank of Albania may announce for the first time the level of SRB after June 2019;
 - (b) after announcing SRB for the first time in accordance with point (a), the Bank of Albania shall ensure that:
 - (i) the re-evaluation and the future SRB announcements shall be conducted at least once every 2 years,
 - (ii) the process of re-evaluation and announcement of the SRB shall be gradually focused in the first quarter of the year.
- (7) When it shall deem necessary to address the rapid changes in structural risk developments of the banking sector and the financial system, the Bank of Albania shall act without being restricted by the provisions laid down in paragraphs (5) and (6).
- (8) The Bank of Albania shall set the effective date of the SRB, which:
- (a) when set for the first time or in case of increasing the SRB, shall be, as a rule, starting from 1 January of the following year but in any case not later than 12 months from the announcement date;
 - (b) when lowering the SRB, it shall be, as a rule, immediate but not later than 6 months after the announcement date.
- (9) The level of ASRB, following the SRB announced by the Bank of Albania, shall be included when determining the CBR for the relevant period, pursuant to Article 6.

Article 16

Decision-making

- (1) The Bank of Albania's decision-making on determining the MCB:
- (a) in accordance with Article 2;
 - (b) in accordance with Article 5, paragraph (1);
 - (c) in accordance with article 10, paragraph (4);
 - (ç) pursuant to Articles 11, 12 and 13;
 - (d) in accordance with Article 14, paragraphs (5) and (6); and
 - (dh) in accordance with Article 15;

shall mean the decision of the Governor of the Bank of Albania on the type, value, the list of subjected banks, the effective date and other important elements for the implementation of MCB.

- (2) By first taking into account paragraph (1), all the other activities conducted by the Bank of Albania as regards:
- (a) communicating with the responsible authorities of the foreign jurisdictions according to Article 2, paragraph (b) and Article 5 paragraph (3);
 - (b) approvals, refusals or reviews according to Article 8, paragraph (2)(b)(ii) and Article

- 9, paragraph (1)(c) and paragraph (3);
- (c) the publishing the methodologies according to Article 11, paragraph (5) and Article 14 paragraph (2);
- (ç) the communication pursuant to Article 17 paragraph (2);
- (d) the processes for the purpose of assisting the activities set out in subparagraphs (a) to (ç);

shall be authorised by the Second Deputy Governor of the Bank of Albania.

Article 17

The announcement and communication of the macroprudential capital buffer (MCB) by the Bank of Albania

- (1) The announcement of the MCB by the Bank of Albania shall signify the publication of the decision in accordance with Article 16 paragraph (1) and the specific accompanying data, as below:
 - (a) in writing, sent to banks on which the MCB is applicable; and
 - (b) by putting it on the website of the Bank of Albania.
- (2) In addition to the provisions laid down in this Regulation, when it is deemed necessary to increase the efficiency of the macroprudential capital buffers, the Bank of Albania shall undertake other actions in order to communicate about them with stakeholders, within and outside Albania. The communication with the stakeholders shall aim to explain the need for macroprudential capital buffers, to consult on them at the moment when they are determined or changed, as well as to coordinate the preparation of their implementation.

Article 18

Bank consultation

- (1) The requests, notifications and consultations that banks carry out with the Bank of Albania:
 - (a) in accordance with Article 5, paragraph (1);
 - (b) in accordance with Article 8, paragraph (4);
 - (c) in accordance with Article 9, paragraphs (1) and (2);
 - (ç) in accordance with Article 11, paragraph (9)(c); and
 - (d) others, with a view to implement this Regulation;

shall be presented officially in writing.

- (3) When necessary, the bank may use the electronic post to communicate in accordance with paragraph (1), but this shall not substitute for the official communication exchange, i.e., the communication content in writing, which shall be sent to the Bank of Albania as soon as possible.
- (4) The official communication in writing pursuant to paragraph (1) shall be addressed to the Office of the Second Deputy Governor of the Bank of Albania. Communication through

electronic post according to paragraph (2), shall be sent to SHMAK@bankofalbania.org.

Article 19

Corrective measures

The Bank of Albania may verify, at any given time, the method of implementation of the requirements of this Regulation by the bank. In this case, the bank shall provide all the required information in the form and by the deadlines set by the Bank of Albania. If the requirements laid down in this Regulation and the requirements on information in the framework of verifying its implementation are not met by the bank, the Bank of Albania shall apply the supervisory and/or punitive measures provided for in Chapter VI of Law No. 2006/ 2000, as amended.

Article 20

Final provisions

Annexes 1, 2, 3 and 4 shall be attached to the Regulation and shall be an integral part of it. Annex 5 (Examples) shall be attached to the Regulation but only for illustrative purposes.

Chair of the Supervisory Council

Gent SEJKO

Annex 1: Geographical location of the countercyclical capital buffers (CCyB)				
		Local bank	Foreign subsidiaries	Foreign branches
I	For exposures in local jurisdiction	Yes	na	na
II	For cross-border (foreign) exposures, when the host supervisory authority has announced a CCyB rate			
(i)	Exposure through the subsidiaries	No	Yes	na
(ii)	Exposure through the branches			
(a)	<i>When the regulations of the host jurisdiction do not require the regulatory capital to be kept by the branches</i>	Yes	na	No
(b)	<i>When the regulations of the host jurisdiction require the regulatory capital to be kept by the branches</i>	No	na	Yes
(iii)	Direct exposure from the local bank	Yes	na	na
III	For cross-border exposures, where the host supervisory authority has not announced a CCyB rate, but the authority of the country of origin believes it shall be implemented; or when the host supervisory authority has announced a CCyB rate, but the authority of the country of origin believes it shall be at a higher level (an addition is required in the CCyB rate)			
(i)	Exposure through the subsidiaries	Yes, but at the bank's discretion	Yes, but at the bank's discretion	na
(ii)	Exposure through the branches			
(a)	<i>When the regulations of the host jurisdiction do not require the regulatory capital to be kept by the branches</i>	Yes	na	No
(b)	<i>When the regulations of the host jurisdiction require the regulatory capital be kept by the branches</i>	Yes, but at the bank's discretion	na	Yes, but at the bank's discretion
(iii)	Direct exposure from the local bank	Yes	na	na

NA- not applicable

ANEX 2: Report on the fulfilment of CBR

Bank	YYY
SIBA?	Yes
Basket	IV
Reporting period:	3/29/2020

Values in colored cells are input by the bank

Table 1: Report on the manner of CBR fulfilment		
	Elements	Value
(1)	Core Tier 1 Capital - CET1 (mln Lek)	10,000,000.00
(2)	Tier 1 capital - T1C (mln Lek)	12,045,454.55
(3)	Regulatory Capital - REGC (mln Lek)	14,772,727.27
(4)	Risk Weighted Exposure - RWE (mln Lek)	90,909,090.91
Capital Ratios, in %		
(5)=(1)/(4)	CET1 ratio - CET1r	11.00%
(6)=(2)/(4)	Tier 1 Capital ratio - T1Cr*	13.25%
(7)=(6)-(5)	- of which, Additional T1 ratio - AT1Cr	2.25%
(8)=(3)/(4)	Regulatory Capital + Pillar II + Law Kapitali rregullator + Shtylla II+ Law 136/2016 (CR)**	16.25%
(9)=(8)-(6)	- of which, Tier 2 Capital (T2Cr)	3.00%
(10)	- of which, Pillar II capital	0.00%
(10.1)	- of which capital from Law 133/2016	0.00%
Minimum Capital Requirements of BoA		
(11)	CET1 ratio (CET1r):	6.75%
(12)	Tier 1 Capital ratio (T1Cr)	9%
(13)	Capital Adequacy Ratio (CAR)	12%
Fulfilment of CBR		
(14)	Level of NACr (taken from Table - value in (d)(5))	4.25%
(15)	CCB level (determined by BoA)	0.625%
(16)	Level of SpeCCyB (calculated by the bank)	1.50%
(17)	Level of SIB (determined by BoA)	1.00%
(18)	Level of SRB (determined by BoA)	2.00%
(19)=(15)+(16) +(17)+(18)	CBR level	5.125%
(20)=(14)/(19)	Fulfilment of CBR	82.9%

Table 1.1: Calculation of Net Available Capital ratio (NACr)

		Core Equity Tier 1 Capital (CET1r)	Tier 1 Capital (T1C)	Regulatory Capital (REGC)	
		(a)	(b)	©	(d)
(1)	Minimum Capital Requirements (+ Pillar II, Law 133/2016)	6.75%	9.00%	12.00%	
(2)	What part of capital requirements, above the CET1r, can the bank meet with CET1 instruments?		Tab.1: Value (12) - Value (11) 2.25%	Tab.1: Value (13) - Value (12) 3.00%	
(3)	What part of capital requirements, above the CET1r, can the bank meet with instruments different from CET1?		Tab.1: Value (7) 2.25%	Tab.1: Value (9) 3.00%	
(4)	What is the need of CET1, to meet AT1Cr and T2Cr?		This Table: (b)(3) - (b)(2) 0.00%	This Table: (c)(3) - (c)(2) 0.00%	
(5)	What is the surplus of CET1r, that can be used to meet the CBR (NACr)?	Tab.1: Value (5) - This Tab: (a)(1) 4.25%	This Table: (b)(4) 0.00%	This Table: (c)(4) 0.00%	NACr: This Table: Max(0; Sum((a)(5), b)(5), c)(5)) 4.25%
<div>Any surplus of CET1 here ((a)(5)>0)) can be used to meet MCB if not needed for meeting the capital requirements of T1C (AT1C), REGC (T2C) and Pillar II plus Law 133/2016.</div> <div>Any deficit in T1C here ((b)(5)<0)), must be met using CET1 that is not needed to meet minimum requirement of CET1r. Any surplus of T1C here ((b)(5)>= 0)), can be used to meet REGC requirement and reduce the need to use CET1 instruments for this purpose.</div> <div>Any deficit in REGC here ((c)(5)<0)) can be met using any surplus of T1C which is not CET1 (if available). If this is not sufficient, then the deficit must be met using CET1 that is not needed to meet minimum capital requirements of CET1r and T1Cr.</div> <div>NACr is the surplus CET1 capital that is not needed to meet CET1r requirement and any deficit in T1C, REGC, Pillar II and (potentially) Law 133/2016.</div>					

Note: All values are for instruction purpose only.

Annex 3: Calculating and reporting

Table 1: The required information to calculate the countercyclical capital buffer specific to the bank - SpeCCyB

Bank: <input type="text"/> Implementation level: Reporting period:										
Jurisdiction	Relevant credit exposures - ACE (million ALL)				Request for other funds - ROF (million ALL)				Share in funds	The applied rate of
	Non-securitized (1);	Securitized (2)	Market (3)	Total (4)=(1)+(2)+(3)	For non-securitized (5)	For securitized RCEs (6)	For market RCEs (7)	Total (8)=(5)+(6)+(7)		
Albania:	400000.00	120000.00	7500.00	527500.00	50000.00	15000.00	1500.00	66500.00	68.28%	1.00%
B	50000.00	40000.00	5000.00	95000.00	6500.00	5000.00	1000.00	12500.00	12.83%	0.50%
C	60000.00	20000.00	1000.00	81000.00	12000.00	2500.00	300.00	14800.00	15.20%	1.00%
D	10000.00	12000.00	500.00	22500.00	2000.00	1500.00	100.00	3600.00	3.70%	2.00%
(the list is extended as applicable )	...	...	...	...	...	...	...	...	...	...
Total	520000.00	192000.00	14000.00	726000.00	70500.00	24000.00	2900.00	97400.00	100.00%	
- of which: "RCEs in foreign jurisdictions"	198500.00				Limit: 2%					
- in % to total RCEs	27.34%									
- of which: "Market RCEs"	14000.00									
- in % to total RCEs	1.93%				Limit: 2%					
The limit IS NOT EXCEEDED; the provision of Article 13 (6) is met; the localisation of RCE MAY be changed. If the bank chooses to change the localisation of RCE, Table 1.1 SHALL BE FILLED OUT										

Table 2: Additional information to identify the ACCyB rate

Bank: <input type="text"/> Implementation level: Reporting period:						
Jurisdiction	ACCyB rate	Announced	Announcem	Implementation	Electronic address:	Other
Albania:	1.00%	Bank of Albania	2/15/2019	2/15/2020	www.bankofalbania.org	
B	0.50%	Authority B*			...	
C	1.00%	Authority C*			...	
D	2.00%	Authority D*			...	
(the list is extended as applicable)	...					

Notes: May be also the Bank of Albania if it has announced the ACCyB rate for the foreign jurisdiction, according to Article 13.

Table 3: SpeCCyB Value (referring to Tab. 1)

Bank: <input type="text"/> Implementa tion level:	
	YYY
	individual
	3/31/2020
Element	Value
The total risk-weighted exposures (RWE) - ALL	850000.00
SpeCCyB (%)	0.97%
The absolute value of the Countercyclical Capital	8268.74

Notes: All the values in the table are suppositions made as instructions in filling them out.

Annex 4: Calculating and reporting SpecCCyB, when the bank is able to and chooses to localise RCEs in its own

TABLE 1.1 (OPTIONAL)

Bank:	YYY									
Implementation	individual									
Reporting period:	3/31/2020									
Jurisdiction	Relevant credit exposures - RCE (million ALL)				Capital request - CR (million)				Share of Capital Request (%)	The applied buffer rate
	Non-securitized	Securitized	Market	Total	For non-securitized RCEs	For securitized RCEs	For market RCEs	Total		
	(1)	(2)	(3)	(4)=(1)+(2)+(3)	(5)	(6)	(7)	(8)=(5)+(6)+(7)	(9)	(10)
Albania:	400000.00	120000.00	14000.00	534000.00	50000.00	15000.00	2900.00	67900.00	69.71%	1.00%
B	50000.00	40000.00		90000.00	6500.00	5000.00		11500.00	11.81%	0.50%
C	60000.00	20000.00		80000.00	12000.00	2500.00		14500.00	14.89%	1.00%
D	10000.00	12000.00		22000.00	2000.00	1500.00		3500.00	3.59%	2.00%
(the list is extended as applicable)								-	0.00%	
Total	520000.00	192000.00	14000.00	726000.00	70500.00	24000.00	2900.00	97400.00	100.00%	

Note: Given the requirement of Article 13 (6)(b) of Regulation is met, the RCEs of the market are localised in the local jurisdiction according to paragraph (6) (c), for a value of ALL 6,500 million.

Table 2.1: Additional information to identify the ACCyB rate

Bank:						
Implementation						
level: Reporting						
period:						
Jurisdiction	ACCyB rate	Announced	Announcement	Implementation	Electronic address:	Other
Albania:	1.00%	Bank of Albania	2/15/2019	2/15/2020	www.bankofalbania.org	
B	0.50%	Authority B*			...	
C	1.00%	Authority C*			...	
D	2.00%	Authority D*			...	
(the list is extended as applicable)	...					

Notes: (*) May be also the Bank of Albania if it has announced the ACCyB rate for the foreign jurisdiction, according to Article 13 of Regulation.

Table 3.1: SpecCCyB Value (referring to Tab. 1.1)

Bank:	YYY
Implementation	individual
level: Reporting	March
period: Year	2018
Element	Value
Total Risk-weighted exposures (RWE)	850000.00
SpecCCyB (%)	0.98%
Absolute value of the countercyclical capital	8303.64

Notes: All the values in the table are suppositions made as instructions to fill them out.

Annex 5: Example

Between bank A and B, bank A is a bank designated as systemically important (SIBA), which, for this reason, is assigned a macroprudential capital buffer (SIB) of 2%. This buffer is preserved throughout the time period. Both banks generate positive financial results.

Also, both banks have their relevant credit exposures (RCE) to private sector only in Albania. In this case, CCyB announced by the Bank of Albania is equal to ACCyB.

Let's assume that the Bank of Albania announces the MPCB with the following results:

Table 1

Macroprudential capital buffer announced by the BoA	1 January 2020	1 January 2021	1 January 2022	1 January 2023	1 January 2024
CCB =	0.5%	1.0%	1.5%	2.0%	2.5%
SpeCCyB	0.0%	1.0%	1.0%	1.0%	1.0%
SIB=	0.5%	1.0%	1.5%	2.0%	2.0%
ASRB	0.0%	0%	1.0%	1.5%	1.5%

Then, CBR for bank A (systemic) and for bank B will be respectively:

Table 2

CMPCB	1 January 2020	1 January 2021	1 January 2022	1 January 2023	1 January 2024
Bank A (systemic): CCB + SpeCCyB+ SIB + ASRB	1.0%	3.0%	5.0%	6.5%	7.0%
Bank B: CCB + SpeCCyB+ ASRB	0.5%	2.0%	3.5%	4.5%	5%

It is noted that during the entire period, for bank A (systemic), the following condition is met: “ $SIB + ASRB \leq 4\%$ ” (Article 15, paragraph 3(a) of the regulation). If this would be higher, the surplus would be reduced from the applicable SRB level (i.e., ASRB would be smaller than SRB announced by the BoA).

Let's assume that on 1 January 2021:

- The Bank of Albania applies the following capital structure for banks:
 - o $KBN1r \geq 6.75\%$,

- $T1C \geq 9\%$,
- $CAR \geq 12\%$;
- Bank A, with the exception of MCR, must have a mandatory capital buffer of 1%, due to its risk profile (Column II of Basel); Bank B does not have one;
- Bank A reports the capital adequacy ratio at 14.0%, while this ratio for Bank B is 16.25%;
- Bank A does not use additional Tier 1 capital instruments and Tier 2 capital instruments, while all its capital requirements are met with CET1. Whereas, in Bank B, CET1r is at 11%, and the bank uses all possible Tier 1 capital instruments and Tier 2 capital instruments.

Let's assume that each of the banks requests the Bank of Albania to do a payment distribution (dividend), when they generate positive income.

1) *At what degree do banks A and B meet the CBR requirements on 1 January 2021?*

Bank A. Since there are no other capital instruments, except the Common Equity Tier 1 capital, then CET1r must be used to meet the MCR initially and the other mandatory capital requirements ($12\% + 1\%$) = 13%.

The part of CET1r that is left to fulfil the bank's CBR (of 3.0%) is $NACr = 1\%$ [reported CET1r (14%) – the value of CET1r needed to fulfil MCR and the other mandatory capital requirements (13%)].

As a result, Bank A partially meets the macroprudential capital buffer at the level $NACr/CBR = [1\% / 3.0\%] = 33.3\%$.

Bank B. The part of CET1r, that is left to fulfil the bank's demand for CBR (of 2.0%) is $NACr = 4.25\%$ = [reported CET1r (11%) – the value of CET1r needed to fulfil MCR and the other mandatory capital requirements (6.75%)].

As a result, Bank B entirely meets the macroprudential capital buffer at the level $NACr/MPCB = [4.25\% / 2.0\%] = 212.5\%$.

2) *Could each bank do the distribution payment and to what degree?*

Since Bank A does not meet the CBR, but generates a positive financial result, the distribution payment may be done then, but the bank will be subject to restrictions in distribution payment, because it partially meets the CBR requirement.

Referring to Article 8(1) of the Regulation, it is noted that the $NACr$ level for Bank A is positioned in the second quartile of CBR and the distribution payment percentage is 20%. As a result **Bank A** may distribute as dividend only 20% of the generated income.

Concurrently, Bank A will be required to provide a plan on strengthening its capital position to the Bank of Albania.

Whereas, **Bank B**, since it meets the CBR requirement, does not face restrictions in the size of the distribution payment value.

3) *Calculating SpeCCyB and further (the ratio) of satisfying CBR*

Furthermore, let's suppose that Bank B decides to rapidly expand its exposures outside Albania, namely in jurisdictions X, Y and Z. Given these circumstances, Bank B should calculate the SpeCCyB using the CCyB rates announced by these jurisdictions. Let's assume that in January 2021 they are respectively 0.5%. In this case, Bank B's calculations follow the steps below.

Table 3: Exposure distribution by jurisdiction and type

<i>Exposure</i>	<i>Type</i>	<i>Risk-weighted exposures (RWE) (Lek million)</i>	<i>Relevant credit exposures (RCE)</i>	<i>CR (in accordance with Article 4, paragraph (1), subparagraph</i>	<i>In % of the total CR</i>
(1);	(2);	(3);	(4)	(5)	(6)
Albania	Mortgage loans	1000000	1000000	80.000	18.7%
Albania	Business	3000000	3000000	240.000	56.0%
Albania	Government	2000000			
<i>Jurisdiction X</i>	<i>Retail</i>	50.000	50.000	4.000	0.9%
<i>Jurisdiction X</i>	<i>Business</i>	100.000	100.000	8.000	1.8%
<i>Jurisdiction X</i>	<i>Bank</i>	1,000,000			
<i>Jurisdiction Y</i>	<i>Credit card</i>	10.000	10.000	800	0.2%
<i>Jurisdiction Y</i>	<i>Corporate title</i>	500.000	500.000	40.000	9.3%
<i>Jurisdiction Z</i>	<i>Business</i>	500.000	500.000	40.000	9.3%
<i>Jurisdiction Z</i>	<i>Credit card</i>	70.000	70.000	5.600	1.3%
<i>Jurisdiction Z</i>	<i>Derivative</i>	50000	50.000	10.000	2.3%
<i>Jurisdiction Z</i>	<i>Government company</i>	100.000			
Total		8,380,000	5,280,000	428.400	100%

In this case, a verification is needed to confirm whether the conditions laid down in Article 13, paragraph (6) (a) apply. It is noted that:

Table 4:

No.	RCE in the foreign jurisdiction	Value		No.	RCE-s according to Article 4, paragraph (1)(29)(a)(iii)	Value
1	Albania			1		
2	X	150.000		2		
3	Y:	1,080,000		3		
4	Z	570.000		4	Derivative	50.000
5= 2 +3+4	Total of RCE in the foreign jurisdiction	1,800,000		5= 1 +2+3 +4	Total	50.000
6	Total RCEs	5,730,000		6	Total RCEs	5280000
7= 5 / 6 * 100	Ratio:	31.4%		7= 5 / 6 * 100	Ratio:	0.95%
8	Value according to Article 13, paragraph (6)	2%		8	Threshold value according to Article 13,	2%
9	If no.7 ≤ no.8, MAY act according to Article 13, paragraph (6) (c)	No action		9	If no.7 ≤ no.8, MAY act according to Article 13, paragraph (6) (c)	Bank chooses to include derivative's exposure in Albania

As a result, the condition referred to in Article 13, paragraph (6) (a)(i) is not met, but the condition referred to in Article 13, paragraph (6)(a)(ii) is met. To continue, the bank chooses to select the derivative exposure value (50,000 ALL) as an exposure in the bank's jurisdiction, thus, as exposure in Albania.

Table 5: Determining ACCyB

Country/Jurisdiction	Country's authority	CCyB	ACCyB (2021)	Comments
Albania	BOA	1%	1%	Look at Table
X	Alfa	0.5%	0.5%	
Y:	Beta	0.5%	0.5%	
Z	Gama	0.5%	0.5%	

Table 6: Determining SpecCCyB¹

Country/Jurisdiction	In % of the total CR	ACCyB	SpecCCyB
(1)	(2)	(3)	(4) = (2)*(3)
Albania	77%*	1%	0.77%
X	2.7%	0.5%	0.01%
Y:	9.5%	0.5%	0.05%
Z	10.6%	0.5%	0.05%
Total	100%		0.9%

* - included here is Derivative exposure (share 2.3%).

Given these circumstances, **the absolute value of the countercyclical capital buffer** for Bank B, according to Article 11, paragraph (6) (b), shall be:

SpecCCyB * RWE = 0.9% * 8,380,000= **75,420 ALL**.

While, the CBR level for Bank B shall be:

CMPCB (B) = (CCB: 1.0%) + (SpecCCyB: 0.9%) + (ACCyB: 0%) = 1.9%

By calculating Bank B's NACr and putting it in relation to CBR (according to paragraph 1), we find the CBR fulfilment ratio, which later determines also the bank's ability on whether to conduct or not a distribution payment, and perhaps also the requirement for a strengthening plan of its capital position.

Furthermore, since these three foreign jurisdictions are experiencing rapid economic growth and credit expansion, the Bank of Albania assesses the risks as high, as a result it decides to declare that for each of them the ACCyB shall be 1.5% (effective date January 2022). These rates shall serve now as ACCyB for the bank. Then, in January 2022, we shall have the data according to Table 7.

Table 7

Jurisdiction	RCE-s	In % of the total CR	CCyB:	ACCyB	SpecCCyB	Comment:
(1);	(2);	(3);	(4);	(5);	(6) = (3)*(5)	
Albania	4,000,000	68.8%	1%	1%	0.7%	Over one year, exposure for Albania (Column (2)) has not changed
X	200.000	3.4%	0.5%	1.5%*	0.05%	Over one year, X's exposure has increased to this value

¹ For more information refer to the explanation of EBA: http://www.eba.europa.eu/single-rule-book-qa/-/qna/view/publicId/2016_3055

Y:	810.000	13.9%	0.5%	1.5%	0.2%	Over one year, Y's exposure has increased to this value
Z	800.000	13.8%	0.5%	1.5%	0.2%	Over one year, Z's exposure has increased to this value
Total	5,810,000	100%			1.15%	

**CCyB's rate announced by the Bank of Albania is higher than in the foreign jurisdiction*

Under these circumstances, for Bank B, the CBR level in January 2022 shall be:

$$\text{CBR (B)} = (\text{CCB: } 1.5\%) + (\text{SpeCCyB: } 1.15\%) + (\text{ACCyB: } 1\%) = 3.65\%$$

By calculating Bank B's NACr and putting it in relation to CBR (according to paragraph 1), we find the CBR fulfilment ratio, which later determines also the bank's ability on whether to conduct or not a distribution payment, and perhaps also the requirement on a strengthening plan of its capital position.