REPUBLIC OF ALBANIA
BANK OF ALBANIA
SUPERVISORY COUNCIL

DECISION

No. 71 dated 14.10.2009

ON THE ADOPTION OF REGULATION "On liquidity risk management"

In accordance with Article 3, paragraph 3 , Article 12 letter "a" and Article 43 letter "c" of the Law No.8269, dated 23.12.1997 "On the Bank of Albania", as amended, Article 26 paragraph 1 letter "a", Article 57 paragraph 2, 3, 4 and 5, of Article 58 paragraph 1 and Article 66 of Law No.9662, dated 18.12.2006 "On Banks in the Republic of Albania", having regard to the proposal from Supervision Department, the Supervisory Council of the Bank of Albania,

D e c i d e d:

1. To approve the Regulation "On liquidity risk management" and Annexes No.1 and No.2 therein, in line to the text attached to this Decision.

2. Supervision Department and Statistics Department of the Bank of Albania are commissioned with the implementation of this Decision.

3. Foreign Relations, European Integration and Communication Department is charged with the publication of this Regulation in the Official Bulletin of the Bank of Albania and in the Official Journal of the Republic of Albania.

4. With the entrance into force of the Regulation the Guideline "On banks liquidity", approved with Decision No. 04, dated 19.01.2000, amended with Decision No.08, and dated 12.02.2003 of Supervisory Council of the Bank of Albania, shall be abrogated accordingly.

This regulation shall enter into force on the 15th (fifteenth) day following its publication in the Official Journal of the Republic of Albania.

SECRETARY	**CHAIRMAN**
Ylli Memisha	**Ardian Fullani**

BANK OF ALBANIA
SUPERVISORY COUNCIL

REGULATION

"On liquidity risk management"

(Adopted with decision No. 71, dated 14.10.2009, amended by decision No.75, dated 26.10.2011, by decision No. 28, dated 27.03.2013 and by decision No. 14, dated 7.2.2018 of the Supervisory Council of the Bank of Albania)

Chapter I
General Provision

Article 1
Purpose

The purpose of this Regulation is to set out the minimum requirements and standards to effectively manage risk liquidity, by the subjects of this Regulation.

Article 2
Subjects

This regulation shall apply on banks and branches of foreign banks exercising banking and financial activity in the Republic of Albania. These subjects shall be referred as "banks", for the purpose of this Regulation.

Article 3
Legal ground

This regulation is issued in compliance with Article 3, paragraph 3, Article 12 letter ''a'', and Article 43 letter "c" of Law. 8269, dated 23.12.1997 ''On the Bank of Albania'', as amended, and Article 26 paragraph 1 letter "a", Article 57 paragraphs 2,3, 4 and 5, Article 58 paragraph 1, and Article 66 of Law No. 9662, dated 18.12.2006 ''On Banks in the Republic of Albania''.

Article 4
Definitions

1. The terms used throughout this Regulation shall have the same meaning with the terms given by Article 4 of Law No. 9662, dated 18.12.2006 "On Banks in

the Republic of Albania".

2. In addition to paragraph 1 of this Article, for the purpose of implementing this Regulation, the following terms shall have these meanings:

a. "Liquidity shortfall" shall mean each situation, where the bank:

   i. does not own sufficient liquid assets or encounters difficulties to realise them in a market, with the purpose to meet obligations as they come due and to meet any unexpected demands for funds by its depositors or other creditors; or
   ii. is unable to fund increases in its assets;

b. "Liquidity risk" is the possibility of incurring a financial loss owing to the liquidity shortfall;
c. "Emergency circumstances/situations" shall mean those situations on which a real threat exists that may arise to the bank a liquidity shortfall;
d. "Contingency plan" shall imply the document compiled by the bank, that clearly sets out the policies and procedures to be implemented under stressed environments, and the procedures to provide emergency funds;
e. "Net cash flow" shall imply the difference between cash inflows and outflows for a definite period of time, thus reflecting an increase or decrease of cash amount;
f. "Contractual residual maturity" shall imply the time period up to the conclusion of maturity term of contractual rights and claims;
g. "Concentration on funding sources" is the situation when a sole decision-making or a sole external factor may lead to a subsequent and significant withdrawal of funds, thus making the bank to significantly change its founding strategy;
h. "*Stress-testing*" shall mean the risk management technique employed to analyse the possible impact of one or more internal and external factors on financial stability and/or bank liquidity position. Stress tests may include scenarios analysis or sensitivity analysis;
i. "Big depositors" shall be considered the twenty depositors with the highest value of deposits at the bank total deposits;
j. "*Gap*" shall imply the difference between the bank assets and liabilities, by maturity spans.
k.[1] "Haircut" is the percentage by which a liquid asset's value is reduced for the purpose of calculating the liquidity index, in compliance with the stipulations of this Regulation.

Chapter II
Liquidity Risk Management System

Article 5
Management system

1. Banks shall establish a liquidity risk management system, with the purpose the

[1] Added upon the Supervisory Council decision no.75, dated 26.10.2011

well-management of liquidity risk. Banks shall ensure that the liquidity risk management system, in terms of quality and quantity is in line with the bank's size, the business typology and the exposure rate against liquidity risk.

2. The risk liquidity management system shall minimally include:
   a. the strategy and policies on liquidity risk management;
   b. the organization structure established for the liquidity risk management;
   c. the internal control system;
   d. information management system;
   e. the contingency plan.

Article 6
Strategies and policies

1. Banks should develop the strategy and policies to manage liquidity risk.
2. The strategy on liquidity risk management shall minimally consists on:

   a. the strategy objectives;
   b. the principles on liquidity risk management;
   c. the general mythology the bank shall implement to manage liquidity risk in short and long term period;
   d. the overall methodology and the bank's vision to operate in many markets and to have a lot of funding sources; and
   e. the policies for liquidity risk management.

3. The strategy on liquidity risk management shall be compiled as a separate document or part of the bank strategic plan. This latter shall be reviewed on a regular basis, at least 2 (twice) a year.
4. Policies on liquidity risk management shall be reviewed on a regular basis, at least annually. These policies shall minimally include:

   a. the identification of liquidity risk arising from new products and operations;
   b. the measurement of liquidity risk, particularly of:

      i. the current liquidity position, including the assessment of liquid assets and collaterals position;
      ii. projection of cash inflows and outflows;
      iii. match of funds maturity term and funding sources;
      iv. concentration of deposits and other funding sources according to maturities, type and customers' structure;
      v. deposits volatility rate;
      vi. determinant indicators of liquidity and their use in the liquidity monitoring practice in the bank;
      vii. use of stress test as an element/part of monitoring liquidity risk.
   c. The regular assessment of markets development where the liquidity needs are met.

Article 7
Organization structure on liquidity risk management

1. The bank shall establish an adequate structure for liquidity risk management and shall clearly define the competences and respective responsibilities of the bank organization units/functions that monitor and manage the liquidity risk.

2. The Steering Council of the bank or the responsible authority of the parent bank for the branch of a foreign bank, for the purpose of liquidity risk management shall carry out the following operations:

   a. the analysis and approval of the strategy, policy/policies and procedures of liquidity risk management and the monitoring of their implementation including the approval and monitoring of contingency plan;
   b. the annual analysis of the implemented strategy and policies consistency, and at any time of important development occurrences which affect the bank's activity;
   c. the approval of the internal limits of exposure against liquidity risk in accordance with its risk profile, business strategy and its role in the financial system;
   d. the review and analysis of the report on liquidity risk management, the deviations from the approved policies and the approval and monitoring of the adjustment of these deviations;
   e. the review of the outcomes deriving from stress tests and shall lay down, according to these latter, the measures to adjust liquidity profile in accordance with the bank's risk tolerance;
   f. the assurance that the responsible unit/units effectively mange liquidity risk, by assessing in parallel other risks, particularly market and credit risk;
   g. the assessment and monitoring of the internal control system efficiency for the purpose of liquidity risk management;
   h. The approval of the needed procedures for the measurement and monitoring of net cash flows, and the liquidity monitoring denominated in main currencies and as a total.

3. The Steering Council of the Bank and the responsible authority of the parent bank for the branch of a foreign bank, shall establish committees/units for the risk/risks management. These committees/units in addition to other risk management of the subject, shall be responsible for the management of liquidity risk, and for this purpose shall carry out:

   a. the compilation and implementation of strategy, policies and procedures for liquidity risk management and provide proposal to review its indicators;
   b. the development and assessment of liquidity risk management system to maintain its efficiency;
   c. the review of regular reports on the liquidity position of the bank and the establishment and monitoring of needed operations for liquidity risk management;
   d. the regular review of exposure limits against liquidity risk and the proposal to

change these rates;

e. the compilation of methodology to carry out the stress tests and the procedures to report the derived outcomes, and the regular reporting at the Steering Council on the liquidity bank’s position and perspective;
f. the suggestions regarding the solution of each potential liquidity problem and shall assure the continuance of the bank operations;
g. the provisioning of conditions for the efficient functioning of the internal control system;
h. any additional operation that is considered as useful for the function of liquidity risk management.

4. The bank may establish a separate structure/function, which is responsible for the operating implementation of liquidity risk management through the monitor and daily control of liquidity risk.

Article 8
Internal control system

1. The bank shall approve internal control procedures which shall provide the inclusion of the liquidity risk management process within the management system as a whole. The function of internal control system of liquidity risk is an integral part of the overall control system of the bank.

2. The internal control function on liquidity risk management shall minimally include the following elements:
   a. the monitoring of liquidity indicators consistency with the established limits and the report on their possible exceeds;
   b. the regular control of deadlines, accuracy, and completion of data and the assumptions used with the purpose the measuring and monitoring of liquidity risk;
   c. the implementation of measures to correct the concluded weaknesses;
   d. the continuing development of methods and methodologies to measure and control liquidity risk;
   e. the assurance of consistency with all the laws, regulations and other bylaws of the Bank of Albania, and the internal rules of the Bank.

Article 9
Information management system

1. A bank should have in place an information system which provides timely and in a stable way for the decision-making process, the needed data for the measuring, monitoring, controlling and reporting of risk liquidity indicators with the purpose the management of this latter.
2. The information system built-in as laid down in paragraph 1 of this Article, should provide data and information minimally regarding the following issues:

   a. the daily measurement, control and monitor of bank liquidity and on clearly

defined spans;
b. the measurement, control and monitoring of bank liquidity for each foreign currency, which considerably affects the overall liquidity of the bank, on individual and aggregated basis;
c. the monitoring of liquidity indicators consistency with the limits set out for the exposure against liquidity risk;
d. the derivation of data to calculate liquidity indicators and the preparation of reporting forms accomplishing the needs of steering organs of the bank and of other persons included in liquidity management risk;
e. deposits concentration ratios and the monitoring of their stability;
f. Software to carry out liquidity stress tests.

Article 10
Stress-testing

1. A bank shall manage liquidity not only under "normal" circumstances, but it should also be prepared to mange liquidity under stressed conditions.

2. A bank should perform stress tests on a regular basis in order to identify and quantify its exposure to liquidity risks, under normal conditions/situations of the daily activity, as well as in presence of stressed environments. For this purpose the bank shall analyze the impact on cash flow, on the short-term and long-term solvency, the preparation to act in emergency conditions/situations, and assesses its ability to increase assets through the identification of most favorable funding sources.

3. The frequency by which the bank shall carry out stress –tests should be commensurate with the size of the bank's activity, its liquidity risk exposures, as well as with the relative importance of the bank within banking system, but not less than four times yearly. The Bank of Albania may require to the bank the conduction of stress-tests at more frequent periods.

4. The Steering Council of the Bank shall analyse the stress tests results not less than quarterly:

   a. to improve the strategies and policies on liquidity risk management;
   b. to compile and improve the needed regulatory framework to work with the purpose the solution of main issues regarding the liquidity position of the bank;
   c. to develop the effective contingency plans.

5. Stress-tests as conducted by the bank shall include the use of particular scenarios based on internal factors, scenarios based on the market conditions the bank operates within as well as on the macroeconomic factors (external factors).

6. Scenarios on the conduction of stress tests may encompass the assumptions, as follows:

a. deposits withdrawal;
b. possible deterioration of borrowers' ability to settle their obligations, implying the worsening of loan's portfolio quality;
c. impossibility of easily translation and without considerable loss of cash assets;
d. possibility of liabilities settlement in advance under the terms of contractual options that provide this settlement;
e. operating risk and its impact degree on the increase of liquidity risk;
f. changes on the economic conditions in sectors against which bank is exposed and the deterioration of the economy as a whole;
g. worsening of markets function where banks act and/or a considerable reduction of confidence on these markets;
h. interest rates and exchange rate shock;
i. the effect of considerable changes on the bank's assets value and/or on the collateral;
j. the partial or full restriction of funding from main sources, including the possibility of continuing funding from the parent bank;
k. the impact of negative regional and global economic developments;
l. Any other possible situation that is assessed as adequate.

6. The assumptions listed in paragraph 6 of this Article are orienting ones, while the bank may make use of those situations that best fit with the complexity, risk profile and its share in the banking system.

7. The bank shall set out the methodology for the conduction of stress tests, the employed assumptions and the operations as a reaction to the derived outcomes, including:

   a. the implementation, analysis of stress-tests scenarios and the frequency of these latter conduction;
   b. realization of stress-tests for individual and combined scenarios as well, under the simultaneous occurrence of some scenarios;
   c. the regular documenting and review of the assumptions used for the conduction of stress-tests;
   d. The reporting way and frequency of stress-tests outcomes at the managing units;
   e. Operations to be developed by management units and/or special units charged with the risk liquidity management, based on stress-test results.

Article 11
Contingency Plan

1. The bank should develop a contingency plan for liquidity risk management in emergency situations. This plan should be tested regularly at least every two years.
2. The Contingency Plan shall be part of liquidity risk management system and shall include:
   a. a clear specification of tasks, competences, responsibilities and

decision-making in terms of plan implementation;

b. the early warning indicators used as signals for the occurrence of emergency conditions and the assignment of the responsible persons within then bank for the monitoring and reporting of these indicators. Annex No. 1, attached therein and an integral part of this Regulation stipulates some of these indicators;
c. the conditions the plan shall be implemented;
d. the establishment of operations to be undertaken, identification of possible fund sources, their level and priorities in use, and the definition of spans these operations be developed within;
e. Communication with main depositors, business partners, other customers and public at large;
f. contact data of person, who are responsible for the plan implementation.

3. The bank shall review the contingency plan on regular basis, with the purpose the considering of possible changes of the internal and external conditions of the bank's operations.
4. In terms of stressed economic-financial situations, the bank shall cooperate closely, with the Bank of Albania and shall exchange information on continuous basis regarding its financial position, and the operations undertaken on its recovery at satisfactory parameters.

Chapter III

Principles, indicators and measures for the liquidity risk management

Article 12
Main elements for the identification, assessment and management of the liquidity risk

The bank shall identify, access and manage liquidity risk based on the following elements:

a. the principles of liquidity risk assessment;
b. the planning and monitoring of inflows and outflows;
c. the establishment and maintenance of an adequate maturity structure;
d. the monitoring of funding sources and their concentration;
e. the monitoring of collateral for liquidity purposes;
f. the monitoring of funding lines;
g. the liquidity rates.

Article 13
Principles of liquidity risk management

The bank shall identify, access and manage the liquidity risk minimally based on the following principles:

a. The principle to provide stable funding sources;
b. The principle on the minimization of gaps between maturities at the assessment moment and those stipulated in the contract;
c. The principle on diversification of funding sources according to the type, currency, instruments, maturity, clients and markets number, by taking account of their liquidity;
d. The principle on an equilibrated/controlled expansion of the activity and the preservation of a sufficient liquid assets' value;
e. The principle on human resource availability for the effective management of liquidity risk.

Article 14
Planning and monitoring of inflows and outflows

1. The bank shall forecast and monitor the inflows and outflows of funds at defined time periods. This forecast takes account of all type of inflows and outflows, including inflows and outflows out off balance-sheet items. The bank shall compare this forecast with the current values of inflows and outflows, at regular intervals.

2. Forecasts on inflows shall minimally include:

   a. current settlement of loans (where the settlement rate cannot be higher than the inflows, and by discounting the reserve funds founded for the possible shortfalls);
   b. the current conversion of assets into cash which do not have a definite maturity term;
   c. cash values generated from the investment securities;
   d. current possibilities of assets sale (where capital investments, non-performing loans and fixed tangible assets are seen as less liquid assets, excluding the inflows arising from collateral/collaterals execution;
   e. expected increase of deposits;
   f. the bank ability to provide funds from other sources and the availability of funding market sources;
   g. other inflows, based on the analysis of the historic data regarding the inflows rates and performance at previous periods, considering the particularities of bank operations, the seasonal effect, interest-rate sensitivity and the macroeconomic factors.

3. Forecasts on outflows shall minimally include:

   a. Liabilities that mature;
   b. the future growth of the bank lending rate;
   c. levels of deposits and other stable liabilities based on their usual volatility and the acknowledgment of depositors' behavior and interests;
   d. time deposits which may be withdrawn prior to maturity term and demand deposits;

e. effect of interest rate change at deposits level;
f. Deposits concentration level;
g. outflows from off-balance sheet items;
h. other outflows based on the historic analysis of data on the outflows level and performance at previous periods, considering their seasonal effect, interest-rate sensitivity and the macroeconomic factors.

Article 15
Establishment and preservation of an adequate maturity structure

1. The bank shall monitor the maturity structure of assets and liabilities with the purpose the identification of possible maturity gaps.

2. The bank, with the purpose the measurement and monitor of gaps, shall classify the inflows and outflows from assets (rights), liabilities (claims) and off-balance sheet items, according to maturity intervals.

3. The bank shall use as cashing date of assets the latest possible date of cashing, and as settlement date the first possible date of settlement according to the following frequencies:

   a. up to 7 days,
   b. 7 days to 1 month,
   c. 1 month to 3 months,
   d. 3 months to 6 months,
   e. 6 months to 12 months.

4. The bank shall monitor on ongoing basis the gaps by the expected residual maturity, by using for this purpose the forecasts on accepted inflows and outflows, for example among other, the probability of assets collection when mature, probability of deposits withdrawal prior to maturity.
5. The bank, in light of forecasting the forthcoming cash inflows, shall ensure that the approved assumptions be reasonable, adequate, documented and reviewed at regular periods.
6. The bank with the purpose to set out the residual maturity of rights and liabilities, shall:
   a. possess a database of inflows and outflows on which these assumptions are based;
   b. review at regular basis the assumptions employed to reflect the possible changes under internal and external conditions; and
   c. provide that assumptions take account of the seasonal and cyclical character of the inflows and outflows.

7. The bank, in accordance with the adopted methodology, may classify (group) flows by the type of customer maturity, currency, unit, etc.

8. The Bank of Albania may request the implementation of different assumptions or of correcting factors in the forecasting and monitoring of flows by expected maturity, if deeming these actions may provide a better mirroring of the bank's risk profile.

9. The bank shall analyze liquidity gaps mainly based on the following criteria:
   a. classification of assets, liabilities and off-balance items by maturities;
   b. assessment of deposits stability based on historic data and on the stress-tests results;
   c. establishment of limits on liquidity gaps;
   d. gap calculation on weekly basis and by currencies;
   e. liquidity gaps forecast in the future;
   f. any other criteria deemed as reasonable.

Article 16
Monitoring of funding sources and their concentration

1. The bank shall monitor on a regular basis the funding sources to maintain a diversified base of these sources and to identify the possible concentrations. The concentrations are analyzed by the funding source, type, market, the geographical concentration, currency and by maturity.

2. The monitoring of funding sources and their concentration shall include:

   a. preservation of stable relationships with the biggest depositors, the correspondent banks, other significant customers and with business partners;
   b. the setting out of deposits stability, considering the depositors' characteristics and the deposit type;
   c. the monitoring of funding sources diversification rate;
   d. the monitoring of transfers at other funding sources.

3. The banks shall lay down and monitor the concentration rate of current accounts and demand deposits denominated in the foreign and domestic currencies.

Article 17
Monitoring of collateral for liquidity purposes

1. The bank shall monitor its collateral size and guaranties, to distinguish assets placed as collateral from free assets.

2. The effective monitoring of collateral aims to meet a range of demands

for collateral to provide long-term, short-term and intraday liquidity.

3. The bank shall own a sufficient collateral size to meet the expected or forecasted needs for borrowing in the financial, intern bank market, market and from Bank of Albania, based on its founding profile.

Article 18
Monitoring of the financial lines

1. The Bank shall assess the re-negotiation possibility of funding lines and the possibility that funds providers react at the same way at stressed circumstances/situations.
2. The bank shall consider the probability of funding lines shortfalls at contingency circumstances.
3. The bank may not suppose the automated secured renegotiation at cent per cent of the overnight maturity lines.

Article 19
Liquidity rates

1. The bank shall maintain its liquidity at such amount, structure and ratios, which allow this latter to meet all its obligations and commitments, timely, at a reasonable cost and at a minimum risk.

2. The bank shall compile and implement the needed procedures to measure and monitor its net cash flows and liquidity denominated in the main currencies and as a total.

3[2]. The bank shall calculate and provide at any time the observation of the ratio of liquid assets against the short-term liabilities:
   a. [3]denominated in the national currency (ALL) at the minimum level 15% (fifteen per cent) and in the foreign currency at the minimum level 20% (twenty per cent); and
   b. as a total at the minimum level 20%[4] (twenty per cent).

4. The following items shall account for the liquid assets:
   a. Cash - on hand;
   b[5]. Accounts with the Bank of Albania, including the mandatory reserve up to the allowed limit of its use, as set out in the by-law of the Bank of Albania;

[2] Amended upon the Supervisory Council decision no.75, dated 26.10.2011
[3] Amended upon the Supervisory Council decision no.14, dated 7.2.2018
[4] Amended upon the Supervisory Council decision no.28, dated 27.03.2013.
[5] Amended upon the Supervisory Council decision no.75, dated 26.10.2011

c. T-bills issued by the Government of the Republic of Albania, recorded in the balance sheet as "trading"/"of placement";
d. 80 percent of bonds, issued by the Government of the Republic of Albania, recorded in the balance-sheet as "tradable"/"placement";
e. "Investment" securities of Albanian Government (T-bills and bonds) with one-month residual maturity;
f. 80 percent of Albanian Government securities (T-bills and bonds), different from the stipulations in "c", "d" and "e", of this provision, which meet the criteria set out in the regulations of the Bank of Albania "On guarantees in lending operations of the Bank of Albania" and "On the Repurchase and Reverse Repurchase Agreements";
g. T-bills purchased under repurchase agreements, up-to-7 days residual maturity;
h. current accounts with banks and other and financial institutions;
i. deposits with banks and other financial institutions up-to-7 days residual maturity;
j. Loans to banks and other financial institutions with one-week residual maturity (excluding the account 157 "non-return loans to banks and other financial institutions");
k. placement/tradable securities issued by central governments and/or central banks with credit rating, given by international rating agencies, equal with that of S&P and not lower than A +;
l. placement/tradable securities issued by financial institutions with credit rating, given by international rating agencies, equal with that of S&P and not lower than A +;
m. placement/tradable securities, which are not rated, but issued by international development banks, mentioned at the Bank of Albania Regulation "On risk management from banks significant exposures";
n. "investment" securities with 1 month residual maturity (excluding Albanian Government securities set out in the above letters);
o. Securities purchased through REPO agreements up-to-7 days residual maturity.

Assets[6] set out in "a", "b", "c", "d", "e", "f", "g", "k", "l" and "m" constitute highly liquid assets.

5[7]. All liquid assets set out in paragraph 4, shall be included as such only in case there exist neither an agreement nor a commitment on them, which restricts the bank to freely and independently possess them whenever needed, currently and in the future.

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[6] Added upon the Supervisory Council decision no.75, dated 26.10.2011
[7] Added upon the Supervisory Council decision no.75, dated 26.10.2011

6[8]. Banks shall include in the index of liquid assets, the items set out in "h", "i", "j", "n" and "o" paragraph 4 of this Article, by using the haircuts determined in the following table:

No.	*Rating of the non-resident counterpart by S&P or equal to it*	*Haircut*
1.	*above BBB-**	*0%*
2.	*BB+*	*10%*
3.	*BB*	*20%*
4.	*BB-*	*30%*
5.	*B+*	*40%*
6.	*B*	*50%*
7.	*B-*	*60%*
8.	*below CCC+***	*100%*

*Note: *including BBB-; **including CCC+.*

7. Liquid assets are included on net basis, eluding accrued interests and by subtracting provisions and in case of ratings from international rating agencies for the same security, the lowest rating shall prevail.

8. The bank shall, when calculating short term-liabilities, include all liabilities with residual maturity up to 1 year, in addition[9] to the Government's securities sold accordingly to the repurchase agreement and deposits from third parties pledged as collateral/guarantee based on the agreement signed with the bank. In case of a branch of foreign bank, in calculating these short-term liabilities there are excluded the liabilities to parent bank with residual maturity higher than one month.

9. The bank shall also, along with indicators stipulated in paragraph 3 of this Article, monitor and set out, if deeming necessary, internal limits on the following indictors:

a. cumulative gap to one month against liquid assets;
b. cumulative gap to three-months against liquid assets;
c. loans to deposits (calculated as a total and by currency: in ALL and foreign currency);
d. loans to deposits and funding lines;
e. ratio of liquid assets to total deposits;
f. ratio of cash to short-term liabilities;
g. liquidity ratio by maturity intervals;

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[8] Added upon the Supervisory Council decision no.75, dated 26.10.2011

[9] Added upon the Supervisory Council decision no.75, dated 26.10.2011

h. maturity transforming ratio of short-term sources to long-term investments;
i. indicator of deposits concentration (by type of depositor, currency, sector, etc) and their stability;
j. limits on deposits at other banks;
k. projection on the forthcoming needs for liquidity (available liquid assets – required liquid assets).

Article 20
Reporting requirements

1. Banks shall submit monthly the forms set out in Annex 2 therein this Regulation. Banks shall follow the index threshold stipulated in Article 19, paragraph 3, a[10] and b, of this Regulation and shall report to the Bank of Albania accordingly in any case of failing to perform.

2. Banks shall inform Bank of Albania in any case of concluding to come across of a difficult liquidity situation, and shall submit a complete description of causes arising this situations, the effects following them and the measures they intend to take to improve these situations.

3. Bank of Albania, for[11] individual banks, any time of concluding difficult liquidity situation or whenever deeming reasonable may require additional and more frequent information, and may impose restrictive requirements and rates on liquidity risk management in addition to those stipulated in this Regulation.

4[12] Banks, on a weekly basis, shall report to the Bank of Albania, the forecasts about the inflows and outflows of money, as stipulated in Article 14 of this regulation.

Article 21
Supervisory measures

Bank of Albania, in any event of failure to meet the obligations set out in this Regulation, shall apply the provisions stipulated in Articles 74 to 80 and Article 89, of the Law "On Banks in the Republic of Albania" and the bylaws issued for its implementation.

Article 22

[10] Amended upon the Supervisory Council decision no.75, dated 26.10.2011
[11] Amended upon the Supervisory Council decision no.75, dated 26.10.2011
[12] Added upon the Supervisory Council decision no.75, dated 26.10.2011

Transitory provision

Subjects of this regulation, no later than 6 (six) months following the entry into force of this Regulation, shall carry out in accordance with the requirements of this Regulation, the review and/or the approval of the internal rules and procedures, as well as stress-tests implementation on risk liquidity management**.**

Article 23
Final provisions

The attached Annexes 1 and 2 therein are an integral part of this Regulation.

CHAIRMAN OF SUPERVISORY COOUNCIL

ARDIAN FULLANI

Annex 1

Early Warning indicators

The following list presents some of early warning indicators that banks should deal with carefully. This list is not mandatory but an orienting one.

Early warning indicators are the following:

1. rapid assets growth, especially when funded with potentially volatile sources;
2. growing concentration in assets and/or liabilities;
3. huge increase/decrease of net positions in selling/purchasing according to the currency
4. a decrease of weighted average maturity of liabilities;
5. repeated breaches of internal or regulatory limits set out for the liquidity indicators;
6. negative trends and/or heightened risk associated with a particular and/or business line;
7. significant deterioration in the banks' earnings, its assets quality and overall financial condition;
8. negative publicity;
9. downgrade of bank credit rating;
10. stock price decline or increase of debt cost;
11. increase of wholesale or retail funding costs;
12. correspondent banks that eliminate or decrease their credit lines;
13. increase of deposits withdrawal speed;
14. increasing redemptions of certificates deposits (CDs) before maturity;
15. difficulties accessing longer-term funding;
16. etc.

Annex 2

Form No.1

Liquid assets – short-term liabilities (in ALL thousand)
Bank ________ Date ___________

Liquid assets	LEK	USD	EUR	Other
a. Cash on hand				
b. Accounts with the Bank of Albania, including the mandatory reserve up to the allowed limit of its use, as set out in the by-law of the Bank of Albania;				
c. T-bills issued by the Albanian Government, recorded in the balance-sheet as "tradable/of placement".				
d. 80 (eighty) percent of bonds issued by the Albanian Government recorded in the balance-sheet as "tradable"/"of placement"				
e. "Investment"securities of the Albanian Government (T-bills and bonds) with one-month residual maturity.				
f. 80 (eight) percent of Albanian Government securities (T-bills and bonds), different from the stipulations in "c", "d" and "e", of this form, but which meet the Requirements laid down in the Bank of Albania Regulations " On the lending guarantees of the Bank of Albania" and "On the Repurchase and Reverse Repurchase Agreements".				
g. T-bills purchased under Repurchase Agreements, with one-week maturity.				
h. Current account with banks and other financial institutions.				
i. Deposits with banks and other financial institutions with one-week residual maturity.				
j. Loans to banks and other financial institutions with one-week residual maturity (excluding the 157"non-returned loans to banks and other financial institutions").				

k. “Tradable/placement‟ securities issued by Government and Central banks with credit rating, given by international rating agencies, equal with that of S&P and not lower than A +				
l. “Tradable”/”of placement” securities as issued by financial institutions with credit rating, given by international rating agencies, equal with that of S&P and not lower than A +.				
m. “Tradable”/”of placement” securities not rated, but issued by international development banks. listed in the Regulation of the Bank of Albania “On risk management arising from significant exposures of banks”.				
n. One-month residual maturity “investment” securities (excluding The Albanian Government Securities under the above letters).				
o. Securities purchased under Repurchase Agreements, with one-week residual maturity.				
TOTAL LIQUID ASSETS				
SHORT-TERM LIABILITIE WITH ONE YEAR RESIDUAL MATURITY.				

Note: Data are reported in their counter-value denominated in ALL.

Form no.2
Liquidity indicator in percent (Liquid assets/short-term liabilities)*100

Bank _______________ Date ______________

Week 1	Week 2	Week 3	Week 4	Week 5

Note: Indicator for the 5th week of month shall be reported saving when this latter results to encompass 5 weeks in special cases.

Form No.3
Commitments undertaken from parent banks and other banks of the group (in ALL thousand)
Bank ________________ Date _______________

Counterparty	Original currency	Amount denominated in the original currency (off balance sheet amount and the used share)	Counter value in ALL	Residual maturity	Used share
1					
2					
...					
n					

Form No.4

Concentration of deposits (in ALL thousand)

Bank _______________ Date ____________

Deposits' concentration	**Currency**	**Amount (counter value denominated in ALL)**	**Deposits by residual maturity**					
			Up to 7 days week	**7 days-1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**> 12 months**
10 biggest depositors	ALL							
10 biggest depositors	EUR							
10 biggest depositors	USD							
10 biggest depositors	Other							
20 biggest depositors	ALL							
20 biggest depositors	EUR							
20 biggest depositors	USD							
20 biggest depositors	Other							
50 biggest depositors	ALL							
50 biggest depositors	EUR							
50 biggest depositors	USD							
50 biggest depositors	Other							

Form No. 5

Placements with parent bank, other peer banks and/or with other financial institutions (in thousand ALL)

Bank _______________
Date ______________

Counterparty	**Type of transaction**	**Original currency**	**Amount denominated on the original currency**	**Counter-value in ALL**	**Residual maturity**
1					
2					
...					
n					

Note: Type of transaction shall mean the transaction as current accounts, time deposits or as demand deposits, etc.

Form No.6 Assets by maturity (in ALL thousand)

Bank ________________ **Date ____________________**

Code	Assets by residual maturity	Up-to-7 days	7 days– 1 month	1-3 months	3-6 months	6-12 months	1-5 year s	>5 year s	Total
1	TREASURY AND INTERBANKOPERATIONS								
111	Cash - on hand								
1121 (A) 1122	Current account with central bank								
1123	Required reserve at the central bank								
1124	Deposits with central bank								
1127	Loans to central bank								
1128	Non-returned accounts at the central bank								
121	Other accounts with the central bank								
122	Treasury bills								
	Treasury bills and other bills eligible for								
13	refinancing with Central Bank								
14	Current accounts with financial institutions								
15	Deposits with financial institutions								
18 (A)	Loans to financial institutions								
19	Other accounts with financial institutions								
	Doubtful assets								
2									
20	OPERATIONS WITH CUSTOMERS								
	Standard loans and advanced granted to								
21	customers								
22	Non-returned loans and advances to								
23	customers Special mention loans								
24	Sub-standard loans								
25	Doubtful loans								
27(A)	Loss loans								
28(A)	Current accounts of customers								
	Other accounts of customers								

29	Accounts to be cashed of customers with doubtful status different from loans								
26 261(A) 262 266 267 269	OPERATIONS WITH PUBLIC ADMINISTRATION Current accounts Loans Non-returned accounts Doubtful accounts Other accounts								
3 31 32 341 35(A) + 36(A)	SECURITIES TRANSACTIONS Fixed income securities Variable income securities Securities purchased under REPO Agreement Other								
41	OTHER ASSETS								
43 (A)	AGENT TRANSACTIONS								
44 (A)	Inter-office accounts								
45(A)+ 46(A)	OTHER								
5 51+52 53	Fixed assets Investments on participation equity and affiliates Other fixed assets								
	TOTAL								

Form No.7

Assets by maturity (in ALL thousand)

Bank _______________ Date ______________

Code	**Liabilities by residual maturity**	**Up-to-7 days**	**7-days - 1 month**	**1-3 months**	**3-6 months**	**6-12 months**	**1-5 years**	**>5 years**	Total
1	TREASURY AND INTERBANK TRANSCATIONS								
1121 (P)	Current account of Central Bank								
1125	Deposits with Central Bank								
1126	Loans from Central Bank								
1128(P)	Other accounts with Central Bank								
1215	T-bills sold under REPO Agreement								
1225	Other T-bills sold under REPO agreements								
13 (P)	Current accounts with financial institutions								
16	Deposits from financial institutions								
17	Loans from financial institutions								
18(P)	Other accounts of financial institutions								

2	OPERATIONS WITH CUSTOMERS								
271	Current account								
272	Demand deposits								
273	Time deposits								
28(P)	Other customers accounts								
26	OPERATIONS WITH PUBLIC ADMINISTRATION								
261(P)	Current account								
263	Demand deposits								
264	Time deposits								
265	Loans to public administration								
269(P)	Other public administration accounts								
3	SECURITIES TRANSACTIONS								
33	Debts represented by securities								
342	Securities purchased under REPO Agreement								
35(P)+36(P)	Other								
42	OTHER LIABILITIES								

43(P)	AGENT TRANSACTIONS								
44(P)	INTER-OFFICE ACCOUNT								
45(P)+46(P)	OTHER								
5	PERMANENT SOURCES								
54	Grants and public Financing								
55	Discretionary provisions								
56	Subordinated debt								
571+574	Paid-in capital (and re-evaluation gap)								
572	Share premiums								
573	Reserves								
577	Retained earnings								
578	Current year profit								
	TOTAL								

Form No.8

GAP by currencies and maturity (in ALL thousand)

	Up-to-7 days	7-days- 1 month	1-3 months	3-6 months	6-12 months	1-5 years	>5years
USD							
A. Asset B. Liability							
Gap (A - B)							
C. Off-balance sheet asset D. Off-balance sheet liability							
Gap (C - D)							
E. Total Asset (A + C) F. Total liability (B + D)							
Gap (E - F)							
EUR							
A. Asset B. Liability							
Gap (A - B)							
C. Off-balance sheet asset D. Off-balance sheet liability							
Gap (C - D)							
E. Total Asset (A + C) F. Total liability (B + D)							

Gap (E - F)							
GBP							
A. Asset B. Liability							
Gap (A - B)							
C. Off-balance sheet asset D. Off-balance sheet liability							
Gap (C - D)							
E. Total Asset (A + C) F. Total liability (B + D)							
Gap (E - F)							
CHF							
A. Asset B. Liability							
Gap (A - B)							
C. Off-balance sheet asset D. Off-balance sheet liability							
Gap (C - D)							
E. Total Asset (A + C) F. Total liability (B + D)							
Gap (E - F)							