



# **SPI Project: “Enhancing Banks’ Liquidity Risk Management”**

## **Banks’ suggestions on the Draft Regulation on Liquidity Risk Management**

Prepared by  
**SPI Albania Secretariat**

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## **I. Context**

SPI Albania, with the authorization of SPI Committee, has undertaken the project on the revision of the Liquidity Risk Management regulatory framework with the following objective:

To enhance banks' liquidity risk management by reviewing the current regulatory framework according to international guidelines and best practice, including introduction of quantitative prudential ratios, in order to prevent the occurrence of systemic liquidity difficulties.

BoA has drafted a regulation with specific principles for the internal banks' systems for liquidity risk management as well as detailed definitions of indicators for measuring monitoring and managing liquidity risk (please see attached the draft regulation).

In the second PWG meeting, held on 20 May 2009, many items of the draft regulation proposal were discussed amongst the present banks and the Bank of Albania. Please find attached the table summarizing the discussions held on specific issues.

### **PWG composition**

**Project Owner:** Mr. Indrit Bank, Supervision Department, Bank of Albania.

**Project Manager:** Mrs. Miranda Ramaj, Supervision Department, Bank of Albania.

**Co- Project Manager:** Ms. Enkelejda Bargjo, Market and Liquidity Risk, Tirana Bank

**Technical Anchor (TAN):** IMF

**Project Working Group Members:** Donata Totokoci / Persefoni Papa, ProCredit Bank

Artiola Agalliu, Alpha Bank-Albania

Altin Sholla, Bis Banca

Christian Canacaris / Rigels Kristo, RBAL

Altin Koci, ICB

Jola Dima, Intesa Sanpaolo Bank

Eralda Gurga / Gresa Panajoti, Emporiki

Miranda Kacani, BKT

Elvira Jaze / Admir Ramadani, First Investment Bank

Erjon Tace, Banka Popullore

## **II. Purpose of the banking survey**

In order to help aligning the regulatory framework to the banks' need and specifics, banks are expected to give their input (as agreed) on some specific issues.

In this context, you are kindly requested to support the Liquidity Risk Management framework revision processes by answering this questionnaire.

## **III. Procedures to run the banking survey**

Please send your answers to SPI Secretariat, who stands ready to offer you more details, by 22 May 2009.

Your answers will be treated in strict confidentiality. The results of the banking survey will be disclosed only at aggregate level

#### IV. Questions

1. Based on your historical data, please provide information and arguments on:
    - a. the average percentage of overdrafts and credit cards approved and used in periods:
      - i. up to 7 days \_\_\_\_\_
      - ii. up to 1 month \_\_\_\_\_
    - b. the average percentage of approved and unused overdrafts that you consider as short term liabilities \_\_\_\_\_
    - c. do you include in short term liabilities any percentage of credit cards?

Yes	No
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    - d. if not, why?
- 
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2. Based on your historical data, please provide information on:
  - a. The average of credit lines approved (unused) and irrevocable used in periods:
    - i. up to 7 days \_\_\_\_\_
    - ii. up to 1 month \_\_\_\_\_
  - b. The percentage of credit lines currently considered as short term liabilities \_\_\_\_\_

3. Do you find it reasonable to include in liquid assets and short term liabilities the off balance sheet items listed below :
  - a. Liquid assets:
    - i. Warrantees 

Yes	No
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    - ii. Credit letters 

Yes	No
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    - iii. Upcoming Forward transactions and other off balance sheet items which can be materialized into *inflows* and will mature in 7 days 

Yes	No
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    - iv. If any of the above answers is No, please give your reasons and alternatives
  - b. Short term liabilities:
    - i. All upcoming Forward transactions 

Yes	No
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- ii. Open credit uncovered letters of credit      Yes              No
- iii. Credit lines    Yes              No
- iv. Warranties and other off balance sheet items which can be materialized into *outflows* and will mature in 7 days  
Yes              No
- v. If any of the above answers is No, please give your reasons and alternatives

4. Based on your historical data, please provide information on the percentage of the used part of current accounts with credit balance.

Up to 7 days              \_\_\_\_\_              Up to 1 month              \_\_\_\_\_

5. Based on your historical data, please provide information on the percentage of on sight deposits withdrawals

Up to 7 days              \_\_\_\_\_              Up to 1 month              \_\_\_\_\_

6. How often are rated the securities your bank holds in its balance sheets?

\_\_\_\_\_

7. The liquidity of securities is related to the active / non active market (which is reflected in the bid-ask spread) where they are traded and worthiness of the issuer. What is your opinion on including the A<sup>+</sup> rating (according to S&P and the equivalent from other rating agencies)?

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8. What is the level of the ratio of loans in foreign currency / deposits in foreign currency in your bank? \_\_\_\_\_

9. Referring to the above mentioned ratio, how suitable would you consider a maximal limit of 130% (instead of 100% proposed in the draft), with the condition of the existence of a credit line contract (with the mother bank) of non less than one year to cover the amount over 100%.

Agree              Disagree

Why disagree \_\_\_\_\_

10. Regarding the indicators in point 4 of article 15 of the proposed draft regulation:

a. How difficult is for your bank to generate daily data?

Impossible              Very difficult              Difficult              Not difficult

b. What makes it impossible:

- i. Existing systems of information management
- ii. Impossibility of daily monitoring
- iii. Impossibility of reporting the next working day

c. Can these difficulties be overcome within a time frame?

- |  | Yes | How long | No  |    |
|--|-----|----------|-----|----|
| d. Do you consider these indicators as suitable / logical? |     |          | Yes | No |
| e. Please suggest other alternatives                       |     |          |     |    |

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11. Please provide us with any spreadsheet or algorithm that your bank uses for internal use to calculate main liquidity indicators (to be used for calculating the impact assessment of the new regulation on banks).