



**SPI ALBANIA PROJECT:  
ENHANCING LIQUIDITY RISK MANAGEMENT  
Summary of Main Outcomes of SPI Albania Consultations  
July 2009**

<b>Item</b>	<b>1<sup>st</sup> Draft regulation</b>	<b>Final Draft regulation</b>
<b>Article 6.</b> Organizational structure for liquidity risk management	Risk Management Committee, along with the management of subject other risks, shall be responsible for the management of risk liquidity.	Steering Council of the bank should establish a committee / structure for the managements of risk/s. These Committees /structures along with the management of subject other risks, shall be responsible for the management of risk liquidity.
<b>Article 13.</b> Establishment and maintenance of an adequate maturity structure	The bank shall perform the analysis gaps liquidity based mainly on: .... d.. the accounting of gaps <b>on daily basis</b> ; ....	The bank shall perform the analysis gaps liquidity based mainly on: ... d. the accounting of gaps <b>on weekly basis and by currencies</b> ; ...
<b>Article 17/3.</b> Liquidity rates / limits	The bank shall account and monitor liquidity indicator accounted as a ratio of liquid assets with short-term liabilities according to limits and terms set out as follows:  a) minimum 0.8 – for one business day; b) minimum 0.9 – for three regular business days; c) minimum 1 – for one month (the indicator is accounted as accounted arithmetic average over the business days).  The bank shall account and ensure that the following are in place, at any moment: a) indicators of liquid assets against total assets are at minimum level of 20% b) indicators liquid assets denominated in foreign currency against total foreign currency assets are at the minimum level of 30% c) indicators of foreign currency credits against deposits denominated in foreign currency are at maximum level of 100%.	The bank should monitor and respect in every moment the ratio of liquid assets to short term liabilities at a minimal level of 20%, on weekly basis.

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Item	1 <sup>st</sup> Draft regulation	Final Draft regulation
<b>Article 17/4.</b> Liquidity rates / definition of liquid assets	<p>The following items shall be included when accounting liquid assets</p> <p>.....</p> <p>h. securities issued by central government and central banks with rating assigned by internationally recognized rating agency equivalent to rating of S&amp;P not less than BBB (investment grade);</p> <p>i. securities issued by financial institution with rating assigned by internationally recognized rating agency equivalent to rating of S&amp;P not less than A<sup>+</sup>, assessed not earlier than 6 months from the reporting period;</p> <p>...</p> <p>m. irrevocable credit facilities approved to the bank.</p> <p>Liquid assets are included on a net basis excluding accrued interest and subtracting provisions.</p>	<p>The following items shall be included when accounting liquid assets</p> <p>.....</p> <p>h. securities issued by central government and central banks with rating assigned by internationally recognized rating agency equivalent to rating of S&amp;P not less than A+ (investment grade);</p> <p>i. securities issued by financial institution with rating assigned by internationally recognized rating agency equivalent to rating of S&amp;P not less than A<sup>+</sup>;</p> <p>...</p> <p>m. (eliminated)</p> <p>Liquid assets are included on a net basis excluding accrued interest and subtracting provisions, and when rated by different agencies, the lower rating will be considered.</p>
<b>Article 17/5.</b> Liquidity rates / definition of short term liabilities	<p>In accounting the liquid liabilities the following items are included:</p> <p>a) operations with the central bank;</p> <p>b) treasury bills and others adequate for refinancing purposes with the central bank;</p> <p>c) current accounts and deposits with maturity up to seven days with banks, credit institutions and other financial institutions;</p> <p>d) loans received from and other accounts with banks, credit institutions and other financial institutions with maturity up to seven days;</p> <p>e) current accounts and demand deposits from the Albanian Government and public administration as well as deposits with maturity up to seven days;</p> <p>f) securities sold under reverse repurchase agreements with maturity up to one month;</p> <p>g) 30% of current accounts with credit outstanding;</p> <p>h) 30% of demand deposits;</p> <p>i) 10% of time deposits;</p> <p>j) 5% of guaranties and other commitments (off-balance sheet);</p> <p>20% of the approved (unused), but irrevocable credit lines.</p>	<p>Short term liabilities are considered all banks liabilities with maturity up to one year.</p>