



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?

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
ii. Credit letters	Yes	No
iii. Upcoming Forward transactions and other off balance sheet items which can be materialized into <i>inflows</i> and will mature in 7 days	Yes	No
 - 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⁺ rating (according to S&P and the equivalent from other rating agencies)?

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 | | | | |

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).