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EU

EXECUTIVE BOARD
OF THE NATIONAL BANK OF MOLDOVA

DECISION No.176
as of 31 July, 2025

On the approval of the Regulation on the leverage and the amendment of certain normative acts of the National Bank of Moldova

Pursuant to Article 44 point a) of Law on the National Bank of Moldova No. 548/1995 (republished in the Official Gazette of the Republic of Moldova, 2015, No. 297–300, Article 544), and Article 77 of Law on banking activity No. 202/2017 (Official Gazette of the Republic of Moldova, 2017, No. 434–439, Article 727), the Executive Board of the National Bank of Moldova

DECIDES:

This Decision partially transposes (transposes Article 1 point (a); Article 4 paragraphs 93 and 139; Article 92 para. (1) point (d); Articles 429, 429a para. (1) points (b), (c), (f)–(l), (n), paras. (4)–(7); 429b, 429c, 429d, 429e, 429f, 429g; Article 430 para. (1) point (a) and para. (2); and Article 451 para. (1) point (a)) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, published in the Official Journal of the European Union L 176 as of 27 June 2013, CELEX: 32013R0575, as last amended by Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024.

1. The Regulation on the Leverage, as laid down in the Annex, is hereby approved.

2. Paragraph 130 of the Regulation on banks' own funds and capital requirements, approved by Decision No. 109/2018 of the Executive Board of the National Bank of Moldova (Official Gazette of the Republic of Moldova, 2018, No. 183–194, Article 899), registered with the Ministry of Justice of the Republic of Moldova under No. 1332/2018, shall be supplemented with subparagraph 4), which shall read as follows: "4) a leverage ratio of 3%."

3. The Regulation on the Banking Activity Management Framework, approved by Decision No. 322/2018 of the Executive Board of the National Bank of Moldova (Official Gazette of the Republic of Moldova, 2019, No. 1–5, Article 56), registered with the Ministry of Justice of the Republic of Moldova under No. 1400/2018, shall be amended as follows:

3.1. In paragraph 324^1, the wording "Regulation on leverage for banks No. 274/2020" shall be replaced with the wording "Regulation on the leverage effect, approved by Decision No. XX/202X of the Executive Board of the National Bank of Moldova".

3.2. In Annex 2^2:

3.2.1. In paragraph 1, subparagraph 3), the word "Ratio" shall be replaced with the word "Indicator";

3.2.2. Paragraph 2 shall read as follows:

"2. Liquidity indicators:

1) Liquidity coverage ratio (LCR);
2) Net stable funding ratio (NSFR);
3) Available and unencumbered eligible assets that meet the eligibility requirements imposed by the National Bank of Moldova.

4. Annex No. 1 to the Regulation on banks' disclosure requirements, approved by Decision No. 158/2020 of the Executive Board of the National Bank of Moldova (Official Gazette of the Republic of Moldova, 2020, No. 188–192, Article 667), registered with the Ministry of Justice of the Republic of Moldova under No. 1581/2020, shall be amended as follows:

4.1. In the table, indicator No. 1 "Capital" shall be supplemented with position 1.13 and sub-positions 1.13.1 and 1.13.2, which shall read as follows:

1.13	Leverage ratio indicator					
1.13.1	Total exposure measure indicator	mil.MDL				
1.13.2	Leverage ratio indicator[2a]	%				

4.2. In the section "Method of calculating certain indicators", after paragraph 2, paragraph 2a shall be inserted with the following content:

"[2a]. The leverage ratio indicator shall be calculated by dividing the bank's capital measure indicator by the bank's total exposure measure indicator and shall be expressed as a percentage, in accordance with the Regulation on leverage, approved by Decision No. XX/2025. of the Executive Board of the National Bank of Moldova"

5. Decision of the Executive Board of the National Bank of Moldova No. 274/2020 approving the Regulation on the leverage effect for banks (Official Gazette of the Republic of Moldova, 2020, No. 360–371, Article 1443), registered with the Ministry of Justice of the Republic of Moldova under No. 1610/2020, shall be repealed.

6. This decision shall enter into force on 1 January 2026.

Annex
to Decision of the Executive Board
of the National Bank of Moldova
No. 176 of 31 July 2025

REGULATION ON THE LEVERAGE EFFECT

This Regulation partially transposes (transposes Article 1, point (a); Article 4, paragraphs 93 and 139; Articles 429, 429a para. (1) points (b), (c), (f)–(l), (n), paras. (4)–(7); 429b, 429c, 429d, 429e, 429f, 429g; Article 430 para. (1) point (a) and para. (2); and Article 451 para. (1) point (a)) of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, published in the Official Journal of the European Union L 176 of 27 June 2013, CELEX: 32013R0575, as last amended by Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024.

Chapter I
GENERAL PROVISIONS

1. The Regulation on the leverage effect (hereinafter – the Regulation) lays down the rules to be observed by banks that are legal entities in the Republic of Moldova, as well as the branches in the Republic of Moldova of banks from other states (hereinafter – the banks), for the purpose of defining, calculating, and reporting the leverage ratio.

2. Banks shall comply with the provisions of this Regulation on an individual basis.

3. Banks shall meet the requirements set out in Chapter II of this Regulation on a consolidated basis, under the conditions and according to the methods provided in the Regulation on consolidated supervision of banks, approved by Decision No. 101/2020 of the Executive Board of the National Bank of Moldova.

4. The terms and expressions used in this Regulation shall have the meaning assigned to them in Law on bank activity No. 202/2017 (hereinafter – Law No. 202/2017) and in the normative acts of the National Bank of Moldova (hereinafter – NBM) issued for the implementation of the aforementioned Law.

5. For the purposes of this Regulation, the following definitions shall apply:

5.1. "Leverage" means the relative size of a bank's assets, off-balance sheet obligations and contingent obligations to pay or toe deliver or to provide collateral, including obligations arising from received financing, made commitments, derivative financial instruments, or repurchase agreements, but excluding obligations which can only be enforced during the liquidation of a bank, compared to that bank's own funds.

5.2. "Securities financing transaction" means a repurchase transaction, a securities or commodities lending or borrowing transaction, or a margin lending transaction.

Chapter II
CALCULATION OF THE LEVERAGE RATIO
Section 1 – Leverage ratio calculation formula

6. Banks shall calculate their leverage ratio in accordance with the methodology set out in paragraphs 7–11.

7. The leverage ratio shall be calculated as a bank's capital measure divided by that bank's total exposure measure and shall be expressed as a percentage.
Banks shall calculate the leverage ratio at the reporting reference date.

8. For the purposes of paragraph 7, the capital measure is represented by Tier 1 own funds.

Section 2 – Total exposure measure

9. For the purposes of paragraph 7, the total exposure measure shall be the sum of the exposure values of the following items:

9.1. assets, excluding derivative contracts listed in Annex No. 1 of the Regulation on the treatment of market risk according to the standardized approach, approved by Decision of the Executive Board of the NBM No. 114/2018 (hereinafter – Regulation No. 114/2018), credit derivative instruments and positions referred to in Section 7, calculated in accordance with paragraph 24;

9.2. derivative contracts listed in Annex No. 1 of Regulation No. 114/2018 and credit derivative, including those contracts and credit derivative instruments that are off-balance-sheet, calculated in accordance with Sections 5 and 6;

9.3. add-ons for counterparty credit risk of securities financing transactions, including those that are off-balance sheet, calculated in accordance with Section 7;

9.4. off-balance sheet items, excluding derivative contracts listed in Annex No. 1 of Regulation No. 114/2018, credit derivative, securities financing transactions and positions referred to in Sections 6 and 9, calculated in accordance with Section 8;

9.5. regular-way purchases or sales awaiting settlement, calculated in accordance with Section 9.

10. Banks shall treat long settlement transactions in accordance with subparagraphs 9.1–9.4, as applicable.

11. Banks may reduce the exposure values referred to in subparagraphs 9.1 and 9.4 by the corresponding amount of general credit risk adjustments related to on- and off-balance-sheet items, subject to a floor of 0 where the credit risk adjustments have reduced Tier 1 capital.

12. By way of derogation from subparagraph 9.4, the following provisions shall apply:

12.1. an off-balance sheet item under subparagraph 9.4 that is treated as a derivative in accordance with the applicable accounting framework shall be subject to the treatment set out in subparagraph 9.2;

12.2. where a client of a bank acting as a clearing member enters directly into a derivative transaction with a central counterparty (hereinafter – CCP), and the bank guarantees the performance of the client's trade exposure to the CCP arasing from that transaction, the bank shall calculate its exposure resulting from the guarantee in accordance with subparagraph 9.2 as if that bank had entered directly into the transaction with the client, including with regard to the receipt or provision of cash variation margin.

13. The treatment set out in subparagraph 12.2 shall also apply to a bank acting as a higher-level client that guarantees the performance of its client's trade exposure.

14. For the purposes of subparagraph 12.2 and paragraph 13, banks may consider an affiliated entity as a client only where that entity is outside of regulatory scope of consolidation at the level at which the requirement set out in paragraph 132 subparagraph 5) of the Regulation on banks' own funds and capital requirements, approved by Decision of the Executive Board of the NBM No. 109/2018 (hereinafter – Regulation No. 109/2018) is applied.

15. For the purposes of subparagraph 9.5 and Section 9, a "regular-way purchase or sale" means a purchase or sale of a security under contracts for which the terms require delivery of the security within the time period established generally by regulation or convention in the marketplace concerned.

16. Unless otherwise expressly provided for in this Regulation, banks shall calculate the total exposure measure in accordance with the following principles:

16.1. financial guarantees, collateral, or credit risk mitigation purchased shall not be used to reduce the total exposure measure;

16.2. assets shall not be netted with liabilities.

17. By way of derogation from subparagraph 16.2, banks may reduce the exposure value of a pre-financing loan or an intermediate loan by the positive balance on the savings account of the debtor to which the loan was granted and only include the resulting amount in the total exposure measure, provided thar all the following conditions are met:

17.1. the granting of the loan is conditional upon the opening of a savings account at the bank granting the loan and both the loan and the savings account are regulated by the same sectoral law;

17.2. the balance of the savings account cannot be withdrawn, in part or in full, by the debtor for the entire duration of the loan;

17.3. the bank is unconditionally and irrevocably entitled to use the balance on the savings account to settle any claim originating under the loan agreement in cases regulated by sectoral law referred to in subparagraph 17.1, including in the case of non-payment by or the insolvency of the debtor.

18. For the purposes of paragraph 17, a "pre-financing loan" or an "intermediary loan" means a loan that is granted to the borrower for a limited period of time in order to borrower's financing gaps until the final loan is granted in accordance with the criteria laid down in the sectoral law regulating such transactions.

Section 3 – Exposures excluded from the total exposure measure

19. By way of derogation from paragraphs 9–11, a bank may exclude any of the following exposures from its total exposure measure:

19.1. the assets deducted in the calculation of the capital measure referred to in paragraph 8;

19.2. exposures that are assigned a risk weight of 0% in accordance with paragraphs 19–21 of the Regulation on the treatment of credit risk for banks under the standardized approach, approved by Decision of the Executive Board of the NBM No. 111/2018 (hereinafter – Regulation No. 111/2018);

19.3. the guaranteed parts of exposures arising from export credits that meet both the following two conditions:

19.3.1. the guarantee is provided by an eligible provider of unfunded credit protection in accordance with paragraph 36 of the Regulation on credit risk mitigation techniques of banks, approved by Decision of the Executive Board of the NBM No. 112/2018 (hereinafter – Regulation No. 112/2018), including central governments and export credit agencies;

19.3.2. a 0% risk weight is applied to the guaranteed part of the exposure in accordance with Section 1 or Section 3 of Chapter IV of Regulation No. 111/2018;

19.4. where the bank is a clearing member of a qualifying central counterparty (QCCP), the trade exposures of that bank, provided that they are cleared with the respective QCCP and meet the conditions set out in subparagraph 143.3 of the Regulation on the treatment of counterparty credit risk for banks;

19.5. where the bank is an higher-level client in a multi-level client structure, the trade exposures to the clearing member or with an entity acting as an higher-level client for the bank, provided that the conditions set out in paragraphs 139 and 140 of the Regulation on the treatment of counterparty credit risk for banks are met, and provided that the bank is not obliged to reimburse its client for any losses suffered in the event of default of either the clearing member or the QCCP;

19.6. fiduciary assets which meet all the following conditions:

19.6.1. they are recognized on the bank's balance sheet in accordance with the general accounting principles laid down in Article 6 of Law No. 287/2017 on Accounting and Financial Reporting;

19.6.2. they meet the criteria for non-recognition set out in International Financial Reporting Standard (IFRS) 9;

19.6.3. they meet the criteria for non-consolidation criteria set out in IFRS 10, where applicable;

19.7. exposures that meet all the following conditions:

19.7.1. they are exposures to a public sector entity;

19.7.2. they are treated as exposures to the central government in accordance with Section 3, Chapter IV of Regulation No. 111/2018;

19.7.3. they arise from deposits that the bank is legally obliged to transfer to the public sector entity referred to in subparagraph 19.7.1 for the purpose of funding general interest investments;

19.8. the excess collateral deposited at tri-party agents that has not been lent out;

19.9. where, under the applicable accounting framework, a bank recognizes the variation margin paid in cash to its counterparty as a receivable asset, the receivable asset, provided that the conditions set out in subparagraphs 36.1–36.5 are met;

19.10. the following exposures to the bank's central bank, subject to the conditions set out in paragraphs 21 and 22:

19.10.1. coins and banknotes denominated in Moldovan leu, as well as coins and banknotes constituting legal currency in the jurisdiction of another central bank;

19.10.2. assets representing claims on the NBM, as well as on another central bank, including reserves held at the NBM or at another central bank.

20. Banks shall not exclude the trade exposures referred to in subparagraphs 19.4 and 19.5 where the condition set out in paragraph 14 is fulfilled.

21. Banks may exclude the exposures listed in subparagraph 19.10 where all the following conditions are met:

21.1. the NBM has determined and publicly declared that exceptional circumstances exist that warrant the exclusion in order to facilitate the implementation of monetary policy;

21.2. the exemption is granted for a limited period of time not exceeding one year;

21.3. the NBM has determined the date when the exceptional circumstances are deemed to have started and publicly announced that date; that date shall be set at the end of a quarter.

22. The exposures to be excluded under subparagraph 19.10 shall meet both the following two conditions:

22.1. they are denominated in the same currency as the deposits taken by the bank;

22.2. their average maturity does not significantly exceed the average maturity of the deposits taken by the bank.

23. By way of derogation from subparagraph 4) of paragraph 130 of Regulation No. 109/2018, where a bank excludes the exposures referred to in subparagraph 19.10, the bank shall at all times satisfy the following adjusted leverage ratio for the duration of the exclusion:

$$\mathrm{aLR} = 3\,\% \cdot \frac{\mathrm{EM_{LR}}}{\mathrm{EM_{LR}} - \mathrm{CB}}$$

where:

aLR = the adjusted leverage ratio;

EM_{LR} = the bank's total exposure measure as calculated in accordance with paragraphs 9–11, including the exposures excluded in accordance with subparagraph 19.10, on the date referred to in subparagraph 21.3; and

CB = the daily average total value of the bank's exposures to its central bank, calculated over the full reserve maintenance period of the central bank immediately preceding the date referred to in subparagraph 21.3, that are eligible to be excluded in accordance with subparagraph 19.10.

Section 4 – Calculation of asset exposure value

24. Banks shall calculate the exposure value of assets, excluding derivative contracts listed in Annex No. 1 of Regulation No. 114/2018, credit derivative and the positions referred to in Section 7, in accordance with the following principles:

24.1. the exposure value of assets means an exposure value as referred to in paragraph 5 of Regulation No. 111/2018;

24.2. securities financing transactions shall not be netted.

25. A cash pooling agreement offered by a bank does violate the condition set out in subparagraph 16.2 only where the agreement meets both of the following conditions:

25.1. the bank offering the cash pooling agreement transfers the credit and debit balances of several individual accounts of entities of a group included in the agreement ("original accounts") into a separate, single account and thereby sets the balances of the original accounts to zero;

25.2. the bank carries out the actions referred to in subparagraph 25.1 on a daily basis.

26. For the purposes of paragraphs 25 and 27, a cash pooling agreement means an agreement under whereby the credit or debit balances of several individual accounts are combined for the purpose of cash or liquidity management.

27. By way of derogation from paragraph 25, a cash pooling agreement that does not meet the condition laid down in subparagraph 25.2 but meets the condition set out in subparagraph 25.1, does not violate the condition set out in subparagraph 16.2, provided that the agreement meets all the following conditions:

27.1. the bank has a legally enforceable right to set off the balances of the original accounts through the transfer into a single account at any point in time;

27.2. there are no maturity mismatches between the balances of the original accounts;

27.3. the bank pays or charges interest based on the combined balance of the original accounts;

27.4. the NBM considers that the frequency by which the balances of all original account are transferred is adequate for the purpose of including only the combined balance of the cash pooling arrangement in the total exposure measure.

28. By way of derogation from subparagraph 24.2, banks may calculate the exposure value of cash receivables and cash payables under securities financing transactions with the same counterparty on a net basis only if all of the following conditions are met:

28.1. the transactions have the same explicit final settlement date;

28.2. the right to set off the amount owed to the counterparty with the amount owed by the counterparty is legally enforceable in the normal course of business and in the event of default, insolvency, or bankruptcy;

28.3. the counterparties intend to settle on a net basis or to settle simultaneously, or the transactions are subject to a settlement mechanism that results in the functional equivalent of net settlement.

29. For the purposes of subparagraph 28.3, banks may consider that a settlement mechanism results in the functional equivalent of net settlement only where, on the settlement date, the net result of the cash flows of the transactions under that mechanism is equal to the single net amount under net settlement and all of the following conditions are met:

29.1. the transactions are settled through the same settlement system or through systems that use a common settlement infrastructure;

29.2. the settlement mechanisms are supported by cash or intraday credit facilities intended to ensure that the settlement of the transactions will occur by the end of the business day;

29.3. any issues arising from the securities leg of the securities financing transactions do not interfere with the completion of net settlement of the cash receivables and payables.

30. The condition set put in subparagraph 29.3 is met only where the failure of any securities financing transaction in the settlement mechanism may delay settlement of only the matching cash leg or may create an obligation to the settlement supported by an associated credit facility.

31. Where there is a failure of the securities leg of a securities financing transaction in the settlement mechanism at the end of the window for settlement in the settlement mechanism, the bank shall split out this transaction and its matching cash leg from the netting set and treat them on a gross basis.

Section 5 – Calculation of the exposure value of derivatives

32. Banks shall calculate the exposure value of derivative contracts listed in Annex No. 1 of Regulation No. 114/2018 and of credit derivatives, including those that are off-balance-sheet, in accordance with the standardized approach set out in the Regulation on the treatment of counterparty credit risk for banks.

33. When calculating the exposure value, banks may take into account the effects of contracts for novation and other netting agreements in accordance with paragraphs 104 and 105 of the Regulation on the treatment of counterparty credit risk for banks.

34. Banks shall include in the total exposure measure sold options.

35. Where the provision of collateral related to derivative contracts reduces the amount of assets under the applicable accounting framework, banks shall reverse that reduction.

36. For the purposes of paragraphs 32–34, banks calculating the replacement cost of derivative contracts in accordance with paragraphs 46–48 of the Regulation on the treatment of counterparty credit risk for banks may recognize only collateral received in cash from their counterparties, as the variation margin referred to in those paragraphs, where the applicable accounting framework not already been recognized the variation margin as a reduction of the exposure value and where all the following conditions are met:

36.1. for trades not cleared through a QCCP, the cash received by the recipient counterparty is not segregated from the bank's assets;

36.2. the variation margin is calculated and exchanged at least daily, based on the mark-to-market valuation of the derivative positions;

36.3. the variation margin received is in a currency specified in the derivative contract, governing master netting agreement, credit support annex to the qualifying master netting agreement, or as defined by any agreement with a QCCP;

36.4. the variation margin received is the full amount that would be necessary to extinguish the mark-to-market exposure of the derivative contract subject to thresholds and minimum transfer amounts that are applicable to the counterparty;

36.5. the derivative contract and the variation margin between the bank and the counterparty to that contract are covered by a single netting agreement that the bank may treat as a risk-reducing in accordance with paragraphs 104 and 105 of the Regulation on the treatment of counterparty credit risk for banks.

37. Where a bank provides cash collateral to a counterparty and that collateral meets the conditions set out in subparagraphs 36.1–36.5, the bank shall consider that collateral as the variation margin posted to the counterparty and shall include it in the calculation of the replacement cost.

38. For the purposes of subparagraph 36.2, a bank shall be considered to have met the condition set out therein where the variation margin is exchanged on the morning of the trading day following the trading day on which the derivative contract was stipulated, provided that the exchange is based on the value of the contract at the end of the trading day on which the contract was stipulate.

39. For the purposes of subparagraph 36.4, where a margin dispute arises, banks may recognize the amount of non-disputed collateral that has been exchanged.

40. For the purposes of paragraphs 32–34, when calculating the net independent collateral amount (NICA), as defined in paragraph 3 of the Regulation on the treatment of counterparty credit risk for banks, banks shall not include collateral received.

41. By way of derogation from paragraphs 36–40, a bank may recognize any collateral received in accordance with Chapter III of the Regulation on the treatment of counterparty credit risk for banks, provided all of the following conditions are met:

41.1. the collateral is received from a client for a derivative contract cleared by the bank on behalf of that client;

41.2. the contract referred to in subparagraph 41.1 is cleared through a QCCP;

41.3. where the collateral was received in the form of original margin, it is segregated from the bank's own assets.

42. For the purposes of paragraphs 32–34, banks shall assign a multiplier value of one when calculating the potential future exposure in accordance with paragraphs 62 and 63 of the Regulation on the treatment of counterparty credit risk for banks, except in the case of derivative contracts entered into with clients and cleared by a QCCP.

43. By way of derogation from paragraphs 32–34, banks may use the method set out in Chapter IV or V of the Regulation on the treatment of counterparty credit risk for banks to determine the exposure value of the following:

43.1. derivative contracts listed in Annex No. 1 of Regulation No. 114/2018 and credit derivatives, if the bank also uses the respective method for calculating the exposure value of those contracts for the purpose of meeting the own funds requirements laid down in subparagraphs 1), 2), and 3) of paragraph 130 of Regulation No. 109/2018;

43.2. credit derivatives to which the treatment provided in paragraph 10 or 12 of the Regulation on the treatment of counterparty credit risk for banks is applied, provided the conditions for using that method is met.

44. Where the banks apply one of the methods referred to in paragraph 43, they shall not reduce the total exposure measure by the amount of margin they have received.

Section 6 – Additional provisions on the calculation of the exposure value of written credit derivatives

45. For the purposes of this Section, a "written credit derivative" means any financial instrument through which a bank effectively provides credit protection, including credit default swaps, total return swaps, and options where the bank has the obligation to provide credit protection under conditions specified in the options contract.

46. In addition to the calculation laid down in Section 5, banks shall include in the calculation of the exposure value for written credit derivatives the effective notional amounts specified in the written credit derivatives reduced by any negative fair value changes that have been incorporated in Tier 1 capital with respect to those written credit derivatives.

47. Banks shall calculate the effective notional amount of written credit derivatives by adjusting the notional amount of those derivatives to reflect the true exposure of contracts that are leveraged or otherwise enhanced by the structure of transaction.

48. Banks may fully or partly reduce the exposure value calculated in accordance with paragraphs 46 and 47 the effective notional amount of purchased credit derivatives, provided that all the following conditions are met:

48.1. the remaining maturity of the purchased credit derivative is equal to or greater than the remaining maturity of the written credit derivative;

48.2. the purchased credit derivative is otherwise subject to the same or more conservative material terms than those of the corresponding written credit derivative;

48.3. where the effective notional amount of the written credit derivative is reduced by any negative change in fair value incorporated in Tier 1 own capital, the effective notional amount of the purchased credit derivative is reduced by any positive fair value change that has been incorporated in Tier 1 capital;

48.4. the purchased credit derivative is not included in a transaction that has been cleared by the institution on behalf of a client or that has been cleared by the institution in its role as a higher-level client in a multi-level client structure and for which the effective notional amount referenced by the corresponding written credit derivative is excluded from the total exposure measure pursuant to subparagraphs 19.4 or 19.5, as applicable.

49. For the purposes of calculating potential future exposure under paragraphs 32–34, banks may exclude from the netting set the portion of a written credit derivative which is not offset in accordance with paragraph 48 and for which the effective notional amount is included in the total exposure measure.

50. For the purposes of subparagraph 48.2, ”material term” means any characteristic of the credit derivative that is relevant to the valuation thereof, including the level of subordination, the optionality, the credit events, the underlying reference entity or pool of entities, and the underlying reference obligation or pool of obligations, with the exception of the notional amount and the residual maturity of the credit derivative. Two reference names shall be the same only where they refer to the same legal entity..

51. By way of derogation from subparagraph 48.2, banks may use purchased credit derivatives on a pool of reference names to offset written credit derivatives on individual reference names within that pool where the pool of reference entities and the level of subordination in both transactions are the same.

52. Banks shall not reduce the effective notional amount of written credit derivatives where they buy credit protection through a total return swap and record the net payments received as net income, but do not record any offsetting deterioration in the value of the written credit derivative in Tier 1 capital.

53. In the case of purchased credit derivatives on a pool of reference obligations, institutions may reduce the effective notional amount of written credit derivatives on individual reference obligations by the effective notional amount of purchased credit derivatives in accordance with paragraphs 48 and 49 only where the protection purchased is economically equivalent to buying protection separately on each of the individual obligations in the pool.

Section 7 – Counterparty credit risk add-on for securities financing transactions

54. In addition to the calculation of the exposure value of securities financing transactions, including those that are off-balance-sheet in accordance with paragraph 24, banks shall include in the total exposure measure an add-on for counterparty credit risk calculated in accordance with paragraph 55 or 56, as applicable.

55. Banks shall calculate the add-on for transactions with a counterparty that are not subject to a master netting agreement that meets the conditions set out in paragraph 43 of Regulation No. 112/2018, on a transaction-by-transaction basis, using the following formula:

$$E_i^* = \max\{0, E_i - C_i\}$$

where:

E^*_i = the add-on i;

i = the index that denotes the transaction;

E_i = the fair value of securities or cash lent to the counterparty under transaction i; and

C_i = the fair value of securities or cash received from the counterparty in transaction i.

Banks may set the E^*_i equal to zero where E_i represents the cash lent to a counterparty and the associated cash receivable is not eligible for the netting treatment under paragraph 28.

56. Banks shall calculate the add-on for transactions with a counterparty that are subject to a master netting agreement that meets the conditions set out in paragraph 43 of Regulation No. 112/2018, on an agreement-by-agreement basis, using the following formula:

$$E_i^* = \max\left\{0, \sum_i E_i - \sum_i C_i\right\}$$

where:

E^*_i = the add-on i;

i = the index that denotes the netting transaction;

E_i = the fair value of securities or cash lent to the counterparty for the transaction that are subject to master netting agreement i; and

C_i = the fair value of securities or cash received from the counterparty that is subject to master netting agreement i.

57. For the purposes of paragraphs 55 and 56, the term counterparty also includes tri-party agents that receive collateral in deposit and manage collateral in the case of tri-party transactions.

58. By way of derogation from paragraph 54, banks may use the method set out in paragraphs 73–83 of Regulation No. 112/2018, subject to a 20% floor for the applicable risk weight, to determine the add-on for securities financing transactions including those that are off-balance-sheet. Institutions may use that method only where they also use it for calculating the exposure value of those transactions for the purpose of meeting the own funds requirements as set out in subparagraphs 1)–3) of paragraph 130 of Regulation No. 109/2018.

59. Where sale accounting is achieved for a repurchase transaction under the applicable accounting framework, the bank shall reverse all sales-related accounting entries.

60. Where a bank acts as an agent between two parties in a securities financing transaction, including an off-balance-sheet transaction, the following provisions shall apply to the calculation of the bank's total exposure measure:

60.1. where the bank provides an indemnity or guarantee to one of the parties in the securities financing transaction and the indemnity or guarantee is limited to any difference between the value of the security or cash the party has lent and the value of collateral the borrower has provided, the institution shall only include the add-on calculated in accordance with paragraph 55 or 56, as applicable, in the total exposure measure;

60.2. where the bank does not provide an indemnity or guarantee to any of the involved parties, the transaction shall not be included in the total exposure measure;

60.3. where the bank is economically exposed to the underlying security or the cash in the transaction to an amount greater than the exposure covered by the add-on, it shall include in the total exposure measure also the full amount of the security or the cash to which it is exposed;

60.4. where the bank acting as agent provides an indemnity or guarantee to both parties involved in a securities financing transaction, the institution shall calculate its total exposure measure in accordance with subparagraphs 60.1–60.3 separately for each party involved.

Section 8 – Calculation of the exposure value of off-balance-sheet items

61. Banks shall calculate, in accordance with paragraph 6 of Regulation No. 111/2018, the exposure value of off-balance-sheet items, excluding derivative contracts listed in Annex No. 1 of Regulation No. 114/2018, credit derivatives, securities financing transactions and positions referred to in Section 6.

62. Where a commitment refers to the extension of another off-balance-sheet item, the exposure value shall be the lower of the percentages set out in paragraph 6 of Regulation No. 111/2018 applicable to the item to which the commitment relates and to the type of commitment itself, calculated from the nominal amount of the commitment after deducting specific credit risk adjustments and reducing it by any other deductions from own funds related to the asset item in accordance with Regulation No. 109/2018.

63. By way of derogation from paragraphs 61 and 62, banks may reduce the credit equivalent amount of an off-balance-sheet item by the corresponding amount of specific credit risk adjustments. This calculation shall be subject to a floor of zero.

64. By way of derogation from paragraph 61, banks shall apply a conversion factor of 10% to off-balance-sheet items in the form of unconditionally revocable commitments.

Section 9 – Calculation of the exposure value of regular-way purchases or sales awaiting settlement

65. Banks shall treat cash related to regular-way sales and securities related to regular-way purchases which remain on the balance sheet until the settlement date as assets in accordance with subparagraph 9.1.

66. Banks that, in accordance with the applicable accounting framework, apply trade date accounting to regular-way purchases and sales which are awaiting settlement shall reverse out any offsetting between cash receivables for regular-way sales awaiting settlement and cash payables

for regular-way purchase awaiting settlement allowed under that framework. After banks have reversed out the accounting offsetting, they may offset between those cash receivables and cash payables where both the related regular-way sales and purchases are settled on a delivery-versus-payment basis.

67. Banks that, in accordance with the applicable accounting framework, apply settlement date accounting to regular-way purchases and sales which are awaiting settlement shall include in the total exposure measure the full nominal value of commitments to pay related to regular-way purchases.

68. Banks may offset the full nominal value of the commitments to pay related to regular-way purchases by the full nominal value of cash receivables related to regular-way sales awaiting settlement only where both of the following conditions are met:

68.1. both the regular-way purchases and sales are settled on a delivery-versus-payment basis;

68.2. the financial assets bought and sold that are associated with the cash payables and receivables are fair valued through profit or loss and are included in the bank's trading book.

Chapter III
REPORTING REQUIREMENT

69. Banks shall report to the NBM the leverage ratio as provided in paragraph 130 subparagraph 4) of Regulation No. 109/2018 and in this Regulation, in accordance with the requirements set out in the Instruction on the submission of COREP reports by banks for the purpose of supervision, approved by Decision of the Executive Board of the NBM No. 117/2018.

70. In addition to the reporting of the leverage ratio referred to in paragraph 69, and in order to enable the NBM to monitor leverage ratio volatility, in particular around reporting reference dates, banks that are systemically important institutions shall report specific components of the leverage ratio to the NBM based on average values over the reporting period and the data used to calculate those averages.