

Governor's speech at the DIFK Regional Workshop on May 4, 2015

Dear Deputy Minister of Finance, Krasniqi,
Dear representatives of IADI and IADI members' representatives,
Dear representatives of International Organizations in Kosovo,
Ladies and Gentlemen,

I am honoured to welcome you in the Regional Workshop of IADI for Assessment of Compliance with Core Principles for Effective Deposit Insurance Systems. We are grateful to the International Association of Deposit Insurers (IADI) for the opportunity given to the DIFK for hosting the event, and to assess the Deposit Insurance System of Kosovo against revised Core Principles.

First, I would like to emphasize that the Central Bank of the Republic of Kosovo (CBK) as the main participant and regulator in the financial system of the country has the primary objective to promote and maintain stability of the financial system, including the exercising of supervision over the banking sector and the deposit insurance scheme. Kosovo's banking sector represents a key component of the financial system marking an ongoing progress and satisfactory development of other financial sectors such as infrastructure and financial markets, as well as promoting a significant economic development of the country. Main indicators of the banking sector, clearly present its situation and the positive trends. In this occasion, it is worth mentioning that at the end of the first quarter of this year, the banking sector total assets exceeded the amount of 3 billion Euros, recording an annual growth of 7%. Similarly, at the end of this period, total deposits amounted approximately 2.6 billion euros, representing an annual growth of 6%. It should also be mentioned that the CBK estimations for the development of the banking sector in the future are positive.

Since 2007, the CBK has initiated the establishment of the Deposit Insurance System being supported by the Government of Germany, through KfW, as a development project. The first progress in this regard was the adoption of the Law on the Establishment of Deposit Insurance System in late 2010, which in its content has adopted a series of best international practices, such as institutional independence, the application of differential premium, limited deposit insurance, the insurance of deposits of natural persons and legal persons, insurance of depositors'

deposits in each bank and so on. Establishment of Deposit Insurance System in Kosovo, as a project in the frame of the bilateral cooperation Kosovo-Germany, has been achieved with the signing of trilateral agreement for Financing and Project between the Government of Kosovo through the Ministry of Finance, Government of Germany, through KfW and the DIFK, which has formalized the support through capital contribution to the DIFK to the total amount of 15.5 million euros.

The Government of Kosovo, through the Ministry of Finance, has contributed 11 million euros, while the Government of Germany, through KfW, has contributed 4.5 million euros to the capital. The Government of Germany, through KfW, has also contributed 0.5 million euros to the associated advisory services. It is worth mentioning that the capital contribution share by the Kosovo Government, in the amount of 2.9 million euros was financed by the World Bank, through an IDA loan. The World Bank also contributed technical assistance in institutional capacity building.

Later, in 2013, in support of increasing gradually the insurance coverage limit from 2,000 euros, as it was initially, in 3000 euros - on 01.01.2014, in 4,000 euros on 01.01.2016 and 5,000 euros on 01.01.2018, the DIFK has received an additional capital contribution in the form of donation from the Government of Germany, through KfW, in the amount of 2 million euros, formalized with the second Financing Agreement and Project signed between the Government of Kosovo, through the Ministry of Finance and the Government of Germany, through KfW, and the DIFK.

I am taking this opportunity to express once again the gratitude to the KfW on behalf of the German Government, the Ministry of Finance, on behalf of the Government of Kosovo and the World Bank for supporting the establishment and capitalization of the deposit insurance system in Kosovo.

As a partner in supporting the Deposit Insurance System in Kosovo, the DIFK provided from the EBRD loan access with the state guarantee by the Government of Kosovo in amount of 10 million euros. "Stand-by" credit lines will be used only in case of insufficient funds and fulfils the only condition for the implementation of the Project Financing Agreement with KfW, on behalf of the German Government, and the Ministry of Finance, on behalf of the Government Kosovo. In the frame of technical cooperation, the EBRD will finance the most part of the cost of 238

thousand euros for the development and implementation of the Depositors Compensation System.

As you already know, the Core Principles, initially issued by the IADI and the Basel Committee on Banking Supervision in 2009, provide policy guidelines for the preparation of deposit insurance systems, specifically identifying the broad direction of policy for effective deposit insurance systems. The Core Principles are also used by the International Monetary Fund and the World Bank in the framework of the Financial Sector Assessment Program, for evaluating the effectiveness of deposit insurance systems for relevant jurisdictions and practices. We are privileged that the assessment of the Deposit Insurance System of Kosovo compliance will be done using the revised Core Principles adopted in October 2014, and accepted by the Financial Stability Board to be included in its Summary Standards on January 2015. I would like to take this opportunity to congratulate the IADI as standards setting, for this major achievement.

We are aware that the assessment team is composed of recognized experts in deposit insurance, who participated in the compiling of Core Principles; therefore I thank them for their time and valuable contribution in the assessment process of the Deposit Insurance System of Kosovo.

One of the DIFK strategic goals in accomplishing its vision is compliance with the Core Principles; therefore assessment during this workshop is of great importance for the DIFK in correctly understanding the way for meeting its strategic goal and vision. We believe that the evaluation will be comprehensive and oriented in concrete actions, with a focus on the Deposit Insurance System in Kosovo and its relationship with the Financial Security Network regarding the functions supported by relevant institutions. Assessing the compliance with the Core Principles will identify strengths and weaknesses in the existing deposit insurance system and will form a basis for remedy measures by the DIFK and policymakers.

Assessing the compliance of the Deposit Insurance System in Kosovo with Core Principles is also part of the concluding assessment of the World Bank Project for Strengthening the Financial Sector and Market Infrastructure.

Finally, I wish you a successful three days workshop.
Thank you for your attention.