Pursuant to Article 35, paragraph 1.1 of the Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No.77 / 16 August 2010) and Articles 26 and 85 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (Official Gazette of the Republic of Kosovo, No.11 / 11 May 2012), the Board of the Central Bank of Republic of Kosovo at the meeting held on November 09, 2012, approved the following:

REGULATION
ON DIRECTORS AND SENIOR MANAGERS OF BANKS

Article 1
Purpose and Scope

1. The purpose of this Regulation is to set the ‘fit and proper’ standards and the independence criteria for the initial acceptance by CBK of directors and senior managers proposed as part of the licensing process as well as their ongoing suitability.

2. The Regulation also determines the limit of shares that independent directors may directly or indirectly hold in a bank in order to insure that they remain independent as provided for by Article 26 of the Law No. 04/L-093 on Banks, Micro-Finance Institutions, Non-Bank Financial Institutions (hereinafter: the Law on Banks).

3. This Regulation applies to all banks licensed by the CBK, but Articles 4 and 5 of this Regulation do not apply to branches of foreign banks as stipulated in paragraph 4 of Article 26 of the Law on Banks.

Article 2
Definitions

All terms used in this Regulation are as defined in Article 3 of the Law on Banks.

Article 3
‘Fit and Proper’ Criteria for Directors and Senior Managers

1. The suitability of the proposed directors and senior managers of an applicant bank is considered of great importance for the CBK in the process of bank licensing and supervision.

2. The CBK will use the following criteria, in addition to the requirements of Article 35 of the Law on Banks itself, in making its assessment before giving its approval to each individual in terms of paragraph 3.4 of Article 8 of the Law on Banks;

   a. **Integrity.** Directors and senior managers must have a personal history that demonstrates that they are properly independent and that they possess the personal qualities, principles and integrity necessary to assume their duties;
b. **Sound judgment.** Directors and senior managers must have a formal education and personal abilities to enable them to critically and adequately assess significant policy and strategy issues that will be faced by their bank and to clearly articulate their views on such issues;

c. **Leadership.** Directors and senior managers must have sufficient leadership and business experience;

d. **Competence.** Directors and senior managers must have a university degree in economy, finance and jurisprudence, or other relevant fields, and business experience, with at least five years’ experience in banking and financial services. Directors and senior managers must have a sufficient understanding of the fiduciary obligations they propose to assume in the best interests of depositors, as well as the legal framework under which banks operate in the Republic of Kosovo;

e. **Financial soundness.** Directors and senior managers must demonstrate prompt satisfaction of past personal financial obligations as well as a current sound personal financial condition.

3. In addition to receiving documents, the CBK may choose to interview the individual concerned. The CBK will also assess the suitability of the Board of Directors as whole and not just the individual members of it. Similarly, the CBK will assess the competence of the senior management team as well as assess whether each member is fit and proper.

4. The same requirements and assessment process will be followed whenever a new director or senior manager is proposed by an existing bank.

5. As stated in paragraph 4 of Article 35 of the Law on Banks, it is the responsibility of the bank to notify the CBK if it becomes aware of any cause why a director or senior manager might no longer be fit and proper according to the Law on Banks and the criteria listed above in paragraph 2 of this Article.

6. If, at any time, the CBK determines that a director or manager is not fit and proper, then the CBK will disqualify the individual under Article 36 of the Law on Banks and ensure the individual’s removal from office.

7. Provisions of this Article regarding the directors shall not be applicable for branches of foreign banks; however, the requirements for senior managers are applicable to them.

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**Article 4**

**Independence as Related to a Director’s Responsibilities**

1. The CBK requires that the composition of a bank’s Board of Directors shall be as stipulated in paragraph 1 of Article 26 of the Law on Banks.

2. In accordance with paragraph 1 of Article 26 of the Law on Banks, the Chief Executive Officer does not have voting rights on the Board of Directors and does not count as a member in the composition of the Board of Directors. Neither can any other executive officer or staff member of the bank in the Republic of Kosovo be a member of the Board of Directors of the bank.
3. The CBK has the authority to determine the independence of a proposed director of a bank in accordance with paragraph 3 of Article 26 of the Law on Banks. The CBK will use the following criteria in making its assessment of an individual’s independence before giving its approval in terms of paragraph 3 of Article 26 of the Law on Banks:

   a. **Judgment.** The individual must be able to demonstrate that they have sound judgment and will exercise their judgment for the benefit of the bank in Kosovo;

   b. **An absence of conflicts of interest.** The individual must be able demonstrate that they currently have no actual or perceived conflicts of interest between his role as a director of the bank and any other business or personal role they carry out. This requirement shall be maintained throughout an individual’s term as a director of a bank;

   c. **Not subject to influence or control by others.** The individual must be able to demonstrate that they will not be subject to control or undue influence by others in making decisions as a bank director; and

   d. Any other criteria or facts deemed relevant by the CBK.

4. In addition to receiving documents, the CBK may choose to interview the individual concerned;

5. It is the responsibility of the bank to notify the CBK if it becomes aware of any cause why a director appointed as an independent director might no longer satisfy the criteria of independence.

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**Article 5**

**Shareholding Limit**

1. According to paragraph 3 of Article 26 of the Law on Banks, independent directors are allowed to own shares in the bank on whose board they serve but subject to a limit in order to ensure that they remain independent. As many companies require directors to hold shares in the company by whom they are elected, it is reasonable to allow such holdings for all bank directors. However, the limit needs to be low enough in order to ensure no possibility of conflict of interest.

2. According to paragraph 3 of Article 26 of the Law on Banks, the CBK determines that no independent director, together with any related individual, shall hold directly or indirectly more than one (1) per cent of any class of voting shares or of the equity interest in the bank or any holding company of a group of which the bank is a part.

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**Article 6**

**Enforcement, Remedial Measures and Civil Penalties**

Any violation of this Regulation shall be subject to the remedial measures and penalties provided for in Articles 58, 59 and 82 of the Law on Banks.
Article 7
Entry into Force

This Regulation shall enter into force on December 03, 2012.

The Chairman of the Board of Central Bank of the Republic of Kosovo

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Gazmend Luboteni