



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 17 paragraph 2 and Article 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 / May 11, 2012), the Board of the Central Bank of Republic of Kosovo at the meeting held on October 31, 2013, approved the following:

REGULATION ON CAPITAL EQUIVALENCY DEPOSIT FOR BRANCHES OF FOREIGN BANKS

Article 1 Purpose and Scope

1. The purpose of this Regulation is to determine the amount of the capital equivalency deposit for branches of foreign banks required by paragraph 2 of Article 17 of the Law No.04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (hereafter: *the Law on Banks*) and the criteria for its investment.
2. This Regulation applies to foreign bank branches that are licensed by the CBK to operate in the Republic of Kosovo.

Article 2 Definitions

1. All terms used in this Regulation have the same meaning with the definitions set forth in Article 3 of the Law on Banks and/or as further defined herein for the purpose of this Regulation:
 - a) *Capital equivalency deposit* (hereafter: *CED*) - is the part of the minimum initial capital endowed and paid-up by the parent-bank for the conduct of activity of its branch in the Republic of Kosovo, and which the branch is obliged to invest in the assets defined in accordance with the terms and conditions stipulated in this Regulation.
 - b) *Branch of a foreign bank* (hereafter: *branch*) - is an entity that is organized and licensed to operate banking activities within the Republic of Kosovo but its parent bank has its head office and holds a license to engage in the banking activities in a jurisdiction other than the Republic of Kosovo;
 - c) *Parent bank* (hereafter: *parent*) - is a foreign bank licensed to conduct banking activity by the responsible authority of the foreign country, being given the right by the Central Bank of the Republic of Kosovo to open its branch in the Republic of Kosovo.

Article 3
The Minimum Amount of CED

1. Each foreign bank that chooses to establish a branch in the Republic of Kosovo, rather than an incorporated subsidiary, is required by this Regulation to place with the CBK in lieu of issued share capital, a CED on the amount of seven (7) million Euros for establishing its branch and this requirement may not be exempted for any reason.
2. The initial amount of the CED required is the same as the minimum capital required for an incorporated bank or subsidiary and is intended to have the same function as capital for a bank or subsidiary. However, that amount may subsequently be increased in future subject to the CBK assessment of banking risks. The required amount of CED shall be maintained at all times.
3. It is the CBK's objective that the CED required for any branch of a foreign bank will provide a sufficient liquidity reserve in case that those funds are needed during the operation of the branch.

Article 4
CED Investment Functions

1. The CED investment is intended to ensure, particularly in the event of liquidation:
 - a) a source of liquid funds in the case of need;
 - b) a source of low- risk funds readily available in case of need;
 - c) a protection for branch depositors and for meeting of obligations to other creditors in case of need.

Article 5
CED Investment

1. The branch of a foreign bank, after receiving the CBK license to operate as a bank, shall invest its CED in one or more of the following assets:
 - a) Deposit at the Central Bank of the Republic of Kosovo; and/or
 - b) Securities issued by the Government of the Republic of Kosovo;
2. Except as specified in paragraph 1 of this Article, the CBK, at its discretion, may allow by a written approval, the CED investment in other institutions outside of Kosovo and with a certain and internationally recognized rating in one of the banks of European Union countries.
3. The branch is in no case permitted to invest the CED in the parent bank.
4. The CED investment should be in the CBK custody and cannot be withdrawn without the prior written approval by the CBK.

Article 6
Supervision and Reporting

1. For the implementation of requirements and obligations of this Regulation, the CBK shall continuously evaluate the amount of the CED, whose minimum amount is specified in paragraph 1, Article 3 of this Regulation and invested in accordance with paragraph 1 of Article 5 of this Regulation;
2. Branches of foreign banks are required to report to the CBK, no later than fifteen (15) days after each quarter, the CED form provided with the Annex of the Regulation on Reporting of Banks to the CBK.

Article 7
Enforcement, Remedial Measures and Civil Penalty

Any violation of this Regulation shall be subject to the remedial measures and civil penalties as provided for in Articles 58, 59, and 82, of the Law on Banks.

Article 8
Abrogation

Upon the entry into force of this Regulation, it shall abrogate Regulation on Capital Equivalency Deposit for Branches of Foreign Banks dated November 9, 2012.

Article 10
Entry into Force

This Regulation shall enter into force on November 15, 2013.

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

Mejdi Bektashi