



Pursuant to Article 35, paragraph 1, subparagraph 1.1 of the Law no. 03/L-209 on Central Bank of the Republic of Kosovo, as well as Article 8, paragraph 1 and 2, subparagraph 2.3 of the Law no.04/L-155 on Payment System, the Board of Central Bank of the Republic of Kosovo, in the meeting held on 26 March 2015, approved this:

Regulation on Clearing and Operating of Settlement Accounts

Article 1 Purpose

The purpose of the Regulation on Clearing and Operating of Settlement Accounts (hereinafter "Regulation") is to define the regulation of internal clearing procedures of payment orders issued by system participants with the values expressed in EUR and operating of settlement accounts in EUR held at the Central Bank of Kosovo (CBK).

Article 2 Definitions

1. All terms used in this Regulation shall have the same meaning with the terms defined in the Law on CBK and Law on Payment System as defined hereinafter in this Regulation.
 - 1.1 "Bank" means an entity defined by Law no. 04/L-093 on banks, microfinance institutions and non-banking financial institutions;
 - 1.2 "System Participant" means a member of a clearing or security settlement system or a party to an agreement, establishing a system. This may include non-direct participants.
 - 1.3 "Direct Participant" means a participant in a transfer system that may perform all allowed activities in the system without using any intermediaries (including, in

particular, the direct delivery of payment orders to the system);

- 1.4 "Indirect Participant" means a participant in a funds or securities transfer system that has a contractual relationship and uses a direct participant as an intermediary in order to perform some of the activities permitted in the system;
- 1.5 "Banking Day" means a day or part of it during which the participants in the system are open for receiving, processing, transfer of payment orders and other orders related to payment transactions;
- 1.6 "Bilateral bank payment" means a payment for another participant;
- 1.7 "Bank payment" means the payment between a participant in the system and CBK;
- 1.8 "Netting" the determination of net payment liabilities or the determination of the final net value of settlement liabilities, between two or more participants in the payments system;
- 1.9 "CBK" means the Central Bank of the Republic of Kosovo;
- 1.10 "Clearing" means the process of transfer, reconciliation, confirmation of instructions to transfer funds or securities before settlement and includes netting of instructions and the establishment of final positions for settlement;
- 1.11 "EUR" means the Euro currency;
- 1.12 "Instruction" means a written recommendation issued by the Central Bank, which has general application and is binding in its entirety and directly applicable;
- 1.13 "Payment order" means any instruction by the payer or the payee provided to his or her payment institution, which requires the execution of payment transactions;
- 1.14 "Payment transaction" means an act, initiated by the payer or payee, of placing, transferring or withdrawing money, despite of any underlying obligations between the payer and the payee;
- 1.15 "Settlement Account" means the account in EUR which was opened and is held by the direct participant in the CBK for the settlement of payment transactions;
- 1.16 "Settlement" means the act of settlement of liabilities by transferring the funds, securities or other financial instruments between two or more parties;
- 1.17 "Third-party processor" means a provider of device for communication of payment orders on behalf of system participants;
- 1.18 "Validity date" means the banking day on which the payment order

is realized by the order of its sender;

Article 3

Scope and Application

1. Clearing and settlement is carried out every working day in Kosovo for the exchange of payment orders related to a payment or bilateral bank payments.
2. To participate in clearing and settlement, an interbank payment order will provide payment transaction on behalf of a client or system participant. Payment order which the client submits directly to a third party processor, as instructed by the participant, is estimated to be the system participant's own payment order implementing instructions of the client.
3. Participants in the clearing and settlement are direct participating institutions. Interbank clearing settlements are carried out in direct participants' settlement accounts that are held at the CBK.

Article 4

Payment orders

1. Payment order must contain the final and unconditional order for payment in EUR and not subjected to any restrictions other than it can become valuable in the date required in the operation procedure. It must meet the criteria required in the operating procedures and to be addressed to a system participant or CBK.
2. Subject to the provisions of this Regulation, the payment order which meets the criteria in paragraph 1 of this Article shall be executed by the CBK by registering debit or credit in the settlement accounts. Any payment order that does not meet the criteria in paragraph 1 of this Article, or which cannot be provided due to insufficient and inaccurate data, failure in confirmation or any other reason and each payment order which is mistakenly sent, based on the unique sorting number it should be returned to the sending bank, to be allocated for this purpose by each participating bank.

Article 5

Opening and maintaining of the settlement accounts

Each direct participant operating in Kosovo, who takes part in the clearing and settlement of payment orders should open and maintain settlement account in the books of CBK.

Article 6
Payments on and by settlement accounts

1. For each system participant, the following payments, each initiated by a payment order can be made on and by settlement account:
 - 1.1 A bank payment
 - 1.2 Bilateral bank payments
2. CBK will not debit the settlement account or permit withdrawal of cash from the settlement account unless there is sufficient balance to cover any debit or withdrawal.
3. A bank payment, such as cash withdrawal will be determined by the CBK in the settlement account of the direct participant. Payment from settlement account to CBK is carried out by registering debit in the settlement account of the direct participant. Payment from CBK in the settlement account is conducted by registering credit to the settlement account.
4. Bilateral bank payments can be initiated by the payment order issued to CBK and instruction to debit the settlement account of the paying system participant, and credit settlement account of the other participant. Payment is made by registering debit to the settlement account of paying system participant, and credit to the settlement account of other participant.
5. Registered debit or credit to the settlement account in accordance with this section becomes final, irrevocable and final, as soon as it is confirmed by a notice that the CBK has sent each participant in a bank payment or bilateral bank payment, no later than at that time after a daily clearing is carried out as described in the working procedure.
6. Notwithstanding paragraph 7 of this Article and Article 7, paragraph 2.2, a debit for withdrawal of cash from any direct participant shall be registered immediately by CBK in the settlement account of that participant and it is instantly final, irrevocable and definitive.
7. For each payment transaction, the settlement is finalized as soon as any registered debit or credit in the settlement account of any participant, party from the payment, becomes final, irrevocable and definitive.

Article 7
Payment orders processed by CBK

- 1 The payment order which instructs the CBK to pay a single or bilateral bank payment,

any bank may submit individually or as part of a group.

- 2 CBK will execute any payment order submitted to it:
 - 2.1 only from funds available in the account of paying direct participant, and
 - 2.2 at any time before the end of the daily clearing as specified in the working procedure, whereas a payment order with the date of validity as described in the working procedure, must be executed in the date of validity.
- 3 The CBK, for the direct participant who has no funds to pay for payment order from settlement accounts, will reject the payment order or place it in the queue and notify the participant. Payment order placed in the queue will be executed by the CBK by its order and without warning only when funds in the settlement account of the paying participant are available. CBK may refuse un-executed payment order at any time before it is executed and notify the participant for this. Bank payment order which is not executed nor rejected during the daily clearing, with the operation of law is suspended upon termination of daily clearing as defined in the working procedure.
- 4 Where there are no funds available for entire batch of payment orders, for the purpose of the preceding paragraph, the CBK can treat each payment order as involved in the batch as it is transmitted individually and set it for execution in charging of cash, waiting in the queue, or rejection, in any sequence that seems appropriate.
- 5 Except if it is rejected or put on the waiting queue by CBK as was stated in paragraph 3 of this Article, the participant's payment order which is given to CBK is final and the participant cannot suspend it. On the payment order which waits in the queue, suspension by the participant is effective only when it is given to the CBK in a manner, time and according to the procedure set by the CBK, which enables it to act before the settlement account of the direct participant is debited.
- 6 CBK will reject any payment order that is not properly verified, which contains insufficient information for the participant, the payer or is in contradiction with this Regulation.
- 7 The participant's payment order which has been suspended or rejected cannot be executed unless the participant presents it newly as a new payment order.

Article 8

Priority payments

Notwithstanding Article 6, paragraph 6 and Article 7, paragraph 2.2, a working procedure may allow the sender to designate as "payment priority" the payment order which is the

subject of this Regulation. Depending on the availability of funds in the settlement account of the direct participant, CBK will make efforts to process these "priority payments" once it accepts the payment orders with this destination. CBK will immediately register resulting debit or credit in settlement account and for this fact informs each of the participants in a payment or bilateral bank payment, after which the registered debit or credit in the settlement account becomes final, irrevocable and definitive.

Article 9 Instructions

Executive Board of the CBK shall approve the instructions regarding the implementation of this Regulation, concerning working procedures, including specifics for payment orders, schedules, and procedures that govern the clearing and settlement.

Article 10 Implementation, remedial measures and penalties

Any violation of this Regulation shall be subject to punitive measures, as defined under the Law on Central Bank and the Law on payment system.

Article 11 Repeal

The entry into force of this Regulation shall repeal the Regulation on Clearing and Operating of Settlement Accounts, approved on 26 November 2013 and any other provision that is in contravention of this Regulation.

Article 12 Entry into force

This Regulation shall enter into force on 1 January 2015.

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

Bedri Peci