



Pursuant to Article 35, paragraph 1, subparagraph 1.1, and Article 65, paragraph 1, of Law no. 03 / L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, no. 77/16 August 2010), as well as Article 92, paragraph 2, and Article 114 of 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, at its meeting held on 12 June 2020, adopted the following:

## **REGULATION ON THE REGISTRATION OF MICROFINANCE INSTITUTIONS**

### **Article 1**

#### **Purpose and scope**

1. The purpose of this Regulation is to determine the conditions, requirements, procedures and deadlines to be followed for:
  - 1.1 registration of microfinance institutions, including the branch of foreign microfinance institutions;
  - 1.2 transactions requiring prior approval by the CBK during the exercise of the activity by microfinance institutions;
  - 1.3 obligations for notifications to the CBK by microfinance institutions during the exercise of their activity.
2. This Regulation applies to all legal entities applying for registration as microfinance institutions or branches of foreign microfinance institutions in the Republic of Kosovo, as well as to all microfinance institutions and branches of foreign microfinance institutions that are registered by the CBK, to operate in the Republic of Kosovo.
3. For the purposes of this Regulation, unless otherwise specified, the provisions of this Regulation on Microfinance Institutions (MFI) shall also apply to branches of foreign microfinance Institutions.

### **Article 2**

#### **Definitions**

1. All terms in this Regulation have the same meaning as the terms defined in the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and / or as defined below for the purpose of this Regulation:

- 1.1 Microfinance Institution (MFI)** – a legal entity registered by the CBK according to the legislation in force in the Republic of Kosovo, whose primary activity is providing loans and providing other financial services defined by this regulation, for micro and small legal entities, households with low income and for low-income individuals.
- 1.2 Branch of foreign MFI** - means the legally dependent branch of foreign MFI, which has its headquarters in a country outside the Republic of Kosovo, is authorized by the competent authority of financial supervision to exercise microfinance activities in the country where it has its headquarters and is registered by the CBK to carry out microfinance activities in the Republic of Kosovo through the branch.
- 1.3 Office of the MFI** – a place of business activity which forms a legally dependent unit / office of the MFI, not established by itself, through which the MFI may be allowed to engage in financial activities.
- 1.4 Principal shareholder** – a person that owns, alone or in cooperation with other persons, at least ten per cent (10%) of any class of shares with a voting right in an MFI.
- 1.5 Beneficiary owner** – a person who owns shares (has ownership) in the MFI directly or indirectly, together or in cooperation with other persons.
- 1.6 Director** - any person appointed by the shareholders/founders or owners to serve as a member of MFIs Board of Directors.
- 1.7 Independent Director** – means the director who is independent of senior management or persons associated with senior management.
- 1.8 Interrelated person** – any person who has at least one of the following relations with the MFI:
- 1.8.1** any senior manager of MFI;
  - 1.8.2** any person affiliated with the Senior Manager of MFI by marriage or blood relationship up to the second degree.
- 1.9 Senior Manager** – Chief Executive Officer, Deputy Chief Executive Officer, Chief Financial Officer, Chief Operations Officer, MFI Chief Risk Officer and any person who:
- 1.9.1** reports directly to the board or participates or has the authority to participate in the MFI's main policy-making functions, and/or
  - 1.9.2** has been appointed senior manager by the CBK.
- 1.10 Equity or share capital** – net values or funds of the institution that represent the difference between assets and liabilities in accordance with the balance sheet, which reflects international accounting standards.
- 1.11 Person** – means any natural or legal person.

### **Article 3**

#### **Registration and financial activity**

1. The CBK is the only institution responsible for the registration of MFIs in the Republic of Kosovo.
2. Legal entities seeking to register to conduct MFI financial activities must be organized and registered in accordance with applicable law in the Republic of Kosovo. If the entity applying for a contract is

established as a company, then the MFI applicant must be organized as a joint-stock company or a foreign branch.

3. The MFI applicant to open branches in the Republic of Kosovo must be a microfinance institution authorized and supervised by the competent authority of financial supervision to exercise microfinance activities in the country where it has its headquarters.
4. MFIs exercise lending activity, as the main activity and other financial services as defined in paragraph 5 of this article.
5. MFIs registered by the CBK can also engage in the following activities, without being subject to registration:
  - 5.1 payment service for loans granted to customers;
  - 5.2 obtaining funds through grants, and/or borrowings from financial institutions that provide financial loans, for the purpose of lending or for their use;
  - 5.3 borrowing from and settings of funds in the markets and institutions licensed by the CBK in order to manage their liquidity; and
  - 5.4 providing technical and professional services and training their clients regarding financial services.
6. The MFI, after being registered by the CBK, it can start performing the financial activities for which it has received approval from the CBK.

#### **Article 4**

##### **Requirements of capital**

1. The minimum amount of capital required for registration as an MFI is 200,000.00 (two hundred thousand) Euros. The minimum amount of capital from this paragraph must be maintained at all times during the exercise of the MFI activity. Branches of foreign MFIs are obliged to keep the capital required by this paragraph in cash blocked as a time deposit in a bank account in the banks licensed by the CBK.
2. In addition to the capital set out in paragraph 1 of this Article, the MFI shall also have an additional fund for initial costs to cover the costs of establishment, operation and administration costs, which in any case shall not be less than ten percent (10%) of the capital set out in paragraph 1 of this Article. The application for additional funding under this paragraph applies only to initial applications for registration as MFI.
3. The CBK, based on the assessment of risk management systems, data on the risk of losses and internal control systems of the institution, may at any time request additional capital levels up to 20% (twenty per cent) above the initial capital level minimum required.
4. Total capital in relation to the total assets of the MFI should never be less than 10% (ten per cent).
5. The payment of the minimum capital and any subsequent additions related to it, shall be made in cash and accompanied by the submission to the CBK of information regarding the source of such capital and the bank document certifying the payment of the capital, as defined in the Article 5, paragraph 3 subparagraphs 3.3 and 3.4 of this regulation.
6. The CBK shall have the right to request clarifications and to make further verifications regarding the source of fundraising which will serve as initial capital or subsequent addition.

7. The source of capital funds must be legitimate and should not derive from loans from public loans credits and/or other funds the origin of which is unlawful or not clear.

## **Article 5**

### **General registration requirement**

1. Those interested in registering as an MFI must meet all the requirements under the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, this regulation and other regulatory instruments of the CBK. The applicant may request the necessary application forms and instructions for their completion by the CBK only after the informative meeting held with the CBK representatives.
2. The application is signed by the shareholders/founders or their legal representative and submitted to the CBK, with the physical presence of the shareholders/founders or legal representatives of the proposed MFI. The application must be submitted together with the complete documentation required by the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, this Regulation and other regulatory instruments of the CBK.
3. Applications for registration as an MFI must be in writing, accompanied by completed forms according to the CBK format and will include the following documentation/information:
  - 3.1. applicant's documents (founding act and / or statute);
  - 3.2. business registration certificate as a legal entity;
  - 3.3. the list of shareholders/founders (and members if applicable) as well as beneficiary owners of the applicant for registration as MFI, stating the name, nationality, address, business and professional background for the last ten (10) years, and the relevant holding of shares, along with the following documentation (for the principal shareholders in case the applying MFI is a joint-stock company):
    - 3.3.1. For shareholders who are organized as business organizations (legal persons and / or natural persons) according to the Law on Business Organizations:
      - 3.3.1.1. business registration documentation and statute (for foreign legal entities legally equivalent acts according to foreign legislation/jurisdiction);
      - 3.3.1.2. the decision of the decision-making body of the legal entity and/or natural persons organized as a business organization for participation in MFI's capital;
    - 3.3.2. For natural persons, which are not organized as business organizations:
      - 3.3.2.1. identification document issued by the state, the nationality of which is the proposed shareholder, and the exact address of residence; and
      - 3.3.2.2. list of businesses to which he/she holds shares, business registration certificates for each case, as well as data on any case of insolvency and / or bankruptcy;
    - 3.3.3. the following certificates issued by the competent authorities under the jurisdiction where the shareholder is domiciled:
      - 3.3.3.1. that the person is not under investigation for criminal offenses;
      - 3.3.3.2. that the person is not on trial for criminal offences;
      - 3.3.3.3. that the person is not criminally convicted;
      - 3.3.3.4. from the Chamber of Private Enforcements Agents, that the person is not in the process of compulsory execution for outstanding property liabilities (or his

- equivalent document depending on the legislation of the country where the proposed shareholder comes from;
- 3.3.3.5. that the person does not have personal bankruptcy files, disqualification from the exercise of profession, or previous or current involvement in the managerial position of a corporate or other body of the business organization which has undergone insolvency proceedings;
  - 3.3.3.6. consent/authorization allowing the CBK to verify the criminal record and obtain other information regarding the information presented;
  - 3.3.3.7. the documents required under this paragraph must have been issued no earlier than three (3) months from the date of application to the CBK.
- 3.4. amount of the applicant's committed capital for registration as MFI, including proof of fee payment and documentation of its source:
- 3.4.1. notary statement of shareholders on the source of paid-up capital and that the source of this capital is not public debt, loan and/or other funds, the origin of which is unlawful.
  - 3.4.2. for the shareholders organized as a business organization, a notary statement of the shareholders on the source of the initial paid-up capital and any additions thereto in the course of carrying out the activity, shall be accompanied by the following documentation:
    - 3.4.2.1. proof on the source of the capital made, such as the independent external auditor's report, annual financial statements, gifts or other resources intended to be used for the purchase of the applicant's shares;
    - 3.4.2.2. certificate issued by the competent authorities giving information on the balance of the legal entity and on the fulfillment of tax liabilities.
  - 3.4.3. for the shareholders/natural persons, a notary statement of the shareholders on the source of the initial capital paid-up and any additions thereto during the course of business activity, shall be accompanied by the following documentation:
    - 3.4.3.1. proof on the source of the capital made, such as purchases and sales, gifts, salaries, bank deposits or other certificates on the source of the capital made;
    - 3.4.3.2. certificates proving the fulfillment of tax liabilities;
    - 3.4.3.3. contributions to the applicant's capital shall not derive from publicly borrowed funds, bank loans and other funds the origin of which is unlawful.
- 3.5. name, nationality, place of residence, qualifications and experience of the director or senior manager of the MFI, which shall be accompanied by the following documentation:
- 3.5.1. the decision-making body's decision on appointment;
  - 3.5.2. identification document;
  - 3.5.3. proof of university education;
  - 3.5.4. the following certificates issued by competent authorities under the jurisdiction of the place of residence for directors, senior managers and (if applicable) legal representatives:
    - 3.5.4.1. that the person is not under criminal prosecution;
    - 3.5.4.2. that the person is not in trial for criminal offences;
    - 3.5.4.3. that the person is not criminally convicted; and
    - 3.5.4.4. from the Chamber of Private Enforcement Agents, that the person is not in the process of compulsory execution for unpaid asset obligations;
    - 3.5.4.5. that the person has no personal bankruptcy files, disqualification from the exercise of the profession or past or present involvement in the management

- function of any corporation or other entrepreneurial body that has been subject to insolvency proceedings;
  - 3.5.4.6. certificates attesting to the fulfillment of tax liabilities;
  - 3.5.4.7. consent/authorization allowing the CBK to verify the criminal record and obtain other information regarding the information submitted;
  - 3.5.4.8. the documents required under this paragraph must be issued no earlier than three (3) months from the date of application to the CBK.
- 3.6. The business plan which includes as follows:
- 3.6.1. the organizational structure of the applicant for the registration of the MFI and the level of responsibility(s);
  - 3.6.2. financial activities that the MFI envisages to perform, market assessment, competition, market characteristics and its development trends;
  - 3.6.3. identification of risks, to which the MFI registration applicants are exposed, including offices;
  - 3.6.4. projected financial state of the applicant for registration as a MFI for the first three (3) years of exercising its post-registration activity (projected financial statements);
  - 3.6.5. sources of funding and structure of funds for the first three (3) years of post-registration activity;
  - 3.6.6. principles, based on which the business plan has been prepared;
  - 3.6.7. an information regarding the offices where the applicants for registration as MFI plan to perform the activity(s); and
  - 3.6.8. projection regarding the implementation of the regulatory and supervisory framework for the first three (3) years of activity.
  - 3.6.9. description of the technical equipment and resources required for the performance of the activity, including appropriate computer, information, accounting and recording systems;
- 3.7. internal regulatory acts (internal regulations and/or guidelines) adopted by decision-making bodies on:
- 3.7.1. the operational activity of the applicant for registration as a MFI;
  - 3.7.2. the internal control system, including effective internal control procedures, for ensuring compliance with legal and regulatory requirements for the prevention of money laundering and terrorist financing;
  - 3.7.3. consumer protection;
  - 3.7.4. risk management;
  - 3.7.5. prevention of Money laundering and terrorist financing, including a program of measures in accordance with the legislation in force;
  - 3.7.6. a description of the plan for work continuation that includes a clear identification of critical operations, an effective emergency plan and a procedure for continuous testing and review of those plans;
  - 3.7.7. organization, operation and management of information and communication technology systems, including the manner of information and customer data protection/security.
- 3.8. in all cases when the applicant is a foreign financial institution which applies to establish a MFI in Kosovo, a statement of the supervisor from the home country is needed, if applicable, stating that there is no objection for the establishment of operation in Kosovo and that it exercises consolidated supervision on applicants for the registration as MFI;
- 3.9. list of planned tariffs for provision of products and services;
- 3.10. proof of MFI's application fee payment;

3.11. additional information if CBK considers it reasonable.

4. The required documentation according to the paragraphs of this article is appropriately applied in cases when the MFI applicant is not organized as a business organization.

5. The required documentation according to this article should be in one of the two official languages of the Republic of Kosovo, in original or notarized copy. In the case of documentation issued by the relevant official authorities in foreign countries other than the Republic of Kosovo, the documentation must be legalized by the responsible authorities of the respective States.

## **Article 6**

### **Registration procedures and conditions**

1. CBK reviews the documentation submitted in accordance with the requirements of the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, this regulation and other regulatory instruments of the CBK.
2. Pursuant to Article 92 of the Law on Banks, the CBK shall issue a decision approving or rejecting registration as a microfinance institution within 90 days from the date of informing the applicant that the registration application is complete. The CBK shall immediately inform the applicant with regard to the decision reached. The Executive Board will assess the need to address the deadline in accordance with Article 92 paragraph 4 of the Law on Banks.
3. Within the period of 90 days for the decision regarding the registration as microfinance institution as defined in paragraph 2 of this article, is included the period used for procedural issues for decision making by the Executive Board.
4. For the purpose of paragraph 2 of this article, the date of receipt of the application for registration as a financial institution, is considered as the date of informing the applicant that the application for registration is complete. Notification under this paragraph shall be confirmed in writing to the applicant.
5. During the period of reviewing the application, the CBK may request additional information or certain changes/improvements, if reasonable.
6. If the CBK considers that the information provided in the notification is incomplete or inaccurate, the CBK may take further action to verify the information.
7. Conditions for approving or rejecting the registration:
  - 7.1. The CBK shall decide to approve the registration if the following conditions are fulfilled:
    - 7.1.1. shareholders/founders have a good reputation, legal source of capital funds, financial capabilities for investing planned funds and financial capabilities for conducting the necessary financing for the sustainable continuation of this institutions activity;
    - 7.1.2. if applicable, in any case where the applicant is a foreign MFI proposing the establishment of a subordinate entity or a branch in Kosovo, a statement must be provided by the supervisor of the home country that there is no objection to the commencement of proposed activities in Kosovo and that it exercises consolidated global supervision of the activity of the foreign MFI;

- 7.1.3. the amount of capital and additional fund required under Article 4 paragraphs 1 and 2 of this regulation has been paid;
  - 7.1.4. qualifications, experience and reputation of members of the board of directors and senior managers, must be adequate for implementing the business plan, as provided for in Article 12 of this Regulation. If the MFI applicant is a branch of a foreign MFI, this provision shall apply only to senior managers;
  - 7.1.5. the business plan submitted should be real and competitive in the market, and the expected financial state of the MFI proposed should be satisfactory;
- 7.2. The CBK rejects the approval of the application for registration in the following cases:
- 7.2.1. the conditions determined above under sub-paragraph 7.1 of paragraph 7 of this Article are not met;
  - 7.2.2. jeopardizes the financial sustainability of the MFI proposed or the MFI system in general;
  - 7.2.3. one of the shareholders/founders has been subject to insolvency filing procedures, including official administration or bankruptcy;
  - 7.2.4. if the origin of the invested share capital is not clear to the CBK;
  - 7.2.5. reduce competition substantially.
  - 7.2.6. false / forged information was declared during the application.
- 7.3. The CBK, in order to carry out the assessments set out in this Article, in addition to reviewing the documentation submitted, shall cooperate and may request information from peer supervisory authorities and institutions specialized in combating economic crime, prevention of money laundering; tax bodies; Competition Authority or any other relevant local or international institution.
- 7.4. The decision to reject the registration shall state the reasons why the registration was rejected.

## **Article 7**

### **Registration characteristics**

1. Registration shall be granted for an indefinite period of time and shall be non-transferable.
2. After registration, the MFI shall commence operations within six (6) months from the date of receipt of notification/decision for registration.
3. If the MFI do not commence operation within the deadlines under paragraph 2 of this Article, the registration approved by the CBK shall be revoked. The institution may reapply for registration.
4. The MFI registration certificate shall be issued in accordance with the CBK Regulation on issuance of licensing or registration Certificates of financial institutions.
5. The MFI shall, before the commencement of financial activity, notify the CBK for the preparations made and its readiness to start the activity, for creating space and adequate infrastructure to carry out activities, including installing the information technology operating system.

## **Article 8**

### **Fees**

1. The MFI applying for registration shall pay the registration fee, according to the amount determined by the CBK. The fee paid shall be non-refundable in case of refusal of application for registration.
2. After registration, the MFI shall pay other fees according to the manner and amounts determined by the CBK.

## **Article 9**

### **Revocation or suspension of registration**

1. Pursuant to Article 105 of Law no. 03 / L0093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions, the MFI registration may be revoked by CBK's decision, for one or more of the following reasons:
  - 1.1. if the MFI has not commenced with its activities within the period defined in paragraph 2 of Article 7 of this Regulation;
  - 1.2. if the MFI has discontinued the activities for which it has been registered with the CBK for more than six (6) months without interruption;
  - 1.3. there are reliable data that shareholders, directors and/or senior managers are involved in the money laundering or terrorist financing activities;
  - 1.4. if the CBK has approved the plan for the MFI to terminate its operations in Kosovo and has complied with that plan;
  - 1.5. the MFI has violated any legal provisions, any CBK ordinance or regulation or any condition or limitation relating to the authorization issued by the CBK after being notified by the CBK;
  - 1.6. the MFI has engaged in unsafe or unhealthy practices according to the CBK;
  - 1.7. no longer fulfills the conditions under which it was registered;
  - 1.8. the registration was obtained on the basis of false or forged documentation/information.
2. Except for cases as provided in paragraph 1 of this Article, the registration of the MFI shall be revoked by a decision of the CBK if it is assessed that the MFI is insolvent or reasonably is expected to become insolvent. For the purpose of this Article, "insolvent" shall mean that the MFI is not paying its obligations or the value of the MFI's obligations exceeds the value of its assets. The value of the MFI's assets, liabilities and regulative capital is determined in accordance with the assessment standards and procedures set by the CBK.
3. The CBK may, when it deems it appropriate, decide to suspend the registration of the MFI. In such cases the periods and other conditions relating to the suspension shall be determined by decision of the CBK.

**Article 10**  
**Transactions requesting prior approval**

1. MFI's transactions which require CBK's prior approval are as follows:
  - 1.1. change of name;
  - 1.2. change to the founding document and /or statute;
  - 1.3. increase of share capital;
  - 1.4. reduction of share capital;
  - 1.5. all transactions and actions related to the share capital that result in the change of the list of principal shareholders, who hold ten per cent (10%) or more of the share capital, and/or voting rights in the MFI;
  - 1.6. appointment of directors and senior managers (in the case of foreign MFI branches, this provision applies only to senior managers);
  - 1.7. opening of subsidiaries or branches abroad;
  - 1.8. opening and relocation of offices inside the country;
    - 1.8.1. for the purpose of this Regulation, relocation of the MFI's offices inside the country mean the change of location of the respective office within the territory of the same municipality.
  - 1.9. closing the offices inside the country;
  - 1.10. sale or transfer (complete or partial) of the MFI's activity (portfolio) to another lending entity;
  - 1.11. merger and/or amalgamation;
  - 1.12. dividend distribution.
2. The provisions of paragraph 1, subparagraphs 1.3, 1.4, and 1.5 of this Article shall not apply to MFIs that are not registered as business organizations.
3. The provision of paragraph 1, subparagraph 1.5 of this Article shall not apply to branches of foreign MFIs.
4. The CBK shall approve or reject the transaction under paragraph 1 of this Article within 30 days of the date of completion of the request, based on the documentation specified in paragraphs 6 and 7 of this Article.
5. For the purpose of paragraph 4 of this article, the date of receipt of the request is considered as the date of receipt of the completed request.
6. For approving transactions under paragraph 1 of this Article, the MFI shall present a written request accompanied by the following documentation:
  - 6.1. change of name:
    - 6.1.1. decision by the decision-making body; and
    - 6.1.2. written reasoning for change of name.
  - 6.2. amendments to the founding document and/or statute:
    - 6.2.1. decision by the decision-making body;
    - 6.2.2. amended founding document and/or statute;
    - 6.2.3. written reasoning for such amendment to the founding document and/or statute.
  - 6.3. increase of share capital:
    - 6.3.1. if the MFI's share capital is increased from its internal sources:

- 6.3.1.1. statement on source of capital increase;
  - 6.3.1.2. the MFI's external audit report for previous year;
  - 6.3.1.3. financial statements of last period reported to the CBK, which prove the sufficiency of these sources within the MFI's capital structure.
- 6.3.2. if the MFI's share capital is increased from its external sources, requirements of Article 5, paragraphs 3.3 and 3.4 of this Regulation shall apply.
- 6.4. reduction of share capital:
  - 6.4.1. decision by the decision-making body;
  - 6.4.2. description of the impact of such change on the capital requirements under this regulation;
  - 6.4.3. written justification for the decrease of share capital.
- 6.5. changes to ownership by shareholders who hold ten per cent (10%) or more of the share capital and/or voting rights in the company:
  - 6.5.1. report of the joint stock company in the case of shareholders organized as a business organization or CVs of individual shareholders according to the form provided by the CBK;
  - 6.5.2. name, nationality, place of residence and business and professional history for the last ten (10) years of the applicant and any beneficial owner of the applicant who, as a result of the transaction, would indirectly benefit five per cent (5%) or more of the MFI's capital interests, as well as the information/documentation required by Article 5, paragraph 3, sub-paragraph 3.3, of this Regulation;
  - 6.5.3. list of business organizations wherein the proposed owners, including the beneficial owners (as described above), hold shares, specifying the level of such shareholding and the registered addresses of those business organizations;
  - 6.5.4. for each legal entity, the audited financial statements (audited if applicable) for the last three (3) years;
  - 6.5.5. the source and amount of funds used in the exercise of amalgamation as set forth in Article 5, paragraph 3, subparagraph 3.4, of this Regulation; and
  - 6.5.6. in any case where the amalgamation of the shares would cause the MFI to become a subsidiary of a foreign financial institution, a statement from the responsible supervisory authority of the home country that there are no objections to the commencement of operations in Kosovo and that it exercises global consolidated oversight on the MFI established in Kosovo, if applicable;
  - 6.5.7. signed notarized agreement for change of share ownership.
- 6.6. appointment of directors and senior managers:
  - 6.6.1. documentation required under Article 3, paragraph 3, sub-paragraph 3.5, of this Regulation.
- 6.7. opening of subsidiary entities or branches abroad:
  - 6.7.1. decision by decision-making body;
  - 6.7.2. the location and area of activity of the proposed branch;
  - 6.7.3. business plan for the branch for the first three (3) years of its activity as well as its impact on the financial condition of the bank;

- 6.7.4. the amount of capital to be invested abroad, as well as payments or expenses for the purchase or lease of premises and work equipment as well as other operating expenses;
  - 6.7.5. other information that may be considered necessary by the CBK.
- 6.8. opening and relocation of offices:
- 6.8.1. decision by decision-making body;
  - 6.8.2. description of the reason for opening or relocating the office;
  - 6.8.3. written notification on fulfillment of technical and safety conditions. Such notice shall specify the steps taken to fulfill these conditions and the photographs proving this.
- 6.9. closing of offices:
- 6.9.1. identification of office to be closed and proposed closing date;
  - 6.9.2. decision by decision-making body;
  - 6.9.3. report with reasons for deciding to close the office;
- 6.10. sale or transfer (complete or partial) of the MFI's business (portfolio) to another entity;
- 6.10.1. decision by decision-making body on such transactions;
  - 6.10.2. signed agreement or draft agreement between the MFI and the other entity.
- 6.11. merger and/or amalgamation:
- 6.11.1. decision by the decision-making body of the MFI and the other financial institution involved in the action for approval of their reorganization through merger;
  - 6.11.2. agreement or draft agreement and detailed report of the merger process, signed by the legal representatives of institutions involved in the merger process. The agreement or draft agreement and the report shall be in writing and in accordance with the applicable legislation;
  - 6.11.3. MFI's draft statute after the implementation of the merger process;
  - 6.11.4. strategic and operational plans for implementing the merger, including required amalgamation analyses and financial statement projections for the merged MFI;
  - 6.11.5. in case of change of directors and senior managers of the merged MFI, documentation shall be submitted in accordance with the requirements for directors under the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, and this Regulation;
  - 6.11.6. new structure of the MFI shareholders.
- 6.12. dividend distribution:
- 6.12.1. decision by shareholders' assembly and board of directors on dividend distribution;
  - 6.12.2. projections related to balance, income statement and initial capital on monthly basis for the 12 upcoming months, reflecting the potential dividend payment;
  - 6.12.3. audited financial statements for previous year.
7. The CBK may request additional documents other than those specified in paragraph 6 of this Article.
8. The request for approval of the above transactions and the documentation attached to the request shall be filed by the MFI and shall be in one of the two official languages of the Republic of Kosovo, either in original or in a notarized copy. In the case of documentation issued by relevant official authorities in foreign countries other than the Republic of Kosovo, the documentation shall also be certified by the responsible authorities of the respective states.

9. The CBK shall approve the applications submitted by the MFIs for transaction under paragraph 1 of this Article only if the following criteria are met:
- 9.1. change of name:
- 9.1.1. the proposed new name of the MFI shall be in accordance with the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, the Law on Business Organizations and the Law on the Use of Languages.
- 9.2. changes to the founding document and/or statute:
- 9.2.1. changes shall not stand in violation with the applicable legislation, depending on the type of change concerned.
- 9.3. increase of share capital:
- 9.3.1. legitimate source of capital funds.
- 9.4. reduction of share capital:
- 9.4.1. the reduction of capital has no negative impact on the reduction of the financial stability of the MFI as well as the ownership structure and the suitability of its shareholders.
- 9.5. transactions and activities related to the share capital that changes the list of shareholders, who hold ten per cent (10%) or more of the share capital, and/or voting rights in the company;
- 9.5.1. the proposed amalgamation is evaluated according to the same criteria that apply to the approval of a MFI registration request with regard to shareholders, including but not limited to, the expected effects of the proposed amalgamation on the MFI's financial viability and MFI's ownership structure and the impact of such amalgamation may have on the MFI's oversight by the CBK.
- 9.6. appointment of directors and senior managers:
- 9.6.1. directors and senior managers meet the criteria set out in Article 12 of this regulation;
- 9.7. opening of subsidiary entities or branches abroad:
- 9.7.1. opening of subsidiary or branches abroad is approved if, in the opinion of the CBK, such an investment does not adversely affect the financial situation of the MFI and if consolidated supervision is easily feasible.
- 9.8. opening and relocation of offices inside the country:
- 9.8.1. reasonableness of the impact of opening or relocation on the community in which the office is or will be located;
- 9.8.2. the MFI shall provide the CBK with sufficient information and facts that the office is ready to conduct its business in terms of technical and security conditions including information technology system, staffing, security, etc. To assess this criterion, the regulation on minimum security requirements applicable to banks shall apply accordingly;
- 9.8.3. the CBK shall have the right to order the suspension of the activity in the relevant office even after approval if it finds that the technical and security conditions for the exercise of financial activity have not been met.
- 9.9. closing of offices inside the country:

- 9.9.1. the reduction of the office network is the business decision of the MFI itself. Despite this, the CBK may temporarily postpone the MFI for up to 30 calendar days, in closing the office, if, according to the CBK finding, the closure of the office will have a major negative impact on access to financial services in the community served by that office.
  - 9.10. sale or transfer (complete or partial) of the MFI's business (portfolio) to another entity:
    - 9.10.1. the impact of the sale or transfer of business (portfolio) in MFI client;
    - 9.10.2. the impact of the sale or transfer of the business (portfolio) on the MFI's financial standing;
    - 9.10.3. the sale or transfer of the business (portfolio) shall not give rise to an anti-competitive effect;
  - 9.11. merger and/or amalgamation:
    - 9.11.1. the merger or amalgamation does not jeopardize the financial standing of the merged MFI;
    - 9.11.2. the MFI has a system of organization, management, decision-making and information technology that enables the full integration of the merged or amalgamated MFI in a way that does not jeopardize its operation;
    - 9.11.3. the merger or amalgamation is economically viable;
    - 9.11.4. the merger and/or amalgamation does not give rise to an anti-competitive effect;
    - 9.11.5. it is the responsibility of the MFI to obtain approval from other authorities that may be necessary before the transaction is completed.
  - 9.12. distribution of dividends by MFIs that are organized as business organizations / joint stock companies.
    - 9.12.1. The CBK will only approve the distribution of the dividend if, in its estimation, the payment of the dividend does not complicate the financial situation of the MFI.
10. When deciding whether to approve such transactions, the CBK shall also consider other criteria for the purpose of achieving its goals as set forth in the applicable legislation.

## **Article 11**

### **Transaction requiring notification to CBK**

1. MFIs shall notify the CBK within 30 days of occurrence of changes for the following transactions:
  - 1.1. any change in ownership of shareholders who possess less than ten per cent (10%) of the capital;
  - 1.2. resignation of directors and senior managers;
  - 1.3. reappointment of directors and senior managers;
  - 1.4. changes to the organizational structure if such changes are not reflected in the MFI's statute, the director or senior managers.
2. MFIs shall notify the CBK without delay of operational risk events if one of the following cases occur:

- 2.1. financial losses resulting from theft, financial fraud or other similar cases, which represent a loss to the MFI in an amount exceeding € 1,000 (one thousand Euros);
- 2.2. events that result in serious damage or loss of MFI's important data or books, interruption of operations for more than three hours in two or more offices, or interruption of operations for more than five hours in a single office, affecting the normal operations of the MFI;
- 2.3. in case MFI's exclusive information is stolen, sold or published without MFI's permission or if any information is lost that could damage MFI's financial stability;
- 2.4. frequent breach of applicable rules by the senior management.

## **Article 12**

### **Governance of Microfinance Institutions**

1. The MFI shall act in accordance with the recognized principles of good governance to ensure that the business of the institution is realized in a safe and sound manner. MFI's governance should be in accordance with the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and this Regulation.
2. As set forth in Article 97, paragraph 1, of the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, MFIs shall have a board of directors consisting of not less than three (3) members, of which the majority shall be independent and non-executive directors.
3. Directors and senior managers should fulfill the "fit and proper" criteria as requested by the CBK.
4. Directors and senior managers of microfinance institutions should at least meet the following criteria:
  - 4.1. have a university degree in the field of economy, jurisprudence or another relevant field;
  - 4.2. have professional experience of not less than three (3) years in the banking and/or financial sector or any other field considered appropriate by the CBK;
  - 4.3. have high ethical and professional reputation;
  - 4.4. have not been removed by the CBK from a position in a financial institution;
  - 4.5. have not been convicted by a criminal court for a criminal offense with imprisonment of one year or more, concerning which the option of fine has not been ruled;
  - 4.6. have not been convicted of criminal offense on economic crime under the Criminal Code;
  - 4.7. the person to whom, by the competent court/authority, it has been denied the exercise of activities within the competencies provided for directors and senior managers;
  - 4.8. have not been excluded or suspended by the competent authority from practicing the profession on grounds of personal misconduct;
  - 4.9. have not caused or been responsible for the bankruptcy of any entity that conducts economic activity;
  - 4.10. have not been subject to insolvency filing procedures including official administration or bankruptcy, and are free from paying past due liabilities.
5. In exceptional circumstances, after being satisfied with the qualifications, professional experience and conduct of the person, the CBK may exempt a director or senior manager from the provisions of sub-paragraph 4.10 of paragraph 4 of this Article.

6. As required by Article 98 paragraph 1 of Law no. 03 / L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions, the board of directors of MFIs is assisted by at least two committees:
  - 6.1. the audit committee which includes and is chaired by a non-executive member of the board of directors and at least one member of the audit committee may be an external expert in the field of accounting or auditing; and
  - 6.2. the risk management committee whose members must also be members of the Board of Directors;
7. The CBK may require MFIs to have additional committees other than those provided for in the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, including senior management committees.
8. MFIs may establish additional committees other than those specified in the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and other committees within senior management.
9. The provisions of this article relating to the Board of Directors and the Committees at the level of the Board of Directors do not apply to branches of foreign MFIs.

### **Article 13**

#### **Final provisions**

1. No person is allowed to make identifying advertisements for an MFI without first registering with the CBK.
2. The CBK may carry out on-site inspection of the MFI prior to commencing the activity for which it is registered. The purpose of such examination is to assess if the office in question has established the conditions to meet the obligations determined under technical and security conditions of premises in which the MFI will conduct its activities.
3. The CBK may at any time inspect offices which conduct financial activities with the purpose of verifying if they are fulfilling the conditions and requirements determined by the law and this regulation.
4. MFIs shall place their registration certificate by the CBK in a visible place within their office/offices.

### **Article 14**

#### **Implementation, remedial measures and civil penalties**

Any violation of the provisions of this regulation shall be subject to remedial measures and administrative penalties, as defined in the Law on the Central Bank of the Republic of Kosovo and the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions.

## **Article 15**

### **Repeal**

With the entry into force of this Regulation, the amended Rule XIV on Licensing and Supervision of Micro-Finance Institutions Authorized under Sections 3, 6, and 7 of UNMIK Regulation 1999/21, approved by the Governing Board of the Central Banking Authority of Kosovo on February 7, 2007, is repealed.

## **Article 16**

### **Entry into force**

This Regulation shall enter into force 15 (fifteen) days from the date of its adoption.

Chairman of the Board

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