

**Amended Rule XIV on the  
Licensing and Supervision of Micro-Finance Institutions  
Authorized Under Sections 3, 6, and 7 of UNMIK Regulation 1999/21**

**1. Prior Conditions to the Licensing of Micro-Finance Institutions**

The financial ratios referred to in Section 7.2 of UNMIK Regulation NO. 2008/28 are set as follows:

- Portfolio at risk > 30 days / Average gross portfolio: 5% maximum;
- Renegotiated (rescheduled / refinanced) loans / Total loans: 5 % maximum;
- Loan loss provision expenses / Average gross portfolio: 5 % maximum.

**2. Maximum Amount of Micro-Finance Loans by *LICENSED* Micro-Finance Institutions**

Maximum amounts of loans provided to low-income households and individuals, and small enterprises are fixed as follows:

- 5,000 Euro for an initial loan to a low-income household or individual, and up to a maximum of 15,000 Euro for repeat loans;
- 15,000 Euro for an initial loan to a small enterprise, and up to a maximum of 75,000 Euro for repeat loans.

Maximum aggregate amount of loans outstanding to the benefit of a group of related individuals shall not exceed 30,000 Euro. Maximum aggregate amount of loans outstanding to the benefit of a group of related business organizations cannot exceed 100,000 Euro.

Directors and senior management of a micro-finance institution are not permitted to borrow from it. Employees of a micro-finance institution, including related individuals, cannot receive loans for amounts in excess of the limits applying for loans to private individuals. The extension of these loans must moreover comply with the staff loan policy of the micro-finance institution duly approved by its Governing Body.

**3. Minimum Capital**

The minimum amount of paid-in capital and reserves or equity to be maintained by a registered micro-finance institution applying for a license, and by a licensed micro-finance institution at all times, is Euro 2,500,000.

Paid in capital and reserves, or equity, include:

- a) Common equity shares and their related surplus;

- b) Statutory reserves, general reserves, and net earnings which have not been distributed, such as retained earnings;
- c) If registered in equity and not in income: donations, bequests, endowments, gifts and grants, without any reimbursement clause or repayment obligation of any sort;
- d) Capital equivalency deposit, if the micro finance institution is a branch of a micro-finance institution licensed in another country.

#### **4. Equity and Liabilities**

A conditional capital grant is a grant that will not be repaid if the conditions attached to it are fulfilled during a stipulated period of time. The Central Banking Authority of Kosovo (CBAK) will recognize a conditional capital grant only after the provider of the grant certifies that the conditions have been met.

#### **5. Banking Rules**

The following Banking Rules apply, *mutatis mutandis*, to all micro-finance institutions:

- Rule IX on classification and provisioning of Assets;
- Rule X on money laundering;
- Rule XII on record retention;
- Rule XV on prevailing language of rules for legal purposes;
- Rule XXVI on interest rate disclosures and advertisements; and
- Rule XXVIII on credit reporting.

Additionally, the following Banking Rules apply, *mutatis mutandis*, to licensed micro-finance institutions:

- Rule XI on bank reporting.
- Rule XVII on minimum liquidity reserves;
- Rule XXII on changes in bank equity accounts;
- Rule XXIV on quarterly publishing of balance sheets;
- Rule XXV on establishment, relocation and closing of branches; and
- Rule XXVII on minimum security devices and Procedures.

#### **6. Transitional Rules**

Newly-licensed micro-finance institutions shall undertake to meet the requirements of this Rule in as short a time as possible but, in any event, no later than six months after issuance of a license.

#### **7. Effective Date**

The Governing Board of the Central Banking Authority of Kosovo adopted this Rule XIV on February 7, 2007. This rule shall enter into force on May 29, 2008. Previous issuances of this Rule are hereby rescinded.

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