



Pursuant to the provisions of UNMIK Regulation No. 2005/20 date on pension in Kosovo, dated 29 April 2005, on amending UNMIK Regulation No.2001/35

For the purpose of execution of Section 11 of the UNMIK Regulation No.2005/20,

Governing Board of the Central Banking Authority of Kosovo, at the meeting held on February 7, 2007 adopts the following:

Rule 4 on Amending Rule on the Licensing of Asset Managers of Pension Assets

Section 1 Scope and Purpose of this Rule

1.1 Scope of Rule

This Rule applies to all applicants seeking an Asset Manager of Pension Assets license from the Central Banking Authority of Kosovo (the “CBAK”). Where applicable, this Rule likewise applies to licensees as herein defined.

A key requirement for the establishment of sound and sustainable pensions program is the prudential administration and management of pension assets. In this regard, shareholders, directors, managers and employees of entities involved in the administration and operation of pension schemes, investment and management of pension assets and who are charged with fiduciary duties therefore must all be “fit and proper” to exercise their functions and discharge their responsibilities. In the case of Asset Managers of Pension Assets, the determination of “fit and proper” is measured by standards set by the CBAK with respect to the licensing of banks and financial institutions.

Accordingly, in the event that the CBAK discovers or subsequently discovers that any data or information provided in connection with the application for a license under this Rule is deliberately falsified, the licensee, its shareholders, directors, managers and employees will be subject to sanctions and other remedies as may be available to the CBAK. A pending application is immediately rejected in this case. Where a license was granted on the basis of falsified information, the license may be immediately withdrawn.

This Rule defines the conditions and procedures for granting a license for Asset Managers of Pension Assets, the grounds for denying a license, as well as the reasons for and procedures in the suspension and revocation of a license.

1.2 Purpose of this Rule

To establish requirements, conditions and procedures for the licensing of Asset Managers that can invest and manage the assets of, or provide investment advice to, the Trust, Supplementary Employer Pension Funds and/or Supplementary Individual Pensions in accordance with Sections 1 and 16 the UNMIK Regulation No. 2001/35 (the "Pensions Regulation").

Section 2 General Provisions

2.1 Definition of Terms

All terms used in this Rule are as defined and stated in the Pensions Regulation or as further defined in this Rule.

"Asset management" includes managing, investing, reinvesting, structuring, restructuring, acquiring, selling, transferring or any other conveyance of pension assets and the rendering of advice in regard thereof.

"Licensee" is the entity licensed by the CBAK under this Rule including, where applicable, its shareholders, directors, officers, managers and employees.

"Main shareholder" means a shareholder or ultimate beneficial owner of 10% or more equity shares in the Applicant.

"Share capital" means paid in capital and unrestricted surplus.

"Trust" means, unless the context otherwise indicates, the Kosovo Pension Savings Trust.

2.2 Conditions of the License

- a. Asset management of pension assets can be undertaken only by legal entities, established and acting in accordance with effective regulations and rules.
- b. Asset management of pension assets can be undertaken only with a license issued by the CBAK in accordance with the present Rule.
- c. An Applicant and/or a licensee must meet the requirements established and prescribed by the CBAK including, but not limited to,

the requirements of minimum share capital and level of expertise, personal and professional qualifications of its main shareholders, directors, officers, managers and employees. The minimum amount of share capital required of an Asset Manager for Pension Assets is 4,000,000 Euro. This amount may be changed from time to time by rules and directives prescribed by CBAK consistent with banking rules and regulations.

This capital will be invested according to CBAK instructions

- d. A license issued under this Rule is for an indefinite term.
- e. The application fee is not refundable if the license is refused. An application fee shall be paid again for each subsequent licensing application in the event that issuance of a license of a prior application was previously refused.

Section 3

Obtaining Approval for Asset Managers of Pension Assets License

3.1 Requirements and for all Applicants

- a. **Other information.** CBAK reserves the right at all times to demand additional or supplementary information other than those requested herein.
- b. **Language.** All applications must be submitted in Albanian/Serbian or English.
- c. **Application fee.** An applicant for Asset Manager of Pension Assets license must submit a non-refundable one-time application/license fee of 2,500 Euro.
- d. Documents providing the following data and information:
 - 1. A formal completed application in the format provided by the CBAK.
 - 2. Attested copies of the Applicant's charter or articles of incorporation along with its by-laws or equivalent documentations.
 - 3. Attested copy of the Applicant's registration with the state.
 - 4. Attested copy of the document evidencing the election or appointment of directors, officers and managers of the

Applicant.

5. Full, detailed Curriculum Vitae (CVs) of directors, officers, and managers of the Applicant who are or will be involved directly with the asset management of pension assets.
6. A list of individuals, with their addresses and nationalities, who are the main shareholders or ultimate beneficial owners of the Applicant. The list will indicate the shareholdings of each main shareholder.
7. Evidence of the share capital of the Applicant at the time of the application.
8. Latest audited financial statement of the Applicant certified by an independent auditor.
9. Balance Sheet and Statement of Operations and Retained Earnings, as of the end of the month immediately preceding the date of the application, certified correct by the chief financial officer of the Applicant.
10. Attested documents evidencing that the managers and employees of the Applicant who are or will be directly involved in the management of pension assets have met the requirements of such business activity as are required by the CBAK.
11. A document providing information about affiliated entities of the Applicant, main shareholders, directors, officers and managers.
12. A copy of the receipt of the payment of the application fee.
13. The name and contact details of the audit firm for the Applicant.
14. List of banks and their addresses with which the Applicant has banking arrangements and a brief description of such arrangements.

3.2 Requirements for Applicants Incorporated Outside of Kosovo

- a. **Statement from Regulator in domestic jurisdiction.** For Applicants incorporated outside of Kosovo, the CBAK requires a

letter from the supervisory or regulatory authority of the home country of the Applicant stating that the Applicant is in “good standing” and “in compliance” with all laws and regulatory requirements in that foreign jurisdiction.

- b. **Financial Statements.** Audited financial statements for the last 5 years, along with a certified English translation if the originals are not expressed in the English language. When applicable, the financial statements of the Applicant’s parent company and related companies for the preceding 5 years should also be submitted.

3.3 Processing of the Application

- a. **Submission.** The application and documents submitted in support of the application are deemed “submitted” at the time they are received by the CBAK.
- b. **Filing.** The application is considered and registered as “filed” when all the requirements prescribed under Sub-sections 3.1 and 3.2 of this Section have been “submitted”, complete in form and substance, to the CBAK.
- c. **Actions by the CBAK.** The CBAK reviews the application during a period of 45 days from the time it is “filed”. Within 90 days from the time the application is “filed”, CBAK shall issue the license or refuse to issue a license. Refusal to issue a license is based solely on conditions indicated in this Rule.

Section 4 Refusal to Issue a License

- 4.1 Grounds for Refusal of License.** The CBAK may refuse to issue a license on any of the following grounds:
 - a. The application is not in compliance with the requirements of the Pensions Regulation or applicable CBAK Rules.
 - b. It appears likely that the operation and organization of the applicant would not comply with the Pensions Regulation or applicable CBAK Rules.
 - c. Any of the documents submitted by the applicant contains provisions or omits to contain provisions that threaten the interest of the Fund Participants or Beneficiaries, or of failing to adequately protect their interests.

- d. It appears likely that the activities of the Applicant would not be conducted or concluded in accordance with sound and prudent asset management practices
- e. Non-conformity of the documents submitted with the requirements of applicable regulations and rules of the CBAK.
- f. Insufficiency or unreliability of the information contained in the application or in the submitted documents.
- g. Non-compliance of the amount of capital requirements prescribed by the CBAK.
- h. Lack of professional expertise and qualifications of the directors, officers, managers and employees of the Applicant as are required by the Rules and directives of the CBAK.

4.2 Appeal. The refusal to issue a license may be appealed by the Applicant in a court of competent jurisdiction in accordance with applicable laws and regulations.

Section 5

Reasons for and Procedures in the Suspension of a License

5.1 Grounds for Suspension of License. The CBAK may suspend a license on the following grounds:

- a. Violation of the requirements of the Pensions Regulation and of other applicable regulations and rules established by the CBAK for Asset Managers of Pension Assets.
- b. Failure to comply with the Investment Declaration for the pension assets.
- c. Failure to comply with the instructions of the CBAK with respect to the elimination of any breach or violation of requirements within the time prescribed by the CBAK, including failure to meet the time limitations for the rectification or correction of any such breach or violation.
- d. Evidence of deliberately untrue or deceptive representations in the documents submitted to the CBAK in support of the Application.
- e. Non-compliance or incomplete compliance with the provisions and

requirements of the Asset Management Agreement that has been concluded with the Trust, a Supplementary Employer Pension Fund or a Pension Fund Provider.

- f. Violation of the procedures for the accounting and valuation of assets under management, and failure to comply within the time limits for providing required reports to the CBAK.
- g. Non-compliance with the requests of the CBAK for information when it is reviewing the activities of the licensee.

5.2 Notification. In the event that CBAK receives information about the activities of the licensee indicating grounds for the suspension of a license, the CBAK shall serve appropriate notification, containing the following:

- a. Description of the violation constituting the grounds for the suspension of the license.
- b. Necessary means to rectify or correct the breach or violation.
- c. Indication of time periods, within which the breach or violation must be rectified or corrected and the appropriate documentation that must be provided to the CBAK concerning the rectification or correction.
- d. List of activities that are prohibited during the suspension and until the license is restored in good standing.
- e. Within two business days after the CBAK reaches a decision concerning the suspension of a license, it shall inform the licensee of this decision in writing, with notice served to the Custodian, the Trust, and the Employer, in case of a Supplementary Employer Pension Fund, or the Pension Provider, in the case of Supplementary Individual Pensions.

5.3 Appeal. The licensee, in accordance with applicable laws and regulations, may appeal the suspension in a court of competent jurisdiction.

5.4 Restoration of Suspended License. The CBAK shall restore a suspended license after the licensee transmits to it an accounting of activities that rectified the breach and/or removed the violation and only when the CBPK is satisfied, after a corresponding investigation, that the information provided in said accounting is verified correct and the breach or violation no longer exist.

Section 6

Reasons for and Procedures in the Revocation of a License

6.1 Grounds for Revocation of License. The CBAK may revoke a license on any of the following grounds:

- a. Repeated or gross violation by the licensee of the requirements of applicable regulations and rules pertaining to the activities of licensee, including requirements expressed in the Investment Declaration of the Pension Fund.
- b. Repeated violations of the time limits, prescribed by the CBAK for the rectification or correction of breaches or violations in the activities of the licensee, which were the basis for the suspension of a license.
- c. Repeated violations of the time limits established by the CBAK for reporting on the activities of the licensee.
- d. Failure by the licensee for the course of one year to perform its undertaken function of managing the pension assets.
- e. Liquidation of the licensee.
- f. Recognition of the bankruptcy of the licensee.
- g. For other reasons, set forth in applicable rules directives issued by the CBAK consistent with the Pensions Regulations or applicable laws.

6.2 Notification. The CBAK, upon reaching its decision, shall immediately notify the licensee in writing that its license is revoked and cancelled. The notification shall indicate the grounds for the revocation and a prohibition to carry out any activity for which the license was granted. The notification shall also be served to the Custodian, the Trust, the Employer, in the case a Supplementary Pension Fund, or the Pension Provider, in the case of Supplementary Individual Pension.

6.3 Transfer of Records and Documents. In the event that its license is revoked, the Asset Manager is obligated to transmit all records and documents pertaining to the management of the pension assets, within the time frame and following procedures set forth in its agreement(s) with the Sponsor(s), unless the CBAK, in the interest of the participants and beneficiaries, orders an earlier time or a different manner to effect such transmittal.

6.4 Appeal. The Asset Manager, in accordance with applicable laws and

regulations, may appeal the revocation in a court of competent jurisdiction.

Section 7
Entry into Force

This rule as amended rule shall enter into force on 07 February 2007.

Michel Svetchine
Managing Director