

ON CENTRAL BANK OF THE REPUBLIC OF KOSOVO

Assembly of Republic of Kosovo,

Based on Article 65 (1) and Article 140 of the Constitution of the Republic of Kosovo,

Approves

LAW ON CENTRAL BANK OF THE REPUBLIC OF KOSOVO

**CHAPTER I
DEFINITIONS**

**Article 1
Definitions**

1. Terms used in this Law shall have the following meanings:

1.1. **Bank-** an entity as defined in the Banking Law;

1.2. **Central Bank-**the Central Bank of the Republic of Kosovo;

1.3. **Constitution-** the Constitution of the Republic of Kosovo;

1.4. **Currency-** the monetary unit of a country;

1.5. **Financial institutions-** entities such as banks, foreign exchange offices, insurance companies, pension funds, and other entities conducting financial activities, as defined in any Law relevant for the purposes of this Law, for which the Central Bank is given supervisory authority by Law;

1.6. **Fiscal agent-** the Central Bank, without prejudice to Article 33 of this Law, may effect transactions, including making and receiving payments, involving the accounts of an entity at the Central Bank, and may issue, redeem and service the bills and other securities of such entity;

1.7. **Government-** the Government of the Republic of Kosovo;

1.8. **Instruction-** a written recommendation issued by the Executive Board;

1.9. **International Financial Reporting Standards-** the most recent international accounting standards issued by the International Accounting Standards Board;

1.10. **International reserves-** the official foreign reserves and the gold reserves;

1.11. **International Standards on Auditing-** the most recent international auditing standards issued by the International Federation of Accountants;

1.12. **Minister-** the Minister of Economy and Finance of the Government;

- 1.13. **Ministry-** the Ministry of Economy and Finance of the Government;
- 1.14. **Order-** a written formal directive issued by the Executive Board implementing a Regulation adopted by the Central Bank Board;
- 1.15. **President-** the head of state elected under Chapter V of the Constitution of the Republic of Kosovo;
- 1.16. **Prime Minister-** the Prime Minister of the Government;
- 1.17. **Regulation-** a sub-legal act adopted by the Central Bank Board;

CHAPTER II

Article 2 Nature

1. Pursuant to Article 11 of the Constitution, a central bank is established in Kosovo called the Central Bank of the Republic of Kosovo, hereafter referred to as the “Central Bank”. The Central Bank is successor to the Central Banking Authority of Kosovo.
2. According to this Law, the Central Bank shall be a public legal subject based on Articles 11 and 140 of the Constitution and this Law, having administrative, financial and managerial autonomy. The Central Bank shall not be incorporated in the Companies Register.
3. The Central Bank shall have all the powers necessary to achieve the objectives and to implement the tasks set out in this Law.

Article 3 Legal capacity

1. The Central Bank shall be a legal entity with full competence.
2. The Central Bank shall have particular competences, to:
 - 2.1. enter into contracts;
 - 2.2. institute legal proceedings and be subject to such proceedings; and
 - 2.3. acquire, administer, hold and dispose movable and immovable property.
3. The Central Bank shall, for its official business, utilize and administer the property and facilities, including moveable and immovable property, located at Garibaldi Street 33, Pristina.

Article 4 Location

1. The head office of the Central Bank shall be in Pristina.
2. The Central Bank may establish offices and operations facilities at such places as it may deem necessary.

**Article 5
Capital**

1. The authorized capital of the Central Bank, fully subscribed and paid-up, shall be an amount equivalent to thirty (30) million euro.
2. The authorized capital stock of the Central Bank shall be held solely by the State and shall not be transferable or subject to encumbrance.
3. The authorized capital of the Central Bank may be increased by such amounts as may be proposed by the Central Bank and approved by the Government. No reduction of the authorized capital shall be permitted at any time.

**Article 6
Independence and autonomy**

The Central Bank, the members of the Central Bank's decision-making bodies or staff, shall not take instructions from any other person or entity, including government entities. The independence and autonomy of the Central Bank shall be respected at all times and no person or entity shall seek to influence the members of the decision-making bodies or the staff of the Central Bank in the performance of their tasks or to interfere in the activities of the Central Bank.

**CHAPTER III
OBJECTIVES AND TASKS**

**Article 7
Objectives**

1. The primary objective of the Central Bank shall be to foster and to maintain a stable financial system, including a safe, sound and efficient payment system.
2. An additional objective of the Central Bank, which shall be subordinated to the primary objective of the Central Bank, shall be to contribute to achieving and maintaining domestic price stability.
3. Without prejudice to attainment of these two objectives, the Central Bank shall support the general economic policies of the Government.
4. The Central Bank shall act in accordance with the principle of an open market economy with free competition, favoring an efficient allocation of resources.

**Article 8
Tasks**

1. The tasks of the Central Bank in pursuit of the objectives set forth in Article 7 and in other provisions of this Law, shall include to:
 - 1.1. determine and implement financial system stability policy including oversight of a deposit insurance scheme, conducting market operations, and providing emergency liquidity;

- 1.2. regulate, license, register and supervise financial institutions as further specified in this Law or any other Law;
- 1.3. promote and oversee safe, sound and efficient payment, clearing and securities settlement systems;
- 1.4. maintain an appropriate supply of banknotes and coins in Kosovo;
- 1.5. hold and manage the international reserves;
- 1.6. collect and produce statistics;
- 1.7. contribution in achieving and maintaining domestic price stability;
- 1.8. inform the Assembly, Government and the public at large about its policies, tasks and operations as further specified in this Law;
- 1.9. act as banker, financial advisor and fiscal agent for the Government and to any other public bodies and public organizations of Kosovo;
- 1.10. cooperate with and participate in international councils and organizations concerning matters that are within its fields of competence; and
- 1.11. carry out any ancillary activities incidental to the exercise of its tasks under this Law or any other Law.

CHAPTER IV CENTRAL BANK OPERATIONS

Article 9 Opening of accounts

1. In order to conduct its operations, the Central Bank may open and maintain cash and securities accounts on its books for:
 - 1.1. banks and other financial institutions, and public entities;
 - 1.2. foreign banks, central banks; international financial institutions and, when required, foreign governments, international organizations and donor organizations.
2. Without prejudice to paragraph 1 of this Article and paragraph 1 of Article 10 of this Law, the Central Bank shall not open accounts on its books for non-financial institutions or natural persons.
3. The Central Bank shall prescribe the conditions for opening accounts on its books.
4. The Central Bank may open and maintain cash and security accounts on the books of:
 - 4.1. banks and other financial institutions;
 - 4.2. central banks, foreign banks, depositories and international organizations.

Article 10 Custodial facilities

1. The Central Bank may provide, upon payment of reasonable fees, custodial facilities to financial institutions and to the public at large for banknotes and coins, denominated in currencies that it designates, and for securities, precious metals and any other valuable assets as may be determined by the Executive Board.
2. The Executive Board may prescribe the conditions for providing custodial facilities.

Article 11 Market operations

1. In order to achieve its objectives and to carry out its tasks, the Central Bank may:
 - 1.1. operate in the financial markets by buying and selling outright, spot or forward, or under repurchase agreement, and by lending or borrowing claims and marketable instruments, as well as precious metals; and
 - 1.2. conduct credit operations with banks and other market participants operating in Kosovo, with lending based on adequate collateral.
2. The Executive Board shall determine, by order, the types of collateral, instruments and activities to be used for the Central Bank's operations; and it shall announce the conditions under which the Central Bank stands ready to enter into such transactions.

Article 12 Minimum reserves

1. The Central Bank may require banks in Kosovo to hold minimum reserves on deposit accounts with the Central Bank in pursuance of its objectives set forth in Article 7 of this Law. With the exception of a temporary remedial action taken in accordance with Article 36 paragraph I of this Law, these required reserves shall be the same for all banks for each category of liabilities, for which there may be paid certain interest rate.
2. Upon the proposal of the Executive Board, the Central Bank Board shall adopt a regulation that defines the categories of liabilities referred to in paragraph 1 of Article 12 and establishes the method for calculating and determines the rate of minimum reserves required to be maintained under paragraph 1 of this Article and their remuneration.
3. In cases of non-compliance with the requirements issued in the regulations under the previous paragraph, the Executive Board shall issue orders and be entitled to levy penalty interest or impose administrative penalties, within the meaning of Article 67, paragraph 2 of this Law, with comparable effect.

Article 13 Instruments of credit control

The Executive Board may decide upon the use of such operational methods of credit control as it sees fit.

Article 14 Emergency liquidity assistance

1. In exceptional circumstances, the Central Bank may, at its discretion and on such terms and conditions as the Central Bank Board determines, act as lender of last resort for a licensed bank. Such support may be provided by granting financial assistance to the bank, or for the bank's benefit, at penalty interest rates that are higher than the current market rate, as periodically reviewed and determined by the Central Bank Board and for periods not exceeding ninety-one (91) calendar days that may be renewed by the Central Bank Board on the basis of a program approved by the Executive Board specifying the remedial measures that the bank concerned will be taking, provided, however, that no such commitment shall be made by the Central Bank Board unless:

1.1. the bank, in the opinion of the Executive Board, is solvent and can provide adequate collateral to support the loan, and the request for financial assistance is based on the need to improve liquidity; or

1.2. such assistance is necessary to preserve the stability of the financial system.

2. The Executive Board shall determine the maximum loan value of the collateral deposited to secure each of the credit operations set forth in paragraph 1 of this Article.

3. The Executive Board shall propose to the Central Bank Board for adoption a regulation on emergency liquidity assistance.

4. Emergency liquidity assistance cannot exceed the total amount of reserves of the CBK and the Special Reserve Fund established by the Treasury for this purpose.

5. If the Central Bank discovers that the assisted bank did not implement the remedial measures specified in paragraph 1 of this Article, or that these measures did not achieve the results intended, the Executive Board shall take appropriate measures.

CHAPTER V INTERNATIONAL RESERVE MANAGEMENT

Article 15 International reserve management

1. The Central Bank shall conduct transactions in international reserves and manage such reserves consistent with international best practices and subject to its objectives set forth in Article 7 of this Law, respecting security, liquidity and yield, in that order of priority.

2. The Central Bank may hold in its portfolio of international reserves any or all of the following assets:

2.1. gold and other precious metals held by or for the account of the Central Bank, including credit balances representing such gold and other precious metals;

2.2. banknotes and coins denominated in freely convertible currencies held by or for the account of the Central Bank;

2.3. credit balances and interbank deposits that are payable on demand or within a short term denominated in freely convertible currencies and are held in accounts of the Central Bank, on the books of foreign banks, central banks or international financial institutions;

- 2.4. readily-marketable debt securities denominated in freely convertible currencies issued by, or supported by, the full faith and credit of foreign governments, foreign central banks or international financial institutions;
 - 2.5. claims on international financial institutions resulting from repurchase agreements, sale and buy back transactions and securities lending agreements in the debt securities referred to in subparagraph 2.4. of this Article;
 - 2.6. Special Drawing Rights (SDR) held in the account of Kosovo in the International Monetary Fund;
 - 2.7. the reserve position of Kosovo in the International Monetary Fund and other similar international financial organizations; and
 - 2.8. any other readily marketable financial assets denominated in freely convertible currencies as determined by the Executive Board.
3. In case international reserves decline to, or in the opinion of the Central Bank may decline to, or reach levels that could jeopardize the Central Bank's policies, and the Central Bank is unable to remedy such decline, the Central Bank shall recommend a policy to the Minister to remedy this situation. The Central Bank's recommendation shall be based on a report including the causes leading to the decline in reserves.

CHAPTER VI CURRENCY

Article 16 Issuance of currency

1. The currency of Kosovo shall be determined by Law in accordance with Article 11 of the Constitution.
2. No other legal or natural person other than the Central Bank shall have the right to issue banknotes and coins.
3. The Central Bank shall be responsible for maintaining an appropriate supply of banknotes and coins in Kosovo.

Article 17 Exchange of euro banknotes and coins

Upon request, the Central Bank shall exchange euro banknotes and coins.

Article 18 Unfit euro banknotes and coins

1. Unfit euro banknotes and coins deposited with the Central Bank by financial institutions shall be replaced with euro banknotes or coins by the Central Bank.
2. The Central Bank may decline to exchange such banknotes or coins if their designs are illegible, misshapen or perforated, or if more than forty percent (40%) of their surface area has been lost.

3. The Central Bank shall not be required to provide any compensation for banknotes or coins that are lost, stolen or destroyed and may confiscate without compensation any banknotes that have been altered in their external appearance, including in particular banknotes that have been written on, drawn on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

Article 19 Counterfeit currency

1. Any person that falsely makes, forges, counterfeits or alters any banknote or coin, or any check, security or payment card; or possesses, transports or issues any such banknote, coin, check, security or payment card with the knowledge that it was falsely made, forged, counterfeited or altered or manufactured; or possesses or transports any plate, stone, paper, die or other object or substance with the knowledge that it was destined to be used in falsely making, forging, counterfeiting or altering any such banknote, coin, check, security or payment card, shall be guilty of a criminal offence.

2. Banknotes and coins presented to financial institutions, which are suspected of being forgeries, whether presented at registered banks and financial institutions or at other entities authorized to carry out exchange operations, must be withdrawn from circulation and forthwith sent to the authorities appointed for this purpose by regulations of the Central Bank and in compliance with any other legislative provision.

3. The Executive Board may issue orders to implement the provisions of this Article.

4. The Central Bank shall keep all banknotes and coins presented to it which are suspected of being counterfeited, forged or changed in value, and shall immediately draw up a writ with the identification of the banknotes and coins, their bearer, and the Central Bank's grounds for suspicion. The writ shall be forwarded to the competent Law enforcement authorities for such investigation and further action as may be required.

5. The Central Bank may call upon the resources of any other authorities for assistance in carrying out the purposes of this Article.

Article 20 Reproductions of currency

1. Any reproduction of banknotes and coins, and the creation of any objects that by their design imitate any such banknote or coin, shall require the prior written authorization of the Central Bank.

2. Notwithstanding the provisions of paragraph 1 of this Article, the Central Bank may issue regulations authorizing the publication of reproduction of currency.

3. A person who breaches the provisions of this Article may be subjected to a fine as provided for in regulations issued by the Central Bank Board.

CHAPTER VII PAYMENT SYSTEM TASKS

Article 21 Facilities

1. The Central Bank may provide facilities, including intra-day credit collateralized by negotiable Government securities, to payment, clearing and securities settlement systems, and their participants, to ensure the safety, soundness and efficiency of such systems.
2. The Central Bank is authorized to organize, own, participate in and operate systems referred to in paragraph 1 of this Article.

Article 22 Oversight tasks

1. The Central Bank shall be exclusively responsible for the regulation, licensing, registration and oversight of payment, clearing and securities settlement systems as further specified in the relevant Laws. Such responsibility shall include the imposition of administrative penalties within the meaning of Article 67, paragraph 2 of this Law.
2. The Central Bank Board ,by adoption of regulations within the meaning of Article 65, paragraph 2 of this Law, may:
 - 2.1. require the registration or licensing of any payment, clearing and securities settlement system or the operator of such system;
 - 2.2. require any payment, clearing and securities settlement system or the operator of such system to observe such conditions and requirements as may be established by the Executive Board; and
 - 2.3. regulate and oversee the issuance and quality of payment instruments.
3. The staff of the Central Bank, and other qualified persons appointed by the Executive Board, may visit the offices of payment, clearing and securities settlement systems, and their participants, to examine such accounts, books, documents and other records, to obtain such information and records from them, and to take such other action as the Central Bank shall deem necessary or advisable.
4. Payment, clearing and securities settlement systems, and their participants, shall furnish the Central Bank with such information and records as the Central Bank may require.
5. The Central Bank may disclose information and data obtained under paragraph 4 of this Article in whole or in part in aggregate form, or in accordance with Article 74, paragraph 2 of this Law.

CHAPTER VIII SUPERVISION OF FINANCIAL INSTITUTIONS

Article 23 Supervisory tasks

1. The Central Bank shall be exclusively responsible for the regulation, licensing, registration and supervision of banks and other financial institutions as further specified in the relevant Laws. Such responsibility shall include the imposition of administrative penalties within the meaning of Article 67, paragraph 2 of this Law.
2. The staff of the Central Bank, and other qualified persons appointed by the Executive Board, shall visit the offices of financial institutions to examine such accounts, books, documents and

other records, to obtain such information and records from them, and to take such other action as the Central Bank shall deem necessary or advisable.

3. Financial institutions shall furnish the Central Bank with such information and records concerning their operations and financial condition as the Central Bank may require.

4. The Central Bank may disclose information and data obtained under paragraph 3 of this Article in whole or in part in aggregate form for classes of financial institutions determined in accordance with the nature of their business, or in accordance with Article 74, paragraph 2 of this Law.

CHAPTER IX CREDIT INFORMATION SYSTEM

Article 24 Credit information system

1. The Central Bank may operate, regulate, license, register and supervise credit information systems to collect and disseminate credit information among financial institutions and may issue regulations to effect its implementation.

2. The information collected and maintained in credit information systems referred to in paragraph 1 of this Article shall only be used for the purposes of improving the quality of bank credit and the Central Bank's supervision of financial institutions.

CHAPTER X STATISTICS AND INFORMATION

Article 25 Collection of statistics and information

1. The Central Bank, in pursuit of the objectives set forth in Article 7 and as further described in this Law, shall:

1.1. collect, compile, analyze, abstract and publish statistics and information relevant to the carrying out of its tasks;

1.2. the Central Bank Board will define, by regulations, the statistical information so required and the form in which such information is to be provided to the Central Bank, the natural and legal persons subject to reporting requirements, the applicable confidentiality regime and the administrative penalties, in accordance with Article 67, paragraph 2 of this Law, that may be imposed on natural and legal persons operating in breach of these statistical requirements;

1.3. collaborate with governmental ministries and agencies in the collection, compilation, and publication of statistics and other relevant information; and

1.4. coordinate with bilateral and multilateral agencies the adoption of international data dissemination standards with the aim of achieving consistency and efficiency in the organization of statistics and information.

Article 26 Furnishing of statistics and information

The natural and legal persons that fall under scope of the statistical requirements as defined in the regulations mentioned in Article 25 of this Law are required to furnish the requested information to the Central Bank.

Article 27
Dissemination of statistics and information

1. The Central Bank shall disclose:
 - 1.1. statistics and information subject to the regulations on the confidentiality regime as mentioned under Article 25 of this Law;
 - 1.2. documentation on the methodology applied to its compilation; and
 - 1.3. relevant statistical data and concepts that will allow external verification of the statistics produced by the Central Bank to be made.

Article 28
Other publications

1. The Central Bank shall at a minimum once a year and at such additional times as may be necessary inform the Assembly of Republic of Kosovo and the public regarding the conduct of its policies, the achievement of its objectives and its views regarding the real variables of the economy.
2. The Central Bank shall, within six (6) months after the close of its financial year, submit to the Assembly of Republic of Kosovo and the Minister and publish one or more reports, approved by the Central Bank Board, on the state of the economy during the financial year that just ended, including an outlook for the economy for the coming year, achievement of its policy objectives and the condition of the financial system of Kosovo. The report(s) should also include a review and assessment of the Central Bank's policies followed last financial year and a description and explanation of the Bank's policies to be followed during the next financial year.

CHAPTER XI
RELATIONSHIP WITH ASSEMBLY, GOVERNMENT AND STATE

Article 29
Accountability to Assembly

The Governor, with due observance of Article 6 of this Law, may, at the request of the Assembly of Republic of Kosovo or on his own initiative, shall at least once a year be heard by the Assembly or its committees, concerning the Central Bank's objectives set forth in Article 7 of this Law.

Article 30
Banker, financial advisor and fiscal agent for Government

1. The Central Bank shall act as banker and as financial advisor for the Government.

2. The Central Bank may, for and on behalf of the Government, receive foreign borrowings, manage and administer such debts, and settle claims and financial liabilities of the State to external parties.
3. The Central Bank may, on such terms and conditions as it shall agree with the Government, act as fiscal agent for the account of the Government or for such other public agency as the Government may determine.
4. The Central Bank may operate with a registry for securities issued by the State.

Article 31
Depository and cashier for Government

1. The Central Bank shall accept deposits in any currency from the Government, or on behalf of it, or from any other public agency. As depository, the Central Bank shall receive and disburse funds and keep account thereof and provide other financial services related thereto.
2. The Central Bank shall pay to the limits of the deposited amounts against payment orders concerning such accounts.
3. The Central Bank may pay interest on such deposits at up to market rates.

Article 32
Cooperation with the state public institutions

1. With due observance of Article 6 of this Law, and in pursuit of its objectives and tasks pursuant to Article 7, paragraphs 1 and 2 of this Law, the Central Bank shall:
 - 1.1. cooperate with the Government and any other public entity; and
 - 1.2. hold regular meetings with the Ministry on matters of common interest.
2. The Central Bank and the Ministry shall keep one another fully informed of all matters that affect the Central Bank and the Ministry jointly.
3. The Central Bank may render advice to the Government on any matter which, in its opinion, is likely to affect the attainment of the objectives of the Central Bank.
4. The Central Bank shall, on request of the Government, provide the Government with information regarding the tasks of the Central Bank; specific information relating to supervised entities may be provided subject to such strictures to preserve confidentiality as the Central Bank may deem appropriate.
5. The Central Bank shall, on request of the Government, provide the Government with pertinent data on the receipt by the Central Bank of funds from any source.
6. The Government shall, on request of the Central Bank, provide the Central Bank with such information and documents as the Central Bank may request for the purpose of carrying out its tasks.
7. The Central Bank shall be consulted by the Government on any draft Laws concerning matters that relate to the objectives of the Central Bank, or that otherwise are within its fields of competence, before such Laws are submitted to the Assembly of Republic of Kosovo. The

Government shall submit the views of the Central Bank together with the draft Law to the Assembly of Republic of Kosovo.

8. The requirements stemming from the provisions of this Article shall be timely fulfilled.

Article 33
Prohibition on lending to the Government

1. The Central Bank shall not grant any direct or indirect credits to the Government or to any other public agency or State-owned entity, with the exception of intra-day credits to secure the smooth functioning of the payment system. Such intra-day credits shall be collateralized by negotiable Government securities and shall be fully repaid before the end of the same day.

2. The restrictions of paragraph 1 of this Article regarding the provision of direct or indirect credits to Government, shall not apply to publicly-owned banks, which shall be given the same treatment as privately-owned banks.

3. The Central Bank may purchase negotiable Government securities provided that such purchases are only made in the secondary market.

CHAPTER XII
GOVERNANCE AND ORGANIZATION

SECTION 1
DECISION-MAKING BODIES

Article 34
Central Bank Board, Executive Board and Governor

1. The decision-making bodies of the Central Bank shall be the Central Bank Board, the Executive Board, and the Governor.

2. The Central Bank Board shall comprise the Governor, the General Director of the Treasury in compliance with Article 79, paragraph 2 of this Law and three (3) non-executive members and shall be charged with the supervision of the implementation of the policies, and the supervision of the administration and the operations of the Central Bank. The non-executive members of the Central Bank Board shall not be members of the Central Bank's staff.

3. The Executive Board shall comprise the Governor, who shall be the Chairperson, and to Deputy Governors, and shall be charged with the implementation of the Central Bank's policies, and its operations. Based on Governor's proposal, Central Bank Board shall decide for the number of Deputy Governors.

4. The Governor shall serve as the chief executive officer of the Central Bank in charge of the day-to-day operations of the Central Bank. The Deputy Governors shall assist the Governor in conducting the day-to-day operations of the Central Bank.

Article 35
Powers and tasks of the Central Bank Board

1. In accordance with Article 7, Article 8, Article 34 of this Law, and any other Article of this Law, the Central Bank Board shall have the following powers and tasks to:

- 1.1. adopt all regulations of the Central Bank and supervise the implementation of the policies and the execution of the tasks of the Central Bank;
- 1.2. adopt the regulation on emergency liquidity assistance, as proposed by the Executive Board in Article 36, 1.8 of this Law ;
- 1.3. approve the appointment of the Chief Internal Auditor on the recommendation of the Governor;
- 1.4. appoint the Deputy Governors on proposal from the Governor;
- 1.5. appoint the Secretary of the Central Bank Board on proposal from the Governor;
- 1.6. approve the annual budget of the Central Bank, which must also specifically include approval of an annual remuneration plan for all employees ;
- 1.7. determine the accounting policies of the Central Bank and approve the annual report and other formal reports and financial statements of the Central Bank;
- 1.8. appoint the external auditors of the Central Bank;
- 1.9. decide whether the Central Bank should take on debt and determines the terms and conditions of such debt;
- 1.10. upon recommendation of the Executive Board, determine the organizational structure of the Central Bank, including the establishment and location of offices and operations facilities;
- 1.11. adopt the rules of procedure for the Central Bank Board, and
- 1.12. exercise such other powers and tasks as explicitly granted by this Law or any other Law.

Article 36
Powers and tasks of the Executive Board

1. In accordance with Article 7, Article 8, Article 34, and any other Article of this Law, the Executive Board shall have the following powers and tasks to:
 - 1.1. define and adopt the policies of the Central Bank in order to initiate and to hold stable the financial system, as well as a secure, sound and efficient payment system;
 - 1.2. determine and adopt policies of Central Bank to contribute in achieving and keeping the stability of local prices;
 - 1.3. define and adopt other policies of Central Bank, regarding the execution of its tasks, and to adopt, as appropriate, internal rules for their implementation;
 - 1.4. determine the general policies and to adopt the by-Laws and internal rules applicable to the administration and operations of the Central Bank;
 - 1.5. recommend to the Central Bank Board to determine organization structure of Central Bank, including the establishment and location of operation offices and premises;

- 1.6. approve the appointment of heads of department and division;
- 1.7. exercise the powers and tasks of the Central Bank referred to in Articles 12, 15, paragraph 3, Article 19, paragraph 3, Articles 22, and 30, paragraph 3, of this Law;
- 1.8. determine categories of assets that will constitute international reserves;
- 1.9. determine categories of assets proper for investments of financial sources of Central Bank;
- 1.10. adopt or refuse the granting of licenses and permits for regulated systems, of clearing and securities settlement system and to revoke these licenses and permits;
- 1.11. adopt or refuse the granting of licenses or permits for financial institutions, as well as to revoke these licenses and permits;
- 1.12. take enforcement measures, including instructing any supervised bank or financial institution, or any regulated payment, clearing and securities settlement system, to take remedial actions; or by appointing a receiver for such entities; or by imposing administrative penalties, as provided by this Law, or by any other Law and subsequently report any such actions to the Central Bank Board;
- 1.13. establish one or more advisory bodies, determine their terms and conditions of appointment of their members, and determine the terms of reference of such bodies;
- 1.14. assess risks and draft contingency plans for the ongoing operations and security of the Central Bank;
- 1.15. propose regulation on emergency liquidity assistance to the Central Bank Board;
- 1.16. adopt the rules of procedure for the Executive Board; and
- 1.17. such other powers and tasks as explicitly granted by this Law or any other Law.

Article 37
Powers and tasks of the Governor

1. The Governor shall propose and implement the Central Bank's policies in pursuit of the objectives set forth in Article 7 of this Law. The Governor may delegate, in writing, any of his/her powers or tasks to any of the Deputy Governors or to other senior staff.
2. The Governor shall determine the order in which the Deputy Governors shall replace the Governor during any period of his/her absence or disability.
3. The Governor shall be responsible to the Central Bank Board for the execution of the Central Bank's policies, and for the direction and control of the administration and operations of the Central Bank.
4. All powers under this Law that are not specifically reserved for the Central Bank Board or the Executive Board shall be vested in the Governor. Within the limitations of his powers, the Governor shall have the authority to take all actions necessary for the administration or operations of the Central Bank, including without limitation the procurement of goods and services, entering into contractual commitments on behalf of the Central Bank, appointing the staff and agents of the Central Bank, and generally representing the Central Bank, including the representation before justice bodies.

5. The Governor shall report, not less than ten times each year, to the Central Bank Board on the conduct of the Central Bank's operations and policies, on the soundness of the financial system, and on the state of the money, capital and foreign exchange markets, including all events and conditions that have or are expected to have a significant effect on the administration or operations of the Central Bank, on the conduct of its policies, on the financial system, or on the above-mentioned markets.

Article 38 Appointment

1. The Governor and the non executive members of the Central Bank Board shall be appointed for terms of five (5) years. These terms will remain staggered. No member of the Central Bank Board or Executive Board shall serve for more than ten (10) years in these respective Boards; except in the event a Deputy Governor is appointed Governor then that person shall be eligible to serve two five year terms as Governor.

2. Whenever a vacancy of the Governor or among the non executive members of Central Bank Board occurs, a panel consisting of the remaining members of the Central Bank Board and Governor, none of whom are seeking reappointment, shall be constituted. This panel shall publish a notice in the newspapers of general circulation in Kosovo for a period of a minimum of two (2) weeks. Thereafter the panel shall review all applications and resumes. The panel shall rank all applicants on the basis of their qualifications and performance during interviews and shall provide written explanation for such ranking. The ranking of all applicants considered eligible by panel will be forwarded to the Assembly of Republic of Kosovo and to the Government, which may provide an opinion to the Assembly, provided such opinion is received by the Assembly of Republic of Kosovo within fifteen (15) days. From that ranking list the Assembly of Republic of Kosovo shall select one (1) nominee for each position on the Central Bank Board that is to be filled. After the Assembly of Republic of Kosovo has made its final selection it will forward these nominees to the President who shall approve and appoint one (1) person to fill the vacant position

3. The Deputy Governors shall be appointed by the Central Bank Board on proposal from the Governor.

4. The selection, nomination and appointment of the members of the Central Bank's decision-making bodies shall be transparent and in compliance with Article 40 and Article 41 of this Law.

5. The composition of the Central Bank's decision-making bodies shall reflect the fields of expertise referred to in Article 40, paragraph 1.

6. Appointment procedures as referred to in paragraphs from 1 to 5 of this Article shall be finalized within forty-five (45) calendar days preceding the term of the Central Bank Board or Executive Board member concerned expires.

Article 39 Remuneration

1. The remuneration received by members of the Central Bank Board and the Executive Board shall promote the interests of the Central Bank and shall be such that qualified and expert officials can be recruited and retained.

2. The total yearly remuneration of the Central Bank Board and the Executive Board is approved as part of the budget of the Central Bank as stated in Article 35 paragraph 1, sub- paragraph 1.6. of this Law and disclosed in the report referred to in Article 59 of this Law.

3. No remuneration paid for by the Central Bank shall be based on the Bank's profits or any other revenue. Any remuneration or compensation other than the remuneration referred to in paragraph 2 of this Article shall be disclosed in the report referred to in Article 59, paragraph 2, subparagraph 2.2 of this Law.

Article 40 Eligibility

1. Persons eligible to serve on the Central Bank's decision-making bodies should be of integrity and hold a university degree and have a minimum of ten (10) years professional or academic experience in the fields of economics, finance, banking, accounting, or legal matters.

2. No person shall be eligible to serve on the Central Bank's decision-making bodies if he/she:

2.1. has been convicted for a delict which carries a sentence of imprisonment as criminal offence, with exception of offence;

2.2. has been a debtor in a bankruptcy or insolvency proceeding;

2.3. has, on the grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a profession or has been prohibited from being a director or officer of a financial institution.

3. No person shall serve on the Central Bank's decision-making bodies while he or she is a member of the Assembly, the Government, an official of a Government ministry or other public entity, or an official or employee of a financial institution operating through offices in Kosovo or is a direct or beneficial owner of five percent (5%) or more of an equity interest in such a financial institution

4. Notwithstanding paragraph 3 of this Article, an officer or employee of a university or any organization or institution having operational independence from the Government shall not be deemed to be an official or employee of the Government or of a Government ministry.

Article 41 Disqualification and removal from the Central Bank Board

1. A Governor or any non-executive member of the Central Bank Board, shall be removed from office by the President, upon a recommendation by a majority of the members of the Board, and upon majority vote of the Assembly of Republic of Kosovo should such Central Bank Board members and the Assembly of Republic of Kosovo conclude that any of the grounds under Article 40, paragraphs 1, 2 and 3 of this Law, apply to the member of the Central Bank Board concerned.

2. In addition to provisions in paragraph 1 of this Article, a Governor or any non-executive member of the Central Bank Board, may be removed from office by the President, upon a recommendation by a majority of the members of the Central Bank Board and upon majority vote of the Assembly of Republic of Kosovo, should such Central Bank Board members and the Assembly of Republic of Kosovo, conclude that the member of the Central Bank Board concerned:

2.1. is unable to perform the functions of such an office because of an infirmity of body or mind that has lasted for more than three (3) months; or

2.2. has failed to perform his/her duties for a consecutive period of more than three (3) months without approval of the Central Bank Board; or

- 2.3. has actively participated in political activities after being appointed as a member of the Central Bank Board.
3. If the President or a simple majority of the members of the Assembly of Republic of Kosovo has good cause to believe that the Central Bank Board has failed to act on the requirements pursuant to the grounds referred to in paragraph 1 of this Article, the President or the Assembly of Republic of Kosovo, respectively, shall appoint a Panel, which shall consist of a chairman, who holds or has held high judicial post, and not less than two (2) other persons, one of whom shall have expertise in banking or financial matters, which shall enquire into the matter and report to the President and to the Assembly with a recommendation. Subsequently, the Assembly of Republic of Kosovo by a simple majority vote shall decide on the matter pursuant to paragraph 1 or paragraph 2 of this Article and send its decision to the President for dismissal. The President can approve or not approve the Assembly proposal for dismissal of the Governor or any member of the Central Bank Board of Kosovo.
4. No member of the Central Bank Board shall be removed from office on other grounds than those laid down in paragraphs 1, 2 and 3 of this Article.

Article 42 **Disqualification and removal from the Executive Board**

1. A Deputy Governor, shall be removed from office by the Central Bank Board, upon a recommendation by the Governor, should he/she conclude that any of the grounds under Article 40, paragraphs 1, 2 and 3 of this Law, apply to the Deputy Governor concerned.
2. In addition to the provisions in paragraph 1 of this Article, a Deputy Governor may be removed from office by the Central Bank Board, upon a recommendation by the Governor, should he or she conclude that the Deputy Governor concerned:
- 2.1. is unable to perform the functions of such an office because of an infirmity of body or mind that has lasted for more than three (3) months; or
 - 2.2. has failed to perform his or her duties for a consecutive period of more than three (3) months without approval of the Executive Board; or
 - 2.3. has actively participated in political activities after being appointed as a member of the Executive Board.
3. If the Central Bank Board has good cause to believe that the Governor has failed to act on the requirements pursuant to the grounds referred to in paragraph 1 or paragraph 2 of this Article, the Central Bank Board shall appoint a Panel, which shall consist of a chairman, who holds or has held high judicial office, and not less than two (2) other persons, one of whom shall have expertise in banking or financial matters, which shall enquire into the matter and report to the Central Bank Board with a recommendation. Subsequently, the Central Bank Board shall decide on the matter pursuant to paragraph 1 or paragraph 2 of this Article.
4. No Deputy Governor shall be removed from office on other grounds than those laid down in the previous paragraphs of this Article.
5. A Deputy Governor removed from office shall have a right of appeal to the Supreme Court within fifteen (15) calendar days of the date of the decision.

**Article 43
Resignation**

1. The Governor and the Deputy Governors may resign from office on giving not less than three months' notice in writing to the President or the Central Bank Board, respectively.
2. The non-executive members of the Central Bank Board may resign from office by giving not less than two (2) months' notice in writing to the President and the Central Bank Board.

**Article 44
Restriction on subsequent functions**

1. Former members of the Central Bank Board or Executive Board shall not serve in any capacity in a bank or other financial institution in Kosovo for a period of one (1) year immediately following their departure from the Central Bank.
2. During the period of restraint set out in paragraph 1 of this Article 44, the Central Bank Board may determine an appropriate level of compensation to be paid to these former members of the Central Bank Board and Executive Board.

**Article 45
Vacancy**

Any vacancy on the Central Bank Board or Executive Board shall be filled within sixty (60) calendar days by the appointment of a new member of the Central Bank Board or Executive Board to complete the term of the previous incumbent.

**Article 46
Semi-permanent absence of or inability to act by the Executive Board**

1. In the event of exceptional circumstances and if all members of the Executive Board are absent or unable to act, the office of Governor shall be taken temporarily by the Chairman of the Central Bank Board. The two (2) most senior, and available, non-executive members of the Central Bank Board will temporarily take over the office of the Deputy Governors.
2. In the event the absence or inability to act of all members of the Executive Board continues for a period of three (3) months, vacancies shall have been deemed to be created and the procedures for appointment in Article 38 of this Law shall apply.

**SECTION 2
MEETINGS AND PROCEEDINGS OF THE CENTRAL BANK BOARD**

**Article 47
Meetings**

1. The meetings of the Central Bank Board shall be chaired by the Chairperson who shall be selected by the Central Bank Board from among its non-executive members. In the absence of the Chairperson, the meetings shall be chaired by the most senior nonexecutive member of the Central Bank Board.

2. The Central Bank Board shall meet as often as the business of the Central Bank may require but not less frequently than ten (10) times per calendar year.
3. Meetings of the Central Bank Board shall be convened by the Chairperson or the Governor, and may also be convened at the written request of any two (2) other members of the Central Bank Board.
4. Central Bank Board meetings shall be convened by communicating the time, venue and agenda of the meeting to all members of the Central Bank Board as determined in the rules of procedure of the Central Bank Board.
5. A quorum for the conduct of business at any meeting of the Central Bank Board shall consist of at least three-fifths (3/5) of the members of the Board, of which one is the Governor.
6. If a quorum is not present, the Chairperson, or, in his or her absence, the most senior nonexecutive member of the Central Bank Board, may convene an extraordinary meeting at which decisions may be taken without regard to the existence of a quorum; such decisions must be ratified at the next regular meeting of the Central Bank Board to remain in effect.
7. Each member of the Central Bank Board shall have one (1) vote and in the event of a tied vote, the person chairing the meeting shall cast a tie-breaking vote.
8. Save as otherwise provided in this Law, decisions of the Central Bank Board shall be adopted by a majority of the members present at the meeting.
9. The Deputy Governors may attend the meetings of the Central Bank Board and take part in its deliberations without the right to vote. Occasionally, the Chairperson may decide that the Central Bank Board shall meet without the Deputy Governors.
10. The rules of procedure of the Central Bank Board may permit meetings and voting by teleconferencing or, in exceptional circumstances, by tested written or electronic means of communication.
11. Subject to the quorum requirement of paragraph 5 of this Article, no act or proceeding of the Central Bank Board shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Board.
12. All actions of any member of the Central Bank Board shall remain valid notwithstanding that some defect regarding the member's appointment, eligibility, or qualification is discovered.

Article 48 Proceedings

1. The proceedings of the meetings of the Central Bank Board shall be confidential. The Central Bank Board may decide to make the outcome of its deliberations on any matter public.
2. The minutes of each Central Bank Board meeting shall be signed by the person chairing the meeting and the Secretary of the Central Bank Board.
3. The Secretary of the Central Bank Board shall be appointed by the Central Bank Board on proposal of the Governor. The Secretary shall be a member of the Central Bank's staff.

SECTION 3
MEETINGS AND PROCEEDINGS OF THE EXECUTIVE BOARD

Article 49
Meetings

1. The meetings of the Executive Board shall be chaired by the Governor or by the first Deputy Governor in accordance with the decision regarding replacement made under Article 37, paragraph 2 of this Law.
2. The Executive Board shall meet as often as the business of the Central Bank may require but not less frequently than twice a month.
3. Meetings of the Executive Board shall be convened by the Governor, and may also be convened at the written joint request of the Deputy Governors.
4. Executive Board meetings shall be convened by communicating the time, venue and agenda of the meeting to all members of the Executive Board as determined in the rules of procedure of the Executive Board.
5. A quorum for the conduct of business at any meeting of the Executive Board shall consist of at least two thirds (2/3) of the members of the Executive Board.
6. If a quorum is not present, the person chairing the meeting, may convene an extraordinary meeting at which decisions may be taken without regard to the existence of a quorum; such decisions must be ratified at the next regular meeting of the Executive Board to remain in effect.
7. Each member of the Executive Board shall have one vote and in the event of a tied vote, the person chairing the meeting shall cast a tie-breaking vote.
8. Save as otherwise provided in this Law, decisions of the Executive Board shall be adopted by a majority of the members present at the meeting.
9. The rules of procedure of the Executive Board may permit meetings and voting by teleconferencing or, in exceptional circumstances, by tested written or electronic means of communication.
10. Subject to the quorum requirement of paragraph 5 of this Article, no act or proceeding of the Executive Board shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Executive Board.
11. All actions of any member of the Executive Board shall remain valid notwithstanding that some defect regarding the member's appointment, eligibility, or qualification is discovered.

Article 50
Proceedings

1. The proceedings of the meetings of the Executive Board shall be confidential. The Executive Board may decide to make the outcome of its deliberations on any matter public. It shall publish promptly its decisions pursuant to Article 36, paragraphs 1.1., 1.2. and 1.3 of this Law.
2. The minutes of each Executive Board meeting shall be signed by the person chairing the meeting and the Secretary of the Executive Board.

3. The Secretary of the Executive Board shall be appointed by the Executive Board on proposal of the Governor. The Secretary shall be a member of the Bank's staff.

SECTION 4 STAFF

Article 51 General provisions

1. Member of the staff shall devote the whole of their professional services to the Central Bank, and shall not hold other offices or employment, whether remunerated or not, except as nominee of the Central Bank or for educational and civic endeavors provided that these do not conflict with the ability to serve the Central Bank, however, the Executive Board may decide to limit or prohibit participation in such outside activities.

2. The Executive Board may adopt policies and rules that deviate from the previous paragraph, with a view to facilitating part-time appointments.

3. The Central Bank shall apply personnel policies that are non-discriminatory with regard to race, ethnicity, gender or religion, in the employment of staff.

Article 52 Employment and termination of employment relationship

1. The Governor shall appoint and terminate the employment of members of the staff, agents and correspondents of the Central Bank, within the limits of, and in accordance with, the general terms and conditions of employment, including the remuneration policy, adopted by the Executive Board.

2. The remuneration received by members of the Central Bank's staff shall promote the interests of the Central Bank and shall be such that qualified and expert staff members can be recruited and retained.

3. No remuneration paid for by the Central Bank shall be based on the Bank's profit or any other revenue.

CHAPTER XIII FINANCIAL PROVISIONS

Article 53 Unit of account

The unit of account for drawing up the Central Bank's budget, and its financial statements and the report referred to in Article 59 of this Law, shall be the euro.

Article 54 Reserve accounts

1. The Central Bank shall establish and maintain a general reserve account. The general reserve account may not be used except for the purposes of covering losses sustained by the Central Bank.

2. The Central Bank shall establish unrealized revaluation reserve accounts to account for unrealized gains and losses owing to its positions with foreign currencies, gold, financial instruments, and other assets.

3. The Central Bank may, after consultation with the Minister, establish special reserve accounts for specific anticipated expenditures.

Article 55 **Profits, losses and distributable earnings**

1. The net profits or losses of the Central Bank shall be determined in conformity with the International Financial Reporting Standards and Law on Financial Reportings.

2. The earnings available for distribution under Article 56 of this Law shall be determined as follows:

2.1. by deducting from the net profits the total amount of unrealized revaluation gains, and by allocating an equivalent amount to the respective unrealized revaluation reserve account; and

2.2. by deducting from the appropriate unrealized revaluation reserve account and adding to the distributable earnings as determined in sub-paragraph 2.1. of this paragraph the amount of any unrealized profit that was deducted from the net profits for one or more previous years and was realized during the current financial year.

3. Unrealized revaluation losses will be transferred to the respective unrealized revaluation reserve accounts until such time as these revaluation reserve accounts have a zero balance, after which these losses shall be covered by the current year's profit, then by the general reserve account and subsequently by the authorized capital account.

Article 56 **Allocation of distributable earnings**

1. Within 30 days after publishing the financial statements referred to in Article 59, paragraph 2, sub-paragraph 2.1. of this Law, the Central Bank shall allocate the distributable earnings as follows:

1.1. all distributable earnings will first be applied to the general reserve fund until the aggregate amount of initial capital and general reserves equals five percent (5%) of the Central Bank's monetary liabilities;

1.2. thereafter, 50 percent (50%) of the distributable earnings will be transferred to the Ministry as general revenue for the budget of the State and 50 percent will be allocated to the general reserve fund of the Central Bank.

2. No distribution shall be made out of current income of the Central Bank except as permitted by the previous paragraph.

3. If in any financial year the Central Bank incurs negative distributable earnings, these earnings shall first be charged to the general reserve account, and subsequently applied against the authorized capital account.

Article 57
Coverage of shortfall in capital

1. In the event that in the audited annual financial statements of the Central Bank, the value of its assets falls below the sum of its liabilities and its unimpaired authorized capital, then:

1.1. the Executive Board, with the advice of the external auditor of the Central Bank, shall assess the situation and prepare a report on the causes and extent of the shortfall and assess the situation within a period of no more than thirty (30) calendar days;

1.2. in the event that the Central Bank Board approves the above mentioned report, the Central Bank shall request the Minister for a capital contribution to be made by the State to remedy the deficit; and

1.3. upon receipt of this request the State shall, within a period of no more than thirty (30) calendar days, transfer to the Central Bank the necessary amount in currency or in negotiable debt instruments with a specified maturity issued at market-related interest rates.

Article 58
Accounting standard

1. The Central Bank shall maintain accounts and records in accordance with the International Financial Reporting Standards to reflect its operations and financial condition.

2. The financial year of the Central Bank shall begin on the first calendar day of January and end on the last calendar day of December.

Article 59
Annual financial statements and reports

1. The Central Bank shall prepare financial statements for its financial year.

2. Within six months after the close of each of its financial years, the Central Bank shall submit to the Assembly of Republic of Kosovo, with a copy to the Minister:

2.1. financial statements, approved by the Central Bank Board, signed by the Governor and certified by the external auditor; and

2.2. a report, approved by the Central Bank Board, on the Central Bank's operations and affairs during the financial year that just ended, in particular in relation to its policy objectives and the events that affected the economy of Kosovo.

3. Upon their completion, the Central Bank shall publish the financial statements and the report referred to in paragraph 2 of this Article

4. The Central Bank shall prepare and publish quarterly summary financial statements.

5. The Central Bank shall prepare and publish monthly pro forma balance sheet as of the end of each month. Copies of such balance sheets shall be published and transmitted to the Minister.

Article 60
Appointment of Chief Internal Auditor

1. A Chief Internal Auditor of the Central Bank shall be appointed by the Governor with the approval of the Central Bank Board.
2. The Chief Internal Auditor shall be a person with extensive professional experience in the field of accounting or audit. The criteria provided in Article 40 and Article 41 of this Law shall apply to the appointment of the Chief Internal Auditor.
3. The Chief Internal Auditor shall be appointed for a term of six (6) years, which may be renewed. No person shall serve as Chief Internal Auditor for more than twelve (12) years.
4. The Chief Internal Auditor may resign from office on giving not less than three (3) months' notice to the Governor.
5. The Chief Internal Auditor shall be removed from office if the Central Bank Board concludes that the conditions referred to in Article 41, paragraph 1 of this law, regarding disqualification and removal of members of the Central Bank Board, have been met with respect to the Chief Internal Auditor. In addition, the Chief Internal Auditor may be removed by a decision of the Central Bank Board if it concludes that he or she meets one or more of the requirements for removal of members of the Central Bank Board for cause as mentioned in Article 41, paragraph 2 of this Law.
6. The Central Bank Board shall define the scope, terms and conditions of the Internal Audit in the Audit Charter of the Central Bank.

Article 61
Duties of the Chief Internal Auditor

1. The duties of the Chief Internal Auditor, if necessary assisted by other internal auditors, shall include:
 - 1.1. the review and recommendation to the Central Bank Board, the Executive Board and the Audit Committee, of procedures and practices for proper risk management and, once such procedures and practices have been instituted, the supervision of their implementation on a continuing basis;
 - 1.2. the performance of periodic audits of the administration and operations of the Central Bank to ensure proper observance by the Central Bank of the Laws and the decisions of the Central Bank's decision-making bodies applicable to it;
 - 1.3. the review of the periodic financial statements referred to in Article 59, paragraphs 2 and 4 of this Law, and related documents of the Central Bank;
 - 1.4. the preparation and delivery to the Central Bank Board, whenever deemed appropriate by the Central Bank Board or the Audit Committee, but at least once every quarter, of reports and recommendations regarding the financial statements and records, the budgetary and accounting procedures, the risk management and other controls implemented by the Central Bank, the efficiency and cost effectiveness with which the Central Bank operates, and any other matter within its competence and area of responsibilities on which a report may be requested by the Central Bank Board, the Executive Board or the Audit Committee;
 - 1.5. advise the Governor on the recruitment of internal auditors;

1.6. any other assignment that may be given by the Central Bank Board or the Audit Committee, provided that such assignments do not interfere with its principal tasks set forth herein; and

1.7. liaising with the external auditors of the Central Bank.

Article 62 Audit Committee

1. The Central Bank Board shall appoint an Audit Committee of three (3) members.
2. Central Bank Board shall elect two (2) members from among its non-executive members, while the third (3rd) member of the Audit Committee will be an external expert responsible in the field of accounting or audit.
3. The member referred to in paragraph 3 of this Article shall be removed from office if the Central Bank Board concludes that the conditions referred to in Article 41, paragraph 1, regarding disqualification and removal of members of the Central Bank Board, have been met with respect to this member of the Audit Committee. In addition, this member of the Audit Committee may be removed by a decision of the Central Bank Board if it concludes that he meets one or more of the requirements for removal of members of the Central Bank Board for cause as mentioned in Article 41, paragraph 2 of this Law.
4. With an invitation of the Audit Committee, one of the members of the Executive Board or members of the staff may attend the meetings of the committee, without the right to vote.
5. The Audit Committee's responsibilities shall include:
 - 5.1. overseeing the internal audit function;
 - 5.2. recommending the appointment of external auditors and the scope of external audits and other services;
 - 5.3. meeting with the auditors to discuss their findings; or
 - 5.4. reviewing with the external auditors the year-end financial statements.
6. The Central Bank Board shall define the composition, and further responsibilities and duties of the Audit Committee in the Audit Committee Charter of the Central Bank.
7. The Audit Committee shall periodically report to the Central Bank Board.
8. The Audit Committee may regulate its own proceedings, in keeping with any requirements of this Law and any directions given to it by the Central Bank Board.

Article 63 External audit

1. The accounts, records, and financial statements of the Central Bank shall, at least once a year, be audited in accordance with the International Standards on Auditing by independent international external auditors who shall be of good repute and have recognized international experience in the auditing of major international financial institutions.

2. The Central Bank Board shall appoint the external auditors after approval of the Supervision Committee for Public Finances. No external auditor shall be appointed consecutively for a cumulative period exceeding five (5) years, after which the audit firm shall be replaced.
3. The Central Bank Board may dismiss the Bank's external auditors for good cause after consultation with the Supervision Committee for Public Finances stating the good cause underlying the dismissal.
4. The external auditor shall report to the Audit Committee on key matters arising from the audit and in particular on material weaknesses in internal controls relating to the financial reporting process.
5. The external auditors shall have full power to examine all books and accounts of the Central Bank and obtain all information about its transactions.
6. The external auditors' report shall be published.

Article 64 Budget

1. The Central Bank shall prepare its annual budget, which shall be approved by the Central Bank Board, prior to the commencement of each financial year.
2. All revenue and income projected to be generated by the Central Bank or granted to the Central Bank from any source together with projected expenditures, including depreciation and provisions for losses, shall be included in the annual budget.
3. The approved annual budget shall be communicated for information purposes to the Minister of Finance.
4. The Executive Board shall adopt internal orders for the implementation of the Central Bank's budget

CHAPTER XIV GENERAL PROVISIONS

Article 65 Regulatory instruments

1. The Central Bank shall have the power to issue such Regulations, Instructions, and Orders as may be necessary for carrying out the tasks entrusted to the Central Bank under this Law or any other Law.
2. Regulation and Instructions issued by the Central Bank shall have general application. They shall be binding in their entirety and directly applicable.
3. An Order issued by the Central Bank shall be binding to the person to whom it is addressed.
4. The Central Bank's decision-making bodies shall adopt all necessary regulatory instruments pertaining to matters within their respective fields of competence.

Article 66 Publication of regulatory instruments

1. Regulations issued by the Central Bank shall be published on its website and shall take effect on the date of such publication or on such later date as such Regulation shall specify.
2. Instructions issued by the Central Bank shall be published on its website and shall take effect on the date as such Instruction shall specify.
3. The Central Bank Board may decide on the publication of Orders.
4. The Central Bank shall maintain a public register of its published Regulations and Instructions.

Article 67 **Administrative penalties**

1. The Executive Board may, by decisions, impose administrative penalties upon all legal and natural persons operating in breach of this Law.
2. Administrative penalties include money penalties and other administrative measures, such as written warnings or orders, suspension and dismissal of administrators of supervised financial institutions, revocation of licenses and other measures, as specified in this Law, or in any other Law.
3. Money penalties may be imposed, at the discretion of the Central Bank, in amounts that range up to fifteen thousand (15,000) € per violation, unless otherwise specified in any other Law. They may be imposed on a daily basis for each day that the violation continues until the Central Bank determines that compliance is achieved.
4. The Executive Board shall, before imposing administrative penalties, provide a detailed statement to the person against whom the penalty is to be imposed describing the facts and Law supporting the existence of a violation, and shall give such person a full opportunity to provide facts and arguments as to why the penalty should not be imposed.
5. The Executive Board is not required to comply with paragraph 4 of this Article when assessing the penalties mentioned in Article 12, paragraph 3, Article 23, paragraph 1 and Article 25 of this Law.
6. The Central Bank Board shall issue a regulation setting forth the procedures it will use in connection with its imposition of administrative penalties.
7. In determining whether to impose administrative penalties, and in determining the size of such penalties, the Executive Board shall take into consideration: the severity of the violation; whether it was recurring; whether depositors or other persons were injured thereby; whether the person against whom the penalty is to be imposed profited from the conduct at issue; the financial resources of such person; any mitigating factors; and such other factors as, in its discretion, it believes to be relevant.
8. The imposition by the Executive Board of administrative penalties stipulated in this Article shall not bar the imposition of any civil or criminal accountability under the provisions of any Law.

Article 68 **Standards of good administration**

1. The Central Bank Board and the Executive Board shall use the powers given to them equitably and uniformly and in accordance with sound administrative practices. They shall refrain from

using any such power to serve an objective for which the power was not given or from using power in excess of that which is required to achieve the objective for which the power was given.

2. The decisions of the Central Bank Board and the Executive Board shall be impartial and shall be motivated only by objective and rational considerations. They shall be implemented with fairness and restraint.

Article 69 **Conflict of interest and fiduciary duty**

1. Members of the Central Bank's decision-making bodies and its staff have a fiduciary duty to the Central Bank and to its customers to place the Central Bank's interests and its customers' interests before their own interest.

2. Members of the Central Bank's decision-making bodies and its staff shall avoid any situation likely to give rise to a conflict of interest. A conflict of interest arises where members of the Central Bank's decision-making bodies and its staff have private or personal interests which may influence or appear to influence the impartial and objective performance of their duties. Private or personal interests of members of the Central Bank's decision-making bodies and its staff mean any potential advantage for themselves, their families, their other relatives up to the second degree, or their circle of friends and acquaintances. If a member of the Central Bank Board or the Executive Board should find themselves in a situation likely to give rise to a conflict of interest they are required to immediately advise the other members and reclude themselves from any discussion or decision on any issue related to, or involving the conflict of interest situation.

3. The Governor and the Deputy Governors shall perform their duties on a full-time basis. None of the members of the Executive Board shall engage in any other occupation, whether gainful or not, except in those exceptional cases in which an exemption from this restriction shall have been granted by the Central Bank Board.

4. No member of the Central Bank's decision-making bodies and its staff shall receive or accept from any source any benefits, rewards, remuneration or gifts in excess of a customary or negligible amount, whether financial or non-financial, which benefits, rewards, remuneration or gifts are connected in any way whatsoever to their activities within the Central Bank.

5. Members of the Central Bank's decision-making bodies and its staff shall not use confidential information to which they have access for the purpose of carrying out private financial transactions, whether directly or indirectly via third parties, or whether conducted at their own risk and for their own account, or at the risk and for the account of a third party.

6. Members of the Central Bank's decision-making bodies shall before the last day of January each year disclose in full to the Central Bank Board significant financial interests which he or any person with whom he has family, business, or financial connections may directly or indirectly possess and such disclosures shall comply with any internal rules adopted by the Central Bank Board regarding such matters.

7. Whenever any matter related to such interest or any other personal interest that gives or may give rise to conflict of interest is before the Central Bank Board or the Executive Board, the member concerned shall disclose his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter; however, his or her presence shall be counted for the purpose of constituting a quorum.

8. A breach of the provisions of this Article by a member of the Central Bank's decision making bodies and its staff shall constitute a serious misconduct. Where it concerns a member of the Central Bank's decision-making bodies, such misconduct constitutes serious misconduct within

the meaning of Article 40, paragraph 2, subparagraph 2.4 of this Law. Such misconduct, where it concerns a member of the staff, may, at the discretion of the Governor, constitute grounds for disciplinary measures.

9. The Central Bank Board may establish internal rules to implement the requirements mentioned in the previous paragraphs.

Article 70 Fees and charges

The Central Bank may charge reasonable fees and charges for the services it provides and the tasks it carries out. These fees and charges shall be published.

Article 71 Prohibited activities

1. Except as otherwise specifically authorized by Law, the Central Bank shall not:

1.1. grant any credit or make any significant monetary or financial gift;

1.2. engage in commerce, purchase the shares of any corporation, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking; or

1.3. acquire by purchase, lease, or otherwise any rights in or to real property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or similar requirements incidental to the performance of its tasks.

2. Notwithstanding the previous provisions of this Article, the Central Bank may:

2.1. make adequately secured loans to, or have an ownership share or otherwise participate in, any organization that is engaged in activities that are required or useful for the proper discharge of the Central Bank's own tasks and responsibilities;

2.2. acquire, in the course of satisfaction of debts due to it, any interests or rights referred to in this Article; provided, however, that all such interests or rights so acquired shall be disposed of at the earliest suitable opportunity; and

2.3. establish staff retirement funds or similar arrangements for the benefit or protection of the staff, and manage such funds and arrangements.

3. Any activity such as mentioned in paragraph 2 shall be published by the Central Bank in the report as referred to in Article 59, paragraph 2, sub-paragraph 2.2 of this Law.

Article 72 Immunity from taxation

1. The Central Bank shall be exempt from all taxes on its income and all duties, excise and other taxes and levies on the import and domestic supply of gold, banknotes and coins.

2. The Central Bank shall be exempt from all other taxes duties and levies from which Government ministries and other public agencies are exempted by Law.

Article 73
Legal environment

1. In the event that the provisions of this Law conflict with those of other Laws, then the provisions of this Law shall prevail.
2. The Central Bank shall not be subject to any legal provision that would hamper the attainment of the Central Bank's objectives, referred to in Article 7, paragraphs 1 and 2 of this Law, and the carrying out of its related tasks. In particular, the Central Bank shall not be subject the following Laws: Law on Civil Service, Law on Public Procurement, Law on Internal Audit, and Law on the Establishment of the Office of the Auditor General of Kosovo and the Audit Office of Kosovo.
3. The provisions of this Law shall not be revoked, annulled, amended or superseded, in whole or in part, by other Laws, unless the subsequent legislation specifically amends this Law and any such change shall require prior consultation with the Central Bank.

Article 74
Confidentiality

1. No person who serves or has served as a member of the Central bank Board, the Executive Board, or the Central Bank's staff shall, except when necessary to fulfill any task or duty imposed by this Law or any other Law, permit access to, disclose or publicize non-public information which she or he has obtained in the performance of her or his duties or use such information, or allow such information to be used, for personal gain.
2. Notwithstanding paragraph 1 of this Article, such persons may disclose non public information outside the Central Bank, in accordance with procedures established by the Executive Board, if such disclosure:
 - 2.1. is made in accordance with the express consent of the natural or legal person about whom the information relates;
 - 2.2. fulfills a duty to disclose as imposed by criminal Law, including to assist criminal Law enforcement or on the order of a court acting on criminal matter;
 - 2.3. is made to the external auditors of the Central Bank;
 - 2.4. is given to regulatory and supervisory authorities or to public international financial institutions, in the performance of their official duties; or
 - 2.5. is required by the interests of the Central Bank itself in legal proceedings requires disclosure.
3. The Executive Board shall, in accordance with Article 36, paragraph 1, sub-paragraph 1.4. of this Law, determine the classification and accessibility of documents held by or drawn up by the Central Bank.

Article 75
Preferential right

1. The Central Bank shall have a first priority unconditional preferential right to satisfy each of its claims arising from the execution of its tasks from any cash balances, securities and other assets

that it holds for the account of the debtor concerned, whether as collateral to secure its claims or otherwise, at the time that such claim becomes due and payable.

2. The Central Bank may exercise its preferential right only by appropriating the cash balances by way of compensation and by selling securities and other assets without undue delay in a commercially reasonable manner and paying itself from the proceeds of the sale after deducting there from the costs associated with the sale.

3. No court action or action from any public entity shall be required, and no competing claim shall be permitted, to delay the exercise by the Central Bank of its preferential right in accordance with the provisions of this Article.

Article 76 Immunity from prejudgment attachment

1. No attachment or execution shall be issued against the Central Bank or its property, including gold, special drawing rights, currency, credits, deposits or securities, and any proceeds thereof, before the issuance of a final judgment in any legal action brought before the courts of Kosovo.

2. The Central Bank may, in whole or in part, waive this protection, explicitly and in writing, except with respect to its gold and the Special Drawing Rights held in the account of Kosovo in the International Monetary Fund.

Article 77 Judicial review

1. In any court or arbitration proceeding against the Central Bank, a member of the Central Bank's decision-making bodies or its staff, or an agent of the Central Bank in carrying out their duties to the Bank:

1.1. the court or arbitration panel in reaching its decision may examine whether the defendant acted unlawfully or in an arbitrary or capricious manner in light of the facts and the relevant Law and regulations;

1.2. a member of the Central Bank's decision-making bodies or its staff, or an agent of the Central Bank, including a person previously holding such a position, shall not be liable for damages or otherwise liable for acts or omissions performed pursuant to and in the course of the duties and responsibilities performed on behalf of the Central Bank unless it has been proven that such acts or omissions constitute intentional wrongful conduct or gross neglect;

1.3. the action in question shall continue without restriction during the period of an appeal and any further appeal or other judicial proceedings related to the appeal; and

1.4. the court or arbitration panel shall be authorized, in appropriate cases, to award monetary damages to injured parties, but shall not enjoin, stay, suspend or set aside the actions of the Central Bank.

Article 78 Indemnification for costs in legal proceedings

The Central Bank shall indemnify a member of the Central Bank's decision-making bodies or its staff, or an agent of the Central Bank against costs incurred in the defense of a legal action

brought against such person in connection with the discharge or purported discharge of official tasks within the scope of his employment or engagement under this Law, provided that no such indemnification shall apply if such person has been convicted of a crime arising out of the activities that are covered by such legal action.

CHAPTER XV TRANSITIONAL PROVISIONS

Article 79 Appointment of the members of the Central Bank Board

1. On the date this Law takes effect, the Governor and the other members of the Governing Board established under Law No. 03/L-074 on the Central Bank of the Republic of Kosovo, shall be deemed to have been appointed as members of the Central Bank Board in accordance with this Law and shall continue to serve their respective terms.

2. The General Director of the Treasury shall serve a single term of five (5) years from the date of adoption of this Law. Thereafter the General Director of the Treasury ceases to be a member of the Central Bank Board. After the General Director of the Treasury ceases to be a member there shall be an additional non-executive member appointed to the Central Bank Board.

3. At the end of the terms mentioned in paragraph 1 of this Article, any new appointment shall be made in accordance with Article 38 of this Law.

4. On the same date as mentioned in paragraph 1 of this Article, the Deputy Governors appointed under Law No. 03/L-074 on the Central Bank of the Republic of Kosovo shall be deemed to have been appointed as members of the Executive Board in accordance with this Law and shall continue to serve their respective remaining terms. Subsequent appointments shall be made in accordance with Article 38 of this Law.

5. On the same date as mentioned in paragraph 1 of this Article, the Inspector General appointed under Law No. 03/L-074 of the Central Bank of the Republic of Kosovo shall be deemed to have been appointed as Chief Internal Auditor in accordance with this Law and shall continue to serve his remaining term. Subsequent appointments shall be made in accordance with Article 60 of this Law.

CHAPTER XVI FINAL PROVISIONS

Article 80 Effect on previous statutory provisions

1. On the effective date of this Law, Law No. 03/L-074 on the Central Bank of the Republic of Kosovo shall be revoked.

2. Rules and other regulatory instruments adopted under Law No. 03/L-074 on the Central Bank of the Republic of Kosovo shall remain in force until these Regulations and Instructions are replaced by Regulations and Instructions adopted in accordance with this Law.

Article 81
Entry into force

This Law shall enter into force in the day of its publication by the President of Republic of Kosovo.

Law No.03/L –209
22 July 2010

Promulgated with the decision of the Assembly of Republic of Kosovo, No. 03-V-392, dated 27 July 2010.