

Pursuant to Article 35, paragraph 1.1 of the Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No.77 / 16 August 2010), and Article 114 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (Official Gazette of the Republic of Kosovo, No.11 / 11 May 2012), the Board of the Central Bank of the Republic of Kosovo at the meeting held on August 29, 2013 approved the following:

**REGULATION  
ON LIMITS TO HOLDINGS OF REAL ESTATE  
AND MOVABLE PROPERTY OF MICROFINANCE INSTITUTIONS**

**Article 1  
Purpose and Scope**

1. The purpose of this regulation is to limit Microfinance Institutions (hereafter MFI's) exposure to the risk arising from the ownership of real estate and other movable property, including such assets acquired in satisfaction of a debt.
2. This Regulation applies to all MFI's and branches of foreign MFI's that are registered by the CBK to operate in the Republic of Kosovo.

**Article 2  
Definitions**

1. All terms used in this Regulation have the same meaning with the following definitions for the purposes of this Regulation:
  - a. *Branch of a foreign MFI or branch of other foreign Financial Institution* (hereafter: *branch of foreign MFI*) means a legal person that is organized to operate microfinance activities within the Republic of Kosovo but its parent MFI or *parent Financial Institution* has its head office and holds a license to engage in the activities of microfinance under a jurisdiction other than the Republic of Kosovo;
  - b. *Real estate* means land, buildings and their leasehold improvements; this is sometimes referred to as immovable property (or immovable) and is an asset such as land and buildings.
  - c. *Movable property* (or movables) is an asset of a personal nature that can be moved from one location to another, sometimes called personal property or private property, such as fixtures, furniture and any assets used in a productive capacity that have physical substance, are relatively long-lived, and provide a future benefit that is readily measurable.
  - d. *Mortgage* means the creation by agreement or by law of an interest in immovable property, which gives the mortgage creditor (mortgagee) the right to initiate foreclosure

proceedings for such immovable property for the purpose of satisfying sufficiently identifiable obligation that is secured by the mortgage and that has become due.

*Pledge* means the creation by agreement or by law of an interest in movable property or over a right, which gives the pledge holder the right to take possession of such property or exploit such right for the purpose of satisfying an existing and sufficiently identifiable obligation that is secured by the pledge.

### **Article 3**

#### **Real Estate and Movable Property Time Limitations**

1. A MFI may purchase, hold, and convey real estate and movable property for the following purposes, and for no others:

- a. Such as shall be necessary for its accommodation in the transaction of its business;
- b. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted or otherwise conveyed to it in satisfaction of debts previously contracted in the course of its dealings as well as any asset it shall purchase at sales under judgments, mortgages held by the MFI, or shall purchase to secure debts due to it.

2. No MFI shall hold the possession of any real estate acquired in the case of b. of the above paragraph 1 of this Article, in the form of a mortgage, for a longer period than three (3) years. If, within three (3) years, the asset has not been sold by the MFI, it must be written down to zero value.

3. No MFI shall hold the possession of movable property acquired in the case of b. of the above paragraph 1 of this Article, in the form of a pledge, for a longer period than one (1) year. If, within one (1) years, the asset has not been sold by the MFI, it must be written down to zero value.

### **Article 4**

#### **Real Estate and Movable Property Owned Value Limitations**

1. No MFI shall acquire or maintain real estate and movable property, owned for the purpose stipulated with the above item a, paragraph 1 of Article 3, in which the aggregate value of which at any time, as measured by valuation standards and methods satisfactory to the CBK, as provided under International Financial Reporting Standards (IFRS ) exceeds 30% of total capital.

2. Notwithstanding the preceding paragraph 1 of this Article, a MFI may exceed the 30% limit if, in the judgment of the CBK, circumstances justify a higher limit for which the MFI must promptly, upon discovery or design, seek the permission of the CBK, which permission may never permit the aggregate value of the MFI's real estate and movable property to exceed 100% of total capital

3 Upon notification by the MFI to the CBK that such conditions exist that require the expenditure of funds for the development and improvement of such real estate or movable property, and subject to such conditions and limitations as the CBK shall prescribe, the MFI may expend such funds as are needed to enable such MFI to recover its total investment.

4. The real estate acquired on the basis of uncollected claims, as stipulated with Article 3, paragraph 1, item b, of this Regulation, shall not be included in the limitations provided with paragraph 1 and 2 of this Article.

5. In the case of real estate or movable property owned by a branch of a foreign MFI, the CBK may set aggregate value limitations, as well as the application of the other conditions similar to those of paragraphs 1, 2, 3 and 4, of this Article, for the holding of these assets on a case by case basis. The CBK reserves the right to use the branch's Capital Equivalency Deposit as the basis for these calculations if it considers it prudent to do so.

#### **Article 5** **Enforcement, Remedial Measures and Civil Penalties**

Any violation of the provisions of this Regulation shall be subject to the remedial measures and penalties provided for in Articles 105 and 106 of the Law no.04/L-093.

#### **Article 6** **Entry into Force**

This Regulation shall enter into force fifteen (15) days after its approval by Board of the CBK.

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

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Mejdi Bektashi