



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 Articles 39, 40, 41 and 85 of the Law No. 04/L-093 on Banks, Micro-finance 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 Republic of Kosovo at the meeting held on November 09, 2012, approved the following:

REGULATION ON THE MERGERS AND ACQUISITIONS OF BANKS

Article 1 Purpose and Scope

1. The purpose of this Regulation is designed to determine procedures that banks are obligated to perform in process of merger or consolidation and to make any acquisition that requires prior approval by the CBK.
2. This Regulation applies to all banks licensed by the CBK to operate in the Republic of Kosovo.

Article 2 Definitions

1. All terms used in this Regulation are as defined in Article 3 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (hereafter referred to as the *Law on Banks*) and/or as further defined in this Regulation as follows:
 - a) *Merger* - means merging of two or more banks through the transferring of total assets and liabilities in to the new bank;
 - b) *Acquisition* - means process of buying or acquiring some asset or an entire company;
 - c) *Non-financial company* - means a company which does not deal with financial activity.

Article 3 Mergers

1. The bank shall not be re-organized through the merger to another financial institution or other company, whether within the Republic of Kosovo or abroad, without the prior approval in writing from the CBK.
2. Depending upon the nature of the transaction, the CBK will determine what information is required before it can indicate whether or not it will approve the transaction.
3. If the intention is to create a new merged institution as a bank, then the CBK will treat the application as for a new banking license as provide for in Article 7 of the Law on Banks. This will also apply if the intention is to merge with a foreign bank resulting in the Kosovo banking business as a subsidiary.

4. The application for approval for such a re-organized bank through merger, in addition should have the following documentation:

- a) The decision of the Shareholders Assembly of bank and financial institution involved in the operation for the approval of their reorganization through the merger;
- b) The agreement/draft and the detailed report of the merger operation, signed by the legal representatives of banks involved in the merger. The agreement and the report are compiled in writing and in compliance with the applicable legislation;
- c) The report of the independent licensed experts of various fields, to assess the terms of the merger draft-agreement;
- d) The draft-statute of the bank after the accomplishment of the merger operation;
- e) The strategic and operational plans to accomplish the merger, including the needed analyses of the absorption and the expectations of the financial statements for the merger bank;
- f) In case of changes for the directors and senior managers of the merger bank, there shall be the documentation submitted in accordance with the requirements set out for the directors in the Law on Banks and Regulation on Directors and Senior Managers of Banks; and
- g) The new structure of the bank's shareholders.

5. The CBK will also discuss with the bank the timeframe that will be necessary for preliminary approvals allowing the bank to initiate discussions with the other party or parties involved without commitment on the CBK's part.

6. The CBK shall grant the approval if the:

- a) The merger does not jeopardize financial condition of the merger bank;
- b) The bank has the system of organization, management, decision making and information technology which enables it to integrate completely the merged bank in the manner that does not jeopardize its functions;
- c) The merger is economically viable.

7. It is the responsibility of the bank to obtain such other approvals from other authorities that might be necessary before the transaction can be consummated.

Article 4

Acquisitions of Interests in Financial Institutions

1. A bank interested in acquiring an interest, or increasing an existing interest, in another financial institution, whether a Kosovo bank, a foreign bank, or another financial institution in the Republic of Kosovo or abroad must notify the CBK at an early stage.

2. Depending upon the nature, extent (in terms of the proportion of equity that the bank plans to obtain) and size of the transaction relative to the size of the acquiring bank, the CBK will indicate what further information is required before approval can be considered.

3. The CBK will consider the application in terms of the impact on the capital of the investing bank, the capacity of the management of the investing bank and any changes contemplated to the board and senior management of the investing bank.

4. Where the investee institution is also regulated under the Law on Banks, the CBK will also consider the suitability of the investing bank as a shareholder of the investee institution under the relevant Articles of the Law on Banks.

Article 5
Acquisitions by Banks of Equity Interests in Non-Financial Companies

1. For acquisitions by Banks of equity interest in non-financial companies, banks shall act in accordance with Article 41 of the Law on Banks, if it exceeds the limits of Article 41 of Law on banks, it will immediately notify the CBK and consult with the CBK as to how to bring the bank back into full compliance.

2. Where a bank is a member of a group subject to consolidated supervision under the Regulation on Consolidated Supervision, the CBK will take account of shareholdings subject to Article 41 of the Law on Banks, in its supervision of the banking group.

Article 6
Enforcement, Remedial Measures and Civil Penalties

Any violation of this Regulation shall be subject to the remedial measures and penalties provided for in Articles 58, 59 and 82 of the Law on Banks.

Article 7
Entry into Force

This Regulation shall enter into force on December 03, 2012.

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

Gazmend Luboteni