



Pursuant to Article 35, paragraph 1.1 of the Law No.03/L-209 of the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No.77 / 16 August 2010), and Articles 11 and 85 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 November 09, 2012, approved the following:

REGULATION ON THE OPENING AND CLOSING INSIDE AND OUTSIDE THE REPUBLIC OF KOSOVO OF BRANCH OFFICES AND SUBSIDIARIES OF BANKS

Article 1 Purpose and Scope

1. The purpose of this Regulation is to identify the terms and conditions, requirements, and procedures to be followed for the opening and closing of branch offices of banks inside the Republic of Kosovo and opening of a branch office or a subsidiary of bank outside the Republic of Kosovo.
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: *the Law on Banks*) and/or as further defined herein for the purpose of this Regulation:
 - a) *Bank* - means a shareholder company engaged in the business of banking, including a subsidiary or a branch of foreign banks;
 - b) *Branch office* - means a place of business which forms a legally dependent arm of a bank that is not separately incorporated, through which a bank may be permitted to engage in the business of banking;
 - c) *Subsidiary* - means any legal entity in which another person or group of persons acting in concert holds directly or indirectly (i) the equivalent of fifty percent or more of any class of voting shares or (ii) a significant interest that permits such a person or group of persons to exercise control over the legal entity in which such shares are held;

Article 3
Opening and/or Relocation of Branch Offices
of Banks within the Republic of Kosovo

1. A bank that decides to open or relocate a branch office shall submit an application to the CBK to obtain preliminary approval. A brief description of planned activities of the branch office is also required, and additional information may be required by the CBK as needed.

2. Relocation of the branch office, depending on the distance of the new location with the previous location, and which does not substantially affect the nature of the business or services to customers, may or may not need approval by the CBK, so in these cases, banks shall notify CBK about the relocation, in order to determine whether approval is needed. The bank is also obliged to notify customers in advance of the branch office relocation and of the new location. ATMs and mobile branches shall not be considered as branch offices under this Regulation.

2. The decision of CBK, to approve or decline an application for opening or relocation of a branch office, is based on the following:

- a) Impact of the branch office opening or relocation to the community in which the branch office is or will be located;
- b) Results of CBK inspection of the branch office abilities. The bank shall demonstrate to the CBK by convincing it that the branch office is operationally ready to serve the public in terms of its computer systems, staffing and security. The Bank shall have sound risk management systems, including written policies and procedures for branch office operations;
- c) Financial situation of the Bank. The CBK shall consider the bank's capacity and contents, including the size and financial conditions of the bank, its profitability and capital sufficiency. Also, the CBK shall consider any enforcement actions taken against the bank, either existing or of the past, when deciding to approve or reject a branch office application.

3. The approval shall be given only after completing and analyzing the following documentation:

- a) Agreements / contracts with security companies, licensed by the CBK, for carrying out security activities in the Republic of Kosovo, for the provision of security services for premises and equipment;
- b) Agreements/contracts on the protection of premises and equipment with the companies providing the service of physical security and protection, licensed by the competent authorities in the Republic of Kosovo;
- c) The rent Agreements/contracts based on which the entity entitled to use the premises where the branch office shall carry out banking activity;
- d) The correct address of the new branch office; and
- e) The notification, in writing, on the fulfillment of technical and security conditions, in accordance with the applicable legal and sub-legal acts, for carrying out banking activities.

4. Application forms and instructions for the opening or relocation of a branch office can be obtained at the CBK. To open a branch office, it is required a licensing fee (the CBK Fees Scheme can be found at the official website of the CBK: www.bqk-kos.org).
5. Within thirty (30) calendar days, from the date of the receipt of a complete application for a branch office license, the CBK shall approve or reject it.
6. The CBK carries out the pre-opening examination regarding the meeting of the conditions stipulated in this Regulation. After the completion of the pre-opening examination, the CBK has the right to suspend the exercise of the branch office activity, if it concludes that the technical and security conditions for the exercise of the banking activity are not met.

Article 4 **Closing of Branches of Banks**

1. A bank shall file, at least sixty (60) calendar days prior to the branch office closing, a written notice to the CBK and to customers whenever it proposes to close a branch at which deposits are received, payments made or money lent.
2. The required notice of closing a branch office should include the following:
 - a) Identification of the branch office to be closed;
 - b) The proposed date of closing;
 - c) A detailed statement of the reasons for the decision to close the branch office; and
 - d) Statistical or other information in support of the branch office closing.
3. Each bank that proposes to close a branch office is required to provide notices of branch office closings as follows:
 - a) A written notice is required to be sent to customers of the branch office of the proposed closing at least thirty (30) calendar days prior to the proposed closing date;
 - b) The bank shall post a notice to branch office customers in a conspicuous manner on its premises for at least thirty (30) calendar days prior to the proposed closing date. The notice should state the proposed date of closing and identify where customers may obtain service following that date or provide a telephone number for customers to call to determine such alternative sites; and
 - c) A notice of the proposed branch office closing is required to be published in a local media at least thirty (30) calendar days prior to its closing.

4. Banks are encouraged to assist customers that are impacted by a branch office closing in finding alternative banking services after the closing date. If customer accounts of a closed branch office are transferred to another branch office of the bank, no fee should be charged to customers for the transfer. When clients agree, customer accounts of a closed branch office are transferred to another bank(s), the bank should provide customers with assistance in moving accounts, including covering the expense of any account opening fees at the bank receiving the accounts.

5. The CBK recognizes that the expansion or reduction of its branch office network is a business decision of a bank. However, the CBK could temporarily prohibit a bank from closing a branch office up to thirty (30) calendar days, if in the judgment of the CBK the branch office closing will have a significant negative impact on the availability of banking services in the community served by that branch office. The CBK will base its decision on a branch office closing on the information provided in accordance with the requirements of this Regulation, and on any public comments received in connection with the branch office closing.

Article 5

The Opening of a Branch or Subsidiary of a Bank Outside the Republic of Kosovo

1. In order to open a branch outside the Republic of Kosovo, banks shall submit an application in written form to the CBK, accompanied by the following documentation:

- a) The decision of the decision-making organ on the approval of this expansion outside the Republic of Kosovo;
- b) The location and the area purposed for the carrying out of the activity, from proposed branch office;
- c) A copy of the regulations and procedures of proposed branch office, with the defined activities to be carried out;
- d) The business-plan for the branch office for the first three years of the activity;
- e) The capital amount to be invested abroad, as well as the payments or costs for the purposes of purchase or hire the work premises and equipment's, and other operational costs;
- f) Information about the person/persons proposed as directors of the branch office, accompanied by a brief description of the respective competences;
- g) The expectation of the bank for its financial result following the accomplishment of this expansion and its impact on the financial state of the bank;
- h) The organizational structure of the branch office together with the proposed number of employees;

- i) The proposed name to be used by the branch office, that shall correspond to the bank name;
 - j) Information on the deposit insurance scheme in the country where the branch office shall be open; and
 - k) Any other information that might be deemed necessary by the CBK.
2. In order to open a subsidiary outside the Republic of Kosovo, banks shall submit an application in written form to the CBK, accompanied by the following documentation:
- a) Documentation as required by subparagraphs a), b), c) and e) of paragraph 1 of this Article;
 - b) The business-plan of the subsidiary and the expectation of the network expansion impact on the financial state of the bank, for the first three years of the activity;
 - c) Information about the two principal administrators of the subsidiary;
 - d) Information for the identity, residency or head office as well as the commercial data of the current year for each person who shall own qualifying holdings in the subsidiary;
 - e) The banking activities the subsidiary expects to carry out.
3. The CBK shall give its initial approval for the accomplishment of the bank expansion outside the Republic of Kosovo, only after it has been satisfied that after the analysis of the documentation provided in accordance with paragraphs 1 and 2 of this Article.
4. The branches of banks that are opened outside the territory of the Republic of Kosovo shall carry out only those activities stipulated in the annex to the license granted to the parent bank.
5. Within thirty (30) calendar days from the date of its receipt of a complete application for a branch or subsidiary approval, the CBK shall approve or deny it.

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

Abrogation

With the entry into force of this Regulation, it abrogates the CBJ Rule XXV on Establishment and Relocation of Branch Offices approved on December 17, 2003, and any other provision that might be in conflict with this regulation.

Article 8
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