



Pursuant to Article 35, paragraph 1, sub-paragraph 1.1, of Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 10/16 August 2010), as well as Article 21, paragraph 2, and Article 22, paragraph 7, of Law No. 04/L-101 on Pension Funds of Kosovo (Official Gazette of the Republic of Kosovo, No. 10/8 May 2012), the Board of the Central Bank of the Republic of Kosovo, at its meeting held on 29 November 2018, adopts the following:

REGULATION ON THE ESTABLISHMENT OF THE SUPPLEMENTARY INDIVIDUAL PENSION BY PENSION PROVIDERS

Article 1

Purpose and Scope

1. The purpose of this Regulation is to define the requirements, principles and instructions for the establishment of the Supplementary Individual Pension by Pension Providers.
2. This Regulation shall apply to Pension Providers who are licenced by the CBK to provide supplementary pensions in Kosovo.

Article 2

Definitions

1. All the terms in this Regulation shall have the same meaning as the terms defined in Article 1 of the Law No. 04/L-101 on Pension Funds of Kosovo and the Law No. 04/L-168 on amending and supplementing the Law No. 04/L-101 on Pension Funds of Kosovo (hereinafter: Law on Pension Funds) and/or the definitions provided below for the purpose of this Regulation:
 - 1.1 *Pension Provider* – means the financial institutions, banks, Open-end Vehicles and insurance companies providing Supplementary Individual Pensions according to the Law on Pension Funds;
 - 1.2 *Beneficiary* – means a natural person designated by a Participant, or if the Participant has made no designation or if the designated Beneficiary pre-deceases the Participant, then the Participant's heirs who are natural persons, who is (are) or may become entitled to Pension Assets on the basis of the Participant's rights.

- 1.3 *Disability pension* – means the pension acquired before reaching the age of 65 years by a person suffering from a qualified disability and being entitled to commence retirement based on applicable legislation;
- 1.4 *Governing bodies* – means the Board of Directors of the corporation which is licenced as a bank, insurance company or other financial institution;
- 1.5 *Pension age* – means the age of 65 years;
- 1.6 *Pension rules* – means the document drafted by a Pension Provider setting forth the conditions and procedures for making contributions and applying for benefits;
- 1.7 *Register of pension providers* – means the book or register kept by the CBK, containing the list of all licenced Pension Providers and the respective copies of pension rules.

Article 3

General Requirements for the Establishment of the Supplementary Individual Pension Fund

1. The proposed Pension Provider shall be one of the following financial institutions:
 - 1.1 A bank, licenced by the CBK pursuant to the applicable legislation on banks in the Republic of Kosovo;
 - 1.2 A life insurance company, licenced by the CBK pursuant to the applicable legislation on insurance companies in the Republic of Kosovo;
 - 1.3 An investment company or an asset management company, licenced by the CBK as a financial institution pursuant to the applicable legislation.
2. The Pension Provider and its governing bodies shall be fiduciary of individual participants acquiring the pensions.
3. The Pension Provider shall perform/maintain the management and accounting of pension assets separately from its other assets and activities.
4. The Pension Provider shall, through its governing bodies, select the Asset Custodian and Manager in accordance with the legal and regulatory requirements for Asset Custodians and Managers.
5. The Pension Provider shall apply with the CBK for a licence as a Pension Provider pursuant to the requirements of the Regulation on Licencing of Supplementary Individual Pension Providers.

Article 4

Special Requirements for the Establishment of the Supplementary Individual Pension Fund

1. The pension rules of the Pension Providers, signed by its governing bodies , shall contain the following:
 - 1.1 Pension fund form (defined benefit or defined contribution);

- 1.2 Name, location and bank data of the Pension Provider;
 - 1.3 Conditions for the registration of individuals as participants in the Pension;
 - 1.4 Procedure for granting pension contributions and participants' obligations, if applicable, including a clear description of any penalty for failure to join a contribution plan, if applicable;
 - 1.5 Regarding the Defined Benefit Pension, the methodology used for actuarial calculations to determine the amount of the required contributions, as well as the procedures, time and manner of notifying and submitting reports to the participants regarding the management of the Pension Fund assets;
 - 1.6 Regarding the Defined Contribution Pension, the record keeping procedures for contributions and investment development (profit or loss) for allocation to Participants' Individual Accounts and notification to participants of the amount in their individual accounts at least once annually;
 - 1.7 Obligations of the Pension Provider;
 - 1.8 Statement of investment principles for pension assets, including asset allocation, mix, diversification and other matters, and procedures for the selection of the Asset Manager;
 - 1.9 Procedure for the selection of the Pension Asset Custodian;
 - 1.10 Criteria, procedures and the form of pension payment to participants, including the possibility of allowing the living spouse to withdraw the pension; the criteria and the amounts of such benefits and the beneficiaries' rights, as well as the nature of disability qualification;
 - 1.11 Criteria and procedures for transferring the participant from the Pension Provider;
 - 1.12 Required procedures and formalities for the amendment and supplementation of pension rules;
 - 1.13 Procedures required for the termination of the Pension;
 - 1.14 Other requirements that might be determined by the CBK.
2. The Statement of investment principles as part of the pension rules should contain at least the following:
 - 2.1 Qualitative characteristics of the investment in order to ensure investment security and profitability;
 - 2.2 Quantitative objectives of return on investment and how this objective will be achieved year after year;
 - 2.3 The maximum proportional limit that may be imposed on a type of investment;
 - 2.4 The maximum proportional limit that can be invested in one issuer or one entity;
 - 2.5 Types and classes of investments in which assets cannot be invested;
 - 2.6 Minimum liquidity requirements or necessary total investment requirements;

- 2.7 The manner by which investment performance is reported by the governing bodies to the Participants and the CBK;
- 2.8 The time, frequency and manner by which the governing bodies review the Statement of investment principles, the procedures followed for such review, and the procedures by which the participants and the CBK are informed of the changes made during the review.
3. The licensed life insurance company may only provide a pension program by providing a Defined Benefit Pension. The life insurance company shall meet the following requirements:
 - 3.1 Continually maintain the solvency margin in accordance with the CBK regulation on life insurance;
 - 3.2 Have qualified staff experienced in pensions and annuities;
 - 3.3 Have a hired actuary;
 - 3.4 Calculate and maintain technical provisions for the obligations arising from the Defined Benefit Pension program in accordance with the actuarial methodologies set out in the Rule on Funding and Actuarial Valuation of Defined Benefit Pension Arrangements.

Article 5

Principles and Instructions for the Establishment of the Supplementary Individual Pensions by the Pension Providers

1. With regard to the establishment of the supplementary individual pension, the Pension Providers shall apply the following principles and instructions in the drafting of their pension rules and in the implementation of their pension programs,
 - 1.1 Pension assets should be kept in separate accounts from the assets belonging to other business activities of the Pension Provider, Asset Custodian or Manager, including accounting, custody, investment and management;
 - 1.2 Pension assets are funded by individuals' contributions and investment revenues derived therefrom. The Pension asset fund should be accumulated in such a way as to be able to adequately pay the pension commitments. In addition, the Pension Provider of Defined Benefit Pensions shall maintain the funding level in accordance with the actuarial obligations of its pension arrangements at any time and that it complies with the requirements of the funding plan according to the Article 14, paragraph 11, of the Law on Pension Funds;
 - 1.3 The Pension Provider should only promote the objectives of their pension program for the provision of pensions and that pension assets are invested to support those objectives. The administration and management of pension programs should be carried out with the highest transparency, which requires the governing bodies to provide the participants with information and specific disclosures about their respective assets and rights;

- 1.4 Investments, custody and use of pension assets are subject to supervision to ensure that pension assets are used only for pension payments. The CBK exercises oversight over the Pension Provider's business in all matters relating to the Pension Scheme, Investments and the Pension Asset Custodian. The CBK must keep the Register of Pension Providers, which shall be public;
- 1.5 The Participant's interest in the pension program is his/her right to property. The Participant's right to ownership of the pension assets earned from his/her contribution to the pension program is made available to him/her only for pension payments when he or she reaches the retirement age or in the case of disability pension in accordance with the applicable legislation or to his/her beneficiary(s) in case of death before the commencement of the pension. Pensions are designed to provide income for the elderly.

Article 6
Enforcement and Remedial Measures

Violations to the provisions of this Regulation shall be subject to the measures provided for in the applicable legislation.

Article 7
Abrogation

Upon the entry into force of this Regulation, Rule 13 on the Establishment of the Supplementary Individual Fund by the Pension Providers dated 25 July 2002 shall be abrogated.

Article 8
Entry into force

This Regulation shall enter into force 15 days after its approval by the Board of the Central Bank.

Flamur Mrasori
Chairman of the Board of the Central Bank