



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. 77/16 August 2010), and Article 10, paragraph 5, Article 11, paragraph 3, Article 16, paragraph 5, 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 ASSET MANAGERS OF PENSION ASSETS

Article 1

Purpose and scope

1. This Regulation prescribes the conditions for exercising the business of asset management by Pension Asset Managers established within and outside the Republic of Kosovo, as well as defines the duties and responsibilities of the Asset Managers, the basic elements of the Asset Management Agreement and the fundamental requirements for the investment of pension assets through the Open-end Vehicle.
2. This Regulation shall apply to Pension Asset Managers of the Kosovo Pension Savings Trust, Supplementary Employer Pensions and Supplementary Individual Pensions (hereinafter jointly referred to as: Pension Funds).

Article 2

Definitions

1. All terms used in this Regulation shall have the same meaning as those defined in Article 1 of Law No. 04/L-101 on Pension Fund of Kosovo and Article 1 of Law No. 04/L-168 on amending and supplementing 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 Asset Management Agreement* – refers to the agreement between Pension Funds and the Pension Asset Manager relating to management and investment of pension assets.

- 1.2 *Pension Assets Management* – refers to the management, investment, reinvestment, structuring, restructuring, acquisition, sale, transfer or other disposition of pension assets as well as giving advice on the investment of pension assets.
- 1.3 *Investment Principles* – refer to the investment policies and investment performance objectives adopted by Pension Funds for pension assets, as expressed in normative acts of the Pension Funds, pension rules or investment directives.
- 1.4 *Investment Directives* – refer to the orders and instructions issued by the Pension Funds to the Asset Managers specifying the terms and manner of investment of pension assets in accordance with the Statement of Investment Principles.
- 1.5 *Open-end Vehicles* – refer to investment through organized entities that act as investment companies and who are authorized to issue unlimited number of equity shares (in partial or full units) by presenting equitable proportional ownership on such entities by the shareholder, or insurance policies where the principal asset is accumulated for investment purposes. This term includes mutual funds, investment funds, unit funds, insurance policies and other investment assets that operate on a collection basis.
- 1.6 *Governing Bodies* – refer to the Board of Directors of Pension Funds.

Article 3

Conditions for conducting the business of Asset Managers established in Kosovo

1. An Asset Manager established in the Republic of Kosovo must satisfy all of the following conditions:
 - 1.1 To be licensed by the CBK to conduct the business of Asset Manager in accordance with the Law on Pension Funds and the Regulation on the Licensing of Asset Managers for Pension Assets;
 - 1.2 Exercise asset management business in accordance with the Law on Pension Funds, the regulations issued for its implementation, as well as other applicable laws and regulations affecting the management of assets;
 - 1.3 Assume fiduciary responsibilities and obligations to the Pension Funds and the participants and beneficiaries for prudential management of their pension assets. These fiduciary responsibilities and obligations should be included in every agreement on management of pension assets;
 - 1.4 Maintain, administer, record, account and render reports on, assets under its management, separately for each and every Pension Fund and from all asset management accounts it has with other funds or persons;
 - 1.5 The Pension Asset Manager shall be supervised and regulated by the CBK.

Article 4

Conditions for conducting the business of Asset Managers established outside Kosovo

1. An Asset Manager established outside the Republic of Kosovo shall meet the following conditions:
 - 1.1 Must be licensed by the oversight and regulatory authority in any of the states of the Organization for Economic Cooperation and Development (OECD) and must provide evidence of such license to the CBK and the Pension Funds;
 - 1.2 Exercise the business of Asset Manager in compliance with applicable laws and regulations in the jurisdiction of the country where it is licensed and must present evidence that it is in good standing in the relevant jurisdiction;
 - 1.3 Maintain, administer, record, account and render reports on, assets under its management, separately from each and every pension fund and from all asset management accounts it has with other funds or persons.

Article 5

Duties and responsibilities of Asset Managers

1. The duties and responsibilities of Asset Managers are:
 - 1.1 Manage pension assets only in accordance with the statement of investment principles adopted, and the investment directives issued, by Pension Funds, which are consistent with this Regulation and the Regulation on Investment of Pension Assets;
 - 1.2 Execute investment of pension assets only through authorized custodians;
 - 1.3 Maintain appropriate records of transactions investing pension assets providing adequate trails of all investment transactions;
 - 1.4 Keep copies of settlement documents supporting any transfer, issue or acquisition of funds and securities constituting the pension assets and verify that these documents correspond to its underlying instructions, requests or agreement with the assets holder;
 - 1.5 Provide all information requested by the Pension Funds with which it has asset management agreements as are necessary for these Funds to comply with the requirements of the Law on Pension Funds, its implementing regulations as well as other applicable laws.
 - 1.6 Ensure that every agreement, request or direction it makes with the custodian and/or Pension Funds for the management of pension assets conforms with the terms of the underlying statement of investment principles and investment directives that comply with the requirements prescribed in the Law on Pension Funds and the Regulation on Investment of Pension Assets;
 - 1.7 Ensure that it has established an adequate and effective internal control system for the management of pension assets;

- 1.8 Report promptly to the Pension Funds concerning any investment of pension assets that it believes breaches the requirements of the Law on Pension Funds and its implementing regulations and/or other applicable laws.
- 1.9 Render regular reports to the Pension Funds, required under the terms of the asset management agreement. The reports referred to in this paragraph shall also be sent to the CBK in the same manner and time.
- 1.10 Report promptly to the CBK any information that endangers or may endanger the security of pension assets or which exposes or may expose the pension assets to the risk of loss due to the actions or omissions of higher governing bodies of Pension Funds and custodians, which may lead to violations of the Law on Pension Funds and its implementing regulations or of any other legal or fiduciary duty;
- 1.11 Report promptly to the CBK any information, known to him, involving or suggesting fraud, dishonesty or misuse of pension assets or when the governing bodies of Pension Funds failed, or are reasonably believed to fail, in addressing or taking corrective actions to remedy violations of legal and fiduciary duties.

Article 6

The Pension Asset Management Agreement

1. No asset manager shall undertake pension asset management activities unless it has an asset management agreement with the Pension Funds.
2. Every Pension Asset Management Agreement must be in writing, signed by Pension Fund authorized officers and the Asset Manager. The agreement shall contain at least the following elements:
 - 2.1 The specific duties and responsibilities of the asset manager;
 - 2.2 The manner by which the asset manager performs its duties and responsibilities;
 - 2.3 Specific instructions regarding the rights deriving from the investment of pension assets;
 - 2.4 Remuneration or fees for the asset manager and the manner by which they are calculated;
 - 2.5 Criteria and procedures for contract termination;
 - 2.6 Sanctions that may be imposed on the asset manager for breach of the terms of the agreement.

Article 7

Investment through open-end vehicles from pension funds

1. If the governing bodies of Pension Funds decide to invest some or all of the pension assets through an Open-end Vehicle, the following requirements shall apply:
 - 1.1 The Open-end Vehicle must be established and managed by banks, insurance companies or other financial institutions licensed by the financial market authority of

- a member state of the Organization for Economic Cooperation and Development (OECD) where they are based or by the financial market authority in Kosovo to conduct the business of asset management through an Open-end Vehicle.
- 1.2 The determination to invest through an Open-end Vehicle, rather than some other forms of asset management, is a fiduciary responsibility of the governing bodies of the Pension Funds, taking into account the quality of the investment, the amount of assets under management, the risk distribution of invested assets and the costs of management.
 - 1.3 An Open-end Vehicle assumes fiduciary responsibility to Pension Funds, participants and beneficiaries for prudential management of pension assets.
 - 1.4 The governing bodies of Pension Funds shall select an Open-end Vehicle that adopts and applies investment policies consistent with the statement of investment principles and which should comply with the provisions of Article 9 of the Law on Pension Funds.
 - 1.5 The governing bodies of Pension Funds shall periodically review pooled investments of the Open-end Vehicles and evaluate its compliance with its own published investment principles and Article 9 of the Law on Pension Funds. The governing bodies of Pension Funds shall report the results of such review to the CBK at least on a quarterly basis. Any deviation from the investment principles by the Open-end Vehicle shall be grounds for reconsideration of the appropriateness of the investment. If such deviation persists for more than six months, the governing bodies of Pension Funds shall take steps to withdraw from the Open-end Vehicle and select an investment manager or other pooled fund that conforms to the investment principles.
 - 1.6 An Open-end Vehicle shall maintain separate accounting for pension assets of the Pension Fund. The Open-end Vehicle shall record and report on pooled assets under its management and shall render an accounting on the share of total pooled assets owned by the Pension Funds.
 - 1.7 The governing bodies of Pension Funds shall take steps to ensure that the Open-end Vehicle has established an adequate and effective internal control system for the custody and management of pooled assets, documenting all relevant purchases, sales and transactions. The governing bodies will not be required to select an independent custodian for those Pension Fund assets that are invested on a pooled basis through the purchase of shares of an Open-end Vehicle. Pension Funds may rely on the custodian of the Open-end Vehicle, provided that the Open-end Vehicle maintains separate controls from the Asset Manager.
 - 1.8 The Pension Funds shall keep all records regarding investments through an Open-end Vehicle.
 - 1.9 The Open-end Vehicle shall provide Pension Funds with an active license as required by of paragraph 1, sub-paragraph 1.1, of this Article.

- 1.10 The Pension funds shall establish procedures to ensure that all transfers of assets from the Open-end Vehicle shall be made pursuant proper decisions of their governing bodies and for payment of pension or expenses.

Article 8

Form and content of agreement with the Pension Funds

1. No Open-end Vehicle shall undertake pension asset management activities unless it has a written agreement with the Pension Funds signed by authorized officers of the Pension Funds, on one hand, and authorized officers of the Open-end Vehicle, on the other hand.
2. The agreement under paragraph 1 of this Article shall contain at least the following elements:
 - 2.1 Duties and responsibilities of the Open-end Vehicle, the terms for the purchase of shares and the asset classed used as well as any restrictions thereon.
 - 2.2 Procedures for asset custody and the identity of the custodian of the Open-end Vehicle.
 - 2.3 Remuneration and/or fees for the Open-end Vehicle and the manner by which they are calculated.
 - 2.4 Criteria and procedures for contract termination.
 - 2.5 Sanctions to be imposed on the Open-end Vehicle in cases of breach of the terms of the agreement.

Article 9

Implementation and Remedial Measures

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

Article 10

Abrogation

Upon the entry into force of this Regulation, Rule 10 on Amending Rule on Asset Managers of Pension Assets, dated April 4, 2007, shall be abrogated.

Article 11

Entry into force

This Rule shall enter into force fifteen (15) days after its approval by the Board of the Central Bank of the Republic of Kosovo.

Flamur Mrasori

Chairman of the Board of the Central Bank