



Pursuant to Article 35, paragraph 1, sub-paragraph 1.1 of the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 10/16 August 2010) and Article 4 of the Law No. 05/L-116 on amending and supplementing the Law no. 04/L-101 on Pension Funds of Kosovo, amended and supplemented by Law No. 04/L-115 and Law. 04/L-168, Article 9, Article 16, paragraph 3, and Article 21 paragraph 10 of the 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 in the meeting held on 23 February 2017, approved the following:

## **Regulation on Investment of Pension Assets**

### **Article 1**

#### **Purpose and Scope**

1. The purpose of this Regulation is to define the terms and principles of investment of pension assets in accordance with the Law no. 04/L-101 on Pension Funds of Kosovo.
2. This regulation applies to Kosovo Pensions Savings Trust, Supplementary Employer Pension Funds, and Supplementary Individual Pensions (hereinafter: Pension Fund/s).

### **Article 2**

#### **Definitions**

1. All terms used in this Regulation are as 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 04/L-101 on Pension Funds of Kosovo (hereafter: the Law on Pension Funds) and/or as further defined herein for the purpose of this Regulation;
  - 1.1. **“Asset Manager”** - a Fiduciary who is a legal entity, licensed by the CBK, or other capital markets regulator in Kosovo (or its successor), or by a capital markets regulator of member states of the OECD, and invests and manages the assets of, or provides investment advice to, the Kosovo Pensions Savings Trust, a Supplementary Employer Pensions Fund or for an Supplementary Individual Pension on the basis of an asset management agreement.
  - 1.2. **“Board of directors”** means the highest governing body of the pension fund.
  - 1.3. **“Statement of investment principles”** - means the investment policy and investment development goals adopted by the pension entity for the investment of pension funds, which must be in accordance with the law and regulations of the CBK for pensions or investment directives.

- 1.4. **“Investment directives”** means orders and instructions made by the pension entity to the manager(s) of funds specifying the terms, conditions and manner of investing pension assets in accordance with the statement of investment principles.
- 1.5. **“Open-end Vehicle”** - an investment through entities organized and operating as investment companies and authorized to issue an unlimited number of equity shares (in fractional or whole units) representing proportional equity ownership in such entities by the shareholder or to insurance policies where underlying assets are pooled for investment purposes. The term includes mutual funds, investment funds, unit trusts, insurance policies and other investment vehicles operated on a pooled basis.
- 1.6. **“OECD”** – Organization for Economic Co-Operation and Development .
- 1.7. **“Affiliated Parties with the Pension Fund”** means:
  - 1.7.1. members of Governing Board of a Pension Fund;
  - 1.7.2. asset Manager of pension fund;
  - 1.7.3. custodian of pension assets;
  - 1.7.4. any person who is an affiliated entity in relation to the individuals or entities mentioned in paragraph 1.7.1), 1.7.2) and 1.7.3) above.
- 1.8. **“Securities”** means equity portfolio investments, investments in bonds, debts or other obligations and all other types of investments permitted under the Law on Pension Funds and this regulation.

### **Article 3**

#### **Conditions for investment of pension assets**

1. The pension fund shall invest its assets only in eligible classes for investments, defined by the Law on Pension Funds and this Regulation, or in cash to the custodian or for cash and bank deposits representing amounts as are reasonably necessary to conduct its operations.
2. Investment eligibility shall be determined at the time of its making or purchasing. If the determination of eligibility is based on the amount, the restriction shall be based on the total amount of funds invested on the valuation date that is reported to the CBK.
3. Investments of pension funds shall be in accordance with the statement of investment principles and investment directives issued by the Pension Fund in accordance with the Law on Pension Funds and this regulation.
4. The pension fund shall submit to the CBK together with quarterly and annual reports, the document through which is proved that all invested pension assets are in accordance with the conditions stipulated by the Law on Pension Funds, this regulation, statement of investment principles and investment directives issued by the Pension Fund.
5. Pension fund assets shall be invested according to the following conditions:

- 5.1. The maximum proportion of the securities of any single issuer, including its Affiliated Entities, which may be held by the Pensions Fund, is five percent (5%) for stocks and thirty percent (30%) for bonds. No such limitation shall apply for Securities of Government of Kosovo.
- 5.2. The maximum proportion of total Pension Assets that may be invested in the assets of any single issuer, including the calculation of assets of Affiliated Entities, shall be implemented in accordance with Article 4 of the Law No. 05/L-116 on amending and supplementing the Law no. 04/L-101 on Pension Funds of Kosovo, as amended and supplemented by Law No. 04/L-115 and Law. 04/L-168.
6. By amending this regulation, CBK may periodically determine the minimal investment values for each class of assets.

#### **Article 4**

##### **Eligible investments of pension assets**

1. Assets of Pension Fund may only be invested in the following international classes of assets:
  - 1.1. Monetary funds, including bank accounts and deposits with banks that are licensed by a bank regulatory authority of a member state of the OECD, and which are not under any enforcement action and are not subject to a suspension of their license;
  - 1.2. Securities issued by any member state of the OECD;
  - 1.3. Securities issued by local governments in member states of the OECD, to the extent guaranteed by the respective state;
  - 1.4. Securities registered with the capital markets regulator of any member state of the OECD on account of having been placed through a public offering, provided that such securities have been listed on the Stock Exchange subject to the supervision of the capital markets regulator;
  - 1.5. Mutual and investment funds subject to approval in the state of establishment, a state that is a member state of the OECD.
2. Pension Assets may only be invested in the following classes of assets:
  - 2.1. Monetary funds, including bank accounts and deposits with banks that are licensed by the CBK but which are not under enforcement action and are not subject to a suspension of their license;
  - 2.2. Securities of Government of Kosovo;
  - 2.3. Securities of enterprises (including in particular stocks and bonds) registered with the capital markets regulator of Kosovo and placed through a public offering, provided that such securities have been listed on the Stock Exchange in Kosovo or in another

jurisdiction of the of a member state of the OECD, depending on the supervision of the applicable capital markets regulator; and;

2.4. Mutual and investment funds, depending on the regulatory approval in Kosovo.

## **Article 5**

### **Prohibited investments of pension assets**

1. Pension assets cannot be invested in the following types of classes:
  - 1.1. securities instruments that are either unlisted or not publicly traded; assets that are not capable of alienation by law;
  - 1.2. securities instruments, options, futures, forward and other agreements with respect to securities and other financial assets, except that derivatives may be used as a hedging strategy to reduce risk, provided that the Trust will have no uncovered selling position;
  - 1.3. real estate or physical assets not listed on organized markets for which valuation is uncertain, including antiques, works of art, coins, and motor vehicles and similar;
  - 1.4. any property of the Asset Manager or Custodian of the fund or member of the Governing Board of the Kosovo Pensions Savings Trust or any Affiliated Entity of the Asset Manager, Custodian or member of the Governing Board of the Kosovo Pensions Savings Trust;
  - 1.5. securities issued by Affiliated Entity according to Article 2 of this Regulation.
  - 1.6. other funds specified by the CBK.

## **Article 6**

### **Final provision**

1. If the invested pension assets are not in accordance with the requirements of the Law on Pension Funds and this Regulation as a result of: a) changes in market prices constituting a basis for valuation of the fund; b) changes in foreign currency rates; c) changes in organizational or economic relations between entities in which assets are invested; or d) any other circumstances beyond the immediate control of the Asset Manager; then the Pension Asset Manager shall be obliged to take measures to adjust investment activities to the requirements specified in the Law on Pension Funds and this regulation, while meeting other requirements of the Law on Pension Funds and this regulation to maximize returns and preserve pension fund.
2. The adjustment of investment activities to the requirements specified by the Law on Pension Funds and this Regulation shall be completed no later than six (6) months after the date on which the breach occurred or the date when a valuation of fund indicates that there had been such a violation.

**Article 7**  
**Implementation and remedial measures**

Violations of provisions of this Regulation shall be subject to the measures provided for in the Law on Pension Funds.

**Article 8**  
**Repeal**

With the entry into force of this Regulation shall repeal Rule 9 on Investment of Pension Assets of 25 July 2002.

**Article 9**  
**Entry into force**

This Regulation shall enter into force on 31 March 2017.

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

Prof. Dr. Bedri Peci