



Pursuant to Article 35, paragraph 1, subparagraph 1.1 of Law No.03/L-209 on the Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, no.77/16 August 2010) and Article 114 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 22 December 2015, approved the following:

**Regulation on distribution of credit funds to microfinance  
Institutions and non-bank financial institutions**

**Article 1  
Purpose and scope**

1. The purpose of this regulation is to regulate the practice of distributing credit funds to borrowers.
2. This regulation applies to all microfinance institutions, and foreign branches of MFIs (hereinafter: MFIs) as well as non-bank financial institutions with lending activity (hereinafter: NBFIs) registered by the CBK to operate in Republic of Kosovo.

**Article 2  
Definitions**

1. All definitions used in this regulation are as defined in Article 3 of Law No.04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions and/or the following definitions for the purpose of this regulation:
  - a) *Branch of a foreign MFI or a branch of another foreign financial institution* - means a legal entity, which has its headquarters and is licensed to exercise microfinance activities in a jurisdiction other than the Republic of Kosovo;
  - b) *Credit funds* - means cash disbursed for credits granted by the MFI or NBFI.

### **Article 3**

#### **Requirements**

1. Credit distribution in amounts of up to ten thousand (10,000) Euros can be offered to clients directly by the MFI or the NBF, unless limited to smaller amounts by applicable legislation, or via his bank account, where the customer can then withdraw them in cash.
2. Credit funds in the amount of over 10,000 Euros (ten thousand Euros) as per the request of the borrower must be transferred from the bank account of the MFI or NBF to the account of the supplier only after authorization of such transaction by the MFI or NBF.
3. The MFI or NBF authorizes transaction from paragraph 2 of this Article only if such a bank transfer is supported with the following valid documents:
  - a) Invoice (a pro forma invoice can be used as a valid document until transaction is executed), or a prepayment certificate issued by the lending institution, in cases of loan prepayment; or
  - b) Sale and purchase contract certified by the competent bodies (notary or court).
4. In specific cases when the use of credit funds cannot be supported by the documentation stipulated in paragraph 3 of this Article, credit facilities in the amount of over 10,000 Euros (ten thousand Euros) must be transferred to the borrower's bank account and then may be used by the borrower for payment to other suppliers or withdrawn in cash by the borrower, provided that their use is documented by the borrower for the MFI or NBF.
5. MFIs or NBFs, in order to comply with the paragraphs of this Article, shall not structure transactions in order to avoid the requirements of the paragraphs of this Article.
6. MFIs or NBFs, in order to comply with the paragraphs of this Article, shall provide an internal control system, which will ensure the distribution of credit facilities in accordance with the requirements of this Regulation.

### **Article 4**

#### **Enforcement, remedies and civil penalties**

Any violation of the provisions of this Regulation shall be subject to remedial measures and civil penalties, as defined by the Law on the Central Bank and the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions.

## **Article 5**

### **Abrogation**

Upon the entry into force of this regulation, the Regulation of CBK XXIX on Direct and Indirect Credit Loan Payment in Cash, approved by the Board of CBK on 31<sup>st</sup> of October 2007, and any other provision that may be in conflict with the requirements of this regulation shall be abrogated.

## **Article 6**

### **Entry into Force**

This regulation entered into force on 1<sup>st</sup> of January 2016.

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

---

Prof. Dr. Bedri Peci