



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.77/16, August 2010), Article 8 paragraph 1, sub-paragraph 1 .1 of the Law no. 04 / L-155 on Payment Systems (Official Gazette of the Republic of Kosovo, no. 12/03 May 2013), Article 92, paragraph 3 and Article 114 of Law No. 04 / L-093 on Banks, Microfinance Institutions and Non-banking 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 in the meeting held on May 28, 2015 adopted the following:

REGULATION ON THE REGISTTRATION, SUPERVISION AND ACTIVITIES OF NON-BANKING FINANCIAL INSTITUTIONS

CHAPTER I GENERAL PROVISIONS

Article 1 Purpose and Scope

1. The purpose of this Regulation is to determine the conditions, requirements, procedures and time limits to be adhered while applying and registration of non-bank financial institutions (hereinafter: NBFi), furthermore, the Regulation determines the requirements for NBFi activities and surveillance.
2. This Regulation shall apply to all persons applying for registration with CBK, all persons engaging in NBFi's financial activities in the Republic of Kosovo, and all other NBFi registered with CBK for operating in the Republic of Kosovo.

Article 2 Definitions

All terms used in this Regulation shall have the same meaning with the terms defined under Article 3 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial

Institutions (hereinafter: Law on Banks, MFI and NBFIs) and/or as determined below, for the purpose of this Regulation:

- 1. Non-banking financial institution (NBFI)** shall mean a legal entity that is not a bank nor a microfinance institution, licensed /registered by the CBK, under the law on Banks, MFI and NBFI to be engaged in one or more of the following activities: to extend credit, enter into loans and leases contracts financial-leasing, underwrite, trade in or distribute securities; act as an investment company, or as an investment advisor; or provide other financial services such as foreign exchange and money changing; credit cards; factoring; or guarantees; or provide other financial advisory, training or transactional services as determined by CBK.
- 2. Leasing**– shall mean financial activities determined under the Law No. 03/L-103 on Leasing.
- 3. Investment adviser**– shall mean advising in purchasing and selling financial instruments (shares, bonds of commercial companies, treasury bonds and securities emitted by the state, instruments emitted by CBK, commercial receipts, shares or quotas from investments bonds and other financial instruments comparable to shares and bonds which are assessed and approved as such by the CBK) upon the request of the client and studying, preparing and supervising the implementation of the investment plan prepared for the client.
- 4. Factoring** - shall mean the financial activity through which NBFI purchases receivable accounts from the client. The objects of the factoring contract are current and/or future loans/debts of the clients' account, which have resulted and/or will result from the sale of goods and/or services from the supplier to the client (debtor). Client's account loans/debts which are subject to the factoring contract could be domestic or international.
- 5. Guarantees**– shall mean a guarantee issued by NBFI to undertake the liability of a borrower, shall the borrower not be able to pay the debt. The guarantee may be limited or unlimited, making the guarantor liable for only one part of the debt.
- 6. Service of money transfer or receipt and the service of payment for payments within or outside the country** - shall mean a financial activity authorized by the NBFI which enables money transfer and/or the existence of payment transactions. Money transfers or payments abroad are conducted through an international authorized/recognized system for electronic transfers, whereby funds are received by the payer without needing an account on behalf of the payer or payee, with the sole purpose of transferring the respective amount to the payee or to another institution acting on behalf of the payee and/or when such funds are received under the name of the payee and are made available to him/her.

7. **Currency exchange** – shall mean the activity of purchasing foreign currency in cash.
8. **Agent**- shall mean a person acting on behalf of an NBFI in exercising the financial activity of money transfer and payment services, determined in the respective contract of the agent with the NBFI.
9. **Director**- shall mean any person appointed by the shareholders or the founders to serve as a member of a bank’s Board of Directors.
10. **Senior Manager** – chief executive officer/general manager, deputy chief executive officer/general manager, chief financial officer, chief operating officer, and chief NBFI risk officer and any person, other than a director, who (i) reports directly to the board or participates or has authority to participate in major policymaking functions of the NBFI, whether or not such person has an official title or receives compensation for such actions, and (ii) is designated as a senior manager by the CBK..
11. **Capital or share capital** – net amount or institutions’ funds which present the difference between assets and liabilities in accordance with the balance sheet, which reflects international accounting standards
12. **Legal entity**– shall mean any organization, including a business organization that has, as a matter of law, a legal identity that is separate and distinct from its members, owners, or shareholders.
13. **Person**- shall mean any legal or natural person.

CHAPTER II

REGISTRATION OF NON-BANKING FINANCIAL INSTITUTIONS

Article 3

Registration and financial activities

1. CBK has exclusive responsibility to register NBFI for conducting activities defined under this regulation, as follows:
 - 1.1. Loaning;
 - 1.2. Leasing/ concluding renting agreements;
 - 1.3. Investment adviser
 - 1.4. Factoring;

- 1.5. Guarantees;
 - 1.6. Transferring and receiving money and payment services for payments within and outside the country (hereinafter payment service);
 - 1.7. Currency exchange.
2. CBK has the responsibility to approve the NBFI's agents.
 3. After the NBFI is registered or obtains the approval by the CBK, it can commence performing financial activities.
 4. NBFI's requesting to engage in activities other than those authorized by registration should obtain prior approval by CBK.

Article 4

Requirements of capital

1. The minimum amount of capital required for registration and maintenance of NBFI is as follows:
 - 1.1. Loaning – EUR300, 000;
 - 1.2. Leasing/ agreements on loans and renting – EUR 150
 - 1.3. Investment Advisor – EUR 100,000;
 - 1.4. Factoring– EUR 50,000;
 - 1.5. Guarantees - EUR 150,000;
 - 1.6. Payment services - EUR 100,000;
 - 1.7. Currency exchange- EUR 10,000.
2. For every NBFI requesting to enter into more than one activity, the minimum required capital shall be in accordance with the amount determined for each activity in accordance with paragraph 1.
3. NBFI conducting payment service activity, which requires activities to be performed in more than one office or one agent, the minimal amount paid-in capital according to paragraph 1 of this Article should be continuously supplemented with EUR 5,000 per each additional office or agent.
4. Capital required pursuant to paragraph 3 of this Article may be ensured through:
 - 4.1. The bank guarantee, credit letter, cash deposit or other security, referred to in this paragraph as "securities", whereby NBFI should ensure securities in the amount of five

thousand Euros (EUR 5,000) for each additional office or agent, and the securities must be added for each new office or agent according to the abovementioned amount.

Securities should be in a form which is acceptable to CBK and should determine CBK as the beneficiary in case of a complaint against the NBFIs to ensure fulfilment of obligations by the NBFIs with regard to receipt, treatment, transmission and payment of money regarding the money transfer. Every request toward the insurance instrument may be subject to administrative review.

5. The payment of minimum capital and any subsequent addition should be paid in cash and be accompanied with the presentation of information to CBK with regard to the source of this capital, respectively a banking document which proves the payment of capital.

6. CBK is entitled to request clarification and conduct further verifications regarding the source(s) which will serve as paid-in capital or as any other subsequent addition.

Article 5

General registration requirement

1. Entities interested to register the NBFIs should meet all requirements pursuant to the Law on Banks, MFI and NBFIs which are necessary for the application process according to CBK's internal acts. The applicant may request from the CBK necessary forms of applying and the instructions for completing them by, and the same can be found in CBK's official website.

2. The application shall be signed by the founding shareholders/founders and shall be submitted to the CBK, with the physical presence of the shareholder or representative of the founding shareholders or the proposed founders of the NBFIs. The application must be submitted together with the complete legislation required by the Law on Banks, MFI and NBFIs and with this Regulation.

3. NBFIs registration requirements should be in a certain form specified by CBK and include the following information's:

3.1. NBFIs constituent documents, including an original document or a notarised copy based on which it was established, and the proposed address of the headquarters;

3.2. a copy of business registration documents;

3.3. the name, nationality, residence, qualifications and experience of the NBFIs director or senior manager;

3.4. the amount of committed NBFIs capital, including the amount to be paid and the legal source of capital;

- 3.5. the business plan which includes, inter alia, the organizational structure of the proposed NBFi, planned financial activities and projected financial statements for the three upcoming years;
 - 3.6. a list of NBFi shareholder, stating their names, address and shares;
 - 3.7. name, nationality, residence, business and professional background, and audited financial statements of each main shareholder of the NBFi for the last three (3) years, if applicable;
 - 3.8. for any director or senior manager or major shareholder of NBFi's, official proof issued by the Court which reveals any punishment on a criminal offence, personal bankruptcy files, disqualification from the exercise of profession and previous or current involvement in a managerial position of a corporate or other entrepreneur body which has undergone insolvency proceedings, if any;
 - 3.9. for each director or senior manager engaged or to be engaged, a proof of professional qualification and experience must be provided;
 - 3.10. in all cases when the applicant is a foreign financial institution which applies to establish a NBFi in Kosovo, a statement of the supervisor from the home country, if applicable, stating that there is no objection for the establishment of operation in Kosovo and that it exercises consolidated supervision on the NBFi;
 - 3.11. List of planned tariffs for provision of products and services;
 - 3.12. Document on the use of the information technology operative system and the operative system/software applied in the performance of financial electronic services transactions;
 - 3.13. Proof of NBFi's application fee payment
 - 3.14. Additional information if CBK considers it reasonable.
4. Institutions for provision of payment service within the country are requested to provide a copy of the signed agreement or another relevant document with relevant institution on the performance of payment services.
5. Institutions for provision of payment services abroad should have an agreement with international system authorized for electronic transfers.
6. The requirements of this article shall apply accordingly on the exchange activity of NBFi.
7. The documentation submitted should be in one of the two official languages of the Republic of Kosovo, either in original or in a certified copy.

Article 6

Registration procedures and conditions

1. CBK reviews the documentation presented in accordance with the requirements of this Regulation.

1.1. CBK shall, within 90 days from the day of receiving the application, review the documentation submitted and inform the applicant in writing stating whether the application is completed or not.

1.2. If the documentation submitted is not completed and/or does not fulfil the requirements determined under this Regulation, CBK shall notify the applicant regarding the deficiencies or discrepancies with the legal provisions of this Regulation together with a request for additional information or documents required. The deadline for submission of additional information or documents is, according to this paragraph, not later than 90 days from the day of notification.

1.3. If the additional information or documents required under paragraph 1.2 of this Article are submitted within the deadline, then CBK shall inform the party that the application is complete.

1.4. The CBK shall suspend review procedures for the registration application if the data and/or documentation requested for registration are not provided by the applicant within 90 days after the notification under paragraph 1.2 of this Article. In case of suspension of procedures for reviewing the application for registration, CBK shall inform the applicant in writing.

1.5. CBK shall issue a decision whereby approves or rejects registration as a non-banking financial institution within 90 days from the day of informing the applicant that the registration application is complete. CBK shall immediately inform the applicant with regard to the decision reached. By mutual agreement between the CBK and the applicant, the period for rendering a decision may be extended for another 90 days.

1.6. During the period of reviewing the application, CBK may request additional information or certain changes/ improvements, if reasonable.

2. Conditions for approving or rejecting the registration:

2.1. The CBK shall decide to approve registration if the following conditions are fulfilled:

2.1.1. Founders have a good reputation, legal source of capital funds, financial capabilities for investing planned funds and financial capabilities for conducting the necessary financing for the sustainable continuation of this institutions activity

2.1.2. Qualifications, experience and reputation of members of the board of directors and executive chief, are adequate for implementing the business plan;

2.1.3. The business plan submitted should be real and competitive in the market.

2.2. CBK rejects the approval of registration when the following requirements of this Regulation are not met:

2.2.1. If the condition determined above under paragraph 2.1 of this Article are not met;

2.2.2. false information are provided in the application

2.3. the reasons based on which the approval of registration is rejected shall be clarified in the notice on rejection of registration.

Article 7

Registration characteristics

1. Registration should be granted for an indefinite period of time and is non-transferable.

2. After registration, NBFİ shall commence operations within (6) six months from the date of notification for registration. If operations do not commence within this period, registration becomes invalid. The institution may reapply for registration.

3. The NBFİ during this time, before the commencement of the financial activity, shall notify the CBK for the preparations made and its readiness to start the activity, for creating space and adequate infrastructure to carry out activities, including installing the information technology operating system.

Article 8

Fees

1. NBFİ applying for registration must pay the application fee, according to the amount determined by the CBK. The fee paid is non-refundable in case of refusal of registration.

2. After registration, the NBFİ has to pay the supervision fee according to the amounts determined by the CBK

Article 9
Revocation of Registration

1. NBFI registration could be revoked only upon the decision by the CBK, if one or more of the following reasons shall be present:
 - 1.1. If the NBFI does not commence functioning within (6) months following the receipt of the notice for registration.
 - 1.2. If CBK has approved the plan for the NBFI to conclude its activities in Kosovo and has complied with that plan;
 - 1.3. if the NBFI has violated any legal provision, ordinance or regulation of the CBK, or any condition or limitation related to the authorization issued by the CBK;
 - 1.4. if the NBFI is, according to the determination of the CBK, engaged in unsafe or unsound practices;
 - 1.5. If registration is attained based on false information presented by the application or someone related to it.
2. NBFI's registration shall be revoked by a decision of the CBK if considered that the NBFI is insolvent, or it is reasonable to expect it become insolvent.
3. For the purposes of this Article, "insolvent" shall mean that the NBFI is not paying its obligations or the value of NBFI's obligations exceeds the value of its assets. The value of the assets, obligations and regulative capital of the NBFI is determined in accordance with the assessment standards and procedures set by the CBK.
4. CBK's decision to revoke registration is communicated in writing to the NBFI, by providing the reasons for the decision which shall enter into force the day of its communication.
5. The decision to revoke a registration is published in the official website of the CBK.

Article 10
Requirements for NBFI's handling the activities of payment services

1. NBFI's performing payment services for payments abroad shall advertise or provide their customers with a copy of the list of fees and other payments.
2. For each payment abroad transferred electronically, the NBFI should provide the client with a written receipt, and the institutions shall retain a copy. Written receipt should be in compliance with the requirements of the Law No. 04/L-155 on the Payment System, but at the least shall

contain: the name of the client, the date of the money transfer, the amount of payment of receipt, type of currency, the exchange rate and the assertion whether the fee is paid or not.

3. Institutions providing payment services abroad, shall keep in an electronic format, through an operation system/software, a register of such transaction which shall contain:

3.1. Name and identification number of the customer;

3.2. Name and location

3.2.1. "Account" of the financial institution or another destination for a transfer commenced, or

3.2.2. The ordering bank or another location of the sender of the received electronic transfer; and

3.2.3. Name of the electronic transfer payee, or if available, the name of the payer of the electronic transfer.

4. The maximum amount for the transfer by institutions conducting transfer or receipt activities for a client transaction (incoming or outgoing transfer) is limited to a maximum of 10,000 Euros.

5. NBFIs performing domestic payments service should publish the list of fees / provisions to the clients for all types of payments;

5.1. For each payment within the country (domestic payment), the client shall be given a written receipt, while the institution shall retain a copy. The written receipt shall be in compliance with the requirements of the Law no. 04/L-155 on the Payment System, but shall at least contain the following: the name of the client, date and amount of the payment, type of payment and amount of provision paid.

5.2. NBFIs performing domestic payments, shall keep in an electronic format, through an operation system/software, a register of such transaction which shall contain.

Article 11

Requirements of NBFIs conducting the activities of money exchange

1. NBFIs conducting the currency exchange activity must advertise the daily exchange rate of foreign currencies, for each currency, in a visible place.

2. For each currency transaction, sale or purchase, the customer must be issued a written receipt and the institution must retain a copy. The written receipt shall contain the client's name, the date of the transaction, the exchange rate, any fee paid and the amount and type of currency exchange (both received and given).

3. NBFI's that perform foreign exchange activity shall keep in an electronic format, through an operation system/software, a register of such transaction performed.

Article 12

Requirements for registration of agents

1. NBFI providing payment service may carry out its activity through one or more agents.
2. NBFI's shall be held responsible for every action of the agents contracted to perform financial activities.
3. Agents for exercising the payment service activity shall be approved by the CBK, whereas when an agent is a bank, a branch of a foreign bank or a registered financial institution, NBFI shall notify the CBK.
4. The request for registering an agent to carry out financial activities shall be done by the NBFI, and the request shall be done in a certain form by the CBK and shall contain the following information:
 - 4.1. Documentation containing identification data on the agent or a copy of the business registration;
 - 4.2. Contract concluded between the agent and the NBFI, whereby all relevant rights and obligations regarding the performance of financial activity are determined;
 - 4.3. Information on the office, and technical and security conditions for exercising the financial activity. The premises for agents' activities shall be physically separated from other commercial activities.
5. Review of the application for registration of the agent:
 - 5.1. CBK shall review the completion of documents submitted regarding the request for approving the agent, in accordance with requirements of paragraph 3 of this article.
 - 5.2. CBK shall, within thirty (30) days from the submission of the completed documentation and fulfilment of the request for payment of capital/security, approve or reject approval of the agent to perform the financial activity of payment service.

5.3. In case of refusal of the application for the agent, the CBK shall, with regard to such refusal, provide its reasoning in writing.

6. NBFI applying for registration of the agent shall pay the fees set by the CBK.

Article 13

Agent's activity

1. The agent shall place, in a visible spot, the logo of the NBFI on behalf of which the agent performs payments services;
2. The agent shall maintain a special register of all transactions and payments services performed under the capacity of the agent, on behalf and to the account of the NBFI.
3. The agent cannot serve to more than one NBFI.

CHAPTER III

ORGANIZATION, MANAGING AND ADMINISTRATION OF NON-BANKING FINANCIAL INSTITUTIONS

Article 14

Prior approvals

1. NBFI's transactions which require prior approval are as follows:
 - 1.1. Changes to the charter and statute;
 - 1.2. Change of the name of the institution;
 - 1.3. Appointment of board members and senior managers;
 - 1.4. Exercising additional financial activities;
 - 1.5. Opening, relocation and closing of an institution's offices;
 - 1.6. Sale or transfer of NBFI business to another entity;
 - 1.7. Sale of loan/leasing portfolio over 20%
 - 1.8. Merger or amalgamation of the NBFI;
 - 1.9. All transactions and activities related to the shares capital that changes the list of shareholders, who possess ten percent (10%) or more of the share capital, and/or voting rights in the company;

1.10. NBFI's dividend distribution.

2. For approving transactions under paragraph 1 of this Article, the NBFI shall present a written request accompanied by the following documentation:

2.1. Change of the name, amendments to the charter and to the statute:

2.1.1. Decision of the assembly for such amendments;

2.1.2. Documents for reasoning such amendment.

2.2. for appointing board members and senior managers:

2.2.1. decision on these appointments by the decision-making body;

2.2.2 Individual report for the person appointed.

2.3. for conducting additional financial activity:

2.3.1. Decision for exercising additional activities by decision-making body;

2.3.2. document proving the payment of additional amount of the minimum capital.

2.3.3. policies and procedures necessary to conduct additional activity;

2.3.4. Forecast for the next three upcoming years financial projection of the additional activity and the impact to the overall financial situation of the entity.

2.4. for opening, relocating and closing of offices

2.4.1. Decision to open, relocate and close the offices by the decision making body;

2.4.2. Brief description of reasons for opening, relocating and closing of offices.

2.5. for selling or transferring its business to another entity or the merger and amalgamation of the NBFI:

2.5.1. the decision of the assembly to those transactions;

2.5.2. Copy of the agreement signed between the NBFI and another entity.

2.6. for changes to the list of shareholder, whom possess ten percent (10%) or more of the shareholder capital and/or the voting rights in the company:

2.6.1. Decision of the Assembly for approval;

2.6.2. Copy of the agreement signed between the parties to this transaction.

3. The CBK, depending on the transaction, may require additional documents other than those specified in this article.

4. The CBK shall, under paragraph 1 of this Article, within two months from the submission of the completed application approve or reject approval.

Article 15
Requirements for notifying NBFI changes

1. NBFI transactions which require CBK's notification are as follows:
 - 1.1. Increasing the institution's capital;
 - 1.2. Any change in ownership of shareholders which possess less than ten percent (10%) of the capital;
 - 1.3. Changes to the organizational structure;
 - 1.4. Resignation of board members and senior managers.

2. NBFI should notify CBK within 30 days for the occurrence of changes specified under paragraph 1 of this Article.

Article 16
Governance of NBFI

1. NBFI shall act in accordance with the recognized principles of good governance to ensure that the business of the institution is realized in a safe and sound manner. NBFI's governance should be in accordance with Article 96, 97, 98, and 99 of the Law on Banks, MFI and NBFI.

2. An NBFI with a sole activity of currency exchange should have its governance organized in accordance with the legal act which the institution submits to the CBK and which is approved by the CBK.

3. An independent director for the purpose of this Article shall mean the director which is independent from the senior management or persons associated to the senior management.
 - 3.1. Associated person – any person that has at least one of the following relations with the NBFI:
 - 3.1.1. any senior manager of the NBFI;
 - 3.1.2. any person related to a senior manager of the NBFI by marriage or blood until the second line of blood.

4. Directors and senior managers should fulfil the criteria of "adequate and proper" as requested by the CBK.

5. Directors and senior managers of the non-banking financial institution should at least meet the following criteria:

- 5.1. Have a university degree/senior education in the field of economy, finances and jurisprudence or another field corresponding to these areas;
- 5.2. Have three (3) years of experience in financial services or any other field considered appropriate by the CBK;
- 5.3. Have a high reputation and professional ethics.

6. Managers of institutions conducting solely the currency exchange activity should at minimum have finished secondary education and have knowledge on the activity of currency exchange.

CHAPTER IV TRANSITIONAL PROVISIONS

Article 17 Other

1. NBFI or its offices/agents are not allowed to advertise or identify the institutions without registration/approval by CBK.
2. CBK may carry out on-site inspection of the NBFI or their offices/agencies prior to commencing the activity for which they are registered. The purpose of this examination is to assess if the office in question has established the conditions to meet the obligations determined under technical and security conditions in which the subject will conduct its activities.
3. The CBK may at any time inspect offices/agents which conduct financial activities with the purpose of fulfilling the conditions and requirements determined by the law and this regulation.
4. NBFI which provides payment services and currency exchange should place their registration certificate by the CBK in a visible place within their office/offices.
5. NBFI with payment service activities are obligated to implement provisions of Law no. 04/L-155 on the Payment System.
6. In case of requests for other NBFI activities foreseen by the Law on Banks, MFI and NBFI, the provisions of this Regulation shall apply accordingly.

Article 18
Applicable Regulations

1. The following banking regulations of the CBK are applied accordingly (with necessary changes) on NBFIs, until otherwise provided by CBK:

- 1.1. Amended Rule X on the prevention of money laundering and terrorist financing;
- 1.2. Regulation on reporting of banks to the CBK
- 1.3. Regulation on credit risk management
- 1.4. Regulation on Effective Interest Rate and Microfinance Institutions Disclosure Requirements
- 1.5. Regulation on minimum safety requirement;
- 1.6. Rule XXIX on Direct and Indirect Disbursement of Loans in Cash;
- 1.7. Regulation on internal control and internal auditing;
- 1.8. Regulation on international payments.

Article 19
Implementation, remedial measures and civil penalties

Any violation of provisions of this Regulation shall be subject to remedial and punitive measures as defined by the Law on Central Bank, MFI and NBFIs.

Article 20
Transitional provisions

NBFIs shall act in accordance with the provisions of this Regulation by 31 December 2015.

Article 21
Abrogation

With the entry into force of this regulation, the Regulation on Amending the Rule XVI for Registration, Supervision and Activities of non-banking financial institutions, approved by the board of CBK on 10 June 2011 and any other provision that may be in contradiction to this regulation is abrogated.

Article 22
Entry into force

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

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

Bedri Peci