



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS
CENTRALNA BANKA REPUBLIKE KOSOVA
CENTRAL BANK OF THE REPUBLIC OF KOSOVA

Frequently Asked Questions (FAQs)

Regulation on Cash Operations

1. What does the Regulation on Cash Operations contain?

The Regulation on Cash Operations consists of 8 (eight) chapters, covering various aspects, including:

- Handling and removal from circulation of counterfeit Euro banknotes, coins, and other currencies suspected of being counterfeit;
- Replacement of damaged Euro banknotes and coins;
- Minimum standards for the inspection and re-circulation of Euro banknotes and coins;
- Standards for packaging Euro banknotes and coins for deposit at the Central Bank of the Republic of Kosovo;
- Execution of cash payment transactions;
- Import and export of Euro banknotes, coins, and other currencies to the Republic of Kosovo; and
- Regulating the offering of cash services through machines used by clients.

2. What is the purpose of the Regulation on Cash Operations?

The purpose of this Regulation is to advance and establish regulatory standards for the professional execution of tasks by financial institutions in the field of cash operations, including:

- Control over the currency, quality, and quantity of money entering and leaving the market;
- Protection of the integrity of the financial system and the Euro currency;
- Combatting counterfeit currency;
- Consumer protection and the advancement of market conduct;
- Combating money laundering and terrorism financing; and
- Addressing other issues related to activities of the Central Bank of the Republic of Kosovo (CBK).

The Regulation more specifically addresses the following issues, among others:

- Procedures for the handling and removal from circulation of Euro banknotes, coins, and other currencies suspected of being counterfeit;
- Criteria for the replacement of damaged Euro banknotes and coins;
- Minimum standards for assessing the fitness and re-circulation of Euro banknotes and coins, aiming to preserve the quality of the currency in circulation;
- Standards for packaging Euro banknotes and coins for deposit at the Central Bank of the Republic of Kosovo;
- Conditions for cash payment transactions;
- Rules and obligations for the import and export of Euro banknotes, coins, and other currencies to and from the Republic of Kosovo; and
- Procedures and obligations for service providers for the deposit or withdrawal of cash through machines used by the client.

3. Who is subject to the Regulation in Cash Operations?

Subject to the scope of this Regulation are the Central Bank of Kosovo, banks, branches of foreign banks and other financial institutions, licensed to carry out banking and/or financial activities in the Republic of Kosovo

4. What are the main obligations arising from the Regulation on Cash Operations?

- Verification of the authenticity and fitness (quality) of currency by banks and non-bank financial institutions;
- Identification and prevention of the circulation and entry into the financial system of counterfeit or suspected cash;
- Confiscation and reporting of currencies suspected to be counterfeit to law enforcement agencies;
- Withdrawal from circulation of damaged/unfit currencies for re-circulation;
- Circulation only of currencies that are still fit for re-circulation (after passing the fitness test);
- Both banks and non-bank financial institutions are obliged to cease the re-circulation of the existing 500 Euro banknote;
- Import and export of banknotes and coins in Euros and other currencies into the Republic of Kosovo can only be done by licensed banks and non-bank financial institutions authorized by the Central Bank of the Republic of Kosovo to carry out financial activities; and
- Individuals and legal entities not carrying out financial activities are required to make a customs declaration for currencies if carrying more than 100 pieces per unit, regardless of the monetary value.

5. What does the prohibition on the re-circulation of the 500 Euro banknote imply?

Starting from February 1, 2024, all banks and non-bank financial institutions are obligated to stop the re-circulation of the 500 Euro banknote to their clients. This does not imply a prohibition on its circulation between parties as a legal means of payment. However, when the same banknote is deposited by clients, it is no longer reintroduced into circulation by financial institutions.

Additionally, clients have the option to convert the 500 Euro banknote into smaller denominations such as 200 Euro, 100 Euro, 50 Euro, 20 Euro, 10 Euro, 5 Euro, and others.

6. What is the valid currency for payments, and is the use of other currencies allowed?

The only valid currency for conducting cash payment transactions and through the national payment system (SNP/KIPS) in the Republic of Kosovo is the Euro, as the only currency also within the meaning of Article 11 of the Constitution of the Republic of Kosovo and Articles 16, 17, and 18 of the Law No. 03/L-209 on the Central Bank of the Republic of Kosovo.

The Central Bank of the Republic of Kosovo is the sole monetary authority in the Republic of Kosovo that has the authority to determine the permitted currency for payment transactions and corresponding denominations.

Other non-Euro currencies can be used in the Republic of Kosovo only as a store of value in physical form or in bank accounts in non-Euro currencies, for making international payments in non-Euro currencies and for foreign exchange activities.

Currency exchanges can be carried out in the Republic of Kosovo only through institutions licensed by the Central Bank of the Republic of Kosovo that offer these services, covering all currencies without exception from a regulatory perspective.

7. Can currencies other than the Euro be used as a means of payment?

Valid currency for payment as a lawful means of payment is only the Euro.

Other non-Euro currencies can be used as values for saving in physical form or in bank accounts in non-Euro currencies, for making international payments in non-Euro currencies, and for foreign exchange activities, without limitation.

However, voluntary transactions between parties and the risks associated with such transactions, are the responsibility of the parties involved in such transactions and are not subject to this Regulation.

8. Who and under what conditions may engage in the import and export of banknotes and coins in Euros, as well as other currencies, to and from the Republic of Kosovo?

The import and export of Euro banknotes and coins and other currencies to the Republic of Kosovo can only be carried out by licensed financial institutions, both bank and non-bank, authorized by the Central Bank of the Republic of Kosovo to engage in banking and financial activities.

Licensed banks and non-bank financial institutions, authorized by the Central Bank of the Republic of Kosovo to carry out financial activities, may import or export banknotes and coins only after obtaining a specific written license and authorization from the Central Bank of the Republic of Kosovo for this service.

Cross-border import or export of Euro banknotes and coins and other currencies to and from the Republic of Kosovo is allowed only through presenting to border authorities the license and authorization issued by the Central Bank of the Republic of Kosovo.

9. Do legal entities not licensed by the Central Bank of the Republic of Kosovo have the right to import and export currencies?

Legal entities not licensed by the Central Bank of the Republic of Kosovo for conducting financial activities, whether banking or non-banking, in the Republic of Kosovo, do NOT have the right to carry and transport, or to be carried or transported on their behalf the Euro banknotes and coins and other currencies to and from the Republic of Kosovo.

10. How is the handling and withdrawal from circulation of Euro banknotes and coins and other currencies suspected to be counterfeit conducted by financial institutions?

Financial institutions are obliged to prevent the circulation and entry into the financial system of counterfeit or suspected banknotes and coins through identification, confiscation, and withdrawal from circulation of Euro banknotes and other accepted currencies from the parties, which they know or have sufficient reason to believe are counterfeit.

Financial institutions must ensure that all Euro banknotes and coins and other currencies they accept during their activities are checked for authenticity and fitness according to the provisions of this Regulation before re-circulating, depositing at the Central Bank of the Republic of Kosovo, or transporting them abroad.

11. How is the quality and integrity of currency in circulation maintained?

Financial institutions must ensure that Euro banknotes that they accept during their operations and intend to reintroduce into circulation are checked for authenticity and fitness according to the provisions of this Regulation.

After quality verification, depending on suitability: (a) if they are unfit or damaged, the banknotes and coins are withdrawn from circulation for re-circulation, while (b) if they are fit (good quality), they are re-circulated, specifically returned to the economy.

Furthermore, the quality and integrity of currency in circulation are also ensured when the Central Bank of the Republic of Kosovo supplies banks with significant quantities of entirely new banknotes and coins, brought in from the Eurozone. Commercial banks then release these into circulation in the economy.

12. Who can offer cash withdrawal or deposit services through appropriate (financial) machines?

Banks, as licensed institutions for conducting banking activities, can offer cash withdrawal or deposit services through appropriate (financial) machines.

Non-bank financial institutions licensed by the Central Bank of the Republic of Kosovo, providing payment accounts and electronic money, must obtain additional licensing and authorization from the Central Bank of the Republic of Kosovo to offer cash deposit or withdrawal services, or the purchase and conversion of electronic money through machines used by clients.

No individual or legal entity can provide cash deposit or withdrawal services through any physical location or through any device or machine used by the client, for the provision of financial services, without possessing of a license and authorization from the Central Bank of the Republic of Kosovo.

13. Why is it important for the institution that offers cash withdrawal or deposit services through appropriate (financial) machines to be licensed?

Among other aspects, operating devices that offer cash withdrawal or deposit services through appropriate (financial) machines carry responsibilities related to the care for citizens, such as preventing the circulation of counterfeit money (supplying electronic devices), preventing money laundering and terrorism financing, as well as aspects of financial control and auditing.

Additionally, when the Central Bank of the Republic of Kosovo considers licensing requests from a financial institution, along with other regulatory and legal requirements, it also assesses the suitability of the owners and managers of the financial institution.

In this way, the financial institution is also obliged to ensure that the supply of cash to machines used by clients is exclusively conducted with banknotes and coins either supplied by the Central Bank of the Republic of Kosovo or provided by banks.

14. Who can import devices or technical-electronic machines for cash withdrawal and deposit services?

The import of devices or technical-electronic machines for cash withdrawal and deposit services can only be done by licensed financial institutions offering banking activities or non-banking financial institutions with licensed services for electronic money and payment services.

No individual or legal entity can import and equip with technical-electronic machines for cash withdrawal and deposit services unless it is licensed as a financial institution for providing banking activities or a non-bank financial institution with licensed services for electronic money and payment services.

The restrictions specified in Article 47, paragraphs 2, 3, and 4 do not apply to business entities holding the relevant authorizations from banks or licensed financial institutions for the supply of such machines.

A special license and authorization for providing services of cash deposit or withdrawal services through machines used by clients must be proven to the relevant border authorities when same machines are imported.

15. What are the procedures if a legal entity is interested in offering cash withdrawal and deposit services through technical-electronic devices or machines?

Only licensed financial institutions with specific license and authorization from the Central Bank of the Republic of Kosovo are allowed to offer cash deposit or withdrawal services through any location with physical service or through any device or machine used by the client, in the name of providing financial services.

Therefore, any legal entity planning or currently carrying out such or similar activities, without proper licensing, must apply and go through the standard licensing procedure with the CBK within 30 days from the entry into force of this Regulation.

Only after obtaining a license and authorization from the Central Bank of the Republic of Kosovo for the provision of this service, such services are allowed to be offered.

16. What does "Cash Deposit or Withdrawal Machine" mean in the context of the Regulation”?

Cash deposit or withdrawal machine - refers to machines used by clients offered by banks or other financial institutions that enable the deposit or withdrawal of cash, including machines that facilitate the purchase of electronic money or their conversion into cash, as well as any similar machine enabling the transaction of converting crypto-assets into cash or vice versa.

17. Does the Regulation also cover machines for depositing or withdrawing cash related to the conversion of crypto-assets into cash or vice versa?

Without exception, any legal entity planning or currently engaging in such activities of converting crypto-assets into cash or vice versa or similar, cannot offer cash withdrawal and deposit services without possessing the appropriate license. Entities providing these services must apply and go through the licensing procedure by the CBK within 30 days from the entry into force of this Regulation (March 1, 2024).

For clarification, the Regulation does not cover cryptocurrency activities and does not prejudge the right or otherwise to use crypto-assets based on current legislation in force. However, concerning cash, specifically supplying, withdrawing, and depositing cash as financial actions, they fall under the Regulation and for this purpose, an entity without a license and CBK authorization cannot offer these services.

18. Are there restrictions in the Regulation for opening accounts in non-Euro currencies?

The Regulation does not impose restrictions and allows the opening of accounts in all currencies offered by the financial institution and agreed upon by the client.

19. In Euro-denominated accounts in commercial banks, can transfers from other non-Euro currencies sent from another country be accepted?

The Regulation does not impose any restrictions regarding the international transfer of funds into accounts. Therefore, transfers in any currency originating from a foreign country can be accepted and converted into Euros at the equivalent value using the respective exchange rate, following the client's bank procedures.

20. Does the Regulation impose restrictions on financial institutions licensed by the CBK for carrying out exchange activities for any currency, and how is the official exchange rate between Euro and other currencies regulated?

The Regulation does not impose limitations or obstacles for financial institutions licensed by the CBK to engage in exchange activities for any currency.

Exchange rates are not determined by the CBK; rather, they are transparently provided by all financial institutions licensed by the CBK to offer such services.

Foreign exchange risks and other risks arising from the use of non-Euro currencies by citizens are not within the scope of this Regulation.

Disclaimer: This document is intended for guidance and is not a legal reference!

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