

**Rule XXIX on Direct and Indirect Disbursement of Loans in Cash
Authorized Under Section 46 of UNMIK Regulation 1999/21 and
Section 42(a) of UNMIK Regulation 2006/47**

1. General

This Rule addresses the practice of disbursing loan proceeds to borrowers either in the form of cash or by allowing the withdrawal of loan proceeds from customer accounts in cash. These practices are regarded as unsafe and unsound and represent serious weaknesses in internal control and credit risk management systems. Additionally such practices facilitate money laundering and the financing of terrorism.

2. Scope

This Rule applies to all credit granting institutions in Kosovo.

3. Definitions

The definitions provided in UNMIK Regulation 1999/21 apply.

4. Requirements

a. Cash disbursements of loans and cash withdrawal of loan proceeds in amounts greater than € 10,000 (Ten thousand Euros) are prohibited unless supported by bona fide documentary evidence of the use of such proceeds. Banks are responsible to exercise due care in determining the authenticity of the documentary support.

b. Loan funds in the amount of 50,000 Euros or more shall be disbursed only by transfers by the credit granting institution to the legal account(s) of the provider(s) of the goods or services to the borrower.

c. Credit granting institutions shall not structure transactions to avoid the requirements of subparagraphs a. and b.

d. Credit granting institutions, in order to comply with subparagraph a., may establish internal systems to serve as documentary support for the use of loan proceeds.

5. Effective Date

The Governing Board of the Central Banking Authority of Kosovo adopted this Rule XXIX on 31 October 2007. The Rule takes effect on 1 January 2008.

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