



Based on Article 35, paragraph 1, subparagraph 1.1, of Law No. 03/L-209 on Central Bank of the Republic of Kosovo and Article 1, paragraph 1, and Article 8 of Law No. 04/L-155 on Payment System, the Board of the Central Bank of the Republic of Kosovo, in its meeting held on 31 August 2023, approved the following:

REGULATION ON THE KOSOVO INTERBANK PAYMENT SYSTEM

Article 1

Purpose and scope

1. The purpose of this Regulation is to define the rules and procedures for the operation of the Kosovo Interbank Payment System.
2. The entities of the implementation of this regulation are the participants in the Kosovo Interbank Payment System.

Article 2

Definitions

1. For the purposes of this Regulation, the following terms shall have the following meanings:
 - 1.1. **Bank** – means an entity defined by the Law on Banks;
 - 1.2. **Ordering Bank** – means a bank which sends a payment order to debit its account in KIPS;
 - 1.3. **Beneficiary bank** – means a bank which receives a payment order to credit its account in KIPS;
 - 1.4. **CBK** – means the Central Bank of the Republic of Kosovo;
 - 1.5. **BIS** – means the Bank for International Settlements;
 - 1.6. **ATS (Automated Transfer System)** – means the interbank payment system, which includes the RTGS and ACH component;
 - 1.7. **ACH (Automated Clearing House)** – means the automatic interbank clearing system for small values realized by sessions and settlement on a net basis;
 - 1.8. **Value Date** – means the banking day on which the payment transaction is carried out;
 - 1.9. **ITD** – means the Information Technology Department at CBK;

- 1.10. **PSD** – means the of Payment Systems Department at CBK;
- 1.11. **PSOD** – means the Payment Systems Operation Division at CBK;
- 1.12. **EUR** – means the EURO currency;
- 1.13. **E-token** – means a device carrying an integrated memory chip and/or processor and certificate functions;
- 1.14. **Gridlock** – means a deadlock situation that happens with transfers of funds or securities, in which the non-execution of a payment order (due to insufficient funds) blocks the execution of a number of other payments ordered by other participants of system;
- 1.15. **Payment system** – means a set of instruments, banking procedures as well as interbank transaction transfer systems that ensure the circulation of money;
- 1.16. **KIPS (Kosovo Interbank Payment System)** – means the Interbank Payment System in the Republic of Kosovo;
- 1.17. **Business Continuity Centre** – means the entire hardware and software system that serves in emergency, extraordinary situations when the primary system is out of function;
- 1.18. **ISO** – means the International Organization for Standardization;
- 1.19. **PAT** – means the processing automatic transfers;
- 1.20. **BIC (Bank Identification Code)** – means the identification code of institutions participating in KIPS;
- 1.21. **ILF (Intraday Liquidity Facility)** – means intraday liquidity support;
- 1.22. **Liquidity** – means the payment ability of a participant in KIPS;
- 1.23. **Client** – means the holder of an account in a bank;
- 1.24. **Payment transaction** – means an action initiated by the payer or the payee, for depositing, transferring or withdrawing money, regardless of any corresponding obligation between the payer and the payee;
- 1.25. **FIFO (First in - First out)** – means the principle which makes setting of payment orders in queue, depending on the time of arrival in the system and where the first payment order arrived in the queue is the one to be settled first;
- 1.26. **Sufficient funds** – means the net available funds in a settlement account of a participant in the KIPS after net settlements of payment transactions;
- 1.27. **RTGS (Real Time Gross Settlement System)** – means the real-time gross settlement system of large and urgent payments
- 1.28. **PO (Payment Originator)** – means the manual registration of transactions by the institution that orders the payment in the web-based component of the KIPS;
- 1.29. **Settlement** – means the act of settling the obligations by means of the transfer of funds, securities or other financial instruments between two or more parties;
- 1.30. **Settlement Account** – means the account of a participant in KIPS which is used to hold funds for settling payments between participants in the system;
- 1.31. **Log file** – means the described history of the working day in the KIPS;

- 1.32. **Initial cut-off** – means the maximum time defined in the operating schedule in the KIPS for accepting payments for clients;
- 1.33. **Final cut-off** – means the maximum time defined in the operating schedule in the KIPS for accepting bank-to-bank payments;
- 1.34. **Backup** – the process of storing KIPS backup copy;
- 1.35. **Gateway** – a module that enables the automatic exchange of messages between the KIPS and the basic systems of the participants;
- 1.36. **Participant in the system** – means a member of a system of clearing payments or securities settlement or a party to an agreement establishing a system;
- 1.37. **Direct participant** – means a participant in KIPS, who can perform all activities allowed in the system without using any intermediaries;
- 1.38. **Indirect participant** – means a participant in KIPS, who uses a direct participant as an intermediary in order to carry out some of the activities allowed in the system;
- 1.39. **System business day** – means a day or part thereof during which the system is open for receiving, processing, and transferring payment transactions by participants in it;
- 1.40. **Netting** – means the determination of net payment obligations or the determination of the final net value of settlement obligations between two or more participants in the payment system;
- 1.41. **Net settlement instruction** – means the net settlement of payment transactions from the ACH component by clearing sessions;
- 1.42. **Clearing** – means the process of transfer, reconciliation and confirmation of instructions for the transfer of funds and securities before settlement and includes the netting of payment orders and the establishment of final positions for their settlement;
- 1.43. **Instruction** – means written recommendation issued by the Executive Board of CBK;
- 1.44. **VPN (Virtual Private Network)** – means the local network used exclusively by participants in the KIPS;
- 1.45. **Computer** – means the computer through which the participants monitor the respective payments and manage their queue;
- 1.46. **ARS** – means the Accounting Registry System;
- 1.47. **Payment order** – means any instruction given by the payer or payee to his or her payment institution where the execution of the payment transaction is required.

Article 3

Organization and regulation of the Interbank Payment System

1. The role of the CBK in the regulation of the interbank payment system - KIPS is as follows:
 - 1.1. CBK owns, operates and supervises the interbank payment system, as well as participates in clearing and settlement of payments arising from its operational activity.

- 1.2. CBK administers settlement accounts, offers intraday loans for liquidity, as well as facilities to ensure efficient and stable clearing and payment systems.
- 1.3. Drafts by-laws to ensure the operation and security of the payment system.
- 1.4. Accepts new participants in KIPS or changes information held about participants in KIPS.
- 1.5. Opens and maintains settlement accounts, conducts the process in the capacity of settlement agent.
- 1.6. Signs the agreement with the participants in KIPS.
- 1.7. Decides on the temporary restriction and suspension of a participant's access to the system.
- 1.8. Ensures the advancement of KIPS in accordance with the following standards:
 - 1.8.1. BIS principles on netting and principles of financial markets infrastructure by the Committee on Payment System;
 - 1.8.2. International Organization for Standardization (ISO) 20022;
 - 1.8.3. Principles and standards issued by the European Central Bank regarding payment systems.

Article 4

Administration and operation of the interbank payment system

1. CBK maintains the operation of KIPS, allowing participants access to the system in accordance with the system's working hours.
2. Defines emergency plans, which ensure timely fulfilment of daily system processes, in unforeseen circumstances.
3. Administers the system by providing participants with equal access, based on secure mechanisms for protecting access to it, for authenticating the sender of the payment order, for protecting the reliability and confidentiality of information received and stored by KIPS.
4. Defines the daily procedures of opening-closing, archiving and system backup.
5. Defines operating hours at KIPS.
6. Determines the inclusion of participants in the system and performs the procedures of membership and certification of a new participant in the system.
7. Administers system security.
8. Monitors the interbank payment system and in particular:
 - 8.1. functional state of the system;
 - 8.2. settlement of payments;
 - 8.3. KIPS interconnections with other systems;
 - 8.4. the state of sending/receiving messages of payment transactions;
 - 8.5. the state of VPN connections;
 - 8.6. the status of any technical account and net positions at any time;

- 8.7. imported payment messages and their status;
- 8.8. the settlement account balance of participants;
- 8.9. payments made by/to an account;
- 8.10. payment transactions pending in a participant's queue.

Article 5

Supervision of the interbank payment system in Kosovo

1. In the framework of the supervision function of the interbank payment system, CBK:
 - 1.1. Evaluates and analyses the current conditions of the system and the risks associated with the system in order to improve the system and increase the efficiency, reliability, security and stability of the interbank payment system.
 - 1.2. Issues regulations and methodologies for reducing systemic risk in accordance with principles and recommendations for systemically important systems.
 - 1.3. Conducts research in the field of payment and settlement systems, in order to develop the system.
 - 1.4. Intervenes in the development of KIPS through:
 - 1.4.1. cooperation with participants and other authorities in this field;
 - 1.4.2. coordination of the activities of system participants;
 - 1.4.3. necessary system changes that are consistent with safety and efficiency objectives, as well as
 - 1.4.4. administration of emergency situations, where it analyses the causes, technical or operational characteristics, as well as the effects on the payment and financial system.

Article 6

Interbank Payment System and its components

1. KIPS is an automated system for processing interbank payment transactions in the Republic of Kosovo.
2. KIPS provides settlement on a gross basis of individual and urgent payments, settlement of net positions for bulk transfer orders and settlement of securities accepted by the Accounting Register System (ARS) at CBK.
3. The central KIPS system, includes the following:
 - 3.1. RTGS component - “Settlement”, for processing large value payments and urgent payments;
 - 3.2. ACH component - “Clearing”, for processing small value payments;
 - 3.3. PO component, for the manual registration of payments, in case of failure of the “Gateway” component for automatic connection of participants with KIPS.
4. KIPS enables the exchange of transfer order messages according to the international ISO standard 20022 through dual VPN network connections.

5. The exchange of payment transaction messages between participants and KIPS is enabled through:
 - 5.1. gateway, for automatic exchange of messages between KIPS and the basic system of participants;
 - 5.2. workstations (computer), for connection to KIPS of the participants through the web browser.

Article 7
Information from the Interbank Payment System

1. KIPS provides real-time information to participants regarding:
 - 1.1. liquidity position at CBK;
 - 1.2. value and volume of individual and group payment transactions settled for each participant;
 - 1.3. the list of individual and group payment transactions pending execution;
 - 1.4. sufficient funds for the settlement account;
 - 1.5. content of individual and group payment transaction files;
 - 1.6. net positions for ACH settlement payments;
 - 1.7. users registered in KIPS and their activity;
 - 1.8. KIPS operating hours and clearing sessions.
2. Each participant is responsible for monitoring the payments settlement made during the day, and CBK will not be responsible for the losses incurred due to the negligence of participants for monitoring and managing pending or rejected transactions.

Article 8
Settlement and execution of payment transactions through RTGS

1. Through the RTGS component is executed settlement in EUR and with unlimited value of the following:
 - 1.1. payment transactions to and from customer accounts of participants in the system;
 - 1.2. transactions between participants, which means the transaction ordered directly for the other participant;
 - 1.3. net clearing transactions from the ACH component;
 - 1.4. securities transactions and those of intraday liquidity support (IDL);
 - 1.5. settlement requests from other payment systems;
 - 1.6. payment transactions for cash withdrawals;
 - 1.7. international payment transactions initiated by banks from their accounts at CBK;
 - 1.8. payment transactions related to interests and fees applied by CBK.
2. The settlement of a payment transaction is carried out immediately after it has received the status “registered” in the KIPS system.

3. A payment transaction is considered to have received the “registered” status, when it has passed all the technical validity validation steps, and is valid for settlement, as well as having sufficient balance in the corresponding settlement account of the ordering participant. The moment it has received the “registered” status, the payment transaction is considered irrevocable.
4. Settlement of a transaction is carried out immediately after the moment of its registration in KIPS, in case the participants provide a sufficient amount of funds to cover the settlement. If the ordering participant does not have sufficient funds in the settlement account, the payment transaction will be placed on the waiting list.
5. The procedures for repayment of pending payments, for participants or operators who are in the process of bankruptcy, are regulated in Article 19 of Law No. 04/L-155 on the Payment System.
6. Withdrawal of payment transactions cannot be done after the execution of its settlement and the sending of the message to the receiving party. In this case, the request for return can only be made by the receiver.
7. For each transaction sent to RTGS by participants, KIPS will validate and notify the participant of its acceptance or rejection.
8. Transactions accepted by KIPS are executed on the value date.
9. KIPS accepts payment transactions with a future value date of up to five (5) business days from the date the transaction was sent.
10. Payment transactions with the same value date as the date of the working day on which they were sent and received by KIPS are executed on the same day.
11. Other payment transactions accepted by KIPS are stored until the KIPS business day coincides with the value date specified by the participant.
12. If the value date does not belong to a working day in KIPS, the latter rejects payment transactions accepted for that day.
13. The ordering bank executes an RTGS payment transaction in KIPS, within 15 minutes after that transaction has been initiated by the payer, with the exception of payments which, based on the relevant procedures, require specific checks and authorizations, the execution of which may be delayed, but no more than 60 minutes.

Article 9

Execution of payments via ACH

1. Through the ACH component, only group payment transactions are cleared, as follows:
 - 1.1. that have a value of up to 10,000.00 Eur. This limit does not apply to the type of mass payments (payments with UNIREF) and to Kos Giro;
 - 1.2. digitally signed and formatted in accordance with the ISO20022 format.
2. Participants send payment transactions to the ACH system in the form of grouped messages according to the ISO 20022 standard.
3. The ACH system processes payments in groups, and the composition of a group of payment transactions can be as follows:

- 3.1. small value payment transaction (credit transfer, initiated by an ordering bank);
- 3.2. direct debit (debit transfer, initiated by a beneficiary bank);
- 3.3. rejection of direct debits.
4. All payment transactions of a group have the same value date and the same payment type.
5. The Participant provides sufficient funds in its settlement account so that the net settlement transaction generated by ACH is settled promptly at the end of each clearing session. The group of payment transactions settled during a clearing session cannot be withdrawn (cancelled).

Article 10

Reconciliation, data access and reporting

1. KIPS keeps log files for a period of 12 months.
2. In the KIPS operational database, participants have access only to data with an age of one (1) to two (2) years. At the end of each calendar year, the data of the previous year will be removed from the KIPS operational base.
3. CBK, at the request of the participant, within five (5) working days from the day of submission of the request, prepares an informative report on the requested data for the earlier period than the above-mentioned deadline.
4. KIPS produces reconciliation summary reports at the end of each business day.
5. KIPS provides operational reports throughout the working day, which can be used for control purposes by CBK and other participants.
6. The content of the reports and how to use them are described in the system user manual provided by the KIPS manufacturer.
7. CBK issues summary reports automatically from the KIPS database at any time and for this purpose, it has access to all data on participants.

Article 11

Participants in the Interbank Payment System

1. The participants in clearing and settlement in KIPS are as follows:
 - 1.1. CBK;
 - 1.2. Commercial banks;
 - 1.3. Treasury - Ministry of Finance, Labor and Transfers;
 - 1.4. Kosovo Pension Savings Fund;
 - 1.5. Operator of payment systems licensed by CBK;
 - 1.6. Non-Banking Financial Institutions authorized by CBK for providing payment services and issuing electronic money (payment institutions and electronic money institutions);
 - 1.7. Health Insurance Fund.

2. Participation of the entities referred to in subsections 1.6 and 1.7 of this article is subject to CBK approval based on the applicable legislation.

Article 12

Membership in the Interbank Payment System

1. Participants must meet the following conditions for membership in KIPS:
 - 1.1. have drawn up internal operating rules for participation in KIPS;
 - 1.2. have qualified and trained personnel for KIPS operation;
 - 1.3. have completed all the technical preparations for communication with the KIPS system, provided for by the CBK rules and the KIPS documentation;
 - 1.4. be equipped with a BIC issued by SWIFT;
 - 1.5. have a bank account open at the Central Bank;
 - 1.6. have signed the Letter of Consent for participation in KIPS, Annex 1 of this Regulation;
 - 1.7. participate in KIPS only through central offices and business continuity centres.

Article 13

Procedure for membership in the Interbank Payment System

1. The institution submits a written request for its membership in KIPS, to the CBK.
2. CBK examines the institution's request within 30 working days after completing the documentation according to CBK requirements.
3. In case of approval of the request, CBK, within one (1) week from the day of approval, informs the institution about the content of this regulation, as well as about the minimum technical requirements that it must fulfil according to the guidelines and standards of the KIPS.
4. CBK in cooperation with the institution, define and implement the membership procedures.
5. CBK trains and organizes tests for users of the institution.
6. The institution for participation completes the relevant application and signs the Letter of Consent for participation in KIPS.
7. CBK performs its actions for the registration of the participant in KIPS, as well as the creation of users and the delivery of security devices (e-token) to the participant.
8. CBK will notify all KIPS participants of the name, exact address (BIC code) of the new participant, as well as the date on which said participant will be granted access to KIPS, ten (10) business days before starting the activity.
9. CBK provides the VPN connection and the necessary equipment.
10. Each participant in case of merger, division, change of name or in case of any other change in the information required in the Letter of Consent, shall immediately notify and provide CBK with the information required for the change.

Article 14

Temporary restriction on the Interbank Payment System

1. The CBK shall temporarily restrict a participant to the KIPS, in cases where participant's inability to execute a settlement request is verified.
2. After imposing the restriction on the participant, the same can access the system but cannot settle payments from/to other participants.
3. CBK decides to lift the restrictions imposed when the participant provides in its settlement account, sufficient funds to satisfy all obligations in the KIPS.
4. CBK informs participants immediately on lifting of restrictions through an official letter.

Article 15

Suspension of the participant's access to the Interbank Payment System

1. CBK shall suspend a participant's access to KIPS, in the following cases:
 - 1.1. the participant does not provide sufficient funds until the day following the day on which he received the notification for the temporary restriction of his access to KIPS according to Article 14 of this Regulation;
 - 1.2. notes that further access to the system by the participant may pose a threat to maintaining the stability of the financial system;
 - 1.3. the participant does not comply with a request for participation or violates the obligations defined in this regulation;
2. CBK notifies the direct KIPS participants of the decision to suspend the access of a KIPS participant with an official letter.
3. The participant, whose access to KIPS is suspended under this Article, is not entitled to participate in KIPS, but still has the right to access his/her data outside the system by means of a request to CBK.
4. Suspension of a participant will result in the immediate freezing of his/her payment account or any settlement account under his/her control.
5. The participant may request suspension when, due to temporary technical or operational issues, it believes that it is temporarily unable to fulfil its obligations under this regulation.
6. CBK shall have no liability to any participant for any loss, damage, cost, expense, liability or claim related to the suspension of a participant.
7. CBK decides to lift the suspension when the participant secures in his settlement account, sufficient funds for the fulfilment of all his obligations in KIPS, or fulfils the conditions that led to the suspension of participation.
8. CBK notifies the participants immediately about the lifting of the suspension.

Article 16

Exclusion of participants from the Interbank Payment System

1. CBK decides on the exclusion of a participant from the KIPS system, in the following cases:
 - 1.1. at the written request of the participant himself and after its approval by CBK;
 - 1.2. participant joins one or several banks;
 - 1.3. participant whose access to KIPS has been suspended does not provide sufficient funds in his settlement account within the day following the date of suspension;
 - 1.4. participant does not comply with the provisions of this regulation;
 - 1.5. participant is placed under liquidation process and his license is revoked by CBK;
 - 1.6. participant does not use the KIPS system for sending or receiving payment transactions within twelve (12) months.
2. CBK notifies the participant through an official letter regarding the decision to exclude him from KIPS.
3. CBK closes the account of the excluded participant.

Article 17

Obligations of participants in the Interbank Payment System

1. To implement the rules and procedures of KIPS.
2. To access KIPS at any time during the day of operation, respecting its working hours.
3. To administer their local systems to ensure continuity and delivery of payment transactions to KIPS.
4. To not allow temporary or external personnel to operate in KIPS.
5. To notify the CBK immediately in case of personnel movement for the cancellation of the certificate of the user who has operated in KIPS.
6. To draw up internal procedures for the security and protection of the system, including organizational procedures (human resources and computer equipment), in accordance with the provisions of this regulation.
7. To immediately report to CBK any observed or suspected security irregularities in KIPS.
8. To channel payments to KIPS, only on the basis of a valid justifying document or electronic facts.
9. To ensure the integrity of payment transactions and user access within the respective institutions:
 - 9.1. specifying the location for primary and secondary access (backup) to KIPS, only where there are suitable conditions for digital and telecommunication tools, as well as ensuring that the operation of KIPS will not be subject to interruptions or interference by caused by internal or external factors;
 - 9.2. implementing the "four eyes" principle for the authorization of the payment transaction, ensuring different users for the inclusion of data and their approval;

- 9.3. performing identification procedures in every link of communication between their internal systems and KIPS;
 - 9.4. being subject to control by supervisory personnel for any rejected, corrected or deleted payments;
 - 9.5. recording all electronic communications related to payment transactions, noting the time of transmission.
10. To keep the records of payment transactions in hard copy or electronic format for a period of not less than five (5) years, according to the accounting standards and rules in force at the CBK.
 11. To draw up an emergency plan, which guarantees the timely completion of daily actions in KIPS in unforeseen circumstances.
 12. To conduct periodic assessments of the integrity and durability of their internal equipment related to KIPS.

Article 18

Participants' access to the Interbank Payment System

1. To access and communicate with KIPS, participants must prepare with the hardware and software infrastructure. Apart from the software components, the "Gateway" and the digital certificate, CBK has no obligation to support the participants in other technical infrastructure.
2. Each participant owns one or more 'computers' for on-line communication in KIPS, and is responsible for their operation.
3. From their 'computers', participant users will access the web application of the KIPS system and perform the functions provided by this system.
4. KIPS application is accessible to participants only if in advance their users are equipped with the e-token that contains the valid certificate issued by CBK.
5. CBK annually renews the e-token certificate of users of the participants' system. In case of a user's removal, the participant must notify CBK to cancel the existing certificate.
6. For each participant, CBK will register two users with administrative rights, then these users can register other users of that participant. At the request of the participants, CBK can offer support for registration in KIPS for other users, such as; registration/closing of users, password reset, issuing tokens with digital certificates, etc.
7. To request support for registration/closing of user, token receiving/submitting, certificate re-installing/ receiving, participants send the "Application for user and token" to CBK, *annex 2* of this regulation.
8. Any request for support from the CBK related to the user, must be signed by the responsible official of the relevant institution and must be sent to the CBK by official e-mail, pre-scanned or/even a hard copy.
9. The response related to the user request, from CBK will be returned to the participant no later than the end of the next working day.

10. CBK for each participating institution will offer a default password which will be used to access KIPS for the first time after opening the user or after the request to change the password.
11. The request to change the password must be sent to CBK by official e-mail from the contact person of the participating institution.

Article 19

Information required in ISO 20022 messages

1. In all cases, payment transaction messages sent to KIPS must at least contain:
 - 1.1. determination of information for identification of debtor and creditor;
 - 1.2. the payment transaction reference;
 - 1.3. payment value date;
 - 1.4. description of the payment transaction;
 - 1.5. the amount expressed in EURO.
2. For each transaction, the reference number combination together with the payment amount and the value date must be unique for each ordering bank within the working day.
3. If the value date does not belong to a KIPS business day, the latter rejects payment transactions received for that day.

Article 20

Working days and hours in the Interbank Payment System

1. KIPS will operate every day from Monday to Friday, except for official holidays defined in the Law on Official Holidays in the Republic of Kosovo and decisions by the CBK.
2. Operating schedule and clearing sessions in KIPS are regulated by the CBK and the same is set/published in the application of this system (where all participants can see it at any time) and on the CBK website.
3. CBK can extend or reduce working hours in KIPS in unforeseen and emergency situations, in certain cases for the transfer of payments necessary for participants' liquidity, in cases of technical problems that may have affected the operating procedures, and in case of special requirements of state importance.
4. Participants are notified of any schedule changes by official e-mail or Camt.998 message.

Article 21

Check for sufficiency of funds

1. Payment transaction is executed only if there are sufficient funds in the debiting participant's account.
2. Sufficiency of funds in the participant's account is determined by the balance of the account as well as by the minimum required reserve.

3. Participants monitor the balance of the relevant account and take measures to ensure the necessary liquidity for the settlement of payment transactions.
4. Accounts of the two participants involved in the payment are debited and credited respectively, generating confirmation messages, according to the relevant KIPS format.
5. In cases of insolvency procedures of the participants, the issues related to the finalization of the settlement are regulated in accordance with the relevant regulations of the CBK.

Article 22

Pending payment queue

1. Payments that cannot be executed due to insufficient funds in the participant's settlement account are placed by KIPS in a waiting queue and rechecked by the system whenever the data on the funds in the participant's settlement account changes.
2. The order of payments and the check for the sufficiency of funds is carried out on the basis of the priority/advantage given to the payment transactions by the participants, as well as the time of arrival (according to the FIFO method).
3. This order can be changed only in the cases provided for in Article 24 of this regulation.
4. Each type of payment transaction has a priority code band within which participants must place a code.

Article 23

Priority levels

1. Each payment is assigned one of the following priority levels:
 - 1.1. the first level is given to the settlement of net clearing transactions by ACH;
 - 1.2. the second level is given to payments initiated by CBK;
 - 1.3. the third level is given to payments between participants;
 - 1.4. the fourth level is given to priority payments for client accounts of participants.

Article 24

Re-classification of queued payments

1. With the exception of instructions for net repayment, intraday loan repayment and payments initiated by CBK, each participant can reclassify their payments, changing the order of payments in the queue.
2. Each participant can change the order of their payments, which are still outstanding in the queue, within the same priority. Sorting is done by changing the priority code within the band of codes for that type of transaction.
3. The reclassification of payments in the queue can also be carried out by the CBK when the participant has requested reclassification.

Article 25
Canceling a pending payment

1. During the working day CBK can cancel a pending payment as long as the payment has not been settled:
 - 1.1. at the specified request of the participant;
 - 1.2. when CBK assesses that the participant cannot manage the relevant queue due to technical problems.
2. During the close of the day, if there are outstanding payments in a participant's queue, they are automatically canceled by KIPS and the participant is informed with a corresponding ISO 20022 message.

Article 26
Group payment administration

1. Participants create/record or import from their internal systems several types of ACH payment transactions, which are then grouped by the system, separately for each beneficiary bank.
2. In the ACH component, credit transfers and debit transfers are processed. Credit transfers are divided into transactions: normal, giro, massive, salary/pension, and returned.
3. Participants ensure that each set of payment transactions has a unique reference number.
4. Any group payment transaction rejected by ACH may be resubmitted to the system after correction by the relevant participant. The re-sent group must have a new reference number.
5. The ACH system processes groups of small value payment transactions in the order in which they are sent (FIFO).
6. The groups of payment transactions that are transmitted to the beneficiary bank after settlement of the net positions in RTGS, at the end of the clearing session in the ACH system, have the digital signature of the originator of the payment transaction.
7. Groups with direct debit payment transactions are carried out in the last clearing session of the value date.

Article 27
Verification of group payments

1. Group payment transactions that fail the validation process are rejected by KIPS.
2. KIPS notifies the participant about groups of accepted or rejected payment transactions through files sent to the system. The rejection message contains the reference number of the rejected batch, the reasons for the rejection and the corresponding error code.
3. KIPS validates group payment transactions according to the following criteria:
 - 3.1. all groups must have a digital signature;
 - 3.2. BIC codes for participants must be on the list of participants;

- 3.3. all payment transactions within a group must have the same validity date, the same transaction type and the same ordering/debtor participant;
- 3.4. no small value payment transaction sent as normal should have a value greater than the upper limit set by CBK;
- 3.5. groups with small value payment transactions are sent within certain operating hours to KIPS;
- 3.6. the reference number of a set of payment transactions must be unique.

Article 28

Operating procedures for clearing sessions

1. During a business day, three or more clearing sessions take place in the ACH component.
2. The ACH system for participants generates the following information:
 - 2.1. reports of previous days;
 - 2.2. the beginning of the clearing session;
 - 2.3. the beginning of the acceptance of files;
 - 2.4. end of file acceptance;
 - 2.5. sending the net settlement to KIPS;
 - 2.6. termination of the session;
 - 2.7. changes made to the final cut, working day schedule, calendar, modification of the status of a participant in the system;
 - 2.8. the last reports of the day;
 - 2.9. reports that are generated at settlement;
 - 2.10. daily and monthly billing report.
3. Groups with direct debit transactions and direct debit rejections that are not approved before the final cut are automatically rejected by the ACH system.
4. Group payment transactions, the size of which exceeds 10 thousand payment transactions, must be sent by any participant no later than thirty (30) minutes before the close of the last clearing session.
5. Payment transactions that are not processed in one clearing session are transferred to the next session, while transactions that are not processed in the last clearing session are rejected.

Article 29

Procedures for direct debit transactions

1. The direct debit transfer carried out through KIPS is a debit transfer in which the orderer (initiator) is the payee, the orderer's (initiator) bank is the payee's bank, the receiving bank is the payer's bank and the recipient of the transfer direct debit is the payer.
2. In KIPS, several types of transactions related to direct debit are processed, such as; direct debit request, direct debit transaction rejection, direct debit return request and direct debit authorization.

3. KIPS accepts direct debit transactions at any time from Open for Business to Initial cut-off. After receiving these transactions KIPS will group and send them to the payer's bank.
4. Direct debit request transactions must be submitted at least two (2) business days prior to the settlement date.
5. The execution of direct debit transactions is carried out in the third (3) clearing session of the settlement date.
6. Refusal of direct debit transactions is accepted by KIPS only if they are sent before the opening of the third (3) session on the settlement day and as long as the rejected transactions have a pending status.
7. For settlement of direct debit transactions to the participant's account, along with all ACH transactions of that session, KIPS creates a net clearing transaction.
8. For each type of direct debit transaction, KIPS uses different types of ISO 20022 messages which are explained in the technical documentation in KIPS.

Article 30
Solving the 'Gridlock' situation

1. CBK intervenes in order to solve the Gridlock situation through the 'Gridlock' mechanism.
2. KIPS applies the Gridlock mechanism to select payments whose settlement is possible on the basis of bilateral or multilateral clearing. This intervention is carried out only under the condition of maintaining the FIFO order of payment transactions.
3. KIPS automatically activates the Gridlock mechanism at predetermined time intervals.
4. CBK can manually activate the Gridlock mechanism, in cases where it deems necessary.

Article 31
Payments rejected during the day

1. Automatically rejected by the KIPS system:
 - 1.1. payment transactions on account of participants' customers, which enter this system after the end of the schedule for this type of payments;
 - 1.2. payment transactions between participants, which enter the system after the end of the payment schedule.

Article 32
Settlements of net clearing transactions

1. The order for net settlements of payment transactions executed in KIPS is derived from the clearing result of the ACH component.
2. In each ACH clearing session, KIPS creates for each participant a net transaction to settle all transactions sent and received for that session.

3. Settlement of net transactions is realized only if all participants with net debtor positions have sufficient funds in their settlement accounts.
4. Participants must have arrangements for securing sufficient funds in their respective settlement accounts for prompt settlement of their net liabilities.
5. In cases of impossibility to settle net clearing transactions due to insufficient funds, participants can use transactions for daily liquidity support.
6. Net transactions from the ACH component for a clearing session are final and the registration or payment will not be returned, re-paid or set aside.

Article 33

Central Bank of Kosovo as a participant in the Interbank Payment System

1. CBK performs payment transactions as follows:
 - 1.1. payment transactions related to the reflection of the issuance and maturity of securities in KIPS;
 - 1.2. cash withdrawals and deposits for actions initiated by the CBK, as well as their payments resulting from operational activity;
 - 1.3. interest payments and applicable fines according to the provisions issued by the CBK;
 - 1.4. payments from the MF/Treasury and other clients of the CBK;
 - 1.5. payments of the CBK as a participant in the KIPS system, which originate from its operational activity.

Article 34

Validation and reversal of accepted transactions

1. For payments processed through the ACH module, including salary payments and other social schemes ordered by government institutions, the receiving bank will credit the beneficiary based only on the beneficiary's account number, always respecting the legal framework in force for compliance with the requirements for the Prevention of Money Laundering and against the Financing of Terrorism.
2. A beneficiary bank is subject to a procedure for reversal of the transaction accepted by an ordering bank. If the beneficiary bank is unable to transfer the funds to the beneficiary's account, it returns the payment transactions to the ordering bank within the next working day.
3. When returning the erroneous transaction, the beneficiary bank must include the elements for identification of the payment transaction it has accepted, as well as describe the reason for the return.

Article 35
Accounts in the Interbank Payment System

1. Each licensed bank keeps its balance in KIPS in two sub-accounts; settlement account and required reserve account. Funds can be moved from the settlement account to the reserve account and vice versa.
2. The settlement account represents the balance of funds that a participant maintains in the general ledger at CBK minus amounts held in reserve accounts, and this balance is the amount of funds available for general settlement purposes.
3. The settlement account will be used for KIPS operations and this account cannot go into negative balance.
4. Any movement or improvement in the balance of the bank current account in the main book of accounting in the Central Bank, which occurs after the end of the day and before the beginning of the next day in KIPS, is reflected in the settlement account in KIPS. At the moment when KIPS opens for business the next day, these transactions in the KIPS system cannot be recorded with the validity date of the previous day.
5. For each participating bank, KIPS automatically opens two temporary technical accounts; the account of collateral from securities for daily liquidity support (ILF), as well as the account for settlement of net transactions of clearing sessions.
6. In addition to the accounts mentioned in this article, non-bank participants can also open other accounts for settlement of transactions, known as PACS accounts.

Article 36
Intraday lending support for liquidity

1. The intra-day loan can be secured by the CBK against collateral in the form of Government securities held in SRK.
2. SRK notifies KIPS of the value of commitments held for each participant. KIPS holds this value in a collateral account for each participant. This value is then available to KIPS to withdraw automatically during the day, to automatically create an intraday loan up to the value of the pledged collateral. Intraday credit is used to increase the value of funds available in the participant's settlement account.
3. In cases of intraday loan application, at the end of the day, participants must provide sufficient funds in the settlement account.

Article 37
Overnight loans for liquidity

1. If a bank is unable to return the intraday loan for broad liquidity at the end of the working day in KIPS, the CBK may extend the intraday loan to a one-day liquidity loan for the bank in question, applying interest as determined with the CBK Policy on the interest rate.

2. With the opening of the SRK and KIPS systems and the beginning of the next working day, CBK will automatically return the remaining amount of the loan, as well as the applicable interest, by debiting the bank settlement account.
3. The bank cannot process payment transactions from its settlement account until all obligations arising from the overnight liquidity loan are paid and the bank's settlement account reaches the amount of the minimum balance reserve requirement for that day.

Article 38

Liquidity management tools

1. KIPS offers several tools for managing participants' liquidity, as in the following subsections:
 - 1.1. Real-time access to KIPS participant accounts for participant users;
 - 1.2. Various reports and notifications for monitoring the flow of funds in the participants' accounts;
 - 1.3. Participants are enabled to register the parameters for calculating the required reserve, as well as transfer funds between accounts;
 - 1.4. KIPS offers the possibility of managing pending transactions, such as; cancellation of transactions, change of priority, use of collateral, etc.;
 - 1.5. Through KIPS, the possibility of using intraday loans and one-day loans is offered according to the regulations of the CBK for intra-day and one-day loans;
 - 1.6. In order not to create loads for the use of liquidity at the end of the day, KIPS offers the possibility of applying incentives to the fees for payments that are sent in the first part of the day.

Article 39

Minimum required reserve balance

1. Based on the Regulation on Minimum Bank Reserves, CBK sets a minimum balance in the account of participating banks. In the KIPS system this balance is held in the required reserve sub-account and funds from this account cannot be used for repayment purposes.
2. The calculation of the minimum reserve balance is performed automatically by KIPS based on the parameters that are reported in advance by the participants in this system, in accordance with the CBK Regulation on Minimum Bank Reserves, as well as 50% of the cash held at participants.
3. The 50% cash parameter must be reported by participants every business day no later than 11:00 AM. After the first reporting, as needed, participants can update this parameter several times during the working day.

Article 40

Unforeseen events

1. Unforeseen events are classified as follows:
 - 1.1. interruption of communication with the participant;

- 1.2. disconnection of VPN communication at CBK;
- 1.3. other unforeseen interruptions of the KIPS system;

Article 41

Interruption of communication among participants

1. If a participant encounters technical difficulties that prevent the processing of payment transactions or computer monitoring in KIPS, he notifies the CBK within 30 minutes from the moment these difficulties are detected.
2. The participants immediately notify the CBK of any change in circumstances or operating conditions with difficulty.
3. Upon receiving the notification from the participant, CBK examines the problem and guides the participant on alternative options within two hours of receiving the notification.

Article 42

Unforeseen events in communication

1. To connect to the KIPS system, the participants use two direct VPN connections (from the CBK facility to the main offices of the participants) with fiber optics provided by two different local telecommunication companies.
2. In cases of prolonged interruption of the VPN connection for up to 30 minutes, the CBK notifies the participants by e-mail or telephone about the system interruption and the participants remain connected to the computer, so that it is possible to receive notifications or instructions required by CBK.
3. In cases where it is impossible to re-establish the VPN connection within two (2) hours, the participants under the instructions of the CBK, come to the CBK in order to register their payments manually at the KIPS access point.

Article 43

Access point to the Interbank Payment System

1. In case of failure of the VPN connections which enable the participants to access the KIPS from their locations, the DSP in its operational office maintains an emergency access point for the participants.
2. From this access point, participants can register RTGS payments through the PO module, receive reconciliation reports, and perform other basic account monitoring functions. To access KIPS from the access point, participating users must bring their e-token.

Article 44

Recording of unforeseen events

Each participant immediately records all unforeseen events and problems observed in the system and reports them to CBK no later than two (2) working days.

Article 45

Transition to the Business Continuity Center

1. Non-ordinary cases of work with KIPS can mainly be; cases of KIPS not functioning fully within two (2) hours, cases where due to problems in the network infrastructure one or more participants cannot access KIPS, as well as exceptional cases when the entire KIPS infrastructure -it together with its staff cannot operate from the usual location.
2. In cases where despite the support from DTI and the KIPS maintenance contracting company, the reported problems for the complete non-functioning of the KIPS cannot be resolved within two hours, then CBK will connect to the existing KIPS system in the business continuity center.
3. For exceptional cases when the entire KIPS infrastructure together with the staff and the office and other systems in the CBK cannot operate from the usual location, then the CBK can decide to work from the business continuity center.
4. In cases of work from the business continuity center, the CBK notifies the participating institutions, from where they are sent to the participants as needed; the new addresses for access to KIPS and its components, the list of contacts for communication with the DOSP staff, as well as other necessary details related to the work deadlines in this center.
5. CBK conducts at least one (1) time per year, the testing of the procedures for the transition of the KIPS to the business continuity center.

Article 46

Discontinuation of the Interbank Payment System

1. The CBK may partially or completely discontinue the operation of the KIPS, in circumstances where the continuation of its operation would have a negative impact on the stability of the system, while notifying the participants immediately.
2. During the period of discontinuation of system operation, operations are carried out according to the manner determined by CBK.
3. CBK restores KIPS operation as soon as possible, while immediately notifying all participants.

Article 47

Change administration and control

1. The changes in the KIPS system are as follows:
 - 1.1. functional and technical changes of KIPS;
 - 1.2. changes in the standards of communication messaging;
 - 1.3. VPN changes, etc.
2. CBK notifies and instructs the participants before the implementation of the planned changes of KIPS, when these changes affect the participant.

3. The necessary changes or improvements in the procedures as well as in the supplementary documentation of the KIPS system are notified to the participants.
4. Each change is tested in the testing system before being implemented in the main KIPS system.
5. In case of changes in the operation of KIPS, all participants are notified in advance, giving them the necessary time to prepare as well as to create the necessary conditions for testing the connection of their systems with KIPS.
6. CBK, mainly or at the reasoned request of the participant, can make changes in the KIPS system, in order to ensure its normal operation.
7. CBK, after examining the reasoned request of the participant, notifies him/her of its acceptance or rejection, accompanying this notification with the relevant arguments.

Article 48

Authorized persons

1. Each participant submits information on authorized persons who are responsible for communication with CBK regarding:
 - 1.1. User configuration;
 - 1.2. Change of user profiles;
 - 1.3. Deletion of users from the system;
 - 1.4. E-token management and delivery to the end user;
 - 1.5. Reporting of operational and technical issues.
2. CBK must update the list of all authorized participants in a separate file.
3. The CBK must be notified immediately by the KIPS participants regarding any change in the list of authorized persons.

Article 49

Support for users of the Interbank Payment System

1. CBK maintains a KIPS user support centre, where participants can address problems that arise during the KIPS working day.
2. CBK informs the participants via e-mail about the contact persons.
3. The cases for which the support will be provided are mainly the cases on the obstacles/interruptions of the operation of the KIPS which are observed by the DPSO staff, as well as the cases which are reported by the participants.
4. Regarding cases reported by the participants, the relevant personnel of these institutions must first analyse the instructions and technical documents on the operation of the KIPS related to the presented problem. Also, the latter should send detailed information on the nature of the problem when reporting problems.
5. The case is reported by e-mail to the official address for CBK user support, where explanatory/factual documents about the nature of the problem are attached.

Article 50
Responsibility for exceptional cases

1. The participants in the system are not responsible for damages resulting from non-fulfilment of the obligations defined in this Regulation, resulting from unforeseen events defined by Article 38 of this Regulation, state of emergency, wars, demonstrations, natural disasters and for any other circumstances beyond their control, and as a result of any other force majeure.
2. The participant who is unable to fulfil his/her obligations for the reasons defined under paragraph 1. of this Article, must:
 - 2.1. notify the CBK in writing about the cause and degree that prevented him/her from fulfilling his/her obligations;
 - 2.2. make all reasonable efforts to resume the fulfilment of obligations as soon as possible and at the same time, try to minimize the negative effects of the causes defined in paragraph 1 of this Article.

Article 51
Confidentiality

1. System participants must:
 - 1.1. Apply the rules of confidentiality of information on all payment transactions accepted by KIPS;
 - 1.2. KIPS participants may exchange information with any other participant, regarding any aspect of the operation or administration of this system;
 - 1.3. Each of the participants train the relevant personnel, who have rights to use the information on payment transactions received in the KIPS system for maintaining the confidentiality of this information, in accordance with the confidentiality rules and the provisions of this Regulation;
 - 1.4. CBK and the participants exercise the same level of care for the protection of information considered confidential by another party;
 - 1.5. The provisions of this Article are applied by the participants and CBK, even after the closing of the participant's settlement account.

Article 52
Fees for the Interbank Payment System

1. Banks and other participants in KIPS will pay the fees for the services provided by this system, such as; login to KIPS, fees for maintaining telecommunication connections, fees for making interbank payment transactions, fees for user maintenance, and any other fees that may be determined by the CBK.
2. For transactions sent to KIPS in the first part of the business day, CBK applies a percentage discount in relation to the main fee applied for that type of payment transaction.

3. For each transaction sent to KIPS, CBK charges the transaction fee only for the sending institution, while no fee is applied for the receiving institution.
4. Fees in KIPS are calculated on a daily basis, while the invoice with the total days for a given month is executed on the first business day of the following month, by debiting the account of participants in KIPS.
5. All participants in the payment system can extract from this system the invoices calculated on a daily basis for a given month and, at the same time, they can see the transaction that has debited their account for the value of the invoice executed on the first day of the following month.
6. CBK notifies the participants by e-mail about the execution of the invoice for one month's fees, on one of the first two business days of the following month.
7. For interbank payments processed through KIPS, the beneficiary bank of the transaction will not charge its customers with a fee for the received transactions, except in cases of collection payments, such as Giro, Direct Debit, or other types of payments that are made with fee sharing agreement.
8. KIPS service fees may be changed by CBK and will be published at least one month before their validity.

Article 53

Instructions for the operation of the Interbank Payment System

Within the framework defined in this Regulation, as deemed necessary, the Executive Board of the Central Bank of Kosovo issues instructions for the operation of the Interbank Payment System.

Article 54

Repeal

With the entry into force of this Regulation, the Regulation on the Interbank Payment System approved by the CBK Board on 1 August 2018 is repealed.

Article 55

Annexes

1. The following Annexes are attached to this Regulation:
 - 1.1. Letter of consent for participation in the Interbank Payment System - KIPS;
 - 1.2. User application and e-token.

Article 56

Enforcement, Remedial Measures and Penalties

Any violation of the provisions of this Regulation will be subject to punitive measures, as defined in the Law on the CBK and the Law on the Payment System.

Article 57
Entry into Force

This Regulation shall enter into force fifteen (15) days from the date of its approval.

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



Letter of consent for participation in the Interbank Payment System - KIPS

Through this Letter of Consent, the participant agrees to the following criteria:

1. The participant will respect and implement the regulation of the KIPS system and the relevant operational instruction;
2. The Participant confirms receipt of the copy of the KIPS Regulation and that he/she is informed of the instructions for the use of the KIPS;
3. The Participant undertakes not to negatively affect the efficiency of KIPS and the integrity of the payment transactions sent and received, the settlement of those transactions or endanger the KIPS system;
4. The participant undertakes to pay the fees and other mandatory payments specified within the relevant regulations of the CBK.
5. The rights and obligations provided for in this consent letter are not only for the KIPS system, but also apply to all other participants who have agreed to respect and implement the KIPS regulations, agreements and relevant instructions;
6. The participant, through this document, authorizes the CBK to administer his/her accounts held in KIPS for the purpose of the proper functioning of this system;
7. To use the KIPS system, participants must complete the application, as follows:

Application for participation in KIPS	
To:	Payments System Department Central Bank of the Republic of Kosovo
From:	Name of applicant:
	Place:
	Business number:
	Address of head office:
	SWIFT BIC:
	Settlement account:
	Contact person for operations in payment systems:
	Phone number:

	Fax number:	
	E-mail:	
	Contact person for IT services	
	Phone number:	
	Fax number:	
	E-mail:	
	Preferred start date: <i>(This is the preferred date from which the applicant wants to start to use KIPS.)</i>	

Signature by the participant:

Director's full name:	Signature:	Date:

User application and e-token		
To:	Payments System Department Central Bank of the Republic of Kosovo	
From:	Participant's name	
	Name of contact person:	
	Phone number	
	E-mail:	
Request type and user data		
Request type:	<input type="checkbox"/> User login <input type="checkbox"/> New e-token <input type="checkbox"/> User logout <input type="checkbox"/> Re-installation of certificate in E-token <input type="checkbox"/> Password reset <input type="checkbox"/> Delivery of E-token <input type="checkbox"/> Password reset on E-token	
System:	<input type="checkbox"/> ATS <input type="checkbox"/> PO	
Username:		
User/username		
User type	<input type="checkbox"/> <i>Operator</i> <input type="checkbox"/> <i>Administrator</i>	
Position and place of work:		
E-mail and telephone		
Other details on the request, reasonableness		
Data of the approver of the request from the participant		
Name and position:	Signature:	Date:

Approval by CBK

DPS:	DIT:	Date:
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