

Pursuant to Article 35, paragraph 1, subparagraph 1.1 and Article 65, paragraph 1 of Law No.03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No.77/16, dated August 2010), Article 8, paragraph 1, subparagraph 1.1 of the Law No.04/L-155 on Payment System (Official Gazette of the Republic of Kosovo, No.12/03 May 2013), Article 92, paragraph 3 and Article 114 of the 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 Central Bank of the Republic of Kosovo, at the meeting held on 29 November 2019, adopted the following:

## **REGULATION ON THE REGISTRATION 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 for:
  - 1.1 registration of non-bank financial institutions (hereinafter: NBFIs) for conducting financial activities;
  - 1.2 granting preliminary approvals for transactions requiring prior approval by the CBK for conducting NBFIs activity;
  - 1.3 reporting obligations to the CBK for conducting NBFIs activity.
2. This Regulation shall apply to all persons applying for registration with CBK, all persons engaging in NBFIs financial activities in the Republic of Kosovo, and all other NBFIs 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 the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, the Law on Payment System and/or as determined below, for the purpose of this Regulation:

1. **Non-banking financial institution (NBFIs)** – shall mean a legal entity licensed/registered by the CBK, under the legislation in force on Business Organizations, to be engaged in the following allowed NBFIs activities provided for by the Law on Banks, Microfinance Institutions and Non-Banking Financial Institutions, and this Regulation.
2. **Electronic money (e-money)** – shall mean electronically, including magnetically, stored monetary value as represented by a claim on the issuer, which is issued on receipt of funds for the purpose of

making payment transactions and which is accepted as a means of payment by persons other than the issuer;

3. **Leasing** – shall mean a financial activities determined under the Law on Leasing.
4. **Investment adviser** – shall mean advising in purchasing and selling financial instruments (shares, bonds of business and public organizations, treasury bonds and securities issued by the central government, instruments issued by the 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.
5. **Factoring** – shall mean the financial activity pursuant to the applicable CBK Regulation on Factoring.
6. **Guarantees** – shall mean any signed document, in a hard copy or electronic format, however named or described, that creates an obligation for the guarantor to make the payment on condition that the documents requested by guarantee are presented in accordance with the terms and conditions of the guarantee and uniform rules on demand guarantees - URDG 758 (Uniform Rules for Demand Guarantees).
7. **Service of money transfer or receipt and the service of payment for payments within or outside the country (payment service)** – shall mean any activity, individually or jointly permitting the execution of payment transactions, including the issuance and management of payment instruments, those activities enabling cash deposits and withdrawals, and any other service functional thereto. The term does not include the provision of solely online or telecommunication services.
8. **Payment account** – shall mean an account opened with the NBFİ registered for conducting payment and/or electronic money activity, on behalf of one or more payment service users, which is used to execute payment transactions;
9. **Payment service user** – shall mean a physical person or a legal entity making use of a payment service in the capacity of either payer or payee;
10. **Payer** – shall mean a person who holds a payment account and allows a payment order by debiting that account; or, where there is no payment account, a person who originates a fund transfer to the benefit of a payee;
11. **Payee** – shall be the person who is the intended final beneficiary of funds;
12. **Currency exchange** – shall mean the financial activity of purchasing foreign currency in cash, conducted by the NBFİ on behalf of and in its account, continuously and for profit purposes.
13. **Agent** – shall mean a person acting as a business organization established under CBK’s Regulation on Agents and Subcontracting the Activities of Payment Service Providers.
14. **Beneficial owner** – shall mean a person holding (owning) shares in the NBFİ directly or indirectly, jointly or in conjunction with other persons;
15. **Director** - shall mean any person appointed by the shareholders to serve as a member of a NBFİ’s Board of Directors.
16. **Independent Director** – shall mean the Director who is independent from the senior management or persons associated with the senior management.

- 17. Associated person** – shall mean any person who has at least one of the following relations with the NBFi:
- 14.1 any senior manager of the NBFi;
  - 14.2 any person related with the senior manager of the NBFi by marriage or blood until the second line of blood.
- 18. Senior Manager** – shall mean the chief executive officer, chief financial officer, chief operating officer, chief NBFi risk officer, as well as any person who:
- 15.1 reports directly to the board or participates or has authority to participate in major policymaking functions of the NBFi, and/or
  - 15.2 is designated as a senior manager by the CBK.
- 19. Capital or share capital** – shall mean the net amount or institutions’ funds which present the difference between assets and liabilities in accordance with the balance sheet, which reflects international accounting standards.
- 20. 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:
  - 1.1 Register NBFi for conducting, according to the provisions of this Regulation, one or several financial activities, as follows:
    - 1.1.1 lending;
    - 1.1.2 leasing – concluding loan and renting agreements;
    - 1.1.3 transferring and receiving money and payment services for payments within and outside the country (hereinafter payment service);
    - 1.1.4 currency exchange;
    - 1.1.5 factoring;
    - 1.1.6 guarantees;
    - 1.1.7 investment adviser;
    - 1.1.8 issuance of electronic money;
  - 1.2 Register agents for NBFis conducting activities of payment service and/or issuance of electronic money.
    - 1.2.1 NBFis registered to conduct the activity of issuing electronic money may not issue electronic money through agents, but may distribute and/or repay funds through one or more agents acting on their behalf.
2. NBFis may appropriately engage in the following activities without being subject to registration:
  - 2.1 payment service related to loans granted to clients;

- 2.2 obtaining funds by means of grants or/and borrowings from financial institutions ,for the purpose of lending or their use;
  - 2.3 borrowing from and placing funds in markets and institutions licensed by the CBK in order to manage their liquidity; and
  - 2.4 provision of technical, professional and training services to their clients related to financial services.
3. NBFIs registered for conducting the activity of issuing electronic money, with the same registration/license, may also conduct payment service activity with prior notification of the CBK.
  4. NBFIs conducting payment service activity and/or issuing electronic money, with the prior approval of the CBK, may also conduct the following financial activities permitted for NBFIs:
    - 4.1 lending under the following conditions:
      - 4.1.1 lending cannot be financed from funds held in payment accounts of payment service users;
      - 4.1.2 the loan shall be granted exclusively for the purpose of executing the payment transaction and cannot be withdrawn in cash;
      - 4.1.3 the loan granted for payment purposes shall be repaid within a short period of time, which shall in no case exceed twelve months;
      - 4.1.4 the loan shall not be granted from funds received or held for the purpose of executing a payment transaction; and
      - 4.1.5 the total amount of loans issued by the NBFIs shall in no case affect the required capital (regulatory capital) and the fulfilment of the supervisory requirements of CBK.
    - 4.2 Currency exchange;
    - 4.3 Investment advisor;
  5. NBFIs conducting the activity of payment service and/or issuing electronic money may open payment accounts on behalf of one or more payment service users. Payment accounts can only be opened if any payment instrument is offered.
  6. NBFIs registered to conduct the activity of issuing electronic money shall not receive deposits from the public or other repayable funds.
  7. NBFIs conducting the activity of payment service and/or issuing electronic money may also be licensed as payment system operators.
  8. After the NBFIs is registered by the CBK, it may start performing financial activities for which it has received the approval by the CBK.
  9. Unless otherwise specified in this Regulation, NBFIs seeking to engage in other permitted financial activities other than those authorized or registered in advance must obtain prior approval by the CBK.

#### **Article 4**

##### **Requirements of capital**

1. The minimum amount of capital required for registration and maintenance of NBFIs shall be as follows:

- 1.1. Lending – EUR 300,000.00 (three hundred thousand);
  - 1.2. Leasing – EUR 150,000.00 (one hundred and fifty thousand);
  - 1.3. Payment services – EUR 125,000.00 (one hundred and twenty five thousand);
  - 1.4. Currency exchange – EUR 10,000.00 (ten thousand);
  - 1.5. Factoring – EUR 150,000.00 (one hundred and fifty thousand);
  - 1.6. Guarantees – EUR 150,000.00 (one hundred and fifty thousand);
  - 1.7. Investment advisor – EUR 100,000.00 (one hundred thousand);
  - 1.8. Issuance of electronic money; – EUR 350,000.00 (three hundred and fifty thousand)
2. NBFIs seeking to engage in more than one activity, the minimum capital required and maintained shall be at the amounts specified for each activity required pursuant to paragraph 1 of this Article. The provisions of this paragraph do not apply to NBFIs registered for conducting the activity of issuing electronic money, which also perform payment services, and to NBFIs registered for conducting the activity of payment service and/or issuance of electronic money, engaged also in lending activity in accordance with the provisions of Article 3, paragraph 4, subparagraph 4.1 of this Regulation.
  3. In addition to the capital set forth in paragraphs 1 and 2 of this Article, NBFIs shall also have an additional fund to cover the costs of founding, operating and administering, which in any case shall no longer be less than ten per cent (10%) of the capital specified in paragraphs 1 and 2 of this Article. The additional fund requirement under this paragraph applies only to initial applications for registration as NBFIs.
  4. The CBK, based on the assessment of risk management systems, loss risk data and the institution's internal control systems, may in any case require additional capital levels of up to 20% (twenty per cent) above the minimum required initial capital.
  5. The total capital in relation to total NBFI assets shall not be less than 10% (ten per cent). This paragraph shall not apply to NBFIs registered/licensed solely for the purpose of providing currency exchange activities.
  6. NBFIs registered for conducting the activity of payment service and/or issuance of electronic money, which requires that they conduct their activity through one or more agents, the minimal amount paid-in capital paid according to paragraph 1 of this Article should be continuously supplemented with EUR 2,000 (two thousand) per each additional agent.
  7. Electromechanical equipment for the realization of automatic transactions (ATMs, point of sale (POS) terminals, etc.), for the purposes of this Regulation shall not be considered as NBFI offices and/or NBFI agent offices.
  8. The capital required pursuant to paragraph 6 of this Article may also be ensured through the Bank Guarantee and/or irrevocable credit letter, referred to in this paragraph as a “securities”.
    - 8.1. NBFI should ensure securities in the amount of EUR 2,000 (two thousand) for each additional office or agent.
    - 8.2. securities must be added for each new office or agent according to the abovementioned amount;
    - 8.3. 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 NBFI to ensure fulfillment of obligations by the NBFI with regard to the receipt, treatment, transmission and payment of money regarding the money transfer;
    - 8.4. Every request towards the insurance instrument may be subject to administrative review;
    - 8.5. Securities should continue to be held valid for a period not less than a year.

9. 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 (if applicable), as it is provided for in Article 5, paragraph 3, sub-paragraphs 3.3 and 3.4 of this Regulation.
10. The CBK is entitled to request clarification and conduct further verifications regarding the source(s) which will serve as initial paid-in capital or as any other subsequent addition.
11. Sources of capital funds should be legal and should not derive from landings to the public, loans and/or other funds, the origin of which is unlawful.

## **Article 5**

### **General registration requirement**

1. The ones interested for registration as NBFIs should meet all requirements pursuant to the Law on Banks, Microfinance Institutions and Non-Banking Financial Institutions 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 only after the information meeting held with CBK's representatives.
2. The application shall be signed by the founding shareholder(s) or their legal representative and shall be submitted to the CBK, with the physical presence of the shareholder(s) or the representative of the proposed founding shareholders of the NBFIs. The application must be submitted along with the complete documentation required by the Law on Banks, Microfinance Institutions and Non-Banking Financial Institutions and by this Regulation.
3. NBFIs registration requirements should be in written form, accompanied by the completed forms according to the CBK format and should include the following documentations/information:
  - 3.1. applicant's documents (founding act and/or statute) ;
  - 3.2. business registration certificate, which establishes the activity(s) for which the entity requires to be registered with the CBK;
  - 3.3. the list of shareholders and beneficial owners of the applicant for registration as NBFIs, stating the name, nationality, address, business and professional background for the last ten (10) years, and the relevant holding of shares, along with the following documentation (for the principal shareholders):
    - 3.3.1. For shareholders that are organized as business organizations (legal persons and/or natural persons) according to the Law on Business Organizations:
      - 3.3.1.1. business registration documentation and statute (for foreign legal persons-legally equivalent acts according to the foreign legislation/jurisdiction);
      - 3.3.1.2. the decision of the decision-making body of the legal person and/or natural persons organized as a business organization for participation in NBFIs capital;
    - 3.3.2. For natural persons, which are not organized as business organizations:
      - 3.3.2.1. identification document issued by the state, the national of which is the proposed shareholder, and the exact address of residence; and
      - 3.3.2.2. list of businesses to which he/she holds shares, business registration certificates for each case, as well as data on insolvency and/or bankruptcy;
    - 3.3.3. The following certificates issued by the competent authorities under the jurisdiction where the shareholder is domiciled, showing that:

- 3.3.3.1. the person is not being prosecuted;
  - 3.3.3.2. the person is not being trailed for criminal offenses;
  - 3.3.3.3. the person is not criminally convicted;
  - 3.3.3.4. from the Chamber of Private Enforcement Agents, that the person is not undergoing a compulsory enforcement proceedings for unpaid property liabilities;
  - 3.3.3.5. that the person does not have personal bankruptcy files, disqualification from the exercise of profession, or previous or current involvement in the managerial position of a corporate or other body of the business organization which has undergone insolvency proceedings;
  - 3.3.3.6. consent/authorization allowing the CBK to verify the criminal record and obtain other information regarding the information presented;
  - 3.3.3.7. the documents required under this paragraph must have been issued no earlier than 3 (three) months from the date of application to the CBK.
- 3.4. amount of the applicant's committed capital for registration as NBF, including proof of fee payment and documentation of its source:
- 3.4.1. notary statement of shareholders on the source of paid-up capital and that the source of this capital is not public debt, loan and/or other funds, the origin of which is unlawful.
  - 3.4.2. for the shareholders organized as a business organization, a notary statement of the shareholders on the source of the initial paid-up capital and any additions thereto in the course of carrying out the activity, shall be accompanied by the following documentation:
    - 3.4.2.1. proof on the source of the capital made, such as the independent external auditor's report, annual financial statements, gifts or other resources intended to be used for the purchase of the applicant's shares;
    - 3.4.2.2. certificate issued by the competent authorities giving information on the balance of the legal entity and on the fulfilment of tax liabilities.
  - 3.4.3. for the shareholders/natural persons, a notary statement of the shareholders on the source of the initial capital paid-up and any additions thereto during the course of business activity, shall be accompanied by the following documentation:
    - 3.4.3.1. proof on the source of the capital made, such as purchases and sales, gifts, salaries, bank deposits or other certificates on the source of the capital made;
    - 3.4.3.2. certificates proving the fulfilment of tax liabilities;
    - 3.4.3.3. contributions to the applicant's capital shall not derive from publicly borrowed funds, bank loans and other funds the origin of which is unlawful.
- 3.5. name, nationality, place of residence, qualifications and experience of the director or senior manager of the NBF, which shall be accompanied by the following documentation:
- 3.5.1. the decision-making body's decision on appointment;
  - 3.5.2. identification document;
  - 3.5.3. proof of university education;
  - 3.5.4. the following certificates issued by competent authorities under the jurisdiction of the place of residence for directors, senior managers and (if applicable) legal representatives:
    - 3.5.4.1. that the person is not under criminal prosecution;
    - 3.5.4.2. that the person is not in trial for criminal offences;
    - 3.5.4.3. that the person is not criminally convicted; and
    - 3.5.4.4. from the Chamber of Private Enforcement Agents, that the person is not in the process of compulsory execution for unpaid asset obligations.

- 3.5.4.5. that the person has no personal bankruptcy files, disqualification from the exercise of the profession or past or present involvement in the management function of any corporation or other entrepreneurial body that has been subject to insolvency proceedings;
  - 3.5.4.6. certificates attesting to the fulfilment of tax liabilities;
  - 3.5.4.7. consent/authorization allowing the CBK to verify the criminal record and obtain other information regarding the information submitted;
  - 3.5.4.8. the documents required under this paragraph must be issued no earlier than 3 (three) months from the date of application to the CBK.
- 3.6. The business plan which includes as follows:
- 3.6.1. the organizational structure of the applicant for the registration of the NBFi and the level of responsibility(s);
  - 3.6.2. planned financial activities, market assessment, competition, market characteristics and its development trends;
  - 3.6.3. business activity implementation scheme and description of measures for safeguarding/securing clients funds (applies only to applicants for registration as NBFi conducting the activity of issuing electronic money and/or payment service);
  - 3.6.4. identification of risks, to which NBFi registration applicants are exposed, including offices/agents;
  - 3.6.5. projected financial state of the applicant for registration as a NBFi for the first 3 (three) years of exercising its post-registration activity (projected financial statements);
  - 3.6.6. sources of funding and structure of funds for the first 3 (three) years of post-registration activity;
  - 3.6.7. principles, based on which the business plan has been prepared;
  - 3.6.8. an information regarding the offices where the applicants for registration as NBFi plan to perform the activity(s); and
  - 3.6.9. projection regarding the implementation of the regulatory and supervisory framework for the first 3 (three) years of activity.
  - 3.6.10. description of the technical equipment and resources required for the performance of the activity, including appropriate computer, information, accounting and recording systems;
- 3.7. internal regulatory acts (internal regulations and/or guidelines) adopted by decision-making bodies on:
- 3.7.1. the operational activity of the applicant for registration as a NBFi;
  - 3.7.2. the internal control system, including effective internal control procedures, and in particular, procedures to be used by agents (in cases where the applicant requires registration for the activity of issuing electronic money and/or payment service) for ensuring compliance with legal and regulatory requirements for the prevention of money laundering and terrorist financing;
  - 3.7.3. consumer protection;
  - 3.7.4. risk management;
  - 3.7.5. prevention of money laundering and terrorist financing, including a program of measures in accordance with the legislation in force;
  - 3.7.6. a description of the plan for work continuation that includes a clear identification of critical operations, an effective emergency plan and a procedure for continuous testing and review of those plans;



- 3.7.7. organization, operation and management of information and communication technology systems, including the manner of information and customer data protection/security.
  - 3.8. 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 is needed, if applicable, stating that there is no objection for the establishment of operation in Kosovo and that it exercises consolidated supervision on the NBFi;
  - 3.9. list of planned tariffs for provision of products and services;
  - 3.10. proof of NBFi's application fee payment;
  - 3.11. additional information if CBK considers it reasonable.
4. Institutions for provision of payment services abroad should have an agreement with an international system authorized for electronic transfers.
  5. The requirements of this article shall apply accordingly for the registration of the applicant as NBFi to conduct currency exchange activity as the sole activity;
  6. The documentation submitted should be in one of the two official languages of the Republic of Kosovo, either in original or in a notarized copy. In the case of documentation issued by the relevant official authorities in foreign countries other than the Republic of Kosovo, the documentation must be legalized by the responsible authorities of the respective States.

## **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 sub-paragraph 1.2, paragraph 1 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 sub-paragraph 1.2, paragraph 1 of this Article. In case of suspension of procedures for reviewing the application for registration, then CBK shall inform the applicant in writing.
  - 1.5. The 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. The 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, the CBK may request additional information or certain changes/improvements, if reasonable.

2. If the CBK considers that the information provided in the notice is incomplete or inaccurate, the CBK may take further action to verify the information.
3. Conditions for approving or rejecting the registration:
  - 3.1. The CBK shall decide to approve registration if the following conditions are fulfilled:
    - 3.1.1. Shareholders 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;
    - 3.1.2. The shareholding capital committed is paid;
    - 3.1.3. Qualifications, experience and reputation of members of the board of directors and senior managers, are adequate for implementing the business plan, as provided for in Article 12 of this Regulation;
    - 3.1.4. The business plan submitted should be real and competitive in the market, and the expected financial state of the NBFi proposed should be satisfactory.
  - 3.2. The CBK rejects the approval of the application for registration in the following cases:
    - 3.2.1. the conditions determined above under sub-paragraph 3.1, paragraph 3 of this Article are not met;
    - 3.2.2. one of the shareholders has been subject to insolvency filing procedures, including official administration or bankruptcy;
    - 3.2.3. if the origin of the invested share capital is not clear to the CBK;
    - 3.2.4. false information is provided in the application.
  - 3.3. The CBK, in order to carry out the assessments set out in this Article, in addition to reviewing the documentation submitted, shall cooperate and may request information from peer supervisory authorities and institutions specialized in combating economic crime, prevention of money laundering; the tax authorities; Kosovo Competition Authority or any other relevant local or international institution.
  - 3.4. 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 shall be granted for an indefinite period of time and shall be non-transferable.
2. After registration, the NBFi shall commence operations within (6) six months from the date of notification for registration. For NBFis registered to exercise the activity of payments service and/or electronic money issuance, the deadline for commencing operation is 12 (twelve) months from the date of notification for registration.
3. If NBFis do not commence operation within the deadlines under paragraph 2 of this Article, the registration approved by the CBK shall be revoked.
4. The NBFi registration certificate shall be issued in accordance with the Regulation on Issuance of Licensing or Registration Certificates of financial institutions.

5. The NBFİ shall, before the commencement of financial activity, 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. The NBFİ applying for registration shall pay the application fee, according to the amount determined by the CBK. The fee paid shall be non-refundable in case of refusal of registration.
2. After registration, the NBFİ shall pay other fees according to the amounts determined by the CBK

## **Article 9**

### **Revocation or suspension of registration**

1. The NBFİ registration could be revoked only upon the CBK's decision if one or more of the following reasons are present:
  - 1.1. If the NBFİ does not commence functioning within the period defined in paragraph 2 of Article 7 of this Regulation, or:
    - 1.1.1. the NBFİ has discontinued the activities for which it has been registered with the CBK for more than 6 (six) months without interruption;
    - 1.1.2. the NBFİ registered to exercise the activity of payment services and/or electronic money issuance has ceased to provide payment services and/or electronic money issuance activities for a period of more than one (1) month without interruption;
  - 1.2. there are reliable data that shareholders, directors and/or senior managers are involved in money laundering or terrorist financing activities;
  - 1.3. the CBK has approved the plan for the NBFİ to terminate its operations in Kosovo and has complied with that plan;
  - 1.4. the NBFİ has violated any legal provision, any CBK ordinance or regulation or any condition or limitation relating to the authorization issued by the CBK after being notified by the CBK;
  - 1.5. the NBFİ has engaged in unsafe or unhealthy practices according to the CBK;
  - 1.6. the NBFİ no longer fulfils the conditions under which it was registered;
  - 1.7. the registration was obtained on the basis of false information submitted by or related to the claimant.
2. The NBFİ registration shall be revoked by a CBK decision if the NBFİ is deemed insolvent or it is reasonably expected to become insolvent.
3. For the purposes of this Article, "insolvent" shall mean that the NBFİ is not paying its obligations or the value of the NBFİ's obligations exceeds the value of its assets. The value of the NBFİ's assets, liabilities and regulative capital is determined in accordance with the assessment standards and procedures set by the CBK.
4. The CBK may, when it deems it appropriate, decide to suspend the registration of the NBFİ. In such cases the periods and other conditions relating to the suspension shall be determined by decision of the CBK.

## **CHAPTER III TRANSACTIONS REQUIRING PRIOR APPROVAL**

### **Article 10 Prior approvals**

1. NBFI's transactions which require prior approval are as follows:
  - 1.1. change of name;
  - 1.2. changes to the founding document and/or statute;
  - 1.3. increase of share capital;
  - 1.4. reduction of share capital;
  - 1.5. all transactions and actions related to the share capital that result in the change of the list of shareholders, who hold ten per cent (10%) or more of the share capital, and/or voting rights in the NBFI;
  - 1.6. appointment of directors and senior managers;
  - 1.7. expansion of activity;
  - 1.8. opening and relocation of NBFI's offices inside the country;
    - 1.8.1. for the purposes of this Regulation, relocation of the NBFI's offices inside the country means the change of location of the respective office within the territory of the same municipality.
  - 1.9. closing of offices inside the country;
  - 1.10. sale or transfer (complete or partial) of the NBFI's business (portfolio) to another entity;
  - 1.11. merger and/or amalgamation;
  - 1.12. dividend distribution.
2. The CBK shall approve or reject the transaction under paragraph 1 of this Article within 30 days of the date of completion of the request, based on the documentation specified in paragraphs 3 and 4 of this Article.
3. For approving transactions under paragraph 1 of this Article, the NBFI shall present a written request accompanied by the following documentation:
  - 3.1. change of the name:
    - 3.1.1. decision by the decision-making body; and
    - 3.1.2. written reasoning for such change.
  - 3.2. amendments to the founding document and/or statute:
    - 3.2.1. decision by the decision-making body;
    - 3.2.2. amended founding document and/or statute;
    - 3.2.3. written reasoning for such amendment to the founding document and/or statute.
  - 3.3. increase of share capital:
    - 3.3.1. if the NBFI's share capital is increased from internal sources:
      - 3.3.1.1. statement on source of capital increase;
      - 3.3.1.2. the NBFI's external audit report for previous year;
      - 3.3.1.3. financial statements of last period reported by the CBK, which prove the sufficiency of these sources within the NBFI's capital structure.

- 3.3.2. if the NBFİ's share capital is increased from external sources, requirements of Article 5, paragraphs 3.3 and 3.4 of this Regulation shall apply.
- 3.4. reduction of share capital:
  - 3.4.1. decision by the decision-making body;
  - 3.4.2. description of the impact of such change on capital requirements under this Regulation;
  - 3.4.3. written justification for the decrease of share capital.
- 3.5. changes to ownership by shareholders who hold ten per cent (10%) or more of the share capital and/or voting rights in the company;
  - 3.5.1. report of the joint stock company in the case of shareholders organized as a business organization or CVs of individual shareholders according to the form provided by the CBK;
  - 3.5.2. name, nationality, place of residence and business and professional history for the last ten (10) years of the applicant and any beneficial owner of the applicant who, as a result of the transaction, would indirectly benefit five percent (5%) or more of the NBFİ's capital interests, as well as the information/documentation required by Article 5, paragraph 3, subparagraph 3.3, of this Regulation;
  - 3.5.3. list of business organizations wherein the proposed owners, including the beneficial owners (as described above), hold shares, specifying the level of such shareholding and the registered addresses of those business organizations;
  - 3.5.4. for each legal entity, the audited financial statements (audited if applicable) for the last three (3) years;
  - 3.5.5. the source and amount of funds used in the exercise of amalgamation as set forth in Article 5, paragraph 3, subparagraph 3.4, of this Regulation; and
  - 3.5.6. in any case where the amalgamation of the shares would cause the NBFİ to become a subsidiary of a foreign financial institution, a statement from the responsible supervisory authority of the home country that there are no objections to the commencement of operations in Kosovo and that it exercises global consolidated oversight on the NBFİ established in Kosovo, if applicable;
  - 3.5.7. signed certified agreement for change of share ownership.
- 3.6. appointment of directors and senior managers:
  - 3.6.1. documentation specified in Article 3, paragraph 3, subparagraph 3.5, of this Regulation.
- 3.7. expansion of activity:
  - 3.7.1. decision by decision-making body on exercise of additional activity;
  - 3.7.2. document verifying payment of additional amount of minimum capital (if applicable);
  - 3.7.3. policy and procedures necessary for performing additional activity;
  - 3.7.4. business plan as specified in Article 5, paragraph 3, subparagraph 3.6, of this Regulation and impact on the entity's general financial standing.
- 3.8. opening and relocation of offices:
  - 3.8.1. decision by decision-making body;
  - 3.8.2. justification for office opening or relocation;
  - 3.8.3. written notification on fulfilment of technical and safety conditions. Such notice shall specify the steps taken to fulfil these conditions and the photographs proving this.
- 3.9. closing of offices:

- 3.9.1. identification of office to be closed and proposed closing date;
  - 3.9.2. decision by decision-making body;
  - 3.9.3. report with reasons for deciding to close the office;
- 3.10. sale or transfer (complete or partial) of the NBFIs business (portfolio) to another entity
  - 3.10.1. decision by decision-making body on such transactions;
  - 3.10.2. signed agreement or draft agreement between the NBFIs and the other entity.
- 3.11. merger and/or amalgamation:
  - 3.11.1. decision by the decision-making body of the NBFIs and the other financial institution involved in the action for approval of their reorganization through merger;
  - 3.11.2. agreement or draft agreement and detailed report of the merger process, signed by the legal representatives of institutions involved in the merger process. The agreement or draft agreement and the report shall be in writing and in accordance with the applicable legislation;
  - 3.11.3. NBFIs draft statute after implementation of the merger process;
  - 3.11.4. strategic and operational plans for implementing the merger, including required amalgamation analyses and financial statement projections for the merged NBFIs;
  - 3.11.5. in case of change of directors and senior managers of the merged NBFIs, documentation shall be submitted in accordance with the requirements for directors under the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, and this Regulation;
  - 3.11.6. new structure of the NBFIs shareholders.
- 3.12. dividend distribution:
  - 3.12.1. decision by shareholders' assembly and board of directors on dividend distribution;
  - 3.12.2. projections related to balance, income statement and initial capital on monthly basis for the 12 upcoming months, reflecting the potential dividend payment;
  - 3.12.3. audited financial statements for previous year.
4. The CBK may request additional documents other than those specified in paragraph 3 of this Article.
5. The application for approval of the above transactions and the documentation attached to the application shall be filed by the NBFIs and shall be in one of the two official languages of the Republic of Kosovo, either in original or in a certified copy. In the case of documentation issued by relevant official authorities in foreign countries other than the Republic of Kosovo, the documentation shall also be certified by the responsible authorities of the respective states.
6. The CBK shall approve the applications submitted by NBFIs for transactions under paragraph 1 of this Article only if the following criteria are met:
  - 6.1. change of name:
    - 6.1.1. the proposed new name of the NBFIs shall be in accordance with the Law on Banks, Microfinance Institutions and Non-bank Financial Institutions, the Law on Business Organizations and the Law on the Use of Languages.
  - 6.2. changes to the founding document and/or statute:
    - 6.2.1. changes shall not stand in violation with the applicable legislation, depending on the type of change concerned.

- 6.3. increase of share capital:
  - 6.3.1. legitimate source of capital funds.
- 6.4. reduction of share capital:
  - 6.4.1. the impact of such decrease on the NBFI, including but not limited to the impact that the decrease may have on the NBFI's financial viability, ownership structure and shareholder suitability.
- 6.5. transactions and activities related to the share capital that changes the list of shareholders, who hold ten per cent (10%) or more of the share capital, and/or voting rights in the company;
  - 6.5.1. the proposed amalgamation is evaluated according to the same criteria that apply to the approval of a NBFI registration request with regard to shareholders, including but not limited to, the expected effects of the proposed amalgamation on the NBFI's financial viability and ownership structure and the impact of such amalgamation may have on the NBFI's oversight by the CBK.
- 6.6. appointment of directors and senior managers:
  - 6.6.1. the criteria under Article 12 of this Regulation shall apply;
- 6.7. expansion of activity:
  - 6.7.1. the criteria for registration of the NBFI shall apply accordingly when assessing the application for approval of NBFI's additional activity, depending on the additional activity for which approval is required.
- 6.8. opening and relocation of offices inside the country:
  - 6.8.1. the impact of opening or relocation on the community in which the office is or will be located;
  - 6.8.2. the NBFI shall provide the CBK with sufficient information and facts that the office is ready to conduct its business in terms of technical and security conditions including computer system, staffing, security, etc.;
  - 6.8.3. the CBK shall have the right to order the suspension of the activity in the relevant office even after approval if it finds that the technical and security conditions for the exercise of financial activity have not been met.
- 6.9. closing of offices inside the country:
  - 6.9.1. the CBK recognizes that expanding or reducing the office network is a business decision of the NBFI itself. However, the CBK may temporarily postpone the NBFI for up to 30 calendar days upon the closure of the office if, in the judgment of the CBK, the closure of the office would have a significant adverse effect on access to financial services in the community served from that office.
- 6.10. sale or transfer (complete or partial) of the NBFI's business (portfolio) to another entity:
  - 6.10.1. the impact of the sale or transfer of business (portfolio) on NBFI clients;
  - 6.10.2. the impact of the sale or transfer of the business (portfolio) on the NBFI's financial standing;
  - 6.10.3. the sale or transfer of the business (portfolio) shall not give rise to an anti-competitive effect.
- 6.11. merger and/or amalgamation:

- 6.11.1. the merger or amalgamation does not jeopardize the financial standing of the merged NBFI;
  - 6.11.2. the NBFI has a system of organization, management, decision-making and information technology that enables the full integration of the merged or amalgamated NBFI in a way that does not jeopardize its operation;
  - 6.11.3. the merger or amalgamation is economically viable;
  - 6.11.4. the merger and/or amalgamation does not give rise to an anti-competitive effect;
  - 6.11.5. it is the responsibility of the NBFI to obtain approval from other authorities that may be necessary before the transaction is completed.
- 6.12. dividend distribution.
- 6.12.1. the impact of the dividend distribution on the NBFI, including but not limited to, the expected effects on the NBFI's financial viability.
7. When deciding whether to approve such transactions, the CBK shall also consider other criteria for the purpose of achieving its goals as set forth in the applicable legislation.

## **CHAPTER IV TRANSACTIONS REQUIRING NOTIFICATION TO CBK**

### **Article 11 Requirements for notifying NBFI changes**

1. NBFIs shall notify the CBK within 30 days of occurrence of changes for the following transactions:
  - 1.1. any change in ownership of shareholders who possess less than ten per cent (10%) of the capital;
  - 1.2. resignation of directors and senior managers;
  - 1.3. reappointment of directors and senior managers;
  - 1.4. changes to the organizational structure if such changes are not reflected in the NBFI's statute, the director or senior managers.
2. NBFIs shall notify the CBK without delay of operational risk events if one of the following cases occur:
  - 2.1. financial losses resulting from theft, financial fraud or other similar cases, which represent a loss to the NBFI in an amount exceeding € 1,000 (one thousand Euros);
  - 2.2. events that result in serious damage or loss of NBFI's important data or books, interruption of operations for more than three hours in two or more offices, or interruption of operations for more than five hours in a single office, affecting the normal operations of the NBFI;
  - 2.3. in case NBFI's exclusive information is stolen, sold or published without NBFI's permission or if information is lost that could damage NBFI's financial stability;
  - 2.4. frequent breach of applicable rules by the senior management.

## **CHAPTER V ORGANIZATION, MANAGEMENT AND ADMINISTRATION OF NON-BANK FINANCIAL INSTITUTIONS**



## **Article 12**

### **Governance of NBFIs**

1. The NBFIs 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. NBFIs' governance should be in accordance with the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and this Regulation.
2. As set forth in Article 97, paragraph 1, of the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, NBFIs shall have a board of directors consisting of not less than 3 (three) members, of which the majority shall be independent and non-executive directors.
3. Directors and senior managers should fulfil the "fit and proper" criteria as requested by the CBK.
4. Directors and senior managers of the non-banking financial institution should at least meet the following criteria:
  - 4.1. have a university degree in the field of economy, jurisprudence or another relevant field;
  - 4.2. have three (3) years of experience in the banking and/or financial sector or any other field considered appropriate by the CBK;
  - 4.3. have a high ethical and professional reputation;
  - 4.4. have not been removed by the CBK from a position in a financial institution;
  - 4.5. have not been convicted by a criminal court for a criminal offense with imprisonment of one year or more, concerning which the option of fine has not been ruled;
  - 4.6. have not been convicted of economic crimes or found guilty of economic offences under the Criminal Code;
  - 4.7. have not been denied, by court decision, the exercise of activities within the powers prescribed for directors and senior managers;
  - 4.8. have not been excluded or suspended by the competent authority from practicing the profession on grounds of personal misconduct;
  - 4.9. have not caused or been responsible for the bankruptcy of any entity that conducts economic activity;
  - 4.10. have not been subject to insolvency filing procedures including official administration or bankruptcy, and are free from paying past due liabilities.
5. In exceptional circumstances, after being satisfied with the qualifications, professional experience and conduct of the person, the CBK may exempt a director or senior manager from the provisions of subparagraph 4.10 of paragraph 4 of this Article.
6. NBFIs conducting solely currency exchange activity may have the governance organized in accordance with the statute of the institution.
7. Managers of institutions conducting solely currency exchange activity should at minimum have finished secondary education and have knowledge on the activity of currency exchange.
8. The NBFIs Board of Directors committees shall be composed of members of the Board of Directors only, with the exception of the Audit Committee in which at least one member shall be an external accounting or auditing expert.
9. The CBK may require NBFIs to have additional committees other than those provided for in the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions.

10. NBFIs may establish additional committees other than those specified in the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions and other committees within senior management.

## **CHAPTER VI FINAL PROVISIONS**

### **Article 13 Other**

1. NBFIs or their agents are not allowed to make identifying advertisements for the institutions before registration/approval by the CBK.
2. The CBK may carry out on-site inspection of the NBFIs or their agents prior to commencing the activity for which they are registered. The purpose of such examination is to assess if the office in question has established the conditions to meet the obligations determined under technical and security conditions of premises 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. NBFIs shall place their registration certificate by the CBK in a visible place within their office/offices.
5. In case of requests for other NBFIs activities foreseen by the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, the provisions of this Regulation shall apply accordingly.

### **Article 14 Applicable Regulations**

1. The following banking regulations of the CBK are applied accordingly (with necessary changes) to NBFIs, until otherwise provided by the CBK:
  - 1.1. Regulation on Letter of Credit and Bank Guarantee;
  - 1.2. Regulation on Standard Bank Account Numbering System;
  - 1.3. Regulation on Electronic Payment Instruments;
  - 1.4. Regulation on Minimum Safety Requirements.

### **Article 15 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 of the Republic of Kosovo, the Law on Banks, Microfinance Institutions and Non-Bank Financial Institutions, and the Law on Payment System.

### **Article 16 Abrogation**

Upon entry into force of this Regulation, the Regulation on Registration, Supervision and Activities of Non-Bank Financial Institutions, approved by the board of CBK on 28 May 2015, shall be abrogated.

**Article 17**  
**Entry into force**

This Regulation shall enter into force on 1 January 2020.

Flamur Mrasori

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