



Pursuant to Article 35, paragraph 1, subparagraph 1.1 of Law No. 03/L-209 on Central Bank of the Republic of Kosovo (Official Gazette of the Republic of Kosovo, No. 77 / 16 August 2010), Article 4, paragraph 3 and Article 41, paragraph 6 of Law No. 05/L-045 on Insurances (Official Gazette of the Republic of Kosovo No. 38 / 24 December 2015), the Board of the Central Bank of the Republic of Kosovo, in its meeting held on 25 February 2016, approved the following:

## **Regulation on mergers and acquisitions**

### **Article 1**

#### **Purpose and scope**

1. The purpose of this Regulation is to define procedures that insurers are obliged to perform in the process of merger or acquisition, with such procedures requiring prior approval by the CBK.
2. This Regulation applies to all insurers licensed by the CBK and operating in the Republic of Kosovo.

### **Article 2**

#### **Definitions**

1. All terms used in this Regulation have the same meaning as the terms defined in Article 3 of Law No. 05/L-045 on Insurances (hereinafter: the Law on Insurances) and/or the following definitions for the purpose of this Regulation:
  - a) *Mergers* - means merging of two or more insurers or reinsurers, through the transfer of total assets and liabilities into a new insurer;
  - b) *Acquisition* - means the process of buying or acquiring a part or a whole company (Joint Stock Company).
  - c) For the purposes of this Regulation, the term insurer means insurer and/or reinsurer.

### **Article 3**

#### **Mergers**

1. No insurer may merge with any other insurer without prior approval by the CBK.
2. A licensed life insurance insurer shall submit to the CBK a report prepared by the authorized actuary, certifying that the merger or division is not contrary to the interests of the insured and insurers involved in this process.

3. The CBK shall treat the merger as application for a new license, as defined in Article 10 of the Law on Insurances. This also applies if the intention is to merge with a foreign insurer, resulting in the conduct of insurance activity in Kosovo as a dependent entity.
4. The application for approval for an insurer reorganized through merger shall have the following documentation:
  - a) the decision of the Shareholders Assemblies of insurers involved in the operation for the approval of their reorganization through the merger;
  - b) the draft agreement and detailed report of the merger process, signed by the legal representatives of the insurers involved in the merger process. The draft agreement and the report shall be compiled in writing and in compliance with the legislation in force;
  - c) the report of the independent licensed experts of various fields, to assess the terms of the merger draft agreement;
  - d) the draft statute of the insurer after the completion of the merger process;
  - e) the strategic and operational plans to complete the merger, including the necessary acquisition analyses and financial statement forecasts for the merged insurer;
  - f) in case of change of directors and senior managers of the merged insurer, the documentation shall be submitted in accordance with the requirements for directors, as defined in the Law on Insurances and the Regulation on Insurance Directors and Senior Managers;
  - g) the shareholder structure of the merged insurer.
5. The CBK shall also discuss with the insurer the timeframe that will be required for preliminary approvals, allowing insurers to initiate discussions with the other party or parties involved, without the commitment of the CBK.
6. The CBK shall grant approval if:
  - a) the merger does not jeopardize the financial position of the merged insurer;
  - b) the insurer has a system of organization, management, decision-making and information technology, which enables the complete integration of the merged insurer in such a way that it does not jeopardize its functioning;
  - c) the merger is economically reasonable.
7. It is the responsibility of the insurer to obtain such approvals from other authorities, which may be required prior to the conclusion of the transaction.
8. The CBK may, before deciding on the merger of insurers, seek the opinion of the competition agency.

#### **Article 4** **Acquisitions**

1. Insurers interested in acquiring an interest or increasing an existing interest in another financial institution inside or outside Kosovo shall notify the CBK at an early stage.

2. Depending on the nature and extent (in terms of the proportion of capital that the insurer plans to include) and the size of the transaction relative to the size of the acquiring insurer, the CBK shall determine what additional information is needed before approval can be considered.
3. The CBK will review the application in terms of the impact on the acquiring insurer's capital, the acquiring insurer's management capacity and any planned changes to the acquiring insurer's board of directors and senior management.

#### **Article 5**

#### **Enforcement, remedies and civil penalties**

Violation of the provisions of this Regulation shall be subject to administrative measures and fines as defined in Law No. 03/L-209 on Central Bank and Law No. 05/L-045 on Insurances.

#### **Article 6**

#### **Entry into force**

This Regulation enters into force on 1 March 2016. After the entry into force of this Regulation, all rules and instructions relating to mergers and acquisitions of insurers and any other provision that may be in conflict with this regulation shall be repealed.

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

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Prof Dr Bedri Peci