



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), and Article 85 of Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Bank Financial Institutions (Official Gazette of the Republic of Kosovo, No. 11 / 11 May 2012), the Board of the Central Bank of the Republic of Kosovo at the meeting held on 22 December 2015 approved the following:

## **REGULATION ON DISTRIBUTION OF LOAN ASSETS FOR BANKS**

### **Article 1**

#### **Purpose and scope**

1. The purpose of this Regulation is to regulate the practice of distribution of loan assets to borrowers.
2. This Regulation applies to all banks and branches of foreign banks licensed by CBK to operate in the Republic of Kosovo (hereinafter “banks”).

### **Article 2**

#### **Definitions**

1. All terms used in this Regulation are as defined in Article 3 of the Law No.04/L-093 on Banks, Micro-finance Institutions and Non-Bank Financial Institutions (hereinafter “Law on Banks”) and/or as further defined herein for the purpose of this Regulation:
  - a) *Loan assets* - means cash distributed for loans, overdrafts, credit lines, and other credit related exposures related to cash distribution.

### **Article 3**

#### **Requirements**

1. Loan assets in the amount of over 10,000 Euros (ten thousand Euros) must first be allocated to the borrower's account.
2. Withdrawal of loan assets in cash is allowed up to the amount of 10,000 Euros (ten thousand Euros) of the total approved loan amount.
3. Loan assets in the amount of over 10,000 Euros (ten thousand Euros) from the borrower's account should be distributed only through bank transfers supported by valid documents such as:
  - a) Invoice (a pro forma invoice can be used as a valid document until the transaction is executed) or a prepayment certificate issued by the lending institution in cases of loan prepayment; or

- b) Sales contract certified by competent bodies (notary or court).
4. In specific cases where the use of credit facilities can not be supported by the documentation stipulated in paragraph 3 of this Article, the credit facilities in the amount of over 10,000 Euros (ten thousand Euros) must be transferred to the borrower's bank account and then may be used by the borrower for payment to other suppliers or withdrawn in cash from the borrower provided that their use is documented by the borrower for the bank.
  5. Banks, in order to comply with the paragraphs of this Article, shall not structure transactions in order to avoid the requirements of the paragraphs of this Article.
  6. Due to the specifications of the overdraft credit product, the distribution of overdraft assets in cash in accordance with paragraphs 1, 2 and 3 of this Article shall be made only on the occasion of the use of the approved amount of overdraft, following which the bank shall monitor the distribution of cash in accordance with the purpose of use.
  7. Banks, in order to comply with the paragraphs of this Article, shall establish an internal control system which shall ensure the distribution of credit facilities in accordance with the requirements of this Regulation.

**Article 4**  
**Enforcement, Remedial Measures and Civil Penalties**

Any violation of the provisions of this Regulation shall be subject to the remedial measures and civil penalties as determined by the Law on Central Bank and the Law on Banks.

**Article 5**  
**Abrogation**

Upon the entry into force, this Regulation shall abrogate the CBK Rule XXIX on Direct and Indirect Credit Loan Payment approved by the CBK Board on 31 October 2007 and any other provisions that may be in conflict with the requirements of this Regulation.

**Article 6**  
**Entry into force**

This Regulation shall enter into force on 1 January 2016.

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

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Prof. Dr. Bedri Peci