



Pursuant to Article 35, paragraph 1, sub-paragraph 1.1 of the Law no. 03 / L-209 on the Central Bank of the Republic of Kosovo, (Official Gazette of the Republic of Kosovo, no. 77/16 August 2010), amended and supplemented by Law no. 05/L-150 on Amending and Supplementing of Law no.03/L-209 on the Central Bank of the Republic of Kosovo, (Official Gazette of the Republic of Kosovo, no. 10/03 April 2017), and Article 8, paragraph 1, sub-paragraph 1.1, and paragraph 2, sub-paragraph 2.3 of the Law no. 04 / L 155 on Payments System (Official Gazette of the Republic of Kosovo, no.12/03 May 2013), the Central Bank Board, in its meeting held on 29 November 2023, adopted the following:

## **REGULATION ON THE STRUCTURE AND USE OF THE UNIQUE PAYMENT ACCOUNT IDENTIFIER FOR NATIONAL AND CROSS-BORDER TRANSACTIONS**

### **CHAPTER I GENERAL PROVISIONS**

#### **Article 1 Scope**

1. This Regulations establishes the rules concerning the use, structure, creation, and communication of the IBAN as the unique payment account identifier for credit transfer and direct debit payment transactions, either within the Republic of Kosovo or cross-border.
2. Furthermore, this Regulations also lays down the requirements concerning the procedures for the control of the validity of the unique payment account identifier by the payment service providers.

#### **Article 2**

##### **The purpose of using the IBAN as a unique payment account identifier**

1. The IBAN is used by a payment service provider in order to:
  - 1.1 Identify the payment account, using a standardized format of its presentation.
  - 1.2 Automatic processing in payment account related processes; and,
  - 1.3 The unification and standardize the process of checking the validity of payment accounts.

#### **Article 3 Application**

1. All payment service providers providing payment services in the Republic of Kosovo are subject to the provisions of this Regulation.

2. The CBK shall apply the provisions of this Regulation in regard of the payment systems and infrastructures it operates and when acting as a payment service provider.

#### **Article 4**

##### **Definitions**

1. Unless provided for in the following paragraph or otherwise specifically provided, for the purposes of this Regulation and any other measure implementing it, terms shall have the same meaning as defined in Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Banking Financial Institutions and Law No. 04/L-155 on the Payment System.
2. Wherever used in the text of this Regulation, and unless the context otherwise requires, the following terms shall have the following meaning:
  - 2.1 “**payment service provider**” or “**PSP**” means any natural or legal person licensed, registered or authorized under the applicable laws and regulations to provide payment services;
  - 2.2 “**Basic Bank Account Number**” or “**BBAN**” means an identifier which unambiguously identifies an individual payment account with a PSP;
  - 2.3 “**International Bank Account Number**” or “**IBAN**” means the unique payment account identifier which unambiguously identifies an individual payment account with a PSP, the elements of which are specified by the International Organization for Standardization (ISO);
  - 2.4 “**SWIFT**” means the Society for Worldwide Interbank Financial Telecommunication;
  - 2.5 “**BIC**” means a business identifier code that unambiguously identifies a PSP, the elements of which are specified by the ISO;
  - 2.6 “**payment transaction**” means an act, initiated by the payer or on his behalf or by the payee, of placing, transferring or withdrawing funds, irrespective of any underlying obligations between the payer and the payee;
  - 2.7 “**payment account**” means an account held in the name of one or more PSUs which is used for the execution of payment transactions;
  - 2.8 “**payment account identifier**” means the BBAN and the IBAN;
  - 2.9 “**direct debit**” means a payment service for debiting a payer’s payment account, where a payment transaction is initiated by the payee on the basis of the consent given by the payer to the payee, to the payee’s payment service provider or to the payer’s own payment service provider;
  - 2.10 “**credit transfer**” means a payment service for crediting a payee’s payment account with a payment transaction or a series of payment transactions from a payer’s payment account by the payment service provider which holds the payer’s payment account, based on an instruction given by the payer;
  - 2.11 “**payment service user**” or “**PSU**” means a natural or legal person making use of a payment service in the capacity of payer, payee, or both;

- 2.12 **“payer”** means a natural or legal person who holds a payment account and allows a payment order from that payment account, or, where there is no payment account, a natural or legal person who gives a payment order;
- 2.13 **“payee”** means a natural or legal person who is the intended recipient of funds which have been the subject of a payment transaction;
- 2.14 **“PIC” (“PSP Identification Code”)** means the numerical code for the identification of a PSP, and its branches where applicable, to carry out banking and financial activities within the territory of the Republic of Kosovo;
- 2.15 **“ISO”** means the International Organization for Standardization;
- 2.16 **“IBAN validity check”** means determining the accuracy of the IBAN check digit;
- 2.17 **“Straight-Through Processing” or “STP”** means automatic funds transfer processing. It starts by debiting the payer's account and ends by crediting the payee's account, without requiring for manual intervention or human interaction;
- 2.18 **“payment order”** means an instruction by a payer or payee to its payment service provider requesting the execution of a payment transaction;
- 2.19 **numeric characters** refer to those that belong to the set of numbers from 0 to 9;
- 2.20 **alphabetical characters** are those that belong to the set of capital letters of the English alphabet from A to Z;
- 2.21 **alphanumeric characters** refers to all numeric and alphabetic characters;
- 2.22 **“payment service”** means any activity, carried out under the applicable legal and regulatory provisions, for the execution of payment transactions.

## **Article 5**

### **Mandatory use of IBAN**

1. The use of IBAN is mandatory as payment account identifier for the identification of payment accounts in regard to credit transfers and direct debits.
2. PSU payment account numbers, which can be used to execute payment transactions, must have the IBAN format, according to the provisions of this Regulation.
3. In order to execute a payment transaction, the PSP requests from the payer, the IBAN of the payee, as well as the BIC code of the PSP of the payee where applicable.
4. Under the applicable rules the PSP may refuse to execute the payment transaction if the PSU does not present the IBAN of the payee's payment account and/or the BIC code of the payee's PSP where applicable. In case of a refusal, the PSP must notify the PSU without undue delay.
5. PSPs may apply additional fees for the execution of the payment transactions, in cases where the PSU does not present the payee's IBAN and/or the payee's PSP BIC code. In such cases, prior to executing the transfer, PSPs shall provide the PSU with written information on the applicable additional fees.
6. In the case of cross-border payment transactions, PSPs apply the provisions of paragraphs 3, 4 and 5 of this Article where the IBAN is used by the PSP of the payee in the relevant jurisdiction.

## **CHAPTER II**

### **STRUCTURE OF THE PAYMENT ACCOUNT IDENTIFIERS**

#### **Article 6**

##### **IBAN structure**

1. The IBAN of the Republic of Kosovo consists of 20 alphanumeric characters and includes the following elements:
  - 1.1 In positions 1 and 2, code of the Republic of Kosovo, which is composed of 2 characters: "XK", which are defined in the IBAN register in accordance with the international standard ISO 3166-1;
  - 1.2 In positions 3 and 4, the IBAN check digit, which is composed of two characters that are determined in accordance with algorithm MOD 97-10 based on the international standard ISO 7064, as explained in Annex 2; and
  - 1.3 In positions 5 to 20, the BBAN in the Republic of Kosovo, as specified in article 7.

#### **Article 7**

##### **BBAN structure**

1. The BBAN consists of 16 numerical characters and contains the following elements:
  - 1.1 PIC, which consists of 4 numerical characters in positions 1 to 4 which uniquely identify the PSP and where applicable the branch where the PSU's payment account was opened;
  - 1.2 PSU number, which consists of 10 numeric characters in positions 5 through 14 that are defined by the PSP; and
  - 1.3 BBAN check digit, which consists of 2 numerical characters, positions 15 and 16, determined by the MOD 97-10 algorithm based on the international standard ISO 7064.

#### **Article 8**

##### **PIC structure**

1. The PIC consists of 4 numerical characters:
  - 1.1 The PSP code, consisting of 2 characters, positions 1 and 2, which are determined by the CBK to uniquely identify each PSP. This code can range from "10" to "99": code "10" is reserved for CBK's, codes "11" through "49" are reserved for banks, while codes "50" through "99" are reserved for PSPs which are not banks;
  - 1.2 The PSP branch code, which is composed of 2 characters, positions 3 and 4, that PSPs may use to uniquely identify each of its branches. This code can range from "00" and "99". For the main PSP branch, this code should be "00".
2. Regarding the code of the PSP, CBK:
  - 2.1 Determines consecutively following the granting of the PSP authorization;
  - 2.2 Maintains and publishes a PSP's Code Register;
  - 2.3 Informs the PSP of any changes in the PSP's Code Register; and

- 2.4 Informs the relevant foreign organizations of any changes in the PSP's Code Register on the basis of special arrangements.

### **CHAPTER III**

#### **IBAN PROCEDURES AND OBLIGATIONS**

##### **Article 9**

###### **Form of presentation**

1. The IBAN must be presented in the following manner:
  - 1.1 In payment orders in electronic format: without spaces or separating symbols between constituent characters;
  - 1.2 In payment orders in paper format: without spaces or separating symbols between constituent characters or in groups of 4 characters separated by a space.

##### **Article 10**

###### **Creation and communication of the IBAN**

1. PSPs must create an IBAN for each individual payment account at the moment of the opening of such account in accordance with the provisions of this Regulation.
2. PSPs are responsible before the PSU that holds the payment account for the accuracy of the established IBAN.
3. PSPs shall provide the IBAN of each PSU's account in written format upon request from the PSU or in an electronic form in an easily accessible manner.

##### **Article 11**

###### **Applicable method for checking the validity of the IBAN**

1. Checking the validity of the IBAN is done by calculating the value of the check digit and verifying whether it is exactly represented in the characters that represent the check digit in the IBAN. If the calculated check digit matches the representation in the corresponding characters in the IBAN, then that IBAN is called valid.
2. The check of the validity of the IBAN is carried out in accordance with the "Method of calculation of IBAN check digits, defined in Annex 2.

##### **Article 12**

###### **Checking the validity of the IBAN prior to execution**

1. Before executing a payment transaction, a PSP must check the validity of the IBAN and the compatibility of the IBAN with the BIC where it is applicable, of the payment accounts of the payer and the payee (receiving and sending end), regardless of the presentation of the IBAN in electronic or paper format. In the event that the IBAN validation procedures show that the IBAN is invalid, the PSP shall abstain from executing the respective transaction.

2. Payment systems must check the validity of the IBAN and the compatibility of the IBAN with the BIC for payment transactions that are carried out through these systems, and in case the IBAN turns out to be invalid, they shall refuse to process the respective payment transaction.
3. Checking the validity of the IBAN according to the provisions of this Regulation is a prerequisite for continuing the execution of the payment transaction.

**Article 13**  
**Incorrect IBAN**

1. If a payment order is executed in accordance with the IBAN provided by the PSU, the payment order shall be deemed to have been executed correctly with regard to the payee specified by the IBAN and validated in accordance with Articles 11 and 12 of this Regulation.
2. If the IBAN provided by the PSU is incorrect, the PSP will not be responsible for the non-execution or irregular execution of the payment transaction.
3. Notwithstanding paragraph 2 of this Article, the PSP of the payer shall make reasonable efforts to recover the funds involved in the payment transaction and the PSP of the payee shall cooperate in these efforts, also, by communicating to the PSP of the payer all relevant information for the recovery of funds.
4. In case the collection of funds according to the previous paragraph is not possible, the PSP of the payer must provide the payer, after a written request, all the information available to the PSP of the payer and relevant to the payer, in order for the payer to file a legal claim to recover the funds.
5. If it is agreed in the relevant contract governing the payment service, the PSP can charge the PSU for recovery of funds.

**CHAPTER IV**  
**FUNCTIONS RELATED TO PIC**

**Article 14**  
**Functions of the CBK in relation to PIC**

1. The CBK will carry out the following in relation to PIC:
  - 1.1 After authorizing a PSP to carry out payment services and/or issue electronic money the CBK assigns and communicates to the PSP the first part of the PIC (characters 1 and 2);
  - 1.2 Provide the PSPs with the first two characters of the PIC as defined in this regulation;
  - 1.3 Confirm the accuracy of the part of the PIC defined by the PSP for its branches according to Article 7 of this Regulation;
  - 1.4 Inform the participants in payment systems it operates about assignment of new PICs, as well as the termination of PICs;
  - 1.5 Maintain, update and publish the list of PIC codes, in the format provided for in Annex 3 of this Regulation; and
  - 1.6 Inform SWIFT about changes in the list of PIC codes which can be done by means of publication of the list in the CBK's official website.

## **Article 15**

### **Obligations of PSPs in relation to the PIC**

1. PSPs shall notify the CBK immediately regarding any changes to the PSPs' PIC codes, including assignment or termination of PICs for any of its branches or any other changes for which it may be necessary to make relevant updates to the published list of PIC codes.
2. PSPs cannot change the characters of an existing PIC but can terminate it.
3. In the case of termination of an existing PIC, the PSP must make sure of the proper administration of the IBANs issued with that PIC that will be terminated in accordance with the relevant rules applicable to the payment accounts.

## **CHAPTER V**

### **FINAL PROVISIONS**

## **Article 16**

### **Enforcement, Improvement Measures and Penalties**

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

## **Article 17**

### **Annexes**

1. Three annexes are an integral part of this Regulation:
  - 1.1 Annex 1 – Structure of the IBAN,
  - 1.2 Annex 2 – Calculation method of IBAN control codes.
  - 1.3 Annex 3 – Format for publication of the list of BIK codes of PSPs and their branches.

## **Article 18**

### **Abrogation**

Upon entry into force of this Regulation, is abrogated the “Regulation on Bank Account Standard Numbering System” adopted by the Central Bank Board on 22 December 2015.

## **Article 19**

### **Entry into force**

This Regulation shall enter into force on 1 January 2024. PRB-s must be in full compliance with the requirements of this Regulation no later than June 30, 2024.

Bashkim Nurboja

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





## Annex 2

### Calculation method of IBAN check digit

The following instructions indicate the calculation of IBAN and BBAN check digits. For this purpose, we take an IBAN account, which includes the Kosovo's code "XK". As the algorithm for setting the check digit is used the international standard ISO 7064, MOD 97-10.

*Example:* X K 0 5 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6

**Calculation of BBAN check digit:** 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6

#### Step 1

As known, BBAN represent 16 last digits of IBAN. Firstly, two BBAN check digits are replaced with "00": 1 2 1 2 0 1 2 3 4 5 6 7 8 9 00

#### Step 2

In the digit from Step 1 applies the algorithm MOD 97. The remainder from application of MOD 97 in the Step 1 digit is number "92".

#### Step 3

The result from Step 2 is subtracted from the number 98, which represents the IBAN check digit. In our case, the check digit is "06":  $98 - 92 = 06$ ; In cases when gained result is one-digit, then it is inserted a "0" before the gained result. BBAN number, which includes the check code from Step 3 is: 1 2 1 2 0 1 2 3 4 5 6 7 8 9 06

In order to verify the accuracy of BBAN, the remainder after the application of MOD 97 in BBAN (1 2 1 2 0 1 2 3 4 5 6 7 8 9 06) shall be "1".

**Calculation of IBAN check number:** X K 0 5 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6

#### Step 1

We move the country code and check digit to the end, then replace the control digit with "00" whereas letters "XK" are replaced with the numbers according to the following table:

A = 10	G = 16	M = 22	S = 28	Y = 34
B = 11	H = 17	N = 23	T = 29	Z = 35
C = 12	I = 18	O = 24	U = 30	
D = 13	J = 19	P = 25	V = 31	
E = 14	K = 20	Q = 26	W = 32	
F = 15	L = 21	R = 27	X = 33	

*Result:* 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6  $\boxed{X}$  $\boxed{K}$  0 0, following the conversion of letters, we have the following number

1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6  $\boxed{33}$  $\boxed{20}$  0 0

### **Step 2**

We apply MOD 97 in the gained result from Step 1: 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6 3 3 2 0 0 0. The remainder from MOD 97 application to the Step 1 result is number “93”.

### **Step 3**

The result from Step 2 is subtracted from 98, which represent the IBAN check digit. In our case, the check code is “05”:  $98-93 = 05$ . (In cases when gained result has only one character, then it is inserted a”0” before the gained result.) IBAN number which includes the check code from Step 3 is X K  $\boxed{05}$  1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6

In order to verify the accuracy of IBAN, we firstly move the country digit and check digit to the end of the number, and then we convert the letters “XK” in numbers. The remainder after the application of MOD 97 in the prepared figure (1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6  $\boxed{33}$  $\boxed{20}$  0 5) shall be “1”

### **Example of MOD 97 application**

We refer to the example of MOD 97 application to BBAN (1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6):

I. The first 9 digits of the number are divided by 97

$$121201234/97= 1249497.257$$

II. The whole number of the result is multiplied with 97

$$1249497*97=121201209$$

III. From the first 9-digit number we subtract the number gained from the result in Step 2

$$121201234 - 121201209 = 25$$

IV. We create a new number composed of the result in Step 3 and 7 subsequent numbers of BBAN digit and then divide this number with 97.

$$255678906/97=2635865.01$$

*In our case, in this step we have included all digits; otherwise, this procedure is repeated until all numbers are included in calculation.*

V. The whole number of the result is multiplied with 97

$$2635865*97=255678905$$

VI. From the number prepared in Step 4 we deduct the result in Step 5.

$$255678906 - 255678905 = 1$$

The result represents the remainder following MOD 97 application 1 2 1 2 0 1 2 3 4 5 6 7 8 9 0 6.

### **Annex 3**

#### **Format used for publication of PSPs' BIK codes and their branches**

1. The list of BIK codes of the PSP and their respective branches will be presented as in the below table sample and will be published in 'excel' format document.
2. The document will contain two sheets, one sheet containing information about banks while the other one for non-bank PSPs.
3. The naming of the document will contain the last update date of the document.

	BIK		Information about PSPs and their branches				
BIC code	PSP Code	PSP branch Code	PSP Name	Branch name	Branch address	Branch postal code	Update date