



Pursuant to Article 35, paragraph 1 subparagraph 1.1 and Article 65 of the 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), amended and supplemented by Law No. 05/L –150 (Official Gazette of the Republic of Kosovo / No. 10 / 03 April 2017) and pursuant to Article 135, Article 9, Article 10 paragraph 1 and 3, Article 30, and Article 31 paragraph 1, 2 and 7 of Law No. 08/L-328 on Payment Services, the Board of the Central Bank of the Republic of Kosovo, in its meeting held on December 17, 2024, approved the following:

REGULATION ON INITIAL CAPITAL AND OWN FUNDS FOR PAYMENT INSTITUTIONS AND ELECTRONIC MONEY INSTITUTIONS

Article 1

Purpose and scope

1. The purpose of this Regulation is to set out the capital requirements applicable to payment institutions and electronic money institutions pursuant to Article 9, Article 10 paragraphs 1 and 3, Article 30 and Article 31 paragraphs 1, 2 and 7 of the Law No. 08/L-328 on Payment Services.
2. This Regulation shall apply to payment institutions and electronic money institutions authorized by the Central Bank of Kosovo under Law No. 08/L-328 on Payment Services.

Article 2

Definitions

1. The terms and definitions used in this Regulation shall have the same meaning as in Law No. 08/L-328 on Payment Services.
2. In addition to paragraph 1 of this Article, for the purpose of implementing this Regulation, the following terms and abbreviations shall have the following meanings:
 - 2.1. **“Law on Payment Services”** means Law No. 08/L-328 on Payment Services;
 - 2.2. **“own funds”** means the capital amounts laid down in Articles 10 and 31 of the Law on Payment Services, comprising the sum of Tier 1 Capital and Tier 2 Capital consisting of the elements set forth in the Regulation on Bank Capital Adequacy where at least 75% of Tier 1 capital consists of Tier 1 capital and second tier capital shall be equal to or less than one third (1/3) of Tier 1 capital;
 - 2.3. **“average outstanding electronic money”** means the average total amount of financial liabilities related to electronic money in issue at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month and applied for that calendar month;

- 2.4. “AIS” means account information services as defined in the Law on Payment Services;
- 2.5. “PIS” means payment initiation services as defined in the Law on Payment Services;
- 2.6. “CBK” means the Central Bank of Kosovo.

Article 3

General requirements for capital

1. Payment institution and electronic money institution shall maintain sufficient levels of capital, so as to exercise a stable and safe activity, as well as to fulfill its obligations during its business.
2. The minimum amount of capital required for authorization and maintained for payment institution and electronic money institutions shall be in accordance with the provisions of Articles 9 and 30 of the Law on Payment Services.
3. Payment institutions shall hold initial capital, at the time of authorization, which shall at no time be less than the amount determined below:
 - 1.1. EUR 20,000 for payment institutions that provide only the payment service as referred to in Article 4 paragraph 1 subparagraph 1.2 sub subparagraph 1.2.6 of the Law on Payment Services;
 - 1.2. EUR 50,000 for payment institutions that provide the payment service as referred to in Article 4 paragraph 1 subparagraph 1.2 sub subparagraph 1.2.7 of the Law on Payment Services; and
 - 1.3. EUR 125,000 for payment institutions that provide any of the payment services as referred to in Article 4 paragraph 1 subparagraph 1.2 sub subparagraphs 1.2.1 to 1.2.5 of Law on Payment Services.
4. The minimum initial capital required for payment institutions that apply for a license to provide 2 (two) or more payment services from those provided in subparagraphs 1.1 to 1.3 of paragraph 1 of this Article, should be equal to the amount that belongs to the highest level of capital required in paragraphs 2 and 3 of this Article.
5. Pursuant to Article 30 of the Law on Payment Services, electronic money institutions shall hold, at the time of authorization, initial capital in the amount of no time be less than EUR 350 000.
6. Own funds of payment institutions, at any time, shall not fall below the amount of minimum initial capital laid down in paragraphs 2 and 3 of this Article, or below the amount of own funds, calculated according to Article 6 of this regulation, whichever amount is the higher.
7. Own funds of electronic money institution, at any time, shall not fall below the amount of minimum initial capital laid down in paragraph 5 of this Article, or below the amount of own funds, calculated according to Article 6 of this regulation, whichever amount is the higher.
8. In the case when the payment institution or electronic money institution grants credit relating to payment services, the total amount of credit granted may not in any case negatively affect the level of own funds and the fulfillment of the supervisory requirements of the CBK.
9. In addition to the capital referred to in paragraphs 2, 3 and 5 of this Article, payment institutions and electronic money institutions shall also have an additional fund for initial expenses to cover the costs of establishment, operation and administration, which shall in no case be less than ten

per cent (10%) of the capital referred to in paragraphs 2, 3 and 5 of this Article. The additional fund requirement under this paragraph shall apply only to initial applications for authorization as payment institutions and/or electronic money institutions.

Article 4

Own funds of payment institution and electronic money institutions in relation to the provision of payment services

1. Without prejudice to the following paragraph, payment institution and electronic money institutions in relation to the provision of payment services other than those providing only AIS or PIS, or both, and electronic money institutions in relation to the provision of payment services other than the issuance of electronic money shall at all times hold own funds in the amount of the initial capital referred to Article 4 or calculated in accordance with one of the methods prescribed in Article 6, whichever is higher.
2. Notwithstanding Article 6 paragraphs 3 to 5 and where appropriate or required by national law, the CBK may, by means of specific decisions or guidelines, require a particular payment institution or electronic money institution or a group of payment institutions or electronic money institutions to use one of the methods prescribed in Article 6.
3. Pursuant to the conditions set out in paragraph 6 of Article 10 of the Law on Payment Services, the CBK may also require the relevant payment institution or electronic money institutions to hold an amount of own funds which is up to twenty percent (20%) higher than the amount which would result from the application of the relevant method in accordance with paragraphs 1 or 2 of this Article, or permit an amount of own funds which is up to twenty percent (20%) lower than the amount which would result from the application of the relevant method in accordance with paragraphs 1 and 2 of this Article.
4. Payment institutions or electronic money institution shall not include in the own funds calculation, any items included in the own funds calculation of another entity, which is part of the same financial/banking group with the payment institution or electronic money institution. This paragraph shall also apply where a payment institution or electronic money institutions has a hybrid character and carries out activities other than providing electronic money issuance and/or payment services.
5. Where an authorized payment institution or electronic money institutions engages in activities other than the provision of electronic money issuance and/or payment services that are also subject to regulatory capital requirements, such authorized payment institution ore electronic money institutions shall comply with such requirements in addition to the requirements set forth in this Regulation.

Article 5

Methods for calculating own funds

1. Payment institution and electronic money institution shall calculate own funds, mandatory to be held by it at all times, according to the rules provisioned for in this Article.

2. In cases where an electronic money institution provides only the activity of issuing electronic money, the regulatory capital requirements shall amount, at any time, to at least 2% (two percent) of the average outstanding electronic money.
3. In cases where an electronic money institution that provides only the activity of issuing electronic money, which in the date of calculation of own funds, has not completed a period of six months of business, its own funds shall be calculated on the basis of projected outstanding electronic money evidenced by its business plan submitted in the moment of granting the authorization, subject to any adjustment to that plan proposed by the CBK (if applicable).
4. For payment institution and electronic money institutions in cases where that electronic money institution provides also payment services that are unrelated to the activity of issuing electronic money, own funds for payment services shall be calculated in accordance with one of the following methods A, B or C:

1.1. Method A:

- 1.1.1. the payment institution or electronic money's own funds shall amount to at least 10 % of its fixed overheads of the preceding year. The CBK may adjust that requirement in the event of a material change in a payment institution or electronic money institution's business since the preceding year. Where a payment institution or electronic money institution has not completed a full year's business at the date of the calculation, the requirement shall be that its own funds amount to at least 10 % of the corresponding fixed overheads as projected in its business plan, unless an adjustment to that plan is required by the CBK.

1.2. Method B:

- 1.2.1. the payment institution or electronic money institution's own funds shall amount to at least the sum of the following elements multiplied by the scaling factor k defined in paragraph 2, where payment volume (PV) represents one twelfth of the total amount of payment transactions executed by the payment institution or electronic money institution in the preceding year:
 - 1.2.1.1. 4,0 % of the slice of PV up to EUR 5 million; plus
 - 1.2.1.2. 2,5 % of the slice of PV above EUR 5 million up to EUR 10 million; plus
 - 1.2.1.3. 1 % of the slice of PV above EUR 10 million up to EUR 100 million; plus
 - 1.2.1.4. 0,5 % of the slice of PV above EUR 100 million up to EUR 250 million; plus
 - 1.2.1.5. 0,25 % of the slice of PV above EUR 250 million.

1.3. Method C:

- 1.3.1. the payment institution or electronic e-money institution's own funds shall amount to at least the relevant indicator defined in 1.3.1.1 and 1.3.1.2 multiplied by the multiplication factor defined in 1.3.1.3 and by the scaling factor k defined in paragraph 2.
 - 1.3.1.1. the relevant indicator is the sum of the following:
 - 1.3.1.1.1. interest income;
 - 1.3.1.1.2. interest expenses;

1.3.1.1.3. commissions and fees received; and

1.3.1.1.4. other operating income.

1.3.1.2. each element shall be included in the sum with its positive or negative sign. Income from extraordinary or irregular items shall not be used in the calculation of the relevant indicator. Expenditure on the outsourcing of services rendered by third parties may reduce the relevant indicator if the expenditure is incurred from an entity subject to supervision under the Law on Payment Services. The relevant indicator is calculated on the basis of the 12-monthly observation at the end of the previous financial year. The relevant indicator shall be calculated over the previous financial year. Nevertheless, own funds calculated according to Method C shall not fall below 80 % of the average of the previous 3 financial years for the relevant indicator. When audited figures are not available, business estimates may be used.

1.3.1.3. the multiplication factor shall be:

1.3.1.3.1. 10 % of the slice of the relevant indicator up to EUR 2,5 million;

1.3.1.3.2. 8 % of the slice of the relevant indicator from EUR 2,5 million up to EUR 5 million;

1.3.1.3.3. 6 % of the slice of the relevant indicator from EUR 5 million up to EUR 25 million;

1.3.1.3.4. 3 % of the slice of the relevant indicator from EUR 25 million up to 50 million;

1.3.1.3.5. 1,5 % above EUR 50 million.

5. The scaling factor k to be used in Methods B and C shall be:

2.1. 0,5 where the payment institution or electronic money institution provides only the payment service as referred in subparagraph 1.2.6 of Article 4 of the Law on Payment Services;

2.2. 1 where the payment institution or electronic money institution provides any of the payment services as referred to in any of subparagraphs 1.2.1 to 1.2.5 of Article 4 of the Law on Payment Services.

6. Method A referred to in subparagraph 1.1 of paragraph 1 of this Article shall apply to the calculation of own funds in the first year after the payment institution or electronic money institution is authorized to provide payment services.

7. Method B referred to in paragraph 1, subparagraph 1.2 of this Article shall be applied to payment institutions or electronic money institutions authorized to perform payment services. This method shall be applied after the institution registered to perform the payment service activity have completed one full financial year of operation.

8. Method C referred to in paragraph 1, subparagraph 1.3 of this Article shall apply to payment and electronic money institutions that, in addition to registering for payment service activity or issuing electronic money, are also engaged in grant credit activity relating to payment services.

9. Electronic money institutions shall at all times hold own funds that are at least equal to the sum of the requirements referred to in paragraph 2 and 4 of this Article.

Article 6

Enforcement, Improvement Measures and Penalties

Any violation of the provisions of this Regulation shall be subject to corrective measures, administrative and civil penalties as defined within the article 67 of Law No. 03/L-209 on Central Bank of the Republic of Kosovo, as amended and supplemented by Law No. 05/L –150, and Article 124 of the Payment Services Law.

Article 7

Repeal

Upon entry into force of this Regulation, the Regulation on regulatory capital and safeguarding the funds of non-bank financial institutions' customers provisions regarding own funds (regulatory capital) adopted by the Board of the Central Bank of the Republic of Kosovo on 29 November 2019, shall be repealed.

Article 8

Entry into force

This Regulation shall enter into force 10 (ten) days after the entry into force of Law No. 08/L-328 on Payment Services.

Dr.sc. Bashkim Nurboja

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