



Pursuant to Article 35, paragraph 1, subparagraph 1.1, 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 by the Law No. 05/L-150 (Official Gazette of the Republic of Kosovo / No. 10 / 3 April 2017), as well as based on and pursuant to Articles 26, 30, 31, 34, 35 and 85 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 the Central Bank at the meeting held on 25 November 2024, approved the following:

REGULATION ON DIRECTORS AND SENIOR MANAGERS OF BANKS

Article 1

Purpose and scope

1. The purpose of this Regulation is to set the "Fit and Proper" criteria and standards for directors and senior managers as well as the independence of directors, for who prior approval by the Central Bank of the Republic of Kosovo (CBK) is required, during the licensing process of banks and during the review of requests for their approval at any time.
2. This Regulation also determines the limit of the level of shares that independent directors may directly or indirectly hold in the bank, in order to provide and maintain their independence, as regulated by Article 26 of the Law No. 04/L-093 on Banks, Microfinance Institutions and Non-Banking Financial Institutions (hereinafter: *Law on Banks*).
3. This Regulation shall apply to all banks licensed by the CBK, except for Articles 4 and 5 of this Regulation, which do not apply to branches of foreign banks as defined by Article 26, paragraph 4 of the Law on Banks.

Article 2

Definitions

The terms used in this Regulation have the same meaning as defined in Article 3 of the Law on Banks.

Article 3

'Fit and Proper' criteria for directors and senior managers

1. No one can become a director or senior manager of a bank without obtaining the prior approval of the CBK.
2. No one can be reappointed director or senior manager of a bank without obtaining the prior approval of the CBK.

3. The CBK shall give a particular importance to the suitability of the proposed directors and senior managers of the bank throughout the licensing and supervision process of the banks.
4. In addition to the requirements of Article 35 of the Law on Banks, CBK shall apply the following criteria to make the assessment before giving its approval for the appointment and re-appointment of any bank director/s and senior manager/s:
 - 4.1. **Integrity** - directors and senior managers are required to be individuals of good reputation, honesty and integrity. During the assessment of reputation, honesty and integrity, CBK shall consider at least the following factors:
 - 4.1.1. any evidence of whether the person was responsible for non-cooperation or failure to provide the requested information, in his/her relations with the competent authorities;
 - 4.1.2. any evidence of refusal, revocation or suspension of the right to exercise business and/or professional activity;
 - 4.1.3. the reasons for any dismissal from work or from any position of trust;
 - 4.1.4. disqualification by the competent regulatory authority from exercising the position as a member of the governing or leading/executive bodies of an entity;
 - 4.1.5. any evidence, testimony and reliable information that the person has had actions that are not in accordance with the standards of conduct defined by the Code of Ethics or the Bank's internal rule; and
 - 4.1.6. any relevant findings from the CBK examinations or other relevant institutions/entities.
 - 4.2. **Sound judgment** - directors and senior managers must have the appropriate formal qualifications and professional skills that enable them to critically and adequately assess the bank's policies and strategic issues. Directors and senior managers must be actively committed to their duties and must be able to make reasoned decisions and judge in a sound, objective and independent manner while exercising their functions and responsibilities.
 - 4.3. **Leadership** - directors and senior managers must have the ability to lead the institution, develop and promote teamwork, motivate and encourage available human resources and ensure that employees are professionally capable of achieving objectives. They should be open to criticism and provide room for debate.
 - 4.4. **Competence** - directors and senior managers must have the degree and profile of relevant education and professional experience related to banking and financial services or other fields relevant to banking and financial services. For this purpose, directors and senior managers must meet the following criteria:
 - 4.4.1. should have a university degree in fields such as banking and finance, economics, jurisprudence, accounting, auditing, business administration, information technology or other fields that may be considered relevant to the position in which they are appointed;
 - 4.4.2. should have professional experience of at least seven (7) years in the banking and/or financial field, of which at least three (3) years must be in leadership/managerial positions or no less than ten (10) years of professional experience in the relevant banking and/or financial field, relevant to the position in which they are appointed;

- 4.4.3. should have up-to-date knowledge of banking activity and the risks of the banking sector, at a level proportional to their responsibilities;
- 4.4.4. should have knowledge of the governance of the institution, their respective roles and responsibilities.
- 4.5. **Financial sustainability** – directors and senior managers must demonstrate prompt fulfilment of past financial obligations and existing financial soundness.
5. In addition to the documentation/evidence that proves the fulfilment of the criteria from paragraph 4 of this Article, the CBK, when it deems it reasonable, may ask to interview the individual in question. CBK also assesses the suitability of the Board of Directors as a whole and not just its individual members.
6. Directors and senior managers must at all times meet the criteria defined by paragraph 4 of this Article. As defined in Article 35, paragraph 4, of the Law on Banks, it is the bank's responsibility to notify the CBK, if it learns for any reason why a director or senior manager may no longer be fit and proper in accordance with the Law on Banks and the criteria according to this Regulation.
7. If the CBK finds that an approved Director or Senior Manager is no longer fit and proper, then the CBK shall act in accordance with Article 36 of the Law on Banks, in order to discharge him/her from this task.
8. The provisions of this Article relating to directors are not applicable to branches of foreign banks, except for the requirements related to senior managers which are also applicable to branches of foreign banks.

Article 4

Independence related to the director's responsibilities

1. The composition of the Board of Directors must be in accordance with the requirements set forth in Article 26, paragraph 1, of the Law on Banks. Most of these members must be independent non-executive directors, and at least one of them must be a resident of Kosovo.
2. The Chief Executive Officer serves *ex officio* on the Board of Directors but does not have the right to vote on the Board of Directors and is not counted as a member of that board.
3. The CBK shall assess the independence of a proposed director of a bank, in accordance with Article 26, paragraph 3, of the Law on Banks and the Regulation on Corporate Governance of Banks.
4. It is the bank's responsibility to notify the CBK if it learns for any reason that appointed director as an independent director may no longer meet the independence criteria.

Article 5

Shareholding limit

1. Pursuant to Article 26, paragraph 3, of the Law on Banks, independent directors may hold shares in the bank on whose board they serve, but to a limited extent, in order to preserve their independence.
2. No independent director, together with any related individual, may hold directly or indirectly more than one (1) percent of any class of voting shares or capital stock of the bank or any company of the group of which the bank is a part.

Article 6

Assessment by the bank regarding the suitability of directors and senior managers

1. Banks in the process of licensing must ensure that their directors and senior managers meet the "fit and proper" criterion, in accordance with the Law on Banks and CBK regulations.
2. Banks must constantly ensure that directors and senior managers meet the "fit and proper" criteria, in accordance with the Law on Banks and CBK regulations, especially:
 - 1.1. when changes occur in the composition of the Board of Directors, including:
 - 1.2.1. the appointment of new directors;
 - 1.2.2. reappointment of directors.
 - 1.2. when changes of senior managers occur, including:
 - 1.3.1. the appointment of new senior managers;
 - 1.3.2. reappointment of senior managers.
 - 1.3. when there is doubt regarding the individual or collective suitability of directors and senior managers;
 - 1.4. in case of doubts in the reputation of one or more directors or senior managers, including cases where the directors or senior managers do not respect the bank's policies on conflict of interest.
3. The procedures for the reappointment of directors and senior managers, in accordance with Article 26 of the Law on Banks, follow a simplified procedure which is set by the Executive Board with the relevant licensing rule/manual.
4. Banks must provide the submission to the CBK of requests for approval of the appointment or reappointment of a senior director or manager, at least 60 days before the planning date of taking over (starting) the relevant duties.
5. Banks must regularly monitor the fulfilment of the "fit and proper" criteria of directors and senior managers of the bank, to identify situations when re-assessment of their suitability should be performed.
6. Banks must provide that the Board of Directors, as a whole, reflects diversity, at all times, should have adequate knowledge, skills and experience to understand the bank's activities, including the main risks.
7. Banks must assess the appropriate time of engagement of a director, if this director is engaged in other activities.
8. The provisions of this Article relating to directors are not applicable to branches of foreign banks, except for the requirements related to senior managers which are also applicable to branches of foreign banks.

Article 7

Enforcement, remedial measures and civil penalties

Any violation of this Regulation shall be subject to administrative measures and/or penalties in accordance with the Law on the Central Bank of the Republic of Kosovo and the Law on Banks.

Article 8

Abrogation

Upon the entry into force of this Regulation, the Regulation on Directors and Senior Managers of Banks, approved by the Board of the Central Bank on July 31, 2019, shall be abrogated.

Article 9

Entry into force

This Regulation enters into force 15 days from the date of its approval.

Bashkim Nurboja

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