



Pursuant to Article 35, paragraph 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), and Article 20 paragraph 1.1 and Article 85 of the 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 Republic of Kosovo at the meeting held on November 09, 2012, approved the following:

REGULATION ON LIMITS TO HOLDINGS OF REAL ESTATE AND MOVABLE PROPERTY

Article 1 Purpose and Scope

1. The purpose of this Regulation to limit bank exposure to the risk arising from the ownership of real estate and other movable property, including such assets acquired in satisfaction of a debt.
2. This Regulation applies to all banks and branches of foreign banks licensed by the CBK to operate in the Republic of Kosovo.

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, Microfinance Institutions and Non-Bank Financial Institutions (hereafter: *the Law on Banks*) and/or as further defined herein for the purpose of this Regulation:
 - a. *Real estate* (or immovable) - means land, buildings and their leasehold improvements;
 - b. *Movable property* (or movables) - is an asset of a personal nature that can be moved from one location to another, sometimes called personal property or private property, such as fixtures, furniture and any assets used in a productive capacity that have physical substance, are relatively long-lived, and provide a future benefit that is readily measurable.
 - c. *Mortgage* - means the creation by agreement or by law of an interest in immovable property, which gives the mortgage creditor (mortgagee) the right to initiate foreclosure proceedings for such immovable property for the purpose of satisfying sufficiently identifiable obligation that is secured by the mortgage and that has become due.
 - d. *Pledge* - means the creation by agreement or by law of an interest in movable property or over a right, which gives the pledge holder the right to take possession of such property or exploit such right for the purpose of satisfying an existing and sufficiently identifiable obligation that is secured by the pledge.

Article 3
Real Estate and Movable Property Time Limitations

1. A bank may purchase, hold, and convey real estate and movable property for the following purposes, and for no others:
 - a. Such as shall be necessary for its accommodation in the transaction of its business;
 - b. Such as shall be mortgaged or pledged to it in good faith by way of security for debts previously contracted or otherwise conveyed to it in satisfaction of debts previously contracted in the course of its dealings as well as any asset it shall purchase at sales under judicial judgments, decrees, or mortgages and pledges held by the bank, or shall purchase to secure debts due to it.
2. No bank shall hold the possession of any real estate acquired in the case of b. of the above paragraph 1 of this Article, in the form of a mortgage, for a longer period than five (5) years. If, within five (5) years, the asset has not been sold by the bank, it must be written down to zero value.
3. No bank shall hold the possession of movable property acquired in the case of b. of the above paragraph 1 of this Article, in the form of a pledge, for a longer period than one (1) year. If, within one (1) year, the asset has not been sold by the bank, it must be written down to zero value.
4. The provisions of paragraphs 1, 2, and 3 of this Article shall also apply to the branches of foreign banks.

Article 4
Real Estate and Movable Property Owned Value Limitations

1. No bank shall acquire or maintain real estate and movable property, owned for the purpose stipulated with the above item a, paragraph 1 of Article 3 of this Regulation, in which the aggregate value of which at any time, as measured by valuation standards and methods satisfactory to the CBK, exceeds 50% (fifty percent) of the bank's Tier 1 capital.
2. Notwithstanding the preceding paragraph 1 of this Article, a bank may exceed the 50% (fifty percent) limit if, in the judgment of the CBK, circumstances justify a higher limit for which the bank must promptly, upon discovery or design, seek the permission of the CBK, which permission may never permit the aggregate value of the bank's real estate and movable property to exceed 100% (one hundred percent) of its Tier 1 capital.
3. Upon notification by the bank to the CBK that such conditions exist that require the expenditure of funds for the development and improvement of such real estate or movable property, and subject to such conditions and limitations as the CBK shall prescribe, the bank may expend such funds as are needed to enable such bank to recover its total investment.
4. The real estate acquired on the basis of uncollected claims, as stipulated in paragraph 1, item b, of Article 3 of this Regulation, shall not be included in the limitations provided with paragraphs 1 and 2 of this Article during the first three years after being acquired, otherwise if they are not sold within three (3) years they shall be included in the above mentioned limits.

5. In the case of real estate or movable property owned by a branch of a foreign bank, the CBK may set aggregate value limitations, as well as the application of the other conditions similar to those of paragraphs 1, 2, 3 and 4 of this Article, for the holding of these assets on a case by case basis. The CBK reserves the right to use the branch's Capital Equivalency Deposit as the basis for these calculations if it considers it prudent to do so.

Article 5
Enforcement, Remedial Measures and Civil Penalties

Any violation of this Regulation shall be subject to the remedial measures and penalties provided for in Articles 58, 59 and 82 of the Law on Banks.

Article 6
Abrogation

Upon the entry into force of this Regulation, it shall abrogate Rule III of CBK on Real Estate and Fixed Assets Holdings Limitations adopted on December 13, 1999, Rule XXIII on the Power of Banks to Hold Real Estate adopted on February 23, 2003, and any other provisions that may be in conflict with this Regulation.

Article 7
Entry into Force

This Regulation shall enter into force on December 03, 2012.

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

Gazmend Luboteni