



Republika e Kosoves
Republika Kosovo-Republic of Kosovo
Kuvendi - Skupština - Assembly

Law No. 03/L-074

ON THE CENTRAL BANK OF THE REPUBLIC OF KOSOVO

The Assembly of Republic of Kosovo,

On the basis of Article 65(1) and Article 140 of the Constitution of the Republic of Kosovo which provides, inter alia, that the Central Bank of the Republic of Kosovo is an independent institution which reports to the Assembly of Kosovo; and

In order to ensure the independence and autonomy of the Central Bank of the Republic of Kosovo,

Hereby adopts:

LAW ON THE CENTRAL BANK OF THE REPUBLIC OF KOSOVO

GENERAL PROVISIONS

Article 1

Status of the Central Bank of the Republic of Kosovo

The Central Bank of the Republic of Kosovo (hereinafter "the CBK"), a successor to the Banking and Payment Authority of Kosovo and to the Central Banking Authority of Kosovo, is an independent juridical entity with full capacity as a legal person under the law applicable in Kosovo.

Article 2

Definitions

Wherever used in the present law, the following terms shall have the following meanings:

"Bank" means a legal person engaged in the business of accepting deposits in Kosovo and using such funds either in whole or in part to make extensions of credit or investments for the account and at the risk of the person carrying on the business;

"Credit" means any direct or indirect commitment to disburse a sum of money in exchange for a right to repayment of the amount disbursed and outstanding and to payment of interest or other charges on such amount, any extension of the due date of a debt, any debt payment guarantee issued, and any commitment to acquire a right to payment of a sum of money; the term "credit" shall not include bank deposits and the purchase of debt securities in the secondary market;

"Debt security" means any negotiable instrument of indebtedness and any other instrument equivalent to such instrument of indebtedness, whether in certified or in book-entry form;

"Financial institution" means an organization such as a bank, insurance company, insurance intermediary or other person, offering one or more of the following financial services: deposit taking; offering insurance services to policyholders; extending credit; underwriting, dealing in, brokering or distributing securities; acting as an investment company manager or investment adviser; providing other financial services such as equipment leasing finance services, factoring, micro-finance services or foreign exchange; or other financial informational, advisory or transactional services;

"Guidelines" means non-obligatory recommendations or policy statements issued by CBK for the information of financial institutions and other parties concerned with CBK operations;

"Insurance company" means a legal person engaged in the provision of insurance services to policyholders;

"Insurance intermediary" means an insurance agent, sub-agent, or broker, whether or not it is formed as a corporation;

"International financial reporting standards" means the most recent international financial reporting standards issued by the International Financial Standards Board;

"Order" means an obligatory directive issued by the CBK in implementation of this law;

"Reasonable fees" means fees that defray the direct and indirect costs that CBK incurs in providing the service or services for which the fee is charged; and

"Rule" means an obligatory directive issued by the CBK in implementation of this law to all financial institutions.

Article 3 **Capacity of the CBK**

3.1 The CBK shall have the capacity to:

- a) enter into contracts, to be a party to legal proceedings and,
- b) for the purpose of its business, acquire, hold, and dispose of property, whether movable or immovable.

3.2 The CBK may for its official business purpose utilize and administer the property and

facilities, including moveable and immovable property, located at Garibaldi Street 33, Pristina, Kosovo, and previously used by the Public Payments Service of Kosovo.

Article 4 General Powers

4.1 The CBK shall exercise all powers specifically granted by the present law and other applicable law and such incidental powers as shall be reasonably necessary to carry out the powers so granted.

4.2 The CBK, as an independent public body, shall enjoy operational and administrative autonomy and function outside the framework of the Kosovo governmental structures and the Kosovo Civil Service. It shall set out its internal rules and procedures governing namely employment of CBK personnel, including staff, consultants, and experts, and procurement, taking into account general rules that govern the public service. No person shall seek improperly to influence any CBK Governing Board member or employee in the discharge of his or her duties or to interfere in the activities of the CBK and no such Governing Board member or employee shall seek nor act in accordance with such improper instructions while performing their duties as members of the Governing Board or of the CBK staff.

Article 5 Principal Objectives

The principal objectives of the CBK are to

- a) foster the soundness, solvency and efficient functioning of a stable market-based financial system, encouraging market emergence of safe financial instruments; and
- b) without prejudice to this, support the general economic policies in Kosovo with a view to contributing to an efficient allocation of resources in accordance with the principle of an open market economy.

Article 6 Specific Powers

The CBK shall have the following specific powers:

- a) to recommend broad policy guidelines to the *Assembly and the Government* in areas under its responsibility;
- b) to formulate and implement measures for, and oversee and regulate, payments and settlement systems for transactions in domestic and foreign currency in Kosovo;
- c) to own and operate one or more payments systems;
- d) to act as banker to the Ministry of Finance and Economy and to provide financial advice at its request;

- e) to act as fiscal agent of the Ministry of Finance and Economy;
- f) to hold foreign currency deposits of banks, the Ministry of Finance and Economy, and other public entities;
- g) to ensure an adequate supply of bank notes and coins for the settlement of cash transactions;
- h) to maintain a depository for safe keeping of currency and securities;
- i) to license, supervise and regulate financial institutions;
- j) to conduct regular economic and monetary analysis of the Kosovo economy, make public the results, and submit proposals and measures to the *[Assembly and Government]* on the basis of such analysis;
- k) to supervise and regulate dealers in foreign exchange, broker-dealers, and mutual funds;
- l) to approve external auditors of the financial institutions;
- m) to set accounting standards for the financial institutions in Kosovo in line with international financial reporting standards.

Article 7 Cooperation with Assembly and Government

7.1 The CBK shall cooperate with Assembly and Government, and their respective entities in pursuing its objectives.

7.2 The CBK shall provide general information as requested from time to time by the Ministry of Finance and Economy and other entities of the Assembly and Government with respect to payments, banking and financial matters as far as the information is not covered by banking secrecy provisions, and it shall receive information from the Ministry of Finance and Economy and other entities of the Assembly and Government as the CBK may request from time to time concerning macro-economic and financial matters.

Article 8 Technical Cooperation

8.1 The CBK may participate in meetings and working sessions of, and where appropriate may seek membership in, international financial institutions, organizations and councils which fall within its fields of competence.

8.2 The CBK may provide banking and payments services for the benefit of foreign governments, foreign banks and foreign monetary authorities and for public international organizations and other international institutions, on the basis of mutual interests.

Article 9 Public Information

9.1 The CBK shall inform the public, Assembly and Government on a regular and timely basis of its analysis of macro-economic and financial market developments and on related statistical information.

9.2 The Governor of the CBK shall present at least once a year to the Assembly of Kosovo a comprehensive report on the situation of the financial sector in Kosovo.

Article 10 Offices of the CBK

The CBK Office shall be in Pristina and shall have no branches.

Article 11 Accounts

11.1 The CBK may open accounts on its books only on behalf of the Ministry of Finance and Economy, entities of *Government*, public agencies, financial institutions lawfully operating in Kosovo, foreign banks, public international financial institutions, and donor organizations. The CBK may not open accounts for natural persons or private enterprises. Accounts for public enterprises and entities may be opened based on an express authorization of the Governing Board, made on a case by case basis, for a public benefit purpose, in full conformity with the Law of Public Financial Management and Accountability.

11.2 All depository account liabilities of the CBK shall have corresponding assets as provided in Article 48 of this Law.

FINANCIAL PROVISIONS

Article 12 Capital

12.1 The authorized capital of the CBK shall be 30 million Euro. Thereafter, the capital and the General Reserve accounts shall be at least equivalent to five percent of the aggregate amount of the credit balances of all accounts maintained on the books of the CBK by account holders shown on the balance sheet of the CBK for the end of each financial year. The capital may be increased by such amounts as may be determined by the CBK Governing Board and approved by the *Government*. The CBK capital shall not be subject to encumbrance.

12.2 No reduction of capital shall be effected except by promulgation of legislation adopted by the Assembly.

12.3 Whenever:

a) on a monthly pro forma balance sheet of the CBK the value of its assets falls below the sum of

its liabilities and its unimpaired authorized capital, or

b) the net profit of the CBK for any financial year is insufficient to increase the capital and General Reserve accounts of the CBK to a level equivalent to five percent of the aggregate amount of the credit balances of all accounts maintained on the books of the CBK by account holders shown on the balance sheet of the CBK for the end of that financial year, the Ministry of Finance and Economy shall, within one month after publication of that balance sheet, make a capital contribution to the CBK in such amount or amounts as shall be necessary to remedy this deficit.

Article 13 **Determination and Allocation of Income**

13.1 For each financial year, the net income or the net loss of the CBK shall be calculated in accordance with international financial accounting and reporting standards.

13.2 Net income shall be allocated in each year to a general reserve account until the capital and General Reserve accounts are equal to five percent of the aggregate amount of the credit balances of all accounts maintained on the books of the CBK by account holders shown on the balance sheet of the CBK for the end of each financial year.

13.3 Any balance of net realized income shall be transferred to the Ministry of Finance and Economy as revenue for the budget.

13.4 If there is a net realized loss, it shall be charged to the general reserve account or to capital, in that order.

Article 14 **Annual Budget**

14.1 All proposed material expenditures of the CBK should be reported in an annual budget to be approved by the Governing Board. The CBK's spending shall not be subject to budgetary controls of the Ministry of Finance and Economy but shall be determined through the CBK budget. The Ministry of Finance and Economy shall transfer any duly appropriated funds required from the Kosovo Consolidated Budget to the CBK at the beginning of each year for use according to CBK's policies and procedures.

14.2 The CBK annual budget shall be prepared so as to coincide with the schedule of the Kosovo Consolidated Budget. The CBK shall keep the Ministry of Finance and Economy fully informed about its budget plans.

ORGANIZATION AND ADMINISTRATION

Article 15 **Organization of the CBK**

The CBK shall have a Governing Board, a management and a staff.

Article 16 The Governing Board

16.1 The Governing Board shall formulate policies for the operations of the CBK and supervise their implementation.

16.2 The management of the CBK shall report, not less than ten times each year, to the Governing Board on the conduct of its operations and policies, on the soundness of the financial system, and on the state of the money, capital and foreign exchange markets, including all events and conditions that have or are expected to have a significant effect on the administration or operations of the CBK or on the conduct of its policies or on the financial system or on the before-mentioned markets and on any other matter that affects or would potentially affect the policies of the CBK.

Article 17 Powers of the Governing Board

The Governing Board shall have the following powers:

- a) to approve the policies for the execution of the powers of the CBK described in Article 6 and to supervise their implementation by the management and staff;
- b) to adopt all rules, orders and guidelines issued by the CBK;
- c) to approve all reports and recommendations that the CBK makes to the Assembly and Government;
- d) the Board shall, by resolution, designate at least two non-executive Directors to constitute an Audit Committee.
- e) to approve the organization of the CBK;
- f) to appoint the two Deputy Governors upon proposal by the Governor for the term of up to five years;
- g) to approve the appointment of the Inspector General of the CBK for the term of up to five years;
- h) to approve the budget of the CBK.
- i) to approve the accounting policies of the CBK and to approve the periodic reports and financial statements of the CBK;
- j) to decide on the incurring of debt in material amounts by the CBK and the terms and conditions of such debt;
- k) to approve the categories of assets that shall be suitable for investment of the financial

resources of the CBK;

l) to approve or deny applications for financial institution licenses or registrations and to revoke financial institution licenses or registrations;

m) to adopt internal structures, policies and procedures for licensing, registering, supervising and regulating financial institutions, including delegated powers to the **CBK** staff to take corrective actions; and

n) to ratify, before their implementation, all enforcement measures prepared by the **CBK** staff, with the exception of those which are specifically under the competence of the Governor as listed under Article 29.4 of the present law.

Article 18

Composition of the Governing Board

18.1 The Governing Board shall be composed of five members: four non-executive Directors and the Governor. The Director of the Treasury shall be one of the non-executive Directors. The three other non-executive Directors and the Governor shall be appointed as provided in Article 18.2 of this Law.

18.2 (a) The Governing Board shall first nominate candidates. Its by-laws shall specify an open, impartial and transparent selection and interview process for candidates. The Governing Board shall consider no fewer than two candidates per position and may propose more than one nominee for each position. In such cases, the Board shall rank nominees on the basis of their qualifications and performance during interviews and shall provide an explanation for such ranking.

b) the Board shall submit the nominations made under sub-Article (a) to the Assembly for its approval.

c) upon Assembly approval, the nominations shall be forwarded to the President for appointment. Until the end of international supervision of the implementation of the Comprehensive Proposal for Kosovo Status Settlement, dated 26 March 2007, the appointment of the Governor under Article 18.1 of this Law shall only be made following consent by the International Civilian Representative.

18.3 The Chairperson shall be selected by the Governing Board from one of three other non-executive Directors shall serve as the Chairperson of the Governing Board.

18.4 The Two Deputy Governors may attend meetings of the Governing Board as observers.

18.5 Governing Board members must be persons of recognized integrity and professional high education and experience in financial, banking, or legal matters, without any political mandate, current or having lasted less than one year.

18.6 The term of each member of the Governing Board shall be five years. Members of the Governing Board shall be eligible for reappointment for one further five-year term only.

Article 19
Compensation of Members of the Governing Board

19.1 The members of the Governing Board shall receive compensation from the **CBK** in the form of meeting fees similar to that received by persons holding executive or non-executive positions with supervisory or managing boards, as the case may be, in large financial institutions in the region.

19.2 No member of the Governing Board funded by international organizations shall receive compensation based solely on their capacity as Governing Board member.

19.3 Compensations received, or the renouncement of such compensation, by members of the Governing Board in relation to their service to the **CBK**, other than as mentioned here above, shall be disclosed in writing to the Assembly.

Article 20
Ineligibility to Serve on the Governing Board

a) no person shall serve on the Governing Board while he or she is an official or employee of a financial institution operating through offices in Kosovo or is a beneficial owner of five percent or more of an equity interest in a financial institution operating in Kosovo.

b) no person, except the Director of the Treasury, shall serve on the Governing Board while he/she holds a public office or is a civil servant except that this disqualification shall not apply to staff of academic or research institutions.

c) each member of the Governing Board shall also meet any other requirement, as set out by the **CBK** for members of boards of banks, unless this would be incompatible with this Law.

Article 21
Removal of Members of the Governing Board

21.1 Any member of the Governing Board shall be removed from the Board by the Board, or by the Assembly if the Board fails to act, if he or she:

a) becomes ineligible to serve on the Governing Board pursuant to Article 20 of this Law;

b) has been convicted of an offence which carries a sentence of imprisonment without the option of a fine;

c) has been involved as a debtor in bankruptcy or insolvency proceedings;

d) has, on grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a profession; or

e) has been found by a majority of the members of the Governing Board responsible for having been engaged in activities inconsistent with the standards and integrity or unbecoming of a member of the Governing Board.

21.2 In addition to the provisions of paragraph 1 of this Article, any member of the Governing Board may be removed from the Board, by the Board or by the Assembly if the Board fails to act, upon a finding and recommendation by a majority of the members of the Governing Board that the member:

a) is unable to perform the functions of such office because of an infirmity of body or mind that has lasted for more than two months; or

b) has been absent from three consecutive meetings of the Governing Board without, in the opinion of the Governing Board, justifiable reason.

Article 22 Resignation

Members of the Governing Board may resign by giving not less than one-month notice in writing to the Chairperson of the CBK Board and to the President of the Assembly.

Article 23 Vacancy on the Governing Board

Any vacancy on the Governing Board shall be filled within a maximum period of six months by the appointment of a new member of the Governing Board in accordance with Article 18.

Article 24 Meetings of the Governing Board

24.1 The two Deputy Governors may attend meetings of the Governing Board as observers. They shall have no voting rights.

24.2 The meetings of the Governing Board shall be chaired by the Chairperson or, in his or her absence, by the Governor; in the event the Governor is also absent, the meeting shall be chaired by one of the Deputy Governors according to Article 29.5 of this Law.

24.3 The Governing Board shall meet as often as the business of the CBK may require but not less frequently than ten times a year.

24.4 Meetings of the Governing Board are convened, after due consultation with the Governor, by the Chairperson, who shall decide the Agenda upon proposal by the Governor; meetings may also be convened at the written request of any two members of the Governing Board.

24.5 Governing Board meetings shall be convened by communicating the time, venue and agenda of the meeting to all members of the Governing Board at least five working days before the date set for the meeting; in the event of an emergency, meetings may be so convened at shorter notice.

24.6 Each member of the Governing Board shall have one vote. In the event of a tied vote, the Chairperson shall cast a tie-breaking vote.

24.7 Each meeting of the Governing Board requires the attendance of the Governor or, in his or her absence, the Deputy Governor substituting for him or her in accordance with Article 29.6 of this Law.

24.8 A quorum for the conduct of business and taking of decisions at any meeting of the Governing Board shall consist of three members of the Governing Board.

24.9 Except as otherwise provided by the present law, decisions of the Governing Board shall be adopted by a simple majority of those present and voting; however, meetings and voting by teleconferencing are permitted.

24.10 Subject to the quorum requirement in paragraph 8 of this Article, no act or proceeding of the Governing Board shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Governing Board.

24.11 All acts done by a person acting in good faith as member of the Governing Board shall be valid notwithstanding that some defect in that person's appointment, eligibility or qualification is afterwards discovered.

Article 25

Proceedings of Governing Board Meetings

25.1 The proceedings of the meetings of the Governing Board shall be confidential. The Governing Board may decide to make the outcome of its deliberations on any matter public and shall publish promptly its decisions on general policy matters. A member who is present at a meeting of the Board at which action on any matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent with the person acting as Secretary of the meeting before the adjournment of the meeting.

25.2 Minutes of each Governing Board meeting shall be signed by the Governor of the CBK, or the Deputy Governor temporary serving as presiding officer, by the Chairperson, and by the Secretary of the Governing Board.

25.3 The Secretary of the Governing Board shall be appointed by the Governor in consultation with the Chairperson from among the senior staff of the CBK to attend all Board meetings and keep all CBK records. The Secretary shall not be a member of the Governing Board.

Article 26

Declare of financial interests by Members of the Governing Board; Fiduciary Duties

26.1 Members of the Governing Board shall periodically declare to the Governing Board in full their significant financial interests, which they or members of their household may directly or

indirectly possess; such disclosures shall comply with guidelines adopted by the Governing Board.

26.2 Whenever any matter related to such interest is before the Governing Board, the member concerned shall declare his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter; the non-participation of that member, due to a conflict of interest issue, shall be noted in the minutes.

26.3 Governing Board members and employees of the CBK have a fiduciary duty to the CBK and to the CBK's customers to place the CBK's interests and its customers' interests before their own pecuniary interest.

Article 27 Subsequent Service

Former members of the Governing Board shall not serve in a professional managerial capacity in a financial institution doing business in Kosovo during a period of one year immediately following their departure from the CBK.

Article 28 Composition of the Management of the CBK

The management of the CBK shall consist of the Governor, who shall be the Chief Executive Officer, and two Deputy Governors.

Article 29 Management of the CBK

29.1 The Governor shall be responsible for the implementation of the policies adopted by the Board and for leading management in its strategy planning and execution towards the principal objectives of the CBK as set out in Article 5 of this Law.

29.2 The Governor shall be responsible to the Governing Board for the execution of its decisions and for the direction and control of the administration and operations of the CBK.

29.3 All powers that are not specifically reserved for the Governing Board shall be vested in the Governor. Within the limitations of his powers, the Governor shall have the authority to take all actions required or deemed advisable for the administration or operations of the CBK, including without limitation entering into contractual commitments on behalf of the CBK, appointing the employees, agents and correspondents of the CBK, and generally representing the CBK. The Governor may, with the approval of the Governing Board, delegate some of his or her powers to other employees of the CBK.

29.4 Provided they are regularly reported to the Board, the Governor shall take directly the following enforcement actions:

- (i) the issuance of written warnings,
- (ii) the issuance of written orders to cease and desist from infractions to the **CBK** law or to any other rule or order or other applicable legislation on licensing and supervision of financial institutions and to undertake remedial actions,
- (iii) the imposition of fines up to 10 000 euros,
- (iv) the issuance of written orders to impose measures for restoring a sound financial situation.

29.5 The Deputy Governors monitor and oversee the activities of the **CBK** as determined by the Governor and they shall be responsible to the Governor.

29.6 In the absence of the Governor at meetings of the Governing Board and at times when the Governor is not in office, one of the Deputy Governors, in the order determined by the Governor, shall substitute the Governor and assume his or her responsibilities to be carried out as directed by the Governor or, if not so directed, in his or her own judgment.

Article 30 **Inspector General of the CBK**

30.1 The Inspector General of the CBK shall be appointed by the Governor with the approval of the Governing Board. The Inspector General shall be a person meeting the qualifications required to serve as member of the Governing Board.

30.2 The Inspector General may resign from office on giving not less than two months notice to the Governor. The Inspector General shall be removed from office only by a decision of the Governing Board if such decision is supported by one or more of the grounds of removal specified in Article 21,.

30.3 The duties of the Inspector General shall include:

- a) evaluating the quality of existing and proposed management and financial control systems;
- b) assessing the operation of those systems and the reliability and integrity of information and transactions generated;
- c) assessing the adequacy of controls for safeguarding the assets of the **CBK** and, when appropriate, verifying the existence of assets;
- d) assessing compliance with laws, sub-legal acts, rules, orders and policies governing the operations of the CBK;
- e) conducting reviews of the effective and efficient use of the resources of the **CBK** and making appropriate recommendations to management; and
- d) performing special reviews when requested by management and liaising with the auditors of CBK.

30.4 The Inspector General shall provide a summary of his findings and suggestions in reports presented every six months to the Audit Committee within the Governing Board, which shall be

composed of at least 2 non executive members; the Inspector General shall, in addition to this, report to the Audit Committee at any time whenever he considers the Committee should be informed.

Article 31 Staff of the CBK

31.1 Staff of the CBK shall not be employed by any institution or person other than the CBK, unless the Governing Board expressly decides otherwise where reasons justified.

31.2 The Governing Board shall adopt the terms and conditions of employment that shall include provisions to preclude conflicts of interest.

Article 32 CBK Employees, Agents and Correspondents

32.1 The Governor shall appoint and terminate the appointment of the employees, agents and correspondents of the CBK, within the limits and in accordance with the general terms and conditions of employment adopted by the Governing Board.

32.2 No salary, fee, wage, or other remuneration or allowance paid by the CBK shall be computed by reference to the net income, net profits or other revenues of the CBK.

Article 33 Conflict of Interest

33.1 The Management and Inspector General shall devote the whole of their professional services to the CBK, and shall not occupy any other office or employment, whether remunerated or not, except as nominee of the CBK and for occasional educational and civic endeavors.

33.2 No member of the Governing Board or staff of the CBK shall accept any gift or credit, or on behalf of any person with whom he or she has family, business, or financial connections, if the acceptance thereof would result, or give the appearance of resulting, in a diminishment of impartial devotion to his or her duties to the CBK.

Article 34 Secrecy

34.1 No person who serves or has served as a member of the Governing Board or staff or as an auditor, agent or correspondent of the CBK shall, in a manner unauthorized by the present law permit access to, disclose or publicize non public material information which he has obtained in the performance of his CBK duties or use such information, or allow such information to be used, for personal gain.

34.2 Notwithstanding paragraph 1 of this Article, such persons may disclose non public material information outside the CBK, in accordance with procedures established by the CBK, but only if

- a) in accordance with the express or implied consent of the person about whom the information relates;
- b) in performance of a duty to the public to make disclosure, including to aid law enforcement and on the order of a court or other person of competent authority;
- c) given to the auditors of the CBK ;
- d) given to financial institution supervisory authorities and staff of public international financial institutions in performance of their official duties;
- e) the interest of the CBK itself in legal proceedings requires disclosure; or
- 1) the Governing Board has given its consent.

Article 35 **Banker, Financial Adviser, Fiscal Agent**

35.1 The CBK, in acting as banker and as adviser to, and as fiscal agent of the Ministry of Finance and Economy, and other entities of the Government, shall ensure that no transaction carried out by the CBK may serve to extend credit to or for the benefit of any public authority or any other physical or legal entity.

35.2 The CBK shall have the duty to render advice to the Government as well as to the Assembly on significant financial matters that relate to CBK objectives or that otherwise are within its fields of competence.

35.3 The CBK shall be consulted by the Ministry of Finance and Economy on the occasion of the preparation of the budget.

Article 36 **Depository and Cashier**

The CBK may accept deposits, in any currency, from the Ministry of Finance and Economy, and other public entities. As depository, the CBK shall receive and disburse moneys and keep account thereof and provide other financial services related thereto. The CBK shall pay to the limits of the deposited amounts against payment orders concerning such accounts. The CBK shall pay interest on such deposits at the deposit facility rate as offered by the central bank of issue of that currency. The interest rate paid by the CBK on its deposit facility for such organizations should not exceed the ones offered by the issuing bank.

Article 37 **Fiscal Agency Function**

The CBK may, on such terms and conditions as it shall agree with the Ministry of Finance and Economy, act as fiscal agent for the account of the Ministry of Finance and Economy and such of its agencies and instrumentalities as the Government may determine.

Article 38
Information to be Provided to the CBK

The CBK shall receive from the Ministry of Finance and Economy and other entities of the Government all such financial and economic information and documents as the CBK shall request for the carrying out of its functions.

**RELATIONS WITH FINANCIAL INSTITUTIONS AND PAYMENT SYSTEMS
FUNCTIONS**

Article 39
Payments, Clearing and Settlement Facilities

In accordance with the principal objectives and specific powers of the CBK in Articles 5 and 6 of this Law, the CBK may organize, own, and operate, and shall oversee and regulate systems for payment orders and for clearance and settlement of inter-bank payments, in currencies it determines, whether or not legal tender, including payments by check and other payment instruments, and shall establish such procedures and issue such rules and orders relating thereto as it shall deem appropriate.

Article 40
Banks' Accounts on CBK Books

Each bank operating in Kosovo that wishes to participate in a payment, clearing, or settlement system shall open and maintain an account on the books of the CBK, on such terms and conditions as the CBK shall specify, and shall provide promptly as required to the CBK such information concerning its operations and financial condition as the CBK shall prescribe by rule.

Article 41
Information Network

The CBK may establish and maintain an information network for the financial system of Kosovo.

Article 42
Financial Institution Supervision and Regulation

The CBK shall be exclusively responsible for the licensing of financial institutions in Kosovo and for their supervision and regulation and shall be empowered:

a) to issue such rules, orders and guidelines and to take such other actions, including revoking licenses of financial institutions and assuming control of a failed financial institution as it shall deem necessary or advisable, in order to execute its powers and responsibilities under the present law and other applicable laws;

b) to cause an inspection to be made, by any of its officers or by any other qualified person appointed to that effect, of any financial institution and to examine its books, records, documents and accounts for the purpose of ascertaining the condition of its affairs and whether it is in compliance with the present law, or any rule or order and other applicable law on licensing and supervision of financial institutions;

c) to require a director, officer or employee of a financial institution to furnish to the **CBK** such information as requested for the purpose of enabling the **CBK** to supervise and regulate financial institutions; and

d) to cause any financial institution to take remedial actions or to impose penalties provided in the present law or any rule or order or other applicable legislation on licensing and supervision of financial institutions if there has been an infraction by a financial institution or by one or more of its officers or directors with respect to the present law or any rule or order or other applicable legislation or a directive of the **CBK** pursuant thereto, or the violation of any condition or restriction attached to an authorization or approval issued to a financial institution by the **CBK**, or the violation of any rule or order issued by the **CBK**, or in the event of unsafe or unsound conditions in or acts by the financial institution.

e) to conduct supervisions of financial groups on the basis of a consolidated approach involving the entire group activities.

Article 43 Prudential Rules and Orders

43.1 Each financial institution shall comply with the rules and orders of the **CBK** concerning: its balance sheet accounts, off-balance-sheet commitments, and income and expense statement items with respect to ratios among accounts or items and prohibitions, restrictions or conditions concerning specific types or forms of credit or investments, or of credit or investments that exceed a certain amount or forms of commitments of a risk-bearing nature or matching as to maturity of assets and liabilities and off-balance-sheet items or open foreign currency, swap, option or similar positions or access to the payments system.

43.2 Financial institutions that engage in similar activities and that are in comparable financial condition shall be subject to similar rules and orders.

Article 44 Submission of Information to the CBK

44.1 Financial institutions shall furnish to the **CBK** such information concerning their operations and financial condition as the **CBK** may require.

44.2 The CBK may publish such information and data in whole or in part in aggregate form for classes of financial institutions determined in accordance with the nature of their business.

44.3 Financial Institutions shall publish periodical accounting statements only according to models and standards set by the CBK in accordance with international financial reporting standards.

FOREIGN EXCHANGE REGULATION AND OPERATIONS

Article 45 Foreign Exchange Dealers

The CBK shall have the power to:

- a) issue rules and orders governing foreign exchange transactions of individuals, non-financial enterprises, financial institutions, and agencies and instrumentalities established under the applicable law in Kosovo;
- b) license, supervise and regulate foreign exchange dealers, including banks;
- c) set limits on foreign exchange positions of foreign exchange dealers, including banks; and
- d) establish the method for determining the value of currencies in relation to other currencies.

Article 46 Reporting of Foreign Exchange Transactions

Licensed foreign exchange dealers, including banks, may be required by the **CBK** to report periodically to the CBK on their operations, including their open foreign exchange positions, on a currency-by-currency basis; the CBK shall prescribe the reporting forms and supporting documents to be submitted.

Article 47 Dealing in Foreign Exchange

The CBK may:

- a) buy, sell, or deal in gold coins or bullion or other precious metals;
- b) buy, sell, or deal in foreign exchange, using for these purposes assets described in Article 48; and
- c) determine the rate at which it will buy, sell or deal in foreign currencies.

Article 48 Foreign Exchange Assets

48.1 The CBK shall hold on its balance sheet and manage assets denominated in foreign exchange consisting of any or all of the following assets:

a) gold;

b) foreign exchange in the form of notes and coins held within Kosovo or bank balances held abroad in foreign currencies in banks whose short term liabilities are rated in one of the two highest categories by internationally recognized credit rating agencies; and

c) debt securities issued or guaranteed by States or central banks of the European Union maturing within a maximum period of one year which are denominated and payable in Euros.

48.2 The primary objectives in selecting foreign exchange assets shall be safety of principal and liquidity. Subject to these objectives, such assets shall be selected to maximize earnings.

Article 49

Clearing and Payments Agreements

The CBK may, either for its own account or for the account and by order of the Ministry of Finance and Economy, enter into clearing and payments agreements or any other contracts for the same purpose with public and private central clearing institutions domiciled abroad.

CURRENCY MANAGEMENT

Article 50

Currency Safekeeping

The CBK shall provide custodial facilities to financial institutions and the public at large for banknotes and coins in currencies that it determines.

Article 51

Currency Reserve Inventory

The CBK shall administer a currency reserve inventory in such currencies as it deems appropriate for the settlement of domestic and international transactions to ensure the regular supply of currency to meet the requirements of the economy of Kosovo in consultation with competent governmental authorities.

FINANCIAL STATEMENTS, AUDIT, AND REPORTS

Article 52

Financial Year of the CBK

The financial year of the CBK shall begin on the first day of January and end on the last day of December.

Article 53 Accounting Practices

53.1 The CBK shall maintain accounts and records in accordance with international financial reporting standards to reflect its operations and financial condition.

53.2 The financial statements of the CBK shall include separate accounts for a General Reserve; provisions for bad and doubtful debts; and depreciation in assets.

Article 54 Financial Statements

The CBK shall prepare financial statements for each of its financial years. They shall include a balance sheet, a profit and loss statement, and related statements.

Article 55 Independent Audit of CBK Accounts

The accounts, records, and financial statements of the CBK shall be audited by internationally recognized independent external auditors recommended by the Governing Board and approved by the Committee of Budget and Finance of the Assembly. The Committee of Budget and Finance of the Assembly may dismiss the CBK independent external auditors for good cause. The same external auditor cannot be used for more than five years in a row.

Article 56 Transmittal and Publication of Statements and Reports

56.1 The CBK shall, within six months after the close of each of its financial year, submit to the Assembly and the Government:

- a) financial statements certified by its external auditors;
- b) a report of its operations and affairs during that year; and
- c) a report on the state of the economy.

56.2 The CBK shall prepare, as soon as possible after the last working day of each calendar quarter, but in any event within 15 working days, summary financial statements as of the end of that quarter.

56.3 Upon their completion, the CBK shall publish the financial statements and reports described in paragraphs 1 and 2 of this Articles, the CBK may publish such other reports and studies on financial and economic matters, as it may deem appropriate.

MISCELLANEOUS PROVISIONS

Article 57

Consultations on Regulatory Proposals

The CBK shall be consulted by the Government and the Assembly on any proposals with respect to matters that relate to CBK's objectives or that otherwise are within its fields of competence, before they are finalized.

Article 58

Preferential Right of the CBK

58.1 The CBK shall have an unconditional preferential right to satisfy each of its claims from any cash balances and other assets that it holds for its own account or for the account of the debtor concerned, whether as collateral to secure its claims or otherwise, at the time that such claim becomes due and payable.

58.2 The CBK may exercise its preferential right only by keeping cash balances and by selling other assets against a reasonable price and paying itself from the proceeds of the sale after deducting there from the costs associated with the sale. No court action shall be required for, and no competing claim shall be permitted to delay, the exercise by the CBK of its preferential right in accordance with the provisions of this Article, not even claims of ownership or other previously acquired rights, unless there shall be clear and convincing evidence that staff of the CBK knew or should be considered to have known at the time that the assets came into the possession of the CBK that the assets did not belong to the debtor concerned.

Article 59

Prohibited Activities of the CBK

59.1 Except as otherwise specifically authorized by the present law or any subsequent law or sub-legal act, the CBK shall not:

- a) grant any credit, maintain any deposit, or make any monetary or financial gift;
- b) engage in commerce, purchase the shares of any corporation or company, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking; or
- c) acquire by purchase, lease, or otherwise any real rights in or to immovable property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or for the housing of its employees or similar requirements

incidental to the performance of its functions under the provisions of the present law.

59.2 Notwithstanding any other provision of the present law, the CBK may:

- a) make loans to, or have an ownership share or otherwise participate in, any organization that is engaged in activities that are required for the proper discharge of the CBK's own functions or responsibilities;
- b) acquire, in the course of satisfaction of debts due to it, any interests or rights referred to in point (b) of paragraph 1 of this Article, provided that all such interests or rights so acquired shall be disposed of at the earliest suitable opportunity;
- c) grant credit to any of its employees for such purposes, in such amounts and on such terms and conditions as it may determine; provided, however, that its capital accounts shall be reduced by the amounts of such credit; or
- d) charge reasonable fees, on a competitive neutrality basis, for the services it renders as:
 - (i) owner or operator of systems for payments, clearing and settlement facilities;
 - (ii) supervisor of financial institutions, dealers of foreign exchange, broker-dealers, and mutual funds; and
 - (iii) provider of currency management.

Article 60

Collection of Statistical Information

60.1 The CBK shall collect the statistical information required for the achievement of its objectives and the carrying out of its tasks and may engage in technical cooperation to this end with competent authorities from outside Kosovo. The CBK may impose penalties to financial institutions if there has been a serious and repeated violation with respect to the CBK rules on statistics.

60.2 The CBK shall define the statistical information so required and the form in which such information is to be provided to the CBK, the persons that are to provide such information to the CBK, and the confidentiality regime that shall apply to statistical information provided to the CBK.

60.3 The CBK shall contribute to the harmonization of rules and practices governing the collection, compilation and distribution of statistics within its fields of competence.

Article 61

Immunity of the CBK from Corporate Income Tax

The CBK shall be exempt from Corporate Income Tax.

Article 62

CBK Regulatory and Inspection Powers

62.1 The CBK shall be empowered to issue such rules, orders or guidelines to visit such offices of financial institutions, to examine such accounts, books, documents and other records, and to take such other action as the CBK shall deem necessary or advisable to give effect to the provisions of the present law.

62.2 All rules, orders and guidelines issued by the CBK that apply to more than one financial institution shall be published and shall take effect on the date of such publication or on such later date as such directive or guideline shall specify. The CBK shall maintain a public register of such rules, orders and guidelines.

62.3 Rules and orders of the CBK shall be final determinations in administrative proceedings.

Article 63 Standards of Good Administration

63.1 The CBK shall use the powers given to it under the present law equitably and uniformly and in accordance with sound administrative practices. It shall refrain from using any such power to serve an objective for which the power was not given or in excess of what shall be required to achieve the objective for which the power was given.

63.2 The decisions of the CBK taken pursuant to the present law shall be impartial and shall be motivated only by objective and rational considerations; they shall be executed with fairness and restraint.

Article 64 Trust Accounts

The CBK shall be authorized to open, and maintain on its books, accounts the assets and liabilities of which shall be segregated from the other assets and liabilities of the CBK. The assets of each such account shall be available only to meet liabilities of that account and no other assets of the CBK shall be available to meet liabilities of such account.

Article 65 Employment Practices

The CBK shall apply non-discriminatory personnel policies to ensure that the composition of the staff of the CBK reflects the multi-ethnic character of the communities of Kosovo.

Article 66 Judicial Review

In any court or arbitration proceeding arising out of or in connection with the present law against the CBK or an officer, employee, or agent of the CBK:

a) the sole question before the court or arbitration court in determining whether the defendant acted unlawfully shall be whether the defendant acted with gross negligence or such acts or omissions constitute intentional wrongful conducts in light of the facts and the law or rules, orders or guidelines at issue;

b) an administrator, employee, or agent of the CBK shall not be liable for damages or otherwise liable for acts or omissions performed pursuant to and in the course of the duties and responsibilities unless such acts or omissions constitute gross negligence or intentional wrongful conduct; and

c) the action in question shall continue without restriction during the period of an appeal and any further appeal or other judicial proceedings related to the appeal; and

d) the CBK shall cover the costs incurred for the legal defense of its employees who, while discharging their duties on behalf of the CBK acted in good faith, and there was no finding of gross negligence or that such acts or omissions constituted intentional wrongful conduct.

Article 67 Repeal

UNMIK Regulation No. 2006/47 is hereby repealed.

Article 68 Applicable Law

The present law shall supersede any provision in the applicable law, which is inconsistent with it.

Article 69 Transitional Provision

The Governing Board shall be appointed from the effective date of the present Law which will be composed of existing members of the Governing Board retroactive to the date of previous terms. Any successor nominations or appointments made to the Governing Board shall be made as required in Article 18.2 of the present law.

Article 70 Entry into Force

This Law shall enter into force after the publication in the Official Gazette of the Republic of Kosovo.

**Law No. 03/L-074
5 June 2008**

President of the Assembly of the Republic of Kosovo

Jakup KRASNIQI