Strategic Plan for the period
2010-2015
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In the Central Bank of Kosovo (hereinafter ‘the CBK’), we are dedicated to a creation of a financial stability of the Republic of Kosovo. Our well thought vision of a successful future development of the CBK and consequently the economy and financial stability of the Republic of Kosovo has been generated through strategic thinking. A clear vision accompanied with ambitiously set goals is crucial for a successful long-term growth and development of the Republic of Kosovo and particularly its financial sector.

As we believe that our ambitiously set goals can only be achieved by experienced and highly motivated and dedicated employees who think and act excellent we will continue to nourish a professional and personal growth of all our employees and their constant education. Throughout all our operations and activities, we will constantly remain dedicated to our fundamental values, that is, excellence, competence, integrity, efficiency and transparency. Also, we will maintain the financial independence of the CBK through the promotion of productivity and cost effectiveness of our operations.

The CBK is fully aware of the substantial responsibility it has in developing and securing the financial stability of the Kosovo’s economy. In the light of these assignments, the CBK will strive to secure and enhance public’s trust and credibility with an objective to become modern central bank.

Hashim Rexhepi
Governor
MANDATE OF THE CBK

The Central Bank of the Republic of Kosovo, 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 the Republic of Kosovo.

The CBK enjoys operational and administrative autonomy and function outside the framework of the Kosovo governmental structures and the Kosovo Civil Service. The CBK and the members of its decision-making bodies are independent and are not bound by its instructions of the government or any other authorities in carrying out their legally defined tasks, nor may they seek their guidance or direction.

The CBK is responsible for the maintenance of the Euro currency which is in use as the legal tender in the Republic of Kosovo. The CBK manages and oversees the banknote and coin circulation in line with the best practices and standards.

The CBK maintains its financial independence through consistent earnings with respect to cost efficiency of its activities and operations. Since the CBK does not generate income through monetary operations, its earnings are market determined. The CBK sets fees and charges related to the provision of its services according to the best standards and practices. The primary objective of the CBK is to preserve the value of its financial assets and maintain its capacity to support the liquidity of the financial sector jointly with the Treasury of the Ministry of Economy and Finance.

The principal objectives of the CBK are to:

- Foster the soundness, solvency and efficient functioning of a stable market-based financial system,
- Support the general economic policies in the Republic of Kosovo with a view to contributing to an efficient allocation of resources in accordance with the principle of an open market economy.

In carrying out its legal and statutory tasks, the CBK focuses on the following:

- To recommend broad policy guidelines to the Assembly and the Government of the Republic of Kosovo in areas under its responsibility,
- To formulate, implement, oversee, and regulate payments and settlement systems for transactions in domestic and foreign currency in the Republic of Kosovo,
- To operate one or more payments systems,
- To act as fiscal agent to the Ministry of Finance and Economy and to provide financial advice at its request,
- To act as fiscal agent of the Ministry of Finance and Economy,
- To hold foreign currency deposits of commercial banks, the Ministry of Finance and Economy, and other public entities,
- To ensure an adequate supply of bank notes and coins for the settlement of cash transactions,
- To maintain a depository for safe keeping of currency and securities,
• To license, supervise and regulate financial institutions,
• 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 of the Republic of Kosovo,
• To supervise and regulate dealers in foreign exchange, broker-dealers, other financial market intermediaries, investment companies, and mutual funds,
• To approve external auditors of the financial institutions,
• To set accounting standards for the financial institutions in the Republic of Kosovo in line with international financial reporting standards.

MISSION OF THE CBK

Our mission is to safeguard financial and monetary stability, to provide for effective payment systems and the supply of cash, to provide economic advice to public entities, and to contribute to a long-term sustainable economic development of the Republic of Kosovo through financial market development. In all areas of our operations and activities, we strive for the highest level of excellence, competence, integrity, efficiency and transparency.

STRATEGIC VISION OF THE CBK

Our strategic vision is to make a distinctive and valuable contribution to the sustainability and development of the financial sector in the Republic of Kosovo, to be among the most efficient and effective national central banks, and to contribute to the processes for the Republic of Kosovo to become fully-fledged member of the European Union Institutions.
VALUES OF THE CBK

Our values, developed by our employees and shaped by the CBK management and Supervisory board, are reflected in all areas of our operations and in the performance of all our tasks. They are reflected in the attitude and work of our employees and provide guidance in setting of our priorities, decision-making, carrying out tasks, building relations with the general public, and interpersonal relations among employees. For those reasons:

1. We work for the benefit of the public interest.
2. We ensure a stable financial system.
3. We ensure transparency and credibility of all our operations and activities.
4. We carry out our tasks with highest level of integrity and ethics.
5. We ensure a constant personal and professional growth and development of all our employees

THE CBK STRATEGIC GOALS

In line with our strategic Vision and Mission we have identified and set five key strategic goals which best reflect our responsibilities to the Kosovo’s economy and our society and will enable us to promote and foster financial stability and contribute to a successful future growth and development of the economy of the republic of Kosovo. Our key strategic goals are:

1. To promote and foster financial stability in the Republic of Kosovo
2. To support general economic policies to achieve sustainable economic growth in the Republic of Kosovo.
3. To ensure development of contemporary interbank systems and to provide effective banking services to customers
4. To promote sound development of the financial sector in the Republic of Kosovo
5. To contribute to the processes for integration into European Union and other international institutions.
IMPLEMENTATION OF OUR KEY STRATEGIC GOALS

STRATEGIC GOAL 1
To promote and foster financial stability in the Republic of Kosovo

The CBK contributes to the stability of the financial system. In this regards, it analyses sources of risk in and to the financial system, develops analytical indicators to identify risks and helps to promote sound operational environment for the financial system. The CBK assesses the possible impact of macroeconomic developments in the Kosovo’s economy on the health of the financial institutions and provides guidelines to influence the economic policy. The CBK discusses the major issues with the main financial institutions and uses this dialogue to raise awareness of issues and concerns and encourage prudent behavior. The CBK is aware of the substantial responsibility it has as a consequence of these tasks. In this regard the CBK strives to secure the public’ trust in its activities by promoting high competence and performances on the part of its management and staff.

In order to successfully foster financial stability in the Republic of Kosovo, we will promote:

BANKING SECTOR

1. Completion of sound and prudential regulatory framework
   a. Enhancement of the applicable legal framework for all banks, microfinance institutions, and non-bank financial institutions
   b. Development of a sound framework of prudential policies governing financial sector oversight and functioning
   c. Revision of licensing policy to enhance “fit-and-proper” standards for owners and governing bodies of banks, microfinance institutions and non-bank institutions
   d. Ensuring minimum capital commensurate with the risks to be undertaken
   e. Develop the road map and implement Basel II standards
2. Identification of risks and assessment of the resilience of commercial banks
   a. Incorporation of the results of stress-tests and other analytical models into supervisory plans for the banking system
   b. Development of risk management guidelines for each major risk encountered in the banking system
   c. Refinement of on-site supervisory methodologies to evaluate adequacy of risk management in the banking system
   d. Development of business continuity guidelines

3. Cooperation with other supervisory authorities
   a. Improve coordination and cooperation with donor organizations as well as from other central banks and supervisory agencies for institutional and systemic development needs
   b. Participate in regional and international supervisory groups and avail educational opportunities arising from these

4. Implementation of deposit insurance scheme
INSURANCE AND PENSION SECTOR

1. Completion of sound and prudential regulatory framework
   a. Creation of the Law on General and Compulsory Insurance
   b. Development of policy framework for supervision of life insurance companies and products
   c. Support activities for establishing the Kosovo Green Card Bureau
   d. Develop road map and implement Solvency II standards

2. Identification of risks of insurance companies
   a. Improvement of Risk Management activities
   b. Cooperation with foreign Insurance Supervisors Authorities

CAPITAL MARKET

1. Contribute to the establishment and development of capital market in the Republic of Kosovo
STRATEGIC GOAL 2
To support general economic policy to achieve sustainable economic growth in the Republic of Kosovo

The CBK supports the formation of economic policies in the Republic of Kosovo to maximize the sustainable economic growth. This is mainly done by undertaking economic analysis and research designed to inform professional and general public. The CBK actively focuses on production of statistics and data gathering to carry out analysis and research. The CBK analysis provides a reliable and timely view of the state of the economy. The independent assessment of economic developments is one of the most important activities in order to achieve long-term sustainable economic growth in the Republic of Kosovo.

We will best support general economic policy through:

1. **Further development of statistics compilation**
   a. Advancing the Monetary and Financial Sector statistics in line with international standards
   b. Advancing the External Sector statistics in line with international standards
   c. Strengthening of cooperation with domestic and foreign institutions in the area of statistics.

2. **Further development of research and economic analysis function**
   b. Preparation of current economic indicators
   c. Strengthening of cooperation with domestic and foreign institutions in the area of economic research and analysis.

3. **Expansion of communications on general economic issues**
   a. Publication of the CBK statistics, research and analysis
   b. Conduct regular Economic Policy Seminars and occasional conferences
   c. Conduct regular Press Conferences
STRATEGIC GOAL 3

To ensure development of contemporary interbank systems and to provide effective banking services to customers

The CBK operates the Electronic Interbank Clearing System (EICS), which is the only interbank funds transfer system in the Republic of Kosovo. It functions as a hybrid system that enables channeling among banks of a range of payment instruments. The CBK also operates the only credit information system in Kosovo – Credit Registry of Kosovo (CRK) that makes possible sharing of information among commercial banks and other credit providing institutions. Both these systems that are important for functioning of the financial system have been developed domestically and are subject to continuous enhancements based on consultations with stakeholders and contemporary international practices. In addition, the CBK will set up new funds transfer and other interbank systems that are relevant for the achievement of its principal objective and the conduct of its tasks. Furthermore, the CBK will develop further its oversight and monitoring functions with regard to interbank systems in general.

In addition to typical central bank functions regarding interbank systems and operations, the CBK provides account maintenance and transaction services for its customers, manages prudently their deposited funds, and supplies them with banknotes and coins as required. The CBK ensures that all banking services offered by a central bank are available to government agencies, financial institutions and other customers. The CBK consults its customers and partners regularly to keep its products up to date. For that reason, the CBK harnesses latest business methods and technological solutions.

Government and financial sector entities keep current accounts with the CBK and through them regularly carry out transactions. The CBK continuously upgrades services relating to customer accounts. Cash deposits and withdrawals are a special form of customer account services. Through cash services provided to financial sector customers, the CBK maintains an adequate supply of banknotes and coins in the economy for the settlement of cash transactions.

The CBK holds and manages a significant amount of funds deposited by government and financial sector entities. The related investment activities of the CBK aim above all to preserve the value and ensure the liquidity of the invested funds. The return on the investment of these funds in European money market is the main source of the CBK income.

1. Provide efficient and high-quality interbank funds and securities transfer systems through:
   a. Acquiring and implementing a modern real time gross settlement (RTGS) system, which is intended to represent the backbone of the national payments system in Kosovo
b. Acquiring and installing a central securities depository system to provide the necessary functionality to support the anticipated market for securities, especially government securities

c. Seeking to establish a contemporary interbank money market system, which will serve as an important element for liquidity management

2. Facilitate the development of the general payments infrastructure and promote cooperation among national payments system stakeholders through:
   a. Exercising effectively the function of payment system oversight in Kosovo in accordance with the legal provisions and modern practices
   b. Playing a catalyst role for the implementation of a national interbank card switch to provide interoperable functionality with required participation by all card issuers
   c. Following the European initiatives for the integration of payment systems

3. Enhance the credit registry function of supporting credit providing institutions in assessing credit applications through:
   a. Extending the content of CRK information and upgrading its usability by commercial banks and other credit providing institutions
   b. Promoting the CRK function to the public in general
4. Enhance and standardize customer account services through:
   a. Upgrading CBK core banking system to support further automation and standardization of transaction processes
   b. Implementing fully automated interfaces between the Treasury of the Ministry of the Finance and Economy’s special financial management system and the relevant system(s) run by the CBK for automatic submission of payment orders and retrieval of reports
   c. Connecting to the SWIFT system for the purpose of improving cost-efficiency in processing of international transactions

5. Following the Eurosystem standards to provide banks with adequate quantity and quality of euro banknotes and coins, monitor cash in circulation, and in cooperation with police contribute to fighting against currency counterfeit

6. Optimize safety, liquidity, and return on international money market investments
STRATEGIC GOAL 4
To promote sound development of the financial sector in the Republic of Kosovo

The CBK invests efforts to promote development of the financial sector in the Republic of Kosovo by providing expertise to the Government and providing an environment to safeguard private market initiatives. The CBK supports and maintains smooth functioning of the financial sector infrastructure by preparing legal framework for new financial products and licensing of the financial institutions. The CBK promotes cooperation in the Republic of Kosovo aimed at the design of efficient and open technical solutions and common standards for the financial sector.

The CBK considers itself a driving force for the steady development and improvement of the functioning of the financial sector in the Republic of Kosovo. Public confidence in the CBK activities in developing financial sector is promoted through effective and well-targeted communications.

We will:

1. Promote processes that lead to integration of Kosovo’s financial sector to regional and international financial markets
   a. Endorse cooperation and exchange of information with Eurosystem and regional central banks and financial authorities
   b. Promote exchange of employees and support education processes
   c. Follow the Eurosystem and regional initiatives for financial market integration

2. Promote processes of competition and to create transparent and stable financial environment
   a. Educate public and raise awareness of financial sector developments
   b. Disclose information on financial sector through public exposure
   c. Enhance awareness of the CBK activities and initiatives

3. Promote activities to safeguard consumers and partners in Kosovo’s financial sector
   a. Educate consumers and partners through publications and seminars
   b. Improve coordination with government agencies and NGOs agencies to promote consumer protection
STRATEGIC GOAL 5
To contribute to the processes for integration into the European Union and other international institutions

The institutions of the Republic of Kosovo are new. The CBK promotes processes to fully integrate to the European Union and other international institutions. The CBK takes steps to increase public and international awareness of the CBK and the Republic of Kosovo by prudent activities and regular publication of its actions. The CBK Management Board and staff participate regularly at international events to promote the Republic of Kosovo and the CBK. The CBK operates in accordance with international standards and practices. Good cooperation with counterparties is important for the effective implementation of legislative framework and understanding of the needs of Kosovo’s economy and financial sector. The CBK is fully aware of its responsibility toward domestic and international counterparties in bringing Kosovo’s economy and financial sector closer to international integration. The CBK strives to raise public’s trust in its activities by promoting high competence and performance of the CBK governing bodies and on part of its staff.

In the process for integration into the European Union and other international institutions, we will:

1. Coordinate activities with the Government of the Republic of Kosovo
   a. Develop road map to participate in international institutions
   b. Jointly represent the Republic of Kosovo and its financial sector
   c. Enhance the coordination of technical assistance and help of international donors

2. Promote activities to raise awareness of the Republic of Kosovo
   a. Organize regular press conferences informing public on current developments in financial sector
   b. Participate at international conferences and join Eurosystem and regional initiatives to promote financial sector stability and development
   c. Publish information and promotional material on development of the financial sector and the economy of the Republic of Kosovo

3. Promote activities to develop human capital potential
   a. Promote educational processes at the CBK
   b. Improve selection processes for new employees
   c. Promote exchange of employees with Eurosystem and regional central banks and financial authorities
   d. The proportion of the CBK employees with an academic degree and research training will be increased