



Pursuant to Article 36, paragraph 1, sub-paragraph 1.1 of the Law no. 03/L-2019 on the Central Bank of the Republic of Kosovo, the Executive Board of the Central Bank of the Republic of Kosovo, at the meeting held on 28 September 2016, approved the following:

Payment Systems Oversight Policy

Article 1

Purpose

1. The purpose of this policy is to define the principles and guidelines for oversight of payment systems which operate in the Republic of Kosovo.
2. Central Bank of the Republic of Kosovo (hereinafter: CBK) aims to further strengthen its oversight policies for payments system.

Article 2

Scope

Policy on payment systems oversight is applicable to all payment systems operating in the Republic of Kosovo. All oversight legal acts related to the payment system shall be in compliance with principles set forth in this policy.

Article 3

Definitions

1. All definitions in the Policy on Payment System Oversight shall have the same meaning as defined in the law on payment system.

Article 4
Oversight's role and activity

1. CBK in exercising payment systems oversight function, is engaged in the following aspects:
 - 1.1. Monitors developments in the context of payments and settlement system, by evaluating the efficiency and risks to which are exposed the payment systems.
 - 1.2. Determines the oversight principles and standards, in order to ensure safe and efficient functioning of payments and settlement system.
 - 1.3. Analysis of the data and information on system activity through reports, on-site inspections or meetings with payment system operators.
 - 1.4. Assess the compliance of the payment systems with standards and principles set forth by the CBK.

Article 5
Oversight objectives

1. While exercising the oversight of payment systems function, CBK is focused on achieving the following objectives:
 - 1.1. To ensure the sustainability and efficiency of the payments system, by requesting from the overseen entities to identify the risks and take the necessary measures, in order to avoid mistakes in building and functioning of the system.
 - 1.2. To achieve a satisfactory level of efficiency of the payment system.

Article 6
Payment system

1. In Kosovo operates one interbank payment system, which is operated and overseen by the CBK.
2. The Law No.04/L-155 on Payment System determines the rules, standards and terms for operation of systems.

Article 7

Payment instruments

1. According to the Law on the Central Bank of the Republic of Kosovo No. 03/L-209, CBK can regulate and oversee the issuance and quality of payment instruments, by considering them as an integral part of payment system in Kosovo, with the view to guarantee their efficiency and safety.
2. Payment instruments include following instruments:
 - a. Payment cards;
 - b. Credit transfer;
 - c. Direct debit;
 - d. Kos Giro;

Article 8

Oversight methodology

1. CBK exercises the oversight of payment system function through a process that goes through three phases: monitoring, assessment and inducing changes.
 - 1.1. **Monitoring** - is the first phase of the oversight activity of payment and settlement system. CBK uses different sources of information from system operators, various documents from the operators, as well as reports from the participants in the system. Based on the regulation on payment instrument statistics, CBK collects the necessary information in regular periods or ad hoc regarding the system and payment instruments. CBK may visit the offices of payment, clearing and securities settlement systems, and their participants to check the accounts, books, documents and other logs, in order to obtain different information from them, or any other measure, deemed necessary or advisable.
 - 1.2. **Assessment** - CBK assesses the collected information and documents during the monitoring phase. Based on the standards and recommendations, it allows for systematic harmonized oversight of payments and settlement system, to be direct and clear in its practical application and to assist in comparison of assessment results for various systems.
 - 1.3. **Inducing changes** - Based on the oversight results, CBK takes action when it determines that a particular system within the overall infrastructure of payments, clearing and settlement does not have adequate level of safety. During the oversight process, CBK pays special importance to good cooperation with overseen entities; a constructive cooperation helps to ensure effective oversight and to minimize any burden to overseen entities. However, the responsibility for ensuring safe and efficient system remains a task of the overseen entities.

Article 9
Oversight tools

1. CBK has the responsibility and obligation to oversee all matters which enable regular functioning of payment and settlement systems as well as financial market infrastructures that operate in Kosovo.
2. CBK carries out the oversight of the payment system through:
 - 2.1.Determining and establishing standards for oversight;
 - 2.2.Discussion with the operator in the event of changes in the drafting of operational regulations of system and agreements for further steps.
 - 2.3.Obtaining public and confidential information
 - 2.4.Application of penalties or restrictions of activity;

Article 10
Principles for oversight of payment system

1. During the exercise of the oversight function of the payment and settlement system, the CBK is based on internationally recognized principles and standards, such as:
 - 1.1. For payment systems of systemic importance are applied principles for Financial Market Infrastructure (BIS 2012);
 - 1.2. For payment systems of small values it is applied the revised framework for oversight of retail payment systems (ECB);

Article 11
Cooperation with other authorities

1. Cooperation is an important tool to ensure an effective oversight whenever the overseen entities are controlled by different authorities. One of the tasks stipulated in the principles for Financial Market Infrastructure by the Payment and Settlement Systems Committee (BIS 2012, Paragraph E for payment system) is cooperation with other authorities.

Article 12
Entry into force

This policy enters into force on the date of the adoption.

[signed]
Bedri Hamza
Chairman of the Executive Board