

3.2.1 Enhance the access to finance, payment system integration/services and financial inclusion, articulated in different law proceedings

Summary of checks performed by relevant authorities on the steps for which funding is requested, including weaknesses identified and any corrective actions taken

In accordance with the national legal framework on public internal control, financial management and internal audit, the RGF Regulation and the applicable Commission Implementing Decision, the competent authorities conducted a comprehensive verification process for this reform step.

This included the systematic collection and review of relevant evidence by the Ministry of Finance, with internal audit units exercising their functions in accordance with their mandate. The checks and verifications were performed through the relevant layers of the control system, including the units responsible for implementation of this reform step, the Reform Agenda coordination unit in MoF, and the Secretary General of the Ministry.

The Reform Agenda coordination structures within the Office of the Prime Minister carried out additional checks and verifications to ensure the completeness and accuracy of the reported information and supporting evidence.

The step under review	3.2.1.1. Adopt the law on Micro Finance Institutions and Non-Bank Financial Institutions and by-laws to address the status of the MFIs and NBFIs to allow for new investments and growth and support the efforts on access to finance.
Baseline	The existing 2012 law on Micro Finance Institutions and Non-Bank Financial Institutions
Deadline of the step	December 2025
Actual results	The draft Law on Microfinance Institutions and Non-Bank Financial Institutions was prepared with technical assistance provided through the World Bank and Deloitte and reached an advanced stage of drafting during 2025. Given that several members of the initial Working Group no longer held the positions for which they had been appointed, a new Working Group was established on 10 February 2026. Considering the specific characteristics of the non-bank financial institution market in Kosovo, particular attention is being given to certain provisions of the draft law. A final consultation meeting of the Working Group is planned to ensure alignment on the remaining substantive issues before the draft law proceeds to internal consultation, followed by preliminary and public consultation. The draft law is expected to be ready for approval by August 2026.
Evidence provided	1. Decision Nr.32 Establishing the Working Group for Law on Micro Finance Institutions and Non-bank Financial Institutions (Original and translated to English) 2. Draft law on Non-bank Financial Institutions
Checks performed in the verification of the step and related findings	During the verification of this reform step, all relevant evidence was reviewed and summarised in the control checklist, while all supporting documents were properly stored to ensure a complete audit trail. The conducted checks and verifications confirmed that:

	• all required documents, as specified in Annex 1 of the Reform Agenda, were provided and attached to this report; • the submitted evidence is consistent with the description and requirements of the reform step set out in the Commission Implementing Decision; • the submitted documentation confirms the fulfilment of the reform step; • the submitted documentation confirms the period in which the reform step was fulfilled. Based on the checks and verifications conducted, the evidence provided confirms the progress of the reform step and the relevant implementation period. No related findings were identified.
Compliance with general principles and DNSH principle	The implementation of the steps does not contravene the general principles outlined in Article 4 and 11(4) of Regulation (EU) 2024/1449 and Article 3 of the Facility Agreement. The implementation of the steps does not contravene the ‘Do No Significant Harm’ principle (DNSH).
Double funding	In 2025, the Working Group received technical assistance in the form of expert support for the drafting of the law, provided by experts from the World Bank and Deloitte. Based on our assessment against the applicable double-funding guidelines, this technical assistance does not constitute double funding.
Clear conclusion on the achievement of the step	Based on the above, substantial progress has been achieved in the drafting of the law. The reform will be fully achieved upon finalisation of the draft law, completion of preliminary and public consultations, approval by the Government, adoption by the Assembly and finalisation of its bylaws.



Republic of Kosova
Government
Ministry of Finance

No:
Date: 10.02.2026

Pursuant to Article 18 of Law No. 06/L-113 on the Organization and Functioning of the State Administration and Independent Agencies, as well as Article 31 of Regulation (GRK) -No. 17/2024 on Rules and procedures of the Government of the Republic of Kosovo, the Secretary General of the Ministry of Finance, issues following:

DECISION

1. Establishing the Working Group for the drafting of the Draft Law on Micro-Finance Institutions and Non-Banking Financial Institutions (hereinafter: the Draft Law), with the following composition:

- 1.1. Shqiptar Ibra – MF, Chairperson;
- 1.2. Qendresa Beka – MF, Member; and
- 1.3. Gentian Gurra – MF, Member
- 1.4. Sokol Shasivari – CBK, Member; dhe
- 1.5. Alban Lufi – CBK, Member;

2. While drafting of the Draft Law, the Working Group is obliged to adhere to the standards for drafting normative acts, as well as the rules and procedures for drafting legislation, in accordance with the legislation into force.

3. While drafting of the Draft Law, other officials of the institutions of the Republic of Kosovo and other institutions, whom the Chairperson of the Working Group considers necessary, may also participate. All relevant structures and officials are obliged to cooperate and provide the data requested by the Working Group.

4. For their work, the Working Group reports to the relevant division for drafting legislation within the Ministry.

5. The decision enters into force on the date of signing.

Arton Ahmeti

Secretary General

Sent to:

- MF Cabinet;
- MF Secretary's Office;
- Working Group Members;
- Legal Department; and
- MF Archives.

REPUBLIC OF KOSOVO
GOVERNMENT
MINISTRY OF FINANCE

DRAFT LAW ON NON-BANK FINANCIAL INSTITUTIONS

Assembly of Republic of Kosovo;

Pursuant to Article 65 (1) of the Constitution of the Republic of Kosovo,

Approves:

DRAFT LAW NON-BANK FINANCIAL INSTITUTIONS

CHAPTER I
GENERAL PROVISIONS

Article 1

Purpose

1. The purpose of this Law is for the regulation of the activity of the Non-Bank Financial Institutions to promote and run a stable financial system providing an appropriate level of protection for consumers' interests through regulating:
 - 1.1 Establishment and licensing criteria for Non-Bank Financial Institutions;
 - 1.2 Sound operation, organization and management of Non-Bank Financial Institutions;
 - 1.3 Prudential supervision of Non-Bank Financial Institutions.
 - 1.4 Administration and liquidation of Non-Bank Financial Institutions.

Article 2

Scope

Provisions of this Law shall be mandatory for all entities performing non-bank financial activities within the Republic of Kosovo, their shareholders, Board of Directors and Senior Managers, as well as the accounting and financial reporting system and auditing requirements.

Article 3

Definitions

1. The definitions used in this Law shall have the following meanings:

- 1.1 **Non-Bank Financial Institution (NBFI)** – means a legal entity registered in accordance with the Law on Business Organizations in force, licensed by the Central Bank of the Republic of Kosovo to carry out the activities permitted for an NBFI as determined by the provisions of this Law.
- 1.2 **Non-Banking Financial Activities** – has the meaning defined in Article 11 of this Law.
- 1.3 **Non-Governmental Organization (NGO)** – has the meaning defined in the Law on Freedom of Association in Non-Governmental Organisations, as amended from time to time.
- 1.4 **NGO Microfinance Institution (NGO MFI)** – means a legal entity registered as a non-governmental organization that provides, as its primary business, microfinancing, to micro and small legal entities, low-income households, and low-income individuals.
- 1.5 **Annual Net Turnover** - for the purposes of the imposition of administrative fines according to this law, annual net turnover means total net income before impairment and operating expenses, but including net interest income, net fees and commissions income, net trading income, and other operating income for the preceding business year, and should be coherent with the NBFI's audited IFRS financial statements.
- 1.6 **Bank** – has the meaning defined in the Law on Banks, as amended from time to time.
- 1.7 **Capital** – means the net value of NBFI funds representing the difference between assets and liabilities in accordance with international accounting standards.
- 1.8 **Central Bank of the Republic of Kosovo (CBK)** – has the meaning defined in the Law on the Central Bank.
- 1.9 **Control** – means a relationship where a person or group of persons, directly or indirectly: (i) owns a majority of the shares of a legal entity; (ii) has the power to appoint or remove the majority of the Board of Directors of the legal entity; or (iii) has the ability to exert significant influence on the management or policies of a legal entity.
- 1.10 **Convertible debt** -refers to a debt instrument issued by an NBFI incorporated in the form of joint stock company that grants the holder the right to convert all or part of the outstanding principal amount and any accrued interest into a predetermined number of equity shares in the issuing NBFI, under specific terms and conditions as outlined in the relevant agreement. Rules of issuance shall be defined by CBK in sub-legal acts.
- 1.11 **Core Activities** – means financial activities licensed under the Incumbent NBFI Regulations for which a Person has established the required capabilities, in which a Person has regularly engaged in the past, and which represents a meaningful share of that Person's revenues. The details are established by CBK in sub-legal acts.

- 1.12 **Director** – means any person appointed by shareholders, or another relevant body to serve as a member of an NBFIs Board of Directors.
- 1.13 **Deposit** – A sum of money paid by a person or legal entity to a financial institution, which may accept deposits only with the explicit approval of CBK. Such deposits must be repaid in full, with or without interest or premium, either on demand or at an agreed-upon time, to the same person or legal entity.
- 1.14 **Electronic Money Institutions-** means a legal person that has been granted authorization by CBK under the Law on Payment services to issue electronic money.
- 1.15 **Electronic Money (e-money)** means electronically, including magnetically stored monetary value as represented by a claim on the issuer which is issued on receipt of funds for the purpose of making payment transactions, and which is accepted by a natural or legal person other than the electronic money issuer.
- 1.16 **Exposure** – means any asset or off-balance sheet item.
- 1.17 **Foreign Currency** – refers to financial assets in the form of foreign notes and coins that have legal tender.
- 1.18 **Foreign Exchange** – means the constant business activity of a foreign exchange involving the purchase and sale of foreign currency cash and travellers’ cheques on behalf and for the account of the foreign exchange bureau for profit-making purposes.
- 1.19 **Foreign Exchange Bureau** – means a legal person or individual business, who applies for and is licensed to carry out the activity of a foreign exchange, as defined in this Law.
- 1.20 **Incumbent NBFIs Regulations** – means the regulations and sub legal acts regulating the activities of non-bank financial institutions.
- 1.21 **Large Exposure** – refers to any exposure to a single person or a group of connected persons that exceeds ten percent (10%) of the NBFIs capital or any lower amount as determined by CBK.
- 1.22 **Law-** refers to this law on Non-Banking Financial Institutions as may be amended from time to time.
- 1.23 **Legal Person** – means any organization, including a business organization, that has a legal identity separate and distinct from its members, owners, or shareholders.
- 1.24 **License** – means a discretionary authorization issued by CBK granting the right to engage in activities specified by that authorization.
- 1.25 **Loan** – refers to any payment or commitment to pay a fixed amount in exchange for the right to repayment of the amount paid and any residual amount, with or without the payment of interest or any other obligation related to that amount.
- 1.26 **Loan Limits** – means the maximum aggregate amount of loans that may be granted to a single individual, a group of related individual , minimum loan sizes, and other criteria, expressed in

nominal amounts or as a percentage of Capital, as defined and determined by the credit limits set in sub-legal acts issued by CBK.

- 1.27 **Initial Minimum Capital** - means the minimum amount of capital, in monetary form, required for obtaining a license to engage in non-banking financial activities in the Republic of Kosovo.
- 1.28 **Microcredit**- refers to a loan of up to EUR 25,000.00.
- 1.29 **NBFI Insolvency** – means a situation where the NBFI is unable to pay its obligations as they fall due, or where the value of its liabilities exceeds the value of its assets. The value of an NBFI's assets, liabilities, and regulatory capital shall be determined in accordance with valuation standards and procedures prescribed by CBK.
- 1.30 **Non-Executive Member** – means a member of the Board of Directors who does not work in the NBFI and is not involved in its operational management.
- 1.31 **Ownership Interest** –means rights in the capital of other legal persons, which, by creating a durable link with those legal persons, are intended to contribute to the NBFI's activities and are categorized as follows:
- 1.31.1 **Qualifying Interest** – exists when a person has:
- a direct or indirect right or ability to exercise five percent (5%) or more of voting rights in a legal person, and/or direct or indirect ownership of five percent (5%) or more of the capital of such legal person; or
 - the ability to effectively exercise influence over the management or business policy of such legal person.
- 1.31.2 **Significant Interest** – exists when a person has:
- a direct or indirect right or ability to exercise ten percent (10%) or more of voting rights in a legal person, and/or direct or indirect ownership of ten percent (10%) or more of the capital of such legal person; or
 - the ability to effectively exercise significant influence over the management or business policy of such legal person.
- 1.31.3 **Controlling Interest** – exists when a person has:
- a direct or indirect right or ability to exercise fifty percent (50%) or more of voting rights in a legal person, and/or direct or indirect ownership of fifty percent (50%) or more of the capital of such legal person; or
 - the ability to elect at least half of the members of the managing board or other management body of such legal person; or
 - the ability to effectively exercise dominant influence over the management or business policy of such legal person.
- 1.32 **Paid-in Capital** – means the funds or assets received by an NBFI from shareholders in exchange for their equity interest.

- 1.33 **Payment Services** - refer to the business activities regulated by the Law on Payment Services, which require specific authorization issued by CBK.
- 1.34 **Payment Institution**- means a legal person that has been granted authorization by CBK in accordance with the Law on Payment Services to provide and execute payment services in the Republic of Kosovo.
- 1.35 **Person** – refers to any natural or legal person.
- 1.36 **Person affiliated transactions** - include on-balance sheet and off-balance credit exposures and claims, as well as dealings such as service contracts, asset purchases and sales, construction contracts, lease agreements, derivative transactions, borrowings and write-offs. The term transaction should be interpreted broadly to incorporate not only transactions that are entered into with related person but also situations in which an unrelated (with whom an NBFI has an existing exposure) subsequently becomes a related person.
- 1.37 **Person Affiliated with the NBFI** – means any person having at least one of the following affiliations with an NBFI:
- 1.37.1 any senior manager or director of the NBFI, any principal shareholder, or founder of the NBFI; in the case of an NGO MFI, the founder and members of the entity as long as they are part of the decision-making process;
 - 1.37.2 any Person who is affiliated with the senior manager, director, principal shareholder, or founder of the NBFI through blood relation or marital status up to the first degree; in the case of an NGO MFI, the founder and members of the entity as long as they are part of the decision-making process;
 - 1.37.3 any Person who has a significant interest in a legal person where the NBFI has a significant interest;
 - 1.37.4 any legal entity affiliated with the NBFI; and
 - 1.37.5 any other Person affiliated with the NBFI similar to those identified in subparagraphs 1 to 4 of this paragraph, as determined by CBK.
- 1.38 **Preferred Shares** – has the meaning as defined in the applicable Law on Business Organizations in the Republic of Kosovo, as amended from time to time, and may be issued by NBFIs incorporated as joint stock companies only to Qualified Investors, as further regulated by sub-legal acts.
- 1.39 **Principal Shareholder** – means a person that owns, directly or indirectly, alone or in concert with other persons, at least 10% of any class of voting shares of an NBFI.
- 1.40 **Qualified Investor** – refers to entities or individuals that are required to be licensed or recognized to operate in the financial markets, such as:
- i. banks;
 - ii. investment firms;

- iii. other licensed or recognized financial institutions;
 - iv. insurance undertakings;
 - v. collective investment undertakings, and management companies and alternative investment fund administrators of such undertakings;
 - vi. voluntary pension funds and management companies of such funds;
 - vii. commodity and commodity derivatives dealers;
 - viii. local firms providing investment services;
 - ix. other institutional investors;
 - x. large entities meeting two of the following size requirements on a company basis:
 - Balance sheet total: EUR 20,000,000
 - Net turnover: EUR 40,000,000
 - Own funds: EUR 2,000,000 and
 - xi. national and regional governments, including public bodies managing public debt at the national or regional level, central banks, and international and supranational institutions, such as the World Bank, IMF, ECB, EIB, and similar organizations;
 - xii. other institutional investors whose main activity is investing in financial instruments, including entities dedicated to the securitization of assets or other financial transactions.
 - xiii. Individuals meeting financial and fit and proper criteria determined by CBK.
- 1.41 **Related Individuals** – means the spouse, children (biological or adopted), nephews and nieces, parents, brothers, sisters, persons under their care, or other persons as defined by CBK through a special regulation.
- 1.42 **Restructuring of NGO MFI** – means transfer of assets and liabilities from MFI NGO to NBFI in exchange for ownership of shares as set forth in Article 35 of this Law.
- 1.43 **Senior Management** – includes the Chief Financial Officer, Chief Operating Officer, Chief Risk Officer of an NBFI, and any person who: 1) directly reports to the board or participates in or has the authority to participate in the main policy-making functions of the NBFI, excluding auditing function and 2) is designated as a senior manager by CBK.
- 1.44 **Shares with Voting Rights** – means the common shares of the issuer’s capital as well as any other shares that carry the right to vote on decision-making initiatives at general or extraordinary shareholder meetings.

Line of credit – For the purpose of this Law, a line of credit is a type of credit facility that allows the borrower to draw funds up to a specified limit and repay the borrowed amount over time through multiple scheduled payments, rather than repaying the entire balance in a single lump sum at maturity.

CHAPTER II

LICENCING OF NBFIs

Article 4

Licensing Responsibility of CBK

1. CBK shall be the sole responsible institution in the Republic of Kosovo for licensing all NBFIs.
2. CBK shall maintain a central register for each NBFI, including names, addresses, current copies of the charter or similar documentation for active NBFIs, as well as those whose licenses have been cancelled.

Article 5

Prohibitions

1. No person shall engage in any NBFI activity without obtaining a license from CBK pursuant to the provisions of this Law.
2. No NBFI shall use the word "bank" or any derivative thereof in its name, nor any term that may mislead its financial activities, financial status, legal status, or affiliation with governmental or international institutions.
3. NBFIs are prohibited from accepting deposits, either directly or indirectly.
4. NBFIs are prohibited from issuing guarantees and letters of credit.

Article 6

Licensing and supervision of NBFIs

1. Any person seeking a license to conduct non-banking financial activities shall be required to be registered as legal entities in the form of joint stock companies or limited liability companies, in accordance with the legislation in force within the Republic of Kosovo.
2. All NBFIs, upon obtaining a license from CBK, shall be subject to regulation and supervision by CBK.

Article 7

Characteristics of the License

1. The license is granted in writing for an indefinite period of time and is non-transferable and non-tradable.
2. The license of the non-bank financial institution shall include the trade name of the entity, the date and number of its issue, and the annex of the financial activities, for which the subject is licensed. The annex shall be an integral part of the license.

Article 8

License applications

1. The licensing requirements for NBFIs shall be in the form prescribed by CBK and shall include the following information:
 - 1.1 The constituent documents of the NBFI, including the original document or a notarized copy evidencing its establishment, as well as the proposed address of its principal office.
 - 1.2 The name, nationality, place of residence, qualifications, and experience of each Director and Senior Manager of the NBFI, including their business and professional background..
 - 1.3 The amount of authorized and subscribed capital of the NBFI, including the amounts paid and the source of such capital.
 - 1.4 A business plan detailing, inter alia, the organizational structure of the proposed NBFI, the type of financial activities to be undertaken, and projected financial statements for the next three (3) years.
 - 1.5 A list of the shareholders of the NBFI and the beneficial owners of such shares, including their names, addresses, and respective shareholdings.
 - 1.6 The name, nationality, place of residence, business and professional background, and audited financial statements for each major shareholder of the NBFI, where applicable, for the past three (3) years.
 - 1.7 For each Director, Senior Manager, or principal shareholder of the NBFI, an official statement from the competent court disclosing any criminal convictions, personal bankruptcy filings, disqualifications from practicing a profession, or past or present involvement in the management of any corporation or other entity that has been subject to insolvency proceedings, if applicable.
 - 1.8 Documentation providing evidence of the professional qualifications and background for each Senior Manager engaged or proposed to be engaged by the NBFI.
 - 1.9 For applicants that are foreign financial institutions seeking to establish operations in Kosovo through a subsidiary, a statement from the home country supervisor, where applicable, confirming that there is no objection to the proposed establishment in Kosovo and affirming that the NBFI is subject to consolidated supervision in the home jurisdiction.
 - 1.10 The licensing requirements outlined in this Article 8 shall apply *mutatis mutandis* to applicants for a license as NBFIs with a limited scope of foreign exchange activities.
 - 1.11 CBK reserves the right to establish additional licensing requirements through sub-legal acts or regulatory guidance, as deemed necessary to ensure compliance with this Law and the stability of the financial sector.

Article 9

Evaluation of the licensing application

- 1 Within three (3) months from the date of receiving a complete license application, CBK shall review the application and decide on approving or denying the license
- 2 CBK shall approve a license only if the following conditions are met:
 - 2.1 The business plan is based on thorough analysis and reasonable assumptions and demonstrates operational and financial viability and sustainability;
 - 2.2 It is assessed that the proposed institution will operate in accordance with all provisions of this Law;
 - 2.3 The qualifications, experience, and integrity of its Senior Managers and Directors are appropriate for the business plan and activities of the NBFI and are deemed fit and proper as defined by this Law and sub-legal acts;
 - 2.4 The principal shareholders of the NBFI are deemed fit and proper to be defined by CBK in sub-legal acts; in the case of the MFI NGO, the founder and members of the entity involved in decision-making meet these standards;
 - 2.5 The ownership or founder structure of the NBFI does not hinder effective oversight;
 - 2.6 There is evidence confirming the legality of the origin of the capital;
 - 2.7 The shareholders have made the necessary payment for the charter capital to the NBFI;
 - 2.8 The NBFI has secured, leased, or owns premises and has defined its operational systems; and
 - 2.9 Any other conditions deemed necessary by CBK.
- 3 A license shall be issued in writing, for an indefinite period, and shall not be transferable. The license shall specify the financial activities that the NBFI is authorized to engage in. Following initial licensing, NBFIs have the right to apply to CBK to engage in additional activities in accordance with the provisions of this Law.
- 4 CBK shall deny a license if, in its reasonable judgment, issuing such a license would:
 - 4.1 Jeopardize the financial stability of the proposed NBFI, the non-banking system as a whole, or the overall financial sector;
 - 4.2 Significantly reduce competition;
 - 4.3 Endanger the interests of the NBFI's clients; or
 - 4.4 Be founded on capital with an unclear or unsuitable origin, as determined by CBK.
 - 4.5 Other reasons as determined by CBK.
- 5 The decision to deny a license shall include the reasons for the denial.

Article 10

Revocation of the License

1. A license for an NBFI may be revoked by a decision of CBK on one or more of the following grounds:
 - 1.1 if the NBFI does not commence operations within six (6) months after obtaining the license or within a subsequent period, predetermined and approved by CBK, but not exceeding an additional three (3) months;
 - 1.2 if CBK has approved a plan for the NBFI to terminate its operations in the Republic of Kosovo and the entity has complied with such plan;
 - 1.3 if the NBFI has ceased conducting all licensed activities for more than twelve (12) months;
 - 1.4 if the NBFI has violated any provision of this Law, any sub-legal act for its implementation, or any condition or restriction related to the authorization issued by CBK;
 - 1.5 if the NBFI has engaged in practices deemed unsafe or unsound by CBK;
 - 1.6 if the license was obtained based on false information provided by or concerning the applicant;
 - 1.7 if CBK determines that the NBFI is insolvent or is reasonably expected to become insolvent.
2. A decision by CBK to revoke or not to revoke a license shall be communicated in writing to the respective NBFI, detailing the grounds for the decision, and shall become effective on the date of such communication. A decision to revoke a license shall be published on CBK website.

CHAPTER III

ACTIVITIES OF NBFIs

Article 11

Non-Banking Financial Activities

1. NBFIs may be licensed by CBK for exercising one or more of the following non-banking financial activities.
 - 1.1. Origination, acquisition, and servicing of loans, including installment loans and lines of credit;
 - 1.2. Origination, acquisition, and servicing of financial leases;
 - 1.3. Origination, acquisition, and servicing of factoring transactions and financing of commercial transactions;
 - 1.4. Foreign exchange;

- 1.5. intermediation in the sale of insurance policies on Motor Third Party Liabilities (MTPL) and MTPL plus, pursuant to the Law on Insurance.
2. NBFIs may engage in the issuance of electronic money and/or the provision of payment services, subject to obtaining separate authorization from CBK pursuant to the Law on Payment Services.
3. NBFIs may engage in other financial activities regulated under other laws or as determined by CBK through sub-legal acts, subject to obtaining separate authorization from CBK pursuant to the respective governing laws, regulations, or sub-legal acts.
4. NBFIs that are duly licensed under paragraph 1 of this Article 11 can be appropriately engaged in the following activities, without being subject to licensing, as long as they are incidental to their licensed activities:
 - 4.1. payment service related to repayment and disbursement of loans, leases, and factoring transactions granted to clients;
 - 4.2. obtaining funds by means of grants or/and borrowings from Qualified Investors, for the purpose of lending or their use, with approval of CBK;
 - 4.3. borrowing from and placing funds in markets and institutions licensed by CBK in order to manage their liquidity; and
 - 4.4. provision of financial education for the clients;
5. CBK may prohibit or restrict any NBFI from engaging in any of the permitted activities outlined in this Article 11. In such cases, CBK shall provide written justification for its decision.

Article 12

Transactions by NBFIs Requiring Prior Approval from CBK

1. The following transactions and actions by NBFIs require prior approval from CBK:
 - 1.1 Amendments to the founding act and charter
 - 1.2 Issuance of new common shares or change of capital;
 - 1.3 Issuance of Preferred Shares or Convertible debt;
 - 1.4 Change of name;
 - 1.5 Opening, modification, or closure of operating offices;
 - 1.6 Sale or transfer of the business, or business-related assets to another entity;
 - 1.7 Mergers involving NBFIs;
 - 1.8 Status changes in accordance with Article 35 of this Law;

- 1.9 All transactions resulting in an increase of ownership interest or voting rights of a shareholder in NBFI above ten (10%), twenty percent (20%), thirty-three percent (33%), fifty percent (50%), or seventy-five percent (75%);
 - 1.10 All transactions resulting in the sale of ownership interests in an NBFI by an NGO;
 - 1.11 Distribution of dividends.
 - 1.12 Excess of the total loan amounts beyond the limits set forth by CBK through sub-legal acts for a single person, a group of related individuals, large exposures, non-performing loans or other criteria established in sub-legal acts, subject to prior approval by CBK.
 - 1.13 Other transactions determined in this Law or by CBK in sub-legal acts.
2. Each NBFI shall notify CBK within five (5) days of any share acquisition resulting in ownership equal to or exceeding five percent (5%) of the capital, but which does not reach the thresholds specified in paragraph 1, sub-paragraph 1.7 of this Article 12. Such notification shall include all information as required by CBK.

Article 13

Investments by NBFIs

1. NBFIs may invest in the ownership of a financial institution and become shareholders in such financial institutions, in accordance with the applicable legislation in the Republic of Kosovo and subject to prior approval by CBK.
2. CBK may, through sub-legal acts, establish limits on the investments of NBFIs defined in paragraph 1 of this Article 13.

CHAPTER IV

NBFIs GOVERNANCE

Article 14

NBFIs Governance

1. NBFIs shall be organized as either limited liability companies or joint stock companies and registered with the relevant Ministry responsible for the trade registry.
2. Only NBFIs engaged exclusively in exchange office activities may also be organized as individual businesses or other forms of business organizations as provided in the Law on Business Organizations.
3. To operate as an NBFI, evidence of registration must be presented to CBK, after which the NBFI shall be regulated solely by CBK under this Law, the Law on CBK, and other applicable CBK regulatory requirements, unless otherwise specified by this Law or CBK legislation.

4. All NBFIs holding Legal Person status shall convene at least one shareholder meeting per year.
5. All NBFIs established as limited liability companies or joint stock companies shall be governed and managed by a Board of Directors and Senior Management in accordance with this Law.
6. NBFIs shall adhere to recognized principles of good governance to ensure that their economic activities are conducted in a sound and safe manner.
7. The activities of NBFIs shall comply with all sub-legal acts issued by CBK.

Article 15

Governing Structure of NBFIs

1. The governing bodies of an NBFI organized as limited liability companies or joint stock companies, are:
 - 1.1 The Assembly of Shareholders;
 - 1.2 The Board of Directors; and
 - 1.3 Senior Management.
2. The structure, duties, and responsibilities of the governing bodies of an NBFI, aligned with its form of establishment, shall be defined by this Law and the sub-legal acts issued by CBK.

Article 16

Assembly of Shareholders

1. The Assembly of Shareholders shall consist of all shareholders of the NBFI.
2. Shareholders may exercise their voting rights either directly or through their appointed representatives, in accordance with the criteria set forth in the Law on Business Organizations and the charter of the NBFI.

Article 17

Competences of the Assembly of Shareholders

1. The following matters fall exclusively within the competence of the Assembly of Shareholders and may only be decided by the shareholders:
 - 1.1. Change of the NBFI's paid-in capital through the issuance or increase of common shares, and the issuance or increase of preferred shares. Only NBFIs organized as joint stock companies may increase capital through the issuance or increase of preferred shares.
 - 1.2. Appointment of an external auditor.
 - 1.3. Approval of the annual financial report, along with the external auditor's report.
 - 1.4. Distribution of profit and declaration of dividends.

- 1.5. Decision on the method for covering losses.
- 1.6. Consolidation, merger, or acquisition of other enterprises or subsidiaries.
- 1.7. Division or dissolution of the NBFI.
- 1.8. Approval of transactions involving the purchase, sale, exchange, or leasing of assets exceeding ten percent (10%) of the NBFI's book value.
- 1.9. Election and removal of individual members of the Board of Directors.
- 1.10. Establishment, reorganization, and liquidation of subsidiaries, including the approval of their charters.
- 1.11. Determination of compensation for members of the Board of Directors and external committee members.
- 1.12. Adoption and amendment of the NBFI's charter.
- 1.13. Other significant matters as specified by law or the NBFI's charter.
2. In the case of a sole shareholder, all competencies typically vested in the Shareholders' Assembly shall be exercised exclusively by the sole shareholder.

Article 18

Convening the General Meeting of the Assembly of Shareholders

1. A general meeting of the assembly of shareholders shall be convened in accordance with the provisions of the Law on Business Organizations and the charter of NBFI. The meeting may be convened by:
 - 1.1. A shareholder or group of shareholders holding more than ten percent (10%) of the total shares with voting rights;
 - 1.2. Two members of the Board of Directors;
 - 1.3. The Audit Committee.
2. Unless otherwise regulated in the charter of NBFI, a quorum shall be established when shareholders representing more than fifty percent (50%) of the voting shares are present, and decisions shall be made by a majority of the voting shares.
3. An Extraordinary General Meeting of Shareholders may be convened by a majority vote of the Board of Directors, with resolutions requiring a two-thirds majority of the voting shares, unless otherwise regulated in the charter of NBFI.

Article 19

Board of Directors of NBFIs

1. NBFIs shall be administered by a Board of Directors composed of an odd number of members, all of whom shall have voting rights. CBK shall determine the required minimum number of directors based

on the size of the NBFI, as outlined in the relevant sub-legal acts. At least one-third of the members of the board of directors must be independent.

2. The Board of Directors shall elect a chairman from among its members. The Chief Executive Officer is not eligible to serve in this role. All members of the Board of Directors must be fit, proper, and of good reputation, meeting the criteria established by CBK through sub-legal acts regarding qualifications, experience, and integrity. Members must obtain written approval from CBK prior to assuming office.
3. The core responsibilities of the Board of Directors and its members cannot be delegated. A shareholder or group of shareholders holding at least five percent (5%) of the voting shares may nominate candidates for the Board of Directors or propose the removal of current members.
4. The Board of Directors shall appoint a Chief Executive Officer, who may also serve as an ex officio member of the Board of Directors without voting rights.
5. The Board of Directors shall meet as necessary, with a minimum of one meeting per quarter. Meetings shall be convened by the chairman of the Board of Directors, or upon the request of the Chief Executive Officer or two Board members. Extraordinary meetings may be called by the chairman, or, in the absence of action by the chairman, by any director upon written request to the chairman.
6. Decisions of the Board of Directors shall be valid when a majority of members are present and participate, either in person or via teleconferencing or other electronic means.
7. Decisions shall be made by a simple majority of votes from the members present, unless a higher majority is stipulated in the NBFI's charter.

Article 20

Competences of the Board of Directors

1. The Board of Directors shall have the following competences and responsibilities:
 - 1.1. Supervising the operations of the NBFI.
 - 1.2. Appointing and overseeing Senior Management and internal auditor.
 - 1.3. Approving of the annual budget.
 - 1.4. Adopting operational and financial reports, including internal and external audit reports.
 - 1.5. Submitting annual business reports to the Shareholders' Assembly.
 - 1.6. Proposing profit distribution and methods for covering losses.
 - 1.7. Approving transactions that exceed ten percent (10%) of the NBFI's capital.
 - 1.8. Ensuring the implementation of adequate internal controls.
 - 1.9. Overseeing internal and external audits.
 - 1.10. Establishing policies for loan loss provisions, reserves, and dividends.

- 1.11. Convening the Shareholders' Assembly.
 - 1.12. Determining the compensation package of Senior Management and internal auditor.
 - 1.13. Approving internal regulations and policies.
 - 1.14. Carrying out other responsibilities as required by this Law, sub-legal acts of CBK, or the NBFI's charter.
2. The Board of Directors shall prepare compensation policies that are consistent with and promote sound and effective risk management and that do not encourage risk taking that exceeds the NBFI's tolerated level of risk with benefits in rewards or compensation for the Board or Senior management. CBK will determine by regulation the criteria related to the compensation of the Board of Directors, Senior management and personnel according to the relevant functions of the NBFI.

Article 21

Committees of NBFIs

1. In managing, organizing, and administering the NBFI, the Board of Directors shall be supported by at least two committees:
 - 1.1 An Audit Committee composed of non-executive members, with at least one member being an external expert in accounting or auditing.
 - 1.2 A Risk Management Committee, composed entirely of non-executive members.
 - 1.3 Any other committee deemed necessary by the Board, or as regulated by CBK with sub-legal acts.
2. Committees shall meet regularly as scheduled by the Board of Directors, and not less frequently than required by applicable CBK sub-legal acts..
3. Notwithstanding paragraph 1 above, NBFIs with Legal Person status must have at least an Audit Committee which will perform also risk committee functions, except NBFIs having as Core Activities lending, which must have both committees specified in paragraph 1 of this Article 21.

Article 22

Chief Executive and Senior Management

1. The daily operations of the NBFI shall be managed by the Chief Executive Officer, appointed by and reporting to the Board of Directors.
2. Any appointment or replacement of the Chief Executive Officer and other Senior Management shall require prior approval by CBK.

Article 23

Control Functions

1. NBFIs with Legal Person status shall establish three control functions:
 - 1.1. An internal audit function;
 - 1.2. A risk control function; and
 - 1.3. A compliance function.
2. NBFIs shall organize its control functions to comprehensively address all material risks to which it is or may become exposed in its operations, as specified by CBK sub-legal acts. The appointment of heads of control functions is subject to CBK approval.
3. NBFIs with Legal Person status are required to engage the services of an internal auditor, subject to prior approval by CBK. The Board of Directors is responsible for appointing the internal auditor, who shall report directly to the Board of Directors or the designated Audit Committee.
4. The internal auditor is responsible for identifying, monitoring, and assessing risks in the operation of the NBFIs, as well as ensuring that an effective internal control system is in place to mitigate risks to an acceptable level.
5. Individuals appointed as internal auditor cannot be related by marriage or blood to the second degree of consanguinity to any member of the Board of Directors, Senior Manager or any Person who holds a significant ownership interest.
6. NBFIs with Legal Person status shall establish a dedicated risk management function responsible for overseeing risk management activities. The NBFIs must ensure the allocation of adequate resources to this function, including a sufficient number of employees with the requisite knowledge and experience to address risk management matters effectively
7. Each NBFIs shall consistently establish and implement robust internal control systems, including sound administrative, accounting, and other procedures, particularly for:
 - 7.1. calculating and monitoring capital requirements in relation to these risks;
 - 7.2. identifying and monitoring large exposures and subsequent changes thereto;
 - 7.3. monitoring exposures in light of each NBFIs own exposure policies.
8. Risk management of NBFIs shall be adjusted to the size and organisational structure of the NBFIs, to the volume of operations, and types of activities it performs in order to effectively and efficiently identify, measure, assess and manage/mitigate the risks the NBFIs is exposed to in its operations
9. NBFIs, with Legal Person status shall ensure that the compliance function operates on a proactive basis, identify documents and assess the compliance risks associated with the NBFIs's business activities, including the development of new products and monitor potential risks from the disregard of laws and regulations in force by NBFIs.
10. The compliance function shall perform the following duties related to compliance risks:

- 10.1. Identify and monitor the risk of non-compliance in the NBFI's operations within the legal and regulatory framework.
 - 10.2. Monitor and test the compliance function, reporting instances of non-compliance and corrective measures taken to the Board of Directors.
 - 10.3. Provide constant and efficient advice to senior management and the Board of Directors on the implementation of the legal and regulatory framework.
 - 10.4. Inform senior management and report directly to the Board of Directors or a designated compliance committee in accordance with the compliance function policy.
 - 10.5. Assess the potential impact of legal and regulatory frameworks and amendments on the NBFI's operations and its operational environment.
 - 10.6. Evaluate new products and business processes within the NBFI to ensure alignment with the legal and regulatory framework in force.
11. An NBFI cannot fully outsource its control functions. An NBFI may outsource specific activities related to control functions to service providers in accordance with the provisions of this Article 23 and sub-legal acts adopted by CBK. CBK shall regulate the conditions for outsourcing, the activities that may be outsourced, and other matters relating to outsourcing through sub-legal acts. Outsourcing is subject to prior authorization from CBK.
 12. In the event of outsourcing any control function activities, NBFI shall ensure compliance with applicable legislation and CBK regulations. NBFI shall remain fully liable for any act of their employees, agents, as well as outsourcing providers to which activities or functions are outsourced.

Article 24

Conflict of Interest

1. Each Director, Senior Manager, and internal auditor must, upon assuming office, submit a written declaration to the Board of Directors disclosing any financial, business, or family interests that could create a conflict of interest.
2. Any Director, Senior Manager, and internal auditor with a financial, business, or family interest, shall abstain from participating in discussions or voting on matters related to that interest.
3. Failure by a Director, Senior Manager, or internal auditor to disclose a material interest as required by this Article may result in the annulment of the relevant contract by a competent court, upon the request of the NBFI, its shareholders, or CBK, provided grounds for cancellation exist.
4. CBK may issue a written order to suspend or dismiss a Director, Senior Manager, or internal auditor from office for up to one (1) year or impose other sanctions in accordance with this Law and related sub-legal acts.

Article 25

Confidentiality

1. Current and former Directors, Senior Managers, internal auditor and employees of an NBFI shall maintain confidentiality and shall not use non-public information for personal gain or to benefit others, except for the NBFI they serve or have served. They shall not permit unauthorized examination by others or disclose any non-public information obtained during their service to the NBFI.
2. The information specified in paragraph 1 of this Article 25 may only be disclosed to CBK, external auditors of the NBFI, judicial authorities acting under a court order in violation cases, or as required by applicable legislation. Disclosure may also occur if necessary to protect the interests of the NBFI during legal proceedings.

Article 26

Records of NBFIs

1. Each NBFI shall prepare and maintain, at its head office or another secured location, written records that include:
 - 1.1 The license, founding act or equivalent founding documentation, the charter, and all amendments;
 - 1.2 A register of eligible shareholders, including the number of shares registered to each shareholder;
 - 1.3 Policies and regulations as required by CBK sub-legal acts;
 - 1.4 Minutes of each meeting of the Board of Directors and its committees, as well as decisions approved by the Board of Directors;
 - 1.5 Minutes from shareholder meetings and decisions approved by shareholders;
 - 1.6 Accounting records that clearly and accurately represent the state of the NBFI's affairs, detailing its transactions and financial position to allow CBK to determine compliance with this Law, regulations, and current orders;
 - 1.7 Records showing each client, transaction details with or on behalf of the client, and client balances; and
 - 1.8 Other records, as may be required by CBK.

Article 27

Accounting reports, financial statements and other reporting

1. All NBFIs shall maintain accounts and records and prepare annual financial statements that accurately reflect their operations and financial position, in accordance with International Financial Reporting Standards (IFRS) or other standards recognized by CBK.

2. CBK regulatory reports shall be prepared on a consolidated basis, incorporating the financial activities of all offices.
3. Accounts and financial statements must comply with IFRS, aligning with any additional accounting rules or standards specified by CBK.
4. All NBFIs shall prepare and submit all reports requested by CBK, including monthly, quarterly, and annual reports on loans and financial statements in the format prescribed by CBK.
5. CBK upon sub-legal acts may impose requirements for any other reporting, including reporting to Credit Registry.

Article 28

Audit

1. All NBFIs with Legal Person status are required to undergo an annual audit conducted by an external auditor licensed in the Republic of Kosovo. The external auditor must receive prior approval from CBK before engagement.
2. The external auditor shall have the following responsibilities:
 - 2.1. Provide an opinion as to whether the annual financial statements present a fair and true view of the financial condition and performance of the NBFI in accordance with International Financial Reporting Standards (IFRS), and additional requirements as defined in sub-legal acts of CBK.
 - 2.2. Review) the adequacy of the practices and procedures for internal audit and control practices and procedures and make recommendations for remediation; and
 - 2.3. Inform the Board of Directors about any fraudulent activity by an employee of the NBFI or any of its subsidiaries or any irregularity or deficiency in its administration or operations that may reasonably be expected to result in a material loss for the NBFI.
3. The external auditor of the NBFI, or any member of the audit firm, shall not be a related person, agent, or representative of the NBFI and shall not have any financial interest in the NBFI.
4. The key audit partner in an audit firm who conducts a statutory audit on behalf of the firm shall not assume any management or administrative position in the audited NBFI until at least two (2) years have elapsed since their resignation from the role in the audit firm.
5. CBK may prescribe criteria for the selection and requirements for the rotation of external auditors or engagement partners of audit firms after a specified period to ensure continued independence.
6. CBK may request the removal or replacement of an auditor or directly appoint, remove, or replace an auditor, at the expense of the NBFI, to conduct a re-audit if the NBFI or the auditor fails to meet the requirements of this Article 28 or if CBK is not reasonably satisfied with the auditor's performance. CBK has the authority to access the external auditor's working papers, where necessary.

Article 29

Supervision and examination

1. All NBFIs shall be subject to supervision and examinations by CBK.
2. CBK may cooperate with other local and international institutions for the supervision and examination of NBFIs.
3. CBK in performing its supervisory tasks and exercising its supervisory powers in accordance with this Law, shall ensure that entities subject to supervision act in accordance with this Law, and other sub-legal acts issued by CBK.
4. NBFIs whilst exercising their activity also must ensure compliance with regulations, guidelines, recommendations and other relevant legal acts applicable in the Republic of Kosovo;
5. Each NBFI and each of its affiliates shall be subject to examinations by CBK including the examinations by external experts appointed by CBK. The examiners may visit NBFI at such reasonable times as CBK deems appropriate and may take such action as deemed necessary and advisable. Such examiners may include officials of the authority of another country that is charged with the monetary or prudential supervision of financial activities in that country if it concerns the examination of a NBFI that is a branch or affiliates of a foreign NBFI that has its head office in that country or has a significant interest in a foreign NBFI that is located in that country.
6. In their examinations of NBFIs, CBK and examiners appointed by it may:
 - 6.1. examine the accounts, books, documents and other records of the NBFI; and
 - 6.2. require Directors and Senior Managers, employees and agents of the NBFI to provide all such information on any matter relating to its administration and operations as they shall reasonably request.
7. Each NBFI shall admit and cooperate fully with the examiners of CBK, and the external experts appointed by CBK. No one shall attempt to harass, hinder, delay, impede, intimidate or exert undue influence on an examiner of CBK or the external experts appointed by it.
8. Each provider of professional or operations services to the NBFI shall provide information as CBK may reasonably request concerning the operations.
9. CBK may require reports and conduct examinations as provided in this article of any subsidiary of a NBFI, if it deems it necessary for consolidated supervision. Consolidated supervision includes without limitation an assessment of the group's organisational structure, management, risk management policies and internal controls.
10. The examination reports or other supervisory instruments are confidential, and they are addressed to the examined NBFI and are not for use by any other authority, unless if by court decision they are considered as evidence in the public interest.
11. As an exception from paragraph 10, of this Article, CBK may disclose examination reports or other supervisory instruments to regional or international supervisory authorities, subject to prior confidentiality agreement.

CHAPTER V
CAPITAL OF NBFIs

Article 30

Capital Requirements

1. The required Initial Minimum Capital that must be paid in readily available funds to obtain a license as an NBFi is as follows: :
 - 1.1. Origination, acquisition, and servicing of loans, including instalment loans and lines of credit: EUR 500,000
 - 1.2. Origination, acquisition, and servicing of financial leases: EUR 300,000
 - 1.3. Origination, acquisition, and servicing of factoring transactions and financing of commercial transactions: EUR 300,000
 - 1.4. Foreign Exchange: EUR15,000
2. For NBFIs applying to conduct more than two (2) financial activities as specified in paragraph 1 of Article 11 of this Law, the minimum paid-in capital required shall be at least equal to the cumulative amount of the capital required for the two main activities with the highest capital requirements, as outlined in paragraph 1 of this Article 30.
3. NBFIs may be required to have additional capital based on the magnitude of their activities, not limited to lending activities, liabilities, non-performing loans, and other factors as determined by CBK in sub-legal acts.
4. The minimum paid in capital for financial activities regulated by other laws, such as payment services or issuance of the electronic money, shall be as defined in the respective law regulating such activities, such as the Law on Payment Services.
5. Each payment of the minimum paid-in capital, any subsequent increase, and any change in the capital structure shall be accompanied by the submission of information to CBK on the source of the capital, according to the documentation outlined in the relevant sub-legal acts issued by CBK.
6. CBK may request additional information and conduct further checks on the source(s) of contributions or funds that constitute the minimum initial capital or any future increases in capital structure.
7. If CBK determines or reasonably suspects that the capital structure or its source is associated with individuals who have criminal convictions by a final court decision, or who have family, personal, working, or business relationships with the proposed shareholders/partners as per legal stipulations, or if it is linked to companies registered in tax havens or offshore jurisdictions, CBK shall notify and request information from the authority responsible for money laundering prevention and suspend the licensing process until a response is received.

8. Each NBFI shall at all times maintain regulatory capital determined on a risk-adjusted basis as specified by regulation or order of CBK.
9. CBK may specify by regulation or order additional regulatory capital requirements, including establishment of a leverage ratio.
10. No NBFI shall pay a dividend or make any other capital distribution without the approval of CBK. In no event will approval be granted if, in the opinion of CBK, after making such distribution, the NBFI would have less than the minimum paid-in equity determined with this Article of this Law, or the regulatory capital required by regulation or order of CBK.
11. Apart from the criteria provided in paragraph 10 of this article, the NBFI cannot pay dividends or make any other distribution of capital in the following cases:
 - 11.1. if the NBFI fails to meet the liquidity requirements as defined by CBK regulations;
 - 11.2. if due to the payment of dividends or any other distribution of capital, the NBFI will not be able to meet the liquidity requirements as defined by CBK regulations;
 - 11.3. if the NBFI has failed to act in compliance with CBK orders to eliminate regulatory and legal irregularities;
 - 11.4. if the NBFI's income statement for the reporting period presents a negative result (loss);
 - 11.5. if the NBFI's profits are not in line with and do not support the risks taken by the NBFI for the NBFI's business profile at the discretion of CBK; and
 - 11.6. if, according to the judgement of CBK, the NBFI needs to be capitalized, to increase financial resiliency, as additional capital or similar addition.

Article 31

Issuance of Convertible Debt and Preferred Shares

1. To ensure capital adequacy and strengthen financial stability, NBFIs established as joint stock companies may opt to issue convertible debt or preferred shares to Qualified Investors.
2. The above instruments may be issued only with authorization from the Board of Directors. If the issuance includes an option to convert into capital, it must also be approved by the Shareholders' Assembly, as stipulated in the NBFI's charter.
3. Preferred shares:
 - 3.1. The terms and conditions of the preferred shares, including dividend rates, payment schedules, redemption rights, and any conversion privileges, must be clearly detailed in the issuance agreement and disclosed to potential investors prior to issuance.
 - 3.2. The issuance of preferred shares and convertible debt and relevant ratio to the capital shall comply with the regulatory requirements set forth by CBK in sub-legal acts and any other applicable legislation.

- 3.3. CBK shall have the authority to review and approve the terms and conditions of any preferred share issuance, ensuring compliance with this Law and applicable sub-legal acts.
 - 3.4. The issuing NBFIs must submit all required documentation, including the terms of issuance, to CBK for prior review and approval.
 - 3.5. Preferred shareholders shall have the right to receive dividends before any dividends are paid to common shareholders, as detailed in the issuance terms.
 - 3.6. In the event of the NBFIs' liquidation, preferred shareholders shall have priority over common shareholders in the distribution of assets, up to the value of their shares, as specified in the agreement.
 - 3.7. Any modification to the terms of the preferred shares that may affect the rights of the holders must be approved by a special resolution of the preferred shareholders, in accordance with the NBFIs' charter and applicable law.
 - 3.8. The NBFIs shall ensure ongoing compliance with the terms of the preferred shares issuance and report any changes or events affecting preferred shareholders to CBK.
 - 3.9. CBK shall have the right to require periodic reports from the NBFIs to monitor adherence to the preferred shares' terms and conditions.
- 4. Convertible debt:**
- 4.1. The terms of conversion, including the conversion rate, period, and conditions, must be detailed in the issuance agreement and disclosed to potential investors prior to issuance.
 - 4.2. The conversion process shall comply with the applicable regulatory requirements set forth by CBK in sub-legal acts.
 - 4.3. CBK shall have the authority to review and approve the terms of any convertible debt instrument to ensure compliance with this Law, sub-legal acts and other applicable regulations.
 - 4.4. The issuing NBFIs must submit all required documentation, including the issuance agreement, to CBK for prior review and approval.
 - 4.5. Convertible debt must include provisions ensuring transparency and protection of the rights of both the debt holders and existing shareholders.
 - 4.6. Any conversion of debt into equity must be executed in a manner that upholds the financial stability and operational integrity of the NBFIs.

Article 32

Lending exposures limits

1. The maximum aggregate principal amount of credit exposures, expressed as a percentage of its capital, that an NBFIs shall be permitted to have committed or outstanding to or for the benefit of any single person or to group of related persons shall not be higher than the limit as defined through sub-legal acts by CBK.

2. The limits for exposure to any single person or group of related persons shall be a) up to EUR 25,000, or b) an amount calculated as a specified percentage of the Non-Bank Financial Institution's (NBFI's) regulatory capital, as determined by sub-legal acts issued by the Central Bank of Kosovo (CBK).

Article 33

Exposures to Person Affiliated with the NBFI

1. No NBFI shall enter into a transaction with or for the benefit of a Person Affiliated with the NBFI, if such transaction would be entered into on less favourable terms and conditions to the NBFI, or not at all, if such counterparty were not related to the NBFI as may be prescribed by CBK with sub-legal acts.
2. Exposure extended by any NBFI to any Person Affiliated with the NBFI shall be subject to such limits, additional conditions or restrictions as shall be prescribed by regulation or order by CBK.

Article 34

Safeguarding Client Funds

1. NBFIs engaged in payment services and the issuance of electronic money, in addition to the activities defined in this Law, must ensure full compliance with all requirements related to the safeguarding of client funds as stipulated in the Law on Payment Services.
2. NBFIs shall notify CBK in advance of any significant changes to the measures taken for safeguarding client funds.
3. CBK shall be entitled to seek periodic confirmation regarding the safeguarding measures in place.

CHAPTER VI

RESTRUCTURING OF NGO MFI

Article 35

Restructuring of NGO MFI

1. Within two (2) years from the entry into force of this Law, all existing NGO MFIs shall establish an NBFI by transferring assets and liabilities related to their microfinancing activities in exchange for ownership of shares in the NBFI, which shall be established in the form of either a limited liability company or a joint-stock company.
2. Any restructuring that involves the investment or transfer of an NGO MFI's assets and liabilities into a newly established NBFI in corporate form, as described in paragraph 1, shall require prior approval from CBK.

3. An NGO MFI must submit an application to CBK for prior approval of the restructuring and licensing of the NBFi within eighteen (18) months from the enactment of this Law. The application must include the following documentation:
 - 4.1 The decision of the statutory decision-making body of the NGO MFI approving and authorizing the restructuring;
 - 4.2 The draft restructuring agreement and a comprehensive report on the restructuring operation signed by the legal representatives of the NGO MFI. Both the agreement and the report must be in writing and comply with applicable legislation;
 - 4.3 An independent financial opinion, prepared in accordance with the applicable Law on Business Organizations, to assess the feasibility and financial impact of the restructuring;
 - 4.4 An independent financial valuation of the Paid in Capital calculated for purposes of the restructuring process, based on existing book value of assets and liabilities of the existing NGO MFI;
 - 4.5 The draft charter of the NBFi to be established following the restructuring, in compliance with the selected corporate form;
 - 4.6 Strategic and operational plans detailing the restructuring process, including analyses of absorption capacity and opening and projected financial statements for the NBFi for at least three (3) years;
 - 4.7 A detailed description of the new shareholder structure of the NBFi.
 - 4.8 A strategy and financial plan for the NGO following the transfer of the microfinancing activities, to also be reviewed and approved by the NGO Office within three (3) months from receiving the request.
 - 4.9 Additional documents or information required under sub-legal acts issued by CBK.
4. The licensing requirements outlined in Article 8 shall apply mutatis mutandis for the restructuring process. In establishing the criteria for the qualifications, experience, and integrity of senior management, directors, and shareholders deemed fit and proper under Article 8 of this Law, CBK shall take into account their prior experience in the relevant field
5. CBK shall review and decide on each application within no more than six (6) months after the application is received.
6. The transfer of assets and liabilities related to microfinancing activities to the NBFi may only take place after the NBFi has been duly licensed by CBK.
7. Ownership or shares in the NBFi resulting from the process in paragraph 1 shall initially be held solely by the transferring NGO MFI, which are specifically exempt from the prohibitions against share ownership by NGOs formulated in the Law on Business Organization. The exemption is limited to the ownership or shares obtained as a result of the process described in paragraph 1 and expires when the NGO has met its disposal requirements under Article 37 of this Law.

8. Completion of the restructuring procedure under paragraph 1 shall result in CBK revoking the existing license of the NGO MFI, and the NGO MFIs will transition into NGOs with a non-profit purpose and will cease all lending and microfinancing activities.
9. Revenues generated from ownership or shares in the NBFI shall be utilized by the NGO, in its capacity as a shareholder, exclusively for the activities and purposes specified in its founding acts and in full compliance with the Law on Freedom of Association governing non-governmental and non-profit entities. The NGO shall ensure strict adherence to all provisions of the Law on Freedom of Association.
10. The NBFI shall strictly adhere to the mission initiated from the former the NGO MFI during the transitory period, continuing to grant Microcredits to underserved micro and small legal entities, low-income households, and low-income individuals, and adhere to the Microcredit limit as specified in Article 3, Paragraph 1.28.
11. The total amount of annual debt service, including principal and interest applied by NBFIs, for all loans from all sources issued to an individual debtor as may be specified in the secondary legislation by CBK.
12. CBK, at its discretion, may reject any transactions resulting in a change in the ownership of shares or voting rights in the NBFI if it determines that such transactions significantly deviate from rational market value or otherwise conflict with the provisions of this Article 35 of this Law.
13. Failure to comply with this requirement may result in CBK, at its discretion, placing the NGO MFI under official administration or proceeding with the revocation of the license or other regulatory actions in accordance with this Law and relevant sub-legal acts governing NBFIs.

Article 36

Disposal of Shares

1. Within five (5) years following the enactment of this Law, NGOs and any other shareholder without clearly identifiable ultimate beneficiaries must fully dispose of their ownership or shares through divestment to eligible entities that satisfy the criteria set by this Law, including fit and proper requirements and financial criteria established by CBK.
2. Before taking transfer or disposal action, the shareholders shall ensure to CBK that a fair, prudent and realistic valuation of the shares is carried out by a person independent from the shareholders, CBK, and any other public authorities. This valuation process must be conducted in a transparent manner, ensuring adherence to financial market integrity principles and preventing conflicts of interest or undue influence. CBK retains the authority to oversee and, if necessary, intervene in the disposal process to safeguard regulatory compliance and protect the stability of the financial system.
3. CBK may, upon a justified request, grant an extension of up to one (1) additional year for the disposal of shares, provided that the request demonstrates sufficient grounds and the extension aligns with the overarching regulatory objectives.
4. Under no circumstances shall an NGO retain any ownership or shares in an NBFI beyond six (6) years from the enactment date of this Law.

5. Failure to comply with this requirement may result in CBK, at its discretion, placing the NBFi under official administration, suspending its permission to originate new business, or proceeding with the revocation of the license or other regulatory actions in accordance with this Law and relevant sub-legal acts governing NBFIs.

Article 37

Governance and limitations during the transitory period

1. The governance and management requirements set forth in this Law shall apply to NGO MFIs holding non-governmental organization status, in accordance with the applicable legislation on freedom of association, until the restructuring process is fully completed.
2. NGO MFIs shall not be eligible to apply for or engage in any new financial activities after the entry into force of this Law.
3. Upon completion of their restructuring into NBFIs, the restructured entities will be eligible to apply for and engage in payment services and electronic money.
4. The NGO MFIs and the entities restructure to NBFIs shall strictly adhere the Microcredit limitations as defined in this Law throughout the transitory period until disposal of shares.
5. Upon fulfilling the disposal requirements outlined in Article 37, the NBFIs may apply for and engage in the other financial activities as specified in Article 11 of this Law.

CHAPTER VII

PUNITIVE PROVISIONS

Article 38

Violations, Penalties, and Remedial Measures

1. CBK may take one or more of the following actions or impose the following penalties on an NBFi, or on any of its directors, senior managers, employees, or individuals holding a significant interest or more in the NBFi, if it determines that any of these parties have violated any provision of this Law, any sub-legal act implementing this Law, or have engaged in unsafe or unsound practices:
 - 1.1 Issue a written notice;
 - 1.2 Require the NBFi to submit an acceptable remediation plan to CBK;
 - 1.3 Impose restrictions on the activities of the NBFi;
 - 1.4 Issue a written order to cease violations and undertake corrective measures;
 - 1.5 Impose fines on the NBFi ranging from five thousand euros (€5,000.00) to one hundred thousand euros (€100,000.00) or up to 10% of the total annual net turnover, whichever may be higher, and fines on senior managers, members of the Board of Directors, and shareholders

with significant interests ranging from one thousand euros (€1,000.00) to twenty thousand euros (€20,000.00);

- 1.6 Impose daily fines on the NBFI, its senior managers, directors, principal shareholders, or any shareholder with a significant interest, ranging from one hundred euros (€100.00) to one thousand euros (€1,000.00) for each day that the violation continues after notification from CBK;
- 1.7 Temporarily suspend or dismiss senior managers, members of the Board of Directors, or shareholders, individually or collectively;
- 1.8 Appoint an official administrator in place of the current Senior Management and Board of Directors;
- 1.9 Revoke the license of the NBFI and appoint a liquidator in accordance with the provisions of this Law.

Article 39

Suspension and Removal

1. If CBK determines that any Director, Senior Manager, liquidator, employee, or person holding a significant interest or more in an NBFI has wilfully or repeatedly violated any provision of this Law or sub-legal acts, resulting in material loss to the NBFI or for the purpose of financial gain, engaged in unsafe and unsound practices, and has continued such violations or practices after receiving a written warning from CBK, CBK may issue an order that includes any or all of the following measures:
 - 1.1 Request the dismissal of the individual from their position within the NBFI;
 - 1.2 Prohibit the individual from holding a position or engaging in the activities of a financial institution for a specified period, not exceeding 5 (five) years;
 - 1.3 Prohibit the individual from exercising direct or indirect voting rights in the NBFI;
 - 1.4 Require the individual to dispose of all or part of their direct or indirect ownership interest in the NBFI or cease holding a significant interest and reimburse the NBFI for any financial losses caused by the violation, including a reasonable rate of interest.
2. For severe violations or unsafe practices as assessed by CBK, the measures specified in paragraph 1 of this Article 39 may be taken without prior written warning.

CHAPTER VIII

OFFICIAL ADMINISTRATION OF NBFIS

Article 40

Grounds for Appointing an Official Administrator

1. CBK may appoint an Official Administrator for an NBFI if it determines that:
 - 1.1 The NBFI has violated any provision of this Law or sub-legal acts of CBK, or is engaged in practices that significantly weaken its financial position;
 - 1.2 The NBFI is in an unsafe or unsound condition to conduct business, and its senior managers or directors have failed to rectify the situation;
 - 1.3 The NBFI has not cooperated with CBK in exercising its supervisory functions;
 - 1.4 The NBFI, its senior managers, directors, employees, or principal stakeholders have not complied with a CBK order issued under this Law;
 - 1.5 The NBFI, by resolution of its directors or shareholders, requests the appointment of an Official Administrator;
 - 1.6 The NBFI's capital level has fallen below the minimum capital threshold required by this Law or CBK relevant regulations;
 - 1.7 A significant shareholder faces the risk of insolvency or fails to meet regulatory capital requirements.
2. CBK is authorized to further regulate the official administration process of NBFI's through sub-legal acts.

Article 41

Appointment and Removal of the Official Administrator

1. CBK shall appoint an Official Administrator for a term not exceeding twelve (12) months, with the possibility of an extension for an additional six (6) months.
2. If the conditions leading to the appointment are not resolved, the license of the NBFI shall be revoked, and the liquidation process shall begin in accordance with this Law.
3. The Official Administrator may be an individual from the private sector or an official of CBK who meets the qualifications prescribed by CBK.
4. CBK's decision to appoint an Official Administrator shall remain in effect for the period specified in the decision.
5. From the time the administration takes effect, all powers, functions, and responsibilities of the NBFI's directors, senior managers, and shareholders, except for those related to capital increases and asset disposals, shall be transferred to the Official Administrator. Any unauthorized actions taken by or on behalf of the NBFI shall be null and void.
6. CBK may remove the Official Administrator before the end of the term and appoint a replacement.

7. The provisions of this Law related to conflicts of interest shall apply to the Official Administrator, except that reporting obligations to the Board of Directors instead be obligations to CBK.
8. Any transaction involving the NBFI in which the Official Administrator has a material interest shall require prior CBK approval. If the Official Administrator fails to disclose such an interest, the transaction may be annulled, and CBK may remove the Official Administrator.

Article 42

Powers and duties of the Official Administrator

1. The Official Administrator shall have full and exclusive powers to manage and operate the NBFI, take necessary actions to continue its business, and preserve its assets, property, and financial stability.
2. The Official Administrator shall act in accordance with sub-legal acts and CBK instructions and shall be accountable solely to CBK for executing their duties.
3. The Official Administrator may delegate any of their powers or duties to another person, following CBK instructions.
4. The Official Administrator shall suspend payments of dividends or capital distributions to shareholders and any payments to directors, except for services requested by the Official Administrator.
5. The Official Administrator may employ other professionals at the NBFI's expense, with CBK approval, to assist in administration.
6. The Official Administrator may request CBK to issue an order to NBFIs and banks to suspend loans to any debtors of the NBFI under administration until an agreement is reached.

Article 43

Taking control of the NBFI

1. Upon appointment, the Official Administrator shall secure the NBFI's properties, offices, assets, books, and records, taking necessary measures to protect them.
2. CBK's decision to appoint an Official Administrator shall have the enforceable power of a legal order, mandating assistance from law enforcement authorities.
3. Directors, officers, and employees shall provide all records and documentation related to the NBFI and any additional requested information to the Official Administrator.

Article 44

Action plan

1. Within thirty (30) days of appointment, the Official Administrator shall prepare and submit an inventory of the NBFI's assets and liabilities to CBK.

2. Within sixty (60) days, the Official Administrator shall report to CBK on the NBFI's financial position and future prospects.
3. The report shall include an action plan recommending:
 - 3.1. Recovery of the NBFI through a remedial action plan, potentially including capital increases;
or
 - 3.2. Liquidation if recovery is not viable.
4. The Official Administrator shall provide any additional information or reports requested by CBK.

Article 45

Other transfers and restructuring under official administration

1. With CBK approval, the Official Administrator may propose and execute the transfer of the NBFI's assets and liabilities.
2. The Official Administrator may approve the reorganization of the NBFI's liabilities through agreements with creditors, following CBK instructions.

Article 46

Expenses of official administration

1. The Official Administrator shall receive remuneration as determined by CBK.
2. All costs and expenses related to the administration shall be borne by the NBFI under administration.

Article 47

Termination of official administration

1. The official administration shall terminate upon the expiry of the term specified by CBK's decision.
2. The administration may end earlier if CBK determines that:
 - 2.1. The grounds for administration have been remedied; or
 - 2.2. The NBFI cannot recover, prompting the license revocation and liquidation.
3. If the administration concludes with recovery, the Official Administrator shall continue performing duties until a new Director or Senior Manager is appointed.
4. Upon the appointment of a new Director or Senior Manager, control shall be returned to the appropriate bodies.
5. CBK's decision to terminate the administration shall include a recommendation and a supporting report from the Official Administrator.

6. Within five (5) days after termination, the Official Administrator shall submit a final report on the state of the NBFI to CBK.

Chapter IX

VOLUNTARY DISSOLUTION AND LIQUIDATION

Article 48

Liquidation

1. NBFI shall be dissolved in the following two methods;
 - 1.1. Voluntary dissolution
 - 1.2. Liquidation

Article 49

Voluntarily dissolution

1. No NBFI may voluntarily cease its operations in the Republic of Kosovo without first obtaining prior approval from CBK in accordance with requirements of this Law.
2. Voluntary dissolution shall take effect where:
 - 2.1. The shareholders decide to dissolve the NBFI; or
 - 2.2. The shareholders of the NBFI, chose to engage in other commercial activities and cease conducting Non-Banking Financial Activities.
3. In such cases, foreseen in paragraph 3, the NBFI shall:
 - 3.1. Notify two (2) months in advance CBK of such decision;
 - 3.2. Submit to CBK, consent or the decision of NBFI assembly on termination of the NBFI operations, as well as an unconditional, irrevocable bank guarantee payable on first demand issued by a bank which has a rating of investment grade; adequate capacity of payment in the amount that guarantees the coverage of all obligations of the NBFI from paragraph 1 hereof in favour of CBK. CBK may also request from the NBFI other documents for the purpose of considering its application for dissolution.
4. CBK shall decide on the application from paragraph 1 of this Article by rendering a decision within seven (7) days from the receipt of the duly completed application. NBFI shall be informed on the decision of CBK no later than the next business day from the date of rendering. Decision of CBK is final in the day of its rendering.
5. CBK gives consent to voluntary liquidation if it determines that the NBFI has enough assets to satisfy its liabilities.

6. CBK decision on approval of the dissolution of the NBFI shall be announced and published in the Official Gazette of the Republic of Kosovo. The NBFI decision for dissolution shall be announced and published in two national newspapers.
7. The provisions of the applicable Law on Business Organization shall apply to voluntary dissolution to the extent that they do not contradict this, Law.

Article 50

Basis for initiation of liquidation

1. In the event of revocation of the license of the NBFI pursuant to Article 10 paragraph 1 of this Law, CBK shall simultaneously take possession and control of that NBFI through a liquidator appointed by CBK. This proceeding shall be known as Liquidation.
2. The liquidator may be a person from the private sector or an official of CBK who meets the qualifications prescribed by CBK. CBK may dismiss a liquidator. The terms of the liquidator's compensation shall be set by CBK and may include incentives for meeting the objectives set by CBK and may include penalties for failure to meet such objectives.
3. The compensation of the liquidator and experts engaged, reimbursement of their expenses and expenses of CBK shall be paid from the assets of the NBFI. Payments to the liquidator shall be made on a current basis if in the judgement of the liquidator there are sufficient liquid assets.
4. Liquidation procedure shall not be applicable to the situations falling within the scope of Chapter VIII of this Law.

Article 51

Notice and registration of liquidation

1. The decision of CBK appointing a liquidator for a NBFI shall be effective as of the date of its issuance, unless such decisions provide otherwise. The liquidator shall immediately post in each office of the entity a notice announcing the revocation of the license and appointment by CBK, specifying the effective date and time of possession by the liquidator and specifying that:
 - 1.1. Authorizations of persons to responsible for the financial responsibility of the NBFI are cancelled;
 - 1.2. Persons who previously had authorizations to give instructions on behalf of the NBFI with respect to payments or transfer of NBFI assets or assets managed by the NBFI are no longer so authorized; and
 - 1.3. The license of the NBFI has been revoked
2. The liquidator shall publish a notice specifying the actions taken in one or more newspapers of general circulation in the communities in which the NBFI maintains offices and arrange for the publication of

such notice each week for the next four (4) weeks and shall inform as necessary the competent authorities and shall transmit copies of such actions to CBK within two (2) days of such action.

Article 52

Powers and duties of liquidator and effects of liquidation

1. Following the appointment, the liquidator shall become the sole legal representative of the NBFI and shall succeed to all rights and powers of the shareholders and of the Directors or Senior Managers of the NBFI. Such rights and powers shall include holding title to the books, records, and assets of the NBFI, managing, operating and representing the NBFI; marshalling assets and claims, transferring or disposing of assets; and taking any other action necessary for the efficient liquidation and to obtain the maximum amount from the sale of assets, including without limitation:
 - 1.1 Continuing or interrupting any operation of the NBFI;
 - 1.2 Borrowing money guaranteed with its assets or without guaranty;
 - 1.3 Suspending or limiting the payment of debts subject to the approval of CBK as provide below;
 - 1.4 Hiring specialists, experts or professional consultants;
 - 1.5 Administering the NBFI accounts;
 - 1.6 Collecting the debts due to the NBFI, and collecting recovering goods owed by the third parties;
 - 1.7 Initiating or defending the NBFI in any legal proceeding and executing any relevant instrument in the name of the NBFI; and
 - 1.8 Restructuring the NBFI's liabilities through arrangements with the NBFI's creditors, including through a reduction, modification, rescheduling and novation of their claims, up to the amount determined by CBK.
2. The liquidator shall act in accordance with the regulations and guidelines given by CBK at any time in the course of the liquidation and shall be accountable only to CBK for the performance of duties and the exercise of powers as liquidator.
3. The liquidator may extend credit only to an existing customer in accordance with the terms of an agreement in force at the time of the appointment of the liquidator.
4. A liquidator may continue any operations except as prevented under paragraph 3. of this Article and may borrow money on a secured or unsecured basis. The liquidator may stop or limit the payment of any obligation, employ or dismiss any officer, employee or advisor, execute any instrument in the name of the NBFI and initiate or defend and conduct in the NBFI's name any action or legal proceeding.
5. The liquidator shall have unrestricted access to and control over the offices, books of account and other records, and other assets of the NBFI . At the request of the liquidator, a law enforcement officer or officers shall assist the receiver to gain access to NBFI premises or control over NBFI records.
6. The liquidator shall have the same rights and privileges and be subject to the same duties, penalties, conditions and limitations as apply to Directors, Senior Managers or other employees of a NBFI under

this Law. The powers of the Directors or Senior Managers and shareholders of the NBFI shall be terminated during liquidation; provided, however, that Directors or Senior Managers may be instructed by the liquidator to exercise specified functions for the NBFI; and further provided, that such persons shall be subject to dismissal by the liquidator from their positions and shall thereupon cease to receive compensation from the NBFI.

7. The liquidator shall secure the property, offices, books, records, and assets of the NBFI to seek to prevent their dissipation by theft or other improper action, by taking actions including, but not limited to, the following:
 - 7.1. Restricting and limiting access to the new keys on external entrances to the NBFI's offices and on doors to internal offices which contain financial assets or information or equipment which could enable a person to gain unlawful access to financial assets;
 - 7.2. Changing or establishing access codes to the NBFI's computers and granting access only to a limited number of trustworthy employees;
 - 7.3. Issuing new photo identification passes for entrance of authorised employees to the NBFI's premises and controlling the access of others to the NBFI's premises;
 - 7.4. Cancelling authorizations of persons to engage the financial responsibility of the NBFI and issuing new authorizations, as appropriate and notifying third parties
 - 7.5. Informing correspondent NBFI, registrars and transfer agents of securities, and external asset managers of the NBFI's assets that persons who previously had authorization to give instructions on behalf of the NBFI with respect to dealing in the NBFI's assets or assets held in trust by the NBFI are no longer so authorised and that only the liquidator, and persons authorised by the liquidator have such authority; and
 - 7.6. Suspending the payment of capital distributions in general and payment of any kind to directors, Senior Managers and principal shareholders; provided, however, that reasonable compensation may be paid to directors and Senior Managers and other staff of the NBFI for services rendered to the NBFI at the request of the liquidator.
8. The liquidator shall establish a new balance sheet for the NBFI, based on his or her determination of liquidation values of the assets with a corresponding reduction in the value of the NBFI's liabilities in the reverse order of priority in payment of distributions in a liquidation of assets. Liabilities shall be deemed due and payable and interest shall cease to accrue as of the date of the appointment of the liquidator. Un-matured liabilities shall be discounted to present value at the rate of interest determined by CBK.
9. Within one (1) month of taking possession of a NBFI, the liquidator shall make an inventory of the assets and property of the NBFI and transmit a copy thereof to CBK, which shall make a copy available for examination by the public.
10. Within thirty (30) days from the date of appointment, the liquidator can repudiate any unfulfilled or partially fulfilled contract, to the extent that the fulfilment of such contract is determined to be burdensome for the NBFI and the repudiation would promote the orderly administration of the NBFI's

affairs. Any liability arising from the repudiation shall be determined as of the date of repudiation and shall be limited to actual direct damages incurred and shall not include any damage for lost profits or opportunity or non-monetary damages. In case of repudiation of a lease contract of immovable and movable property, the owner shall be given a thirty (30) days' notice.

11. As soon as possible from the date of appointment, the liquidator may make payment to creditors such amounts as in his or her opinion may appropriately be used for that purpose; provided, however, that all creditors who are similarly situated shall be treated in the same manner.

Article 53

Legal effects of NBFI's possession by a liquidator

1. When a liquidator has taken possession of a NBFI the following legal effects take place by virtue of law:
 - 1.1. Any term, statutory, contractual or otherwise, on the expiration of which a claim or right would expire or be extinguished, shall be suspended; and
 - 1.1.1. The calculation of interests and penalties against NBFI's obligations shall be suspended and no other charge or liability shall accrue on the obligations of the NBFI;
 - 1.1.2. All legal proceedings against the NBFI are suspended and the exercise of any right on the NBFI's assets shall be suspended. No right can be exerted over assets during the NBFI's liquidation, except rights given to liquidator, and no creditor may attach, sell or take possession of any assets of the NBFI as a means of enforcing his claim or initiate or continue any legal proceeding to recover the debt or perfect security interests in the NBFI's assets.
 - 1.2. Any pledge or security interest except one existing six months prior to the effective date of the liquidation shall be vacated, and no attachment or security interest, except one created by the liquidator in the application of this Article shall be registered to any of the assets or property of the NBFI so long as such liquidation continues;
 - 1.3. Shareholders' rights shall be extinguished except for the right to receive proceeds. The liquidator may sell the assets of the NBFI or arrange for the assumption of liabilities of the NBFI on terms he or she considers fair.
2. The procedures for determinations of the validity of claims and for liquidation of NBFI assets and return of customers' property shall be prescribed by CBK; provided, however, that the sale of NBFI assets shall be accomplished in a transparent and reasonable manner.
3. Any assets of the NBFI that have not been sold at the end of the term of the liquidation may be abandoned by the liquidator or given to a charitable institution that promotes public health or education. Creditors of the NBFI shall have no claim against any such assets.

Article 54

Duty to notify and report

1. If the liquidator has reasonable cause to believe that shareholders, directors, officers, attorneys, accountants or other professionals have engaged or are engaging in criminal or fraudulent activities, he or she and shall pursue civil actions seeking damages and restitution.
2. The liquidator shall report each month to CBK on the progress of the liquidation in such form as may be prescribed by CBK and provide any other information upon request of CBK.

Article 55

Liquidator activities that require prior written approval

1. The liquidator shall, upon the prior written approval of CBK and according to its guidelines, pursue the following activities:
 - 1.1. Dispose of a NBFI assets and liabilities through a purchase and assumption transaction; or
 - 1.2. Organise a restructuring of the NBFI's assets and liabilities or continue viable or necessary operations.

Article 56

Annulment of pre-liquidation transfers

1. The liquidator may annul transactions based on a forged or fraudulent document that NBFI has executed to the detriment of creditors within five (5) years prior to the effective date of liquidation.
2. The liquidator may initiate court proceedings to annul the following transactions affecting the assets of the NBFI or to recover from third parties the transfers made by the NBFI, such as:
 - 2.1. Gratuitous or symbolic transfers to, or to persons related to, Directors or Senior Managers and principal shareholders of or holders of significant interests in the NBFI made within five (5) years prior to the effective date of the liquidation;
 - 2.2. Gratuitous or symbolic transfers to third parties made within three (3) years prior to the effective date of the liquidation;
 - 2.3. Transactions in which the consideration given by the NBFI considerably exceeded the received consideration, made within three (3) years prior to the effective date of the liquidation;
 - 2.4. Any act done with the intention of all parties involved to withhold assets from NBFI creditors, or otherwise impair their rights, within five (5) years prior to the effective date of the liquidation; and
 - 2.5. Transfers of property of the NBFI to, or for the benefit of, a creditor on account of a debt incurred within six (6) months prior to the effective date of the liquidation which has the effect of increasing the amount that the creditor would receive in a liquidation of the NBFI.

3. Transactions with persons related to the NBFI conducted within one (1) year prior to the effective date of the liquidation, if detrimental to the interest of creditors, may be set annulled and recovered from such persons.
4. An action to annul a transfer may be brought by the liquidator within one (1) year following the effective date of the liquidation.
5. Notwithstanding the foregoing paragraphs, the liquidator may not set aside a payment or transfer by the NBFI if it was made in the ordinary course of the NBFI's business, or if it was part of a contemporaneous exchange for reasonably equivalent value, or to the extent that following the transfer the recipient extended a new unsecured credit to the NBFI which had not been satisfied by the NBFI as of the effective date of the liquidation.
6. The liquidator may recover property, or the value of property transferred by the NBFI from a transferee of an initial transferee only if the second transferee did not give fair value for the property.
7. The liquidator may order that notice of the filing of a legal action to annul a transfer be recorded in the cadaster public records for real estate ownership and any other rights in property recorded in public registers and a person taking title to or acquiring any security interest or other interest in such property after the filing of such a notice takes his or her title or interest subject to the rights of the NBFI to recover the property.
8. A lessor of NBFI premises or a utility company or other provider of utility services including, without limitation, a company that supplies electricity, natural gas, water or telephone services, may not alter, refuse or discontinue such services to a NBFI because of its liquidation or because the debtor has failed to pay for services prior to its liquidation; provided, however, that upon request of a lessor of NBFI premises or a utility company, the NBFI shall place a security deposit in a commercial bank as a condition to the lessor's or utility company's duty to continue to provide services during the liquidation, and any such deposit shall not be required in an amount greater than the cost of services provided to the NBFI during the month immediately prior to the effective date of the liquidation.

Article 57

Exemptions from annulment of pre-liquidation transfers

1. Notwithstanding provisions of Article 56 of this Law, the following transfers performed before the liquidation date shall not be subject of annulment:
 - 1.1. Irrevocable money and securities transfer orders entered by a NBFI into a payment or securities settlement system recognized as such by CBK shall be legally enforceable and binding on third parties, even upon a decision revoking the license of the NBFI and appointing a liquidator, but only if the transfer orders become irrevocable before such decision takes effect; or
 - 1.2. where a NBFI has given irrevocable money or securities transfer orders through a payment or securities settlement system after the decision revoking the license of the NBFI and appointing a liquidator takes effect on the day such decision was taken, the transfer orders shall be legally

enforceable and binding on third parties, unless the liquidator proves that the system operator was aware of the decision before the transfer orders became irrevocable.

2. No Law, regulation nor practice on the setting aside of contracts and transactions issued or adopted before the decision revoking the license of the NBFI and appointing a liquidator takes effect shall lead to the unwinding of a netting by a payment or securities settlement system recognized as such by CBK because of that decision.
3. For the purposes of paragraph 1 and 2 of this Article, a transfer order entered into a payment or securities settlement system becomes irrevocable at the time defined by the regulations of that system.
4. Nothing in this Law and no decision made under this Law shall prevent or prohibit the set off by operation of Law of Obligations between a NBFI being subject to the liquidation proceeding under this Chapter and its counterparties.

Article 58

Final reporting to CBK

Once the proceeds for the sale of assets of a NBFI have been distributed, the liquidator shall provide a report to CBK that includes a statement of income and expense and sources and uses of funds during the period of liquidation. Upon approval by CBK of the report, CBK liquidation shall be terminated and CBK and the liquidator shall be relieved of any further responsibility in connection with the liquidation of a NBFI.

Article 59

Miscellaneous liquidation provisions

1. In liquidation procedure, priority in payment of claim shall be as envisaged in the Law on Banks.
2. Professional employees appointed to represent or assist a liquidator or CBK in connection with a liquidation shall not be paid amounts greater than are payable to employees or agents of NBFI for similar services, except that CBK may authorize payment at higher rates, if CBK determines that paying such higher rates is necessary in order to recruit and retain necessary personnel.
3. CBK shall have authority to indemnify a liquidator and his or her agents for their actions on such terms as CBK deems proper.
4. Notwithstanding provisions of this chapter, CBK is authorized to further regulate the voluntary dissolution and liquidation process of NBFI's through sub legal act, as deemed necessary.
5. The voluntary dissolution and liquidation of NBFIs established as individual businesses shall, to the extent applicable, be conducted in accordance with provisions of Chapter IX of this Law.
6. To the extend applicable, provisions on Law on Banks for voluntary dissolution and liquidation shall be applicable also for NBFI.

CHAPTER X

COMPLIANCE WITH LEGISLATION

Article 60

Relationship with legal framework

1. All provisions related to the governance and ownership of limited liability companies and joint stock companies in the Law on Business Organizations shall apply to NBFIs, provided they do not conflict with the provisions of this Law.
2. Provisions governing the restructuring of MFI NGOs, including those regulating the rights of NGOs to own shares in NBFIs, shall take precedence over and supersede any conflicting or inconsistent provisions in other laws applicable in Kosovo. These provisions shall be interpreted and applied as the primary legal framework for matters concerning the transformation and ownership rights of MFI NGOs, ensuring alignment with the objectives of this Law.
3. Matters concerning consumer and client protection that are not regulated by this Law shall be subject to the applicable legal framework governing NBFI operations, financial leasing, personal data protection, and the provisions of the law regulating contracts.
4. The provisions of the Law on Accounting, Financial Reporting and Audit shall apply to auditing practices, provided they do not conflict with the provisions of this Law.
5. The provisions of the Law on Leasing shall apply to leasing-related matters, provided they do not conflict with the provisions of this Law.

Article 61

Prevention of Money Laundering

1. NBFIs are required to comply with all legal obligations related to the prevention of money laundering and terrorist financing, as prescribed by the relevant law in force and CBK regulations and to adopt internal policies and procedures to prevent and detect such activities.
2. NBFIs must establish procedures for customer due diligence, including customer identification and verification.
3. No NBFI shall conceal, convert, or transfer funds or other assets if it knows or should have known that such assets are derived from criminal activities, nor assist any individual in concealing or disguising the illicit origin of any assets.

Article 62

Client Protection

1. NBFIs must conduct their activities honestly, fairly, and transparently, and in the best interests of their clients, upholding consumer rights in accordance with the Law on Consumer Protection, including:
 - 1.1. The right to access financial services;
 - 1.2. The right to an equitable relationship with the financial service provider;
 - 1.3. The right to protection against discrimination and harassment;
 - 1.4. The right to be informed;
 - 1.5. The right to disclosure of all terms and conditions including, but not limited to, nominal and effective interest rates;
 - 1.6. The right to clearly defined contractual obligations; and
 - 1.7. The right to the protection of rights and interests.
2. In addition to other legal requirements, NBFIs shall:
 - 2.1. Comply with standards for accurate, comprehensible, and non-deceptive advertising;
 - 2.2. Disclose relevant information to clients in a timely manner, including a draft contract, before it becomes binding;
 - 2.3. Provide information in plain language that is easily understandable, with sufficient explanation appropriate for the purpose;
 - 2.4. Establish and maintain a fair and transparent mechanism for handling client complaints promptly.
3. Upon receiving a written complaint, an NBFI must respond to the client within fifteen (15) days from the date of receipt. CBK shall act as the competent authority for consumer protection regarding NBFI clients.
4. CBK shall ensure, through its supervisory and regulatory powers, that NBFIs act in compliance with this Law, the Law on CBK, and the Law on Consumer Protection.
5. CBK may prescribe the uniform method of calculating and disclosing interest rates, and in particular those pertaining to bank lending and the cost of funds.
6. In the case when the interest rate is variable, the bank must establish a precise reference for the base rate, clearly disclosing its calculation and application. Domestic money market rate can serve as a reference for the base rate.
7. CBK shall define further requirements for client protection through sub-legal acts.
8. CBK shall be the competent and responsible consumer protection authority in terms of consumers of NBFIs products and services.

9. In performing its supervisory tasks and exercising its supervisory powers in terms of consumer protection accordance, CBK shall ensure that entities subject to supervision act in accordance with this Law, the Law of CBK and the Law on Consumer Protection accordingly.

CHAPTER XI

TRANSITIONAL AND FINAL PROVISIONS

Article 63

Sub-legal Acts

1. CBK shall issue sub-legal acts for the implementation of this Law within one (1) year from the date of its entry into force.

Article 64

Fees

1. CBK shall, through sub-legal acts, establish fees for NBFIs for the following services:
 - 1.1. Licensing and other approvals under this Law;
 - 1.2. Supervisory and regulatory services; and
 - 1.3. Use of the Credit Registry.
2. Fees shall be assessed on the basis of cost recovery or extraordinary expenses incurred by CBK in performing the above activities.
3. Fees applied under this Article 65 shall be non-refundable.

Article 65

Existing NBFIs

1. Entities holding one or more licenses as non-bank financial institutions under the Incumbent NBFI Regulations shall submit to CBK a statement identifying their current Core Activities related to these licenses and provide proof of the Capital required under Article 30 of this Law for such activities. CBK shall validate these Core Activities and issue equivalent licenses as NBFIs for the identified Core Activities without requiring an additional application.
2. Entities holding one or more licenses as non-bank financial institutions under the Incumbent NBFI Regulations for activities that do not qualify as Core Activities must reapply to CBK for the necessary licenses.
3. All existing NBFIs shall align their operations with the provisions of this Law within six (6) months of its entry into force.

Article 66

Abrogation

1. Upon the entry into force of this Law, Chapter II of Law No. 04/L-093 on Banks, Microfinance Institutions, and Non-Bank Financial Institutions, and any related provisions of this Law, shall be abrogated.
2. Sub-legal acts governing NBFIs shall remain effective unless they contradict this Law, until they are replaced by new sub-legal acts.
3. The transitory chapter on restructuring of NGO MFI shall be abrogated upon completion of the restructuring process as defined in this Law, but not later than 6 (six) years from the entry into force of this Law.

Article 67

Entry into Force

1. This Law shall enter into force fifteen (15) days after its publication in the Official Gazette of the Republic of Kosovo.