



**FINANCIAL SUPERVISORY AUTHORITY
THE BOARD**

REGULATION

**ON THE PENALTIES RELATED TO PREMATURE WITHDRAWAL FROM PENSION
FUNDS**

Adopted by Board Decision no. 125 of 7 December 2010

**Article 1
Purpose**

The purpose of this Regulation is to set the limit and method of application of penalties in the event of a member's premature withdrawal of assets from his individual account with a voluntary pension fund (hereinafter referred to as "Premature Withdrawal").

**Article 2
Legal Basis**

This Regulation is issued pursuant to Article 17 of Law no. 10197 of 10 December 2009 "On Voluntary Pension Funds", hereinafter referred to as the "Law". The terms used in this Regulation shall have the same meaning as provided for in the Law.

**Article 3
Calculation of Penalty**

1. Penalties in the event of premature withdrawals shall be calculated on the net value of the assets to be withdrawn prematurely, after tax has been deducted in accordance with the legislation in power at the moment of withdrawal. Any assets on which penalty for premature withdrawal will be applied shall hereinafter be referred to as "withdrawn assets".
2. Penalties on premature withdrawal shall be calculated by management companies proportionately to a member's time from first contribution to withdrawal.

3. Management companies shall impose a penalty at the time of premature withdrawal within the following limits:
 - i. Not less than 2% and not more than 5% of the withdrawn assets for each premature withdrawal effected after 20 years from the date of first contribution.
 - ii. Not less than 5% and not more than 10% of the withdrawn assets for each premature withdrawal effected in the period from 10 years after the date of first contribution till 20 years after the date of first contribution, including the 20th year.
 - iii. Not less than 10% and not more than 15% of the withdrawn assets for each premature withdrawal effected in the period from 5 years after the date of first contribution till 10 years after the date of first contribution, including the 10th year.
 - iv. Not less than 15% and not more than 20% of the withdrawn assets for each premature withdrawal effected in the period from the date of first contribution till 5 years after the date of first contribution, including the fifth year.
4. For the purposes of premature withdrawal penalty calculation, the date of first contribution shall be the date when the first pension contribution is deposited.

Article 4 Penalty Application Procedure

1. Premature withdrawal penalties shall be administered by a management company before a member's actual premature withdrawal from a voluntary pension fund.
2. Within 30 days from receiving a member's application, the management company shall instruct the depository to withhold the premature withdrawal penalty from the assets to be paid to the member, and to transfer it to the voluntary pension fund management company's account.
3. Where a member transfer his assets to another voluntary pension fund, the period that is used to calculate the premature withdrawal penalty shall also include the period of membership in any previous funds.

Article 5 Obligation of Information

1. The provision on the penalty applicable to premature withdrawal and the penalty amount shall be clearly written in a visible place in the voluntary pension fund contract and voluntary pension fund prospectus.

2. After receiving a pension fund member's application for premature withdrawal, a management company shall clearly explain to him the financial consequences arising from the termination and receipt of payment from the pension fund prior to reaching the retirement age or prior to meeting the vesting requirements set out in Article 16 of the Law.

Article 6 **Transitional Provisions**

1. Premature withdrawal penalties shall not be imposed on those private pension institute members who are automatically transferred to a voluntary pension fund due to a management company's failure to contact them, if they decide to terminate their membership and withdraw their assets out of their individual accounts.
2. The right of private pension institute members, who have been automatically transferred to a voluntary pension fund, to withdraw from that fund without incurring any penalties shall be subject to a statute of limitation of three years from their transfer to the fund.

Article 7 **Entry into Force**

This Regulation shall enter into force immediately.

Chairperson

Elisabeta Gjoni