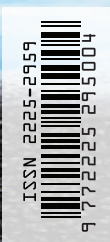




Bankieri

ALBANIAN ASSOCIATION OF BANKS
SHOQATA SHQIPTARE E BANKAVE

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April 2019



BANK RESOLUTION



3rd CONFERENCE
14 MAY 2019

Banks for Sustainable Development



SHOQATA SHQIPTARE E BANKAVE

ANËTARËT E AAB-së



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EDITORIAL TEAM:

Elvin Meka

Editor-in-Chief

Eftali Peçi

Coordinator

Junida Tafaj (Katroshti)

Collaborator

Dorina Zarka

Photographer

Design & Layout: FCB Afirma

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ALBANIAN ASSOCIATION OF BANKS

Street "Ibrahim Rugova"

SKY TOWER, 9/3, Tirana

Tel: +355 4 2280371/2

Fax: +355 4 2280 359

www.aab.al

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Albanian Association of Banks

AAB in twenty years

By representing the healthiest and most prolific industry of the country's economy, by promoting the state-of-the-art banking standards of its members, the development, stability and efficiency of the Albanian banking system in general, AAB, in partnership with stakeholders from public and private sector, contributes at improving business environment and discussing key industry issues, as well as defining common strategies for the Albanian financial sector.



Spiro BRUMBULLI
SECRETARY GENERAL, AAB

20 years of AAB! Time flies so fast; starting from an idea to set up a Bankers' Club, during the years 1997-1998 to its creation in March 1999, then converting it, within two years, into the Albanian Association of Banks - a non-profit organization, as a bold need for addressing the issues of that time. It was the time of the progressive growth for the banking industry, for forming and shaping the overall financial market the decrease of the state-owned banks' weight in the sector, for the unstoppable growth of the private sector, and the financial system's need for financial health and stability, following the trauma of

financial pyramids; for developing the economy, where banks are an integral part and inherent factor within it. It was the time for indispensable legal changes, where new standards should be adapted, and the market needed training and being accustomed with a new way of doing business, approaching the private sector, showing dedication, honesty, integrity, and goodwill.



AAB has a seat is every discussing table for draft laws, draft regulations, development projects, ideas and proposals. AAB's prestige is undisputed, as its visibility has been increasing via the organization of activities, such as: conferences, forums, roundtables and media participation.



It was the time for banks to help others and help themselves.

Being found in a fragile economic environment, full of uncertainties, challenges and optimism, expectations went high for AAB. As the first years elapsed, AAB should, with a lack of experience and optimal engagement from all members, convince all skeptics that such organization is worth to represent banks in one voice, to

protect their rights and promote the most advanced standards. Following the privatization of the last state-owned bank in 2004, AAB's role, value and function became more evident. Just for this reason, AAB Secretariat, in 2005, was structured according to the most advanced models of other developed countries, with which it luckily established contacts and relations, since 2003, when it was accepted as an Associate Member of the European Banking Federation, EBF.

The 2005-2009 period marked a boom in bank lending. Such credit growth rates had never been seen in the Albanian economy. In the absence of clear property titles, loophole legal framework, poor infrastructure, and the small number of bank account holders, but thanks to the presence of internationally renowned banks, AAB had to boldly support the regulation of market, based upon a new situation created in the market with all-private banks. The experience gained during these years was important to use and enhance in the years to come, which were no longer so happy. The 2008-2009 crisis could not spare the Albanian economy, although the shockwave came somehow with a delay, after 2010. The most striking sign was the increase and build-up of non-performing loan portfolio. By evidencing and weighting

their effect, banks became more selective and tighter in their risk analysis. This period was accompanied by many regulatory and legal changes, where the name "bank" did not produce the same respect, as before the crisis time. The bank image, in the countries where the crisis began, gave a hit on "the banker", anywhere in the world. Restoring the image and confidence was a difficult process. The banking regulatory requirements piled up, the capital, control and transparency requirements got substantial increases. It was for period, when AAB decided to publish "Bankieri", its quarterly magazine (October 2011). Whatever happened in relation to the crisis in the world, it became clear that the Albanian banks did not cause any crisis in the economy, did not require any state budget support, received no lifeline, instead, shareholders stood up to fulfill any capital increase requirements, thus helping restore the image and good name - a process that continues with professionalism and patience.

It is worthy to note that, in the frame of the strategy for restoring reputation and the implementation of best & contemporary practices for corporate governance, banks developed the corporate social responsibility, as never before, by implying that their important role in the economy as the financial intermediary could not be complete without the complementary role in society. In response to this new phenomenon, for the first time in 2015, AAB published the Annual Report: "CSR – Banking for Society", devoted to banks' contribution for the society. This new strategy was accompanied by the expansion, support, and the new vision that United Nations Sustainable Development Goals of 2015 have created.

After the international crisis, a need for bank staff training emerged, not only through each bank's internal resources, but also for cost-effective common trainings. Since 2011, AAB has conducted 204 trainings, with over 2,655 bank employees trained through them. For the first time in 2018, two on-line trainings were offered for 215 employees.

Thus, over years, AAB's mission was getting enriched, expanded and gained more credibility. Since 2013, AAB has embraced the Bank of Albania's idea of financial education, in order to increase



... AAB, in partnership with stakeholders from public and private sector, contributes at improving business environment and discussing key industry issues, as well as defining common strategies for the Albanian financial sector.



the use of financial channels by the general public. AAB regularly organizes the Money Week and all-year activities with pupils and students to get acquainted with basic and advanced financial concepts.

AAB has a seat is every discussing table for draft laws, draft regulations, development projects, ideas and proposals. AAB's prestige is undisputed, as its visibility has been increasing via the organization of activities, such as: conferences, forums, roundtables and media participation.

By representing the healthiest and most prolific industry of the country's economy, by promoting

the state-of-the-art banking standards of its members, the development, stability and efficiency of the Albanian banking system in general, AAB, in partnership with stakeholders from public and private sector, contributes at improving business environment and discussing key industry issues, as well as defining common strategies for the Albanian financial sector.

Twenty years are not so much, but there are not a few, too. Going back in time and analyzing the growth process at the point where we stand today, we do notice a process that has had its pains and difficulties. But beyond difficulties, any achievement gives real joy. Thanks to special contributions from AAB Chairmen, such as: Seyhan Pencabligil, Christian Canacaris, Periklis Drougkas, Ardian Fullani, Edvin Libohova, Gazmend Kadriu, Libero Catalano and current Chairman Silvio Pedrazzi, AAB is today one of the most organized, professional and well-structured non-profit organization in Albania. Today we feel proud and the entire banking industry feels proud, because it feels represented, served and appreciated.

In this anniversary, special thank goes to all our associates, here and abroad, for the excellent collaborative relations, seriousness and accountability manifested through years. Also, we would like to thank all members of AAB's technical committees, whose expertise made AAB's contribution quite prominent.

20 years! And it is always the same dilemma, on every anniversary: So far, So Good! But what's beyond? Let's follow our good tradition and wish: "Long Life and Success to AAB"!

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Bank resolution in Albania

For a healthy and sustainable banking sector

Albania has made significant progress and is at the forefront of financial reforms in the Balkan region, and this is not due to any specific obligation, Albania as a country must fulfill, but in accomplishing the ambitious target of ensuring a safe and sustainable national banking sector.



Prof. Asoc. Dr. Elvin MEKA¹
Editor-in-Chief

The global economic and financial crisis of 2008 marks the stark moment of substantial weaknesses and shortfalls show off in the legal and institutional framework, regulating the banking sector, and beyond, the global financial system, but also in national level, mainly in the US and EU countries, and not only. These shortfalls emphasized, even more, the fact that regulators had done quite a little to avoid the moral hazard of privatizing profits and socializing losses. So, the real challenge was not to overcome the financial crisis, but to overcome it successfully, with the least cost to a country's financial stability and real economy, without using taxpayers' money. Specifically, overcoming global financial crisis by using public funds, increased awareness and

encouraged various financial market players to reform and regulate the restructuring process and getting banks out of financial difficulties, by channeling losses, initially, to shareholders and towards bank's creditors, afterwards. This process, which is known today as "resolution", has its origins precisely in the post-crisis period of 2007-2008.

The financial sector reform process began in the US, given the fact that they faced the crisis generated by the American financial system, and culminated with the adoption of the Dodd-Frank Act, in 2010. This law brought about substantial changes in the US financial environment, which were reflected in a number of financial regulatory agencies, almost in every part of the financial services industry. In Europe, such process culminated in the adoption of Bank Recovery and Resolution Directive (BRRD), the establishment of the European institution, responsible for the implementation of this process – Single Resolution Board (SRB) – and the adoption of a series of regulatory documents, or technical standards, that complement the regulatory framework for a successful implementation of this process.

Albania could not allow lagging behind the reforms, undertaken by European financial sector. Following these reforms and with the support of the World Bank, the Albanian Parliament adopted, at the end of December 2016, the Law No.133/2016: "On Bank Recovery

and Resolution in the Republic of Albania", which entered into force in July 2017. Although less than two years after the entry into force of this law, Albania has made significant progress and is at the forefront of financial reforms in the Balkan region, and this is not due to and specific obligation, Albania as a country must fulfill, but in accomplishing the ambitious target of ensuring a safe and sustainable national banking sector.

Currently, the Bank of Albania, in the role of the Resolution Authority, has established the appropriate regulatory and institutional infrastructure for bank resolution, within the Albanian banking sector. But this is just the beginning! The international experience has shown that the way to accomplish a successful bank resolution is long and difficult, as Mrs. Elke König, Chair of Single Resolution Board puts: "... resolution planning is a long – term project; it is a marathon, not a sprint!"

¹Vice Rector, European University of Tirana, UET.

Bank resolution in Albania

At the pace of Europe

The resolution planning is a continuous process and a long-term mission to remove impediments to the bank resolvability and does not imply the drafting of an annual plan that is stored somewhere on a bookshelf and is used only if needed for implementation, but constitutes the beginning of a long process of restructuring all aspects of banking business, which may impede this process.



Natasha AHMETAJ

First Deputy Governor
BANK OF ALBANIA

The global integration model is the economic model which has been followed by most countries in transition, and by Albania, as well. In the light of such orientation, the Albanian banking market has demonstrated clear objectives and particular commitment towards a swift integration into the legal framework of European Union's banking system, as well as the significant changes it has undergone, since 2008. Although in the history of Albanian banking sector, fortunately there have not been recorded any cases of bank failure, we have identified the same gaps in our banking legislation, as well as other European economies. By building hypothetical scenarios to cope with any potential exposure of the Albanian

economy to the Greek sovereign debt crisis, it was evidenced that Bank of Albania, as the supervisory authority of the banking sector, did not possess all relevant legal tools for managing the insolvency situation in systemic banks. The need for a new legal framework was evidenced in all aspects, both on national and crossborder basis, by the European Directive on Bank Recovery and Resolution. Typically, the initial efforts to prepare and present the first round of recovery plans at the Bank of Albania, originated back in 2012. The respective guideline was approved by BoA's Supervisory Council in 2014, but of course, these were internal attempts of the supervisory authority, and thus, they were inadequate. In this regard, during 2015, with the support of World Bank's FinSac project, the Bank of Albania started the hard, but necessary, harmonization work with the European Directive, through a new Albanian law.

The Law: "On Recovery and Resolution of Banks in the Republic of Albania" entered into force in July 2017, and it provides the Bank of Albania with a new mandate, that of the Resolution Authority for banks. Such mandate completes the full safety mechanism (net) to the banking sector, with the Bank of Albania being the responsible agency for regulating and supervising the banking sector, drafting macro-prudential policies, performing the

function of the lender of last resort, as well as bank resolution. Along with the deposit insurance scheme, provided by the Albanian Deposit Insurance Agency since 2002, the financial safety framework (net) in Albania is now complete. Following the Law: "On Recovery and Resolution of Banks in Republic of Albania, the resolution fund is established, through contributions from the banking sector. The resolution fund target level, aims at reaching ALL 6.3 billion, by year-end 2027.

The Law implementing process goes through three big and important steps:

The first step relates to the design of recovery plans, from each bank which operates in Albania, based upon reliable and concrete scenarios, as well as the definition early warning indicators, signaling for a deterioration of financial situation of the bank, before it becomes insolvent. During the drafting of recovery plans, the bank must produce reliable options to survive against stress scenarios, thereby building up mechanisms that become part of the day-to-day management of the banking business and therefore, are not just part of a hypothetical plan. Although the design of recovery plans is a task of individual banks, the Bank of Albania, in the capacity of Supervisory Authority, plays an essential role in assessing the quality and reliability of these plans.

During 2018, banks drafted recovery plans, based on a new regulation, adopted by the Bank of Albania, which sets out their detailed content. It should be emphasized that, our challenges in this area remain the same as those of other supervisory authorities, whether at European, or regional level. In sound financial situations, recovery planning enables Bank of Albania to deeply comprehend the bank's structure and operations, thereby supporting our supervision process to identify areas of impairment, as well as bank self-diagnosis of the bank in these particular areas. In stressful financial situations, the recovery plan is the main document the bank has in its own hand, to correct its difficulties, and as such, it should be efficient, enforceable and inclusive.

The second step of the new crisis management framework is linked to the early intervention measures in the bank. This step is triggered if, after the implementation of recovery plans, the bank's actions result insufficient and unsuccessful to improve the situation. The Bank of Albania, as the Supervisory Authority, undertakes some practical early intervention measures for the bank, before it is failing or likely to fail. Currently, we are in the process of drafting relevant regulations, which will determine the way early intervention measures are used, according to the new legal requirements.

The third step in crisis management is the bank resolution, which is going to be carried out by the Bank of Albania, in the capacity of the new mandate it has received as the country's Resolution Authority. Similar to recovery plans, the resolution plans, which will be drafted by the Bank of Albania, aim to identify the legal, structural and financial obstacles the bank has, to

bank resolvability. In this regard, resolution plans are one of the essential tools for facilitating the implementation of Bank of Albania's resolution process.

In April of 2018, the Bank of Albania approved the regulation that defines the content of resolution plans. Following the approval of this regulation, banks were required to report a complete dataset to enable the drafting of resolution plans, based on the European Banking Authority's



For countries such as Albania, meeting MREL requirements is a challenge, because of the domestic market capacity to absorb (buy and hold) subordinated debt instruments, which would serve to meet the minimum requirements for eligible liabilities and because of banks' capacity to restructure the funding resources, which are currently represented, to a large extent, by deposits.



templates. Actually, Bank of Albania is going through the process of drafting resolution plans. Drafting these plans is a bit complicated process, because it involves complex and cross-border issues of concern, which, in case of resolution, need to be implemented and coordinated within a short period of time. In this perspective, resolution planning is a continuous process and a long-term mission to remove impediments to the bank resolvability and does not imply simply the drafting of an annual plan, that is stored somewhere on a bookshelf and is used only if needed for implementation, but it constitutes

the beginning of a long process of restructuring all aspects of banking business, which may impede this process. In this regard, our point of view is that such process equally belongs to the Bank of Albania, as the Resolution Authority, as well as to the banks, that should include its results in their daily business activity.

During the first cycle of resolution planning for the year 2018, we have highlighted a number of issues that require special attention in the plan, but also to be followed responsively from banks, such as:

- The Bank of Albania should have access to a qualitative and detailed information from banks, in order to select the appropriate resolution strategy.

- Accurate identification of bank's operational systems and their mapping to critical functions, is quite important.

- A thorough understanding of contractual arrangements and their proper treatment is a necessity, and particularly,

- The funding sources in resolution, remains a real challenge.

Meeting the minimum requirement for instruments of regulatory capital and eligible liabilities, known as MREL, which supports the application of the new essential resolution tool, the bail-in instrument, remains the main challenge in the medium-term. For countries such as Albania, meeting MREL requirements is a challenge, because of the domestic market capacity to absorb (buy and hold) subordinated debt instruments, which would serve to meet the minimum requirements for eligible liabilities and because of banks' capacity to restructure the funding resources, which are currently represented, to a large extent, by deposits. Consequently, meeting such objective needs a transitional

period to be designed, without putting in question, in any case, banks' resolvability.

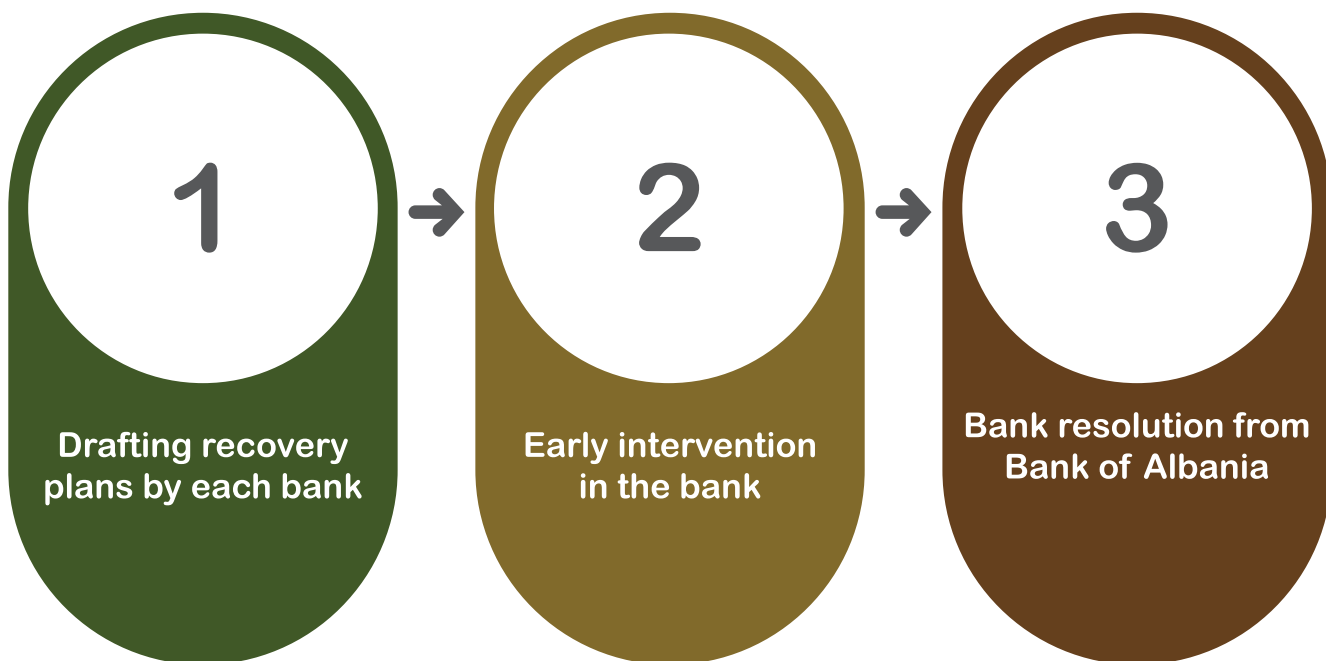
Finally, the bank resolution is a very challenging process for developing and developed countries. The banking sector in the Balkans is dominated by foreign-owned banks. In Albania, subsidiaries of foreign-owned banks account for about 78% of banking sector assets, while European banks account for 48%. The Bank of Albania is the Resolution Authority for seven subsidiaries of European Union banking groups, where four of them are systemic (significant) institutions, classified under the remit of Single Resolution Board, SRB. To this end, it is deemed as very important, the signing of

cooperation agreements between Resolution Authorities of banking groups and local authorities, where the subsidiary operates, for the coordination of operations and the exchange of information, necessary for resolution planning and implementation of resolution strategy, and also for a coordinated crisis management, as a whole. The Bank of Albania is the first Authority in the region to sign an important cooperation agreement with the Single Resolution Board, the European Union Resolution Authority, on October 3rd, 2018.

The recent work of the Bank of Albania in its new capacity as the Resolution Authority culminated in the conference, organized in

cooperation with the World Bank, in November last year, certifying at the same time, the maturity of the steps taken towards the development of a full framework for recovery and resolution in the banking sector. The active participation of colleagues from EU-level Supervisory and Resolution Authorities, the National Resolution Authorities from some European Union countries and from the region, domestic and foreign bankers, as well as media representatives, was translated into an exchange of experiences and on a new bridge, to co-ordinate our efforts for a sound and sustainable financial system, within and outside geographic boundaries.

Three steps of implementing the Bank Resolution Law.



Bank Recovery and Resolution in Europe

The second pillar of the Banking Union

The resolution plan is drafted based on data and information from the banks and the resolution strategy is communicated to the bank's management. Moreover, the resolvability assessment requires a close and clear communication to the banks, as well as a jointly developed plan on how to overcome impediments to resolution.



Denada PRIFTI

Senior Manager
SINGLE RESOLUTION BOARD (SRB)¹

It is now around ten years since the global financial system experienced one of its most severe crises, since World War II. The crisis emanated from the US-subprime market and developed quickly to a wider financial and sovereign debt crisis. As an immediate measure, designed to mitigate the risks of failing financial institutions, leading to broader negative impacts on financial stability and the real economy, several European governments provided bail-out (public fund injections and guarantees) to cover losses incurred by, and to recapitalize, these financial

institutions. The total amount of state aid amounted to EUR 671 billion in cash and loans and EUR 1,288 billion in guarantees, in the period from 2007 to 2014. The crisis led to fragmentation (focusing particularly in national markets), loss of credibility, and public confidence in the financial sector and the use of huge amounts of taxpayers' money to bail-out financial institutions in distress.

1. The Single Resolution Mechanism, as one of the three pillars of European Banking Union - A brief history and key developments to date.

As a result of lessons learnt during the crisis, in 2012 the European Commission developed a roadmap to establish a Banking Union ('BU') and a Single Rule Book. The purpose was to ensure stronger prudential requirements for banks, establish rules for failing banks and improve protection for depositors. The Single Rule book is the regulatory framework, the BU is the institutional set-up, consisting of three "Pillars": 1) the Single Supervisory Mechanism ('SSM') for the day-to-day supervision of banks; 2) the Single Resolution Mechanism ('SRM') to resolve the banks in a crisis; and 3) a proposal for a European Deposit Insurance Scheme ('EDIS'). The SSM and the SRM were established in 2014 and

2015, respectively, and are now fully operational, while EDIS remains under discussion. The BU started with the Member States of the euro area. Bulgaria has also lately applied to join the BU.

The SSM was established in May 2014, comprising the European Central Bank (ECB) and the national supervisory authorities of participating countries. The SSM currently supervises 118 significant banks in the BU. The SRM complements the SSM; its mission is to ensure an orderly resolution of failing banks with minimum impact on the real economy, the financial system, and taxpayers of the participating member states and beyond. It covers all the banks supervised by the SSM as well as the subsidiaries of 13 cross-border groups in other Member States. Strong, centralized and independent decision-making for all banks in the euro area by the SSM and/or the SRM ensure that decisions across Member States are taken effectively and quickly, avoiding uncoordinated action.

The SRM was established in January 2015, comprising the Single Resolution Board ('SRB') and the National Resolution Authorities (NRAs) of participating countries. The SRM became fully operational, with a complete set of resolution powers, on

¹ responsible for significant banks in Germany, Malta and Baltic states.

² Adamczyk G. and Windisch B. (2015): 'State aid to European banks: returning to viability', European Commission, http://ec.europa.eu/competition/publications/csb/csb2015_001_en.pdf

³ <https://www.reuters.com/article/bulgaria-eurozone/bulgaria-to-formally-apply-to-join-eus-banking-union-idUSL8N1U8150>

⁴ Based on the SSM list as of 2 January 2019: https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.list_of_supervised_entities_201901-cc10da7690.en.pdf

1 January 2016. To fulfil its mission, the SRB cooperates closely with the SSM and NRAs in the BU, as well as in the EU through resolution colleges. The SRB is responsible for managing the Single Resolution Fund that could be used in exceptional cases to cover losses (after the creditors of the failed bank have taken losses equal to 8% of total liabilities and own funds). The SRB gathers contributions from all banks in the BU to fill-in the fund until it reaches the size of 1% of covered deposits of all banks in the BU.

The legal basis for the SRM is based most notably on the Single Resolution Mechanism Regulation (SRMR) and the Bank Recovery and Resolution Directive (BRRD) establishing a European resolution regime for financial institutions, including banks. Resolution regimes give resolution authorities the powers and the tools necessary to achieve an orderly resolution of a bank, i.e. resolving a bank deemed failing or likely to fail (FOLTF) by minimizing impacts on financial stability, the real economy and taxpayers' money. Besides tools that have previously been used to rescue failing banks, such as "asset separation" (mainly for non-performing loans), sale of business and "bridge bank", the BRRD added a new resolution tool, named "bail-in". With this tool, the resolution authorities can impose losses on the shareholders and creditors of a failed bank and – if need be – recapitalize it in order to secure continuity of the critical functions and mitigate the impact of failure on financial stability

2. Recent developments in regulatory framework for bank recovery and resolution in Europe.

The legislative frameworks for resolution (SRMR, BRRD) and prudential requirements (CRD/CRR) are under review, to be finalized in 2019. The main changes include the integration of Total Loss Absorbing Capacity (TLAC) requirements for Global Systemically Important Banks (G-SIBs) into the EU's MREL for the largest banking groups; changes to key features of MREL, including a framework for internal MREL; a new moratorium tool for resolution authorities; and a requirement for some third country banking groups active in the EU to establish intermediate parent undertakings. Besides the regulatory framework, the broader institutional and policy context is also in motion. Work ongoing, as part of the "euro area reform plan" is focusing on, inter alia: a roadmap for beginning political discussions on EDIS, a possible framework for liquidity in resolution, a term sheet for the reform of the European Stability Mechanism, including the common backstop to the SRF.

An important event in 2019 is "Brexit", which could increase the number of significant banks under the SRB's remit. In November 2018 the SRB published a position paper on Brexit, including the SRB's expectations vis-à-vis all banks active in the BU to meet a specific set of resolvability conditions. The guidance focuses on six main areas: MREL eligibility, internal loss absorbency, operational continuity, access to financial market infrastructures (FMIs), governance and management information systems.

3. Banks and other institutions' response towards resolution

measures.

Banks have been responsive and cooperative to the work of SRB, based on the information they provide via different data collection exercises, regular workshops with the authorities and decisions issued by the SRB, including the setting of MREL targets. The resolution plan is drafted based on data and information from the banks and the resolution strategy is communicated to the bank's management. Moreover, the resolvability assessment requires a close and clear communication to the banks, as well as a jointly developed plan on how to overcome impediments to resolution.

4. The progress made by the SRB in making banks resolvable and the resolution tools used.

To ensure an orderly resolution, the SRB focuses on three core resolution tasks: developing resolution plans, MREL setting and a resolvability assessment of each bank. In addition, the SRB has developed processes and procedures for crisis management, taking into account past experiences.

Resolution tasks

The first core task is the development of resolution plans, which are critical to obtain a comprehensive understanding of the banks, to assess critical functions to the economy, prepare the public interest assessment and, if resolution is deemed appropriate, develop the preferred resolution strategy. The SRB has developed resolution plans for all banks under its remit and will focus on targeted topics as part of the plans' iterative development.

The second core task of the SRB is setting the appropriate levels of

⁵ See the SRB list as of February 2018: https://srb.europa.eu/sites/srbsite/files/5_for_publication_srb_website_list_of_other_cross_border_groups_1februar.pdf

⁶ Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010

⁷ Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council Text with EEA relevance.

MREL, so that in a crisis there are enough liabilities to absorb losses and, if needed, recapitalize the institution. Setting MREL requires detailed data deliveries of the liabilities of the bank, at least on a yearly basis. The data collection process, including the development of the IT-interface with banks, has progressed very well and become largely automated over time. The SRB is now in the third year of setting MREL targets at the consolidated, group level. In 2019, the SRB will begin setting MREL targets also at individual level for material subsidiaries.

The third core task is assessing the resolvability a bank, which is a priority focus in 2019. Increasing a bank's resolvability includes the operationalization of resolution tools. For the bail-in tool, [certain] banks will have to develop a bail-in playbook on how to operationalize a write-down or bail-in. The SRB and NRAs are also in contact with FMIs to facilitate effective bail-in execution.

Policy developments

The consistency of resolution plans and resolution actions is underpinned by the continuous development of SRB policies, which serve as guidance for the resolution teams. In 2019

there will be several important SRB policies, such as MREL determination, operationalization of resolution tools, banks' operational continuity, resolution valuation and resolution reporting.

Crisis management

The SRB took a resolution decision for Banco Popular in 2017. Due to its stressed liquidity situation, the ECB decided on 6 June 2017 that Banco Popular was FOLTF and notified the SRB accordingly. The SRB and the Spanish NRA decided that resolution was in the public interest, to protect depositors of Banco Popular and ensure financial stability. The resolution scheme entered into force on the same day, following the endorsement by the European Commission. On 7 June 2017, the SRB took the decision to sell the bank to Banco Santander. Banco Popular continued to operate under normal business conditions as a solvent and liquid member of the Santander Group, with immediate effect. This was a good example of an orderly resolution of a bank.

In other FOLTF cases so far, two Venetian banks in 2017 and a Latvian bank in 2018, the SRB took the decision that resolution action was not in the

public interest.

5. SRB cooperation with relevant authorities in non-EU countries.

The SRB cooperates with the authorities in non-EU countries in different fora. Crisis Management Groups ('CMGs') have been set up for G-SIBs, as recommended by the Financial Stability Board. CMGs are composed of the resolution authorities, supervisory authorities, central banks, finance ministries and public authorities responsible for DGSs of the countries where entities of the G-SIBs are located that are considered material to potential resolution of the G-SIBs. The SRB has concluded bilateral cooperation arrangements with third countries, such as: the US FDIC, the Canada Deposit Insurance Corporation, the Central Bank of Brazil, the Bank of Albania, National Bank of Serbia and the Mexican Institute for the Protection of Bank Savings. The choice of selecting the third-country authorities for concluding bilateral cooperation arrangements is closely connected to the needs of resolution planning, if the BU institutions have a relevant presence there; or the initiative originates from third-country authorities themselves.



LËR GJURMËN TËNDE!



SNRF 9

The year after

Following the first phase, which required banks' engagement, mainly with regard to information technology and risk management, much remains to be done in relation to processes' optimization, consolidation of knowledge used so far, updating models, and above all, harmonizing the efforts of banks and Central Bank, in order to standardize the approach to the implementation of such standard.



Julian ÇELA
Chief Financial Officer
Intesa Sanpaolo Bank Albania

More than a year has elapsed since the mandatory implementation of IFRS 9. Labelled as the standard with the most significant changes in the last 10 years, its implementation required a hefty commitment of human resources, including those from Information and Communication Technology (ICT) systems and financial reporting. Many European banks launched projects to implement such standard in mid-2015, a relatively long period of time for implementing an international financial reporting standard.

Without focusing on the details for the previous period, the following is a list of challenges that were passed in late 2017, as well as in 2018: 1) adopting impairment calculation methodologies; 2) practical

implementation, or adaptation/creation of ICT systems for impairment calculation; 3) changes in Financial Reporting (FINREP), as well as changes in notes to financial statements; 4) creating historical data on risk models; revision of lending procedures, etc.

Even today, after a year from the implementation date, much remains to be done to optimize the impairment calculation process. The new information systems, implemented to enable the IFRS 9, are very complex and their operational performance needs continuous improvements. Efforts are made to improve the quality of information, needed to update risk parameters.

The inclusion in calculations of complex information, such as: forecasting macroeconomic scenarios, requires banks to build models for which, the expertise really lacks. In this regard, a contribution from the Central Bank could be really important. Moreover, since IFRS 9 is more prudent than IAS 39 in calculating loan loss provisions, in my opinion, it would be appropriate for the regulator to remove the double reporting for banks, as regards loans' impairment. Also, IFRS 9 has extended the list of assets that are subject to impairment, such as: placements in banks, securities and accounts with resident banks. Challenges continue to be present and relate with difficulties to predict the wide range volatility of the impairment

fund. It should be said that the IFRS 9 implementation has brought many difficulties for banks, in terms of the planning cycle. The implementation of the new standard continues to be challenging for preparing notes to the financial statements, which require continuous improvement of information reporting and processing systems. A significant challenge, faced by all banks, is related to the impact and fiscal enforcement of IFRS 9. Today, more than a year since the IFRS 9 implementation, nothing has been done to adjust tax legislation to meet the new standard's requirements, and moreover, tax authorities do not have a final stance regarding the recognition of fiscal effects of the reserve, created on 1 January 2018 in equity. It should be noted that many European countries have made proper adjustments to fiscal legislation, giving clear instructions on how to recognize the additional impairment fund, for fiscal reasons.

In conclusion, it can be said that, following the first phase, which required banks' engagement, mainly with regard to information technology and risk management, much remains to be done in relation to processes' optimization, consolidation of knowledge used so far, updating models, and above all, harmonizing the efforts of banks and Central Bank, in order to standardize the approach to the implementation of such standard.

MONEYVAL Evaluation Report

Plans and actions for a more effective fight against money laundering and financing of terrorism

The GDPML approach and philosophy is based on continuous cooperation and establishing a close partnership between public and private sector, as the most effective way to successfully prevent and combat the phenomenon of money laundering and financing of terrorism, to create a healthier environment for economy and security in our country.



Arlind GJOKUTA*

General Director
ALBANIAN FINANCIAL INTELLIGENCE
UNIT

Albania has recently passed an evaluation process by the Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, the Moneyval Committee of Council of Europe. The evaluation methodology was based on 40 recommendations by Financial Action Task Force Recommendations (FATF), or the international body that sets standards in the area of prevention of money laundering (AML) and fight against terrorism (FT). The methodology includes, for the first time, an evaluation of the

effectiveness in implementing the legal basis, in addition to assessing technical compliance (how well a country's legal framework complies with FATF 40 Recommendations).

The report presents a comprehensive and objective overview of measures taken by our country and the outcomes achieved, during the period 2011-2017. The evaluation concludes that, with regard to the technical part, the country receives a relatively good result, as only 10, out of 40 recommendations, are "partially compliant" and 1 result is "non-compliant". Meanwhile, regarding the effectiveness, the outcome is in line with the average of the countries rated by Moneyval and it turns out that, out of the 11 main outcomes, 2 are low, 7 moderate and 2 others as substantial.

In September 2018, the Committee for the Coordination of the Fight against Money Laundering (CCFAML), as the highest body in the country responsible for defining the directions of state policies in the field of the prevention and fight against AML/FT, has adopted a detailed action plan for addressing the recommendations. The action plan aims at adapting the legal basis so that the recommendations that were "partially compliant"

could be evaluated at least "largely compliant". Also, regarding the "non-compliant" recommendation, related to the legal basis for sanctions against the financiers of weapons of mass destruction, it envisages the adoption of a new law. The plan also addresses practical measures, related to improving effectiveness, by further promoting the co-operation of structures in concern.

Regarding legal changes, it should be noted that the identified needs aim at the non-essential amendments of a moderate number of existing laws, while 2 new draft laws are prepared and are ready for adoption. Also, in the medium term, the legal basis for setting up two important registers will be adapted, which will produce an increasing efficiency and transparency: the central register for bank accounts and the register of beneficial owners. The creation of these registers is required by the EU's Fourth and Fifth Directives for measures against AML/FT and is therefore not an obligation with immediate effect for our country, but the commitment assumed shows the will of the authorities to increase transparency, regarding complex ownership structures, as well as the alignment with EU legislation and standards, in this regard. Specifically, the ongoing legal changes are aimed

* Mr. Gjokutaj held this position until March 2019.

at improving the mechanisms that ensure the information accuracy and update about legal entities' ownership, channeling transactions through banking system, limiting the use of cash, strengthening oversight and increasing transparency and accountability in the activity of NPOs, etc.

Specifically, I would like to introduce the changes that affect the Law No.9917, dated 19.05.2008 "On the prevention of money laundering and terrorist financing", as amended. The law, as a whole, is evaluated as positive and in accordance with FATF's main standards, but some amendments are needed to approximate those criteria, for which a "non-compliant" evaluation is given. Some changes in this law are related to a clearer specification of certain definitions, in order to avoid possible misrepresentations, such as the definition of a criminal activity product, transaction, etc. Also, the amendments aim at providing new alternatives, which intend to facilitate the activity of the subjects of such law and the business climate with their clients, such as: relying on third parties, a process aimed at reducing administrative costs for the relationship with a certain category of customers, as well as increasing the speed of interaction, in establishing business relationships and conducting transactions. Another novel element worth mentioning is the concept of simplified vigilance, that will be applied to a category prescribed in the draft law, but that is dynamic and will be influenced even by the conclusions of risk evaluation for AML/FT and other sectoral evaluations.

The law, in line with technological developments and aiming at regulating new activities, based on FATF recommendations that are dynamic in this regard, includes the definition of virtual assets and their

service providers are considered as legally reporting subjects. This is only the first step in setting the standard in this area, whereas the activity of this category as a whole will require special regulation later on, in line with best international recommendations and practices.

Considering the international focus, requirements and sensitivity on the issues of financing of terrorism, the timely implementation of sanctions imposed by UN Security



Considering the international focus, requirements and sensitivity on the issues of financing of terrorism, the timely implementation of sanctions imposed by UN Security Council on terrorism and terrorism financing, and the adoption of relevant measures for the countries at risk, the ongoing legal changes have also addressed these issues, aiming for a country's protection in a wider economic and geopolitical scope.



Council on terrorism and terrorism financing, and the adoption of relevant measures for the countries at risk, the ongoing legal changes have also addressed these issues, aiming for a country's protection in a wider economic and geopolitical scope. Special attention in these changes is given to direct requirements to subjects for individual AML/FT risk evaluations, documenting these evaluations and their ongoing adaptation, thus dictating measures to be taken, in relation to clients, or transactions of certain categories. The proposed changes also aim to specify the period and duration

that an individual is considered a Politically Exposed Person (PEP), in line with the country's risk, the experience gained by GDPML over the years, regarding transactions that this category has performed, as well as international practices. Also, some specifications of GDPML duties and competencies have been made, as well as a wider and varied range of administrative measures are prescribed, which may be taken in case of any entities' breach.

The issue of non-disclosure of monetary values at borders, is one of novelties in this law, as it prescribes imposing escalating administrative measures, in cases of non-compliance with this obligation. This is expected to have a certain impact, by reducing cases of non-disclosure, as it is an additional deterrent component, in addition to provisions contained in the Penal Code, but it also provides an incentive mechanism for customs authorities, which are expected to use a part of the appropriated funds to improve the control infrastructure at all border crossing points. Also, the amount required to declare with EU countries and countries in the region will be unified, in order to avoid double thresholds that exist in the countries with which we have more passenger movements.

It is worth mentioning that, drafting such changes, has gone through a constant and open communication and consultation with stakeholders, especially with the banking and financial sector in the country. The GDPML approach and philosophy is based on continuous cooperation and establishing a close partnership between public and private sector, as the most effective way to successfully prevent and combat the phenomenon of money laundering and financing of terrorism, to create a healthier environment for economy and security in our country.

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Corporate Albania's Securities

Where do we stand?

Corporate Albania must be able to respond to the new environment created in terms of financing sources, i.e. the issuance of private corporate bonds, by adapting management models towards a healthy corporate governance and an increased transparency for financial reporting.



Blodin ÇUÇI

Administrator

CAESAR INVESTMENT ADVISORY SERVICES

The market for bond and stock issuances by private companies is one of the main indicators of a country's financial development level, be they in developed economies or in emerging ones. Regarding the international bond market, their global issuing volume has peaked a total value of US\$ 240 trillion, while in Europe the bond market of non-financial private companies, by end-2017 amounted to EUR 66 trillion. In Albania, by end -December 2018, the size of the private bond market issuance market in Albania reached ALL 4.65 billion (EUR 37.8 million).

Although the capital market in the Albanian economic environment is in an embryonic stage, during recent years, some of quality Albanian private

enterprises have successfully issued bonds. In March 2017, NOA issued a 3-year bond in ALL, amounting at ALL 80 million. In the same year, Balfin Group also issued a commercial paper, with an amount of ALL 60 million, with 8-month maturity. From 2017, Credins Bank issues convertible bonds, regularly. This is a fixed income instrument that can be converted into shares. Data of third quarter 2018 shows that Credins Bank's bond issues amounted ALL 4.26 billion in different currencies: Euro, USD and Lek. In 2018, Digitalb was the first non-financial institution to issue a 3-year guaranteed bond in EUR. In the coming months and through 2019 it is expected that other banks and well-known Albanian corporations will join the issuers' league, by expanding the market and increasing the number of instruments available to investors. At the beginning of 2019 Credins Bank issued another bond in Euro, Lek and USD, meanwhile during the first half of the year, other bond issuances, through private offers, are expected by newcomers in the market.

Financial market infrastructure was completed by ALSE operations' commencement - and soon the kick-off of ALREG 's operations is expected, as well. Both institutions provide the basis for developing a healthy Albanian securities market, such as: bonds and stocks, where the first listings from Albanian private corporations are expected this very autumn. The establishment of ALSE

and ALREG is expected to revitalize and deepen the primary market for bonds and venture capital, by providing the relevant infrastructure for public offering.

There are many factors which affect the rising interest on the corporate bond market. The tightening in lending conditions by the country's banking system and the low interest rate environment are, inter alia, an important drive for a growing interest, from corporations to issue securities, and private investors to invest. Also, the Corporate Albania's need to diversify its own funding sources and reduce dependence on traditional forms of financing, along with developments in the Albanian capital market, has fueled the interest of Corporate Albania towards such forms of financing. On the other hand, the traditional business financing channels are not living up to meet corporates' funding needs. According to Bank of Albania, aggregate bank loan portfolio is reflecting the sluggish development of business loan product.

As per above, a question arises naturally: Is Corporate Albania prepared to capitalize on such market's advantages? Firstly, the answer is directly related to the issues pertaining to Corporate Albania, especially the quality of corporate governance, that is the set of rules, practices and processes through which an enterprise is managed and controlled. Since corporate

governance also provides the basis for achieving a company's objectives, it includes practically every area of management, from internal action plans and internal audits, to measuring the performance and transparency of corporate financial statements.

Although a large part of Corporate Albania has invested in setting up best market models and practices, in terms of corporate governance, transparency and credibility of financial statements, most of the Albanian companies are still far from establishing acceptable standards, as to build up investor's confidence. Creating investor's confidence is also the main challenge for Corporate Albania, towards absorbing private investors' funds. For this reason, the establishment of corporate governance systems, together with transparency in financial statements reporting, are the main pillars for creating such trust. Although market conditions have matured for Corporate Albania to issue (securities) and absorb funds through such market, much remains to be done by the majority of Albanian companies, in the frame of building up and consolidating corporate governance.

According to investors' viewpoint, the dynamics of falling interest rates have prompted the latter to seek products with higher interest rates. This is confirmed also by their behavior, where the main shift of investment is observed in deposits

of 2-year+ maturities, particularly in domestic currency. According to the Bank of Albania, ALL deposits, with a maturity of less than two years have been reduced by about ALL 24 billion, during January - November 2018, whereas demand deposits and those with maturity over two years in ALL have increased by about ALL 3 and 20 billion, respectively. The tendency of private investors to select high yielding products is an indication of the potential interest to channel such liquidity flow towards Corporate Albania's bonds. However, another challenge should be considered, which is due to the rudimentary



The tightening in lending conditions by the country's banking system and the low interest rate environment are, inter alia, an important drive for a growing interest, from corporations to issue securities, and private investors to invest. Also, the Corporate Albania's need to diversify its own funding sources and reduce dependence on traditional forms of financing, along with developments in the Albanian capital market, has fueled the interest of Corporate Albania towards such forms of financing.



stage of Albanian capital market development; the lack of knowledge about such products and the low level of public financial knowledge on these instruments.

To close, a developed capital market is a necessity for a further economic development, as it reduces the pressure on the banking sector, by leveraging the risk in the system more effectively, secures private companies a sustainable source of financing, lowers funding costs for them, enhances transparency in corporate governance and expands the product base and investment alternatives to the market. In Albania, successful issuances by some corporations, although in their beginnings, have demonstrated the existence of sound foundations for a further development of this market. Creating the Stock Exchange and Securities Registry infrastructure will further develop this market, by expanding the investor base. In this regard, Corporate Albania must be able to respond to the new environment created in terms of financing sources, i.e. the issuance of private corporate bonds, by adapting management models towards a healthy corporate governance and an increased transparency for financial reporting. This will consolidate investor confidence, which will provide corporations with alternative sources of financing with lower interest rates, in the long run.



The impact of business reporting requirements to bank loans

Official statements are indispensable, but to make the process sound and with impact on sustainable economic development, banks should undertake in-depth analyses, use forecasting financial information, as well as a set of other non-financial data, which must be comprehensible, reliable and appropriate.



Prof. Dr. Hysen ÇELA, CA, CPA
President
INSTITUTE OF AUTHORIZED CHARTERED
AUDITORS OF ALBANIA (IEKA)

The alignment of our country's legislation with Acquis Communautaire, and particularly the approximation of laws related to business organization and financial reporting, has a key objective of establishing clear rules for conducting business, increasing transparency and obviously, the protection of public interest. In this regard, recent legal changes have significantly improved the requirements related to content and quality of reported financial information. Although annual financial reports remain still the key means of communication, between business entities and stakeholders, regulators and supervisors in many

jurisdictions around the world have gone further with reporting requirements, by including other non-financial information, a global trend which is beginning to show up in our country, as well.

The Law 25/2018 "On Accounting and Financial Statements", entered into force by 2019, has significantly altered the reporting requirements by business entities. In addition to general financial reporting, a group of entities, are required to report a series of other, mainly non-financial reports, such as: activity performance reports, where large entities and entities with public interest are required to include a non-financial report, that helps at better understanding entity's performance and development, its financial position performance, to assess the impact of business activity on environment, on social and employment issues, human rights, corruption, etc. and a report on internal management, which analyzes corporate governance rules/codes that apply to internal management. Such changes have an impact not only on business, but also on information users, including banks. The latter use business information for making decisions on lending, which enables businesses obtaining liquidity, both for business continuity, in the normal course of business, or investments, in order to guarantee the ongoing performance.

Over the transition years, the activity of many business entities has been often faced with the dilemma whether it should be formal, partially formal or informal. This was justified, to some extent, by factors like: lack of market economy's tradition, a dominance of family businesses, businesses owned by one or few partners/shareholders, and the dominant culture of loose law enforcement. Although governments have been putting great efforts to formalize the economy, over the last few years, it must be noted that results have not meet expectations, because it acted with campaigns and the actions taken have not been seamless, furthermore, they have not touched the problem at the core. Consequently, the informal economy today continues to be at concerning levels. This well-known fact (informal economy) seems to be "accepted", for a long time, even by banks, which in the process of loan evaluation, have requested business entities to provide in their loan applications, not the official financial statements, which declared low profits to government agencies, but other financial statements and reports, known "real", which through a "re-structured" display, would present a healthy business, unlike what was officially declared, which was supposed to "guarantee" banks for loan repayment, or meeting

obligations, related to other financing products.

Despite that the use of (informal) financial information, other than official ones, has in fact contributed to a substantial development of loan product, the impact such practice has had on the deterioration of loan quality, cannot be overlooked. The growth of non-performing loans, the inability of businesses to repay long-term loan installments and interests, have been very distressing for the banking system, which has led to an increase in the volume of the alternative work for financial data accuracy, aiming at ensuring a better comprehension of the financial situation for borrowing entities.

Looking at both these aspects, from the viewpoint of final output they produce, there is no doubt that ceasing the use of informal information has a positive effect, over a medium to long term. Although banks, in the short-term, will be faced with a lending cap, the use of one set of financial statements and financial information, for loan assessment, will directly contribute to an improving of loans' quality and will better orient banks' lending activity. Also, this will facilitate the efforts of banks' structures/analysts, to make more realistic assessments and directly help in avoiding individuals' involvement in corrupt practices and reduce the risk that loans will not be repaid, in due time. On the other hand, positive pressure will be placed on businesses to include all the effects of events and transactions, in their financial information, by applying correctly the applicable financial reporting framework, NAS or IFRS, respectively.

As per above, last year's agreement between the Ministry of Finance & Economy and the Bank

of Albania to prevent the use of non-formal financial statements, in the process of business loan application's assessment, although it has no direct mandatory power, I think, is the right move as it serves to better coordinating the roles of these institutions, in terms of enforcing the applicable legal and regulatory framework. The Minister of Finance is the authority that announces mandatory financial reporting standards for reporting annual financial information. These reports are made for general



The process of allocating funds for long-term investment activities will require a thorough analysis of business development policies, which should be well-coordinated with national, regional and international development strategies. On the other hand, it is necessary for banks to ensure quality training for their human resources, by acquainting them with the use of best practices, advanced models, artificial intelligence, etc.



purposes, and as such, they serve to many users. In this sense, the Ministry of Finance & Economy, through its structures and their dependent and independent agencies, has the obligation to guarantee all users that the financial information, prepared in accordance with these standards, is reliable and that they, including banks, can rely on them for decision-making purposes. Bank of Albania, as the regulatory and supervisory body for commercial banks, evaluates the whole

lending process, where financial statements, provided by business entities present as part of the loan documentation, are undoubtedly monitored and evaluated, indirectly. The implementation of legal requirements, both by Ministry of Finance & Economy and the Bank of Albania, in my opinion, will have a direct impact on business formalization. In this context, banks will have more and more formalized businesses as their clients, and on the other hand, other businesses, remaining outside financing facilities, and in the absence of liquidity, will be forced to change behavior, by producing and compiling information, as close as possible to their reality.

However, the decision-making process for lending is and will continue to be complex and it would be naive to claim that the official financial statements only are enough, and that everything finds the right solution. In fact, official statements are indispensable, but to make the process sound and with impact on sustainable economic development, banks should undertake in-depth analyses, use forecasting financial information, as well as a set of other non-financial data, which must be comprehensible, reliable and appropriate. In this regard, quality auditing, plays an irreplaceable role, as it based upon quality technical standards, carried out by professionals who respect ethical principles and best practices. Now we live at a time when everything changes fast, and there is no time to wait for their consolidation, as other changes become a priority.

PSD2 Open Banking: What Banks need to know!

The Open Banking revolution will take time, but in the long run it will create a whole new banking environment. The amount of time that it will take for this revolution to happen will depend on the regulators and the customers.



Klodjan HIMA

Manager
DIGITAL BANKING SERVICES DELIVERY
FACILIZATION

The Revised Payment Services Directive (PSD2) that was adopted in October 2015 required that all EU Member States implement these rules, as part of the national law, by January 2018.

On the 14 September 2019, PSD2 Open Banking will go "live", bringing about the end of the traditional banking industry as we know it, and the beginning of a new era of banking for consumers. PSD2 will inevitably bring about the change that will benefit all consumers; however, this change is not expected to happen imminently. Rather, the implementation date will mark the beginning of an incremental change. It will mark the evolution of technology and signal the beginning of a new more competitive landscape

that will benefit consumers. Consumers will expect better services from their banks, however, these changes will not happen overnight, as the implementation process will take time.

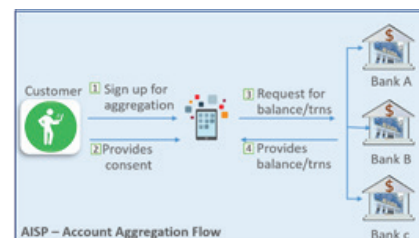
Open Banking Era – New Players of Digital Services

PSD2 reflects the new digital economy and the regulation has the potential to further transform the payment services and retail sector, as we know it. Not long after the implementation date, we will see new providers offering so-called "Account Aggregation" services. These providers, defined by PSD2 as AISP (Account Information Service Providers), will offer services that will enable EU residents with multiple bank accounts in the EU to be able to access all their private financial information in one place. Customers will be able to do all of this without having to log into separate internet banking applications. These providers are also expected to offer other services, such as: comparison services, showing fees, charges, and features of different products. The new regulation aligns with the rise of mobile "in-app" payments, offering a "pay direct-from-bank-account option". Third-party providers can directly trigger payment transactions such as bill of payment. If consumers adopt these new services, customer relationship with banks will eventually change.

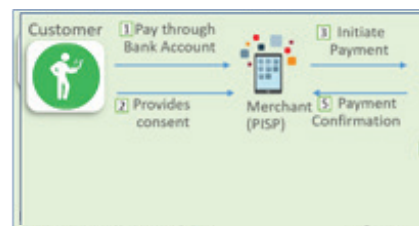
PSD2 - New Players

AISPs (Account Information Service Providers) are providers that use financial institution's (such as banks) API to provide users with their account/accounts' information within one application.

PISPs (Payment Initiation Service Providers) is an entity that can access customer account data and



initiate transactions without a prior commercial agreement with banks.



Open Banking APIs

Banks must make the customer's account accessible through the use of open APIs (known as Open Banking.) This promises to significantly shake up the banking and payments ecosystem, as we know it. Additionally, it will undoubtedly bring

challenges for banks, but also offer a whole new world of opportunities for those who can adapt efficiently to these changes.

Strong Customer Authentication and Consent Management

At the heart of open banking is the issue of user consent. Customers will be able to control their banking data and be able to choose who gets access to it and what they can do with it. Security is of paramount importance, when considering that it is the first time an unprecedented access to banking data will be made possible. PSD2 defines several regulatory technical standards (RTS), where strong customer authentication (SCA) is particularly important. The cost and responsibility for implementing SCA will fall upon banks. Third-parties will rely on this when redirecting customers to their respective banks for authentication. In this regard, the Strong Customer Authentication (SCA) covers elements, such as the two-factor authentication, comprised of the three following options:

Something you know: Provide unique information that only the customer will know. e.g. password, response to

a security question, or PIN. Something you have: access to a device associated with the customer only, E.g. two-factor identification,



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via mobile phone.

Something you are: Show physical proof, e.g. biometrics, such as: a fingerprint, or facial recognition.

While SCA security measures are beneficial for both consumers and institutions, merchants and banks

will be challenged to implement the API without negatively impacting their customer's experience. Banks must ensure customer data is secure and must adhere to customer access instructions, in a consent-driven way. Banks will also have to ensure that customers can revoke their open banking consent at any given time.

PSD2 Implementation in Albania

The implementation of PSD2 is a must, as far as the integration process in SEPA environment is concerned - Requirement for Chapter 4 of the "Free movement of capital" compliance. The PSD2 working group at the Bank of Albania is working on the PSD2 transposition in the Albanian legislation and has already drafted a new law for the Payment Services. The Open Banking revolution will take time, but in the long run it will create a whole new banking environment. The amount of time that it will take for this revolution to happen will depend on the regulators and the customers. However, given the increasing volumes of transactions occurring online and via smartphones, there is a significant slice of pie that is up for grabs for the new banking providers.

The list below shows the mandatory APIs, as defined by the Berlin Group Standard¹

USE CASE	SERVICE	Mandatory/Optional
Initiation of a Single Payment	PISP	Mandatory
Initiation of a Future Dated Single Payment	PISP	Optional
Initiation of a Bulk Payment	PISP	Optional
Initiation of a Recurring Payment	PISP	Optional
Cancellation of Payments	PISP	Optional
Grouping Transaction to Signing Baskets	PISP/AISP	Optional
Establish Account Information Consent	AISP	Mandatory
Get List of Reachable Accounts	AISP	Optional
Get Account Details of the List of Accessible Accounts	AISP	Mandatory
Get Balance for a Given Account	AISP	Mandatory
Get Transaction Information for a Given Account	AISP	Mandatory
Get a Confirmation on the Availability of Funds	PIISP	Mandatory

¹ Berlin Group is a pan-European payments interoperability standards and harmonization initiative. Website: <https://www.berlin-group.org>

The rise of agribusiness, a new opportunity for increasing private sector financing through banks



Gramos OSMANI

Intervention Manager, Agribusiness
RISI ALBANIA

Agribusiness is increasingly attracting the attention of commercial banks. Medicinal and Aromatic Plants (MAPs) and Fruits & Vegetables are jointly leading the Albanian exports' growth, by accounting for approximately 42% of total export value, within food, beverages & tobacco category, with increasing volumes and value, from year to year:

Specifically, based on this growth, which has the potential to continue and consolidate further, should the sector make necessary strategic investments, commercial banks

Category	Export value, by years (in '000 Euro)		
	2016	2017	2018
Fresh Fruits and Vegetables	63,075	76,383	75,585
Medicinal and Aromatic Plants	31,580	27,993	32,744
Total	94,655	104,376	108,329

could grasp a clear opportunity to sell their products and strengthen a partnership with this sector.

Collection and drying of medicinal and aromatic plants (MAP).

More than 100,000 rural households are working in this sector, throughout the country, which produce revenues from harvesting and collecting MAPs. About 95% of MAP total production is exported, by representing 20% of the value of country's agricultural exports. The value chain consists mainly of: 35 nationwide processing and exporting companies, where 15 of them are large exporters; 150 local collectors, with 10 of them as regional collectors. In other words, MAP sector provides great credit opportunities. Some large companies within the sector, have commenced investments in drying, transport, and further plant processing equipment, aiming at increasing the BMAs' value, maintaining standards and product safety. The bank credit potential for investment loans in this sector, in drying technology, is estimated at least EUR 20 million. In addition to investments in drying technology, an increase in BMA cultivation surface is expected, too. Therefore, the opportunity for bank financing embraces not only exporters, but also other value chain actors, such as farmers.

Fruits & Vegetable Sector.

Fruits & vegetables are another strategic sector for the Albanian exports. This sector accounts for about 30% of export value, in food, beverages & tobacco category. The sector's performance is expected to advance further, as some exporters are making efforts to enter the highest value markets in Europe.

At present, about 65% of proceeds from the export of vegetables come from exports to Western Balkan countries, where Kosovo and Serbia are leading the Albanian exports. However, having access to EU quality markets, requires compliance with relevant standards and certifications. Most of major supermarket chains in Europe aim to have up to 100% of certified products on their shelves. Some exporters in Albania have commenced Global G.A.P certification process, in group, and in cooperation with their farmers, thanks to the RisiAlbania program, funded by the Swiss Government. Global G.A.P. Certification is a volunteer standard for manufacturer, that enhances product safety, protects human health and the environment. Such standard is created and requested by supermarket chains in Europe, but obtaining certification is not the ultimate step that guarantees the opening and servicing at the high value markets. Most collecting and exporting companies in Albania have a need to improve post-harvest standards. Achieving these standards requires investments in machinery and equipment, mainly in cleaning, selection, packaging and transportation. IPARD schemes and other schemes are an opportunity to handle such investments, but here comes the vital role of banks to provide adequate loans, mainly bridge loans, linked with IPARD and guarantee funds for standards' improvement. In total there are some 150 collectors across the country and a EUR 50 million investment opportunity is waiting, out in the market.

Communication

A reminder for internal auditors

Internal auditors do communicate, not because it's part of the job description, but because they want to bring the right changes into their organizations. Internal auditors possess necessary skills, knowledge and capacities, to be reliable advisors, and to solve complex problems.



Stavri PASHKO

Internal Auditor
VOLVO Group

In organizations, when communication is interrupted, or it goes wrong, something unpleasant will unavoidably happen. Adidas, Pepsi, and Yahoo have already experienced the consequences of missing, or wrong communication. But as an internal auditor, I cannot ignore recalling or reminding the Enron case, where the lack of proper communication between management team and staff was, inter alia, one of key factors for the brutal demise of the energy giant.

As internal auditors, we are quite familiar with the importance of communication in our work. The IIA Global Internal Audit Competency Framework, an instrument that outlines 10 core competencies to meet the requirements, prescribed

by International Professional Practices Framework, puts communication, quite rightly, among first ranks. The communication theme is clearly apparent, in the International Standards on Internal Auditing. The Standard 2400 - Communicating Results, provides clear guidelines, beginning with the obligation that: "Internal auditors must communicate the results of engagements." followed by other



An internal auditor must possess enhanced communication skills, both spoken and written, to communicate with management, clients, or colleagues themselves. Advanced communication skills are indispensable at every step of the audit process. Auditors should be aware that they are communicating at any moment, both in words and in body language, be they intentional, or unconscious.



standards that address Criteria for Communicating (2410) and Quality of Communication (2420), continuing with – Disseminating Results (2440) of internal audit.

From my personal experience, at the beginning of my career, I had the illusion that the statement of work for an internal auditor is a well-written, possibly with numerous findings, and

voluminous report. Practitioners and critical thinkers of the profession recall that the final product of internal auditors is not the report and the recommendations included therein, but the change they bring about. Of course, reaching the point where audit recommendations bring about changes that are welcomed by the organization, so many factors need to be considered and work to be done, in several different directions. In terms of communication, two main dimensions may be considered:

- (1) Strategic Communication; and
- (2) Internal Audit Interpersonal Communication.

Strategic Communication includes communication that occurs between the function of internal audit department and the organization. It is about communicating beyond technical communication that occurs during internal audit engagements. The purpose of this communication is to provide continuous information on topics, such as: internal audit mission and strategy, promotion of services provided by internal audit and the competences and capabilities of internal auditors' team.

In other disciplines, the concept of strategic communication involves the orchestration and synchronization of images, actions and words, to achieve the anticipated result. In this context, such dimension of communication can play an essential role in creating and maintaining the image of internal audit. The orchestration and synchronization thus require

engaging a genuine and dedicated communication plan. As internal auditors we do know quite well what

want to go?

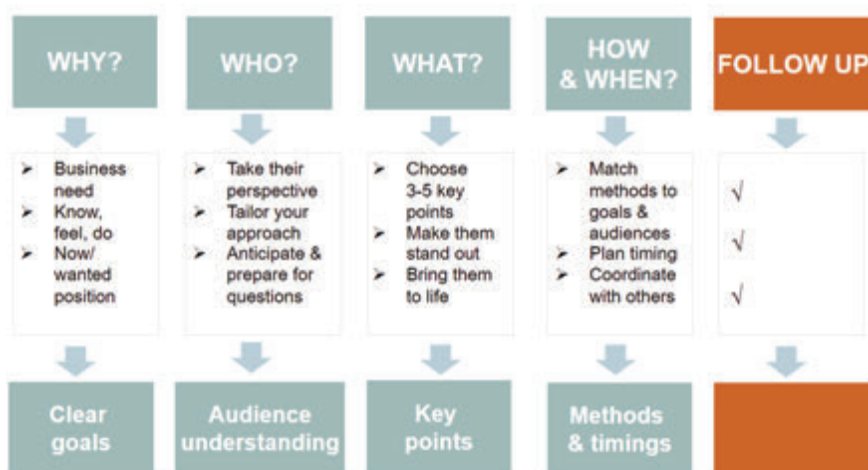
WHOM? - In this stage, we understand the audience we are

possess enhanced communication skills, both spoken and written, to communicate with management, clients, or colleagues themselves. Advanced communication skills are indispensable at every step of the audit process. Auditors should be aware that they are communicating at any moment, both in words and in body language, be they intentional, or unconscious. Every movement or action communicates something to us, so it is good to be careful in that we are communicating the right thing.

Communication skills are essential in creating a cooperation climate. Both auditors and their clients should be open to each other, so that information flows smoothly between parties. Presenting ourselves, the function we belong to, the internal audit mission - coupled with the purpose of auditing engagement - are never excessive. Surely, others may have heard about internal audit, but being committed to the communication process, we can better control that the relevant message is being communicated. Communication is a two-way road, so a good communicator is also a good listener. In many cases, internal auditors are (rightly) accused that they like to hear the echo of their voice. In fact, what we need to communicate to our stakeholders is not what we want to say, but what they need to know, and in this way, we must first hear, to be able to identify needs, clearly.

Internal auditors do communicate, not because it's part of the job description, but because they want to bring the right changes into their organizations. Internal auditors possess necessary skills, knowledge and capacities, to be reliable advisors, and to solve complex problems. We are quite aware of this; all it's needed is sharing this secret with others.

Plan communication



an annual audit plan is, but, in my experience, I did not witness any internal audit function which could include an annual communication plan, even that the same internal audit functions have got the ambition to be recognized in their organizations as agents of change, value adders, or trustworthy advisers. Without an annual communication plan, there is a high risk that such ambition will not go beyond the doorstep of the internal audit office.

The communication plan is an exercise that - led by the manager - requires the engagement of the entire internal audit function which, among others, needs to be compiled by answering the following questions:

WHY? - What do we want to achieve with this communication: do we just want information? Do we want others to feel something, or do we want to cause an action? Where do we stand now and where do we

addressing to. Different people seek different ways and channels of communication.

WHAT? - Of course, we can may a lot to communicate, but in this case, the expression is: "Lean and mean". Although seemingly a bit plain, the key points may include many other bullet points, which should be highlighted quite well.

HOW AND WHEN? - What communication methods will be employed (e.g. e-mail, meeting, etc.) and when to apply them. Here, the coordination with other actors, like the communication department, is also important.

Interpersonal Communication is the dimension from which - as internal auditors - we are often used to seeing communication with our organizations: the one between auditor and its client. In this dimension, individuals are more committed. An internal auditor must

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CoCo Bonds

Special bonds for special situations

In the context of a major crisis of key financial, or systemic institutions, these bonds, if converted in a due time, can help not only in preventing the bankruptcy of a financial institution, but also in injecting capital that will otherwise not be available, within a short period of time.



Prof. Asoc. Dr. Arbi AGALLIU

Administrator
EUROPEAN UNIVERSITY OF TIRANA, EUT
- UET

What are CoCo Bonds?

CoCo Bonds is the shortened technical name for the term: "Contingent Convertible Bond", which means a convertible and, at the same time, contingent bond. This is an interesting (financial) product, which is offered today by the banking system in the developed countries. Like any other bond, it represents a fixed income instrument, that is easily converted into equity, especially in the event of unusual situations in the country's financial activity, or financial markets.

The basic conceptualization for this product was made by Robert Merton, an American Professor of Columbia University, in 1990. Professor Merton conceived it as

a guarantee to investors, if there were financial crises in the system, or something that would probably shake the financial stability of any country. Later on, such concept served as one of the basic elements that helped overcome the global financial crisis of 2007-2008. Regulators shaped such an instrument in the wake of the outbreak of the financial crisis, in an attempt to relieve governments from the moral hazard, caused by bailing out banks with public money. The first CoCo Bond was issued by Lloyds, back in 2009, and although their market is new and small (starting from zero), it has grown steadily from year to year, when up to a year ago their market value went Eur 100 billion +. The instrument passed its first test in 2017, when Banco Popular Espanol was absorbed by Banco Santander, thus "wiping out" about EUR 1.25 billion in CoCo Bonds of Banco Popular Espanol.

How does CoCo Bond work? In the context of a major crisis of key financial, or systemic institutions, these bonds, if converted in a due time, can help not only in preventing the bankruptcy of a financial institution, but also in injecting capital that will otherwise not be available, within a short period of time. On the other hand, CoCo Bonds in 2014 became very popular, because they helped banks meet their capital requirements, in compliance with

Basel III requirements, which compared the bank's equity with its assets, if the bank activity could be compromised, in the event of any crisis.

What makes CoCo Bond special, from other bonds? For CoCo Bonds, the literature gives this definition: "The difference between CoCo Bonds and other bonds is linked to the conversion process. Convertible bonds generally provide the holder with the ability to convert it, as soon as s/he wishes, while CoCo Bond cannot be converted into equity until the issuer's capital adequacy ratio falls below a certain level, when the bank is obliged to convert these bonds. If the bank's capital adequacy ratio falls below the regulatory level, the debt becomes a common stock."

The Albanian financial system and CoCo Bonds

Beyond fundamental changes in the economic development of the country, during the last three decades of transition, it can be strongly affirmed that, out of whole different enterprises, the financial intermediaries are those who have had and demonstrated the most significant and serious development, compared to the rest of ventures and other market participants. Banks, as the most decent and significant representative of the financial intermediaries in Albania, beyond

the issues, that the Albanian market realities generate, do constitute a sector that in its entirety is similar to a banking system of any developed country. On the other hand, an important part of financial intermediaries are insurance companies, which make strenuous efforts to develop themselves and the market itself, despite the fact that the prevalent voluntary insurance culture is still at moderate levels, in a time where such segment is supposed to be traditionally the most profitable segment for such companies. The development of the banking sector, regulated and monitored rigorously by the Bank of Albania, is inextricably linked with the economic development of the country, so the problems of the national economy will inevitably be reflected in its performance and growth rate. The economic conditions of the Albanian market and consumer make the banking system to be primarily focused on traditional products, or services, such as: loans, deposits or a range of various payment services.

In this context, the level of economic development and the modest financial culture of the investing public in Albania have so far conditioned the limited range of financial products and services. Today in the Albanian banking system it is not easy to talk business about derivative products, structured investment products in securities, and so on. Today, just few banks have issued bonds, while this market is still in its rudimentary stage and its first steps, mainly in establishing the functional practice of the primary market for relevant issues. However, it can be concluded that, it is now the right time for commercial banks to start thinking and creating interesting investment

products that would push the Albanian public investor, be they individuals of businesses, to invest in these modern products, beyond traditional ones, already present in the financial system.

In this reality of the Albanian financial market development, during the last two years, the Bank of Albania is paying a particular attention to the monitoring and supervision of the banking market, or elements that will help a rapid recovery, in the event of a possible financial crisis. In this context, CoCo Bond is considered as an interesting instrument. It has been noted that, even in the developed



Although there are banks, that have issued bonds with these characteristics, it is time that they generally include their capital raising strategy through such instruments, that are converted into shares.



markets, that have had, or have faced certain financial difficulties, the introduction of financial products, such as CoCo Bonds, has made possible to ensure a faster circulation of capital, by creating more secure prospects in turbulent times of different crises.

But is there any room for CoCo Bonds in Albania? The Bank of Albania is now oriented towards the creation of all safe prospects, or by drafting scenarios that are in function of successfully coping with various financial crisis situations. Thus, the establishment of the appropriate structure for bank resolution, at the Bank of Albania, and relevant efforts in

this regard, has created the proper environment for CoCo Bonds in Albania, so that their issuance could not be considered as a quite distant reality, despite the challenges, the stage of the Albanian financial market development, do produce. The characteristics of this hybrid instrument makes it quite wanted and needed for capital increase purposes, in cases when the bank is subject to any resolution process. This process is related to the restructuring of a bank which, due to liquidity problems, capital erosion, or other problems of a specific nature, may be insolvent. One of the instruments that can be used for bank resolution, or restructuring, is also the bail in instrument, which basically completes the bank's restructuring process through loss absorption by bank's shareholders and the capital increase to meet the regulatory capital level, through bonds' conversion into share capital. Under these conditions, the Albanian banks may also be advised to have such instruments in their balance sheets, in order to be well – prepared and to cope with difficulties in their activity. Although there are banks, that have issued bonds with these characteristics, it is time that they generally include their capital raising strategy through such instruments, that are converted into shares.

As the international experience shows, investors in these bonds are mostly institutional investors, such as: insurance companies, or private pension funds, so the capital market development, in addition to institutional regulatory capacity, would further support the implementation of such an instrument in Albania.

NEW DEVELOPMENTS

EMV Secure 2.0 standard

Secured Online Purchases

Now we are at the phase where the technology has been implemented at the highest levels, and we have the “know how”, to be secure while online shopping due to the standard 2.0 of EMV 3D-Secure.



Akil NDRENIKA

CISO
PAYLINK

September 2019 is the live period for the new EMV Secure 2.0 standard, for card-not-present online transactions. International card brands have worked on the new standard for online purchases, for years. Previous version 1.0, recognized as Verified by Visa, or MasterCard SecureCode, was found to have some steps in the process, that made the customer not happy and frustrated. No one wants a decline—especially not a false positive and especially not a false decline, due to security measures put in place to protect you. The moment of truth when shopping is when we tap, dip, swipe

or click and wait for approval. If declined that is more annoying to us than fraud losses. Because, when that happens, people don't just abandon the good/service being purchased—they often stop using their card altogether. False declines for payment card transactions account for billions in lost revenue in the EU. In-store purchasing has become more secure, i.e. shopping malls, hotels, boutiques etc., while fraud has been creeping up online. The rationale behind this is simple; identity verification is the real challenge for both issuers and merchants. In fact, some 50 percent of login traffic is at high risk for potential account takeover or credential misuse.

The card industry is at a point where we have information and technology available to tackle that frustration with the new EMV 3D-Secure 2.0. It's a complicated name to describe something simple, a new industry standard used to check a consumer's identity on digital payment transactions.

With the rollout of 2.0, International Card Brands have created their own programs, like Identity Check. The program provides merchants and their banks an easy way to upgrade and enhance current security solutions to determine potential risks and ensure genuine

transactions are approved in a seamless manner. Using Identity Check's Artificial Intelligence and machine learning, 2.0 can now take into account over 150 different variables of a transaction to help the issuer make a more accurate, insight-based decision whether to approve a transaction, or decline it. These variables include factors like: screen brightness, device owner gestures and, shopping purchase history, respective purchase hours, the light intensity used in smartphone or PC, during online purchase. They are used alongside insights from the merchant and issuer to authenticate a payment. In cases where additional authentication is needed to protect the buyer, it can be provided through the use of biometrics or a one-time password. This is another, more seamless way, to prove you are you. It all happens in a fraction of a second, before a consumer has its transaction “Approved”.

Delivering practical security solutions is critical in creating trust between actors: banks, merchants and consumers. Today's digital economy, the new standard enables a secure consistent user experience across connected devices, in-app or on a browser.

SOCIAL DEVELOPMENT GOALS



GOAL 3

ABI Bank supported the campaign: "Together for the Pink Ribbon!", which was opened in March.

GOAL 11

Thanks to the Bank's investment, the "Lake of Love" was inaugurated in the Artificial Lake Park, which restores, after many years, boat-drifting at the lake. The newest investment is the new promenade along the lake and boats' pier, sailing or non-sailing, and canoes, as a need to turn the area into a multifunctional recreational area.

- "100 villages" is the latest co-operation of the Bank with "Bordo" magazine. ABI Bank and "Bordo" magazine have come together to bring the best of these villages. Everything is illustrated with photos, through dedicated pages, in the printed magazine and on the website www.bordo.al.

- The bank was the general sponsor of the 2019 Summer Day. ABI Bank staff also joined the party, at "Skënderbej" Square.

ART, SPORT, CULTURE

ABI Bank supported:

- Ermal Meta's concert, together with "GnuQuartet" group of instrumentalists,
- "Grandmas millionaires" at RTSH, the newest culinary and humor show,
- "SUN" at Top Channel,
- "FAMILY" at TV KLAN,
- "Soirée" entertainment Talk-Show,
- "The 2-steers car" (M2T), at Radio FM CLUB,
- "My Ward Store", Humor Radionovela, at RADIO TIRANA,
- "Hostel by Anabel 2", produced by Anabel Entertainment



GOAL 4

Banka Kombëtare Tregtare, in the frame of cooperation with the Police Directorate of Fier, donated the queuing system for the institution. This equipment is expected to increase the quality of public services for the community.

Maintenance and access to our cultural heritage relies every day on the industrious work of General Directorate of Archives' staff. The donation of computers for DPA staff by Banka Kombëtare Tregtare, will support a further technological development of this institution.

GOAL 6

The Bank sponsored the purchase of various materials for Armed Land Forces.



GOAL 3

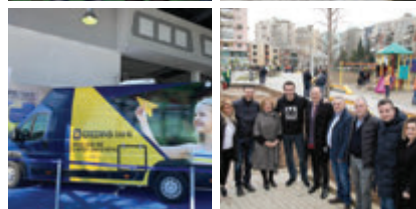
Credins Bank supported:

- "Albanian Children Foundation - Dominic Scaglione", for several years in a row.
- The Albanian Red Cross, not only with voluntary blood donation, but also for social projects in support of orphaned children and elderly people in need.

GOAL 9

Credins Bank:

- Supported "Shefqet Ndroqi" University Hospital, by covering the costs for purchasing 15 medical devices for the clinic's facilities, as well as Shkodra Regional Hospital, by covering the expenses for improving the infrastructure of the hospital.



- Donated office equipment to improve physical conditions of the following institutions: the Firdeus Foundation and Vlora Regional Hospital
- Supported Tirana Municipality, in restoring the garden and the new playground near the "National Arena" stadium, in Tirana.

GOAL 17

- Credins Bank supported ExpoCity, with the organization of AGRO-TECH Expo & Forum 2019.
- The bank, in partnership with the Ministry of Education, Sports and Youth, invited all students who completed Bachelor study program, to become part of the National Labor Program. Credins Bank creates products and provides banking services that guide young people towards fulfilling their dreams and needs.



Fibank donated to "Mother and Child Hospital" Foundation all contributions gathered from bank's customers and staff.

New Branches Opening! Fibank Albania continues to increase its presence in the Albanian market Year 2019 started with the opening of another Fibank branch in Tirana. The new branch is located at Unaza e Re and it is the culmination of an incessant work of a highly committed team to success. Fibank Shkodër Branch – New Offices exclusively! The modern installation of the new Fibank Shkodër branch office, located in the city center, offers a warm environment for clients, together with a motivated and

dedicated team to all interested customers.

Fibank congratulates and supports the beautiful initiative: "Donate a flower for Saranda!" Transfers for this cause will be Commission Free! "Donate a Flower for Saranda" is an initiative taken by Saranda youth with its main mission: "For a thriving city; For a civic engagement to take an example; For a youth that tries to give the country hope; For a support for beauty" in a national level", and is well-supported by Fibank Branch in Saranda.

The latest product, offered by Fibank Albania is: "Loan for every purpose" to all individuals with flexible conditions, tailored around customer's conditions. This product provides flexibility in the investment plan and is intended to cover the financial needs of clients with stable incomes, good track record and quality collateral, who are willing to get loans.

The Bulgarian Embassy hosted a special event on Bulgaria's National Day, and Fibank has always been the main sponsor of this event.



GOAL 1

ICB, in cooperation with "Fundjavë Ndryshe" Foundation, became part of their project in February 2019, by helping vulnerable families, identified in Tirana suburbs. This initiative was implemented through voluntary contributions at the donation boxes, located at bank's branches.

GOAL 4

ICB, in the framework of financial



education through the voluntary contribution of its staff members, welcomed, in January 2019, at its premises 17 children, between 6 and 7-year-old from "Arbëria" 9-year non-public school. Children attended a brief presentation with the topic: "Money and its importance", and they made a short visit at some bank departments, to get acquainted with the bank's main functions. Also, part of the activity was a visit to the Bank of Albania Museum.



GOAL 3

Based on Law 10237, dated 18.02.2010 and DCM 107 9.02.2011: "On the composition, the organization and functioning rules for the Council for Safety and Health at Workplace and the Employees' representatives", 6 colleagues representing employees were elected in March, who have a 2-year mandate, with the re-election right, as well as 6 Employer's representatives for the Council on Safety and Health at Workplace. This council is operational and meets several times a year to improve the working conditions in furtherance.

GOAL 4

The Bank is one of the companies that signed the agreement with the Ministry of Education, Youth and Sports, regarding the National Program for Work Internships.

GOAL 5

• The Bank undertook a campaign, by making wishes through social networks, on International Women's Day. "Think Equal, Build Smart, Innovate for Change!", was

the theme used by UN Women, focusing on innovative new ways that could advance the issue of gender equality and empowering women.

• The Bank supported this year the "International Film Festival for Women", organized for the first time by UN Women in Albania, focusing on gender-based violence.

GOAL 8

Intesa Sanpaolo Bank Albania supported AGRO-TECH Fair & Forum, as a Silver Partner, on March 15-16th, at ExpoCity premises.

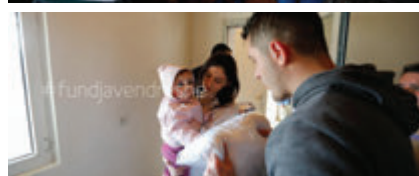
GOAL 10

The Bank brings products and banking packages dedicated to Women in Business. In another successful co-operation between the European Bank for Reconstruction and Development (EBRD) and Intesa Sanpaolo Bank Albania, the program was expanded to a second phase with a much larger investment of EUR 5 million.



GOAL 2

During March 15-16th, 2019, the second edition of AGRO-TECH Fair & forum was held at ExpoCity. Moreover, within the framework of the National Schemes supported by the Albanian Government and the IPARD-like program, the bank offers flexibility in the required funding for financing various projects. This is ensured through inclusion in the bank's guarantee funds with international institutions, such as: the EBRD and the European Investment Fund (EIF).



GOAL 3

ProCredit Bank employees donated blood to support people who need blood. This initiative came in cooperation with the Albanian Red Cross.

opens its eighth edition on March 22nd with the concert of Albanian and foreign artists from Italy, Germany, France and Austria. Then on March 25th, the second concert was held, on the occasion of Francophone Spring.



GOAL 3

Raiffeisen Bank supported, again this year, the awareness- raising campaign: "Lots of Socks", a fundraising campaign for therapeutic services of children with Down Syndrome.



The European Bank for Reconstruction and Development (EBRD) launched, on March 12th, 2019 the GEF - Green Economy Financing Facility, which aims to promote investment in green energy in Albania.



GOAL 4

Raiffeisen Bank contributed to the organization of celebrations for teachers in Shkodra, Tepelena and Gjirokastra districts, on 7 March, the "Teacher's Day".

EBRD has signed a EUR 6 million loan with Union Bank, for the implementation of this program in Albania. Union Bank will lend to individuals who want to invest in their homes by investing in projects that save electricity and significantly lower the value of its bill.



GOAL 9

Raiffeisen Bank supported Albanian ICT Awards event, for the seventh consecutive year.

Union Bank branches' staff has received a specialized training for handling and analyzing loan cases of the GEF program, called Savings+, to convey the product more clearly and simply to clients.



GOAL 11

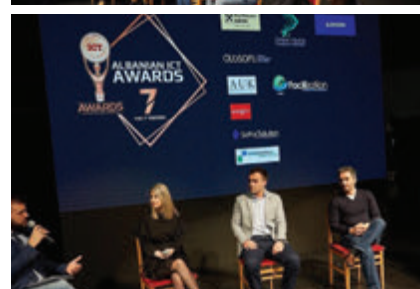
Raiffeisen supported Fier Municipality in the realization of the project: "Building a conference system and audio recording in the Hall of Fier Council".

ART AND CULTURE

The Bank continued its support for the Opera & Ballet Theater, as a partner for all artistic performances, the theater will host. The theater opened the artistic season with the premiere of "La Boheme" opera, on March 16th. Also, the bank continued its partnership with National Theater, where the first play for the year was "August: Family Portrait" drama.



Raiffeisen supported "Different Trains" Music Festival. The festival



MONEY WEEK

During the week of **25-31 March 2019**, the Bank of Albania (BoA) and the Albanian Association of Banks (AAB), with the support of the Ministry of Education, Sports and Youth (MASR), Albanian Deposit Insurance Agency (ASD) and ANFE organized various activities, aiming to involve as many young people as possible, in order to raise their awareness about financial education issues.

This year's slogan was: **"Too young to speak in old lek!"**

The Money Week 2019 actively involved more than **4,000 pupils and students**, from more than **90 schools**, at all levels.

Monday, March 25th, 2019

On March 25th, 2019, the Bank of Albania opened the Money Week. The event was greeted by Mrs. Luljeta Minxhozi, First Deputy Governor of the Bank of Albania, Mrs. Lorena Haxhiu, Deputy Minister of Education, Sports and Youth, and Mr. Silvio Pedrazzi, Chairman of the Albanian Association of Banks. After the speeches, the event continued with distribution of prizes for the contest winners, launched a month ago by BoA and AAB.

The first contest, organized this week, was themed: "Learn. Save. Earn", and was supported by the Banka Kombëtare Tregtare (BKT). The contest was attended by pupils of the 6th grade of the 9-year schools.

The second contest was the one with photomontages, with the subject: "Too young to speak in old lek: one "0" more makes the difference", which was attended by 9th grade students of the 9-year schools. The contest was supported by Credins Bank.

The third contest was the one for the best video. Gymnasium students were invited to convey their original messages about the topic: "Too young to speak with old lek", and the prizes were supported by the American Bank of Investments.

The best essay contest themed: "Lek Re-denomination: A Socio-Linguistic View on a 55-Year Error" (Language and Literature Branch) and "Re-denominations: Examples from History and the Albanian Case" (Finance – Bank Branch), supported by Intesa Sanpaolo Bank Albania.



Tuesday, March 26th, 2019

"Education of Young Employers in the Banking Sector" program

Partners Albania, in cooperation with the Albanian Association of Banks, AAB, announced the opening of a training program for young jobseekers, for the academic year 2019-2020, by organizing informative sessions at universities.

Visit to the BoA Museum and presentation on the topic: "Too young to talk with old Lek"

On the occasion of Money Week 2019, pupils of the 2nd grade of "Vatra e Dijes" school visited the Bank of Albania Museum. During the visit, pupils were also introduced to the theme: "Too young to speak in old lek".

Likewise, Hotel-Tourism high school students visited the Bank of Albania Museum, where they got acquainted with the numismatic collection, the country's economic and monetary history, and the theme: "Too young to speak with old lek".



MONEY WEEK

Wednesday, March 27th, 2019

Visit to the BoA Museum and lessons with the theme: "Too Young to Speak in Old Lek"

Pupils of the "Don Bosko" 9-year non-public school visited the Bank of Albania Museum. The children were introduced to the numismatic collection and visited the museum's premises, dedicated to the financial education of the young generation.

Open lecture at "Fan S. Noli" University, Korça

Bank of Albania's experts held on March 27th, a lecture for second and third-year students of the Faculty of Economics at "Fan S. Noli" University in Korça.

Visit to the BoA Museum

On the third day of Money Week, pupils of "Udha e Shkronjave" 9-year non-public school, visited the Bank of Albania Museum.

"International Trade Game"

Junior Achievement organized three one-day regional camps in Elbasan, Tirana and Durrës, where more than 90 schools were represented, with more than 100 pupils in total. International Trade Game is an educational format, where pupils are organized in groups and are placed in the position of states and operate in international markets.





Thursday, March 28th, 2019

On March 28th, 2019, the Albanian Association of Banks (AAB), in cooperation with the Bank of Albania and with the support of Ministry of Education, Sports and Youth (MASR), organized for the second consecutive year the European Money Quiz, with the participation of some 350 pupils of 9-year schools, from all over the country. Participants attended a team-based organized contest, through Kahoot! online platform.

Children, between 13 and 15 year-old, from 59 9-year schools participated in this contest, which is a new initiative to test their financial knowledge.

The winning team was from "Emin Duraku" 9-year school in Tirana and was comprised of: Almira Tota and Hana Spahia. The winners will represent Albania in the European final, where 30 countries will compete. The contest will take place on May 7th, in Brussels. In addition, the Bank of Albania granted symbolic gifts to the winners.





KREDI PËR ÇDO QËLLIM

- ◆ Normë Interesi nga 1.9% në EUR
- ◆ Deri në 500 mijë lekë pa garantor
- ◆ Nuk aplikohet Sigurim Jete



Fibank
First Investment Bank

MONEY WEEK

Friday, March 29th, 2019

Open lecture at "Aleksandër Moisiu" University, Durrës, by Mr. Gent Sejko, Governor of Bank of Albania.

At the end of the Money Week, Mr. Gent Sejko, Governor of Bank of Albania, delivered an open lecture at "Aleksandër Moisiu" University, Durrës, with the topic: "The role of the Bank of Albania in the sustainable and long-term development of the country - financial stability an indispensable precondition for economic development".

Innovative Talk: "From an Application for Personal Finance to Business"

On the occasion of the Money Week, Mr. Perjan Duro delivered the presentation: "Personal Finances: Life of a Financial Application", at the premises of the Bank of Albania.

As the creator of MoneyCoach application, Mr. Perjan Duro introduced the process of creating the application, in order to promote innovative ideas, in the function of financial education and financial inclusion. This application can be downloaded free of charge to Apple and the Play Store to help manage your personal finances.



KREDI KONSUMATORE

Deri në 1.7 milion lekë,
brenda ditës!

- Afati maksimal deri në 7 Vjet
- Norma e interesit fillon nga 6.5% në vit*
- Pa Kolateral
- Pa Garantor
- Vetëm katër dokumente**

* 6.5% për pagamarrësit dhe 7.5% për klientë standartë.

**1. Kartë Identiteti (ID) 2. Vërtetim Page/Lëvizje llogarie

3. Faturë OSHEE/UKT 4. Çertifikatë Familjare

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INTERNATIONAL COMMERCIAL BANK

rëndësi kanë vlerat

AAB ACTIVITIES

Meeting on public-private cooperation for fighting cybercrime and online crime proceeds

On 29 January 2019, the State Police with the support of the European Council and in collaboration with AAB, organized a meeting on public - private cooperation for fighting cybercrime and online crime proceeds. Representatives of Prosecutor's Office, Cybercrime and Financial Investigation Units at State Police, National Agency of Information Society, Financial Intelligence Unit (FIU), National Authority for Electronic Certification and Cyber Security, banks, and ISPs attended the meeting.



Meeting with the Minister of State for Protection of Entrepreneurship, Eduard Shalsi

On 27 February, CEOs of commercial banks held a meeting with Mr. Eduard Shalsi, the State Minister for Protection of Entrepreneurship. During the meeting the participants emphasized the sustainability, credibility, regulatory supervision, liquidity of banks and the necessity for further credit. In addition, they raised concerns about several issues, such as: the efficiency of public administration, fiscal treatment of banks and business, property rights issue, de-euroization, cash reduction in the economy and the fight against informality, electronic signature, delays in reimbursement of state obligations, the directive of two ministers on private bailiff's fees, current situation, the opportunity to financing of the economy, etc.



AAB TRAININGS

AAB organizes trainings October - December 2018

Selling financial services and managing client relationships, organized on 11 – 13 February and conducted by Alex Kloos, an ATTF expert.

International Arbitration: the road for expanding international business
AAB was a supporting partner of the Workshop on International Arbitration organized on 28th of February and 1st of March 2019 with the of Netherland Embassy in Albania.

Workshop on NPLs disposal process and financial restructuring.
On 12 March, the AAB in collaboration with the PwC Albania and Kosovo organized a workshop. Different aspects and analysis of current situation on disposal of Non-Performing Loans (NPLs) and best practices in Financial Restructuring services were shared by the PwC representatives.

Training on IFRS 9 post implementation
On 18-19 March, AAB in collaboration with AIIA offered This two-day seminar that provided a comprehensive overview of the new financial reporting requirements contained in IFRS 9, which has become mandatory for accounting periods beginning on or after 1 January 2018.

AAB started the collaboration with Austrian Institute of Excellence (AIEEx) by offering a series of **trainings in Albanian language** in different regions of Albania. In March were launched the first three trainings on:

- **“Sales capacities and sales management”**, organized on 12-13 March and 26-27 March in Fier.
- **“Conflict management & problem solving”**, organized on 19-20 March in Lezha.



