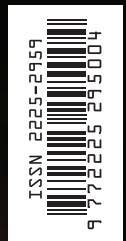




# Bankieri

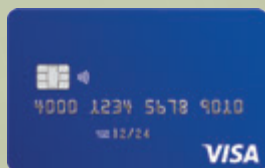
ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

Publication  
No. 39  
April 2021



# I dashur Gjergj, po të lë për një më të mirë.

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ALBANIAN ASSOCIATION OF BANKS  
SHOQATA SHQIPTARE E BANKAVE

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No. 39, April 2021

Publication of Albanian Association of Banks



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**Editor-in-Chief**

Eftali Peçi

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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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# Central register for bank accounts

## Another stepping - stone towards efficient law enforcement against money laundering and terrorist financing



**Prof. Asoc. Dr. Elvin MEKA<sup>1</sup>**  
Editor-in-Chief

Albania has recently approved the new Law: "On Central Register for Bank Accounts", which is practically another significant stepping - stone, in the persistent fight against money laundering and terrorist financing. It follows other important legal steps and endeavours (namely the Law "On Beneficial Owners") towards ensuring proper tools and mechanisms for a harmonized effort, in an international scale, to encounter, curb and crack dirty and criminal money. In this way, Albania joins forces with partner countries and other foreign law enforcement agencies in this difficult and complex fight, which is not a country - specific issue; instead, it's a global one. Actual times have proved to be really hard, in terms of curbing

and fighting the money laundering and terrorist financing, as the respectable magazine, *The Economist*, puts it: "Three big problems hobble the fight against financial crime: a lack of transparency; a lack of collaboration and a lack of resources." Given that, it is obvious that approving laws and drafting legal framework in paper, will not be enough in this never-ending fight against money laundering and terrorist financing. Instead, it will require a lot of commitment, efforts, professionalism and various capital resources from all law enforcements agencies in Albania.

The law is a significant relief for the Albanian banks, in their everyday operational business life, as it is supposed to change substantially the actual approach and practice of requesting and collecting pertinent information from commercial banks. Also, such law is like a boon for them, in the frame of complex challenges they face, during the COVID-19 pandemic, where the key challenge is, undoubtedly, the loan portfolio quality. Surely, the potential increase of non-performing loans, the mounting credit risk, is not an issue that may be resolved, or handled by simply postponing loan installments, or applying government lifelines. Postponing and dividing the problem does not mean solving the problem; typically, it is still there behind the corner and it is not hiding. According to McKinsey, the COVID-19 crisis has triggered five major changes and challenges to the credit-risk

environment: (1) changes in credit worthiness at sector and subsector level, (2) hard to differentiate between borrowers in the same sector, or subsector, (3) pertinent data on crisis conditions are scarce, lagging and not fed automatically into decision making, (4) socially responsible collection needed to meet changing customer preferences and (5) a large wave of non-performing exposures is beginning and must be addressed in new ways.

Encapsulating them, it is apparent that the normal challenge for banks, still remains the credit risk management. Frankly speaking, this has been the everyday challenge for banks for almost the last nine centuries, since the inception of the Bank of Venice in Italy, back in 1157, when it introduced, officially, a revolutionary product: Bank Loan. In this way, banks and the banking have, throughout their existence, been facing the same challenge, produced by their "bread and butter" activity: loan making, so it is fairly understandable and logical that they will properly manage the credit risk, even today and tomorrow. Certainly, banks have thrived in overcoming difficulties in managing such risk, as the history tells us, sometimes by paying various costs, but mostly through innovation, in their activity and business approach. So, even this time the challenge is not new, and definitely banks and banking in general, will prevail over credit risk and the economic crisis, by innovation and by reinventing themselves!

<sup>1</sup> Dekan i Fakultetit të Ekonomisë, Biznesit dhe Zhvillimit, Universiteti European i Tiranës, UET.

<sup>2</sup> The war against money-laundering is being lost: [https://www.economist.com/finance-and-economics/2021/04/12/the-war-against-money-laundering-is-being-lost?utm\\_campaign=the-economist-today&utm\\_medium=newsletter&utm\\_source=salesforce-marketing-cloud&utm\\_term=2021-04-12&utm\\_content=article-link-1&etear=nL\\_today\\_1](https://www.economist.com/finance-and-economics/2021/04/12/the-war-against-money-laundering-is-being-lost?utm_campaign=the-economist-today&utm_medium=newsletter&utm_source=salesforce-marketing-cloud&utm_term=2021-04-12&utm_content=article-link-1&etear=nL_today_1)

<sup>3</sup> McKinsey: Managing and monitoring credit risk after the COVID-19 pandemic: <https://www.mckinsey.com/business-functions/risk/our-insights/managing-and-monitoring-credit-risk-after-the-covid-19-pandemic>



# Central register for bank accounts

## An intelligent instrument against money laundering and terrorist financing

*Along with the Law "On Beneficial Owners", which has already entered into force, the law will have a positive impact on increasing the effectiveness and coordination between law enforcement authorities in the country and cracking down on the financial flows of persons, or groups involved in criminal activities.*



**Vasilika VJERO**

Deputy Minister  
MINISTRY OF FINANCE AND ECONOMY

The Law "On the Central Register of Bank Accounts" comes as a necessary instrument to assist the authorities in detecting, tracing, or identifying suspected assets of criminal activity origin, or linked with tax evasion. The register comes as a requisite to comply with **FATF** and **MONEYVAL** requirements, which based on the evaluation of the standards' implementation by the Albania, in December 2019, found that there is a lack of mechanisms in place, capable to identify and describe processes for obtaining and registering of the information about beneficiary owners, as well

as a lack of obligation of the legal bodies to keep basic information and a relevant register (i.e. a lack of the central register of bank accounts), but also a constant requirement by the European Union, in order to fully approximate the Albanian legal framework with EU Directives, and in particular, with the EU Directive



The Register is created as a state-owned database, where the information stored in electronic form is collected in an organized form for each holder of bank accounts and safe deposit boxes, in which, the data reported by financial institutions, are recorded.



No. 849/2015, as amended by EU Directive 843/2018: **"On the prevention of the use of the financial system for the purposes of money laundering or terrorist financing"**.

Along with the Law "On Beneficial Owners", which has already entered into force, the law will have a positive impact

on increasing the effectiveness and coordination between law enforcement authorities in the country and cracking down on the financial flows of persons, or groups involved in criminal activities. It could also be integrated with other registries in the future, thus completing the full mosaic of necessary information for country's law enforcement and intelligence agencies.

On the other hand, this law is quite an important mechanism for intelligence units and their role in preventing terrorism financing, but also the money laundering, as it enables a quick access to ready-to-use information.

The establishment of such registry will, inter alia, limit the number of persons who will have access to information about the persons under investigation, or other processes, by significantly reducing the possibility of any information leak, as an essential element for effective crackdown on assets of criminal origin.

Furthermore, the existence of the central register of bank accounts and safe deposit boxes will also have a positive impact on financial institutions, as they will focus on taking measures for those clients who have accounts and avoid a significant volume of

requests, for which the result is "no account", thus significantly reducing financial costs.

Among the groups affected by this draft law are:

- Any individual who is a holder of a bank account, or safe deposit boxes;
- Any natural, legal person<sup>1</sup>, or legal entity, which is a bank account holder, or a tenant of a safe deposit box, regardless of its active, blocked or dormant status.

The National Agency for Information Society, NAIS, is responsible establishing the system, in order to guarantee the appropriate measures for data security, as well as the principles of adequacy and proportionality, related to data processing.

The General Directorate of Taxes is the administering institution of the register and responsible for making the access to the Register available to interested parties, and furthermore, tax structures at local and central level, following the establishment of the register, will have the opportunity that, in addition to information's verification and cross-check within the framework of their routine activity, will have the opportunity to act more effectively in collecting tax liabilities and blocking illegal activities.

The Register is created as a state-owned database, where the information stored in electronic form is collected in an organized form for each holder of bank accounts and safe deposit boxes, in which, the data reported by financial institutions, are recorded.

The processing of personal data and informing the personal data subject by financial institutions will be carried out in compliance with the rules prescribed by the legislation in force for the protection of personal data.

Financial institutions must establish and administer systems that ensure real-time data reporting, after completing the operations with bank account, or safe deposit box holders. Financial institutions report data to the register electronically, by using the central automated mechanism, according to the reporting file format.

Entities that have access to this register are classified as:

- **"Entities with direct access"**: General Directorate for the Prevention of Money Laundering;

- **"Interested entities"** are the entities that have access to the register, according to the levels prescribed by the law, or bylaws, such as:

- General Directorate for the Prevention of Money Laundering;
- Prosecution offices at the judiciary;
- Special Structure Against Corruption and Organized Crime (SPAK);
- General Directorate of State Police;
- National Bureau of Investigation;
- State Intelligence Service;
- The High Inspectorate of Declaration and Audit of Assets and Conflict of Interest,
- General Directorate of Taxes;
- Tax and Tariff Directorates,

within local government units;

- General Directorate of Customs.

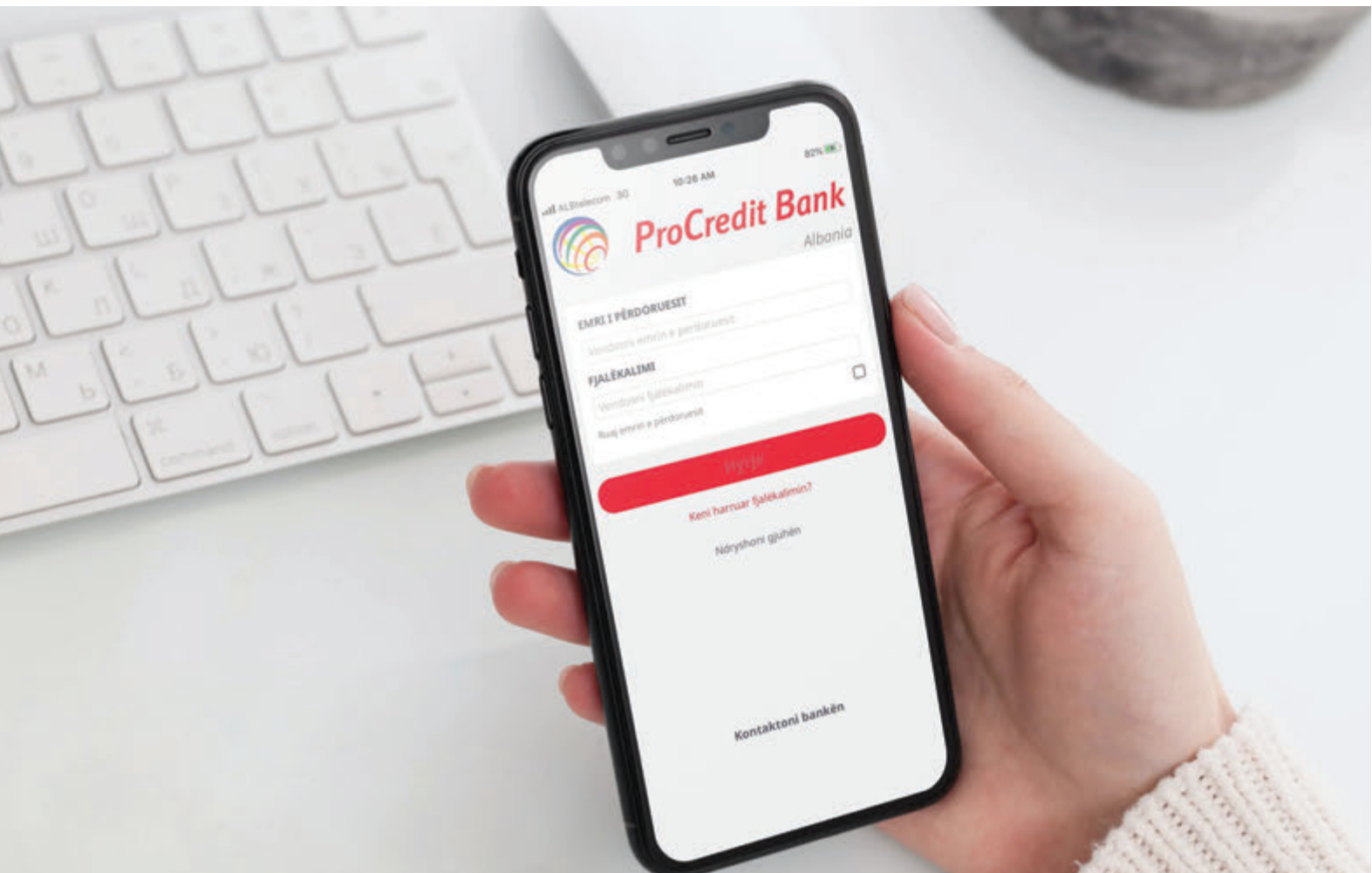
- **"Entities entitled to receive information"** are natural or legal persons, either public or private, who, upon a substantiated request to the register administering institution, have the right to get information from the registry. These subjects include:

- a) state or private judicial bailiff service;
- b) financial institutions;
- c) any public authority.

Following the adoption of the law, the work has already begun to establish necessary infrastructure, as well as the completion of the entire legal space for the system's establishment and population. Specifically, the Ministry of Finance and Economy, the General Directorate of Taxes, NAIS and financial institutions are cooperating to enable the timely finalization of the register, as well as its population with the required data. The decision of the Council of Ministers, which determines the access mode to the register, as well as the Instruction of the Minister of Finance and Economy regarding the reporting files, is currently pending approval.

With the adoption of bylaws and the establishment of the register (within April 2021), financial institutions will need to further feed such register with relevant data. Informing the public remains a challenge for all, and to this end, the process will be accompanied by an information and education campaign, related to this law and its implementation.

<sup>1</sup> Including companies of any type, and any other juridical subject, which is legally binding to register with National Business Center; non-for-profit organizations, including: foundations, associations, centers, as well as branches of foreign non-for-profit organizations; self-financing or government financing state institutions and companies; other public or private entities, which obtain their juridical personality conferred by the law.



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# Central register for bank accounts

## GDPML cooperation with financial institutions



**Elvis KOÇI**

General Director  
GENERAL DIRECTORATE FOR THE  
PREVENTION OF MONEY LAUNDERING

The Financial Action Task Force (FATF), in assessing the implementation of international standards in the field of prevention of money laundering and terrorist financing, based upon 2018 MONEYVAL report, as the regional group for the implementation of FATF recommendations in the Council of Europe's member countries, put Albania, in February 2020, in the list of countries with enhanced follow-up, or as it is otherwise known "inclusion in the gray list". One of the identified deficiencies was the lack of an effective mechanism that would enable the establishment of a central register for bank accounts, to identify any physical or legal person who maintains or controls payment accounts, bank accounts, or safe deposit boxes. Meeting such obligation was already a repeated requirement from the commitments, arising from the EU Ministerial Forum - Western Balkans for Justice and Home Affairs

in Tirana, on October 5<sup>th</sup>, 2018, where the EU representatives and the Western Balkan Partners signed The Joint Anti-Terrorism Action Plan for the Western Balkans, in which Albania has assumed the commitment of full harmonization with the EU Directives against money laundering, within the period 2020-2021 and the establishment of the central register for bank accounts, within October 2021. Albania's inability to establish the register within this deadline would automatically put Albania on the list of high-risk countries, or the so - called EU "black list".<sup>1</sup>

The request for the establishment of a central register for bank accounts and safe deposit boxes has been an ongoing requirement, both in terms of the approximation of Albanian legislation with the EU *Acquis*, but also as a necessity, in order to track and prevent the use of the financial system for money laundering and terrorist financing purposes. The centralized register for bank accounts will enable law enforcement agencies to identify, in real time, the suspected cases without being obliged to follow the path of official communication with each and all financial institutions, by sending the so-called "blanket requests". Its absence has created difficulties in some cases, in terms of real-time identification, or the speed of taking actions for timely blocking of criminal assets. One of the agreed objectives with the European Union is that Albania should take steps to create an ARO (Asset Recovery Office) and such an office cannot function without having in advance a wholly functional register for bank accounts and safe deposit boxes.

At the international level, the

creation of a register for bank accounts and safe deposit boxes should be seen as a uniform standard, applicable in all EU member and candidate countries, that provides the exchange of information, in a timely and efficient manner. In Albania, the simultaneous communication with 12 banks, despite being inefficient, may be administratively possible, but for large countries such a practice is simply impossible. The experience tells that, requests with the name of a person (without an account number) to sister units, in jurisdictions that do not have such a register, so far has produced no results, or inappropriate responses for the timely recovery of all possible assets.

In response to such necessity, from January 2021, with the entry into force of the Law "On the central register for bank accounts", the Albanian law enforcement institutions have already one more mechanism to prevent money laundering and terrorist financing, through the financial system, where for sure the financial institutions are key players in the "data population" of this register. In the capacity of the General Director of the General Directorate for Prevention of Money Laundering, I have followed the whole process from drafting, discussions, until the approval of the law. Based on the obligations, Albania must meet, in the framework of the approximation of legislation with EU Directives, as well as reporting to relevant structures of MONEYVAL and FATF, it was made possible to draft and approve a quality law, within a short period of time.

On the other hand, it is worth noting that the establishment of the register will minimize costs for financial institutions, in terms of continuous

<sup>1</sup>[https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counter-terrorist-financing/eu-policy-high-risk-third-countries\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counter-terrorist-financing/eu-policy-high-risk-third-countries_en)

written communication with law enforcement institutions, as well as increased investment of human resources, in this regard.

The communication from GDPML takes place since the first steps of the process and, consequently, knowledge about information collection process by the GDPML at this stage, limited within a very close circle of a few people, is one of key principles of communication. If information leaks and the individual, or legal entity, subject to investigation is notified, the administrative investigation and tracing and punishment of the source of the leak is easier, in cases when only one financial institution has been contacted, namely where the accounts or safe deposit boxes are located, and not all financial institutions in the country. In this regard, the establishment of such register, and the centralized data collection system, will enable a real-time identification of the financial institution, where the individual under investigation is the holder of the bank account and safe deposit box, and thus this will serve to a centralized dissemination of information, its collection in a pretty faster time, as well as will affect the speed of undertaking legal proceedings. In this viewpoint, the cooperation with law enforcement institutions, at national level and with counterparts at international level, will be more effective and the data transmitted will be in real-time and more complete.

The technical solution is being implemented by NAIS, using the reporting channel according to the Common Reporting Standard, already "live" for a long time, based on the Law "On Automatic Exchange of Information on Financial Accounts". This solution, which puts the register under the administration of Tax authorities, is a logical consequence of the latest developments, at the international level.

## The role of AAB in adopting and implementing the law on the Central Register for Bank Accounts



### Brunilda KOSTARE

Legal Consultant  
ALBANIAN ASSOCIATION OF BANKS, AAB

The adoption of the law "On the central register of bank accounts" defines the legal framework and provisions of safety access to certain data of bank accounts, as well as of institutions, which are entitled to have the right of access. The banking sector has long felt the need for such a register, as the secure use of it means ensuring a comprehensive benefit, both for the state/public institutions, in order to perform their responsibilities assigned by law, as well as also for the banking sector. The administrative burden of the banking sector, in response to numerous requests from institutions, which have the legal right to receive information on customers' bank accounts,

have increased to the point that it has become quite difficult to meet deadlines and thus creating unnecessary administrative burden.

The banking sector wished for such a law, therefore it was involved in the consultation phase, by submitting to the proposing institution some key issues/proposals (except for those of a technical nature), for which it is worth noting that we find them materialized in the approved law. Specifically, we could mention: (i) expanding the list of institutions that are entitled to access such register, always taking into account their legal right to receive this information, as well as the inclusion of financial institutions in this list. Such requirement was referring to the practice of other countries, which have such a register; and (ii) specifying and unifying the procedures for access to this register by institutions that are entitled to this right and the secure use of them.

It is worth mentioning that the bylaws that will be drafted, in further implementation of this law, are also considered important for the banking sector. The banking industry remains ready to be involved in the respective consultation process, in order to provide technical input to ensure a smooth implementation of requirements of the law.

# The new statute of AAB

*AAB carries out its activity in the interest and support of its members, by contributing to the improvement of business environment, encouraging and promoting contemporary standards and best practices, open for cooperation with other stakeholders, from public or private sectors.*



## Dr. Spiro BRUMBULLI

Secretary General  
ALBANIAN ASSOCIATION OF BANKS, AAB

The statute is an essential document, where the mission, objectives, organization, activity, decision-making, rights and duties of the parties are sanctioned, as well as many other aspects of corporate governance. The longer a version of it is in force, the more consolidation the organization shows. However, change is part of the vigor of its existence, of its power to reshape its position, role and activity.

Since its inception as the Albanian Bankers' Club, AAB has gone through an improving, reflective, changing and dynamic process of its documentary side, in compliance with needs and conditions of the time, as well as the best practices and experiences. Since its change into the Albanian Association of Banks, until the most recent change, it is a fact that the statute has been its axis

of maintenance, consolidation and success of AAB activity, over the years.

Many things have changed over these 20 years, both in terms of regulation, law, business environment and connection to the world. Precisely, because of this new situation, the need for a new statute came out as a necessity of new developments in



AAB conducts activities based on four levels of its organization: decision-making body (Assembly), policy-making and monitoring body (Supervisory Board), executive body (Secretary General) and supporting bodies (statutory committees, executive office, technical committees, working groups, training academy).



the AAB activity, the inclusion of qualitative changes in the way of doing business, the technological revolution towards digitalization and updating of practices and the most advanced corporate governance standards. For these reasons, the AAB Assembly adopted, on 10 December 2020, the new AAB statute. The statute marks a qualitative development in the ABB documentary and regulatory life.

The new statute confirms, for the first time, the main principles of AAB activity and its members, which are: independence, commitment, confidentiality and transparency. In this context, the mission, objectives and field of activity have been reformulated, too. AAB carries out its activity in the interest and support of its members, by contributing to the improvement of business environment, encouraging and promoting contemporary standards and best practices, open for cooperation with other stakeholders, from public or private sectors. In the field of activity it emphasizes the AAB representation in international bodies and organizations, as well as the representation of interest of its members, abroad. Among other things, developing and increasing the provision of financial education, as well as cooperation with public and private actors for financial and educational inclusion, are also considered. AAB may also establish a training academy for the education and certification of banking professionals. AAB remains a non-profit organization; even when it generates profit from its activity, that profit is used exclusively for achieving the Association's goals.

This statute develops and describes, in an exhaustive way, membership relations from the admission of a new member to the suspension of membership, or the termination of membership. AAB membership is voluntary for any banking institution, licensed by the Bank of Albania. It is important for



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a member to meet requirements and obligations under the statute, not to infringe the AAB interest, respect fair practices and business ethics, without jeopardizing the reputation of AAB. Membership is associated with relevant rights and responsibilities. The statute stipulates that AAB's main income is generated by the annual contribution of each member, calculated according to an approved methodology.

AAB conducts activities based on four levels of its organization: decision-making body (Assembly), policy-making and monitoring body (Supervisory Board), executive body (Secretary General) and supporting bodies (statutory committees, executive office, technical committees, working groups, training academy). Also, the division of responsibilities, the manner of election, the vertical line of organization, representation, the right to vote and decision-making, are described in detail. What's new in this structure is the establishment of executive body and the creation of Supervisory Board, instead of the Executive Committee. Likewise, the composition of Supervisory Board and its member's election has been reformulated, aiming at making it as representative as possible, according to market weight of each group of banks (large, medium and small) and the role they play for the country's financial stability. For the first time, the "large banks" category has been replaced by the new, contemporary concept of "systemic banks". The Statute stipulates that three members of the Supervisory Board will come from the group of systemic banks, according to the classification made by the Bank of Albania for systemic banks. There are no restrictions on re-election for representatives from this group.

The decision-making (process/procedure) is designed to create inclusiveness, stability, transparency and well-functioning of the activity, by complying with the requirements of the Law On Non-Profit Organizations, and the Civil Code's provisions. Decisions in the Assembly are taken, as the case may be, by a simple majority, by 2/3 and by 3/4 of the present members, but, in any case, never less than 50% + 1 votes of the total number of members.

Since the Executive Committee is dissolved, the executive duties are transferred to the Secretary General, and the legal representation of the Association is transferred to this body (currently held by the Chairman of the Executive Committee).

As for the supporting bodies, in addition to the executive office, the statute prescribes the establishment of technical committees, which for the first time, are divided into two groups: seven statutory technical committees (Legal Committee, Compliance Committee, Risk Management Committee, Finance and Accounting Committee, Human Resources Committee, Security ICT and IT (Communication and Information Technology) Committee, and Audit Committee), and auxiliary ad hoc technical committees. In contrast to the actual experience, technical committees will have 5 to 7 members, but retaining the right that each AAB member be represented in at least 3 committees. The composition of the statutory committees will be approved by the Supervisory Board.

This change makes the committee more productive, more efficient, and increases the agility of obtaining qualified opinion, from the sector to develop positions, policies, and proposals at AAB level, or in discussions with third

parties. Technical committees will be the main professional support, during the AAB activity. Due to the importance it has, in terms of professional and technical argument, as well as the role it plays in providing with proposals and answers, required for various aspects of AAB activity, the Assembly together with the approval of the statute, has also approved relevant regulation of the organization and functioning of the technical committee.

An added section to this new statute, is the stipulation on funding, budget and assets (AAB assets). The Statute stipulates that the budget is the essential tool of AAB financial management, for a period of one year.

In order for the organization scheme to be adapted and in accordance with corporate governance principles, the statute stipulates, in addition to the organizational structure, the obligation to use external audit of financial statements, as part of control, transparency and legal requirements.

Another novelty brought and stipulated by this statute is the right to inform the public, relevant relations with it and transparency of the activity. The Statute stipulates that public appearances are covered by the Secretary General, after prior consultation with the Supervisory Board. Due to the fact that this aspect is important for the public representation of the Association, its visibility and prestige, this aspect is regulated by a special regulation, which defines all the modalities of functioning of this relationship and the degrees of responsibility.

The new statute has entered into force with the decision No.1153/29, dated 4.02.2021 of the Tirana District Court.

## INTERVIEW

# United Bank of Albania starts a new era of rebranding, redesigning and recharging

*We would like to be torchbearers of UN initiative for financial institutions that aims to improve people's quality of life, without compromising that of future generations.*



**Amel KOVAČEVIĆ**  
Chief Executive Officer  
UNITED BANK OF ALBANIA

**You have been recently appointed CEO of United Bank of Albania (UBA). What are key challenges for your position there, under current conditions and the forthcoming ones, within the Albanian banking sector and financial system?**

United Bank of Albania is a bank with long tradition in Albanian market, but its service proposition, market penetration and visibility need to be significantly improved. Overall situation of pandemics made UBA's journey even more challenging. Being a small banking institution in the market opens the door for a rapid rejuvenation. The most important activity for the bank is comprehending what is

going on in Albanian economy and identifying trends and problems, in order to be able to reach new customers with financial solutions that meet their needs and desired level of customer experience. The role of management is to clearly project the business vision that shall be our ultimate goal in the years to come. I believe that we are in the beginning of a new era that will drive UBA to success. Our shareholders, the bank management and our employees are determined to use this unique opportunity to shine again in front of our valuable customers. Being a bank that strives to operate in accordance with Islamic banking principles, we have a responsibility to cater for the needs of clients from all walks of life, irrespective of their worldviews, in order to channel financial resources in sectors and projects that will improve ecological sustainability, social inclusiveness and overall prosperity in Albania.

**Beyond the challenge of COVID-19 pandemic, what are some key priorities and objectives, United Bank of Albania aims to achieve under your management?**

We have started a very comprehensive transformation of the banking products, procedures and processes, organizational structure and technology that will

empower the bank, our branch network and interaction with our clients, including rebranding process. There is no magic wand that is going to elevate us to desired levels of business success but there is smart and hard work on small but important steps that are leading us to our desired destination. We do not want to copy or to follow any of large banking players in the market, but we want to exploit opportunities that are arising from megatrends, such as: technological, demographic and behavioral changes, as well as local particularities and economic problems that we could opt to solve.

The Covid-19 pandemic is allowing us to clean and refurbish our house faster, because business is slower than usual. However, our plans are rather aggressive, and we hope to achieve them in 2021.

**How do you assess the position of United Bank of Albania within the Albanian banking sector and within the financial system, regarding banking products and services?**

UBA's range of products and services is improving very fast and we hope that we will have very attractive and convenient proposition to potential clients in the months to come. We would like to be recognized by the market for



the digital experience, ability to promptly accommodate the ever-changing customer needs but primarily we want to be identified as a provider of financial services, consistent with our belief system.

In short run, our focus is the improvement of traditional banking services and distribution channels. We have opened, without any transaction cost to our cardholders, acquiring network of more than 700 ATMs in Albania. We would like to leverage on existing banking infrastructure and we do not intend to spend time and money in replicating the resources that already exist. However, we

would rather invest in strategic partnerships and ecosystems that can provide market additional value and competitive advantage and room for business growth to the bank.

In long run, we would like to experiment non-conventional business cases that are not yet financially and technologically served in Albania, for we believe that future generations understand banking and expect from banks totally different services to what we or our parents did in the past. Another long run aim of United Bank of Albania is bridging the Albanian corporative sector with

lucrative markets where Islamic financial institutions are market makers.

As a bank that is striving to operate in accordance with Islamic banking principles, we have great responsibility in expanding the range of Islamic banking products and services, offered in Albanian market, in order to better serve our clients' base. Furthermore, even though we are rather a small market player, we would like to be torchbearers of UN initiative for financial institutions that aims to improve people's quality of life, without compromising that of future generations.



## BANKING SYSTEM

# Bank of Albania's measures, since lockdown, to facilitate online transactions



**Ledia BREGU<sup>1</sup>**

Head of Finance, Accounting and Payment Systems Department  
BANK OF ALBANIA

The Bank of Albania has intensified, for many years in a row, its efforts to promote the use of electronic instruments, aiming at promoting financial inclusion and market orientation towards more innovative and efficient practices, which promote productivity. These objectives are closely intertwined with several cross-sectoral goals, such as: formalizing the economy, creating more efficient channels in transmitting monetary policy and maintaining financial stability, directly affecting the economic development. In this context, the measures taken during the period of lockdown, due to COVID-19 pandemic, may be considered as an acceleration, or adaptation of long-term measures that the Bank of Albania has aimed at, in the context of promoting the use of electronic instruments.

The main focus of the Bank of Albania in the field of payments, during this period was primarily the provision of stable and market – oriented payment systems, it operates. The seamless operation of payment systems, as the basic infrastructure for the exchange of payments and financial markets, was considered a vital necessity, not only for making electronic payments, but also for transmitting monetary facilities in the banking and financial markets.

Regarding the electronic payments, the measures taken by the Bank of Albania are mainly related to eliminating costs for the use of home banking services, executing remote transfers by bank customers in national currency, for a period of two months. The Bank of Albania's decision was mainly focused on home banking services, due to the interconnectivity such services have with the payment systems operated by the Bank of Albania and, consequently, the existence of necessary regulatory spaces for intervention in the commission-setting practices, in the frame of a free market. It is worth mentioning that such a decision was accompanied by lifting the fees paid by banks to the Bank of Albania, in order to compensate the costs they incurred for providing these services.

Beyond the measure related to home banking services, the Bank of Albania, in the role of catalyst for payment systems and chairman of the National Committee for Payment System (NCPS), addressed a series of recommendations to create

conditions for promoting the use of card payments and necessary infrastructure in this regard.

## What is the rationale behind these measures?

The essence of the measures to encourage the use of home banking services during the lockdown period was offering a relief, in terms of costs they carry. Meanwhile, through the recommendations addressed in the role of catalyst, the Bank of Albania suggested to banks to evaluate any possibility for an expansion of payments, which could be made through these services. It is worth mentioning that such measure, despite addressing current needs, coincides with the vision and long-term objectives of Bank of Albania, which was reinforced by the revision of regulatory framework for the functioning of AIPS and AECH system, in June 2020. Specifically, these reviews provide, inter alia, for the elimination of commissions for retail payments, electronically initiated, through home banking services, up to the amount of ALL 20,000 and a differentiation of commissions, for the rest of payments over ALL 20,000, initiated with home banking, up to the amount of 50% of the commissions applied for paper-based payments.

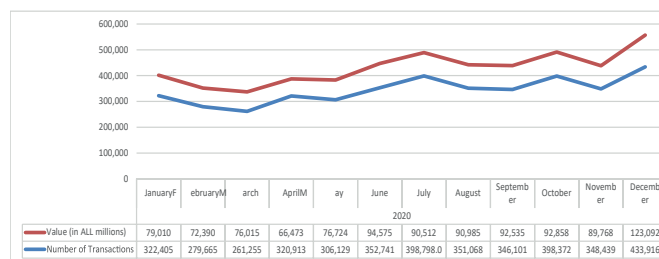
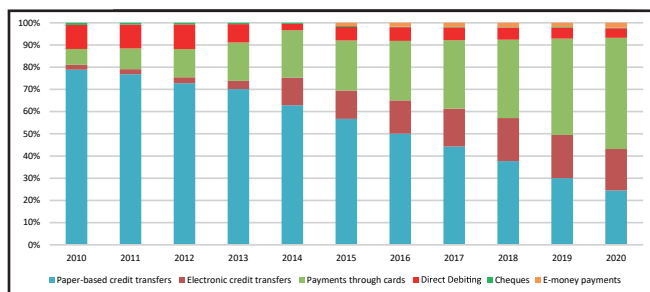
It is important noting that promoting the use of home banking services, beyond promoting the use of this service in itself, is a necessity in the frame of promoting innovation, the implementation of Law "On Payment Services" and the draft law "O Instant Payments", will bring about. On the other hand, the recommendations of the Bank of

<sup>1</sup> The views and opinions expressed in this article are those of the author and do not necessarily reflect the official policy, or position of Bank of Albania.

Albania as above mentioned, aimed at encouraging the use of cards as a means of payment, by expanding the

form World Bank, where the needs for intervention are materialized in the Action Plan of the National

work has just commenced, about drafting the National Strategy in this regard.



necessary infrastructure for their use, such as: online, points of sale (POS), but also at ATMs, as well as by facilitating procedures and costs for owning them.

### Measures' utility and results

In 2020, card payments seized the biggest share of payment instruments (in number), respectively with 50.11%, thus exceeding, for the first time, paper-based credit transfers, whereas in terms of value, the relative weight continues with low growth rates.

### Accelerated challenges identified by the pandemic, in the field of electronic payments

Given that, in recent years, the Bank of Albania has paid an increased attention to payments, a series of market analyzes have been drafted, also with the support

Retail Payments Strategy. In this context, we consider that the challenges, mainly identified during the pandemic, underlined once more the need for engagement from all stakeholders, in order to promote financial inclusion and encourage the use of electronic payments. Also, the pandemic reconfirmed again the importance of financial education of the public in general, but also the need to address various innovations in the respective field. In this regard, during this period we have been in constant communication with the Albanian Association of Banks, which took proper measures, in the framework of educating the public in general, for the use of necessary security elements for card payments. The need to promote financial education was emphasized once again at the 6th NCPS Meeting, where it was recommended, and the

### Public's expectations for the near future

As for the future, we aim at reforming and modernizing the payment market, to make daily payments easier and more cost-effective. These objectives are expected to be materialized through the promotion of innovation, competitiveness, consumer protection and financial education. The adoption of the law "On Payment Services" was a significant step in this direction, however a challenge in the future remains its implementation in practice by market players. Also, a priority for us will be the introduction of the basic account, which does not carry, or carries minimal costs for persons who are assessed as having no current access to banking institutions.

Furthermore, the Bank of Albania is intensifying its efforts to meet the needs for (payment) infrastructure developments, where we could mention: the clearing system of national payments in euro, the establishment of rules for the operation of Interbank Direct Debiting, the creation of national platforms for instant payment/Switch and assessing cost reduction opportunities, which are borne by card users and recipients. All these measures will be certainly supported by the necessary financial education.

	2017	2018	2019	2020
Automated Teller Machines (ATM)	747	723	707	738 ↑ (+31)
prej te cilave:				
1 - ATM with cash withdrawals function	747	691	707	737 ↑ (+30)
2 - ATM with credit transfer function	119	117	120	129 ↑ (+9)
3 - ATM with deposits function	107	124	171	217 ↑ (+46)
POS Terminals (Point of Sale)	7,294	8,726	11,195	12,147 ↑ (+952)
of which				
1- POS Terminals with cash withdrawals function	60	66	56	38 ↓ (-18)
2- EFTPOS terminals	7,234	8,677	11,139	12,109 ↑ (+970)
Virtual POS Terminals for card use	28	78	99	142 ↑ (+43)
Terminals for electronic money use	1391	1700	2094	2,364 ↑ (+270)



## BANKING SYSTEM

# The challenge of maintaining a low NPL Ratio in times of crisis

*Finding the proper equilibrium between the forward-looking approach in recognizing possible negative effects and granting necessary time for recovery to all stakeholders, is the other critical challenge for this year.*



**Jola DIMA**

Head of Risk Management  
INTESA SAN PAOLO BANK ALBANIA

The 2020 has been undoubtedly a difficult year for the economy, and the banking sector. However, such crisis found the banking sector in a good shape, considering the capitalization, liquidity levels and the constant decreasing trend of NPL ratio, since 2014, in the aftermath of the 2008 crisis. For the banking sector, such decreasing trend of NPLs was almost halted during 2020, thus evidencing an upward pressure.

Our experience as Intesa Sanpaolo Bank Albania (ISBA), was that of a higher NPL recovery compared to the market, being positioned better than the average market NPL ratio, since 2015. We closed the year 2020 as the best bank, in terms of NPL ratio, at a historical low level of 4.5%, towards a market average ratio of 8.11%.

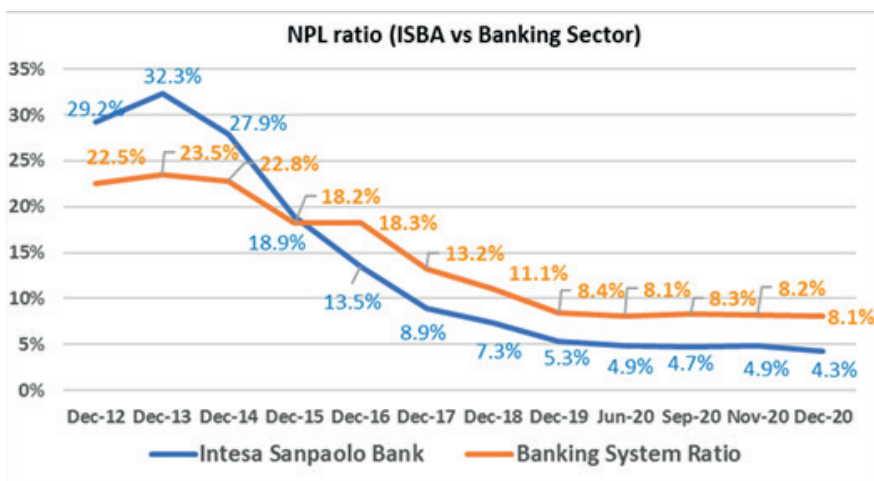
The good credit recovery achievement supported a combination of other indicators: a low level of cost of risk 0.37%, although moving upwards from negative territory of last years,

along with an increased NPL provision coverage ratio. The bank preserves quite a high capital adequacy ratio of 21,5%, being as well part of Intesa Sanpaolo Group, a group with one of the highest capital strengths in European banking.

In our experience, the mechanisms for NPL recovery, put in place after the 2013, have supported enormously in the promptness and quality of measures taken, as a response to COVID-19 crisis, which I believe to be the case also for the banking system, as a whole. During pandemics, banks in tandem with authorities, Government and Central Bank, took measures to temporarily suspend, or postpone debt repayments of businesses and individuals. Despite the fact that such measures differed from one institution to another, payment holidays and/or upfront payment rescheduling, through those, banks shouldered a considerable burden, supporting the economy with necessary liquidity, during the lockdown and in continuation of the crisis. We offered the possibility of loan

payment suspension, from March to August 2020 to all our customers, and thereafter, the possibility to choose their new repayment schedules, according to economic capabilities. The support was amplified by specific additional financing, granted through Government's COVID-19 schemes for salary payments and working capital, implemented in line with each bank's individual liquidity strength levels. However, the whole system showed to be resilient. Intesa Sanpaolo Bank Albania dedicated an additional Plafond for financing of companies, which could not meet the criteria of guarantee schemes, but had specific and clear investment plans, which were assessed worthy of trust and qualified for implementation.

As per the above, we managed to show resilience as well in maintaining profitability over time and once more confirmed our role of being able to support the economic growth, by triggering positive spiral effects, even in times of crisis. This was also a result of increased efficiency in



many areas of activity. Furthermore, the innovation boost, accelerated by the peculiar nature of the COVID-19 crisis, may contribute a lot to the modernization and early tackling of the deteriorating credit. In ISBA, we are implementing a full new approach on follow up of consumer lending, early renegotiation and recovery solution of the deteriorating exposures, enabled as a result of the recent End-to-End automation and digitalization of the consumer credit.

In terms of 2021 trends, given the uncertainties related to the pandemics, the NPL ratio may experience some upward pressures, mainly due to:

- The deterioration of repayment capability of individual mortgage and consumer loans, due to unemployment increase, medical treatment costs etc.,
- The visible contraction of the number of micro-businesses, which constitute the major number of businesses in Albania,
- Direct impact on sectors of restaurants, accommodation, and tourism,
- Pressure on new lending as result of selectivity, by keeping low the denominator of the ratio.

On the other hand, the standard regulatory framework on credit risk, since the introduction of IFRS 9, asks for a prudential forward-looking effect of future estimated credit losses to be reflected in bank's financial statements. Such international approach, preferable also by local regulators, has been eased by the temporary instructions, issued by almost all authorities during the pandemics, to allow for a softer treatment of renegotiated exposures, in terms of classification and provisioning, given the generic nature of the crisis (not related to specific borrowers). The renegotiated payment plans should not trigger a deterioration of risk classification, until March 2021. Given these considerations, we deem

that a particular focus must be put in three directions:

### **A. Banks anticipating solutions for the deteriorating credit**

It remains an imperative the close monitoring of customers experiencing the COVID-19 economic impacts and those that have been granted easing repayment terms, as result of moratoriums, to ensure timely intervention, thus minimizing the economic impacts on bank's financial statements. This will be the key challenge for banks, during the whole 2021, especially in the first quarter, as it was for 2020.

The year will be characterized by supporting solutions of banks for tourism and accommodation sector customers, to anticipate their needs and remain aligned with the real economic capabilities of investors in this sector. Such anticipation might not exhaust its effects in the first quarter of the year, a period granted from Bank of Albania and European Banking Authority to allow for an easing treatment of renegotiated exposures, in terms of classification. In such case, the renegotiated plans will also trigger deterioration of risk classification of such exposures and increase of non-performing loans, for both local and IFRS standards, at least for 2021. However, despite the easing measures, it is critical that banks make a fair and true representation of such positions, by promptly reflecting the possible impact of pandemic, in terms of provisions.

### **B. Preserving harmonized treatment among actors of banking sector, Central Bank, Auditors, Banks**

To this end, it is very important that the harmonization of treatments is preserved among sector actors: Central Bank, Auditors and Banks, as it is done so far, thus remaining true to the spirit of the instructions issued

during 2020. Businesses that showed resilience before the crisis and have been impacted specifically by the pandemic, and upon assessment, are considered to be still able to survive the crisis with the renegotiated terms, should be treated in a coherent manner in 2021, as they were during 2020, regarding the regulatory aspects.

Finding the proper equilibrium between the forward-looking approach in recognizing possible negative effects and granting necessary time for recovery to all stakeholders, is the other critical challenge for this year. We believe that assessment and recognition of factual losses should prevail, during the pandemics.

### **C. Ability to keep supporting the economy**

It is difficult to make clear predictions for 2021, but we expect some sectors to keep performing well, such as: renewables, pharmaceuticals, and agriculture, which have had little or no impact at all from the pandemics. Construction, as well, shows some revived demand, which we see reflected in more financing for mortgages, where borrower incomes are still generated by sectors with no direct, or cross impact from COVID-19; while the financing of construction companies themselves will remain quite selective, as far as legal requirements and clear funding schemes of the full business plans are concerned. Cross consequences among sectors will be addressed cautiously, as well.

At the end, two assessments will be important in understanding the resilience of banks in terms of capital: Bank of Albania's stress test exercise and that of the European Banking Authority, shortly expected to communicate results. We expect such assessments to evidence robustness of our banking sector, and also helping to uncover any specific bank weakness, which need to be addressed in due course.

## BANKING SYSTEM

# Bank lending during 2020 and its quality



## Rajmond PAVACI

Manager, Risk Management Division  
ALPHA BANK ALBANIA

### Which were the most financed sectors during 2020?

Despite the challenges the pandemic has caused to the economic landscape, Alpha Bank Albania fulfilled its role in supporting the local economy. During 2020, we maintained our supply of credit to the private sector through new loan disbursements of EUR 89 million by offering financing to more than 2,500 households and businesses. In addition, throughout the year, we dealt with an increased demand for mortgage loans and coverage of the relevant consumer needs, which we managed effectively providing more than EUR 18 million.

Small or medium enterprises were most financed during 2020 in terms of numbers, namely businesses in the sectors of Manufacturing of semi-finished products, Retail Trade, Transport and Storage of Foods and other Goods, Education and IT equipment, Health Services and Social Work. Financing was

also provided to some large corporates belonging to the sectors of Construction and Real Estate, Wholesale Trade, Transport and Storage of Goods, etc. In total, the new financing was equal to 21% of the outstanding balance for businesses and close to 13% for individuals.

### In which areas do we expect any potential increase of NPLs?

The long-term impact of the COVID-19 pandemic on some sectors is accompanied with shortages on staff and unfortunately closing of businesses. This causes increase of unemployment for specific professions and businesses and, from the loans' collections point of view a potential increase of the Non-Performing Loans in the areas of Travel Agencies, Bars & Restaurants, Retail Trade and Services. Our Bank is closely monitoring the situation, providing also customers with solutions, aiming to proactively prevent a significant increase of NPLs.

### Restructurings effectuated during 2020

The primary focus during 2020 was laid on extensive analyses and assessment approaches on providing transitional financing to healthier sectors by re-assessing the existing exposures in order to cover any possible need of modifications in terms and conditions of these loans. In this framework, case by case credit risk assessment was in place for individuals and businesses, so as to provide them with the best possible solutions for their specific needs, trying to mitigate the difficulties that they were temporarily facing.

There were two main challenges: first, to identify those with temporary difficulties and second to extend the analysis beyond March 2020, to see if they were under-performing or even Non-Performing before that period already. Whereas in situations of temporary difficulty, mainly related to liquidity issues, the Bank has proceeded apart of payment deferrals and moratoria, also with mid-term restructuring solutions a scale of more than EUR 1.2 million for few hundreds of individuals and for around 75 businesses with more than EUR 25 million outstanding balance.







### **Elona LABINOTI**

Head of Operational and Loan  
Administration Department  
FIRST INVESTMENT BANK - ALBANIA

#### **Which were the most financed sectors during 2020?**

Despite situation created by pandemic, Fibank continued lending during all the year and we may say we also intensified the support to our customers for helping them in this difficult period. This fact is proved by the increase of loan portfolio at around 20%, what might be among the highest in the banking system.

The immediate reaction of the Government and the Central Bank gave the space for breathing and finding work-out solutions. The window for restructuring offered a resolution for all kind of loans and made it possible for the impact not to be as immediate and as severe when compared to the forecasts. All our forces, in the first months, were focused on finding the appropriate and tailored made solution that would accommodate client's requests on their debts. We allocated best experts, not only dealing with lending but all other internal resources to handle the process.

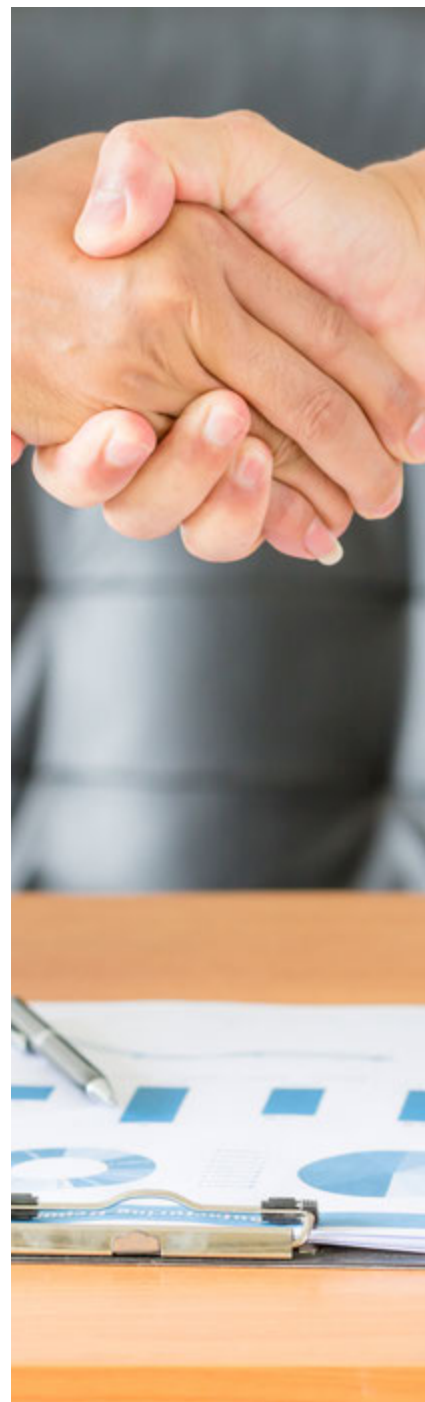
#### **In which areas do we expect any potential increase of NPLs?**

Nevertheless, NPL was maintained at a very good level, even lower when compared to December 2019. It was helped not only by the reduced flow of new non-performing loans, but also by a very good level of new lending and write offs. Fibank Albania invested significantly in adapting to the changes and new technologies. In this regard during the year, we improved e-banking platform and launched a very easy-to-use mobile banking platform which enables its clients to perform most of operations online. Furthermore, invested in new high-tech ATM's which offer to card holders the possibility of payments 24/7 through cash deposit functionality. It is also worth mentioning our further investments in increasing security, like introducing 3D security feature for all cards and improvements of systems to more digital solutions. Despite many challenges and difficulties, Fibank financial results were significantly positive and digitalization perspective opened its way to many interesting new projects.

#### **Restructurings effectuated during 2020**

Different ways were used to ease the loan term and conditions like reducing the installments for a certain period, extending the maturity, allowing clients to have grace period for principal or both principal and interest etc. As a result, more than 40% of our portfolio had a change in its original terms, due to the economic effects from the pandemic. Biggest impact is, of course in company loans. New granted loans surpassed EUR 43 million, with the net increase of the portfolio being more than EUR 19 million. Almost half of new loans

are granted to individual clients. The other half was allocated to certain economic sectors like production, construction and trade.





### **Manjola CAPO**

Head of Credit Division  
TIRANA BANK

#### **Which were the most financed sectors during 2020?**

The year 2020 was a challenge for the entire world economy, and for the banking system and Tirana Bank itself, which could not be an exception. Beyond all the difficulties brought by this year, including uncertainties for the years to come, our bank reconfirmed its mission, in support of local economy, by following a business model that ensures a continuous growth. In this view, Tirana Bank did not stop lending to businesses and individuals, along with an increased care for the quality of such lending and diversification of risk between sectors. Thus, construction was among the most financed sectors by the bank in 2020, considering the increase in the number of developing projects, the energy sector, which continues to be a sector with significant room for capacity building and efficiency improvements, trade, manufacturing, and of course loans to individuals, with a focus on mortgage lending.

#### **In which areas do we expect any potential increase of NPLs?**

Initially, it should be said that the measures taken by the banking sector as a whole, as well as by the Government and the Bank of Albania, since the beginning of the pandemic and onwards, certainly had a positive impact on keeping the loan portfolio quality under control. Tirana Bank maintained a proactive attitude towards its customers, by quickly addressing problems of payment difficulties, through mass implementation of moratoriums, required by the above institutions, and also through individual addressing of specific customers, operating in the most affected sectors. From the pandemic, but keeping an eye on other segments, too. Upon these interventions, a positive turn is already observed in the performance of a wide range of clients, affected by COVID-19 pandemic. Therefore, our expectations, based on detailed plans of business structures, risk and credit recovery, tell for a reduction in the level of non-performing loans, both as a percentage of total portfolio, and also in absolute terms.

#### **Restructurings effectuated during 2020**

Restructurings effected during 2020 in Tirana Bank covered about 30% of bank's loan portfolio. The largest distribution in number of clients was certainly in individual clients, whereas in terms of value, for the most part, they included large business clients. Restructurings were applied in various forms of rescheduling our clients' payment plans, starting in March 2020 with moratoriums on principal and loan interest payments, for a period of 6 months, both for individual and business clients. Such payments

were rescheduled at the request of the client and at the discretion of the bank, over the life of the loan, at maturity, or with other specific distributions, closely related to business cycles and clients' income.

Throughout 2020 onwards, an increased monitoring and supervision has been carried out for the entire loan portfolio, with a focus on business clients, operating in the sectors affected by COVID-19 pandemic. Also, the spread of the pandemic's financial effects of sectors and clients that interact with those mentioned above has been carefully analyzed. The goal has been and also remains the timely and early restructuring of loans for clients who show, or anticipate difficulties in payments, in order to recover businesses and individuals and maintain portfolio quality.



# My.raiffeisen.al

## The bank towards client

*The bank will launch new digital products very soon with the aim that, within 2021, our customers be provided with even the most important and complex online banking products, thus turning the dream of Raiffeisen Bank into a reality, via mobile, on a 24/7 basis.*



### Resmi HIBRAJ

Head of Card Business & Digital Banking  
RAIFFEISEN BANK ALBANIA

### What is the my.raiffeisen.al platform?

The platform my.raiffeisen.al is one of the latest digital innovations, which Raiffeisen Bank constantly brings to its customers. Raiffeisen's goal is that, through the latest technology and in the simplest and most intuitive way, to bring the bank where the customer is and not to push the customer to come, where the bank is. This is the future of banking, an inevitable reality for our market as well, which has traditionally been based on providing banking services through personal banker – client interaction. Digital innovations aim to preserve the added value of personal attention that the bank will pay to the customer and improve it, by channeling it towards more complex products, such as: lending

or investment.

The platform (my.raiffeisen.al) came as a natural development of the progress, Raiffeisen has made during the last 5 years, in accordance with its strategy to transform the banking experience for its clients. Our strategy focuses on developing the culture of innovation, digitalization of products/services, with a focus on mobile banking, and partnering with Albanian fintechns. Initially we brought Raiffeisen On, the mobile and web application, as the first one in the market, which created the opportunity to make all payments, transfers, phone top-ups, investments and applications for various products entirely online, 24/7. Then other innovations followed suit, such as: person-to-person digital payments, through KUIK, as well as person-to-business, through Scan & Pay, thus revolutionizing payment services, to be followed later by the first digital assistant (chatbot) in the market, RONA, where customers get answers to their questions, through artificial intelligence technology, without having to call customer service, or to show up to the branch.

The next qualitative step, and certainly more ambitious from the viewpoint of complexity and regulatory/legal compliance required by the Albanian legislation, is offering new customers the opportunity to become part of Raiffeisen through a completely online process, without the need to visit the branch physically. Such an

innovation is quite significant and a breakthrough for our market and will substantially improve the quality of customer service.

The COVID19 pandemic, through unprecedented social constraints and distancing for our society, highlighted the need to expand digital services in every area of the economy, including the banking sector, too. The frequent footages of long queues, in front of banks and other institutions, were a clear proof that our country and the banks as part of it, are still lagging behind global trends. By being aware of the situation and consequences, Raiffeisen Bank intensified the work, started well before 2020, to enable making new customers entirely online and the platform my.raiffeisen.al is our digital offer for new customers.

### How to make the banking experience easier for customers?

my.raiffeisen.al platform brings some important benefits to the bank and its customers. For the bank, it is an opportunity to offer the customer a fast, convenient, real-time and completely free service. Thus, it further diversifies channels, through which banking products and services are offered. Even more significant are the benefits to customers. It is a clear fact that, in less than 15 minutes, any client becomes a new customer of Raiffeisen Bank, by opening a new account, receiving a package with additional benefits, applying for a contactless debit card, etc. All of



this is made possible by filling in a questionnaire with personal data and through video identification, as well as the digital signature.

Such advantages are extraordinary important, when considering how much precious time would be spent at the branch, waiting in line, and not to mention the risk of COVID-19, given the exposure to an increased contact.

### Know us better through the digital/electronic signature process

The digital/electronic signature is enabled through a sophisticated and secure process, which guarantees customer identification, maintains data confidentiality and storing the proof that the client has signed digitally in our virtual archive. Digital signature is also a novelty for developed markets, and in this perspective, the implementation by Raiffeisen, as the first bank in the market, has set an important milestone, which will further develop the banking sector. The process is simple and the client, after completing the entire registration and application process, receives from the bank a document, which will be signed in digital form. The client opens the digital signature application, then opens PDF document to read/verify it, and with just one click signs the document, which is then automatically forwarded to the bank.

### Now that customers may open an online account, when will they have the opportunity to benefit from other products, by online application?

Opening an account is not an isolated process, but is accompanied by the opportunity to apply, or express interest in other products of the bank. From the first moment of application, customers have the opportunity to choose the option they

want: should they only want a simple account, or a package that offers a number of important services, at no cost (only the monthly cost of the package). Along with the account, the customer has the opportunity to apply for a debit card, enabling depositing and withdrawals from the account.

Following the account opening, the customer may download Raiffeisen On mobile application, where any banking transaction, performed at the branch, may be easily executed. At the same time, the customer has the opportunity to start using the digital innovation: KUIK, which enables money transfers to personal contacts via mobile phone, within a few minutes. This service is among the most demanded ones in developed markets and has been enthusiastically embraced by over 35,000 Raiffeisen customers.

Raiffeisen On offers many other payment and account maintenance services, as well as the ability to make purchases through Scan&Pay. At the same time, the client has also the opportunity to express interest in other products that the bank offers.

### Given the market need, what will be the next digital innovations, Raiffeisen will offer to its customers in the future?

Back to the above discussion about digital revolution that our country is experiencing, it is evident that for each of us the technology is changing the way we organize our time and activities, in a form not even imagined a few years ago, and here banks make no exception. During 2020 Raiffeisen quickly and efficiently changed the organization of work, by working virtually to protect the employees' health, as well as to ensure the provision of customer service seamlessly, despite serious challenges brought by COVID-19 pandemic. It was precisely our digital

progress in recent years that allowed the bank to emerge stronger out of the crisis and with a larger customer base. We are determined to further expand the range of digital services we offer; the market needs for new fast and secure digital services will be only increasing and Raiffeisen will always remain one step ahead of the market, to meet the demands of customers.

The bank will launch new digital products very soon with the aim that, within 2021, our customers be provided with even the most important and complex online banking products, thus turning the dream of Raiffeisen Bank into a reality, via mobile, on a 24/7 basis. Customers expect the relationship with the bank to develop further, being always dynamic and tailored to their needs, which evolve every day. Raiffeisen aims to meet such demands through an easy and transparent digital experience, by offering the customer something more: a benefit, a reward for loyalty, an offer, exactly when and where the customer needs it.

This is our digital mission and promise!



# New legal framework for Collective Investment Undertakings

*The provision of new forms and structures of undertakings in the new Law means a potential for the development of this market, thus creating new investment opportunities for Albanian investors and citizens, and at the same time, increasing access of Albanian companies to new financial resources.*



## Anxhela DERVISHI

Head of Investment and Pension Funds'  
Supervisory Directorate  
FINANCIAL SUPERVISORY AUTHORITY, AFSA

The market of undertakings for collective investment (UCI) is one of the non-banking financial markets, on which the Albanian Financial Supervision Authority exercises its regulatory and supervisory function, aiming at their stability, as well as their promotion and development. As per to its assets, currently, this is the largest market to be supervised by AFSA.

The UCI industry in Albania is relatively new, which has started with the Law No.10198, dated 10.12.2009: "On collective investment undertakings", as amended, and continued with the licensing of management companies and respective investment funds they manage. Up to end-2020, five management

companies and nine investment funds have been licensed to operate in this market. UCIs are important institutional investors in Albania. During these years, such sector has undergone some important structural changes, marking a positive step towards the development of capital market in Albania and of the financial market, in general. In this framework, the focus of supervisory work has been the strengthening of supervision of such market, through improving legal and regulatory framework, as well as increasing transparency vis-a-vis investors.

The new Law: "On Undertakings for Collective Investments" was recently adopted, with the aim to improve and further develop the legal and regulatory framework for the investment fund's market, at a time when the dynamics of this market have undergone major developments. The law entered into force on 20.06.2020, while the Law No.10198 dated 10.12.2009 with the same title, was abolished. It should be noted that this legal change was undertaken in the frame of the alignment with EU Directives (DUCITS and DAIFM), as the existing law was adopted in 2009 and amended in 2016. The work to draft this new law was implemented under the Project: "Strengthening the supervisory capacity of the Financial Supervisory Authority: Focus on Capital Market Development", funded by the Swiss State Secretariat for Economic

Affairs (SECO), and supported by the World Bank.

The novelties of the new Law on undertakings for collective investment (UCI) mainly consist of:

- Harmonization of requirements for establishing the UCI with public offering, open participation, or interval, with the UCITS Directive requirements, regardless of the fact whether the fund is a collective investment undertaking, or an alternative investment fund,
- The possibility of setting up new forms of organization of UCIs, such as: alternative investment funds, which are suitable for non-liquid investments, like real estate,
- Increasing investor protection through the increase of disclosure requirements in the documentation available to investors in UCIs with public offering,
- More provisions regarding the merger of funds, as well as maintenance, liquidation and closure of funds, management companies and depositaries,
- Increasing AFSA competencies, which were deemed as insufficient for supervising this market, such as: carrying out investigations, in addition to inspections, implementation and especially the penalties for breaching the rules, domestic and cross-border regulatory cooperation, by ensuring

## PROCES I SHPEJTË:

1

● — VLERËSIMI

2

● — APROVIMI

3

● — DISBURSIMI

OVERDRAFT

# OVERDRAFTI I PAGËS BËHET I JUAJI NË ÇAST!

Vetëm me 3 hapa të thjeshtë, do të keni deri në 3 paga në llogari, të cilat mund t'i përdorni kurdo që t'ju nevojiten.



- adequate investors' protection,
- Finally, to comply with the DAIFM (Alternative Investment Fund Managers Directive) requirements, provisions related to cross-border management and marketing for collective investment undertakings have been also added, but with the transitional provisions they will not apply until AFSA issues regulations for this purpose, which should not be later than the date when Albania becomes a member of the European Union.

### **New forms of UCI-s organization and development of ones already existing**

The new law allows the creation of new forms of UCIs and the development of the existing ones. With regard to collective investment undertakings with public offering, the new law prescribes the following forms:

- Open-ended undertakings in contractual form (investment fund) UCITS and not UCITS. The Law No.10198 dated 10.12.2009 allowed these types of undertakings, which have been operating in Albania, after being licensed by AFSA,
- Funds in interval form, which are technically alternative investment funds. This is a new organization form of undertakings, which is suitable to low liquidity securities markets, because they sell and redeem quotas only twice a year,
- Closed-end undertakings, in the form of a company (fixed capital investment company) and in contractual form (investment funds), which are suitable for illiquid investments, such as: the real estate. The Law No.10198 allowed

undertakings, in the form of an investment company, but their investments should have been in accordance with the UCITS Directive requirements, so they could not invest in illiquid assets. Technically, these are alternative investment funds.

Regarding the alternative investment funds that are offered only to professional investors, they must be registered with AFSA for sale to professional investors in Albania, regardless that they are domestic, or foreign funds. These may be open-ended, interval or closed-ended investment funds, closed-ended investment companies, or limited partnerships. According to DAIFM, these are alternative investment funds and are regulated by the requirements related to this directive, only. Under the new Law, alternative investment funds, which are allowed to be marketed and sold only to professional investors, are registered with AFSA, but not regulated by the Authority (FSA), although the manager of alternative investment funds and the depositary of alternative investment funds are regulated by AFSA, as required by the Directive.

The new Law on UCIs also prescribes new funding structures, as follows:

- Umbrella undertaking,
- Master undertaking (which has been referred to in Law No. 10198, but not defined and described),
- Feeder undertaking of collective investment (which has been defined but not fully enabled in the Law No.10198).

With regard to foreign collective investment undertakings, the new Law allows the recognition of UCI in transferable securities (UCITS/ SIKLVT) by public offering - in line with the UCITS Directive (DSIKLVT),

according to which any licensed undertaking, in the country of origin, may be marketed across the borders in any EU, or EEA member state. AFSA may also "recognize" alternative investment funds that are not UCITS, but that may be offered publicly in the country of origin. Recognition is subject to legal requirements and automatic recognition of UCITS, which will be mandatory, at the moment when Albania becomes a member of the European Union, according to the transitional provisions that will be applied only when Albania joins the European Union.

Also, in accordance with UCITS and DAIFM, the Law provides that the management company, established in a member state of the European Union, or the manager of alternative investment fund, is recognized by the AFSA, in accordance with the provisions of EU - Albania Stabilization and Association Agreement.

The provision of new forms and structures of undertakings in the new Law means a potential for the development of this market, thus creating new investment opportunities for Albanian investors and citizens, and at the same time, increasing access of Albanian companies to new financial resources. With the entry into force of the Law 56/2020 "On UCI", the challenge for AFSA lies in establishing the regulatory framework to implement this Law, as well as strengthening the supervisory capacity of this market, in terms of creating new alternative products for this market. Also, the compliance with requirements of the new Law on the activity of management companies and funds managed by them, poses a challenge for the market operators, as well as its relevant Supervisory Authority.

# VISA Back to Business Study: How Covid-19 reshaped the future of commerce

*Although digital enablement does not guarantee an end of crisis, the digital transformation can bring more people into the economic mainstream and create new opportunities for small businesses.*



**Vladimir DJORDJEVIC**

General Manager  
VISA FOR SOUTH-EASTERN EUROPE

With the rollout of vaccines taking place and the world economy showing signs of rebound, as the projection of growth reaches 5.5 percent for 2021, we're gradually settling into a new normal. While traditional retail has not yet returned to pre-pandemic levels, consumers who have been sheltering in place are eager to go outside and business owners are anxious to re-open for business. Predictions for brick-and-mortar retail are not the same, as when the lockdown started. Going to the stores, handpicking fruits and vegetables and talking to the cashier still accounts for an important shopping experience and will remain a popular way of purchasing for many shoppers. But even though a significant number of customers is turning to

stores back again, the overnight boom in e-Commerce, accelerated by the coronavirus outbreak, is also here to stay. What we see now is shopping patterns changing and creating a special mix of both online and offline payment habits. As a result, SMBs continue to make significant changes to meet consumer demands, from expanding their e-Commerce presence to accepting new forms of in-store contactless payments.

## Consumer preferences and expectations

During the pandemic, many consumers have started shopping online for the first time for essentials - a large portion



Digital technologies are here to stay and will become more important than ever, not just to support the recovery of the global economy, but to power the engine of global commerce.



made their first online grocery purchase, while some have made their first online purchase from pharmacies. As a result, what we saw was a significant growth in segments like food and medication, where e-Commerce was never big before. The availability to

purchase almost any product from the comfort and safety of home has led to true acceptance of online shopping - even the most reluctant consumers, afraid to press that shipping button, started enjoying the new way to buy and pay. As a global payment network and engine of commerce VISA has a unique insight into payment habits, through company's local presence. VISA data show some European countries are recording e-Commerce growth of around 25 percent, compared to the pre-pandemic period, while in Albania online shopping increased by 13.5 percent during 2020.

But perhaps the biggest shift, in terms of shopping habits, is the turn to contactless technology at the point of sale. The use of contactless payments became part of the public health response, but the convenience and reliability of the technology is reinforcing long-term habits. More than half of consumers have used contactless payments whenever possible, while two thirds state that post-vaccine, they would prefer to use contactless payments as much as, or even more than they are currently, reveals new Visa Back to Business Study. Visa has worked with payments industry partners and governments in more than 50 markets to increase tap to pay transaction limits, so that consumers are less-frequently prompted for a signature and

<sup>1</sup> According to <https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update>

<sup>2</sup> According to VisaNet data for domestic transactions on Visa cards for the period of Q4, 2019-Q4, 2020

touchless payments can be made even more. In Albania, the limit has been increased by 22 percent, giving consumers more convenience for everyday transactions.

### The road to recovery of SMBs

Small business owners have been hit the hardest by an economic downturn. In CEMEA region, between 60% and 89% of merchants have seen average spending decline, while in Albania as many as 71% of firms reported decreases in demand. Cash-only retailers have been most negatively impacted, while merchants who moved online and adopted contactless payments have been able to better weather the economic adversity. According to VISA Back to Business Study, as many as 83 percent of SMBs have changed how they operate their business in the past months, largely driven by digital adjustments, such as: selling products and services online, targeted advertising on social media and digitizing business functions like back-end payment operations. A good sign is that many of SMBs are aware of digital transformation importance and believe their sensitivity and response to the pandemic could be the difference between success and failure. With more than 160.000 micro, small and medium-sized enterprises operating in Albania, SMBs represent a vital contributor to economy's development. Many of them have also been trying to maintain their business intact by pivoting to a digital-first mindset and trying to create the perfect customer journey – as many as 77 percent of

Albanian firms reported adjusting their operations in response to the crisis. Still, despite recent strong process in digitalization, moving towards online activity has been challenging. While today's obstacles SMBs are facing may be new for some, VISA has been solving merchant payment pain points for decades. From a broader perspective, VISA is focusing its strategy on building the digital commerce environment, which will make online purchases and payments as easy as face-to-face payments are. There are a lot of opportunities, but the focus of the company is on helping businesses everywhere improve customer journey, by offering the most reliable and secure payment solutions.

### 2021 – The year of security

If 2020 was the year of contactless and e-Commerce growth, 2021 will bring greater attention to security and fraud. Across Central Europe, Middle East and Africa, there has been an increase in social engineering attacks, including phishing, where fraudsters are exploiting the gaps which existed pre-pandemic and have intensified during the crisis. As we move forward, businesses understand that having only a digital footprint will not ensure smooth and secure commerce. A true digital transformation enables businesses to serve customers online through efficiency, personalization, insight and, above all, safety. The new VISA study shows that tech-savvy business owners (52 percent) are more likely than their novice counterparts (39 percent) to invest

in security and fraud protection. Pandemic has forced some businesses to accelerate their digital transformation, so risk management has been left out of the equation. Small businesses who have yet to invest in payment security and fraud prevention should prioritize focus on this area in 2021, as fraudsters are becoming increasingly sophisticated. Protecting consumers against fraud does not have to be a daunting task for entrepreneurs - having the right tools in place and collaborating with an experienced, trusted partner is a way to success in this area.

### Digital transformation – Better together

Digital technologies are here to stay and will become more important than ever, not just to support the recovery of the global economy, but to power the engine of global commerce. With pandemic driven uncertainty set to remain in the near future, 2021 may bring even more transformation. Although digital enablement does not guarantee an end of crisis, the digital transformation can bring more people into the economic mainstream and create new opportunities for small businesses. It is on governments, financial institutions and businesses to work closely together on building the infrastructure needed for digital payment acceptance, but also help raise public awareness about the convenience and benefits of innovative payment options. VISA has focused its expertise and resources in ways to help all parties involved navigate these seismic shifts.

<sup>3</sup> Visa Merchant Study

<sup>4</sup> According to <https://blogs.worldbank.org/developmenttalk/covid-19-impact-albanias-private-sector-taking-stock-looking-ahead>

<sup>5</sup> According to <https://china-cee.eu/2019/11/26/albania-economy-briefing-albanian-small-businesses-in-their-quest-for-survival>

<sup>6</sup> According to <https://blogs.worldbank.org/developmenttalk/covid-19-impact-albanias-private-sector-taking-stock-looking-ahead>



# The Need for Collateral Conversion in Infrastructure Financing Projects<sup>1</sup>

*Albanian legislation does indeed provide effective legal opportunities to maximize the security of lenders in the financing of the construction of infrastructure networks.*



**Av. Ardjana SHEHI KALO**

MBA CIPD

During recent years, several important infrastructure construction projects have been implemented. These complex projects, like the construction of railways, gas & oil pipelines and others, are challenging to finance, not to mention the legal challenges they face, including the occupation of construction sites. Above all, providing collateral is a crucial factor in increasing chances of successfully financing, implementing, and completing these projects; particularly where the assets, in such projects themselves, used as collateral, are purchased, created, and built during the implementation phase.

Based upon the Albanian legislation, the article will address some issues (specifically, the issue of collateral conversion), which may be considered during the legal

evaluation of collateral's quality and provision, until their perfection in financing infrastructure construction projects, which may be applicable to other similar projects.

The treatment of collateral conversion, from movable property to immovable property, depends on the legal definition of "movable property" and "immovable property". Under the Albanian Civil Code, everything linked with the land (water springs and springs, trees, buildings, other land-based floating constructions) and everything that is embodied in the land and/or building is defined as "immovable property". All other items, including any other natural energy, are considered "movable(s)".

In order to properly address the issues of collateral and its conversion, we should assess whether there will be any transformation of tangible movable property into immovable property, during the construction of relevant infrastructure network. Movable assets, which due to installation, assembly and/or construction work create a permanent link with the land, may be defined as immovable property, instantly, when they acquire the quality of being immovable, in relation to the land, i.e. becomes linked with the land. Thus, for example, pipe fragments, which during installation are mounted and/or installed and extend as pipelines above ground and/or underground are, by their nature, movable items

when purchased. However, by acquiring the quality as immovable property because of the qualities they gain after assembly/installation and inclusion in construction works, these movables properties are permanently linked to the land (Article 142 of the Albanian Civil Code).

The legal challenge with above projects remains with different types of collateral for different types of properties (i.e. movable property or immovable property), when they are used against ensuing respective funding. In this respect, the next question to address during the legal due diligence should be: What is the type of available security offered for the respective movable properties and for the immovable properties?

Under the Albanian legislation, the means to use a movable item as security for relevant financing is achieved through a possessory or non-possessory lien. In the Albanian practice, possession is almost never used in project financing, not to mention the case of large investments. This is so, simply because it is seen as non-practical to render the movable property blocked and not put it in use. Furthermore, as of 1999, the Albanian Law no.8537/1999 "On Securing Charges", as amended, provides a comprehensive, efficient and effective means for a non-possessory lien; otherwise, referred to as a securing charge. Under a non-possessory lien/

<sup>1</sup> This article does not represent a legal advice

securing charge movable property is permitted to be used during the respective construction projects and is perfected upon registration in the Security Charges Registry (Article 8 of the Securing Charge Law). It is important to note that the Securing Charge Registry is intended to provide lenders/creditors with the means to register a securing charge on the movable tangible and intangible property of the borrowers. The perfection/registration of collateral is also the means through which one prioritizes claims over the enforcement of the same movable property, used as collateral for several creditors, as well as between complete and incomplete securing charges (Article 11 of the Securing Charge Law).

Movable property serves as collateral for relevant financing until it is transformed into immovable property, i.e. after it is assembled/installed and merged through construction works in permanent link with land and, thus, it qualifies as an immovable one. In this point (under Articles 560 and 562 of the Albanian Civil Code) a contractual mortgage becomes the means of securing the enforcement of the obligation, which represents a creditor's real right over the borrower's or a third party's immovable property for the benefit of creditor, to ensure the fulfillment of a borrower's obligation.

For purposes of these infrastructure projects, the ability to obtain security on future immovable property is quite imperative. While a mortgage can be created by contract (Article 562 of the Civil Code), a mortgage then may be registered, thus enforceable, once the immovable property comes into existence (Article 567). In this regard, it is important to determine the moment in which the asset is legally considered to be an immovable property, namely that the

"immovable asset exists". Further details may be found in the Albanian legislation, related to real estate development and construction which may serve as guidance for interpretation, when the above case may be.

Given that there is a transformation of movable property into immovable one in such infrastructure projects and, given that our legislation offers different types of security, for both movable property and immovable property, the legal challenge lies in the process of converting that collateral. This conversion should seek to avoid any affect to the interest of the lenders, their priorities, but also to achieve continuity of effective collateral without any interruption.

**So, what is collateral conversion?** Above all, it should be made clear that the "conversion" does not mean the "renewal" of the collateral. In relation to collateral, the term "conversion" is used as an analogy, because of the possibility of transformation of the asset subject to collateral, but, the effect of conversion of collateral itself is achieved by "substituting" the type of collateral. According to Albanian legislation, in this case, we are dealing with the substitution of the "securing charge" with a "mortgage". Is there anyway, for such substitution to be effected safely for lenders? Collateral conversion through substitution without diligent attention to corresponding legal framework could potentially leave the creditor/lender with no effective collateral, at the time of this conversion; however, the relevant legal risks will not be covered by this article. Only through proper legal due diligence the security of lenders could be maximized in these complex projects. As a relevant and proportionate legal solution, it is important to mention here that

the mortgage should not follow the transformation of the movables into immovable property. Creating a contractual mortgage on the immovable property that will exist in the future seems likely to create legal comfort. The procedure of establishing a contractual mortgage on the future asset, its registration hence perfection on the prospective immovable property must be coordinated and overlapped with the release of the securing charge, created and registered/perfected when the borrower becomes the owner of the movable property. For the purpose of the secure substitution of the collateral, it should also be considered that while the registration of the securing charge is done in a single central register, which is the Securing Charge Register ("RBS"), the mortgage is registered in the regional real estate registry offices of the place where the actual immovable property is located. Likewise, the issue of releasing a securing charge and mortgage should be given special attention, as well as to the moment of creating borrower's title to the immovable property, the validity and effectiveness of securing charge and mortgage, the extension of the mortgage on the relevant servitude (Article 564 of the Civil Code), the priority order of the mortgage and the application of *pari passu* principle, during mortgage (collateral) enforcement, under Articles 574, 575 and 576 of the Civil Code.

Albanian legislation does indeed provide effective legal opportunities to maximize the security of lenders in the financing of the construction of infrastructure networks. Of course, the legal challenges to the practical implementation of the above legal remedies are numerous, also because the relevant jurisprudence and court practice is virtually non-existent.



Shërbimi më i mirë me  
produkte të personalizuar  
dhe procedura të thjeshta

*Jeto plotësisht*



## EXPERTS'S FORUM

# German Sparkassenstiftung and BMZ

## Working together to improve financial education and financial inclusion in Albania

### Anja DEINZER

Country Director, Albania  
GERMAN SPARKASSENSTIFTUNG FOR  
INTERNATIONAL COOPERATION

The year 2020 has been challenging year for all, and the financial sector is no exception. All businesses have experienced new pressure and are working to overcome the challenges that COVID-19 pandemic has produced. Amidst these trying times, German Sparkassenstiftung für internationale Kooperation started their first project in Albania, just a few months ago. The project: "Strengthening Financial Literacy in the Republic of Albania", is focused on supporting individuals, small business, and micro businesses through financial literacy training programs, and by sustainably promoting and providing financial and vocational education.

### German Sparkassenstiftung World-wide

German Sparkassenstiftung für internationale Kooperation is an implementing agency of the German Federal Ministry for Economic Cooperation and Development (BMZ). On its behalf, German Sparkassenstiftung supports governmental, non-governmental and private sector partners to jointly realize development measures, aiming at the enhancement of responsible and inclusive financial services, as well as entrepreneurship support to micro and small entrepreneurs and farmers. By strengthening local and regional financial structures, as well as promoting financial and entrepreneurial literacy, German

Sparkassenstiftung not only generates development opportunities for a wide section of the population, but ultimately helps to create jobs and income.

### 1992: German Sparkassenstiftung came into being

As long ago as 1961, the Egyptian government asked the German Savings Banks Association (DSGV) to assist it with the creation of credit cooperatives in the Nile Delta. In the 1980s, Germany's Sparkassen repeatedly received requests for support from developing countries wishing to establish financial institutions. Sparkassen-Finanzgruppe thus launched projects in Asia (Bangladesh, China and Sri Lanka), and in Africa too (Botswana, Kenya, Namibia and Uganda). In Latin America, it started operating in Colombia and Peru.

The fall of the Iron Curtain and the break-up of the Soviet Union brought new challenges for the Sparkassen-Finanzgruppe who had to restructure the organization to enable operation in the social market economy of the former GDR. Once this task was completed, there followed a surge in the number of requests for support from Central and Eastern European countries. The Sparkassen-Finanzgruppe responded to this international demand for its expertise and experience by founding the German Sparkassenstiftung für internationale Kooperation, focusing on promoting economic and social development and expanding development-policy engagement in developing economies.

### 2020: German Sparkassenstiftung started operating in Albania

In June 2020 German

Sparkassenstiftung and BMZ launched a new project in Albania, aiming to help improve financial education and financial inclusion in the country. The overall objective of the project: "Strengthening Financial Literacy in the Republic of Albania" is to improve the socio-economic living conditions of the population in Albania. By providing support to individuals, small business, and micro businesses, through financial literacy training programs and by sustainably promoting and providing financial and vocational education, the project works towards realizing these objectives. The project places an emphasis on rural regions of Albania where the development of measures for the target groups to gain entrepreneurial skills like financial management, accounting, business planning and emergency planning, are focused.

By working closely with partner institutions in Albania, our German Sparkassenstiftung banking experts support and strengthen the ability to design and implement needs-based financial education programs, which have been sustainably developed in cooperation with state actors and other donor initiatives in the rural areas of



Mendo globalisht, vepro lokalisht,  
bashkëpunohet ndërkombëtarisht.



Albania. In this regard, we are actively contributing and collaborating with all Albanian stakeholders that have the intention to improve the situation of financial education and literacy in the country.

The project officially launched on 2 November 2020, with an Online Stakeholder Workshop where the project was formally introduced, and the results of the project scoping mission was shared with the participants from both private and public institutions, including the Bank of Albania, the Albanian Financial Supervisory Authority, as well as the Minister of State for Entrepreneurship Protection. During and following the project scoping mission (June–September, 2020), our German Sparkassenstiftung experts identified the need for intervention, aiming to improve financial education and literacy, which has become a fundamental focus of the project and crucial in terms of improving financial inclusion and customer protection in Albania.

Even through such a short period of time and amidst many challenges, in terms of COVID-19 pandemic, there has been much interest from different stakeholders, which have materialized into agreements with several NGOs operating in rural areas Albania, as well as with operators in financial markets. We have introduced a new methodology, incorporating our educational game in a virtual environment with an interesting educational methodology, full of concepts that can help households, small businesses, and farmers to improve knowledge and skills.

Our project operates a “training of trainers” educational course for partner organizations, where participants learn to lead members of the public through “playing” the financial education game, ultimately multiplying the reach of financial education skills and knowledge. These

trainings have been really appreciated by all participants from several institutions and NGOs. Also, some of them have already started to multiply these trainings to their beneficiaries virtually.

The success of implementing this education tool virtually stands on the possibility to include remote areas, inhabitants and people like women with young children that would not otherwise be able to attend a training in person and supports Sparkassenstiftung's three guiding principles: partnership-based cooperation in a spirit of mutual trust; the transfer of key success factors from the Sparkassen-Finanzgruppe; and the implementation of practice-oriented solutions. All the Albanian institutions, German Sparkassenstiftung works with, are not perceived as clients but as partners. By engaging in a spirit of mutual trust, we promote sustainable development and works with them to build up long-term professional relationships.

### **Good intention, good tools and serious partners can make success happen!**

There is no doubt that training sessions can help improve financial education for certain segments of population, but we recognize that training alone is not enough. This is why, from the beginning, a focus of the project has been on having and establishing relationships with various national and local organizations like the Albanian Network for Financial Education (ANFE) and its members: the Bank of Albania, the Albanian Financial Supervisory Authorities, the Ministry of Education and Sport, universities and state agencies. We recognize that, in order to explain our vision on enhancing financial education, actions must be taken and strong cooperation between all actors is required, in order to overcome challenges. In this regard, we have been offering our contribution to the process consisting in our best

competencies, knowledge as well as experience.

We are happy to see that there is a common understanding with most of the actors we have had the chance to meet and share with. We are pleased with the cooperation and relationships we have built up with the ANFE and its members like the Albanian Association of Banks, Insurers Albanian Association, Junior Achievement, as well as the Albanian Microfinance Association. With a great pleasure we have accepted the invitation to join as a member of ANFE, starting in March 2021. That, in our opinion, is a positive feedback on the efforts and input of German Sparkassenstiftung during these first months of the project. Together with all members, we will make all efforts towards helping the Bank of Albania in drafting a National Strategy for Financial Education, working to bring in proper expertise and positive experiences from other countries worldwide.

### **Sharing knowledge and expertise as well as professionalism and hard work!**

We recognize that all these activities and efforts have been possible thanks to their professional and efficient staff. We are only four local staff that, in a very proficient way, have been working with all partners. Due to the professionalism and dedication of the team, we have managed to progress quite far, in a short amount of time. In our office, “team” means a lot and no matter what happens, help each other, rely on each other. All moving in the same direction with the same direction. With this spirit, we are very optimistic they we will fulfil the objectives of the orientations phase of the project by the end of May 2022 and be ready for the three years of implementation phase coming next.

*Alone we can do so little; together we can do so much!*

## “Ethics and the future of work” - from “Could we” to “How should we”

### A look through the lens of the pandemic



#### Roden PAJAJ

Consulting Director for Human Capital Advisory Services  
DELOITTE ALBANIA & KOSOVO

As part of a global research conducted by the Deloitte Network worldwide, - in the last three years, - Deloitte Albania has been measuring human capital development trends in Albania. In the survey on these trends in Albania for 2020, “Ethics and the Future of Work” emerged as one of the most important trends. “The future of work” - since before the pandemic - has been a hot discussion topic, driven by rapid technological developments in developed markets. Apparently, the Covid-19 pandemic, like a time machine to the future, brought the business world much faster into the future of work, already a necessity not only to survive, but also to thrive in the new normality. The “future of work” as we had projected in the mid-term future, is now.

The pressure of the pandemic accelerated the implementation of digital technologies and,

consequently, the need to redesign the work itself, the workforce, and the workplace, especially towards remote and hybrid work. In response to the pandemic, some of the corporates in the country, including financial institutions, created the necessary conditions to enable work remotely. Some of them are considering turning this into a new model of doing the work. With the integration of humans and technology, alternative workforces, and new ways of working, ethical challenges become more stubborn, especially at the intersection between humans and technology. New ethical questions arise over the impact of these technologies on the workforce and broadly on the society.

#### The Gap between Importance and Readiness

About 78% of survey participants in Albania say that the trend “Ethics and the future of work” is important or very important for the success of their organizations, but only 57% of them say they are ready to address this trend.

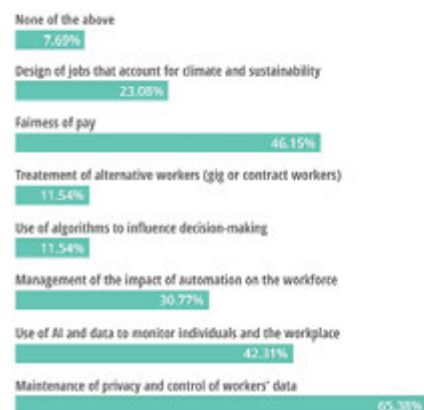
The development of technology - as proven during this pandemic - is making more difficult to maintain work-life balance, preserve data confidentiality and privacy. The main questions raised by these developments are: How is the technology affecting the way the work is being done and tasks are performed? Does the implementation of new technologies in the work processes aims only towards labor costs reduction or is it driven also by value creation through the integration

of technology and human skills? What would be the social impact if we focus only on cost reduction? How will we be able to monitor the performance of the workforce in this new reality? Will we continue to appreciate the visible efforts of employees in an office environment, or the final outcome of their work?

To understand more about the developments in the Albanian market in this field, in our survey conducted before the outbreak of the pandemic, we raised, - inter alia -, two main questions. The first question aimed to understand what the main concerns for Albanian organizations are regarding the ethical addressing of the future of work and how ready they are to address them. While the second one, aimed to highlight the main drivers of the importance of this issue.

Privacy and control of workers’ data resulted as one of the primary concerns (for 65.38%), followed by fairness of pay (for 46.15%), use of Artificial Intelligence and data to

#### Top ethical concerns relative to the future work in your organization

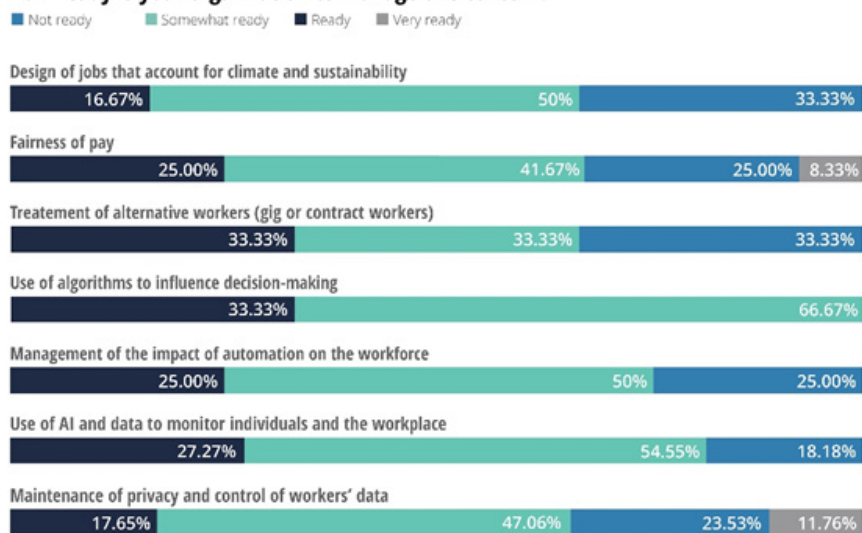


<sup>1</sup> Deloitte Albania, Human Capital Trends Report, 2020, “Social Enterprise in Action: Paradox as a Form of Development” <https://www2.deloitte.com/al/sq/pages/human-capital/solutions/trendet-e-kapitalit-njerezor-2020.html>

<sup>2</sup> The future of work is a result of three dimensions which are constantly changing: Work (what), Workforce (who) and place of work (where), Future of work\_ Deloitte, 2020

<sup>3</sup> 2020 Deloitte Global Human Capital Trends 2021 Global Human Capital Trends | Deloitte Insights

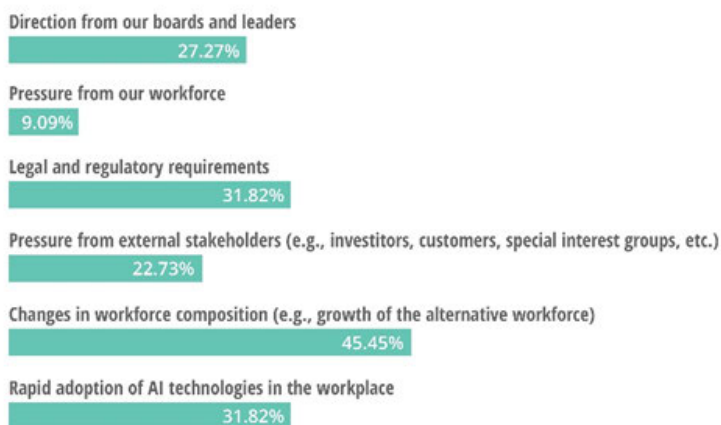
### How ready is your organization to manage this concern?



monitor individuals and the workplace (for 42.31%) and management the impact of work processes automation on the workforce (by 30.77%).

Regarding the level of readiness of the business organizations participating in the survey to address them, they said they are less ready in

### What is driving the increased importance of managing ethical issues related to the future of work?



### How do you expect the importance of managing ethical issues related to the future of work to change in the next three years?



terms of skills and capacity regarding "Use of algorithms to influence decision making" and "Treatment of alternative workforce" (with 33.33%). It is known that the level of work processes automation in Albania and the use of Artificial Intelligence in decision-making, with exceptions in specific sectors such as banking and telecommunications, lag behind compared to developed countries.

On the other hand, the management and fair treatment of alternative workforce or "invisible labor force", is also an emerging phenomenon in the reality of the Albanian labor market, which requires a strategic approach by business organizations, as well as legal and fiscal regulation. In developed countries, this workforce segment is rapidly growing, what has raised ethical concerns such as access to fairness of pay, health care and other benefits applied to traditional employees. According to the survey results in Albania, this phenomenon is also listed as one of the main drivers of importance of this trend.

These insights prove once again the growing importance of the ethical approach to the future of work. In addition, they call for an increased attention of business leaders on this issue, at a time when the challenges of human capital are numerous and dynamic.

For this reason, in combining technology with the human element in the new normality of remote and hybrid work, the question regarding the ethics of the future work shifts from "could we" to "how should we" implement technology in the redesigning the work itself, the new business operating models and customer service!

<sup>4</sup> In the US the number of self-employed was estimated to reach 42 million in 2019, while in the UK the gig economy has doubled from 2016 to 2019 reaching 4.7 million. 2020 Deloitte Global Human Capital Trends 2021 Global Human Capital Trends | Deloitte Insights

## SOCIAL DEVELOPMENT GOALS



### ALPHA BANK

- Following the motto: **"I love you life!"** the staff of Alpha Bank - Albania, in cooperation with the Albanian Red Cross, Tirana Branch, organized on 1 and 8 April, for the eleventh consecutive year: "Blood Donation Day".
- "Tirana Economic Forum" was held online, on 12 March. One of keynote speakers was Mr. Georgios Papanastasiou, Chief Executive Officer of Alpha Bank - Albania and President of Greek Business Association in Albania, who spoke about how the COVID-19 pandemic tested the Albanian economy in general, and the banking system in particular, but despite the increase in uncertainty, the banking system continued to show a financially stable position, with a high level of liquidity, supported by more than sufficient capital, thus making it one of key actors in the recovery of the Albanian economy.



- Supported Health Center of Malësi e Madhe District, in order to improve working conditions there and to increase the quality of service for about 5,000 patients, as well as access to the electronic health system, by compiling online medical protocols, as well as publishing them in a book format.
- In the frame of supporting institutions that provide services to the community, it funded the State Agency of Cadastre, Vlora (SAC) and the Regional Directorate of Social Insurance, in Lezha, to improve their working environment.
- Donated equipment to improve the IT infrastructure, by promoting technological innovation for State Agency of Cadastre, Devoll (SAC).

- Supported the "Tirana Economic Forum", a high-level forum, which addressed urgent challenges facing Albania and the world.
- Donated office equipment to improve working conditions in institutions like: Red Cross, Elbasan Branch, Land Forces Command, Kamza Local Education Directorate, Directorate of University Hospital Services, Albanian Air Force.
- Continued the project for establishing bicycle stations near each branch, not only in Tirana, but also in: Elbasan, Korça, Saranda and Vlora.
- Supported the creation of green area in Fier city center.
- Supported VIZart Cultural Association, in the organization of "VIZart" event, an exhibition that brings together the works of 50 Albanian masters, belonging to different generations.
- Supported "Partizani" Volleyball Association, by covering the expenses for sports uniforms of the team and other expenses, during the championship.



- Launched the latest initiative: "Food Bank", where every month it will be close to families in need. The bank distributed food aid to over 80 families in need, in the city of Tirana and Kavaja.
- Supported the organization of the National Conference of Medical Sciences 8, which included 10 webinars for clinicians, 10 webinars for pharmacists and 10-15 webinars for dentists.



The American Bank of Investments supported, for the fifth consecutive year, YWCA - Albania, in its awareness and prevention initiatives on the breast cancer. Under the motto: **"Pink ribbon reminds us that early detection of breast cancer saves our lives"**, YWCA - Albania launched its 13th campaign, with ms. Ermonela Jaho, the world-famous soprano, as its ambassador.



- Funded the project of Fier Educational Center, for equipping 4 main kindergartens and nurseries of the city with security cameras.
- Social responsibility is an important part of Fibank's activities and one of the causes that have been continuously







# UBA

United Bank of Albania  
Banka e Bashkuar e Shqipërisë

*Eja si klient, qëndro si partner!*



[www.uba.com.al](http://www.uba.com.al)



United Bank of Albania



0800080

supported is that of the "Down Syndrome Albania" Foundation. Mr. Bozhidar Todorov, Fibank Chief Executive Officer was awarded by the foundation with a certificate of appreciation.



- Intesa Sanpaolo Charity Fund\* grants EUR 452,330 to Albania through 3 projects in cities and rural areas that affect directly more than 3,600 beneficiaries. Specifically:
  1. The project "I CARE - Emergency response actions post-earthquake in Albania", started in late December 2019, is implemented in four main areas: Durrës, Sukth, Thumanë and Bubq. The duration of the project is 16 months, and the beneficiaries are roughly 1,500 people.
  2. The project: "Psycho socio-health interventions during COVID-19 emergency and post-earthquake emergency in Albania", which started in July 2020, is implemented in Lezha, Bubq and Thumanë. The duration of the project is 12 months, and its beneficiaries are 1,050 people.
  3. The Project "URBAN LAB" has been approved in 2021 and will be implemented in Divjaka municipality, Fier. The duration of the project is 12 months, and its beneficiaries

are 1,130 people.

*\*The Fund for charitable, social and cultural contributions, which is provided for by Intesa Sanpaolo's Articles of Association, is coordinated by the Bank's Chairman and permits the allocation of part of non-distributed profits to charity and to support projects that revolve around solidarity, social utility and value of the individual.*

- Awareness campaigns supported:
- Awareness campaign for cyberscams.
- 1 March 2021: Zero Discrimination Day!
- 3 March 2021: World Wild Life Day.
- 8 March 2021: International Women's Day.
- 21 March 2021: World Down Syndrome Day.
- Earth Hour 60+ on 27 March 2021 @ 8:30-9:30 p.m., taking action for the planet and the nature! The head office switched off the lights.
- Three educational labs regarding financial education. Intesa Sanpaolo Bank Albania prepared and shared three videos, regarding financial education activities through a massive online platform, which is used also for online classes, ACADEMIA.al. The videos contained information on Savings and on Recycling:
  - Kids and Savings,
  - It's up to You!
  - Waste Revival even children can recycle.
  - Intesa Sanpaolo Bank Albania,

has been awarded as BEST CSR BANK ALBANIA 2021, Global Banking Finance, the prestigious international magazine.

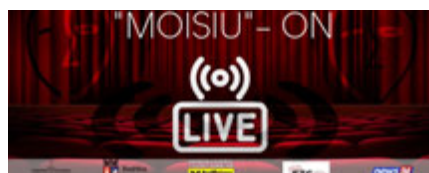


**ProCredit Bank**

Through an agreement with the European Investment Bank, ProCredit Bank Albania is supporting small and medium sized businesses (SMEs) and enterprises, having less than 3 000 employees (MidCaps), by providing access to an invaluable source of lower cost finance and flexible repayment schedules.



- Supporting the ICT Awards, which started on March 27, 2021 with its 9th edition, under the support of Raiffeisen Bank, as general sponsor, has become quite a tradition.
- In the frame of the support that Raiffeisen gives to the arts and culture in the country and as a general sponsor of the National Theater, it supported the "MOISIU" – ON, the nationwide Theater Festival, which was held virtually from 23 February to 16 March.





- Supported the project: "Start Up City 3", organized by the Metropolitan University of Tirana.
- Sponsored Tirana Municipality for the production of five bicycle parking stations, which are located in different spaces in the city of Tirana.
- In the frame of organizing the National Conference of Medical Sciences 8 on the topic: "Challenges of medical professionals during the Covid-19 pandemic", OTP Bank - Albania provided its support in organizing this event, which was held online, this year.
- Donated a significant amount of chairs, computers and furniture to local and national institutions across the country. Thus, during the first quarter of 2021, a total of 60 chairs of different models were donated to local units in the districts: Laç, Pogradec, Saranda, Lezha, Berat, Tirana and six computers in Fier district.
- In the framework of tourism

promotion in Albania, OTP Albania Bank supported the Municipality of Gramsh for the production of 61 orientation tables for the tourist areas of this district.

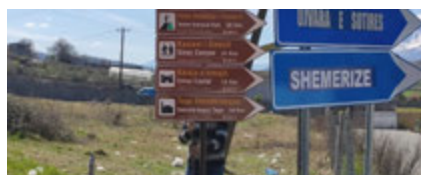
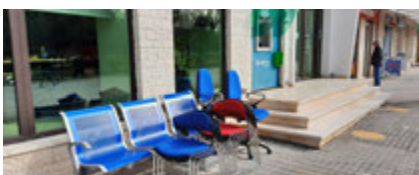
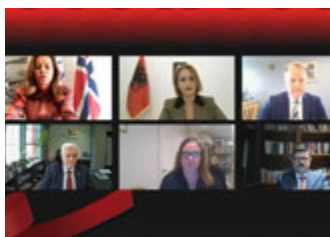
## TIRANA BANK

- Contribution for "5 Martyrs", a 9-year school in Ksamil, by creating optimal conditions for attending classes, for 540 pupils of this school.
- The Bank inaugurated the project: "Green Terraces", in cooperation with Tirana Municipality. The main message of the event was that: "The expansion of residential areas and the infrastructure of Tirana city requires special attention and this is a responsibility of both individual and collective nature. We express our commitment to the environment and green areas of the city, through projects of a symbolic nature, but with high ethical and social standards, reflecting this value integrated in the philosophy of Tirana Bank".

- On this 8 March, the bank chose to offer a better opportunity for a woman and a mother, whose rights have been violated. Under the special care of Mr. Dritan Mustafa, Chief Executive Officer of Tirana Bank, the bank cooperated with Albanian Woman's Empowerment Network (AWEN), a non-profit organization established in 2009 and with a network of 9 local organizations, located in all of Albania.

## UNIONBANK

On the occasion of International Women's Day, Union Bank launched in March a special offer, for all women and girls, who benefit discounts on certain banking products and services. The purpose of this dedicated package was to further increase the possibility of female access to banking activity. All girls and women customers who visited Union Bank branches, on 8 March, were given with a flower by Union Bank's staff, as a sign of gratitude and respect for them.



# MONEY WEEK

2021

During the week of 22-28 March 2021, the Bank of Albania (BoA) and the Albanian Association of Banks (AAB), with the support of the Ministry of Education, Sport and Youth (MASR), Albanian Deposit Insurance Agency (ASD) and other partners, organized various activities, in compliance with national COVID-19 health safety regulations, in order to promote efforts aimed at improving financial literacy of young people.

**"Take care of yourself, take care of your money"** was the official theme of the Money Week 2021. This theme highlights the importance of building financial resilience and staying healthy in the current context.

The Money Week 2021 actively involved more than 500 pupils and students, from more than 130 schools, at all levels.

## Tuesday, 23 March 2021

On 23 March 2021, the Bank of Albania opened the Money Week in an on-line ceremony greeted by Mr. Gent Sejko, Governor of the Bank of Albania; Ms. Evis Kushi, Minister of Education, Sport and Youth, and Mr. Silvio Pedrazzi, Chairman of the Albanian Association of Banks. After the speeches, the event continued with distribution of prizes for winners of the 4 contests, previously launched by BoA and AAB.

The first contest organized within this week was the **"Best Drawing"** contest, with the topic: **"Take care of yourself, take care of your money"**, addressed to pupils of 5th grade of the country's elementary schools. This contest was supported by Alpha Bank Albania.

The second contest was the one with photomontages, with the topic: **"Take care of yourself, take care of your money"**, which was addressed to pupils of 8 & 9th grade of elementary schools. The contest was supported by FIBank Albania.

The third contest was the one for the best video. High school pupils were invited to convey their original messages about the topic: **"Take care of yourself, take care of your money"**. The contest was supported by Tirana Bank.

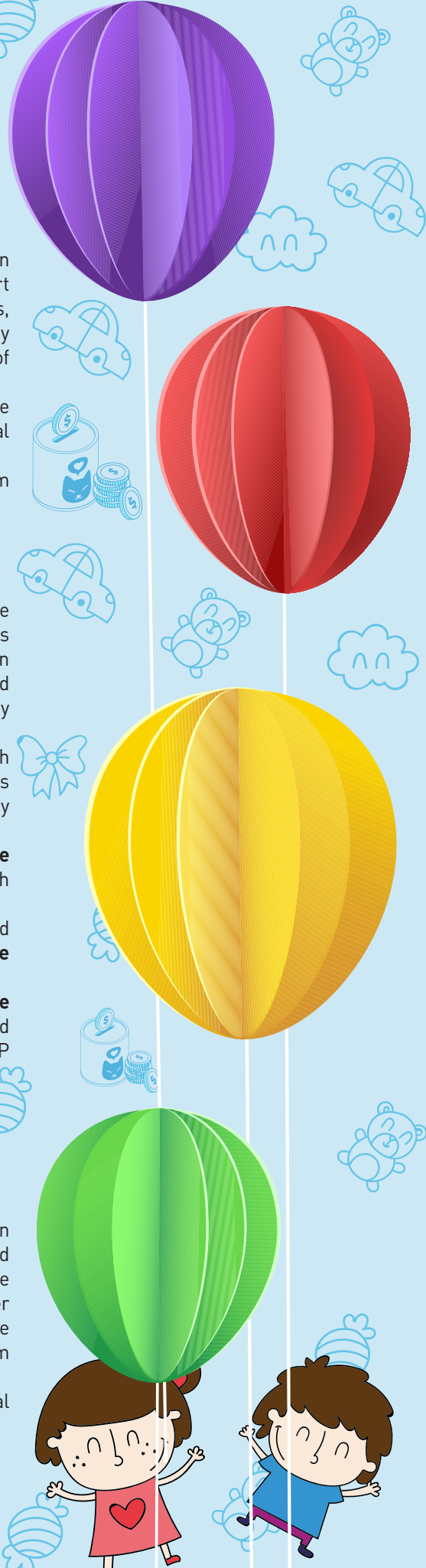
The fourth contest on the best Facebook post on: **"Covid-19 impact on the economy and management of personal finances during pandemics"**, addressed to students of Economics and Finance-Banking faculties, was supported by OTP Bank Albania.

## Thursday, 25 March 2021

### The Albanian Finals of the European Money Quiz 2021

On 25 March 2021, the Albanian Association of Banks (AAB), in cooperation with the Bank of Albania and the support of the Ministry of Education, Sport and Youth and the Deposit Insurance Agency (ASD), organized for the third time the European Money Quiz, with participation of 360 pupils of 13-15 age, from all over Albania. This year the competition on financial education was conducted online and participants competed as a team via the **Kahoot!** platform in a livestream event on AAB's YouTube channel.

This competition has become an annual tradition and aims at improving financial knowledge among children and youth.





The winning team is from "Sotir Gurra" school in Korça and is comprised of: Pandush Kosta and Anastasia Myftarlli. This winning team will represent Albania for the third time in the finals of the European Money Quiz, which will take place online, on 20 April 2021.

### Meeting with students

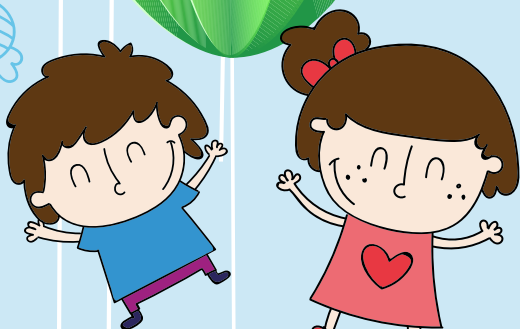
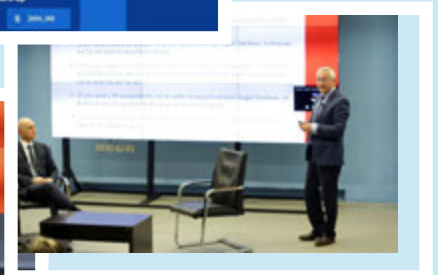
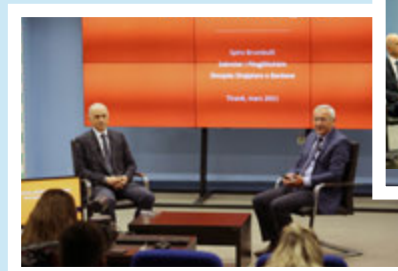
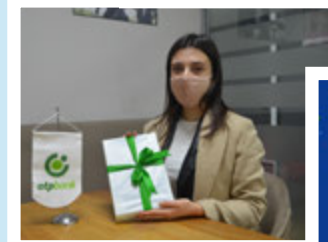
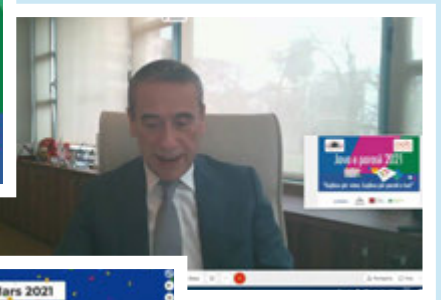
On 25 March 2021, Dr. Spiro Brumbulli, Secretary General of the Albanian Banking Association (AAB), held an online meeting & lecture with students of the Department of Economics & Finance, at the European University of Tirana (UET). The focus was on financial inclusion & education, and commercial banks.

## Friday, 26 March 2021

### Open Lecture

AAB, on 26 March 2021, in cooperation with the European University of Tirana (UET) organized an open lecture with students of the the Department of Economics & Finance. During this lecture, delivered by Ms. Ediola Bıçaku, Head of Internal Audit Department at Intesa Sanpaolo Bank - Albania, students were introduced to the role and functions of internal audit in the banking sector.

*Thank you to everyone who participated and supported the realization of the activities!*



## AAB ACTIVITIES

### AAB Secretary General attended the training: "Access to finance"

Union of Chambers of Commerce and Industry of Albania organized a two-day online training on "Access to finance", on 13-14 January 2021 and was attended by 80 participants. During the two days several important topics were discussed, such as: accessing the impact of the effects of COVID-19 pandemic on business activity in Albania, and the challenges for economic recovery; the role of banks and financial institutions in overcoming the crisis and supporting business with innovative products and services; etc.

Dr. Spiro Brumbulli, AAB Secretary General, as one of the participants in the training, explained the role of banks as key components of the financial system, the banks' investment in financial literacy and business financing opportunities.

This online training has been implemented in the frame of EU

support to the Western Balkans 6 Chamber Investment Forum.

### Open online lecture

On 2 February, Dr. Spiro Brumbulli, AAB Secretary General, gave an open online lecture on "Economy, financial inclusion and banks" with the participation of students from Faculty of Business at "Aleksandër Moisiu" University, Durrës. The event was of great interest to the audience.

### Training on Bankruptcy

On 23 - 25 March, AAB collaborated with IFC and enabled the participation of bank lawyers in the online training: "For Bank lawyers and stakeholders on real bankruptcy issues in Albania". The training was attended by 26 banks lawyers. The participants were awarded with certificates.

### Informative meeting with World Bank team

On 24 March, the AAB Secretary General held a virtual meeting with

the World Bank team. During the meeting, Dr. Brumbulli presented an overview of the banking sector and the project for the reports at Bank of Albania, according to IFRS standards.

### Campaign on the use of cards

On 1 March, AAB started the campaign on the use of cards, which aims to raise public awareness on the use of debit and credit card payments and highlights the benefits of using them. The message is conveyed through a metaphor of a love affair. The efficiency of using the card as a means of payment was realized through three videos and was treated in the form of a letter addressed to the old "love" (banknote), comparing the qualities of the two means of payment and emphasizing the reason for choosing to use the card against cash.

The campaign will last for two months and is supported by VISA.

## TRAININGS

AAB, in collaboration with AIIA, organized the training on: "**Identifying and Mitigating Fraud and Malfeasance**" on 2- 4 February 2021. The course was designed to review and update participants with current trends and behaviours of those who seek, intentionally or unintentionally to cause loss or harm to the organization. The training was attended by 11 participants.

AAB, in collaboration with AIEx, organized the training on "**Design Thinking**", on 16-17 February & 24 February 2021. This training provided a first, but profound, overview about Design Thinking as a method for service, product, process and business model innovation management and enables practitioners to learn via hands-on-cases. It was attended by 17 participants of member banks.

"**Strategic Planning**", a three-day training offered by AAB in collaboration with AIEx, on 9-11 March 2021. During this interactive training, participants divided in small teams, learned how to develop strategic maps. It was attended by 14 participants.

On 23-26 & 30-31 March, the "**Project Finance**" training was offered by AAB, in collaboration and financial support from ATTF/ House of Trainings Luxembourg. The course provided an introduction to project finance that gave 15 participants an overview of the subject that equips them to interact with specialists or proceed to more in-depth studies, in the areas of interests.

