



# **SPI Project**

## **Improving auction procedures for immovable collateral under foreclosure**

### **Minutes**

#### **First meeting**

July 4, 2008—AAB premises  
10:00 – 11:30

#### **Project Objectives**

1. To undertake analytical activities that would support the enactment of law amendment proposals.
2. To support the improvement of the Bailiff Office activity.
3. To improve the quality of the buildings evaluation.

#### **Project Management Team**

**Project Owner (PO):** Seyhan Pencapligil, General Director, BKT  
**Project Manager (PM):** Veronika Prifti, Legal Department Manager, BKT  
**Deputy Project Manger (DPM):** Rudina Gorishti, Legal Department Deputy Director, Bank of Albania

#### **Attendees:**

Veronika Prifti, BKT (PM)  
Rudina Gorishti, BoA (DPM)  
Kimmo Vikman, EURALIUS (peer-reviewer)  
Andin Jakova, BNT (member)  
Ermanl Dobi, Tirana Bank (member)  
Rezarta Bitri, MoJ (member)  
Altin Hysi, Emporiki, (member)  
Dorina Mehmeti, IFC (member)  
Arta Taipi , UBA (member)  
Odetta Hyseni, EURALIUS, (observer)  
Yllka Majko, Tirana Bank (observer)  
Ramona Bratu, SPI Regional Operations Director  
Elona Bollano, SPI Albania Director of Analysis and Policy  
Anuela Ristani, SPI Albania Director of Operations

#### **SPI Albania Secretariat**

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## **I. Welcome Note and Introduction of the Participants.**

SPI Regional Director of Operations welcomed all the PWG members and introduced the PMT, and the SPI Albania Secretariat. All members introduced themselves and the institutions they were representing.

PM summarized the purpose of this project and the importance of the timing for the state authorities. In the past there have been 5 draft amendment proposals with regards to improvement of Civil Code on collateral execution procedures prepared by the banking community. None of them has been finalized. The banks, being the most interested party for this initiative, should commit themselves by contributing with their best expertise in order to maintain the momentum to register some progress before summer vacations.

## **II. Project Terms of Reference presentation**

SPI Secretariat identified during the preparatory works three issues that could be tackled in order to improve the collateral enforcement procedures. Based on these, the SPI Secretariat has proposed three main objectives to be followed under this project:

1. To undertake analytical activities that would support the enactment of law amendment proposals.
2. To support the improvement of the Bailiff Office activity.
3. To improve the quality of the buildings evaluation.

The project ToRs were developed following EU Better Regulation approach based on the two pillars: quantitative assessment on the impact of banks, consumers and authorities and on extensive consultations.

After the parliament rejected the proposed draft changes on the Civil Code, beginning of 2007, it was sent back to the Ministry of Justice (MoJ). MoJ will have to redo the entire process, part of which is running consultations with the main stakeholders. The project output should provide a common position of the Banking community to be presented during these consultations. The consultation process is expected to start in September.

Meanwhile, SPI Secretariat was informed that the MoJ has initiated a project on improving the bailiff office by “liberalizing” the activity. There is no clear reference as to what “liberalization” will entail for the bailiff office.

Given the new development the SPI Secretariat proposed to change the sequence of the project phases (to start with the bailiff office issue). However, the PWG members emphasized that it is important to be prepared for the upcoming consultation process by

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preparing the new amendment proposals. Therefore, the project will tackle both issues in parallel:

- a. Formulating the Civil Code amendment proposals
- b. Running a banking survey on the challenges that the current bailiff office services provide.

PWG members agreed on the timing and methodology to be followed, but demanded some more specific information on the changes for the bailiff services the MoJ is working on. SPI Secretariat has already contacted the Enforcement Department in the MoJ through Mr. Metaj (General Director) and will follow up with him on this issue.

In addition SPI Secretariat will collect the individual contributions from the banks in reviewing the last version of the amendment proposal. Together with their amendment proposals, PWG members will provide supporting comments and arguments.

EURALIUS (European Assistance Mission to the Albanian Justice System) introduced the principles to be followed in re-shaping the entire enforcement system.

- I. Making the collaterals more attractive for buyers through internet announcements; no compulsory initial deposits in auctions; introduction of the concept of liquidation prices.
- II. Fair treatment for all stakeholders.

The WG considers the current auction mechanism does not function since the prices are high (comparable with the market prices) and there are no warranties.

Some examples in support of the possible solutions to consider include the Romanian case where the Banks have their own bailiff officers. In Macedonia bailiff services are completely privatized.

Another principle is that all creditors and all debtors should be treated equally. The information should be provided to private creditors similarly to the information available to public authorities.

### **III. Presentation of the Draft Note on Enforcement of Collateral**

The SPI Secretariat presented the draft Note on Enforcement of Collateral and asked the banks to provide study cases from real life experience. The logic is that banks working in an insecure environment will transfer the costs to the customers.

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#### **IV. Conclusions and distribution of tasks**

The main decisions and task are as following:

- Banks to send study cases on the impact of the current situation on the banks;
- Banks to make proposals for a new amendment to the Civil Code;
- SPI Secretariat to ask MoJ on the sense of the liberalization concept in respect of Bailiff Office;
- SPI Secretariat to provide them with the current MoJ legislative proposal and with the European Council recommendation on bailiff activities;
- SPI Secretariat to gather individual contributions and to send the aggregated document to all PWG members;
- Euralius will assess the possibility to disclose some excerpts from their internal Memorandum on collateral enforcement
- SPI Secretariat with PMG support to draft a questionnaire on the impediments perceived by banks in working with the Bailiff Office;
- PWG members to provide feedback on the note regarding the impact of the foreclosure procedures.

#### **V. Closing Remarks**

Next Meeting is suggested to take place during the last week of July 2008.

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