



DRAFT

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NOTE

On

The impact of IFRS implementation on banking regulations

Current Situation of Legal Framework in Albania.

- I. Statutory framework**
- II. Banking regulations framework.**

I. Statutory framework

- The legal identity of all entities in Albania is established in the Law No. 7850, dated 29.7.1994, The Civil Procedure Code of the Republic of Albania (CPC). In CPC are identified the nature of commercial entities as private legal persons. It further outlines the liabilities of legal persons, the creation and content of obligations, and the legal foundations of the agency (management versus owners) relationship.
- The formation and regulation of the business entities is governed by the Law No. 7638, dated 19.11.1992, For the Commercial Companies. The regulatory framework in this regard is completed by sector specific laws, regulations and guidelines.
- The formation, regulation and the activity of banks is governed by the Law No. 9662, dated 18.12.2006 On Banks in the Republic of Albania.

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With regard to accounting and auditing, the law regulates the function of:

- (art. 38) *Audit Committee*, which is responsible for: (a) controlling and supervising the application of accounting procedures and internal audit, including those set by BoA; (c) proposes the authorized / external auditor; (e) approves public financial reports and declarations.
 - (art. 47) *Financial reports and accounting standards*, have to follow the form and substance of the Law on Accounting and the International Accounting Standards.
 - (art. 48) *External audit*, which is selected by the assembly of the shareholders and approved by BoA, performs the statutory audit of bank's financial statements. The statutory audit should apply the accounting and financial standards set in the Law of Accounting and by IFRS.
- The accounting standards and reporting, for the economic entities for profit located in the territory of the Republic of Albania are governed by the Law No. 9228, dated 29.04.2004, For Accounting and Financial Reporting (Accounting Law), in power since January 1st, 2006. In the law (article 4/3) is required that listed companies (none actually), banks and other financial institutions and large unlisted companies (not defined) to prepare their legal individual and consolidated financial statements according to IFRS (art. 9).
 - The Accounting Law is complemented by the General Accounting Plan – Council of Ministers Decree No. 783, dated 22.11.2006, On the Accounting Standards and Regulations. The new Accounting Plan entered in force with the Law in Accounting and will have legal power until December 31st, 2007 (article 3).
 - In May 2008, the Minister of Finance issued a decree No. 55, dates 05.05.2008, On the announcement and the compulsory implementation of the International Accounting and Financial Reporting Standards IAS/IFRS translated in the Albanian Language. IAS/IFRS become compulsory from January 1, 2008 (art.2).
 - In April 2008 was translated the whole set of International Accounting Standards, International Reporting Standards and the commentary (summary) translated in Albanian by the English company IMCL.

II. Banking regulations framework.

Bank of Albania is the supervisory authority for the subjects licensed by it. According to the Law no. 8269, dated 23.12.1997 “On Bank of Albania”, Bank of Albania has the exclusive authority to approve the commencement of the activity for banks through licenses and to supervise the activity of the licensed entities. Bank of Albania has the right to issue by-laws; decrees, regulation, guidelines and orders, to fulfill its mission as supervisory authority. BOA issues general and prudent regulations and guidelines for banks. All these create the supervisory regulatory framework for subjects licensed by BoA. The regulative framework is in line with “The Core Principles for an Effective

Supervision” and all other guidelines issued by the Basel Committee on banking supervision.

Inventory of Banking Supervision framework

Regulatory framework	To be revised Yes / No
Law “On Banks”, revised in 2006	No
Regulations	
Regulation “On administering bank’s large exposure risks” Rregullorja "Për administrimin e rrezikut nga ekspozimet e mëdha të Bankave"	
Regulation “On internal control systems of banks and foreign branches” Rregullore "Për Sistemin e Kontrollit të Brendshëm në Bankat dhe Degët e Bankave të Huaja"	
Regulation “On Credit Bureau in the Republic of Albania” Rregullore "Për funksionimin e Regjistrimit të Kredive në Bankën e Shqipërisë"	
Regulation “On risk administration in the foreign bank branches activities” Rregullore “Për administrimin e rrezikut në veprimtarinë e degëve të bankave të huaja"	
Regulation “On the use of information and communication technology on the subjects licensed by BoA”. Rregullore "Për përdorimin e teknologjisë së informacionit dhe komunikimit në subjektet e licencuara nga Banka e Shqipërisë"	
Regulation on the Consolidated supervision. Rregullore për mbikëqyrjen e konsoliduar	
Regulation “On anti- money laundering” Rregullore "Për parandalimin e pastrimit të parave"	
Regulation “On administrators of banks and foreign branches” Rregullore "Për administratorët e bankave dhe të degëve të bankave të huaja"	

Regulation “On Credit risk administration”	
Rregullore “Për administrimin e rrezikut të kredisë.	
Regulation “On foreign exchange activity”	
Rregullore "Për veprimtarinë valutore"	
Regulation “On statutory auditor / external authorized auditors”	
Rregullore "Për ekspertët kontabël të autorizuar"	
Regulation “On bank’s investments on commercial companies’ capital”	
Rregullore "Për investimet nga bankat në kapitalin e shoqërive tregtare"	
Regulation “On market risk”	
Rregullore "Mbi rreziqet e tregut"	
Regulation “On Cooperative banks”	
Rregullore "Për bankat kooperativë"	
Regulation “On capital adequacy”	
Rregullore “Për raportin e mjaftueshmërisë së kapitalit”	
Regulation “On foreign exchanges’ open position”	
Rregullore "Për pozicionet e hapura valutore"	
Regulation “On the amount and fill in the “initial minimal capital” on allowed activities for banks and foreign branches”.	
Rregullore "Për madhësinë dhe plotësimin e "kapitalit fillestar minimal" për veprimtaritë e lejuara për bankat e degët e bankave të huaja të licencuara"	
Directives	
Directive “On foreign exchange reports”	
Udhëzim "Për raportimin e veprimeve të këmbimeve valutore"	
Directive “On bank’s custody and liquidation”	

Udhëzim "Mbi kujdestarinë dhe likuidimin e bankave"	
Directive "On Deposit Certificates"	
Udhëzim "Për çertifikatat e depozitave"	
Directive "On interest rate risk administration"	
Udhëzim "Mbi administrimin e rrezikut të normës së interesit"	
Directive "On bank's liquidation"	
Udhëzim "Për likuiditetin e bankave"	
Methodical directive "On foreign exchange risks"	
Udhëzim metodik "Për rreziqet nga këmbimet valutore"	
Directive "On banks' regulatory capital"	
Udhëzim "Për kapitalin rregullator të bankës"	
Directive "On the procedures for extracting the report on borrowers and on the revision of the information stored on the Credit Register"	
Udhëzimi "Për procedurën e nxjerrjes së raportit mbi kredimarrësin dhe rishikimin e të dhënave që mbahen në Regjistrin e Kredive"	
Manuals	
Manual on the corrective actions toward banks and foreign branches in the Republic of Albania.	
Manuali i veprimeve korigjuese ndaj bankave dhe degëve të bankave të huaja në Republikën e Shqipërisë	
Bank Accounting Manual Issued in 1999, with the support of Ernst and Young	