



## SPI Albania Project on Assessing the feasibility of establishing a Central Securities Depository

### Project Objective

To produce a feasibility study that should contain a thorough analysis of the alternatives that would guarantee the existence of the services offered by the Central Security Depository by comparing the “make” versus “buy” options of these services.

### Project Management Team

**Project Owner (PO):** Financial Supervisory Authority

**Project Manager (PM):** Flora Musta, Head of Licensing Sector, Financial Supervisory Authority

**Co- Project Manger (CPM):** Marjan Gjermeni, Head of Treasury Department, Bank of Albania

**Co- Project Manger (CPM):** Irena Gjika, Head of Debt Contracting and Payments Department, Ministry of Finance

### Minutes

#### Second meeting

January 22, 2010—AAB premises

**Attendees:** Flora Musta, FSA (PM)  
Irena Gjika, MoF, (CoPM)  
Besiana Bufi, Banka e Shqiperise (CoPM)  
Elona Korini, ISPB (member)  
Etleva Kaiku, BKT (member)  
Genard Kastrati, QRA (member)  
Anila Fureraj, Bursa e Tiranës (member)  
Anuela Ristani, SPI Albania, Director of Operations  
Holta Kotherja, SPI Albania, Consultant

#### SPI Albania Secretariat

Mrs. Anuela Ristani, Director of Operations, [anuela.ristani@spi-albania.eu](mailto:anuela.ristani@spi-albania.eu)  
Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371  
[www.spi-albania.eu](http://www.spi-albania.eu)

## **AGENDA**

- I. Project Progress Brief
- II. Scoping of the Problem Document (Discussion and approval)
- III. Note on International Experience (Discussion and approval)
- IV. Conclusions and Distribution of Tasks
- V. Closing Remarks

### **I. Project Progress Brief**

SPI Secretariat welcomed all the PWG members and informed them on the steps taken jointly with FSVC in obtaining expert recommendations through the FSVC hired consultant. The latter has held meetings with several of the participatory institutions and will briefly issue his recommendations on the possibilities laying for the Albanian institutions on creating a Central Depository in the country.

### **II. Presentation of SPI Albania**

SPI Secretariat presented the scoping of the problem document that is the EU Better regulation template for the accurate identification of the issue and of the possible alternatives. These are in line with the possibilities that institutions have offered and have been consulted with the technical expert in order to be accurately assessed at the best qualitative level possible.

Establishing one central depository would support an active Stock Exchange, securities' tradability and, as a result, an increase in their liquidity. Overall, this leads to fund raising opportunities for different actors in the market (foreign banks also) and to an increase in the income coming from transactions on the financial market.

By having a central depository, public could be more interested in investing in Government bonds, facilitating thus public borrowing. This leads further to more governmental actions for economic development.

The current custodians of securities not only are not considered to promote the development of the market, but might also be an obstacle when the level of transactions in the stock exchange will increase.

The actual capital market in Albania also lacks an entity that in addition to the safekeeping and administration of securities may incorporate clearing and settlement functions.

The Albanian capital market, like any stock market with any prospect of growth will need an electronic and centralized depository and settlement system that will aim at the reduction and if

possible elimination of risk. A manual system brings along systemic risk, liquidity risk, risk of non-settlement and non-delivery as well as the risk of introduction of duplicate certificates and thus erosion of the integrity of the market.

The deducted option is to assess the current situation and needs from all the stakeholders of the functions of a central depository, considering short and long term prospective related to the development of the securities market in Albania and prepare a feasibility study to assess the opportunity of building up a Central Securities Depository, and the respective recommendation to the financial sector based on a cost/benefit analysis.

### **III. Note on International Experience**

SPI Secretariat presented the Note on International experience that contains at large the Motentitoli example (on the basis that Albanian legislation is very similar to the Italian one) and some brief examples around the world.

The organizations that play the function of the Depository usually perform those operations in relation to the sale-purchase of the securities, which are performed in the financial markets, together with other actions such as the compensation and the regulation of the securities. In a summarized way, the functions of the Central Security Depository are:

**Safety function**, taking in consideration that the securities are deposited and registered after being verified (including verification of their existence and respective information in the same way as for cash transactions); **the deposition and withdrawal function**, through the establishment of trust-based communication channels between the agents participating in the issuance and sale-purchase of securities; **dividends and securities interest distribution function**, referring in this case to the payments system and the transfer of the money/cash which are related to various operations that include securities; **guaranty function**, taking in consideration that the Central Security Depository enable also important financing, through the implementing of guaranty instruments on securities such as pledging liens; **other services and function**, in regard to those exchanges, loans, repurchases and the accomplishment of the financial compensations.

**Monte Titoli (JSCs)** is part of the London Stock Exchange Group, owner of the Italian and English stock exchange; performs regulating functions in regard to securities. Essentially, Monte Titoli is a company of a centralized administration of financial instruments, created to bring a new value for the subjects: shareholders, clients and the dependants through guaranteeing transactions' safety in a local and international perspective by establishing also an international intensive collaboration with other similar structures in other countries. The company Monte Titoli is establishes in 1978 and since 1986 is transformed in the National Depository Center for the entire financial instruments. What kind of activities performs the Monte Titoli (JSCs)? The services that offers Monte Titoli as Central Security Depository are numerous and include activities such as: centralized administration, securities settlement, liquidation, through a carefully administration of the volume of the activity.

After mentioning Monte Titoli, some brief information regarding the characteristics of other Central Security Depository would include the following:

**Japan.** The Central Security Depository in Japan is established in the eighties, and actually can perform payment in capital at 42,5 milliard yen, and approximately 8.500 securities exchanges and negotiations.

**France.** Euroclear performs three main functions: the deposits administration, services regarding the assets and the optimization of the financial instruments. The different entities that form in complex the Euroclear perform specific duties and each of them performs a role that belongs to the designated market. The main objective of the Central Security Depository, is to offer to clients a high quality and efficient service. The platform used in the field of the dematerialized securities is defined to significantly reduce the costs.

**Germany.** The Central Security Depository in Germany is part of Deutsche Burse Group: one of the most important organizations of the exchange and loans that guaranties to the investors, financial institutions and companies access to the capital global market. The idea is for a Central Depository, which has as the main advantage the integration and the neutrality in its activity; all its products are created to help the continuous need of the financial markets.

However the FSVC consultant will provide other international experience resulting applicable for the Albanian case and politically and legally acceptable under the current context and market development stage.

#### **IV. Conclusions and Distribution of Tasks**

For the next PWG meeting:

- SPI Secretariat will send the meeting minutes and the revised drafts of the documents for final approval to the PWG;
- SPI Secretariat will re-draft the meeting documents and distribute them to the PWG members along with the documents/recommendations to be received by the FSVC consultant
- SPI Secretariat will organize a high level meeting with representatives from AMF, BoA and MoF to assess the possibilities and their convergence with each of these institutions' agenda.

#### **VII. Closing Remarks**

**The second PWG meeting is preliminarily scheduled to take place in March 2010, however PWG members are to be contacted individually or through group e-mails and bilateral meetings.**