



SPI Albania Monthly Activity Report December 2009

I. SPI Albania Activity Highlights

The most important December achievements are:

- **Foreign Exchange Open Positions** – The PWG gathered for their first meeting to discuss and approve the initial documentation with regards to problem identification and international experience and decide on the follow-up actions.
- **Execution of Bank Accounts** – SPI Secretariat gathered the responses to the PWG questionnaire and consulted them with several public institutions in order to conclude on a draft list of amendments to the current regulatory framework.
- **Central Depository** - SPI Secretariat, in collaboration with Financial Supervisory Authority, started to recruit the PWG members and draft the first documents as well as research various technical expertise options for this new project.
- **Fifth SPI Committee Meeting** – The SPI Committee members and permanent observers met to discuss and review SPI Albania progress and identify how to continue its activities after the termination of Convergence Program support.

II. Detailed Analytical and Operational Activities

1. Foreign Exchange Open Positions – First PWG meeting

During their first PWG meeting the members approved the first analytical documents that will further guide their analytical work towards recommendations. They approved the project Terms of References, the Scoping of the Problem Document and discussed some issues related to the International Experience.

The current regulation on FX open position does not account the dynamics of the financial sector and of its instruments. Banks have discretion to value the off-balance sheet items expressed in foreign currencies, which is one of the components taken into account when calculating FX open position. This creates difficulties in the process of valuating the foreign open position since it is not specified which items have to be included.

This situation may have negative consequences for banks being exposed to greater FX risks; complicating the supervision role of Bank of Albania the same time causing consumers to bear the risks and paying for the increased costs. Hence there is a need to amend the relevant regulation on FX Open Positions through revising the calculation method on FX positions in accordance with international standards and best practices.

By amending the FX Open Positions regulation banks will benefit from having a real dimension of their exposure to FX risks and to control foreign currency risk. Also, it promotes banking system stability by a better coverage of risks with regulatory capital. A better risk management gives an enhanced coverage for the customers. On macro level, the investments could increase and therefore economic development would be stimulated.

SPI Albania Secretariat (www.spi-albania.eu)

Mrs. Anuela Ristani, Director of Operations, anuela.ristani@spi-albania.eu

Ms. Evis Gjebrea, Financial Modernization Program, evisgi@gmail.com

Mr.s. Holta Kotherja, Financial Modernization Program, holta.kotherja@deligibus.net

Address: Twin Tower I, Kati 6, Apt. A3. Tirana, Albania. Tel. +355 42 280 359; Fax. + 355 42 280 371

2. Central Depository

Proposed by Albanian Financial Supervisory Authority, SPI Albania started a new project with the objective of 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. In more detailed terms the feasibility study shall duly considered all possible options, by not limiting itself in only examining the alternative of establishing an Albanian tailored Central Security Depository, but also the possibility to buy these services from another already established agency abroad.

The PWG met in a [first meeting](#) to discuss the project [Terms of References](#) and truly assess the need for such an endeavor from the perspective of all involved institutions.

For the purpose of adequately meeting the project objective SPI Secretariat is working in close partnership with the Financial Services Volunteer Corps operating in Albania (FSVC). This institution provided with an international expert in the field of depository establishments who in coordination with SPI met with different institutions interested in the existence of an Albania Central Depository. The FSVC expert recommendations will assist the PWG in drafting the final PWG recommendations to be submitted for consideration to the Albanian authorities.

II. Other SPI Activities

• **Fifth SPI Albania Committee Meeting:** SPI Albania Committee members and permanent observers [gathered](#) in their Fifth SPI Committee [meeting](#) with the objective of making an assessment of SPI Albania operational outcomes from its conception to date as well as discuss the possibilities for its continuation after the termination of the World Bank’s Convergence Program support.

IV. Highlights of Expected January Activities

- **[Execution of Bank Accounts.](#)** PWG members will gather in their second PWG meeting to discuss the proposed amendments to the current legislation affecting the procedures of bank account executions.
- **[Central Depository:](#)** The PWG members will gather in their second PWG meeting to discuss the findings of the FSVC expert and agree on the draft recommendations.
- **[FX Open Positions:](#)** PWG members will gather in their second PWG meeting and start analyzing the BoA draft regulation in detail.