



## **SPI Project on the impact of IFRS implementation on the Banking regulatory framework**

### **Project Objectives**

- To interpret the Decision of the Ministry of Finance for the timing of the application of IFRS standards.
- To assess the impact of IFRS implementation in banking regulatory framework by preparing a list / identifying the affected laws, bylaws, regulations and guidelines.
- To assess the main areas of impact and the general sense of the changes to be brought to the regulations.

### **Project Management Team**

**Project Owner (PO):** Indrit Banka, Supervision Director, BoA

**Project Manager (PM):** Miranda Ramaj, Supervision Deputy Director, BoA

**Deputy Project Manger (DPM):** Armand Muharremi, Head of Finance Department, Banka Popullore

## **Minutes**

### **First meeting**

July 3, 2008—AAB premises

**Attendees:** Miranda Ramaj, BoA (PM)  
Armand Muharremi, Banka Popullore (DPM)  
Ilir Pustina, BoA (member)  
Julia Manushi, Raiffeisen Bank (member)  
Lirola Keri, National Accounting Council (member)  
Lyela Rama, AMF (member)  
Romira Hoxha, KPMG (member)  
Kledian Kodra, PriceWaterhouseCooper (member)

### **SPI Albania Secretariat**

Mrs. Anuela Ristani, Director of Operations, [anuela.ristani@spi-albania.eu](mailto:anuela.ristani@spi-albania.eu)

Ms. Elona Bollano, Director of Analytics and Policy, [elona.bollano@spi-albania.eu](mailto:elona.bollano@spi-albania.eu)

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Skender Emini, BKT (member)  
Andin Jakova, BNT (member)  
Merita Musliu, BNT (member)  
Zinaida Cako, Emporiki Bank (member)  
Albana Hallvaxhiu, Banka Popullore (member)  
Ramona Bratu, SPI Regional Operations Director  
Elona Bollano, SPI Albania Director of Analysis and Policy  
Anuela Ristani, SPI Albania Director of Operations

### **I & II 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.

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

PM summarized the purpose of this project and the due entrance in force of the Directive on IFRS implementation - January 2008. PM underlined that the issuance of the Directive will not provide for immediate changes in the reporting system to the Bank of Albania. Banks will still have to report accordingly to same criteria as before. However in order to be ready to shift from the current form of reporting to the adaptation with the IFRS, a thorough analysis of the impact of IFRS implementation needs to be completed. It is very important to collaborate with the banks in order to assess the changes in the reporting system.

SPI Secretariat introduced the Terms of Reference and asked for the feedback of the PWG members. SPI Secretariat explained the EU Better Regulation methodology and the process of the work to be conducted by the WG, as well as the consultation process and approvals/endorsements to be applied for in order to ensure a consensus among the banking community and BoA. As agreed in the meeting with the AAB Legal Committee, the list of the regulations to be amended in order to implement IFRS will be reviewed by this Committee. The project enjoys the benefit of having as Technical Anchor one representative from the World Bank Center for Financial Reporting Reform.

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- SPI Secretariat opened the discussions on the first project objective, the interpretation of the Decision of the Ministry of Finance for the timing of the application of IFRS standards.

Decision of the Minister leaves room for two possible options regarding the application of IFRS on which Banks demand clarification:

- a. 1 January 2008 could be the starting point for the implementation of the IFRS , or
- b. 31 December 2008 could be the starting point for IFRS implementation.

- National Accounting Council (NAC) should provide an interpretation of the decision and clarify for the banks which of the two options will be applicable according to the legislation. NAC raised the question on banks' preference for a transition period.
- SPI Secretariat will follow up next week with banks with a short questionnaire in order to identify banks that are not currently reporting to their mother companies under IFRS and to assess their readiness of implementing IFRS. The opinions of the banks may be backed up from their respective auditor's opinions.
- PMT and SPI Secretariat will have a separate meeting with the NAC to better analyze the options of interpretation.

#### **IV. Current Context and Policy Goals**

SPI Secretariat introduced the background note on current situation, pointing out the main provisions on IFRS implementation and the list of all banking regulations, out of which some will not be affected by IFRS implementation, some will be slightly impacted (through the references to the accounting manual) and some will suffer substantial changes. PWG members will send their feedback on the list of banking regulations and on the impact of IFRS implementation on them after they have consulted the materials. SPI Secretariat introduced also the note on international experience. PWG assessed that the international experience could serve only as reference for assessing the magnitude of the changes produced by IFRS

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implementation, but not as models to be followed because of the differences in the national accounting standards and in the regulatory framework.

## V. Recognition of the main changes brought by IFRS implementation

SPI Secretariat introduced a draft document on the main changes brought by the implementation of IFRS, as noticed in the European experience.

PWG members pointed out some of the main changes brought to Albanian banks by IAS implementation in evaluating assets and liabilities:

- loan loss provisioning;
- effective interest rate;
- deferred tax;
- securities and financial instruments;
- intangible assets;
- start up costs
- functional currency;
- derivatives;
- re-evaluation of the capital;
- historical costs, etc.

The main change could be brought by loan loss provisioning under IFRS that will be the objective of a future SPI Project.

## VI. Identification of the impact from the Banks, Auditors and Bank of Albania

SPI Secretariat introduced a short Note on the benefits of implementing IFRS. PWG members recognized the benefits of IFRS implementation in terms of transparency and comparability. Some of the banks are already reporting for their mother-companies under IFRS, therefore the national adoption will be easier for them.

There will be also a fiscal impact on banks as a consequence of the above mentioned changes.

## VII. Conclusions and distribution of tasks

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SPI Secretariat will prepare and send the minutes of the meeting and the package of documents, modified according to the today discussions.

SPI Secretariat will gather all individual feedback from the PWG members and make the appropriate revisions on the documents presented.

PMG and SPI Secretariat will prepare the questionnaire for assessing the banks readiness for implementing IFRS.

SPI Secretariat will run the banking survey and will notify all PWG members on the findings.

NAC representative will provide an interpretation of the starting date of the implementation to the PWG, taking into account the result of the banking survey.

PMT supported by SPI Secretariat will have a separate meeting with the NAC in order to discuss in more details the NAC instructions.

### **VIII. Closing Remarks**

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

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