



Second SPI Committee Meeting November 4, 2008

Topics	Discussions/ Decisions November 4, 2008	Main Follow-Up Actions
Activities		
SPI Albania Project Final Outputs	<p>SPI Committee endorsed the final PWG recommendation document on the IFRS project and decided to forward it to the BoA Governor.</p> <p>SPI Committee endorsed the PWG Recommendations for both the Bailiff and Civil Procedural Code components of the Auction Procedures project and decided to forward them to the Minister of Justice and to the Market Surveillance Department in the Ministry of Economy and to the Legal Parliamentary Commission respectively.</p> <p>SPI Committee recommended to present these project outcomes in a seminar to be organized jointly by AAB and SPI Albania.</p>	<p>SPI Secretariat will coordinate further consultations between BoA Regulation Unit and the PWG for specific regulation drafting based on the PWG-prepared principles.</p> <p>The PO will follow up with MoJ on the need to offer possible amendment suggestions for the existing Law on Public Bailiff. AAB Chairman to represent SPI Committee in further interactions with the Legal Parliamentary Commission for the enactment of CPC changes.</p> <p>SPI Secretariat to follow up with the Auction Procedures PO on ensuring that the SPI Albania suggested changes are adequately reflected in the minutes of the Parliamentary Hearing for the CPC.</p> <p>AAB to organize a seminar for the presentation of the PWG recommendation documents in collaboration with BoA, with the assistance of SPI Secretariat.</p>
SPI Albania Progress Report	SPI Committee congratulates SPI Albania on the operational and analytical activities to date, resulting in the completion of the above mentioned three projects in four months.	SPI Secretariat will work on finalizing the appraisal standards component of the auction procedures project and the project on reducing cash transactions and start the project on Capital Adequacy before end of 2008.
Adjustment of 2008 Program	SPI Committee approves the Terms of Reference for the start of the new project on Consumer Financial Education. SPI Committee recommended the Permanent Observer representing MoE to be the Project Owner for this project	SPI Secretariat will obtain PO approval for the drafted ToR and will gather the PWG paying special attention to legitimate representation of consumer protection and financial education institutions as recommended by SPI Committee. SPI Secretariat to consult with the Public Relations office of BoA on their already taken initiatives.
Institutional and Organizational Framework		
SPI Albania General Manager	SPI Committee acknowledges the importance of an effective leadership support to the SPI Albania Secretariat after the termination of Convergence Program mandate and recommends the publication of the Job Advertisement for the position.	SPI Committee members will examine alternative solutions with regards to the future management support of SPI Secretariat and will provide a final recommendation to the SPI Committee in their next meeting. Convergence Program to publish the Job Advertisement for SPI Albania General Manager
SPI Albania's possible technical support from Italian Banking Association	SPI Committee welcomes a possible technical support from the Italian Banking Association in principle, but requests further clarification on the terms and conditions included in the MoU.	AAB to further explore the conditions of such support and report accordingly to the next Committee meeting.
SPI Albania as a legal entity – for discussion	SPI Committee recognizes the need to create the right conditions for the sustainability of SPI Albania in the future after the termination of the Convergence Program involvement.	SPI Committee members and permanent observers will explore ways and means from their respective institutions to support SPI Albania activities from 2010 and beyond.
Synchronization of SPI Committee and Banking Forum meetings	SPI Committee acknowledges the importance of SPI Albania's follow-on involvement in Banking Forum discussions. SPI Committee invites SPI Secretariat to attend the Banking Forum Meetings.	SPI Secretariat will follow up with the First Deputy Governor office to arrange their presence in the next Banking Forum Meeting. SPI Committee members will brief Banking Forum participants on the SPI Albania activities and will try to involve SPI Secretariat in the Banking Forum analytical follow-on activities.

Minutes
Second SPI Committee Meeting
Tuesday, November 4th, 2008
Location: Bank of Albania

Participant SPI Committee Members:

Mr. Fatos Ibrahim	First Deputy Governor, Bank of Albania
Mr. Edvin Libohova	Chairman, Association of Albanian Banks
Mr. Luigi Passamonti	Head of Convergence Program

Permanent Observers:

Mr. Nezir Haldedaj	General Treasury Director, Ministry of Finance
Ms. Lyela Rama (Alternate)	Head of Reporting Sector, Financial Supervisory Authority
Ms. Anila Jani	Market Surveillance Director, Ministry of Economy, Trade and Energy

Other Participants:

Mr. Elvin Meka	General Secretary, Association of Albanian Banks
Mrs. Ramona Bratu	SPI Regional Operations Director
Mrs. Anuela Ristani	SPI Albania, Director of Operations
Ms. Elona Bollano	SPI Albania, Director of Analytics and Policy

1. Activities – Project final outputs - for approval

The Hosting Chairman welcomes the newly appointed Permanent Observer Ms. Anila Jani, Market Surveillance Director, Ministry of Economy, Trade and Energy as her presence will benefit SPI Committee deliberations with the important consumer protection perspective. The Chairman also welcomes Alternate Permanent Observer Ms. Lyela Rama of the Financial Supervisory Authority.

SPI Secretariat has prepared the PWG Recommendations on Amending the Banking Regulations for IFRS Implementation Project, the PWG Recommendations on Improving Bailiff Services and on Amending the Auction Procedure for Immovable Collateral under Foreclosure (Civil Procedure Code Amendments) – the last 2 documents signifying the conclusion of the first two stages for the Project on Improving Auction Procedures for Immovable Collateral under Foreclosure. The documents represent the final PWGs’ outputs; however they remain open for SPI Committee comments and suggestions.

1. PWG Recommendations on Amending the Banking Regulations for IFRS Implementation

SPI Committee understands that in the context of the application of International Accounting Standards and International Financial Reporting Standards (IFRS), obligatory for all the businesses in Albania since January 1st 2008, BoA has asked SPI Albania to assist them to adjust the banking regulative framework and align it with the new international accounting and reporting standards. The objectives of the project were: 1) to assess the impact of IFRS implementation in banking regulatory framework by preparing a list / identifying the affected laws, bylaws, regulations and guidelines; 2) to assess the main areas of impact and the general sense of the changes to be brought to the regulations; 3) to interpret the Order of the Ministry of Finance on the timing of the full application of IFRS standards.

SPI Committee reviewed the methodology to achieve the project objective. The SPI Committee appreciated the listing of the regulations according to the extent of the IFRS implementation impact on them (highly impacted, moderately impacted, slightly or not impacted) and the structure the suggested PWG changes for specific regulations were organized and augmented in. The SPI Committee members appreciated the note on the European experience (that was crucial to provide the right context), the banking survey as well as the comparison of prudential regulations under national accounting standards and IFRS. The latter provide for a useful standard for BoA Supervision Department in revising the regulations to be further submitted for approval to BoA Supervisory Council.

The SPI Committee is particularly pleased that the amending guidelines of the regulations have been reflecting feedback from several banks, the Albanian audit professionals and the National Accounting Council (NAC) and they have useful reference to international CEBS (Committee of European Banking Supervisors) standards. SPI Committee is pleased that the survey run under this project on banks readiness to implement IFRS was an useful tool, enabling NAC to issue an official interpretation on the timing of the IFRS standards application. SPI Committee considers the PWG's output a very useful contribution for the work that the BoA Regulation Unit of the Supervision Department will have to do in order to adjust the regulatory framework for IFRS implementation and decides, therefore, to forward the final report to the Governor.

SPI Committee will keep the PWG available to provide feedback to BoA, Regulatory Unit in the Supervision Department on the final draft regulations before their submission to the Supervisory Council, as recommended by the EU Better Regulation procedures in terms of market consultations.

2. PWG Recommendations on Improving Bailiff Service

One of the 3 objectives for Improving Auction Procedures for Immovable Collateral was to support the improvement of the Bailiff Office activity.

SPI Committee appreciates the methodology followed by the Secretariat in terms of preparing the note on international experience and seeking for the banks feedback through their questionnaire on Bank's difficulties in dealing with the Bailiff Office (Annex 1 of the document). These two actions lead the PWG to provide specific suggestions for Bailiff Services' improvements and comments on the Draft Proposal law on the Liberalization of the Bailiff Services (detailed in Annex 2 of the PWG recommendations document).

The SPI Committee was informed that SPI Albania Secretariat sent to the MoJ, at the ministry's short notice request, the PWG's comments on the draft law on the private Bailiff Service.

The SPI Committee appreciates also PO's quick turnaround under an emergency context. PO sent the full PWG package to SPI Committee members, enabling thus the AAB SPI Committee member to forward it to the Prime Minister's Office and to the Legal and Economic Affairs Parliamentary Commissions and have thus the SPI Albania's work taken into consideration.

SPI Committee decides to transmit to Minister of Justice the PWG's suggestions and recommendations on possible changes of the Public Bailiff Law. SPI Committee recommends that the PO follows up to determine if MoJ would welcome more specific amendment changes suggested by the PWG.

3. PWG Recommendations on CPC Amendments

SPI Committee notes that the objective of the SPI Albania Project “Improving Auction Procedures for Immovable Collateral under Foreclosure” was expanded from its original version, as decided by the first SPI Committee meeting, in order to give a chance to the PWG members to make changes in the draft law more than one year after it was sent back from the Parliament. Out of 18 current proposals, 16 were new changes compared to the 2007 MoJ draft.

SPI Committee highly praises the evidence - based methodology to document proposed changes. The methodology includes: a. reliance on EURALIUS professional advice and works; b. Romanian experience; c. impact assessment questionnaire to determine the benefits for the economy if the proposed changes are enacted.

SPI Committee notes the extensive discussions the PMT has conducted with the MoJ. SPI Committee notes the rate at which the PWG proposals were taken into consideration: 12 proposed changes accepted as given; 2 proposed changes accepted in principle; 3 proposed changes partially accepted and only one rejected. SPI Committee thanks the PWG for promptly alerting the SPI Committee members, thus enabling them to follow immediately with the Parliament by sending them the full SPI Albania proposals.

Following the SPI Committee AAB member’s communication with Parliament, SPI Committee is happy to note that the Legal Parliamentary Commissions invited the PMT in their hearing session to discuss the PWG proposals in detail. The SPI Committee encourages the PO to follow up with the Parliamentary Commission in order to have an accurate reflection of the SPI Albania proposals and arguments in the minutes of the hearing (SPI Secretariat to follow up with the PO).

SPI Committee recommends that the PWG Recommendations are forwarded for acknowledgement to the General Regulatory Directorate in the Market Surveillance Department, Ministry of Economy, Trade and Energy, since this would strengthen SPI Albania proposals in future discussions with the Legal Parliamentary Commission.

SPI Committee wishes to reinforce the earlier AAB communication to Parliament with a separate letter endorsing the previous one and attaching the results of the Impact Assessment Questionnaire. SPI Committee appoints its AAB Member to represent SPI Committee in further discussions with the Legal Parliamentary Commission for the CPC changes, in consultation with the Permanent Observer from MoF. SPI Secretariat should provide all the needed support for the enactment.

SPI Committee is very impressed with the banking survey on the Impact Assessment Questionnaire of the proposed changes in the CPC and recommends the SPI Secretariat to liaise closely with World Bank Doing Business team in order to ensure that changes in the CPC are captured by the 2010 DB Report. The enactment of these measures would provide for a significant growth in the Albanian rankings in this world-wide assessment of the business environment.

SPI Committee decided to send the PWG recommendations on the Public Bailiff Service to MoJ, offering SPI Albania support for further amending the law.

As a general note on the finalized PWG Recommendation Documents, SPI Committee appreciates their importance and their actual and potential impact in the business environment for the financial sector in Albania, and encourages SPI Secretariat to find possibilities, together with AAB to make these findings public for a larger audience that includes representatives from the banking community (legal and financial sectors), relevant ministries, other participating and stakeholder institutions.

SPI Committee recommends that the final PWG recommendation documents for the projects on IFRS and Auction Procedures are presented in a seminar organized jointly by AAB and SPI Albania. SPI Secretariat will assist in the organization of the Seminar and prepare all the relevant materials to be presented and distributed to the seminar attendees.

2. Activities - SPI Albania Progress Report - for information

After having considered the individual PWG recommendations, SPI Committee appreciates the large number of SPI Secretariat activities to produce the abovementioned outputs for the period of June-October 2008. SPI Committee acknowledges the amount of coordination and outreach activities to produce meaningful and analytical outputs. SPI Committee encourages SPI Secretariat to progress rapidly in Reducing Cash Transactions Project. SPI Committee notes the range of costs to undertake a National Survey on the estimating the volume and cost of the current cash usage in Albania as part of the cost-benefit questionnaire. SPI Committee notes that the cost of the survey per bank of approximately less than 1500 EUR is reasonable and its total costs is closely related to the semiannual cost of the SPI Secretariat that is able to produce several project reports during the same time period.

3. Activities – Adjustment of 2008 Program – for approval

SPI Committee warmly encourages the launch of the Consumer Financial Education project. SPI Committee concurs with the points of view of the Director of the BoA Supervision Department that the PWG should include a wide range of consumer protection and financial education institutions in the broad based implementation.

SPI Committee asked the Permanent Observer representing Surveillance Department in the Ministry of Economy to be the Project Owner for this new SPI initiative focused on consumers, as the main representative of Consumer Protection interests, and encouraged the newly appointed PO to involve all the existing Consumer Protection Associations and Offices operating in Albania in the PWG yet to be formed.

SPI Secretariat will follow up with the newly appointed PO for consultations on the drafted ToR and their approval as well as for reaching a balanced and well composed PWG where there is a fair representation of all stakeholders involved in the Consumer Financial Education initiative.

SPI Secretariat will contact the Public Relations Department of BoA to collect information on the initiatives already taken for Consumer Financial Education and for their involvement in the joint actions to be decided by the PWG during this project.

4. Institutional and Organizational Framework – SPI Albania General Manager – for discussion

The SPI Committee recognizes the need to provide the SPI Albania Secretariat the proper professional and managerial leadership support, following the end of Convergence Program's support (end of 2009). SPI Committee acknowledges that this leadership support can take different forms. Its members will examine various options in detail and prepare a recommendation on the final conclusion for the next SPI Committee meeting.

SPI Committee approved the publication of the announcement for the position of SPI Albania General Manager in order to start the recruiting process so that a shortlist of eligible candidates may be made available in the next SPI Committee meeting.

5. Institutional and Organizational Framework – SPI Albania's possible technical support from Italian Banking Association – for discussion

SPI Committee thanks the Convergence Program for the preliminary planning to ensure sustainability following their scheduled withdrawal in 2009. It considers with favor the possibility of receiving temporary technical support from the Italian Association of Banks and in principle agrees with this initiative. However, SPI Committee asks AAB to further explore the conditions for such support and inform accordingly the next SPI Committee meeting.

6. Institutional and Organizational Framework – SPI Albania as a Legal Entity – for discussion

The SPI Committee values the coordination and analytical contribution made by the SPI Secretariat since the beginning of its activity (May 2008). These activities have already shown the important impact on the preparation of legal and regulatory measure so support the modernization of Albania's financial sector. The SPI Committee members and the permanent observers will explore the ways and means from their respective institutions to support SPI Albania activities from 2010 and beyond. SPI Committee regards the forthcoming conference on SPI Albania organized in Bari, Italy by Regione Puglia as a first step to mobilize international support for SPI Albania activities. SPI Committee members will meet with donors' representatives in Tirana to explore funding possibilities for SPI Albania.

SPI Committee acknowledges that SPI Albania legal entity in the future would represent increased funding possibilities from various donors, thus contributing to its self-sustainability in addition to the AAB support.

7. Institutional and Organizational Framework – Synchronization of SPI Committee and Banking Forum meetings – for discussion

SPI Committee acknowledges the importance of involving SPI Albania in the Banking Forum meetings and invites SPI Secretariat to participate in these meetings. In addition, SPI Committee members will use their best efforts to involve SPI Albania in the analytical activities of issues raised in the Banking Forum meetings and will conversely brief the Banking Forum participants on SPI Albania activities. 6

SPI Secretariat will follow up with the First Deputy Governor office to arrange their presence in the next Banking Forum Meeting.

8. End of Meeting

SPI Committee agrees with the SPI Secretariat proposed plan for November and December 2008. SPI Committee proposes to prepare the 2009 program for discussion no later than February 2009. Based on the 2008 achievements the SPI Committee would wish to consider a 2009 program consisting of 8-10 projects.