



SPI Albania Monthly Activity Report September 2008

I. SPI Activity Highlights

September 2008 was an intensive month for SPI Albania. Most important achievements are as follows:

- **IFRS:** PWG agreed on the main changes to be brought to the BoA regulations most impacted by IFRS implementation.
- **Auction Procedures:** a) SPI Secretariat performed a survey on banks' difficulties in dealing with the Bailiff Offices; b) SPI Secretariat and the Project Manager sent to the Ministry of Justice a package of documents with the results of the banking survey on the difficulties encountered in dealing with the Bailiff Office and on the Draft Law on Liberalization of the Bailiff Services.
- **Cash Transaction:** SPI Secretariat screened proposals for AAB to sponsor a national research study under Reducing Cash Transactions Project.
- Special thanks for important contributions to Auction Procedures Project Management Team: Project Owner: Mr. Seyhan Pencapligil for mobilizing the banking community and coordinating SPI and EBRD actions for collateral enforcement Albania; Project Manager: Ms. Veronika Prifti and Project Deputy Manager: Ms. Rudina Gorishti for drafting consolidated comments on the Civil Procedure Code amendments and facilitating consensus-building for the Project Working Group.

II. Project Activities

1. Improving Auction Procedures for Immovable Collateral under Foreclosure

The 3rd Project Working Group meeting was held on September 26th. Project progress is as follows:

- After distributing, through AAB, the [questionnaire](#) on Banks' difficulties in dealing with Bailiff Offices to all the Banks' Legal Departments, SPI Secretariat followed up with all the individual legal departments to collect their responses, analyzed them and drafted the [summary of findings](#).
- SPI Secretariat collected, with PM's help, illustrative examples of Banks' problems with the bailiff's office.
- SPI Secretariat sent to PWG members the [MoJ document](#) on the Bailiff liberalization.
- Based on PMT and other PWG members' individual contributions, SPI Secretariat drafted a note with PWG possible [recommendations](#) on the Bailiff Office, and sent it to MoJ.
- PMT drafted [PWG proposals](#) in order to facilitate consensus building among PWG members on individual CPC articles.
- SPI Secretariat together with PM prepared a [document](#) covering the complete cycle of mortgage creation focusing on foreclosure procedures.
- With PO's strong support, SPI Secretariat contacted EBRD General Counsel's office, Ms. Frederique Dahan, Senior Counsel. Ms. Dahan provided the PWG with a [memo](#) on mortgage enforcement in Albania.

2. Impact of IFRS Implementation on Banking Regulations

The 3rd Project Working Group [meeting](#) was held on September 22nd. Project progress is as follows:

- After collecting individual PWG member contributions on the classification (if the regulations are properly grouped accordingly to the grouping criteria), the suggestions on specific items of each regulation affected by the IFRS implementation and the sense of the changes, the SPI Secretariat aggregated them in a [table](#) for PWG discussion.
- PWG agreed on main changes to be brought to the BoA regulations most impacted by IFRS implementation.
- PWG approved the [Scoping of the Problem Document](#), as drafted by the SPI Secretariat. This document, based on EU Better Regulation methodology, summarizes all PWG discussions and identified problems to date and provides alternative options for their solutions.

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- SPI Secretariat has forwarded to the banking community the [findings](#) of the survey on banks' readiness to implement IFRS together with NAC interpretation.

3. Reducing Cash Transactions

The 3rd Project Working Group [meeting](#) was held on September 24th. Project progress is as follows:

- PWG is enlarged with representatives from the largest Mobile Communication Operators in Albania (AMC and Vodafone).
- PWG approved the proposal to perform a national scale study to measure the costs of cash volume in Albania and the reasons for the current cash usage. The Draft [note](#) includes an analysis of the offers received as well as the draft PWG recommendations to AAB.
- The PWG approved the [Scoping of the Problem Document](#), as drafted by the SPI Secretariat. The Scoping of the Problem documents template builds on the market/regulatory failure analysis recommended by the EU Better Regulation approach. In this context, the high level of cash transactions in the banking system is considered as a market failure due to the weak market power to identify proper incentives for non-cash transactions and disincentives for cash transactions and thus to decrease operational costs.
- SPI Secretariat has drafted the [Note](#) on International Experience. The draft was reviewed during the last PWG meeting and will be approved after the necessary revisions.
- SPI Secretariat has drafted the [cost-benefit questionnaire](#) for the banks. After reviewing the draft, the PWG recommended the SPI Secretariat to meet with the cash/payments managers from Raiffeisen Bank, and Union Bank to validate the questions before final approval.
- PWG suggested the SPI Secretariat to draft, as part of the deliverables of this project, a case study illustrating a success story on how direct debit (cashless payment) is currently applied for mobile telecommunication payments satisfying customers, providers and banks by reducing costs and increasing business.

4. Reviewing the Capital Adequacy Regulation

The project working group was completed during September. SPI Secretariat has collaborated closely with Bank of Albania under the direct supervision of Mr. Indrit Banka, Project Owner and Head of the Supervision Department to identify potential Technical Anchors for this Project. The Technical Anchor will provide professional advice upon PWG request through providing solutions for the identified problems and contribute to the consensus building process ([ToR](#)).

III. Other SPI Activities

- The second Regional Regulatory Impact Assessment (RIA) Seminar took place in Ljubljana from September 29 to October 01, 2008, organized by Convergence Program in collaboration with Center of Excellence in Finance (CEF). A discussion of RIA cases by various local stakeholders in Albania, Bulgaria and Romania was the highlight of the event. The Albania RIA [case](#) was illustrated by Ermira Curri and Mr. Gerond Ziu, BoA. Ms. Ramona Bratu, SPI Regional Operations Director, and Ms. Elona Bollano, SPI Albania Director of Policy and Analytics attended the seminar.
- The SPI Secretariat attended the World Bank Group Doing Business Report 2009 presentation for Albania held on September 18th. Among the panelists, along with the Albanian Prime Minister and the Minister of Economy and Energy, was also SPI Project Owner and BKT General Manager, Mr. Seyhan Pencapligil. The SPI Secretariat will ensure that the SPI Enforcement Procedures PWG delivers recommendations that could directly translate into an improvement of Albania's indicator on Enforcement of Contracts for the 2010 Report. Albania is currently ranked 89th out of 181 Countries.

IV. Highlights of Expected October Activities

- [IFRS](#): Project Conclusion
- [Auction Procedures](#): Conclusion of the first two stages of the project (Bailiff and Civil Procedure Code)
- [Cash Transactions](#): Regulatory impact assessment for the banks through running the cost-benefit questionnaire
- [Capital Adequacy](#): Project Start Preparation.