

**REPUBLIC OF ALBANIA
THE PEOPLE'S ASSEMBLY**

LAW

No.8269, dated 23.12.1997

"ON THE BANK OF ALBANIA"

According to Article 16 of Law No.7491, dated April 29, 1991, "On the main constitutional provisions" on the proposal of Council of Ministers,

**THE PEOPLE'S ASSEMBLY OF
THE REPUBLIC OF ALBANIA**

HAS DECIDED:

CHAPTER I

GENERAL PROVISIONS

Article 1

1. The Bank of Albania shall be the central bank of the Republic of Albania and shall operate in accordance with the provisions of this law.

2. The Bank of Albania shall be a public legal entity with its head office in Tirana.

3. Within the limits of its authority established by this Law, the Bank of Albania shall be entirely independent from any other authority in the pursuit of its objectives and the performance of its tasks. Any person should respect the independence of the Bank of Albania, and no person shall seek improperly to influence any member of a decision making body of the Bank of Albania in the discharge of his duties towards the Bank of Albania or interfere in the activities of the Bank of Albania.

4. The Bank of Albania shall have the capacity to :

- a) enter into contract;
- b) issue rules and regulations;
- c) for the purpose of its business: hold, dispose and acquire properties, whether estate or immovable;
- d) to deal in securities, to distribute securities for the account of the Government of the Republic of Albania and issue securities for its own account.

5. Whenever used in this Law, the following terms shall have the following meanings:

- a) "bank" means any juridical person engaged in banking business under a proper license issued by the Bank of Albania.
- b) "banking business" means the business of accepting deposits from the public in Albania and using such funds either in whole or in part to make loans, advances or investments for the account of and at the risk of the person carrying on the business, and such other related business as the Bank of Albania may, by Resolution, specify.
- c) "bank account holder" means any bank that holds all account on the books of the Bank of Albania;
- d) "debt security" means any negotiable instrument of indebtedness and any other instrument equivalent to such instrument of indebtedness, whether in certificate or in book-entry form.
- e) "state" means Republic of Albania.

Article 2

1. The Bank of Albania is accountable to the People's Assembly of the Republic of Albania.

2. No later than six months after this law comes into force, and at six month intervals thereafter, the Bank of Albania shall deliver to the Council of Ministers and the People's Assembly of the Republic of Albania and shall publish a policy statements that shall contain:

- a) an assessment on the accomplishment and maintenance of the price stability during the preceding 6 months and a prospective prescription for the next 6 months;

- b) an assessment of the monetary, credit and exchange rate policy implemented by the Bank of Albania during the preceding 6 months;
- c) a description of, and an explanation of the reasons for, the monetary, credit and exchange rate policies to be followed by the Bank of Albania during the next six months; and
- d) a description of the principles that the Bank of Albania proposes to follow in the adoption and execution monetary, credit and exchange rate policy during the next two years, or such longer period time as the Bank of Albania may decide.

Article 3

1. The principal objective of the Bank of Albania is to achieve and maintain price stability.

2. The Bank of Albania shall also, to the extent consistent with its principal objective and internal banking market, promote and support the development to a market-based the foreign exchange system, the internal financial market, the payment system, and foster monetary and credit conditions conducive to the orderly, balanced and sustained economic development of the country.

3. The other objectives of the Bank of Albania, which shall be subordinated to the primary objective of the Bank of Albania, shall be to foster the liquidity, solvency, and proper functioning of a stable market-based banking system.

4. The basic tasks of the Bank of Albania shall be:

- a) to formulate, adopt and execute the monetary policy of Albania, which shall be consistent with its primary objective;
- b) to formulate, adopt and execute the exchange arrangement and the exchange rate policy of Albania;
- c) to license or revoke and supervise banks that engage in the banking business in order to secure the banking system stability;
- d) to hold and manage its official foreign reserves;
- e) to act as banker and adviser to, and as fiscal agent of, the Government of Republic of Albania; and
- f) to promote the smooth operation of payments systems.

5. Any objective and other duty designated for the Bank of Albania subordinate the achievement of its principal objective.

Article 4

1. Except as otherwise specifically authorized by this law, the Bank of Albania shall not :

- a) grant any financial assistance, whether in the form of a direct loan or grant, or a conditioned loan, or by purchasing a loan, a loan participation or another instrument of indebtedness, or through the assumption of a debt or the conditioned liabilities, or in any other form they are presented;
- b) engage in commercial activities, purchase the shares of any person or company, including the shares of any financial institution, or otherwise have an ownership interest in any financial, commercial, agricultural, industrial, or other undertaking;
- c) acquire by purchase, lease, or otherwise any real right to estate property, except as it shall consider necessary or expedient for the provision of premises for the conduct of its administration and operations or for the housing of its

employees or similar requirements incidental to the performance of its functions under the provisions of this Law.

2. Notwithstanding the provisions of paragraph 1, the Bank of Albania may :
- a) establish staff retirement funds or similar arrangements for the benefit or protection of its employees and their dependents and nominees, and make contributions toward the costs associated with such arrangements;
 - b) grant credit to any of its employees for the improvement of their living conditions, in the sum and the criterion determined by the Supervisory Council of the Bank of Albania.

Article 5

The Bank of Albania shall have the right to participate in, cooperate with, and to enter into banking agreements with financial international and banking institutions, and with both public and private banking and financial institutions abroad.

CHAPTER II

CAPITAL AND PROFIT ALLOCATION

Article 6

1. The paid-up capital of the Bank of Albania shall be Leke 750 million.
2. The paid-up capital may be increased by the proposal of the Bank of Albania and approval by the Ministry of Finance.
3. The entire paid-up capital shall be subscribed and owned exclusively by the State of Albania. This paid-up capital shall not be transferable or subject to encumbrance.

Article 7

Whenever on the balance sheet of the Bank of Albania the value of its assets falls below the sum of its liabilities and paid-up capital, the minister of Finance shall transfer to the Bank of Albania negotiable government securities, bearing interest at market rates, in such an amount as shall be necessary to remedy the deficiency.

Article 8

The net income of the Bank of Albania for each financial year shall be calculated after deducting from revenues the expenditure for the year in question and after making provision:

- a) for bad and doubtful debts, depreciation of assets, and contributions to the staff retirement fund; and
- b) subject to the approval of the Supervisory Council, for such other purposes as the Bank of Albania may deem necessary.

Article 9

The Bank of Albania shall establish a General Reserve Fund. At the end of each financial year the fund shall be allocated an amount equivalent to 25 percent of the net profits for that year until the General Reserve Fund amounts to 500 percent of the paid-up capital of the Bank of Albania.

Article 10

1. After transfers to the General Reserve Fund have been made under Article 9, the remainder of the net profits for the financial year shall be used to redeem any government securities issued to the Bank of Albania pursuant to Article 7 of this law.
2. Any balance of net profits for the financial year remaining after all deductions under Articles 8, 9 and the first paragraph of Article 10 of this law, shall be paid to the State Budget within four months after the end of the financial year.

Article 11

No transfer, redemption or payment under Articles 8, 9 or 10 of this law shall be made if the assets of the Bank of Albania are less than the sum of its liabilities and paid-up capital.

CHAPTER III
THE RELATIONSHIP BETWEEN THE BANK OF ALBANIA
AND OTHER BANKS IN ALBANIA

Article 12

The Bank of Albania shall be exclusively responsible for the licensing and supervision of all banks in the Republic of Albania. To that end, the Bank of Albania shall:

- a) issue such rules and regulations as necessary to ensure the soundness of the banking system in accordance with and to implement the law;
- b) control any office of the bank, banking books and accounts, documents of banks and other persons who are engaged in licensed banking activities. It shall obtain such information under such forms as it may prescribe.

Article 13

The Bank of Albania shall monitor international payments resulting from foreign trade, non-trade transactions and engagements of other Albanian banks, under contract with foreign States, banks, and companies.

Article 14

The Bank of Albania shall be authorized to open accounts on its books for, and to accept deposits from licensed banks, under such terms and conditions as it may prescribe.

Article 15

1. The discounting and rediscounting operations of the Bank of Albania shall be restricted to banks that hold an account on Bank of Albania books and to the following securities:

- a) bills of exchange and promissory notes drawn or made for commercial, industrial, or agricultural purposes, bearing two or more regular signatures of which at least one shall be that of a licensed depository bank. Bills of exchange will mature within 182 days from the date of their acquisition on the Bank of Albania;
- b) securities issued by specific state organs and other securities publicly issued or guaranteed by the State, forming part of a public issue and maturing within one year of the date of their presentation to the Bank of Albania; and
- c) securities issued by the Bank of Albania.

2. The discounting and rediscounting operations of the Bank of Albania shall be subject to such other terms and conditions as the Bank of Albania shall establish by regulation.

Article 16

1. The Bank of Albania may grant to banks that hold an account on its books, credit on such terms and conditions as the Bank may determine, but not exceeding 92 days:

Credits that are secured by :

- i) instruments specified in point 1 of Article 15 of this law;

- ii) deposits with the Bank of Albania or a depository acceptable to the Bank of Albania of any assets which the Bank of Albania is permitted to buy or sell or deal with under this law;

The extensions of credit described in paragraph 1 of this Article, may take the form of fixed-term loans and repurchase agreements. Overdraft facilities shall not be permitted.

2. For banks in conservatorship in accordance with the Law on "The Banking System", the Bank of Albania may grant extensions of credit that are unsecured, or that are secured by such other assets, on such terms and conditions as the Bank of Albania may determine, but only in the event that, in its opinion, such extension of credit is needed on an exceptional basis, in order to protect the integrity of the banking system.

Article 17

The extension of credit by the Bank of Albania to other banks shall be made only at their head offices in Albania.

Article 18

The Bank of Albania's rates and terms for discounts, rediscounts, and credits, as well as its differential rates and ceilings for various classes of banking transactions, shall be established by the Bank of Albania and made evident in its publications.

Article 19

1. The Bank of Albania requires that banks to maintain deposits with the Bank of Albania at prescribed minimum levels (required reserves), that relate to the size of funds or specific categories of liabilities.

2. Required reserves shall be maintained as the monetary deposit in the Bank of Albania, in such proportion as the Bank of Albania determines, provided, however, that no bank shall have to maintain with the Bank of Albania required reserves in the aggregate exceeding the equivalent of 20% of the aggregate amount of money deposits with, or liabilities of such bank.

3. The Bank of Albania may determine to pay interest on required banks reserves.

Article 20

1. The Bank of Albania will impose on any bank, which fails to maintain required reserves at the minimum levels prescribed in accordance with Article 19, a penalty on the shortfall until the shortfall is corrected. Such penalty shall not exceed twice the current discount percentage of the Bank of Albania.

2. Regulations concerning an adjustment in required reserves levels shall specify the date by which banks must be in compliance with the new level of the reserves.

Article 21

1. The Bank of Albania, in cooperation with banks, shall establish regulations and procedures for payment settlements rendered by payment instruments used as means of payment, including electronic and telegraphic funds transfer services.

2. The Bank of Albania organize and execute payments rendered by payment instruments used as means of payment.

3. The Bank of Albania may coordinate payment clearing services including securities.

4. The Bank of Albania supervise the payments system in the Republic of Albania, direct or through any person or inter banking agency created for this purpose. The Bank of Albania promote inter bank payments and efficient settlements between banks and other payment related services.

Article 22

The Bank of Albania shall establish and maintain an information network for the banking system.

Article 23

1. The Bank of Albania shall cooperate with corresponding foreign banking supervisory authority on a basis of reciprocity, with respect to the supervision and inspection of banks that operate directly in both their respective jurisdictions.

2. The Bank of Albania may exchange with such foreign banking supervisory authorities information concerning any bank that operates in both their respective jurisdictions, provided that such authority undertakes to respect the confidentiality of the information so received.

CHAPTER IV
THE RELATIONSHIP BETWEEN THE BANK OF ALBANIA
AND THE STATE OF ALBANIA

Article 24

1. The Bank of Albania shall cooperate with the legislative and executive branches of the Republic of Albania in pursuing its objectives, and shall, in accordance with this law, take such actions as it deems necessary to promote such cooperation in the performance of its functions.

2. The Bank of Albania shall be consulted concerning any normative act related with economic outcome, delivered for approval to the People's Assembly and to the Council of Ministers with consequences in financial, monetary, credit and foreign exchange policy.

3. The Bank of Albania shall prepare periodical analyses on economic and monetary matters, publish the outcome and submit proposals and measures to the Government of the Republic of Albania.

4. The Bank of Albania shall provide information as requested from time to time, by Ministries and other governmental entities with respect to monetary and financial matters, and such entities shall provide information to the Bank of Albania from time to time as the Bank of Albania may request concerning macroeconomics, monetary and financial matters.

5. The Bank of Albania shall define the information required, the form in which such information is to be provided, the persons charged to provide such information and the confidentiality of the information.

Article 25

1. The Bank of Albania shall represent the Republic of Albania in all its banking relationships and activities with foreign States, banks and institutions.

2. The Bank of Albania may, on such terms and conditions as it shall agree upon with the Minister of Finance, act as fiscal agent for the account of the Government of the Republic of Albania.

3. Through the banking system, the Bank of Albania will accomplish the function of the treasury for the State budget.

Article 26

1. The Bank of Albania in agreement with the Ministry of Finance may record and evidence all public and private external debt of the Republic of Albania to the extent that the Bank of Albania determines that such record-keeping is necessary or desirable.

Article 27

The Bank of Albania compile the balance of payments of the State of Albania as well as coordinate and direct the statistical system of this balance of payments.

The banks, institutions, juridical and physical persons shall be required to deliver statistical data in accordance with reporting system approved by the Bank of Albania, employing appraisal standards, and indicating the designation and classification presented herewith.

Article 28

1. The Bank of Albania may accept deposits from the Government of the Republic of Albania, and make payments to the extent of such deposits.

The Bank of Albania may authorize a bank to receive these deposits in accordance with conditions agreed between such banks and the Bank of Albania.

Article 29

The Bank of Albania may agree with the Government of the Republic of Albania represented by minister of Finance, to act as an agent for the following transactions:

- a) trading of securities issued by the Government;
- b) payment of principal of, interest and other charges on such securities, provided in paragraph "a";
- c) execution of cash transactions concerning the accounts of the State at the Bank of Albania.

Article 30

1. Except as otherwise specifically authorized by this Law, the Bank of Albania shall not grant any direct or indirect credit or any financial assistance to the Government of the Republic of Albania or to any of its State agencies.

2. Subject to the overall limits specified by this Article, the Bank of Albania may make loans to the Government of the Republic of Albania with maturities not exceeding six months.

3. Bank of Albania loans to the Government of the Republic of Albania shall be disbursed, denominated and made payable in Leks only. All such loans shall be collateralized by debt securities in bearer form that bear interest at market rates, that have maturities corresponding to the maturities of the loans that they secure, and that are issued and delivered by the Government of the Republic of Albania to the Bank of Albania. For each loan there must be a written loan agreement executed between the Government of the Republic of Albania, represented by its Minister of Finance, and the Bank of Albania. The agreement shall clearly, state the principal amount of the loan, its maturity, and the applicable rates of interest and other charges.

4. At no time shall the aggregate principal amount disbursed and outstanding on Bank of Albania loans to the Government of the Republic of Albania exceed the equivalent of five percent of the annual average of the Government of the Republic of Albania ordinary revenue for the three financial years immediately preceding for which accounts are available; provided that for the purposes of this Article "revenue" shall not include borrowing, grants and other forms of financial assistance.

5. Notwithstanding the foregoing, the Bank of Albania may, in exceptional circumstances, grant by regulation a temporary waiver of the limit specified in Section 4, but only if such waiver would not be inconsistent with the monetary policy objectives of maintaining price stability and only if such waiver would not cause the aggregate principal amount disbursed and outstanding on all Bank of Albania loans to the Government of the Republic of Albania to exceed the equivalent of eight percent of the annual average of the Government of the Republic of Albania ordinary revenue for the last three financial years immediately preceding for which accounts are available.

6. If, in the opinion of the Bank of Albania, the limit provided in Section 4 or 7, as the case may be, is in danger of being exceeded, the Bank of Albania shall submit to the People's Assembly a report on the Bank of Albania's disbursed and outstanding loans to the Government of the Republic of Albania, and the causes that may lead to such excess, together with such recommendations as it may deem appropriate to forestall or otherwise remedy the situation. If the limit provided in Section 4 or 7, as the case may be, is exceeded in accordance with Section 5 or Article 32, the Bank of Albania shall make further such reports and recommendations as it may deem appropriate in order to remedy the situation and avoid its recurrence in the following financial year.

7. The limits for 1998 shall be as follows: pursuant to paragraph 4 shall be 30%; pursuant to paragraph 5 shall be 40%.

The limits for 1999 shall be of the same magnitude as those for 1998 provided that they may be increased by the Budget Law for that year, following consultation by the Government with the Bank of Albania. In such event, the Bank of Albania will be required to issue a report to the People's Assembly setting out its opinion concerning the increase in the limits and the probable consequences to the objectives of the Bank of Albania.

The People's Assembly shall take the respective conclusions.

Thereafter, the limits under sections 4 and 5 shall apply.

8. Bank of Albania can restructure the government securities in agreement with the Ministry of Finance at the same or lesser maturities as in the original obligations.

Article 31

Notwithstanding the provisions of Article 30, the Bank of Albania may extend credit to the Government of the Republic of Albania on such terms and conditions as may be agreed between parties, exceeding the determined amount resulting from the State's membership in an international organization. Any extension of credit pursuant to this Article shall be conditioned by the issuance of government securities to the Bank of Albania under terms and conditions mutually agreed.

Article 32

The Bank of Albania may purchase and sell Government of the Republic of Albania securities. However, purchases by the Bank of Albania for its own account of debt securities issued by the Government of the Republic of Albania in open market operations or in the secondary market, shall be treated as Bank of Albania loans to the Government of the Republic of Albania and therefore be subject to the overall limits specified by Article 30, except if and to the extent that such purchases are consistent with the primary objective of the Bank of Albania set up in Article 3(1) or are required for investing assets of the staff retirement fund of the Bank of Albania and then only if such purchases are made in the secondary market.

CHAPTER V

ISSUANCE OF CURRENCY

Article 33

1. The monetary unit in the Republic of Albania is the "Lek-u".
2. The Bank of Albania shall have the exclusive right and will act as sole issuer of banknote and coins as legal tender within the territory of the Republic of Albania.
3. The Bank of Albania shall define the forms, measurements, weights, designs and other features of Albanian banknote and coins, which shall be legal tender, and the other bank notes and coins that will be printed for "numismatic" reasons.

Article 34

The amounts and procedures for exporting and importing banknote and coins shall be determined by the Bank of Albania.

Article 35

Bank notes and coins issued by the Bank of Albania, and not withdrawn from circulation, shall be legal tender and must be accepted for payment of all public and private obligations without restriction in the amount of their nominal value.

Article 36

The Bank of Albania shall issue plans, and ensure a regular supply of bank notes and coins, in order to meet the economy's banknote and coins requirements.

Article 37

The value of circulating banknote and coins shall be noted in the accounts of the Bank of Albania as liabilities. It will not include banknote and coins of the monetary reserve.

Article 38

All contracts denominated and payable in foreign currencies shall be valid in Albania. But unless expressly waived in writing, debtors shall have the option to discharge their obligations paying in Leke at the market rate on the day of maturity. If the debtor is in default, the creditor may, at his option, demand that the debt be paid in Leke at the rate on the day of maturity or the day of payment.

Article 39

1. The Bank of Albania shall arrange the security and safekeeping of unissued banknote and coins, and for the custody or destruction, as necessary, of plates, dyes, and retired banknote and coins from the circulation.
2. In accordance with the monetary policy adopted by the Supervisory Council, the Bank of Albania shall determine the amount and procedures for printing banknote and minting of coins as national legal tender, including banknote and coins for numismatic purpose.

3. The Bank of Albania shall exchange without charge and commissions bank notes and coins issued by the Bank of Albania for other notes and coins which are legal tender in Albania.

Article 40

1. The Bank of Albania may sequester and confiscate counterfeited bank notes and coins.

2. Unfit bank notes and coins shall be withdrawn, destroyed, and replaced with banknote and coins by the Bank of Albania.

3. The Bank of Albania may decline to exchange banknote or coins if their designs are illegitimate, misshapen, perforated, or if more than 40 percent of their surface has been lost. Such currency shall be withdrawn and destroyed without indemnity to the owner, except that, in special cases the Bank of Albania may determine whole or partial compensation.

4. The Bank of Albania shall not be required to provide any compensation for banknote or coins that were lost or destroyed. It may confiscate without compensation any banknote that have been altered in their external appearance, in particular banknote that have been written on, painted on, overprinted, stamped or perforated, or to which adhesive matter has been applied.

5. The Bank of Albania has the right to decide to call in and withdraw from circulation any bank notes or coins that it has issued, on payment of the face value thereof by issuing in exchange therefore other banknote or coins. The decision shall specify the period during which the bank notes and coins must be presented. Such exchange period shall not be shorter than one year from the publication of the official note in the "Official Gazette". At the end of the aforementioned period:

- a) bank notes and coins collected in for exchange shall, notwithstanding the provisions of Article 37, cease to be legal tender; and
- b) bank notes or coins collected in, but presented for exchange, shall be deducted from the amount of currency in circulation on the books of the Bank of Albania.

CHAPTER VII

ORGANIZATION AND MANAGEMENT OF THE BANK OF ALBANIA

Article 41

The Bank of Albania shall be organized, managed and effect its activity by the Supervisory Council, a management consisting of a Governor and two deputy Governors, and a staff.

Article 42

1. The Supervisory Council shall be charged with the supreme direction and supervision of the policies, administration and operations of the Bank of Albania.

2. In carrying out its functions, the Supervisory Council must periodically assess the economic situation, including the monetary, credit and exchange rate policies. To that end, the Governor and Deputy Governors of the Bank of Albania shall report, not less than once every month, to the Supervisory Council on the main issues related, as follows:

- a) with administration and operations of the Bank of Albania,
- b) with conduct of its monetary and regulatory policies,
- c) with the soundness of the financial system including in particular the banking system of Albania, and
- d) on the state of the money, capital and foreign exchange markets;
- e) all events and conditions that could preclude the achievement or maintenance of price stability and have or must be expected to have a significant effect on the administration or operations of the Bank of Albania or on the conduct of its policies or on the financial system or on the before mentioned markets.

Article 43

The Supervisory Council shall have the following powers:

- a) to adopt the monetary policy of the Republic of Albania, including the limits of open market operations by the Bank of Albania, the interest rates for deposits at the Bank of Albania and for discounts and loans by the Bank of Albania, and the reserves and levels of reserves that banks are required to maintain with the Bank of Albania;
- b) to establish the exchange arrangement, the exchange rate policy and the procedures for determining the exchange rates of the Albanian currency against other currencies;
- c) to adopt all regulations, guidelines and instructions of general application that are to be issued by the Bank of Albania;
- d) to approve all reports and recommendations that the Bank of Albania is to make to the Council of Ministers or to the People's Assembly of the Government of the Republic of Albania;
- e) to determine the face value and design of bank notes and coins, and the conditions of any currency recall;
- f) to approve each of the Bank of Albania's loans to the Republic of Albania;
- g) to conclude for the approval and revocation of any banking preliminary permission or licenses;

- h) to approve the discounting of instruments having a maturity of more than three months from the date of their acquisition by the Bank of Albania pursuant to Article 32, and with the consent of at least three-fifths of the Supervisory Council members present, each of the Bank of Albania's loans to, or contingent commitments for the benefit of a bank pursuant to Article 16;
- i) to adopt Charter and By-laws of the Bank of Albania;
- j) to determine the administration policy in general and establish rules and procedures for using its own financial resources during its operational activity of the Bank of Albania;
- k) to determine the organization of the Bank of Albania;
- l) to approve the appointment of the department heads of the Bank and to decide in general the terms and conditions of employment of Bank of Albania employees, agents and correspondents;
- m) to establish and close subsidiaries, branch offices and agencies of the Bank of Albania;
- n) to determine the budget of the Bank of Albania;
- o) to propose increases in the authorized capital of the Bank of Albania, to establish special reserves on the books of the Bank of Albania, to determine the net income of the Bank of Albania, and to decide what amount of such net income shall be transferred to any reserve;
- p) to approve the annual reports and financial statements of the Bank of Albania;
- q) to determine the debt securities that shall be suitable for investment of the Bank of Albania's financial resources;
- r) to establish the policy and proceeding of international reserves administration.

Article 44

1. The Supervisory Council shall be composed of nine members, as follows:
 - The Governor of the Bank, who shall be the Chairman of the Supervisory Council;
 - The First Deputy Governor of the Bank of Albania, who shall be Deputy Chairman of the Supervisory Council;
 - The Second Deputy Governor; and
 - Six other members.
2. All members of the Supervisory Council, shall be appointed by the People's Assembly on the basis of following proposals:
 - a) five members will be proposed by the People's Assembly;
 - b) three members will be proposed by the Council of Ministers;
 - c) one member will be proposed by the Supervisory Council;

The President of the Republic of Albania shall appoint Governor of the Bank of Albania on the basis of Prime Minister proposal.

The Supervisory Council of the Bank of Albania shall appoint Deputy Governors on the basis of Governor proposals.
3. Candidates for membership on the Supervisory Council must be citizens of the Republic of Albania, they must be persons of recognized integrity, and
 - a) economic or jurisprudence high education;
 - b) professional experience in monetary and banking matters;
 - c) postgraduate professional qualifications;
 - d) experience not less than 5 years in public administration or in financial and banking institutions;
 - e) to whom no grounds for removal under Article 47 applies.

4. The term of each member of the Supervisory Council, including the Governor and Deputy Governors, shall be seven years, provided that the completion dates of the terms of individual members as far as practicable shall be spread evenly over each seven-year period. The members of the Supervisory Council including Governor and Deputy Governors may be eligible for reappointment, unless a ground for removal under Article 47 would apply to them.

Article 45

1. The Supervisory Council shall establish the compensation of members of the Council.

2. The Supervisory Council shall determine the compensation of Governor, Deputy Governors and the Staff of the Bank of Albania. Total compensation shall be considered, including salaries and bonuses and the value of any monetary or non-monetary compensation, including health, postgraduate studies, recreation, or housing benefits.

Article 46

No person shall serve on the Supervisory Council while he is the President of the Republic of Albania, or a member of the People's Assembly or a member the Council of Ministers.

Article 47

1. Any member of the Supervisory Council, including Governor and Deputy Governors, shall be suspended from office by the Council of Ministers and removed by People's Assembly, if he :

- a) becomes ineligible to serve on the Supervisory Council pursuant to Article 46;
- b) has been convicted of an offense for which he was or could have been sentenced to imprisonment;
- c) has become insolvent or has been declared bankrupt and has not been rehabilitated;
- d) has, on grounds of personal misconduct, been disqualified or suspended by a competent authority from practicing a public duty or public service or any profession or distinct activity; or
- e) has participated actively in political activities during the period of his tenure.

2. The Governor and Deputy Governors of the Bank of Albania and any other member of the Supervisory Council may be removed from office by the People's Assembly, upon finding and recommendation by a majority of all members of the Supervisory Council that :

- a) the person recommended for removal from office has been absent from two or more successive meetings of the Supervisory Council of the Bank of Albania without good cause;
- b) the person recommended for removal from office is unable to perform the functions of such office because of an infirmity of body or mind; or
- c) the person recommended for removal from office his engaged in serious misconduct in the office, substantially prejudicing the interests of the Bank of Albania.

3. If any member of the Supervisory Council, including the Governor and Deputy Governors, has been suspended from office by the Council of Ministers, and People's Assembly does not act to dismiss him within 30 days of the suspension, then

such suspension shall end and all his powers and duties shall be restored immediately.

4. No member of the Supervisory Council, including the Governor and Deputy Governors, shall be removed from office on other grounds.

Article 48

1. The Governor and the Deputy Governors may, resign from office on giving not less than three months` notice in writing to the People's Assembly of the Republic of Albania.

2. Any other member of the Supervisory Council may resign on giving not less than one months` notice in writing to the People's Assembly of the Republic of Albania.

3. Any vacancy on the Supervisory Council shall be filled by the appointment of a new member of the Supervisory Council in accordance with Article 44 to serve the remaining period of the term of the Supervisory Council member replaced.

Article 49

1. The Governor or, in his absence or inability to vote, the First Deputy Governor, must chair the meetings of the Supervisory Council.

2. The Supervisory Council shall meet as often as the business of the Bank of Albania may require but not less frequently than once each calendar month.

3. Normally, meetings of the Supervisory Council are convened by the Governor. Meetings of the Supervisory Council may also be convened at the written request of any 3 members of the Supervisory Council or, in the event of an emergency, any 2 members of the Supervisory Council.

4. The meetings of the Supervisory Council shall be convened by effectively communicating the time, venue and agenda of the meeting to all members of the Supervisory Council at least five working days before the date set for the meeting, except that, in the event of all emergency, meetings of the Supervisory Council may be so convened at shorter notice.

5. Each member of the Supervisory Council shall have one vote. A quorum at any meeting of the Supervisory Council shall consist of the presence of more than one half of the membership of the Supervisory Council including the presence of the Chairman or the First Vice Chairman.

6. Except as otherwise provided by this Law, decisions of the Supervisory Council shall be adopted by a simple majority of the votes cast by the members of the Supervisory Council who are present at the meeting. Only members of the Supervisory Council who are present in person shall have the right to vote; provided, however, that the by-laws of the Bank of Albania may permit meetings of the Supervisory Council and voting by teleconferencing or, in exceptional circumstances, by tested telex or other tested electronic means of communication. In the event of a tie, the Governor at the meeting shall have the deciding vote.

7. Subject to the quorum requirement of Section 5, no act or proceeding of the Supervisory Council shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Supervisory Council.

8. All acts done by a person acting in good faith as Chairman or other member of the Supervisory Council shall be valid notwithstanding that some defect in his appointment, eligibility, or qualification be afterwards discovered.

9. The Minister of Finance shall have the right to attend meetings of the Supervisory Council of the Bank of Albania, but he shall not be entitled to vote.

Article 50

1. The proceedings of the meetings of the Supervisory Council shall be confidential. The Supervisory Council may decide to make the outcome of all or part of its deliberations public.

2. There shall be minutes of each Supervisory Council meeting signed by the person chairing the meeting, and by the Secretary of the Supervisory Council.

3. The Secretary of the Supervisory Council shall be appointed by the Supervisory Council among the senior staff of the Bank of Albania; he shall not be a member of the Supervisory Council.

4. Decisions of the Supervisory Council shall be recorded and issued over the signature of the Chairman presiding at the Supervisory Council meeting that adopted the decision.

Article 51

1. Upon joining the Supervisory Council and annually thereafter, members of the Supervisory Council shall periodically disclose to the Supervisory Council in full their significant commercial interests which they or members of their household may have, directly or indirectly; such disclosures shall comply with guidelines to be adopted by the Supervisory Council.

2. Whenever any matter related to such interest comes up for discussion in the Supervisory Council the member concerned of the Supervisory Council shall disclose his interest at the beginning of the discussion and shall not participate in the discussion and decision on such matter; his presence shall not be counted for the purpose of constituting a quorum.

Article 52

Former Chairman and Vice Chairmen shall not serve in another financial institution during a period of one year immediately following their departure from this duty in the Bank of Albania.

Article 53

1. The Governor shall serve as the chief executive officer of the Bank of Albania in charge of the day-to-day business of the Bank of Albania. If the Governor is absent or otherwise unable to act, the First Deputy Governor shall act as chief executive officer of the Bank of Albania.

2. The Governor shall be responsible for formulating and presentation to the Supervisory Council of monetary and credit policy, foreign exchange policy, and other policy initiatives.

3. The Governor shall be responsible to the Supervisory Council for the execution of its decisions, including the implementation of monetary, credit, and exchange rate policies, and for the direction and control of the administration and operations of the Bank of Albania.

4. All powers that are not specifically reserved for the Supervisory Council shall be vested in the Governor, or in the event that the Governor is absent or is otherwise unable to act, in the First Deputy Governor, of the Bank of Albania, and in particular the power to take all actions required or deemed advisable by him for the administration or operations of the Bank of Albania, including without limitation:

- a) entering into contractual commitments on behalf of the Bank of Albania;

- b) appointing the employees, agents and correspondents of the Bank of Albania; and
- c) representing the Bank of Albania in legal proceedings.

The Governor may, with the approval of the Supervisory Council, delegate some or all of his powers to other employees of the Bank of Albania.

Article 54

1. An Inspector General of the Bank of Albania shall be appointed for a term of five years by the People's Assembly of the Republic of Albania, from candidates who are citizens of the Republic of Albania and to whom no grounds for removal specified in Article 47 apply. Inspector General must be a person with high education in economics and an experience not less than 7 years in banking system. He shall be eligible for reappointment. His salary and other emoluments shall be equivalent with those of Deputy Governor of the Bank of Albania.

2. The Inspector General may resign from office on giving not less than three months' notice to the People's Assembly. The Inspector General shall be removed from office only by a decision of the People's Assembly that is supported by one or more of the grounds for removal specified in Article 47.

3. The Inspector General shall head the Audit Department of the Bank of Albania. The Inspector General shall propose for nomination the Auditors in the Audit Department. The Inspector General and the Auditors in the Audit Department shall each have the duty:

- a) to exercise internal accounting control over, and to perform periodic audits of, the administration and operations of the Bank of Albania, in order to ensure strict observance of the laws and regulations that apply to the Bank of Albania;
- b) to audit, and to submit to the Supervisory Council reports and recommendations on, the accounts and records as well as the budgetary and accounting procedures and controls of the Bank of Albania; and
- c) to audit the periodic financial statements and related documents of the Bank of Albania and, if these have been properly prepared, to issue certifications to that effect.

4. The existing Inspector General shall vacate his post upon the entry into force of this law, but he may be reappointed by the People's Assembly in accordance with this law.

Article 55

1. During their employment by the Bank of Albania, staff of the Bank of Albania shall not receive credit from, any person other than the Bank of Albania, unless the Bank of Albania shall otherwise decide.

2. The Supervisory Council shall adopt a Bank of Albania staff regulation covering the conditions of employment at the Bank of Albania.

Article 56

1. The Governor shall appoint and terminate the appointment of the employees, agents, and correspondents of the Bank of Albania, within the limits and in accordance with the general terms and conditions of employment prescribed by the Supervisory Council.

2. No salary, fee, wage, or other remuneration or allowance paid by, the Bank of Albania shall be computed by reference to the net income, net profits or other revenues of the Bank of Albania.

Article 57

1. While holding office, the Governor and Deputy Governors, and the Inspector General of the Bank of Albania shall devote the whole of their professional services to the Bank of Albania, and none of them shall occupy any other office or employment, whether remunerated or not, except as nominee of the Bank of Albania.

2. No member of the staff of the Bank of Albania shall simultaneously have other employment, whether gainful or not, without the prior approval of the Bank of Albania.

3. No member of the Supervisory Council, management or staff of the Bank of Albania shall accept any gift or credit for himself, or on behalf of any person with whom he has family, business, or financial connections, if the acceptance thereof would result, or give the appearance of resulting, in a diminishment of his impartial devotion to his duties to the Bank of Albania.

Article 58

1. No person who serves or has served as a member of the Supervisory Council, management or staff or as an auditor, agent or correspondent of the Bank of Albania shall, in a manner unauthorized by law, or international agreement where bank of Albania is a party:

- i) permit access to, disclose or publicize nonpublic material information which he has obtained in the performance of his Bank of Albania duties; or
- ii) use such information, or allow such information to be used, for personal gain.

2. Such persons may disclose nonpublic material information to tax authorities of the Republic of Albania. Such information may also be disclosed outside the Bank of Albania but only if such disclosure would serve to provide evidence of a legal act or of circumstances or conditions governing a legal act committed by a person requesting such disclosure in writing. Provided that, the Bank of Albania may communicate nonpublic material information obtained in the performance of its duties under this Act and the Law on the Banking System to :

- i) the central banks and banking supervisory authorities of other countries pursuant to agreements with them, and
- ii) the international financial organizations of which the Republic of Albania is a member.

CHAPTER VII

FOREIGN EXCHANGE ARRANGEMENTS, EXCHANGE RATE POLICY, INTERNATIONAL RESERVES, VALUATION RESERVE ACCOUNT AND FOREIGN EXCHANGE CONTROL

Article 59

The exchange arrangements of the Republic of Albania shall be determined by the Bank of Albania, and shall be consistent with the obligations of any international treaty to which the Republic of Albania is a party or to which has adhered.

Article 60

1. Pursuant to the provisions in Article 59, the Bank of Albania may declare an external value for the Leke and any change thereof. If the Bank of Albania elects not to declare any external value for the Leke, or adopt any other exchange arrangements, the exchange rates for the Leke against other currencies shall be determined freely in the market.

2. The exchange rate policy of Albania shall be formulated, adopted and executed by the Bank of Albania.

3. As a general rule, no current or capital restrictions shall be imposed on the purchase, sale, holding or transfer of foreign exchange, except as provided as follows:

- a) the Bank of Albania shall be entitled to restrict temporarily the purchase, sale, holding, or transfer of foreign exchange for current transactions if, in the opinion of the Bank of Albania, the imposition of such restrictions is warranted to protect the level of the exchange rates or its official reserves;
- b) any restrictions under section 3.a above can only be introduced for a period not exceeding twelve months, and can only be extended for another period of [twelve months] with the [unanimous] approval of the members of the Supervisory Council;
- c) whenever the Bank of Albania exercises the powers under Section 3.a above, it shall have to submit a report to the People's Assembly, within seven days, and every three months thereafter, containing the causes which have led to the introduction of such restrictions together with such recommendations as it considers necessary to remedy the situation; and
- d) the restrictions introduced under this Article shall be consistent with the obligations acquired by Republic of Albania under any international agreement of which it is a party of to which it has adhered.
- e) the Bank of Albania shall be entitled to impose exchange restrictions for the making of payments and transfers for capital account transactions.
- f) the Bank of Albania shall define, by Regulation, the terms "capital" and "current" account transactions. Such definitions shall be consistent with any international agreement approved by the Republic of Albania.

Article 61

In particular, the Bank of Albania shall be responsible for :

- a) issuing rules and regulations governing foreign exchange market operations;

- b) licensing, revoking the licenses of, supervising and regulating foreign exchange dealers including banks, pursuant to exchange regulations issued by the Bank of Albania;
- c) setting limits on foreign exchange positions of foreign exchange dealers including banks; and
- d) acquiring, owing, maintaining and managing its international reserves in accordance with the provisions in Article 63.

Article 62

The Bank of Albania may, either for its own account or for the account and by, authorization of the Republic of Albania, enter into clearing and payments agreements or any other contracts for the same purpose with public and private central clearing institutions domiciled abroad.

Article 63

1. The Bank of Albania shall establish and maintain its international reserve, which shall consist of all or any of the following assets:

- a) gold, or other precious metals;
- b) foreign currency in the form of banknote and coins, or bank accounts held abroad in foreign currencies;
- c) any other internationally recognized reserve asset, including :
 - i) the entitlement to make reserve tranche purchases from the International Monetary Fund;
 - ii) the holding by the State of Special Drawing Rights of the International Monetary Fund (S.D.R);
- d) bills of exchange and promissory notes, payable in foreign currencies; and
- e) debt securities issued or guaranteed by, and forward purchase or repurchase agreements concluded with or guaranteed by, foreign States or central banks or public international financial organizations, denominated and providing for payment in foreign currencies.

2. The Bank of Albania shall use its best endeavors to maintain its international reserve at a level which, in the Bank of Albania's opinion, shall be adequate for the execution of the monetary and exchange rate policies of the Republic of Albania and for the prompt settlement of the country's international transactions.

3. If said international reserve have declined or, in the opinion of the Bank of Albania, is in danger of declining to such an extent as to jeopardize the execution of the monetary or exchange rate policies of the Republic of Albania or the prompt settlement of the country's international transactions, the Bank of Albania shall submit to the Council of Ministers and People's Assembly of the Republic of Albania a report on the international reserve position and the causes which have led or may lead to such a decline, together with recommendations it considers necessary to remedy the situation.

4. Until such time as, in its opinion, the situation has been rectified, the Bank of Albania shall make further such reports and recommendations as it shall deem advisable.

Article 64

Gains or losses arising for the Bank of Albania in any financial year from changes in the valuation, recorded on the balance sheet of the Bank of Albania, of assets or liabilities in, or denominated in, gold, special drawing rights, or foreign currencies and resulting from any change in the values or exchange rates of gold, special drawing rights, or foreign currencies in terms of the Leke, shall be treated as follows:

- a) the net aggregate amount of such foreign exchange gains or losses shall be offset by a corresponding amount in an account named "Valuation Reserve Account" on the balance sheet of the Bank of Albania;
- b) as long as the amount recorded in the Valuation Reserve Account corresponds to net foreign exchange losses, that amount shall be covered by debt securities, bearing interest at market rates, issued by the Republic of Albania to the Bank of Albania and held by the Bank of Albania in an off balance sheet Valuation Reserve Securities Account; within four months after each financial year, the aggregate principal amount of such securities held by the Bank of Albania shall be increased or decreased as required to restore the equivalency between that amount and the amount recorded in the Valuation Reserve Account as net foreign exchange losses as of the end of that financial year;
- c) neither net gains nor net losses referred to in this Article shall be included in the computation of annual net profits of the Bank of Albania.

Article 65

Licensed foreign exchange dealers including banks may be required by the Bank of Albania to report periodically to the Bank of Albania their open foreign exchange positions on a currency-by-currency basis; the Bank of Albania shall prescribe the reporting forms and supporting documents that must be submitted.

CHAPTER VIII

ACCOUNTS, FINANCIAL STATEMENTS AND REPORTS OF THE BANK OF ALBANIA

Article 66

The financial year of the Bank of Albania runs from January 1-St. through December 31-St.

Article 67

The Bank of Albania shall maintain, in accordance with "Accounting Law" and the international standards, accounts and records that shall at all times accurately reflect the financial condition of the Bank of Albania.

Article 68

The accounts and records of the Bank of Albania may be audited by internationally recognized international auditors appointed by the Supervisory Council. The auditors shall express an opinion as to whether the statements present a full and fair view of the financial condition of the Bank of Albania in accordance with generally accepted international accounting standards.

Article 69

1. The Bank of Albania at the end of each financial year, shall prepare the report and the financial statements. They should be submitted to the People's Assembly and to the Council of Ministers by the Governor of the Bank of Albania, no latter than three months after the end of the Bank's financial year.

2. The report and the balance sheet of the Bank of Albania should be published in the form determined by the Bank, after their approval by the Supervisory Council of the Bank of Albania.

3. The report shall include the auditor's opinion, in reference to the financial statement of the Bank of Albania.

4. The Bank of Albania shall publish monthly its summary balance sheet.

5. The Bank of Albania shall publish on a quarterly basis a detailed opinion on the state of the economy.

6. Within six months after this law comes into force, and semi-annually thereafter, the Bank of Albania shall inform the Council of Ministers and the People's Assembly of the Republic of Albania and publish a statement that shall contain:

- a) whether there is any threat to the stability of the financial system;
- b) the nature of the threat;
- c) whether the existing laws are adequate to contain it and if not or what other legislation, regulation or other action is needed.

CHAPTER IX

FINAL PROVISIONS

Article 70

1. The Bank of Albania may issue regulations, orders, and guidance for implement of the provisions of this Law.

2. All regulations issued by the Bank of Albania that apply to more than one persons shall be published in the Official Note of the Bank of Albania. The Bank of Albania shall maintain a public register of regulations and recommendations.

Article 71

The Bank of Albania shall be entitled to obtain from banks and other financial institutions documents or other information with respect to the relationships between each one of them and the Bank of Albania.

Article 72

1. Complaints to the Court of Appeal may be made by any natural or juridical persons, grieved by the Bank of Albania's claim of infractions of this Law.

2. The act in discussion of the Bank of Albania will apply without limit, until a decision is taken by the Court.

Article 73

1. The Bank of Albania shall be exempt from all taxes and duties.

2. Bank notes in circulation bearing the name "State Bank of Albania" shall continue to be valid without restriction.

3. New bank notes must be issued in the name of the "Bank of Albania".

Article 74

The Bank of Albania shall have as its seal the emblem and shield of the Republic of Albania.

Article 75

Any violations to this law by any bank, foreign exchange dealer person, officer, or any other juridical or physical person shall be considered an offense and shall be sanctioned in accordance with Law on the Banking System of the Republic of Albania.

Article 76

The Bank of Albania shall not be subject of "Law of Public Procurement", "Law on Status of Civil Servant" and any derivative rules, regulations and guidelines.

Article 77

Law No.8076, dated February 22, 1996, "The Bank of Albania", Law No.8173, dated December 21, 1996 "On some amendments of Law No.8076, dated February 22, 1996, "The Bank of Albania", and Law No.8230, dated August 6, 1997 "On some amendments of Law No.8076, dated February 22, 1996, "The Bank of Albania", amended by Law No.8173, dated December 21, 1996 "On some amendments of Law No.8076, dated February 22, 1996, "The Bank of Albania", are rescinded.

Article 78

This law shall enter into force 15 days after published in the Official Gazette.