REPUBLIC OF ALBANIA
THE ASSEMBLY

Law

No 52/2016

ON SAVINGS AND LOAN ASSOCIATIONS AND THEIR UNIONS

Pursuant to Articles 78 and 83, paragraph 1 of the Constitution, with regard to the proposal of the Council of Ministers,

THE ASSEMBLY
OF THE REPUBLIC OF ALBANIA

D E C I D E D:

CHAPTER I
GENERAL PROVISIONS

Article 1
Object

The purpose of this Law is to lay down the rules, criteria and conditions for establishing, organizing, supervising and liquidating the savings and loan associations and unions established under the voluntary organization of savings and loan associations.

Article 2
Savings and loan association

1. A savings and loan association (SLA) is a legal entity, based on the voluntary organization of its members who deposit their money at the association to be used by the association for extending loans only to the members of the savings and loan association, in order to satisfy their needs or interests.

2. The savings and loan association shall have its own emblem and seal with respective marks.

Article 3
Definitions

I. For the purposes of this Law, the following terms shall have these meanings:

1. "Administrator of bankruptcy" shall mean the administrator of bankruptcy, as laid down in the Law No. 8901, dated 23.05.2002 "On bankruptcy", who carries out the duties and responsibilities as determined by this Law.
2. “Albanian Deposit Insurance Agency” is the institution that functions pursuant to the Law “On Deposit Insurance”.
3. "Member of SLA” shall be the individual of over 18 years of age, or the legal person, who pay the contribution, acquires the right of membership, become eligible to deposit their money in the SLA and receive a loan from the SLA to fulfill their needs or interests.
4. "Member of Union" shall be any SLA that is found, registered and conducts the activity, in compliance with the provisions laid down in this Law, which is member of the Union and through the payment of the contribution acquires the right of membership, to deposit money at the Union and to receive loans from Union in order to satisfy its needs or interests.
5. “Legal auditor” shall have the same meaning with the term laid down in the Law "On legal auditing, the organization of the profession of the registered auditor and of the chartered accountant ".
6. “Bank of Albania” is the supervisory authority that functions based on the Law "On the Bank of Albania" and exercises the competences as determined by this Law.
7. “Branch of the SLA/Union” shall mean the organizational unit legally dependent on the SLA/Union, which carries out directly all or some of the activities that the SLA/Union conducts, on behalf and for the account of the SLA/Union.
8. “Deposit” shall mean any amount of money deposited by the members in the SLA's or Union's account. The SLA or the Union shall enjoy the ownership on this amount and shall return it in the same currency, at the end of the term laid down in the contract, or at the request of the member that has deposited the amount.
9. “Contribution” shall mean the amount paid in the capital of a SLA or a Union by each member of the SLA or member of the Union, as a condition to acquire the right of membership in the SLA or in the Union.
10. “Credit” shall mean the legal undertaking of the obligation to disburse a monetary amount in exchange of the right of the repayment of the disbursed amount and interest or other commissions on such amounts.
11. “License” shall mean the administrative act granted to the SLA or the Union by the Bank of Albania, providing to the SLA or Union with the right to carry out the allowed activities as defined in this Law and the by-laws.
12. “Capital Adequacy” shall mean the ratio of total SLA/Union capital to risk-weighted total assets and off-balance sheet items.
13. “National Registration Centre” is the institution that carries out its function pursuant to the Law “On the National Registration Centre”.
14. “Deposit Insurance scheme” shall have the meaning stipulated in paragraph 23, Article 3 of the Law “On Deposit Insurance”.
15. “SLA” shall mean the Savings and Loan Association.
16. “SLAs Union” shall mean the voluntary organization of individual SLAs that carry out the activities laid down in this Law and the respective by-laws, issued for the implementation of this Law.

II. The titles and chapters in this Law are used for orientation and reference only and shall have no bearing on the interpretation of the definitions or provisions of this Law.

III. For the purposes of this Law, the words in singular may be interpreted as plural and vice versa, whenever such interpretation is necessary in light of the content of the provision.

IV. Terms in masculine imply the feminine and vice versa.
Article 4
General principles

The SLA and the Union shall conduct their activity in accordance with the following principles:

1. Membership is voluntary.
2. The purpose of the activity is the collaboration between the SLAs and Union and their members, the economic progress and welfare of their members by applying favorable interest rates on the loans granted to the members and other services benefited from the members.
3. The net surplus arising from the activity shall not be allocated to its members, but shall be used for the growth and development of the SLAs and Union's activity.
4. The SLA member is not a shareholder or partner within the meaning of commercial companies and the membership contribution paid by each SLA member shall not be considered as a shareholders' equity and no dividend shall be earned on it. This concept is implemented within the meaning of Article 38 of the Law on the National Registration Centre, on the registration process of these companies.
5. The financial stability shall be ensured by including the creation of adequate reserves that would provide continued service to members.
6. The financial education of its members is based on economic, social, democratic principles, mutual aid and collaboration principle. The activity of the SLA and the Union has an economic and social character, promoting not only savings and broad use of loans, but also the education of members on their rights and responsibilities.

Article 5
Accountability of the Association and of members

1. The SLA is accountable for its liabilities to third parties with regard to its property.
2. Members of the SLA are responsible for the association's liabilities up to the value of the contributions paid in the SLA’s equity.

CHAPTER II
ESTABLISHMENT AND STATUTE OF A SAVINGS AND LOAN ASSOCIATION

Article 6
Founding Act

1. The founding act of the SLA shall be signed by all its founding members and shall contain the following information:

   a) list of founding members and their contributions to the initial capital of the SLA;
   b) identity of the founding members;
   c) membership criterion;
   d) name of the SLA;
   e) scope of activity of the SLA;
   f) head office;
g) initial capital of the SLA;
h) minimum contribution for the membership.

2. The founding act will be accompanied with the following documents for each founding member:

   a) copy of identity card;
   b) document on the payment of the contribution.

**Article 7**

**Statute**

1. The statute of the SLA shall be approved by the founding members, after signing the founding act.
2. The statute of SLA shall contain the provisions relating to:

   a) name of the SLA;
   b) scope of activity;
   c) address of the registered office, logo and seal;
   d) term of the activity, if the SLA is projected to function for a limited term;
   e) SLA’s capital value;
   f) list of founding members;
   g) membership criteria, conditions and terms for voluntary withdrawal and expulsion of members;
   h) rights and obligations of members;
   i) bodies of the SLA, their competencies, manner of functioning and decision-making;
   j) first administrator of the SLA, functions and responsibilities, terms of appointment and conditions for dismissal;
   k) conditions and procedures for returning the contributions of the dismissed members;
   l) conditions and procedures for voluntary liquidation of the SLA;
   m) name of the first registered chartered accountant of the SLA;
   n) sum of the members' contributions, terms and conditions of the SLA registration.

3. Any change in the above-specified data of the statute shall be registered at the National Registration Centre.

**Article 8**

**Number of SLA members**

1. The minimum number of members needed to establish a SLA shall be not lower than 50 members. The minimum number of members shall be not lower than 200 members at the end of the second year of SLA's activity and in the following period.
2. After the second year of SLA's activity, in the event when a SLA remains with less than 200 members and their number fails to increase over a one-year period, the Bank of Albania will undertake supervisory measures, as stipulated in this Law.
Article 9
Head office and name

1. The head office of the SLA shall be stipulated in the statute.
2. The SLA has its name, which is laid down in the statute and must, at any case, contain the words "Savings and loan association".
3. In all the papers, publications and documents of the SLA, its name shall contain the words "Savings and loan association", followed by the name of the association.
4. No other entity may use the words "savings and loan association", except the entities licensed by the Bank of Albania in accordance with the provisions stipulated in this Law.
5. The SLA may open branches, which shall contain the name of the SLA with the word “branch" before the name.

Article 10
Legal personality

1. After its founding, the SLA shall be registered at the National Registration Centre, in accordance with the provisions of this Law and the Law No. 9723, dated 03.05.2007 “On the National Registration Centre”.
2. Upon registration at the National Registration Centre, the SLA is granted legal status.

CHAPTER III
MEMBERS OF A SAVINGS AND LOAN ASSOCIATION

Article 11
Membership criterion

1. SLA shall determine, as a rule, the membership criterion, which may consist in conducting the business in the same geographical area or same community and any other criteria, which is based on a mutual interest.
2. The membership criterion shall not be applicable concerning the SLAs' membership in a Union.
3. Members of the SLA may also be members from the same family.
4. The rights and obligations of members shall be laid down in this Law and in the statute of the SLA.

Article 12
Member’s admission

1. Application for membership by a new member shall be submitted in writing, addressed to the SLA’s Administrator.
2. A new member shall be admitted by decision of the Administrator, after meeting the conditions specified in the statute and paying the mandatory contribution to the SLA’s
capital, as well as other provisions of this Law. Upon approval, the Administrator shall inform the Steering Council on the membership of the new member.

3. Should in the event when the Administrator rejects membership, the applicant shall be entitled to address the Steering Council. The Steering Council shall take a final decision on the membership in the next meeting.

4. The SLA shall hold a members’ register at its head office, which shall be available to the public and shall contain their identification data and paid-in contributions.

5. Any new member and any act that causes changes to the capital, due to the admission of a new member shall be entered in the members’ register held by the SLA.

6. The Administrator shall supply the member with the membership card.

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**Article 13**

**Members' rights**

1. Members shall have the rights provided in this Law and Statute, particularly, to:

   a) vote at the General Assembly;
   b) request and have available a copy of the statute, internal regulation or decisions taken by the management bodies of the SLA;
   c) 1/10 of members may propose to the Steering Council the change of the SLA's administrator;
   d) propose amendments or improvements to the statute;
   e) request and receive data on their financial and economic situation within the SLA;
   f) 1/10 of members may request information on payment and remuneration for members of the management bodies in exercising their competencies;
   g) be informed, upon written request, on the financial situation of the SLA, mainly on:
      i) financial accounts;
      ii) report on the activity of the SLA;
      iii) method and procedure for profit allocation;
      iv) reports of the registered chartered accountant;
      v) to participate in General Assembly's meeting;
      vi) the right to be chosen member of the SLA's steering bodies.

2. The Administrator shall inform the member, in writing, on issues addressed in the request, within 30 days from its submission, unless otherwise stipulated in the statute.

3. The member making the request has the right to object the refusal to provide the information requested, by addressing to the Steering Council within 30 days from the refusal notice.

4. The member may appeal to the relevant court should the Steering Council refuse to provide information.

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**Article 14**

**Members' obligations**
Members shall fulfill the obligations provided by this Law and their statute and in particular, they:

a) shall pay their contributions to SLA's capital, according to the provisions of this Law;
b) shall maintain the confidentiality of those issues and data of the SLA, whose disclosure would impair its legal interests;
c) shall repay loans and other liabilities to the SLA;
d) may not sell or purchase his/her contribution at the SLA’s capital.

**Article 15**

**Cessation of membership**

1. Membership in a SLA shall cease in the following cases:

a) voluntarily, upon resignation of a member;
b) when a member is expelled, in the cases provided by this Law;
c) in case of voluntary liquidation of the SLA;
d) in case of mandatory liquidation of the SLA;
e) in case of death.

2. The Steering Council, based on documents and materials submitted by the Administrator, shall approve the termination of membership in the cases provided in "a", "b" and "d", paragraph 1 of this Article.

3. Membership cessation and any action thereof, which brings changes to the capital due to withdrawal, shall be entered in the members’ register, held at the SLA.

4. The repayment of the contributions to the member, in the cases stipulated in “a” and “b” of paragraph 1 of this Article, shall take place in compliance with Article 42 of this Law.

5. The repayment of contributions to the member, in the cases stipulated in "c" and “d” of paragraph 1 of this Article shall take place in compliance with the provisions of Chapter XI of this Law.

6. The repayment of contributions to the heirs of the member, in the case stipulated in “e” of paragraph 1 of this Article shall take place in compliance with Article 42 of this Law, if the SLA is not under voluntary or mandatory liquidation, and in compliance with the provisions of Chapter XI of this Law, if the SLA is under voluntary or mandatory liquidation.

7. The SLA shall repay the deposits to the member or member's heirs, in case of membership cessation, as laid down in "a", "b" and "e" of paragraph 1 of this Article. In this case, the SLA may set-off the amount of the deposit with the amount of the obligations the member owes to the SLA. The repayment of deposits in cases of membership cessation, stipulated in "c" and "d", paragraph of this Article shall take place in compliance with the conditions laid down in Chapter XI of this Law.

8. The member or his/her heirs shall repay the loans to the SLA, independently of their payment term, in case of membership cessation, stipulated in "a", "b" and "e" of paragraph 1 of this Article. The repayment of loans, in the cases stipulated in "c" and “d” of paragraph 1 of this Article shall take place in compliance with the provisions of Chapter XI of this Law.
9. For the cessation of the SLA’s membership in the Union, in addition to the stipulation in this Article, the following requirements should be met:

   a) The SLA, requesting the cessation of membership in the Union, should be financially stable;
   b) The SLA shall have adequate steering bodies, which shall maintain and improve the SLA’s financial situation;
   c) The Union shall inform the Bank of Albania in advance on the request of SLA to cease the membership. The Bank of Albania may warn the SLA on the effects related to the cessation of the membership in the Union.

Article 16
Voluntary withdrawal of a member

1. A member may voluntarily withdraw from the SLA, by submitting a prior written notice thereof to the Administrator.
2. The Administrator shall present the member’s voluntary withdrawal notice to the Steering Council, in accordance with the terms and procedures stipulated by the SLA’s statute.
3. A member may voluntarily withdraw only if it has been a member of SLA for at least one year.
4. In the case of more than one application for withdrawal, the contributions shall be repaid first to the member who has submitted first the notice for voluntary withdrawal.

Article 17
Cases of expulsion of a member

1. A member may be expelled from the SLA by the decision of the Steering Council, in the cases when he/she:
   a) has acted contrary to the SLA’s interests;
   b) has violated his/her obligations set forth in Article 14 of this Law.
2. The member shall be notified of the decision on his/her expulsion from the SLA, according to terms and manners specified in the statute.
3. The member may address the relevant court within 30 days from the day of receipt of the Steering Council’s decision.

CHAPTER IV
ORGANISATION OF THE SAVINGS AND LOAN ASSOCIATION

Article 18
Bodies of the SLA

The bodies of the SLA are the General Assembly, the Steering Council, the Audit Committee and the Administrator.
Article 19  
Criteria on the appointment in the steering bodies

1. The member of the Steering Council and the administrators of the savings and loan association should meet at least the following criteria:

a) has never caused or been responsible for the bankruptcy of an entity that carries out an economic activity;
b) is not subject to criminal proceedings or found guilty by a final court decision for committing a criminal offence resulting in a severe risk for the society;
c) has not been subject of procedures on declaring insolvency or bankruptcy, and are relieved of the payment of the previous property liability;
d) has not been subject of sanctions by the Bank of Albania over the last five years for breach of the Law.

2. The Bank of Albania, if deeming necessary, shall set out other legal criteria, in addition to those stipulated in paragraph 1 of this Article, by a by-law act.

Article 20  
General Assembly

1. The General Assembly is the highest decision-making body and is composed of all members of the SLA.

2. The General Assembly shall elect the chairperson and the secretary. The rules and criteria for their election, term in office and dismissal procedure shall be laid down in the statute of the SLA.

3. The General Assembly, in addition to stipulations set forth in the statute, shall have the following competences:

a) decides on SLA’s management policies related to the business plan and annual budget, as submitted by the Steering Council;
b) approves the annual financial statements;
c) appoints and dismisses members of the Steering Council, the members of the Audit Committee, the registered chartered accountant and the liquidator, in the event of voluntary liquidation, and determines the amount of their remuneration;
d) approves the capital increase and decrease;
e) approves amendments to the statute;
f) decides on starting voluntary liquidation of re-organization and transformation;
g) decides on participating in other forms of economic cooperation, including acceptance of donations, participation in a Union and withdrawal from a Union;
h) approves the reports of the Steering Council, of the Audit Committee and of the Administrator.

4. Decisions of the General Assembly shall be mandatory to all members of the SLA and to the steering bodies.

Article 21
Convening the General Assembly

1. The General Assembly shall meet in cases provided by the Law and statute, or as often as needed to protect the interests of the SLA.
2. The General Assembly shall convene at least once a year and within six months from the closure of the financial year.
3. The Steering Council, the Administrator, the Audit Committee or 10 per cent of members may convene the General Assembly.
4. The General Assembly shall be convened through a written notice, email, or a notice posted in a visible place at the premises of the SLA, or through the publication in the national newspapers, not later than 30 days before the Assembly meeting date. In emergency cases, this term may be reduced to 15 days. The notice must indicate:
   a) the name of SLA, registered head office, time and place of the General Assembly meeting;
   b) the agenda of the General Assembly meeting. Any change in the agenda shall be informed at least 10 days before the General Assembly meeting date.
5. Any decisions approved by the General Assembly meeting, which is not convened in accordance with the requirements of this Article, shall be valid in case the required quorum is met.

Article 22
Voting rights

At the General Assembly, each member of the SLA shall be entitled to one vote, notwithstanding the amount of contribution paid in the capital or the amount deposited at the SLA.

Article 23
Representation at the meeting

1. At the General Assembly, a member may be represented by another member or a third person, based on a power of attorney issued by the member who is represented.
2. In the event the number of members renders impossible the convening of the General Assembly meeting at the same place, the statute may stipulate conditions based on which a certain number of members may be represented at the General Assembly meeting by one or some representatives, who must be a member of the SLA.
3. Neither the Administrator, nor the Steering Council’s members of the SLA shall act as representatives of other members of the General Assembly.
4. The power of attorney shall be issued only for one meeting of the General Assembly, including the next meetings with the same agenda. The power of attorney shall also contain the agenda of the meeting for which it is issued.
5. The power of attorney shall be valid even in the cases when the meeting has not taken place because of failure to reach the required quorum.
6. The authorized representative shall state any facts or circumstances, which at the judgment of the represented member, may impact the decision-making of the representative for interests other than those of the represented member.
Article 24
Quorum

1. The General Assembly shall take valid decisions on issues, only when more than half of the SLA's members are present.
2. If the General Assembly may not be gathered due to lack of quorum stipulated in paragraph 1 of this Article, the Assembly shall convene again within the next day, regardless of the number of participating members.
3. Voting shall be open, unless otherwise is provided in the statute.

Article 25
Decision making

1. Except when the statute requires a higher majority, the General Assembly shall decide, by three-fourths of votes of members present in voting, on:
   a) amending the statute;
   b) increasing and decreasing the capital;
   c) re-organizing, transforming and voluntary liquidating of the SLA.
2. The General Assembly shall make decisions on other issues falling within the scope of its competence, by a majority of votes of members present in the meeting.

Article 26
Minutes of the General Assembly meeting

1. All decisions taken by the General Assembly shall be recorded in the meeting minutes, which shall be signed by the Chairperson and the Secretary.
2. The meeting minutes will be read and approved by the General Assembly at the forthcoming meeting.
3. The minutes and the attached documents shall be maintained for a 10-year period. Members may request copies of the meeting minutes.

Article 27
Steering Council

1. The Steering Council is the executive body of a SLA, which manages the association and is accountable to the General Assembly for management and control of the activity and funds.
2. The Steering Council shall report to the General Assembly related to the financial situation of the SLA and about the accomplishment of tasks.
3. The Steering Council shall consist of at least five members, which are elected by the General Assembly out of the SLA's members, for a four-year period, with re-election right. The number of the Steering Council members shall always be an odd number.
4. The Steering Council shall elect the chairperson, the deputy chairperson and the secretary. The Administrator shall not be either the chairperson or deputy chairperson of the Steering Council.

5. Any member, who has unpaid or in delays obligations to the SLA, may not be elected member of the Steering Council.

6. For the member of the Steering Council having outstanding obligations to the SLA, a proposal shall be made to the General Assembly to dismiss the member from the Steering Council.

7. The member of the Steering Council shall sign a statement affirming his/her commitment to dedicate sufficient time to carry out the duties and his/her willingness to be trained and to meet all the obligations.

8. The Steering Council proposes to the General Assembly the dismissal of the member of the Steering Council, who is not present in three consecutive meetings, without previously notifying the reasons for the absence.

**Article 28**

Meetings of the Steering Council

1. The Chairperson, or in his absence the Deputy Chairperson, shall convene the Steering Council meeting, whenever deemed necessary, but not less than once every three months, unless otherwise provided in the statute.

2. The members of the Steering Council having either direct or indirect interest on the relevant issue shall not participate in the voting process.

3. The Secretary of the Steering Council shall write the minutes of the meeting.

4. A copy of the meeting minutes shall be provided to the registered chartered accountant, upon the request of the latter.

5. The Steering Council decisions shall be valid, if at least half of its members are attending the meeting. In the event the needed quorum fails to be achieved due to vacancies, the Steering Council shall convene the General Assembly to elect the new members.

6. The decisions shall be taken by a simple majority of votes of the members present in the meeting, unless the statute requires a higher majority.

7. If the votes are equal, the Chairperson’s vote shall determine the result, unless otherwise is provided in the statute.

**Article 29**

Competences of the Steering Council

1. The Steering Council, in addition to stipulations laid down in the statute, shall have the following competencies:

   a) adopts the internal regulatory acts of the SLA;
   b) set the percentage of interest on deposits and loans and the relevant commissions;
   c) approves the loans extended to the members or delegates their approval to a special committee;
   d) set the terms and interests rate on deposits' acceptance, and notifies them to SLA's members;
   e) approves the rules on the way to grant the loans, including the criteria, settlement terms, maximum amount that may be credited and the acceptable ways of granting the loan;
f) approves the rules on risk management;
g) approves the SLA’s governance code and the annual report of the governance;
h) approves the annual work plan and proposes to the General Assembly the annual budget;
i) provides instructions for the administrators on implementation of the SLA’s policies and controls their implementation;
j) approves the investment policies, in accordance with the Law and relevant by-laws, and supervises the management of the SLA’s investments in compliance with these policies;
k) controls the implementation of policies, procedures and rules of SLA by the Administrator;
l) convenes the meeting of the General Assembly, whenever deemed necessary for the interests of the SLA;
m) takes care that the SLA implements the Law and accounting standards and proposes to the General Assembly the members of the Audit Committee;
n) examines and checks the accounting books and the financial statements of the SLA, the documents and assets of the association and the reports of the Audit Committee; The Steering Council shall state whether it accepts the Audit Committee recommendations or argue if it does not;
o) ensures that Administrator have made correctly the annual and monthly financial statements, activity progress reports and other obligations related to reporting and publication, required under the Law or statute;
p) reports to the General Assembly, at least once a year, on supervision and management of the SLA during the financial year;
q) ensures that a chartered accountant audits the accounting books and records at least once a year;
r) determines the amount of remuneration to the Administrator;
s) approves the undertaking of liabilities, other than members’ deposits, which exceed 5% of the SLA’s capital, that results in the latest certified financial statements;
t) proposes to the General Assembly the establishment of long-term economic cooperation, including the membership in the Union;
u) carries out other duties as provided by the Law and the statute;
v) shall immediately convene the General Assembly, if, according to the annual balance sheet or intermediate financial reports, it results or is clearly evident that the losses reach 50% of the SLA’s capital, or SLA’s assets will not cover liabilities due to be paid within three next months.

2. The Steering Council shall determine the procedures for the SLA’s functioning and staff needed to conduct its activity.

3. The Steering Council may establish committees, if deemed necessary, to address cases of special interest to the SLA, by clearly stipulating their competences, composition and work procedures.

4. The Steering Council shall inform the General Assembly of the payment of the Steering Council members and the Administrator, received as a salary or remuneration for carrying out their duties, through the annual report of SLA’s management.

5. In the event of unoccupied positions due to death, or resignation or in the event of final decision to one or some members of the Steering Council, the Council may elect, until the General Assembly’s meeting, temporary members out of the SLA’s members. The meeting of the Steering Council shall take place in the presence of more than half of the
appointed members of the Steering Council. In such a case, the decision shall be approved by the simple majority of votes of members present in this meeting.

6. In the case of paragraph 5 of this Article, the Steering Council shall immediately convene the General Assembly.

**Article 30**

**Administrator**

1. The Steering Council shall appoint an Administrator of the SLA for a period which in no case exceeds four years, eligible for reappointment. The SLA’s Statute shall lay down the appointment period of the Administrator.

2. The Administrator shall have the following competences and obligations:
   
a) Carries out all actions for managing the SLA’s activity, in accordance with the policies laid down by the General Assembly and the Steering Council;

b) represents the SLA in its relationships with the third parties;

c) is responsible for correctly and regularly maintaining documents, registers and accounting books of the SLA;

d) prepares and signs the annual and monthly financial statements and submits them to the Steering Council;

e) makes records and send required data of the SLA to the National Registration Centre, as laid down in this Law;

f) reports to the General Assembly and Steering Council on implementation of instructions and realization of specific operations, which are of particular importance to the activity of the SLA;

g) carries out other tasks laid down in the Law and the statute.

3. The Administrator may authorize other persons to carry out some certain operations. Notifications addressed to the Administrator shall be valid and obligatory to the SLA.

4. The Steering Council may dismiss the Administrator at any moment in case the Administrator fails to meets his/her responsibilities.

5. The Administrator, whose full term of office is over, shall carry out only those tasks needed for the fulfillment of legal obligations of the SLA, until the appointment of the new Administrator. In this case, the Steering Council shall inform the Bank of Albania and the Albanian Deposit Insurance Agency.

6. The Administrator shall immediately inform the Steering Council, when, according to the annual balance sheet or intermediate financial reports, it comes out or is clearly seen that the losses account for 50% of the SLA’s capital, or that association’s assets do not cover liabilities due to be paid within three next months.

7. Appointment of the Administrator leads to legal consequences after registration at the National Registration Centre.

8. If the Steering Council appoints more than one administrator, they shall manage the association jointly, if otherwise stated in the statute.

**Article 31**

**Audit Committee**

1. The Audit Committee shall consist of three members who exercise their mandate for a four-year period, with the right of reappointment. One of the members of the Audit Committee may be simultaneously a member of the Steering Council.
2. Members of the Audit Committee shall be individuals with at least three years of experience in accounting, auditing or lending.

3. The Audit Committee shall carry out the following tasks:

   a) control and supervise the implementation of accounting procedures and internal audit of the SLA, including the procedures set forth by the Bank of Albania;
   b) assess the financial situation of the SLA, based on the report of the registered chartered accountant;
   c) control the compliance of the SLA's activity with the laws and by-laws and inform the Steering Council on conclusions;
   d) approve the financial statements and reports prepared by the SLA, for their publication.

4. The Audit Committee shall meet not less than three times a year in regular and extraordinary meetings as often as convened by the Steering Council. Decisions shall be made by a majority of votes of all members. Abstentions are not permitted.

5. Members of the Audit Committee may not be employees or administrators of the SLA.

6. External experts elected by the Audit Committee may assist the latter in carrying out its functions.

7. The General Assembly shall decide on the remuneration of members of the Audit Committee.

8. The Audit Committee submits its reports at least once a year, to the General Assembly and makes recommendations to the Steering Council.

9. The Committee shall immediately convene the General Assembly, if, according to annual balance sheet or intermediate financial reports, it comes out or is clearly seen that the losses account for 50% of the SLA's capital, or association’s assets do not cover liabilities that are due to be paid within the next three months.

10. The Bank of Albania may establish upon by-laws the criteria for the SLA to have an internal audit unit.

**Article 32**

**Statutory auditor**

1. The General Assembly of the members shall appoint the statutory auditor of the SLA.

2. The statutory auditor shall audit the financial year statements and submit a report to the Audit Committee, within 60 days.

3. The Administrator of the SLA shall submit to the Bank of Albania the approved financial statements and the statutory auditor's opinion, within 90 days from the approval by the Audit Committee.

4. For the purposes of his/her duty, the statutory auditor shall:
   a) receive the documents and make verifications;
   b) take declarations by the SLA’s administrators on necessary issues;
   c) quit or refuse to conduct a commitment.

5. The statutory auditor shall control and assess the compliance of financial statements, in accordance with the legislation on accounting and financial statements, and international accounting standards, the legislation on legal auditing, organization of the statutory auditing and statutory audit profession.

6. The statutory auditor shall verify the cash balance, the accounts of the members, and review the internal audit, non-performing loans and bad loans, and loans granted to the
employees, who are members of SLA or Union, and the loans to members of the Steering Council.

7. The statutory auditor shall immediately notify the Bank of Albania and the Deposit Insurance Agency on any breach of Law, fraud, theft or money laundering case and considerable changes of financial result noticed during the auditing.

8. The SLA shall inform the Bank of Albania officially on the appointment and substitution of the statutory auditor, and the latter shall inform the Bank of Albania officially when he/she resigns.

9. The Bank of Albania may request to replace the statutory auditor, if it finds that his reports are not conform to the requirements of this Law and national and international standards and do not reflect the real situation of the SLA, or in the event of a conflict of interest.

10. The remuneration of the statutory auditor shall not relate to the audit results.

11. The SLA may change the statutory auditor, in compliance with the stipulations laid down in the legislation in force on statutory auditing and statutory audit profession.

12. The Bank of Albania, by considering the size of SLA and the volume of the activity, shall determine the SLA that should appoint an auditing firm. The auditing firm shall implement the stipulations laid down in this Law, related to the statutory auditor.

Article 33
Conflict of interest

1. The SLA shall prevent the cases of conflict of interest and family or business relationships between members of the management bodies and the statutory auditor.

2. Members of the same family shall not be at the same time members of management bodies or of auditioning bodies.

3. A person shall not be a statutory auditor of the SLA if he/she is:

   a) member of the SLA;
   b) a spouse, relative, or business partner of the Steering Council members, the Administrator or an employee of the SLA;
   c) a debtor to the SLA at the time when the audit is conducted.

4. The registered chartered account shall declare the absence or existence of the conflict of interest before the General Assembly.

CHAPTER V
ACTIVITY OF SLA

Article 34
Scope of activity

1. The main scope of the activity of the SLA is to collect deposits and grant loans to the SLA members.
2. The SLA shall not carry out activities not provided for or allowed in this Law.
3. The SLA shall not carry out trading activities, except for the activities which are laid down in this Law or in sub-legal acts issued for its implementation.
4. The SLA may also carry out other activities in addition to those provided for in paragraph 1 of this Article, stipulated in Bank of Albania by-laws.
5. The SLA applies interest rates for deposits, loans and other allowed financial activities which may generate profit for the SLA.

Article 35

Deposits

1. The SLA shall accept deposits only from its members.
2. The deposit agreement shall establish the applied terms and commissions in the event of a depositor's request to repay the deposited amount prior to the termination of the term specified in the contract.
3. The member shall not use the deposits as a guarantee for liabilities to third parties and shall not waive his/her rights arising from the deposit agreement.
4. The SLA shall accept deposits only if it has been licensed by the Bank of Albania and if it meets the conditions of deposit insurance under Law “On Deposit Insurance”.
5. The SLA shall enjoy the right to compensation of the liabilities of each member to the SLA through his/her deposits.

Article 36

Loans

1. The SLA shall grant loans only to its members based on a loan agreement, in accordance with the conditions and criteria described in the provisions of this Law and other by-laws implementing this Law, and the internal regulations approved by the Steering Council.
2. The SLA shall not grant loans to a member for purposes of being used as investment in the capital of the SLA.
3. The SLA shall not grant loans with a maturity longer than 10 years, unless otherwise stipulated in Bank of Albania by-laws.
4. The loan agreement between the SLA and the member, with the SLA being the lender, shall be an executive title, in case of non-fulfillment of the member’s obligations.

Article 37

Selling of deposits and loans

The selling or partial transfer of the deposits and loans, as well as the rights and obligations to another SLA or bank may take place only upon the approval by the Bank of Albania, in cases of mandatory liquidation. In such a case, as well as in the situation set out in Article 77
"i" of this Law, the approval of the General Assembly and the approval of the individual creditors and debtors, shall not be required.

**Article 38**

**Investment of funds**

1. The SLA, except for the cases otherwise stipulated in Bank of Albania by-laws, may invest the monetary assets, which have not been used as loans to the members, in:

   a) treasury bills issued by the Ministry of Finance of the Republic of Albania;
   b) deposits with maturity up to one-year held with banks carrying out their activity in the territory of the Republic of Albania;
   c) deposits, with maximum one-year maturity, placed within the respective Union, when the investment terms and conditions at the Union are similar to or better than those specified in letters “a” and “b” of this paragraph.

2. The above-mentioned investments should be diversified. The SLA shall not invest more than 25% of the total investment portfolio in a single investment or counterpart.

3. The SLA and the Union may invest in fixed assets (land, buildings, equipment and investment to upgrade the premises of the activity) no more than 5 per cent of its total assets.

**CHAPTER VI**

**CAPITAL, CONTRIBUTIONS AND RESERVES**

**Article 39**

**Components of capital**

1. The capital of the SLA shall consist of:

   a) contributions of members;
   b) donor funds;
   c) legal reserve;
   d) statutory reserve;
   e) other reserve;
   f) retained profit/loss;
   g) fixed assets revaluation reserve;
   h) profit or loss of the current year.

2. The capital shall be in the ownership of the SLA and shall be paid and expressed in ALL. The registration of capital and its compounding contributions shall be performed in compliance with Article 4, paragraph 4 of this Law at the National Registration Centre. This provision shall be implemented in case of any change in the capital.
3. The SLA and the Unions shall, with a view to carrying out a stable and safe activity, hold, at any time, a capital level not less than the capital required to be granted a license.

Article 40
Reserves

1. The SLA's legal reserves shall be at least 50 per cent of the profit of the previous financial year until the reserve equals 5 per cent of the total assets of the SLA.
2. The statute may provide for the establishment of other reserves from the annual profit.
3. The SLA shall establish revaluation reserves, which are not calculated from the profit, representing the counterparty of fixed assets revaluation in the framework of the revaluation upon decision of the decision-making bodies and/or observance of effective legal acts.
4. The SLA’s reserves are used to cover losses and cannot be allocated to its members when the association is under liquidation process or when the members leave it.

Article 41
Inheritance of the contribution in the capital

The contribution of the member in the capital of the SLA shall be heritable. In such a case, the heir shall not inherit the right of membership.

Article 42
Restitution of contributions

1. The amount of the member contribution in the paid-in capital of the SLA shall be restored on the basis of the amount contribution in capital. A member may not request partial restitution of his contributions.
2. Despite the date when the member has expressed his willingness to leave, or is excluded, the restitution of the contribution is made only after General Assembly meeting which approves the financial statements of the fiscal year.
3. The member contribution shall be restored only after the member has paid all the obligations to the SLA and if the restitution of the contributions does not reduce the capital value below the minimum amount defined by the Bank of Albania.
4. The restitution of contribution shall not breach the capital adequacy requirement of 12% of the total of the risk weighted assets and off-balance sheet items.
5. In case of breach of the minimum capital and the capital adequacy ratio of the SLA arising from the restitution of the contribution to the member or the heir, this contribution shall be restored in the financial year in which the SLA meets the minimum capital requirement or the capital adequacy ratio.
6. After withdrawal of the member or his/her successor whose contribution has not been returned, the SLA’s administrator notifies every year in written form, for the reasons mentioned above, until it is restored.
Article 43
Financial reports

1. The SLA shall keep the accounting books and prepare the financial reports for an accurate reflection of its financial situation, in accordance with the applicable accounting and financial statements legislation.
2. The SLA shall develop and approve management and accounting procedures, and adequate internal control mechanisms, in accordance with the Bank of Albania's by-laws.
3. The Bank of Albania shall establish the form, type, methodology and contents of reports, and the periodicity of their reporting.

CHAPTER VII
UNION

Article 44
Establishment of the union

1. Five or more SLAs may establish a Union, whose purpose is to promote, the organization and development of SLAs, and to improve their internal operations.
2. Only the SLAs may establish and be members of the Union. Membership and continuity of membership of the SLA into the Union shall be on a voluntary basis.
3. The Union shall carry out its activity only after having been approved a license by the Bank of Albania.
4. The by-laws of Bank of Albania shall establish the requirements for the licensing of a Union.

Article 45
Scope of activity

1. The scope of activity of the Union shall be to accept deposits and to provide loans to Union’s members.
2. In addition to the activity referred to in paragraph 1 of this Article, the Union may carry out the following functions:
   a) conduct inspections of the SLAs that are members of the Union, in accordance with this Law;
   b) provide services that allow the SLAs to serve their members. These may include, but not be limited to, fields like education and qualification, management consulting, accounting, standardized systems, marketing and procurement, and risk management;
   c) advocate the interest of all SLAs that are members of the Union, to the government institutions and the third parties;
   d) provide assistance for the process of reorganization, voluntary liquidation and compulsory liquidation of the SLA, and the covering of respective expenses related
to these processes, in case the financial situation of SLA may not afford the payment of these expenses by the SLA itself.

3. The Union shall approve operational standards in order to prevent breaches of laws and by-laws, which may jeopardize the financial situation of the Union and of the SLAs, members of the Union.

4. All the provisions of this Law on the activity of SLA shall apply also to the Union as well, except when otherwise is provided in this Law.

Article 46
Organization, capital and the organizational unit in charge for the control

1. The internal organization of the Union shall take place in compliance with Chapter IV of this Law. The rules for the structure of governing bodies and responsibilities of their members are stipulated by internal regulations of the Union.

2. The Union shall establish the credit committee elected by the Steering Council.

3. To carry out its activity, the Union shall have a capital of at least 12 per cent of assets and off balance sheet risk-weighted items.

4. The Union shall establish a separate organizational unit, which has as its purpose only to monitor the SLAs. The Union shall determine the number of employees and the budget of this unit, based on the number of SLA’s which should be monitored, upon the prior approval of the Bank of Albania.

5. The organizational unit in charge for the control of the SLAs, shall not engage in operational, financial and promotional activities.

6. After the appointment by the Steering Council of the Union, the head of the organizational unit, stipulated in paragraph 4 of this article, shall be approved by Bank of Albania. The head of the unit cannot be discharged or dismissed from duty without prior approval of the Bank of Albania.

7. The by-laws of Bank of Albania stipulate appointment criteria and the documentation approval of the head of the organizational unit in charge for the control at the SLA.

Article 47
Exercise of monitoring

1. The Union shall monitor the activity of SLAs, member of the Union, related to implementation of legal and regulatory requirements, as well as the requirements on risk management.

2. The Union shall exercise the monitoring process through:
   a) financial and forecast analysis, verification of data reported periodically by the SLAs;
   b) full-scope and partial inspections of the SLA’s financial activity;
   c) implementation of supervisory measures in accordance with the provisions of this Law.

3. The exercise of Union monitoring on SLA, aims to ensure financial stability of the SLA.

4. The exercise of Union monitoring on SLA shall, in particular, focus on:
   a) assess the compliance of their activities with the Law and by-laws;
   b) analysis of SLAs' financial statements;
   c) assess the implementation of the requirements for risk management;
   d) assess the application process of a loan and the deadlines for repayment of loans;
e) assess the fulfillment of the requirements for the prevention of money laundering.

5. The Union's employee responsible for conducting inspections shall have the right to:
   a) access the SLA's headquarters, premises, offices or parts of them, on days and at times during which the SLA carries out or should carry out its activity;
   b) request written information and explanations, documents and data concerning the activity of the SLA, with the SLA's organizational bodies and employees being obliged to provide the requested clarifications.

6. SLAs are required to create the necessary conditions, and make available the required information to the Union employees who exercise monitoring.

7. Based on the Bank of Albania's requirement the Union shall prepare and submit to the Bank of Albania the annual plan of inspections at the SLAs that are members of the Union.

8. The Union shall, upon request of the Bank of Albania, make changes to the annual plan of inspections.

9. The Union shall prepare and submit to the Bank of Albania, the findings from the oversight over SLA, relevant recommendations and their fulfilment at the end of every month.

10. The Union shall afford all the expenses related to the condition of monitoring.

11. The by-laws of Bank of Albania shall stipulate the standards and criteria regarding the method of exercising the monitoring over SLA from the Union.

**Article 48**

**Information on monitoring**

The Bank of Albania shall have the right to request information from the Union, from the organizational unit responsible for exercising SLA monitoring, and from the governing bodies of the Union, regarding on inspections of the SLAs.

**Article 49**

**Measures of the Union**

1. If it finds irregularities in the activity of SLA which is subject of monitoring, the Union presents to the SLA the recommendation to correct irregularities within the specified deadline, and meanwhile the findings are presented to the Bank of Albania.

2. Besides the recommendations stipulated in paragraph 1 of this Article, for violations prescribed in Article 76 of this Law, the Union may impose against the SLA, one of the measures stipulated in paragraphs “a”, “b”, “c”, “d”, “f”, “h”, and “k” of Article 77 and in paragraph "e" of Article 78 of this Law.

3. The Union proposes to the Bank of Albania to take impose the measures stipulated in article 77 paragraph “e”, “g”, “l”, and “m” and sanctions stipulated in "a", "b", "c" and "d" of paragraph 1 of Article 78 of this Law. If it finds irregularities Bank of Albania can take impose its own initiative measures, sanctions and penalties stipulated under this Law, which are subject to the monitoring of the Union.

4. The Union implements the requirements of Article 79 of this Law concerning the measures taken against SLAs.

5. The Union shall notify the Bank of Albania within 15 days on the measures taken to SLA, in accordance with this article.
6. The SLA to which the Union has taken action, stipulated in his article, shall have the right to file an administrative appeal to the Bank of Albania within 30 days from the receipt of the notification of the measure taken. The filing of administrative appeal to the Bank of Albania shall suspend the implementation of the measure taken by the Union, up to the decision taken by the Bank of Albania.

7. Within 30 days from the file of an administrative appeal, Bank of Albania shall decide to:
   a) uphold the measure set by the Union;
   b) repeal of the measure set by the Union;
   c) change the measure imposed by the Union to another measure.

8. Within 45 days from the receipt of the decision of the Bank of Albania in accordance to paragraph 7 of this Article, the SLA has the right to appeal to the Administrative Court of Appeal decision of the Bank of Albania.

9. Bank of Albania shall assign the administrative unit, within the Bank of Albania, to review the administrative appeal, according to paragraph 6 of this Law.

CHAPTER VIII
REORGANISATION OF SLAs

Article 50
Merger

1. Upon the decision of the General Assembly, two or more SLAs may merge through:
   a) The transfer of all assets and liabilities of one or more SLAs, referred to as the absorbed SLAs, to another existing SLA, referred to as the absorber, in exchange for the contributions of this SLA. This process is called merger by absorption.
   b) The establishment of a new SLA, to which all assets and liabilities of the existing SLA are transferred, and merged in exchange for contributions of the new SLA. This process is called merger by establishment.

2. All rights and obligations of the absorbed SLA are transferred to the absorber SLA or the newly-established SLA as a result of the merger.

3. The absorbed SLA or the SLAs merged as a result of a merger by establishment shall cease to exist upon completion of the merger process, their license by the Bank of Albania shall be revoked and then, they shall be unregistered, with no liquidation, from the National Registration Centre.

Article 51
Separtation
1. A SLA may be separated by a decision of the General Assembly, only upon the prior approval of the Bank of Albania, by transferring all its assets and liabilities in favor of the two or more existing or newly-established SLAs. The separated SLA shall cease to exist.

2. The SLAs gaining the assets of the SLA being separated are called recipient SLAs and shall respond for the obligations of the separated SLA in proportion to the gained assets.

3. The separated SLA shall cease to exist at the end of the separation process, the Bank of Albania shall revoke the license and it shall be unregistered, with no liquidation, from the National Registration Centre.

**Article 52**

**Membership criterion**

The criterion of membership is not a condition for realizing the merger or the separation process of SLAs.

**Article 53**

**Membership contribution**

In any case, upon completion of the merger or the separation process, the membership contribution shall be to the same extent resulting after the merger or the separation, as defined in the statute of SLA, after deducting the respective losses.

**Article 54**

**Approval by the Bank of Albania**

1. Any merger or separation shall be invalid unless approved by the Bank of Albania.
2. Upon approval by the Bank of Albania, the merger or the separation shall be registered at the National Registration Centre.
3. The Bank of Albania may decide to reject the approval of the reorganization of a SLA should it assess that the reorganization may jeopardize the safety of deposits of the SLA members or trigger the deterioration of the financial situation.
4. The new SLAs established as a result of the merger or separation shall comply with the licensing criteria set out in this Law and by-laws issued for its implementation.
5. The Bank of Albania may, by means of by-laws, set out more detailed procedures and the necessary documentation for the merger and separation of the SLA.

**CHAPTER IX**
TRANSFORMATION OF THE UNION INTO A SLA

Article 55
Method of Union transformation into a Savings and Loan Association

1. The Union may be transformed into a SLA upon the approval of the Bank of Albania. The transformation process shall be followed by the winding up, without liquidation of the Union and existing SLAs, member of the Union, the General Assemblies, which have approved the transformation process and the establishment of the new SLA, whose members are members of the SLA, that have been members of the Union, whose General Assemblies have approved the transformation process.

2. The decision on the transformation of the Union into a SLA shall be taken in compliance with the requirements laid down in this Law.

3. The SLA, whose General Assembly does not approve the transformation of the Union, may continue its activities as a SLA outside the Union. The membership of this SLA in the Union shall end at the moments that Bank of Albania shall approve the transformation of the Union.

4. The Bank of Albania shall cooperate with the Deposit Insurance Agency, for the purpose of including in the Deposit Insurance Scheme resulting after the transformation.

Article 56
Required documents for the transformation procedure

1. The chairman of the Steering Council and the Administrator of the Union, applying to be transformed, shall submit at the Bank of Albania, in addition to the application, the following documentation:
   a) a detailed report, explaining legal and economic grounds for the proposed transformation and/or respective reasons. The report shall set out projections relating to the performance and duration of the Union's transformation, describe the effects that the transformation is expected to have on regulatory and supervisory rules, as well as on employees of SLA, member in the Union and of the Union. The report shall be prepared by a reputable audit firm. The auditing firm shall be elected in compliance with the criteria set forth by the Bank of Albania;
   b) the decisions of the General Assemblies of the SLAs, which have approved the transformation of the Union into a SLA, or a notarized copy, and the official records, where there are declared the verification of compatibility with the Law and the respective statues of the General Assemblies' decisions of the SLAs, member of the Union. The official records shall be prepared by the Steering Council of the Union and shall be submitted to the General Assembly of the Union's members. The Steering Council of the Union is responsible for the verification of compliance with the Law and respective statutes of the decisions of General Assemblies of SLAs, members in the Union
   c) the decision of the Union's General Assembly, which approves the transformation of the union into a SLA, which shall contain the name of the SLA to be established after the transformation. The decision of the general assembly of the Union shall specify clearly the names of SLAs, members in the Union, which have given their consent for being part in the transformation process;
   d) a draft-statute of the SLA, which shall result after the transformation of the Union;
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e) a draft-balance sheet of the SLA, which shall result after the transformation of the Union;  
f) a list of SLAs, which have not approved the transformation of the Union.

2. The Bank of Albania shall analyze and assess the above stated documentation within 3 months, from the date of accepting the application. The acceptance date of the application shall be considered the date when the applicant has met all the requirements and the necessary documentation for the realization of the transformation procedure. The Bank of Albania shall notify the applicant, in writing, of this date.

**Article 57**  
**Legal effects of the transformation**

1. The SLA, member in a Union, whose General Assembly has approved the transformation process, as well as the Union, shall be considered as wound up with no liquidation at the conclusion of the Union's transformation process.

2. The members of the SLA, member in a Union, whose General Assembly has approved the transformation process, shall be a member of SLA, resulting from the Union's transformation process.

3. The members' deposits of SLAs, members of the Union, whose General Assemblies have approved the transformation process, shall continue to be secured at the Deposit Insurance Agency, throughout the duration of the Union's transformation process.

4. The transformation does not generate consequences on the rights and obligations that the Union and its member SLAs have towards third parties. The SLA, resulting from the Union transformation, shall inherit all the rights and obligations generated from the operations and activity of the Union and SLAs member of the Union, whose General Assemblies have approved the transformation process. All the rights and obligations of the Union that is subject to the transformation and of SLAs, member of the Union, whose General Assemblies have approved the transformation process, in relation to third parties, prior to entry into force of the transformation process, remain in force for the resulting SLA from the transformation, pursuant to definitions in acts or relevant agreements with these parties.

5. The loans and deposits of the SLA’s members, member of the Union, whose General Assembly has approved the transformation process, shall be transferred to the SLA, which shall be created after the transformation.

6. The governing bodies of the SLA, member of the Union, whose General Assembly has approved the transformation process, and the governing bodies of the Union, during the transformation process period, shall carry out only the usual management of the activity being licensed and shall not be assigned responsible for the new obligation to the third members or parties.

7. Upon the entry into force of the transformation process, all the financial and physical assets, in ownership or administration of SLA, member of the Union, whose General Assembly has approved the transformation process and of the Union, subject to the transformation, shall be in ownership or in administration of the SLA resulting from the transformation.

8. After the registration of the SLA resulting for the transformation in the National Registration Centre, the transformation process shall be considered as completed, but the SLAs' members or SLAs and Union's creditors, who claim to have suffered financial losses from this transformation, may request a recompense from the members
of the Steering Council of the SLA, member of the Union, whose General Assembly has approved the transformation process, and the members of the Steering Council of the Union, in the event they prove that the SLA’s Steering Council members, member in the Union, whose General Assembly has approved the transformation process and the members of the Steering Council of the Union have acted under the conditions of unintentionally or fraud.

9. For the purposes of tax registration, the SLA resulting after the transformation shall continue to maintain the NIPT number of the Union, subject of the transformation.

10. The SLA resulting from the transformation of the Union shall not be subject to a new licensing procedure by the Bank of Albania, but the latter shall verify the conditions set out in Articles 55 and 56 of this Law, by approving or declining the transformation of the Union into a SLA.

11. The members' deposits of the SLA, member of the Union, whose General Assembly has approved the transformation, and the members' deposits of the SLA, whose General Assembly has not approved the transformation, shall remain insured, in compliance with the stipulation in the legislation on deposits insurance. Upon this transformation, the SLA resulting from the transformation of the Union shall be included in the deposit insurance scheme in accordance with the provisions of the legislation on deposits insurance.

12. The deposits and contributions of SLAs, whose General Assemblies have not approved the transformation, shall be returned from the SLA resulting from the transformation, at the conclusion of the transformation process, by implementing the requirements in Article 15 of this Law, related to the voluntary cease of membership.

13. The SLA resulting from the transformation of the Union shall be subject to the supervision from the Bank of Albania, in line with the stipulations of this Law and the by-laws, issued for its implementation.

Article 58
Approval and rejection of transformation

1. The Bank of Albania shall approve the transformation of the Union into SLA, if the requirements in article 55 and 56 of this Law are met.

2. The Bank of Albania shall reject the approval, if:
   a) it deems that the transformation may damage the SLAs market, and the national economy;
   b) it deems that the SLA resulting from the transformation of the Union may have a worse financial situation or may not comply with supervisory rules;
   c) the transformation process may cause financial damage to the members of SLA, members of the Union;
   d) the capital of the SLA resulting from the transformation falls below the minimum initial capital, required for licensing a SLA;
   e) the conditions of the Deposit Insurance Scheme are not met.

3. The assessment of the Bank of Albania on the approval of the transformation shall also to provide a license to the SLA, in accordance with requirements in article 59, of this Law, and the SLA resulting from the Union transformation shall not be subject to a new licensing procedure.
Article 59
Registration at the NRC and provisions of a new license

1. The transformation of a Union into a SLA shall enter into force upon registration with the National Registration Centre of the decision for transformation by the General Assembly of the Union, of the decision of SLA member in Union, which have approved the transformation, as well as the decision of the Bank of Albania approving the transformation.

2. Upon the registration at the NRC of the SLA resulting for the Union transformation, the NRC shall unregister, with no liquidation, the SLA member of the Union, whose General Assemblies have approved the transformation process of the Union, and the Union.

3. Immediately after the registration at the NRC, the SLA resulting from the Union transformation, shall submit to the Bank of Albania the extract issued by the NRC for its registration and the deregistration extracts of the SLAs members of the Union, whose General Assemblies have approved the transformation process of the Union.

4. The Bank of Albania shall revoke the SLAs licenses, members in the Union, whose General Assemblies have approved the transformation process and of the Union, and provides the new license to the SLA resulted from the Union transformation. A copy of this license shall be submitted at the DIA.

5. The SLA resulting from the transformation of the Union shall inherit no financial activity from the moment of registration with the NRC until the moment it is provided with a license by the Bank of Albania.

6. The transformation registration of the Union at the National Registration Centre provides that:
   a) The Union, which is transformed, to continue to exist in the legal form of a SLA;
   b) SLA members, member of the Union, shall take part in capacity of the SLA member, at the SLA resulting from the transformation process of the Union.

CHAPTER X
SUPERVISION

Article 60
Supervisory authority

1. The Bank of Albania is the authority responsible for licensing, regulating and supervising the functioning of SLAs and their Unions, in accordance with the provisions of this Law and relevant by-laws issued for its implementation.

2. The Bank of Albania shall have the right to request any necessary information from the SLAs, their Unions, or members of the SLAs and members of the Union, for the purpose of exercising the licensing, regulating and supervising functions. SLA’s, their Unions, or members of SLAs and members of Union, are obligated to provide to Bank of Albania any information requested.
The exercise of the supervisory function by the Bank of Albania on the SLAs and Unions aims at:

a) ensuring the financial stability of the SLA;
b) protecting the monetary assets accumulated at the SLA;
c) ensuring the compliance of SLAs' activity with the provisions of this Law and relevant by-laws issued for its implementation.

**Article 62**

**Exercise of supervision**

1. The Bank of Albania shall exercise the supervision process through:

   a) licensing;
   b) drafting and approving the regulatory framework;
   c) financial and forecasting analysis, verification of data reported periodically from the SLAs;
   d) full-scope and partial examinations of the financial activity of SLAs;
   e) implementation of supervisory measures, sanctions and penalties, according to the provisions of this Law.

2. The SLAs and the Union shall make available all the necessary documentation to the Bank of Albania, in order to perform the supervisory process.

3. With its function as supervisory authority, the Bank of Albania shall evaluate the lawfulness and regularity of the exercise of financial activity, the ability of a SLA and the Union to manage risk and meet the legal obligations and supervisory requirements; make recommendations and take supervisory measures, and impose sanctions in order to eliminate violations and breaches observed, as well as to improve the financial situation of the SLA or the Union.

**Article 63**

**The purpose of supervision on SLAs**

The primary objective of the exercise of the supervisory function by the Bank of Albania on the SLAs that are not subject to the control of the Union and SLAs which are not members of the Union is to assess, but not be limited to, the following elements:

a) the financial situation of the SLA, including its solvency, quality of assets, quality of capital, the financial result of the SLA, as well as the responsible and effective management;
b) the quality of risk management and internal control system of the SLA;
c) the implementation of rules in granting loans;
d) the implementation of obligations arising from the legal provisions for the prevention of money laundering and terrorist financing.

**Article 64**

**Purpose of supervision on the Unions**
1. The primary objective of the exercise of the supervisory function by the Bank of Albania on the Union is to assess, but not be limited to, the following elements:

   a) the financial situation of the Union, including its solvency, liquidity, quality of assets, quality of capital, and the financial result of the Union;
   b) the principles, methods and standards in the exercise of supervision on the SLAs by the Union;
   c) the implementation method of the duties and responsibilities of the Union to the SLAs, members of the Union;
   d) the assessment of risk management system quality and internal audit of the Union;
   e) the implementation of duties arising from the legal provisions for the prevention of money laundering and terrorist financing;
   f) the implementation method of the duties of the Union arising from articles 46, 47, 48 and 49 of this Law.

2. The Bank of Albania shall have the right to recommend the Union changes to the method and principles of supervision on the SLAs.

**Article 65**

**Capital adequacy and risk management**

1. The SLA and the Union, to conduct its business safely and steadily, and to meet the obligations to creditors, shall keep the adequate capital level and manage the risk, in compliance with the requirements of this Law and the by-laws issued for its implementation.

2. The SLA and the Union shall ensure that capital adequacy indicator, determined as the ratio in per cent of the association capital to balance sheet asset items and of balance sheet risk-weighted items, is no less than 10% during the first two years of the financial activity and at any time, as stipulated by the Bank of Albania, but not less than 12 %.

3. Where the Bank of Albania finds that the risk profile of the SLA and Union is high, it may establish, by means of by-laws, a higher capital adequacy ratio than the one specified in paragraph 2 of this Article, and additional requirements related to the risk management.

4. In addition to the above stipulations, the Bank of Albania shall set out in its by-laws the types of risk and their management methodology by the SLAs and the Union.

**Article 66**

**Prevention of Money Laundering**

The SLA and the Union, during the exercise of its activities, shall comply with the legislation on the preventing money laundering and combating terrorism financing.

**Article 67**

**Legal protection during the exercise of duty**
1. The Bank of Albania, the members of the Supervisory Council, the administrators, any of its staff, as well as the head and the employees of the organizational unit responsible for the monitoring of the SLAs, in accordance with stipulations in articles 46, 47, 48 and 49, of this Law shall not be liable for any damages caused to third parties from actions or omission during the exercise of duties and fulfillment of their legal responsibilities, as stipulated by this Law.

2. Bank of Albania staff, and the heads and employees of the organizational units responsible to monitor the SLAs, in exceptional cases, may be liable for any damages caused to natural or legal persons only when it is proved that they have acted in bad faith.

3. In cases where an employee sued according to paragraph 2 of this Article is found not guilty upon final sentence of the relevant court, the Bank of Albania or the Union, as appropriate, shall be obliged to reimburse him/her the full amount of expenses incurred for his legal representation and protection.

4. The provisions of Law No. 8510, dated 15.07.1999 “On extra-contractual responsibility of public administration bodies” shall not apply to determine the extra-contractual responsibility of the Bank of Albania, and its bodies or staff.

**Article 68**

**Obligation to maintain professional secrecy**

1. The administrators, the employees, judicial authorities, examiners or other staff of the Bank of Albania, as well as the managers and employees of the organizational unit that is responsible for the monitoring of the SLA by the Union shall maintain the secrecy of any information obtained while carrying out their activity and examinations at the SLA, and not use it for personal gains or disclose it to third parties.

2. The information described in paragraph 1 of this Article may be only disclosed to the Bank of Albania, the registered chartered accountant of the SLA, administrators, agents, staff of any information system or official service, temporary administrator/custodian or liquidator appointed by the Bank of Albania, and institutions having this right by law, and when required to protect the interests of the SLA in legal procedures.

**SUBCHAPTER I**

**LICENSING**

**Article 69**

**Licensing**

1. The Bank of Albania is the authority responsible for licensing a SLA and the Union to conduct financial activities in accordance with this Law.

2. The SLA and the Union shall have the right to start their financial activities only after the acquisition of the license by the Bank of Albania, and the deposit insurance certificate according to the deposit insurance Law No. 53/2014 “On deposits insurance”.
3. The SLA shall submit the application for license after having been registered at the National Registration Centre.
4. The SLA shall not conduct any activities from the moment of registration at the National Registration Centre to the moment of being licensed by the Bank of Albania.
5. After being licensed by the Bank of Albania, the SLA shall submit a copy of the license to the National Registration Centre.
6. The Bank of Albania shall set out, by means of a by-law, the minimum capital, the criteria and necessary documentation to be completed by the SLA during the licensing process.
7. The Bank of Albania shall request information from any person, if, based on the circumstances of the fact, it concludes that the person is conducting unauthorized financial activity, and request the relevant institutions to prohibit these activities and take relevant measures, conform to the effective legislation. In the event of the above, the person shall be obliged to provide the Bank of Albania all the requested information.

Article 70
License characteristics

1. The license shall be granted for an indefinite period, and may not be transferred or alienated.
2. The license shall include the name of the SLA, or name of the Union.
3. The license shall also include the annex of financial activities for which the SLA has been licensed by the Bank of Albania.
4. The Bank of Albania has the right to revoke the license, in case the SLA fails to fulfill the provisions of this Law and respective by-laws, and the Deposit Insurance Law.

Article 71
Condition on monetary deposit insurance

1. The SLA shall not exercise financial activity unless the monetary deposits are insured, in accordance with the provisions of Law No. 53/14, “On Deposit Insurance”.
2. The Bank of Albania shall cooperate and coordinate the actions with the Deposit Insurance Agency during the licensing process.

Article 72
Criteria for granting or refusing a license

1. The Bank of Albania shall, within 3 months from the date of the acceptance of the application for a license, grant or refuse the license and shall notify the applicant of such decision in writing. For purposes of this paragraph, the date of acceptance of the application for license shall be the date when the SLA has met all the requirements of this Law and by-laws implementing this Law.
2. The Bank of Albania shall grant the license only after it has the conviction that:
   a) the SLA complies with the requirements and documentation specified in this Law and by-laws implementing this Law;
   b) the submitted business plan is realistic and the expected financial condition of the SLA is satisfactory.
3. The Bank of Albania shall refuse initial approval of the license for a SLA when:
a) the requirements of paragraph 2 of this Article are not met;  
b) the SLA fails to submit additional information requested by the Bank of Albania;  
c) the SLA is not in possession of the minimum initial capital amount requested by the Bank of Albania to conduct financial activity;  
d) the SLA fails to meet the conditions for the inclusion in the deposit insurance scheme;  
e) the financial system stability and situation are threatened;  
f) there is evidence that the SLA has carried out operations during the period from the registration at the National Registration Centre to the date of license approval by the Bank of Albania.

4. The Bank of Albania, whenever it deems necessary, may carry out on-site verification to confirm the authenticity of the submitted documentation.

5. Upon approval of license, the SLA shall, at any time, comply with all Laws and by-laws on supervision and reporting of SLA's activity.

### Article 73  
**Licensing commissions**

1. The Bank of Albania shall set out, upon by-laws, commissions for granting the license.  
2. The commission set out in paragraph 1 of this Article shall be payable upon the submission of the application and documentation for being granted a license.  
3. This commission is not refundable even in case of refusal of license by the Bank of Albania.

### Article 74  
**Publication of the decision on granting the license**

The Bank of Albania shall publish the decision on granting the license to the SLA in the Official Bulletin of the Bank of Albania.

### Article 75  
**Obligation for notification**

1. The SLA shall immediately inform the Bank of Albania when:  
   a) the risk positions reach the maximum allowed limit of exposure as stipulated in this Law and by-laws implementing this Law;  
   b) there are justified reasons for terminating or suspending a licensed financial activity;  
   c) the capital adequacy ratio or the liquidity ratio, as stipulated in Bank of Albania’s by-laws, falls below the minimum requirement;  
   d) the capital of the SLA falls below the minimum initial capital required for starting up activity;  
   e) there are reasons for revoking the license.

2. The SLA shall notify the Bank of Albania within 30 calendar days on:  
   a) change of name;
b) large exposures, according to stipulations in the by-laws of the Bank of Albania;
c) change of head office address;
d) removal of the administrator;
e) change of statute;
f) any other change that is mandatory for registration at the commercial register.

3. The Bank of Albania may determine, through a by-law, other cases, in addition to those set out in this Article, on which the SLA should inform the Bank of Albania.

SUBCHAPTER II

SUPERVISORY MEASURES AND SANCTIONS

Article 76
Breaches for which measures are given

1. The Bank of Albania and the Union in compliance with stipulations laid down in Article 49 of this Law will impose the measures stipulated in Articles 77 and 78 of this Law, when:
   a) the SLA or the Union exercises financial activities that are not provided in this Law and its by-laws;
   b) the SLA or the Union does not comply with the standards and legal requirements for carrying out a safe and sustainable activity;
   c) the SLA or the Union does not comply with prudential standards on risk management;
   d) the SLA or the Union is in breach of the provisions of this Law and its bylaws;
   e) the statute has provisions that are not in compliance with this Law;
   f) the SLA or the Union has not accepted or has refused a request by the Bank of Albania to discontinue actions in contravention, or it has not taken measures for eliminating breaches, in accordance with the established deadlines from the Bank of Albania;
   g) the law "On accounting and financial statements" and international accounting standards have been breached by the SLA or the Union;
   h) the SLA or the Union fails to report to the Credit Registry;
   i) the SLA or the Union fails to inform or provides untrue and inaccurate information during inspections performed by the Bank of Albania and the control conducted by the Union and, in reports and correspondence with the Union and the Bank of Albania;
   j) the SLA or the Union has serious problems in the internal control programs and systems, in the policies of activity, in the operational methods or information systems of its administration, irrespective of whether these problems have influenced or not the SLA’s financial situation;
   k) the SLA or the Union does not comply with the requirements of this Law, as regards the termination of membership of the SLA’s or Union’s members;
   l) for the SLA or the Union exist concrete facts related to internal abuse, including high and unjustified remunerations to the members of steering bodies, irrespective of whether the SLA, actually, has not incurred any damage;
m) for the SLA or the Union, there are voluntary or gross breaches of legal acts or bylaws by members of the staff and management or these breaches had been repeated, resulting in material gain or favor;
n) for the SLA or the Union, the General Assembly has not been called or members are impeded to participate in General Assembly meetings;
o) the SLA or the Union has not complied with the obligation to insure deposits, in accordance with the Law “On deposit insurance”;  
p) the SLA or the Union has failed to achieve the objectives set out in the Recovery Plan.

2. The Bank of Albania shall implement the measures to the Union, as laid down in article 77 and 78 of this Law, if concluding any breach of this article and by-laws by the Union.

**Article 77**

**Supervisory measures**

The Bank of Albania and the Union in accordance with article 49 of this Law, during or, at the end of examinations or controls, or whenever it finds violations or specific problems as described in Article 76, paragraph 1, “c”, “d”, “e”, “g”, “h”, “j”, “k”, “n”, and “p” of this Law, shall impose the following supervisory measures:

a) orders discontinuation of contravening actions, and taking of measures to remedy the situation;
b) orders the reduction of expenditure;
c) orders limitation on the increase in financial assets, including risk-weighted off-balance sheet items;
d) orders the termination of increase of exposure to a member or third party;
e) orders the SLA or the Union to undergo legal re-organization or transformation of the Union into an SLA;
f) order the increase of capital;
g) sets stricter supervisory ratios than those set out in this Law and the by-laws adopted for its implementation;
h) orders the Steering Council to call a meeting of the General Assembly and propose taking relevant decisions;
i) prohibits or limits the free use of a part or all assets, including the activities related to lending and investments, pursuant to the rules approved by the Bank of Albania;
j) orders the amendment of the statute, if, during inspections, it is found that provisions of the statute are not in line with the provisions of this Law;
k) orders the SLA to design a recovery plan, which shall lay down the measures the SLA shall take to improve its financial situation;
l) when the ratio of SLA’s capital to risk-weighted assets and off-balance items is lower than half the minimum ratio set out by the Bank of Albania, and, after having taken one or more measures laid down in this subchapter, may request the SLA to adjust the situation within six months. The SLA shall present an action plan setting out how it intends to adjust the situation. If the SLA fails to take the measures set out in the action plan, the Bank of Albania shall commence the obligatory liquidation;
m) orders the sale of deposits and loans, as well as other rights and obligations to a bank or another SLA.
Article 78
Sanctions and fines

1. The Bank of Albania and the Union in accordance with article 49 of this Law, during or, at the end of inspections, or whenever it finds violations or specific problems as described in Article 76, paragraph 1, “a”, “b”, “f”, “i”, “l”, “m” and “o” of this Law, shall impose the following sanctions or fines:
   a) orders termination of compensation for Steering Council members and the Administrator;
   b) dismisses Steering Council members, Audit Committee’s members and the Administrator, when breaches as set out in Article 76 are repeated, or when as a consequence of the breaches, the SLAs financial stability is imperiled;
   c) suspends one or more activities for a defined period;
   d) revokes the license and starts compulsory liquidation procedures when the SLA is under the conditions of insolvency or liquidity shortfall;
   e) impose fines up to ALL 150000, for Steering Council members, Audit Committee’s members, the Administrator, the SLA or the Union. The fines shall be executive titles, and the Bailiff Office is responsible for their execution.

2. The Bank of Albania shall suspend or revoke the right of the Union to control the member SLAs, if concluding that the Union fails to exercise the controlling right in compliance with the provisions laid down in this Law and the by-laws issued for the implementation of this Law. In this case, the SLAs subject to the monitoring, shall be directly supervised by the Bank of Albania.

Article 79
Special requirements on supervisory measures, sanctions and fines

1. To impose measures set out in articles 77 and 78 of this Law, the Bank of Albania shall take into account:
   a) circumstances under which the breach was committed;
   b) consequences of the breach;
   c) repetition of the breach.

2. The Bank of Albania shall escalate sanctions when the SLA or the Union fail to implement one or more of the above preventing or supervisory measures.

3. The Bank of Albania may take simultaneously measures which are set forth in articles 77 and 78 of this Law, conform to requirements in paragraph 1 of this Article.

Article 80
Administrative and judiciary appeal
1. All the entities affected by a measure as laid down in articles 77 and 78 of this Law, may file an administrative complaint to the Governor of the Bank of Albania, within 30 days from the day the complainant has received notification of the act.

2. The administrative appeal to the Governor, as stipulated in paragraph 1 of this Article, is a prerequisite for the exhaustion of the administrative recourse, to enable the affected entity to seek redress in the court.

3. The administrative appeal, as stipulated in paragraph 1 of this Article, shall not suspend the application of the administrative act issued by the Bank of Albania.

4. Notwithstanding paragraph 3, the Bank of Albania may decide to suspend the application of the issued administrative act if it values that the interest of the depositors and the soundness or stability of the Union or the SLA and of the financial system as a whole is threatened by the implementation of the act.

5. The administrative appeal shall be submitted in the form laid down in the Code of Administrative Procedures.

6. The entity may lodge a court appeal to the Administrative Court of Appeal, upon the conclusion of the administrative appeal process.

CHAPTER XI
LIQUIDATION

Article 81
Types of liquidation

The SLA, in compliance with the provisions under this Law, shall be liquidated in two ways:

a) voluntary liquidation;

b) compulsory liquidation.

SUBCHAPTER I
VOLUNTARY LIQUIDATION

Article 82
Initiation of the voluntary liquidation

1. The Steering Council shall issue the decision on opening the voluntary liquidation. The decision shall be taken by not less than three fourths of voting members of the General Assembly. Members will be informed at least 30 days prior to the organization of this meeting.

2. The application for voluntary liquidation shall be submitted for approval to the Bank of Albania, by the Steering Council.

3. The application for voluntary liquidation shall have the following documents:
   a) decision of the General Assembly of the SLA regarding the liquidation;
   b) reasons for the liquidation;
   c) proposed names for liquidators by the General Assembly;
   d) a detailed report about handling compensation claims during liquidation, income and expenses, as well as an estimate of the duration of the process.

4. The liquidator may be selected from the list of bankruptcy administrators.
5. The Bank of Albania shall decide on the submitted application, within 60 calendar days from the date of receiving the application. The Bank of Albania shall approve the voluntary liquidation only upon being convinced that there may be paid all the liabilities to the members and creditors of the association. During this period, the steering bodies of the SLA only perform ordinary duties, but they will not be engaged in new obligations of the SLA towards the members and third parties.

6. The decision of the General Assembly shall not have juridical effects, when the Bank of Albania refuses to grant the approval for the opening of voluntary liquidation proceedings.


**Article 83**

**Legal consequences of voluntary liquidation**

1. The SLA that is under voluntary liquidation shall continue to exist in order to pay the expenses and liabilities to third parties and members, collect its loans, distribute assets, and conduct any actions needed for completing the voluntary liquidation.

2. Along with the decision for approving the opening of voluntary liquidation proceedings, the Bank of Albania may determine the extent to which risk management guidelines shall be applied by the SLA in liquidation. The deposits of the SLA members, which are part of Deposit Insurance Scheme, at the moment of voluntary liquidation approval by the General Assembly, shall remain secured till the end of the voluntary liquidation process, in compliance with the provisions on deposits insurance.

**Article 84**

**Discharge of liquidator**

1. The liquidators may be discharged and replaced under the same conditions and terms stipulated in the provisions on their appointment.

2. The claims related to the compensation of the liquidator, based on the contractual relationships with the SLA shall be regulated in accordance with the legal provisions in force.

**Article 85**

**Registration at the National Registration Centre**

1. The liquidator shall inform to the National Registration Centre, for registration purposes, about his/her data and rights, to represent the SLA, along with the respective documents, in compliance with Article 43 of the Law No. 9723, dated 3.5.2007 “On National Registration Centre”.

2. Upon the opening of the liquidation procedures, the registered name of the SLA shall contain the note “in voluntary liquidation”.

**Article 86**
Administration by the liquidators

1. The liquidator shall assume the rights and obligations of the administrators from the date of their appointment.
2. If the SLA appoints more than one liquidator, except when the appointment act stipulates that they shall act separately from each-other, the liquidators shall exercise the rights and obligations jointly, pursuant to this Law. The liquidators may authorize one of them to carry out operations of a special category.
3. The liquidator shall be subject to the supervision of the General Assembly.

Article 87
Rights and obligations of the liquidator

1. The duty of liquidators shall be to finalize all operations of the SLA, collect uncollected loans, sell SLA’s assets and pay creditors by observing the order of clients' satisfaction, according to Article 605 of the Civil Code.
2. If, based on claims by creditors, the liquidators conclude that the property and assets of the SLA is insufficient for the payment of these claims, the liquidators shall suspend the liquidation procedure and request to the Bank of Albania the initiation of the compulsory liquidation procedures.

Article 88
Balance sheet

The liquidator shall prepare a balance sheet of the SLA’s situation after the appointment as a liquidator. If the liquidation procedures take more than one year, the liquidator shall also prepare the annual financial statements of the SLA. The balance sheet shall be approved by ½ of all the members of the General Assembly.

Article 89
Invitation to creditors

The Liquidator shall invite the creditors of SLAs, excluding members, to submit their claims on the voluntary liquidation. The SLA shall publish this notification twice, within an interval of 30 days, on its website, if available, and on the website of the National Registration Centre.

Article 90
Protection of creditors

1. The liquidator may not allocate the remaining assets prior to the three-month deadline from the publication of the second appeal addressed to creditors to deposit their claims.
2. If a creditor of the SLA, of whom the liquidator is aware, does not ask for his/her rights, the respective amounts shall be deposited in the account of the SLA at a bank. This amount may not be seized for the other liabilities of the SLA. At the end of the voluntary liquidation, these amounts shall be transferred to smallest SLA, which exercises its activity in the same area or in the closest area.
3. If a liability may not be paid immediately or it is subject of claims, the assets may be distributed, only if the creditor is given an appropriate guarantee.

**Article 91**

**Allocation of assets**

1. After payment of liabilities to creditors and members, the liquidator shall allocate to members the remained assets. If the remaining assets are insufficient for all the members, then they shall be distributed equally among them.

2. The properties, given to the SLA in rent or in use, upon any type of security, will be returned to the owners.

**Article 92**

**Report of liquidator and remuneration**

1. After payment of the association's liabilities to creditors and members the liquidator will submit to the Bank of Albania, within 12 months, a report on the liquidation procedure, for paid obligations, and the proposal for his remuneration.

2. In case the Bank of Albania does not approve the report, then the liquidator shall complete the report according to recommendations set forth by Bank of Albania.

**Article 93**

**Completion of liquidation**

1. After the approval of the report from the liquidator, in compliance with Article 92 of the Law, the Bank of Albania shall revoke the license granted to the SLA.

2. After the revocation of the license by the Bank of Albania, the liquidator shall inform the National Registration Centre on the completion of the liquidation and shall request deregistration from the SLA, in compliance with section V of the Law No. 9723, dated 03.05.2007 "On the National Registration Centre".

**Article 94**

**Responsibility of the liquidator**

The activity of liquidator may not be objected after the deregistration of the SLA by the National Registration Centre.
Article 95
Initiation of compulsory liquidation

I. The Bank of Albania shall place the SLA into compulsory liquidation when it finds that one or more of the following circumstances are present:

1. The SLA fails to pay its financial liabilities, in accordance with the specifications stipulated in this Law, the by-laws issued for the implementation of this Law and the statute;
2. SLA's capital adequacy is less than 50% of the minimum ratio required by this Law or Bank of Albania’s by-laws;
3. The SLA has less assets than its liabilities;
4. The SLA is unable to meet the requests of its members for the repayment of their deposits;
5. During the supervision of the SLA, it is found that the assets are insufficient to meet the liabilities to creditors, or the SLA’s financial situation does not provide for further conduct of its activity;
6. The Bank of Albania assesses that the SLA is unable to meet the liabilities to creditors during the voluntary liquidation;
7. In case the members of the SLA refuse to invest for increasing the contributions’ level to reach the benchmark set forth by the Bank of Albania;
8. When the Bank of Albania has credible evidence that the members of the SLA Steering Council or Administrators are involved in illegal transactions, have committed serious deception, or have personally benefited causing considerable damages to the SLA or third parties;
9. When the creditors of the SLA prove to the Bank of Albania that 10% or more of the liabilities evidenced in the latest balance sheet of the association has not been paid in time;
10. The SLA has violated the obligations under the Law “On deposit insurance”.

Article 96
Decision on compulsory liquidation

1. The Bank of Albania has the competence of assessing the situation and it is at its discretion to start the compulsory liquidation.
2. The Bank of Albania shall place the SLA into compulsory liquidation immediately after concluding about respective circumstances, for each case stipulated in Article 95 of this Law.
3. The Bank of Albania may consult the Deposit Insurance Agency on the initiation of the compulsory liquidation procedures for operational issues.
4. The Bank of Albania shall send a copy of the decision on the compulsory liquidation of the SLA to the Deposit Insurance Agency.
5. The decision of placing the SLA into compulsory liquidation shall be published in the Official Bulletin of the Bank of Albania.

Article 97
Liquidator
1. The process of compulsory liquidation is carried out by the liquidator appointed by the Bank of Albania.

2. The Bank of Albania defines in by-laws the qualifying and disqualifying criteria of the liquidator, cases of conflict of interest and the way of reporting of the liquidator to the Bank of Albania and the cooperation with it.

3. The liquidator may also be selected from the list of bankruptcy administrators, without excluding other persons who meet the criteria set by the Bank of Albania.

**Article 98**

**Preservation of confidentiality by the liquidator**

The liquidator shall observe all requirements with respect to the preservation of professional secrecy, defined in article 68 of this Law.

**Article 99**

**Legal effects of compulsory liquidation**

1. The placement of the SLA into the compulsory liquidation creates the following legal effects:
   a) revocation of the license of the SLA;
   b) Suspension and the non-commencement of legal proceedings and compulsory execution of SLA. These procedures shall not commence, or when commenced, shall be suspended, except for when consented to by the Bank of Albania and upon such conditions that the Bank of Albania determines;
   c) none of the ensured creditors may initiate the compulsory execution process for assets pledged as a guarantee by the SLA. These assets will be made available to and managed by the liquidator, and the proceeds will be paid to creditors in accordance with the order of satisfaction of claims, set out in Article 102 of this Law;
   d) suspension for a six-month period of the right to compensation for the creditors of the SLA;
   e) no interest or other debt of the SLA shall be paid. The liabilities to the creditors shall be paid from the amounts realized from the sale of SLA assets and by the order of the obligations settlement, as laid down in Article 102 of this Law;
   f) SLA members' contributions may not be transfer or returned;
   g) termination of all the powers and responsibilities of the General Assembly of members and steering bodies of the SLA as well as the rights of the members;
   h) commencement of the procedures for the compensation of deposits, in accordance with Law “On deposits insurance”.

2. Any legal action for the conduct of payments or transfer of ownership title or property of the SLA is absolutely null for the following cases:
   a) within the three-month period, before the Bank of Albania places the SLA into compulsory liquidation;
   b) within the twelve-month period before Bank of Albania decides on the compulsory liquidation, that favors the beneficiary over the other creditors of the SLA;
   c) beyond the periods laid down in “a” and “b” of this article, in cases when the liquidator proves the aim to hide the SLA property from the creditors, or the transaction has influenced the insolvency of the SLA.
3. The liquidator shall file the suits as provided in paragraph 2 of this Article at the competent court.

**Article 100**

**Duties and powers of the liquidator**

1. The liquidator has the competence for the administration and sale of assets and liabilities of SLA as well as the allocation of the realized amounts to the creditors.
2. The liquidator shall cooperate with the Bank of Albania and implement its instructions related to the compulsory liquidation process.
3. The liquidator, shall immediately upon his appointment, take control of the SLA, securing its assets, books and accounts. He shall have access to all the assets, offices and books of the SLA.
4. The Liquidator shall carry out the inventory of the assets and properties of the SLA and prepare a balance sheet and explanatory memorandum in relation to the balance sheet items, within 30 calendar days of the commencement of the liquidation, which will be submitted to the Bank of Albania and a suitable copy for public consultation.
5. The liquidator shall aim at the provision of the maximum amount from the sale of the assets of the SLA and performs the following actions:
   a) continues or discontinues any financial transaction;
   b) employs any necessary professional officer, employee or advisor;
   c) executes any instruments on behalf of the SLA and files claims or represents in and pursues in his name any legal proceedings, after taking the prior approval of the Bank of Albania.
6. The liquidator shall have the right to terminate:
   a) employment contracts of the SLA with any person;
   b) service contracts where the SLA is part of;
   c) any contract resulting from the SLA being tenant of an immovable property.

**Article 101**

**Claimed liabilities**

1. Within one month of his appointment, the liquidator shall:
   a) send by registered mail, to the addresses in the registers of the SLA to all depositors, other creditors, and the guarantors, a statement of the nature and amount of the claimed liabilities according to its registers;
   b) record the documented claims of the creditors.
2. Within one month of the last date as set out in the notification pursuant to paragraph 1 of this Article for claimed liabilities, the liquidator shall:
   a) determine the amount, if applicable, owned to each known depositor and other creditors, as well as the amount of favorable claimed liabilities in accordance with the provisions of this Law;
   b) prepare for registration at the Bank of Albania, a structure of the claimed liabilities;
   c) collaborate with the Deposit Insurance Agency for the compensation of the deposits, in accordance with the Law “On deposits insurance”.
3. Any creditor or not less than 10 % of SLA’s or Union’s members shall have the right to submit their objection in relation to the registration of outstanding liabilities to the
Bank of Albania, within 20 days of the registration of liabilities structure claimed in accordance with paragraph 2 of this Article. Within one month from the date of the claim registration, Bank of Albania shall decide for any submitted objection.

4. If the objection is accepted, the liquidator shall amend and improve the claimed liabilities structure or the proposed actions for liabilities repayment.

**Article 102**

**The order for debt repayment**

1. The liquidator shall allocate the SLA’s assets, by repaying the liabilities to the creditors in accordance with the following order:
   a) The secured creditors, who may not execute the property by which it is secured the liability to them by the virtue of the restrictions of this Law, up to the sale value of the collateral;
   b) Expenses of the liquidator and Bank of Albania established for the purposes of compulsory liquidation, expenses of Deposit Insurance Agency in the process of compensation function of insured deposits, including the obligations to DIA up to the total value of the insured deposits compensation;
   c) The salaries of SLA’s employees;
   d) The secured and unsecured creditors regarding the value of the liability, which exceeds the selling value of the collateral;
   e) Deposits of the SLA's members, which exceed the amount of the insured deposit and the obligations to the government;
   f) Obligations to the Unions;
   g) Contribution of the members.

2. The liquidator shall allocate the Union’s assets, by repaying the liabilities to the creditors in accordance with the following order:
   a) The secured creditors, who may not execute the property by which it is secured the liability to them by the virtue of the restrictions of this Law, up to the sale value of the collateral;
   b) Expenses of the liquidator and Bank of Albania established for the purposes of compulsory liquidation process;
   c) The salaries of Union's employees;
   d) The secured and unsecured creditors regarding the value of the liability which exceeds the selling value of the collateral;
   e) Deposits of SLAs, members of the Union;
   f) contribution of SLAs, members of the Union.

3. When the amount for the payment of the creditors with the same preferential order is insufficient for their full payment, such creditors will be repaid proportionally to their liabilities.

4. Any residual asset after the repayment of all claimed liabilities shall be distributed amongst the SLA members in proportion to their rights and participation in the capital of SLA.

**Article 103**

**Judiciary appeal**

1. All the claimed liabilities for and with regard to the insolvency of the savings and loan association are made in accordance with the provision of this Chapter.
2. The right to start legal proceedings at the Administrative Court of Appeal requesting the suspension of the compulsory liquidation procedures:

   a) 25% of members of the SLA;
   b) Creditors, amounting to at least one-third of the total amount of liabilities, claimed by other creditors, excluding the members.

3. The court shall decide on the suits, only if:
   a) The Bank of Albania has acted arbitrarily and negligently for the placement under the liquidation, accordingly to the factual circumstances and provision of this Law on the compulsory liquidation of the SLA;
   b) The Bank of Albania, the liquidator and professional employees appointed to assist the liquidator, are responsible or not for the actions or omissions pursuant to the provision of this Law, which set forth the manner of conducting the functions and duties in the process liquidation, except for the cases of such actions and omissions being deliberately wrongful.

4. Despite the judicial review pursuant to this Article, the compulsory liquidation process by the Bank of Albania shall be carried out without restrictions until a decision of the court is issued.

**Article 104**

**Reporting to the Bank of Albania**

The liquidator shall report to the Bank of Albania and to the Deposits Insurance Agency every month on the progress of liquidation process. These reports shall contain information on the total amount of the claimed liabilities to the SLA, the total amount of the sold assets of the SLA and expectation of income from the sale of assets.

**Article 105**

**General provisions**

Professional employees assigned and appointed by the liquidator for assistance purposes, in compliance with the procedures under this Chapter and depending on the demand and terms of the service, will not be paid more than the employees of SLA for the same services, except where the Bank of Albania has authorized the payment of higher amounts. Bank of Albania shall give this authorization, where it finds that the payment of higher amounts is more than indispensable for recruiting and keeping the necessary staff.

**CHAPTER XII**

**FINAL PROVISIONS**

**Article 106**
The Credit Registry

1. The SLAs and their Unions shall report to the Bank of Albania all the required information from the latter for the purpose of the Credit Registry, in accordance with the stipulations laid down in the by-laws of the Bank of Albania.
2. The SLAs and their Unions have the right to use the information held at the Credit Registry, in accordance with the stipulations laid down in the by-laws of the Bank of Albania.

Article 107
Exemption from taxes

The SLAs and their Unions shall not be subject of taxation on profit.

Article 108
Protection of personal data

The SLAs and their Unions will held and process the personal data of their members, in compliance with the Law on personal data protection.

Article 109
Transitory provisions

1. Any savings and loan association licensed by the Bank of Albania prior to entering into force of this Law shall be considered as licensed in accordance with this Law.
2. The Unions licensed by the Bank of Albania, in accordance with the Law "On Savings and Loan Associations" shall be considered as licensed in accordance with this Law.
3. Any savings and loan association or Union, licensed in accordance with the "On Savings and Loan Associations" created and exercising activities before the entry into force of this Law, must undertake measures to organize its activity and internal structure in compliance with the requirements of this Law, within one year from the date of entry into force of this Law.
4. The Unions and SLAs, whose assemblies have approved the transformation, which submit the application for the approval of Union transformation into a SLA, within one year from the entry into force of this Law, are excluded from the requirement set forth in paragraph 3 of this Article.
5. At the completion of voluntary liquidation of SLAs unions, the assets remained after this process shall be delivered to the member remained from the liquidation process, or shall be managed in accordance with the relevant decision of the General Assembly.
6. Any savings and loan association or Union, being licensed based on the Law " On Savings and Loan Associations" and that conduct the activity prior to the entry into force of this Law should ensure that capital adequacy ratio is not less than 12% at the end of the second year after the entry into force of this Law, and at any time, in compliance with the stipulations laid down in this Law and the by-laws of the Bank of Albania.
7. Any savings and loan association or union, being licensed based on the Law " On Savings and Loan Associations" and that conduct the business prior to the entry into force of this Law should ensure that capital of the SLA and Union, at the end of the
second year, after the entry into force of this Law, is above the necessary minimum, laid down in the by-laws of the Bank of Albania.

8. The Savings and Loan Associations registered in the National Registration Centre, to whom it is not approved the license by the Bank of Albania, shall start the liquidation process, in compliance with the provisions on voluntary liquidation, laid down in this Law, except of the Article 92 and 93 of this Law, which will be not implemented. In this case, the Steering Council shall start the voluntary liquidation process, without the approval of the shareholders' assembly and of the Bank of Albania. After the allocation of assets, pursuant to Article 91 of this Law, the Steering Council shall submit a request at the National registration Centre for the deregistration of the SLA and the National Registration Centre shall deregister the SLA.

Article 50, paragraph 3 of this Law shall be implemented for the SLAs, which are merged into another existing SLA prior to the entry into force of this Law.

9. Bank of Albania has the right to the SLA or the Union to submit additional information, according to the Bank of Albania's opinion, if it holds that the information submitted at the time of receiving the license is neither complete nor sufficient.

10. Article 36, paragraph 4 shall be implemented also for the credit contracts signed prior to the entry into force of this Law.

11. The SLA shall meet the requirements of Article 38 of this Law, within five years from the entry into force of this Law.

12. The Bank of Albania has the right to take the measures laid down in this Law, in case the SLAs and their Unions do not meet the requirements laid down in paragraphs 3, 6 and 7 of this Article.

13. Related to the applications submitted at the Bank of Albania to get the license, prior to entering into force of this Law, as well as the entities which have been notified in writing by the Bank of Albania to have completed all the required documentation pursuant to the Law "On savings and loan associations", the provisions of this Law will prevail.

14. All the by-law acts issued by the Bank of Albania, for the implementation of the Law "On savings and loan associations" thereof, will be applied to the extent they do not contradict with this Law, until their substitution with other by-law acts issued for the implementation of this Law.

15. The Bank of Albania shall determine the internal units and the organizational units of the Bank of Albania which will issue individual administrative acts for the implementation of the competences of the Bank of Albania, in accordance with this Law.

16. Bank of Albania shall approve, within three months, from the entry into force of this Law, the by-laws set forth in this Law.

17. For the purposes of registration at the National Registration Centre of the capital and its composing contributions, the respective ministry shall approve the registration forms of the savings and loan associations and their Unions, in compliance with Article 39, paragraph 2 of this Law, and the stipulations of this Law, within three months from the entry into force of this Law. This provision shall be implemented for the savings and loan associations and their unions that are created before the entry into force of this Law.

Article 110
Repeal provision

**Article 111**

**Entry into force**

This Law shall enter into force 15 days following its publication in the Official Journal of the Republic of Albania

SPEAKER OF THE ASSEMBLY

Ilir META

Approved on 19.5.2016