



REPUBLIC OF ALBANIA  
BANK OF ALBANIA  
SUPERVISORY COUNCIL

**DECISION**  
**No. 57, dated 21.12.2022**

**ON THE**  
**APPROVAL OF REGULATION**  
**“ON CARRYING OUT OF ACTIVITY AND SUPERVISION OF ELECTRONIC**  
**MONEY INSTITUTIONS”**

In accordance with article 1, paragraph 4, letter “b”, article 12, letter “a” and article 43, letter “c” of the law no. 8269, dated 23.12.1997 “On the Bank of Albania”, as amended, law no. 55/2020, dated 30.04.2020 “On payment services” and article 126 of the law no. 9662, dated 18.12.2006 “On banks in the Republic of Albania”, as amended, having regard to the proposal from the Supervision Department, the Supervisory Council of the Bank of Albania,

**DECIDED:**

1. To approve the regulation “On carrying out of activity and supervision of electronic money institutions”, according to the decision attached herewith.
2. The subjects of the regulation shall be responsible for the implementation of this Decision.
3. The Supervision Department shall be responsible for monitoring the implementation of this Decision.
4. The Governor's Office and the Research Department shall be responsible for the publication of this Decision, in the Official Journal of the Republic of Albania and in the Official Bulletin of the Bank of Albania, respectively.
5. With the entry into force of this decision, regulation no. 11, dated 06.02.2008 “On electronic payment instruments” will be repealed.

This decision shall enter into force on 1 March 2023.

**SECRETARY**

**ELVIS ÇIBUKU**

**CHAIR**

**GENT SEJKO**

## **CHAPTER I GENERAL PROVISIONS**

### **Article 1 Object**

The purpose of this regulation is to set out the rules for the carrying out of the activity of electronic money institutions, for the management of risks related to this activity and their supervision, as well as the rules and requirements on electronic money issuance by electronic money issuers.

### **Article 2 Subjects**

Subjects of this regulation are:

- a) electronic money institutions, as defined in point 46 of the article 4 of the law no. 9662, dated 18.12.2006 “On banks in the Republic of Albania”;
- b) banks and foreign banks’ branches, in their capacity as issuers of electronic money, for the requirements foreseen in Chapter VI and VII of this regulation.

### **Article 3 Legal ground**

This regulation is issued in accordance with article 1, paragraph 4, letter “b”, article 12, letter “a” and article 43, letter “c” of the law no. 8269, dated 23.12.1997 “On the Bank of Albania”, as amended, law no. 55/2020, dated 30.04.2020 “On payment services” (which hereinafter in this regulation shall be referred as law “On payment services”) and article 126 of the law no. 9662, dated 18.12.2006 “On banks in the Republic of Albania”, as amended (which hereinafter in this regulation shall be referred as the law “On banks”).

### **Article 4 Definitions**

1. The terms used in this regulation shall have the same meaning with those defined in the law “On payment services” and in the law “On banks”.
2. In addition to the stipulations of paragraph 1 of this article, for the purpose of this regulation, the following terms shall have these meanings:
  - a) “average outstanding electronic money” – means the average of total amount of financial liabilities related to electronic money in issue, at the end of each calendar day over the preceding six calendar months, calculated on the first calendar day of each calendar month following the semester and applied for that calendar month;
  - b) “electronic money issuers”- are the following categories:
    - i. banks and foreign banks’ branches, licensed by the Bank of Albania for the issuance of electronic money;

- ii. electronic money institutions, as defined in article 4, point 46 of the law “On banks”;
  - c) “electronic money holder – is the person (individual, natural ose legal person), who holds the electronic money, based on the respective contract with the electronic money issuer;
  - d) “internal control system” – is the process of monitoring and the ongoing evaluation of the effectiveness and adequacy of internal acts and controlling mechanisms within a given institution, as well as the quality of its activities conducted by the responsible units of the institution, for the realization of the functions of the internal control system.
3. The requirements of this regulation and other legal and sublegal acts for electronic money institutions, do not apply for:
- a) monetary value stored on instruments exempted, as specified in article 4, letter “gj” of law “On payment services”;
  - b) monetary values used to make payment transactions exempted, as specified in article 4, letter “h” of law “On payment services”.

## **CHAPTER II**

### **GENERAL REQUIREMENTS FOR RISK MANAGEMENT AND SUPERVISION OF THE ACTIVITY OF ELECTRONIC MONEY INSTITUTIONS**

#### **Article 5**

##### **General prudential rules**

1. Without prejudice to this regulation and to other sublegal acts of the Bank of Albania on electronic money institutions, the requirements of articles 8 and 22-26 of the law “On payment services”, shall apply to electronic money institutions *mutatis mutandis*.
2. Electronic money institutions shall have administration and accounting procedures and sufficient internal control systems, on individual and consolidated basis, in accordance with this regulation.
3. Electronic money institutions shall not take deposits or other repayable funds from the public, withing the meaning of article 4 of the law “On banks”.
4. Any funds received by electronic money institutions from electronic money holder shall be exchanged for electronic money without delay. Such funds shall not constitute either a deposit or other repayable funds received from the public, withing the meaning of article 4 of the law “On banks”.
5. The provisions of paragraphs 2, 3 and 5 of article 19 of the law “On payment services” shall apply also to funds received for the payment services listed in the Annex 1 of that law, that are not linked to the activity of issuing electronic money.

6. Electronic money institutions shall inform the Bank of Albania, in advance of any important changes in measures taken for safeguarding of funds that have been received in exchange for electronic money issued.

### **Article 6**

#### **Activities**

In accordance with the requirements of article 19 of the law “On payment services”, electronic money institutions, in addition to issuing electronic money, may carry out one or some of the following activities:

- a) payment services listed in the Annex 1 of the law “On payment services”, that are not linked to the issuance of electronic money;
- b) the granting of credit related to payment services, referred to in points 4 or 5 of the Annex 1 of the law “On payment services”, where the conditions laid down in article 19, paragraphs 4 and 6 of the law “On payment services” are met;
- c) operational services and ancillary services, in respect of the issuing of electronic money or to the provision of payment services referred to in letter “a” of this paragraph;
- d) the operation of payment systems, as defined in article 20 of the law “On payment services”, and without prejudice its participation in other systems, in accordance with article 29 of the law “On payment services”;
- e) business activities other than issuance of electronic money, having regard to the legislation in force.

## **CHAPTER III**

### **CORE PRINCIPLES AND RULES FOR A RESPONSIBLE AND EFFECTIVE MANAGEMENT AND INTERNAL CONTROL SYSTEM**

#### **Article 7**

##### **General requirements**

Electronic money institutions establish rules, procedures and internal control systems related to the responsible and effective management of the electronic money institution, which shall be comprehensive and adequate taking into account the nature, volume and complexity of the activity and services provided by the electronic money institution.

#### **Article 8**

##### **Steering bodies and general management culture**

1. Steering bodies of electronic money institution, in compliance with the tasks and obligations related to the management and control of the electronic money institution, shall get full and clear acquaintance with the risk profile of this institution, through determining and approving in advance, the approach and risk tolerance, and ongoing monitoring for compliance with the latter, and shall ensure that capital levels are adequate to cover this risk.

2. Steering bodies of electronic money institution, through their way of management, shall encourage (stimulate) an adequate management culture, based on high professional standards and ethical values.
3. Steering bodies of electronic money institution shall take all measures to accomplish high ethical and professional standards for the electronic money institution's management.

## **Article 9**

### **Risk management system**

1. Electronic money institutions shall establish and develop risk management systems, related to the activities/services for which they are licensed, conform to the nature, volume and complexity of their activities/services. Risks related to the issuance of electronic money or to payment services, may include but not be limited to:
  - a) settlement risk (the risk that the settlement of a payment transaction does not take place as expected);
  - b) operational risk (the risk of financial loss resulting from inadequate or failed internal processes and systems, people or from external events);
  - c) counterparty risk (the risk that the other party included in a transaction does not fulfil its obligations);
  - d) liquidity risk (the risk that electronic money institution has inadequate cash flows to meet financial obligations);
  - e) market risk (risk resulting from movement in market prices);
  - f) money laundering or terrorism financing risk (the risk that the electronic money institution or its services might be used for a purpose connected with money laundering or terrorism financing);
  - g) foreign exchange risk (risk resulting from fluctuations in exchange rates).
2. Risk management system shall mean the set of policies, procedures, rules and structures of the electronic money institution, which serve for the risk management.
3. The risk management system shall imply:
  - a) the process of identification, measurement, monitoring, control and reporting of all the risk types within an electronic money institution, across all its activity (for the entire balance sheet, business lines, agents, etc);
  - b) determining the functions of risk management structures that shall ensure:
    - i. the identification of all the risks;
    - ii. the assessment of all risks and measurement of the exposures towards them;
    - iii. the monitoring of the risk exposure and determining the capital needs on an ongoing basis;
    - iv. the monitoring and evaluation of the decisions to accept certain risks, the measures for risk mitigation and the compliance of decisions of steering bodies on risk policies;

- v. reporting directly and independently to the steering bodies on all the above-mentioned issues.

## **Article 10**

### **Internal audit function/unit**

1. Electronic money institutions shall establish the internal audit function/unit, as part of the internal control system.
2. The internal audit function/unit is a separate organizational unit of the entity, independent from the activities, structures and individuals that it reviews or controls, that reports to the management/supervisory board and/or the audit committee of the entity.
3. The internal audit function/unit shall ensure, independently, the steering bodies on the quality and effectiveness of the internal audit of the entity, as well as the management/governance and risk management system and processes.
4. The internal audit function/unit shall implement international standards of internal control.
5. Electronic money institutions shall establish and approve internal acts for the functioning and carrying out the activity of this function/unit that shall be drafted and reviewed as frequently as deemed necessary.
6. The internal acts which define the manner of functioning and carrying out the activity of the internal audit function/unit, shall include at least the following elements:
  - a) the scope and field of activity of the internal audit function/unit;
  - b) the role, authority and responsibilities of the internal audit function/unit;
  - c) the relations of the internal audit function/unit with other functions of the control system within the entity;
  - d) the ways and lines of communication of the results of the auditing activities;
  - e) the procedures for the coordination with the statutory auditor or the auditing company and the supervisory authority;
  - f) the right for unlimited and unconditional use of any registration, file, database, physical assets of the electronic money institution, as well as every document of the steering bodies or organizational units, necessary for the carrying out of this function's/unit's functions;
  - g) the right of the head of the internal audit function/unit to have direct communication with the steering bodies;
  - h) the right of planning and determining controls independently;
  - i) the assurance of avoidance of any conflict of interests in carrying out the duties of internal audit;
  - j) the requirements for compliance with the internationally accepted standards of internal audit.
7. The frequency of the audit shall be based on the risk based evaluation of every field of activity and services and/or organizational unit of the electronic money institution. All the areas of activity and services and/or organizational units of the electronic money institution shall be subject to auditing by the internal audit function/unit, at least every three years, including also

those activity and services and/or organizational unit with low risk, and also branches, agents and outsourcing contracts.

8. The internal audit function/unit shall prepare a report on any audit carried out, which shall include at a minimum:
  - a) the audit object;
  - b) description of the audit work (description of the methodology, steps and procedures followed so as to attain the audit targets, etc.);
  - c) audit findings;
  - d) comments by the managers of the audited organizational units on the audit findings;
  - e) assessments on the qualifications of employees, adequacy of internal acts and risk assessment system, on a case by case basis;
  - f) recommendations on correcting and improving findings that were observed during the audit session, and
  - g) extent of implementation of recommendations proposed by previous audits.
9. The employees of the internal audit function/unit should have:
  - a) high ethical and professional reputation;
  - b) professional capability to implement international internal audit standards and auditing procedures and techniques in all of the operating areas of the electronic money institution;
  - c) knowledge of and/or experience in implementing accounting standards;
  - d) knowledge of risk management principles.
10. The internal audit function/unit shall be responsible to draft at every year's end, the work plan for the following year, which shall be subject to approval by the steering bodies of the electronic money institution.
11. The internal audit function/unit presents an annual report on the work conducted by the unit to the steering bodies of the electronic money institution, which shall contain the following elements:
  - a) a report on the level of implementation of the annual work plan of the internal audit function/unit;
  - b) a list of all the activities planned and carried out by the internal audit function/unit;
  - c) a list of all the activities conducted, but not planned in the annual work plan of the internal audit function/unit;
  - d) a list of all the activities planned, but unrealized by the internal audit function/unit, along with the reasons for non-realization;
  - e) a summary of the most important findings identified during audits;
  - f) a general assessment of the adequacy and efficiency of the internal control system in the areas covered by the internal audit function/unit;
  - g) a general assessment of the adequacy and efficiency of the risk management system;
  - h) a report on the extent of implementation of recommendations and corrective measures defined based on the recommendations, as well as the reasons for the lack of their implementation.

**Article 11**  
**Compliance function**

1. Electronic money institutions shall have an executive director, responsible for the identification, coordination and management of the compliance risk.
2. The compliance structure/unit is independent from the business lines and the internal units that controls and has the authority, reputation and sufficient resources.
3. The main responsibility of the structure/unit that fulfills the entity's compliance function, is to assist the steering bodies of the electronic money institution for effectively managing compliance risk.
4. The compliance structure/unit shall advise the steering bodies of the electronic money institution, on compliance with laws, rules and standards, informing regularly on developments in the field and more specifically it performs the following tasks:
  - a) educate and train the staff on compliance issues and act as a contact point within the entity for compliance-related queries or questions from staff members;
  - b) establish written internal guidelines for the staff on the appropriate implementation of laws, regulations and standards through policies and procedures and other documents such as compliance manuals, internal codes of conduct and practical guidelines;
  - c) identify, record and assess compliance risks associated with the operations of the electronic money institution, including new products and practices, proposed establishment of new types of business or customer relations, and material changes in the nature of such relations;
  - d) assess the possible impact of any legal and regulatory change on the activity of electronic money institution and on the compliance framework;
  - e) measure the compliance risk by using performance indicators (e.g. increased number of customer complaints, irregularities in payments, etc.) to enhance compliance risk assessment;
  - f) assess the appropriateness of compliance procedures and regulations and the identified deficiencies, by formulating proposals for amendments;
  - g) monitor, test and report results of the compliance adequacy testing in accordance with internal risk management system, identifying any changes in the compliance risk profile based on relevant performance indicators, identified breaches and/or deficiencies and corrective measures that have been taken;
  - h) create an encouraging and suitable climate for the employees of the electronic money institution to communicate/signal non-compliance with the rules, procedures, operations, etc., ensuring at the same time, the confidentiality and protection for the employees.
5. The compliance structure/unit may accomplish other specific statutory functions in the framework of fulfilling legal obligations of the entity (such as anti-money laundering etc.), as well as liaise with the Bank of Albania and/or other financial supervisory authorities, external statutory auditors or the auditing company, etc.
6. The compliance structure/unit performs the duties specified in this regulation and in the electronic money institution's regulatory acts under a compliance programme that sets out its



planned activities, such as implementation and review of specific policies and procedures on compliance risk, compliance testing and assessment, as well as staff training and education on compliance matters.

7. The programme of the compliance structure/unit shall be risk-focused and subject to ongoing review to ensure appropriate coverage across all entity business/activity lines and coordination among risk management functions.

## **CHAPTER IV CAPITAL AND SAFEGUARDING REQUIREMENTS AND RISK MANAGEMENT**

### **SUBCHAPTER I CAPITAL ADEQUACY**

#### **Article 12**

##### **General requirements for capital of electronic money institution**

1. The electronic money institution shall insure sufficient levels of capital, so as to exercise a stable and safe activity, as well as to fulfill its obligations during its business.
2. The regulatory capital of electronic money institution, at any time, shall not fall below the amount of minimum initial capital laid down in regulation “On the licencing of payment institutions and electronic money institutions and the registration of payment service providers”, or below the amount of regulatory capital requirements, calculated according to article 14 of this regulation, whichever amount is the higher.
3. In case the electronic money institution’s regulatory capital falls below the limits established in paragraph 2 of this article, the institution reports immediately to the Bank of Albania, which defines the necessary measures and time to comply with the limits.
4. In the case when the electronic money institution grants credit relating to payment services, the total amount of credit granted does not in any case negatively affect the regulatory capital and the fulfillment of the supervisory requirements of the Bank of Albania.
5. On the basis of an evaluation of the risk-management processes, of the risk loss databases and internal control mechanisms of the electronic money institution, Bank of Albania may require at any time the electronic money institution to hold an additional amount of regulatory capital, up to 20 % (twenty percent) higher than the amount of regulatory capital requirements calculated according to article 14 of this regulation.

#### **Article 13**

##### **Elements of electronic money institution’s regulatory capital**

1. Electronic money institutions shall calculate their regulatory capital as the sum of Tier 1 capital and Tier 2 capital. Tier 1 capital is the sum of Common equity Tier 1 and additional Tier 1 capital.

2. Electronic money institutions shall include in the calculation of regulatory capital the following items:
  - a) Common equity tier 1 items referred to in article 6 of regulation “On the bank’s regulatory capital”, after the application of the prudential filters provisioned in subchapter II of chapter II of that regulation, and the deductions and exemptions laid down in articles 11, paragraph 1, letters “a” to “i” and article 20 of the same regulation. For deductions and exemptions laid down in articles 11 and 20 of the regulation “On the bank’s regulatory capital”, the electronic money institutions apply the requirements provided for in articles 12-13 and 15-20 of that regulation;
  - b) Additional tier 1 capital items referred to in article 21 of regulation “On the bank’s regulatory capital”, after the deduction of the items referred to in article 25 of the same regulation. For additional tier 1 items and deductions from additional tier 1 capital, electronic money institutions apply the requirements provided for in articles 22-24 and 26-29 of the regulation “On the bank’s regulatory capital”;
  - c) Tier 2 capital items referred to in article 30 of regulation “On the bank’s regulatory capital”, after the deductions referred to in article 33 of the same regulation. For tier 2 capital items and deductions from tier 2 capital, electronic money institutions apply the requirements provided for in articles 31-32 and 34-37 of the regulation “On the bank’s regulatory capital”.
3. Electronic money institutions, for the reason of regulatory capital calculation, shall ensure the fulfillment of following limits:
  - a) at least 75% (seventy-five percent) of Tier 1 capital must be held as Common Equity Tier 1 capital; and
  - b) Tier 2 capital comprises not more than 33.3% (thirty-three point three percent) of Tier 1 capital.
4. Electronic money institutions shall not include in the regulatory capital calculation, any items included in the regulatory capital calculation of another entity, which is part of the same financial/banking group with the electronic money institution.
5. Electronic money institution, which performs business activities other than issuance of electronic money, as provided in article 6, paragraph 1, letter “e” of this regulation, shall not include in its regulatory capital calculation any items used in carrying out the other activities.

SUBCHAPTER II  
CALCULATION OF REGULATORY CAPITAL REQUIREMENTS

**Article 14**

**Calculation methods of regulatory capital requirements of electronic money institution**

1. The electronic money institution shall calculate the regulatory capital requirements, mandatory to be held by it at all times, according to the rules provisioned in this article.

2. In cases where an electronic money institution provides only the activity of issuing electronic money, the regulatory capital requirements shall amount, at any time, to at least 2% (two percent) of the average outstanding electronic money.
3. In cases where an electronic money institution that provides only the activity of issuing electronic money, which in the date of calculation of regulatory capital requirement, has not completed a period of six months of business, its regulatory capital requirements shall be calculated on the basis of projected outstanding electronic money evidenced by its business plan submitted in the moment of granting the license, subject to any adjustment to that plan proposed by the Bank of Albania (if applicable).
4. In cases where the electronic money institution provides also payment services that are unrelated to the activity of issuing electronic money, the regulatory capital requirements for payment services shall be calculated in accordance with the following requirements:
  - a) the regulatory capital requirements of the electronic money institution shall amount to at least the sum of the following elements, multiplied by the scaling factor  $k$  defined in letter “b” of this paragraph:
    - i. 4,0 % (four percent) of the slice of PV up to the equivalent amount in lek of €5 million; *plus*
    - ii. 2,5% (two point five percent) of the slice of PV above the equivalent amount in lek of €5 million up to €10 million; *plus*
    - iii. 1% (one percent) of the slice of PV above the equivalent amount in lek of €10 million up to €100 million; *plus*
    - iv. 0,5% (zero point five percent) of the slice of PV above the equivalent amount in lek of €100 million up to €250 million; *plus*
    - v. 0,25% (zero point twenty-five percent) of PV above the equivalent amount in lek of €250 million.

where, PV is the payment volume, representing one twelfth of the total amount of payment transactions executed by the electronic money institution in the preceding year:

- b) the scaling factor  $k$  provisioned in letter “a” of this paragraph, shall be:
  - a) **0,5** where the electronic money institution provides only the payment service as referred to in point 6 of Annex 1 of the law “On payment services”;
  - b) **1** where the electronic money institution provides any of the payment services as referred to in points 1 to 5 of Annex 1 of the law “On payment services”.
5. Electronic money institutions that apart from the activity of electronic money issuance, provide only the payment services as referred to in point 7 or 8, or both, of Annex 1 of the law “On payment services”, are excluded from regulatory capital requirements foreseen in paragraph 4 of this article.
6. In cases where the electronic money institution that provides also payment services (apart from the activity of electronic money issuance), which on the date of calculation of the regulatory capital requirement has not completed a whole financial year of business, the payment volume

foreseen in paragraph 4 of this article, shall be calculated based on the data provided in the business plan submitted in the moment of granting the license, subject to any adjustment to that plan proposed by the Bank of Albania (if applicable)

7. In cases where the electronic money institution provides also payment services (apart from the activity of electronic money issuance) or one or some of the activities referred to in letters “b” to “e” of paragraph 1 of article 6 of this regulation and the amount of outstanding electronic money is unknown in advance, the electronic money institution may calculate its regulatory capital requirements on the basis of the representative portion assumed to be used for the issuance of electronic money, provided that such a representative portion can be reasonably estimated on the basis of historical data accepted by the Bank of Albania.
8. Electronic money institutions which grant credit relating to payment services in accordance with the requirements of article 19, paragraph 4 and 6 of the law “On payment services” shall calculate a regulatory capital requirement for credit risk, at least 6% (six percent) of the outstanding amount of disbursed loans, excluding payment transactions with credit cards.
9. Electronic money institutions shall hold at any time a capital amount, of at least equal to the amount of the capital requirement for issuing electronic money, the capital requirement for payment services (where applicable) and the capital requirement for credit risk (where applicable).

### SUBCHAPTER III FUNDS’ SAFEGUARDING

#### **Article 15**

##### **Safeguarding the funds of electronic money institutions’ clients**

1. The electronic money institution shall safeguard all the funds been received in exchange for electronic money issued, at the amount of outstanding electronic money, in compliance with the provisions of article 12 of the law “On payment services”, and through either of the following ways :
  - a) the funds of electronic money holders shall not be commingled at any time with the funds of the electronic money institution itself or of any natural or legal person other than electronic money holders, in the name of which are held the funds and they shall be deposited in a separate account in a bank, or invested in secure low-risk and liquid assets as defined in paragraph 5 of this article;
  - b) the funds of electronic money holders shall be covered by an insurance policy or some other comparable guarantee from an insurance company or a bank, which does not belong to the same banking/financial group as the electronic money institution itself, for an amount equal to the amount of funds being segregated in the absence of the insurance policy or other guarantee.

For the purpose of this paragraph, the amount of outstanding electronic money is calculated at the end of each business day.

2. The funds foreseen in paragraph 1 of this article, received in the form of payment by payment instrument (not payment in cash) need not be safeguarded, until they are credited to the electronic money institution's payment account or are otherwise made available to the electronic money institution in accordance with the execution time requirements laid down in the law "On payment services", where applicable. In any event, such funds shall be safeguarded by no later than 5 (five) business days, after the issuance of electronic money.
3. In cases where the electronic money institution provides payment services that are unrelated to the activity of issuing electronic money, it shall safeguard separately from the funds accepted in exchange for electronic money issuance, also the funds received from payment services users, as provisioned in article 12 of the law "On payment services" and in paragraph 1 of this article. In cases where funds are safeguarded by insurance policies or other comparable guarantees, the electronic money institution shall ensure that they cover both groups of funds.
4. The insurance policy or comparable guarantee is payable in the event that the electronic money institution is unable to meet its financial obligations to electronic money holders and payment services users, according to the causes / events (triggers) that activate their implementation and which are defined respectively, in the insurance contract or in the comparable guarantee contract. The insurance policy or the guarantee do not have any clause on franchise, deductible or threshold that could prejudice repayment to beneficiaries or other payment service providers.
5. For the purpose of implementing paragraph 1, letter "a" of this article, "secure low-risk and liquid assets" shall be considered:
  - a) debt securities issued or guaranteed by Albanian government, by central governments and central banks, by international organisations, by multilateral development banks or regional governments or local authorities, which are assigned a credit quality step "1" or which would receive a 0% (zero percent) risk weight under the regulation "On capital adequacy ratio";
  - b) debt securities issued or guaranteed by Albanian government, by central governments and central banks, by international organisations, multilateral development banks or regional governments or local authorities, which are assigned a credit quality step "2" or "3", under the regulation "On capital adequacy ratio";
  - c) debt securities issued by the supervised institutions, which are assigned a credit quality step "1" or "2", or debt securities issued by supervised institutions, which are assigned a credit quality step "3", but which are treated according to the requirements of article 17/2, paragraph 3 of the regulation "On the capital adequacy ratio";
  - d) debt securities issued by corporates, which are assigned a credit quality step "1" or "2" under the regulation "On capital adequacy ratio";
  - e) units in collective investment undertakings in transferable securities (UCITS), which invest solely in assets as specified in the the letters "a" to "d" of this paragraph.

## **Article 16**

### **Diversification of funds' safeguarding**

1. Electronic money institutions that safeguard funds received in exchange for electronic money issuance, in the ways referred to in letter "a" of paragraph 1 of article 15 of this regulation, or the funds of payment services users, as referred to in article 12, paragraph 1, letter "a" of the law "On payment services", shall invest clients' funds in diversified ways, in different counterparties.
2. The electronic money institution, in its decision-making for the ways of safeguarding funds according to the provisions of article 15 of this regulation, may also consider the following elements:
  - a) the level of capital of the bank and/or insurance company, which should be proportionate to the amount of relevant funds deposited in accounts, or guaranteed or insured;
  - b) the level of risk accompanying the lending activity or investments undertaken by the bank and/or insurance company.
3. The electronic money institution shall document its decision-making, according to the provision of paragraph 2 of this article.

## **SUBCHAPTER IV**

### **EXPOSURES TO RISK AND LIMITS**

## **Article 17**

### **Allowable open foreign exchange position**

1. The open foreign exchange position in a certain foreign currency represents the equivalent amount in lek (ALL) of the difference between total rights and liabilities of the electronic money institution denominated in that foreign currency.
2. Electronic money institutions must not exceed, at the closure of every business day, the following limits regarding the open foreign exchange positions:
  - a) the open foreign exchange position ratio for an individual currency to regulatory capital should not be higher than 30% (thirty per cent); and
  - b) the open foreign exchange position ratio for all currencies to regulatory capital should not be higher than 40% (forty per cent).
3. Electronic money institutions, in calculating the open foreign exchange position do not include the structural foreign exchange position, which is created by:
  - a) elements (balance sheet and off-balance sheet items), which are not of the nature of the main financial activity of the entity and/or are sustainable/long term elements, as: "participating interests"; "investments in affiliates", "intangible and tangible fixed assets", etc.;

- b) transactions of the entity which maintain the regulatory capital requirement levels, in case the indicator is affected by the volatilities in the exchange rate.

## **Article 18**

### **Liquidity risk**

1. Liquidity risk is the possibility of financial loss due to liquid assets shortfalls, to meet the obligations as they come due or are claimed, and/or when the electronic money institution is not able to fund increases in its assets.
2. Electronic money institutions shall establish the liquidity risk management system, which aims the management of liquidity risk. This system should minimally include the strategies and policies related to the management of liquidity risk, organisational structure established for the management of liquidity risk, the internal control system, information management system, etc.
3. Electronic money institutions shall ensure that the liquidity risk management system, from qualitative and quantitative perspective, is in line with the size of the institution, typology of its activity and exposure level to liquidity risk.

## **Article 19**

### **Credit granting related to payment services**

1. Electronic money institutions may grant credit related to payment services, as referred to in points 4 or 5 of annex 1 of the law “On payment services”, as foreseen in article 19 of that law, only if all the following conditions are met:
  - a) electronic money institutions should establish and approve internal regulations for credit risk management by providing requirements for each step of this process, including preliminary financial analysis, disbursement, monitoring, review of credit lines, etc.;
  - b) credit shall facilitate and be granted exclusively in connection with the executing of a payment transaction. To ensure compliance with this condition, electronic money institutions shall adopt systems and procedures to monitor financing process and shall provide internal control mechanisms;
  - c) electronic money institutions shall not grant credit from funds received in exchange for electronic money issued, which they safeguard in accordance with article 15 of this regulation;
  - d) credit shall be granted from the electronic money institution's own funds and not from funds received or held by payment services users, in order to execute a payment transaction;
  - e) credit is short-term and should be repaid within a period not longer than 12 (twelve) months. Exception to this rule may be the term of financing provided in connection to credit card payments, which may last more than 12 months;
  - f) electronic money institutions shall meet the regulatory capital requirements set out in article 14 of this regulation, that include capital requirements for credit risk arising from these credits.

**CHAPTER V**  
**ACCOUNTING, STATUTORY AUDIT AND REPORTING REQUIREMENTS FOR**  
**ELECTRONIC MONEY INSTITUTIONS**

**Article 20**

**Accounting and financial reports**

1. Electronic money institutions shall maintain accounts and prepare financial reports, to reflect their financial position accurately and in accordance with the accounting rules and principles, on individual and consolidated basis, in accordance with the legislation in force on accounting and financial statements.
2. When electronic money institution provides other activities pursuant to article 6 of this regulation, except from issuing electronic money and providing payment services (where applicable), for supervision purposes, shall keep separate accounting information on these activities, which must be part of statutory auditor's report.

**Article 21**

**Statutory audit**

1. Annual accounts and consolidated accounts of electronic money institutions shall be audited by the statutory auditor or auditing companies, pursuant to the legislation in force on accounting and financial statements and the legislation on statutory audit, organization of the professions of statutory auditor and certified accountant.
2. Obligations set out in the legislation in force on banks and in the respective by-laws of the Bank of Albania on statutory auditor of the banks, shall be applied in the same manner for statutory auditors or the auditing companies of electronic money institutions, in respect of electronic money issuance activity and payment services activities (where applicable).

**Article 22**

**Reporting to the Bank of Albania**

1. Electronic money institutions shall report to the Bank of Albania in line with the requirements set out in the sublegal acts for unified reporting system for these entities.
2. Electronic money institutions shall submit to the Bank of Albania, within the first half of the succeeding year, a copy of the annual report and a copy of the statutory auditor's opinion, reflecting the financial and accounting position on individual and consolidated basis.
3. Electronic money institutions shall report immediately to the Bank of Albania, for any case of exceeding the allowed supervisory limits according to the provisions of this regulation. Bank of Albania shall set out and inform the electronic money institution on the time and the needed measures, to restore the indicators within the allowed limits.



**CHAPTER VI**  
**ISSUANCE AND REDEEMABILITY OF ELECTRONIC MONEY**

**Article 23**

**Prohibition from issuing electronic money**

Any natural or legal person who is not an electronic money issuer, shall not issue electronic money.

**Article 24**

**Electronic money issuance and redeemability**

1. The electronic money issuer, issues electronic money at par value of the funds received by the electronic money holder.
2. Upon the request of the electronic money holder, the electronic money issuer shall redeem, at any moment and at par value, the monetary value of the electronic money held by him.
3. The electronic money issuer and electronic money holder shall sign a contract in writing, on paper or on another durable medium, in order to create and regulate the relationship for electronic money issuance process.
4. The contract between the electronic money issuer and the electronic money holder shall clearly and prominently state the conditions of issuance and redemption of funds, including any fees relating thereto. The electronic money issuer shall inform the electronic money holder on those conditions before signing the contract.
5. Redemption may be subject to a fee, only if stated in the contract between the parties and only in any of the following cases:
  - a) where redemption is requested before the termination of the contract;
  - b) where the contract provides for a termination date and the electronic money holder terminates the contract before the termination date; or
  - c) where redemption for unused funds is requested more than one year after the date of termination of the contract.
6. Any fee referred to in paragraph 5 of this article, shall be proportionate and commensurate with the actual costs incurred by the electronic money issuer.
7. Where redemption is requested before the termination of the contract, the electronic money holder may request redemption of his electronic money in whole or in part.
8. Where redemption is requested by the electronic money holder on or up to one year after the date of the termination of the contract:
  - a) electronic money issuer shall redeem the total monetary value of the electronic money held;  
or
  - b) where the electronic money institution carries out business activities other than issuance of electronic money, as provisioned in article 6, paragraph 1, letter “e”, of this regulation and it is unknown in advance what proportion of funds is to be used as electronic money, all funds requested by the electronic money holder shall be redeemed.

9. Notwithstanding the provisions of paragraphs 5 to 8 of this article, redemption rights of a person, other than a consumer, who accepts electronic money shall be subject to the contractual agreement between the electronic money issuer and that person.

#### **Article 25**

##### **Prohibition of interest**

The electronic money issuer is prohibited from paying interest or any other benefit to the electronic money holder, related to the length of time during which the latter holds the electronic money.

#### **Article 26**

##### **Alternative dispute resolution**

The requirements of Chapter VI of Title IV of the law “On payment services”, shall apply to electronic money issuers *mutatis mutandis*, regarding the obligations provisioned in article 24 and 25 of this regulation.

### **CHAPTER VII SUPERVISION, BREACHES AND SANCTIONS**

#### **Article 27**

##### **Penalizing and supervisory measures**

The Bank of Albania, in case of non-fulfillment of the provisions of this regulation, applies the supervisory and/or penalizing measures provided in law “On banks” and in Title V, Chapter I of the law “On payment services”.

**CHAIRMAN OF SUPERVISORY COUNCIL  
Gent SEJKO**