



**REPUBLIC OF ALBANIA
BANK OF ALBANIA
SUPERVISORY COUNCIL**

D E C I S I O N

No.59, dated 29.08.2008

**THE APPROVAL OF REGULATION
“ON TRANSPARENCY FOR BANKING AND FINANCIAL PRODUCTS AND
SERVICES”**

In accordance with Article 12, “a” of the Law No. 8269, dated 23.12.1997 “On the Bank of Albania” and Article 53, “e”, paragraph 4, Article 55, paragraph 1, Article 56, paragraph 2, Articles 69, 124 and 125 of the Law no. 9662, dated 18.12.2006 “On Banks on the Republic of Albania”, the Supervisory Council of the Bank of Albania, having regard to the proposal from Supervision Department,

D E C I D E D:

1. To approve the regulation “On Transparency for banking and financial products and services” according to the text attached to this decision.
2. The Supervision Department of the Bank of Albania is responsible for the implementation of this decision.
3. The Department of Foreign Relations, European Integration and Communication is responsible for the publication of this regulation in the Official Bulletin of the Bank of Albania and in the Official Journal of the Republic of Albania.
4. The guideline “On the transparency of the banking operations and services”, approved with the decision of the Supervisory Council no.49, dated 22.04.1999 and article 22/1 of the regulation “On the administration of the credit risk” approved with Decision of the Supervisory Council No.52, dated 14.07.2004 shall be is abrogated accordingly to the entrance into force of this Regulation.

This decision shall enter into force on the 15 day following that of its publication in the Official Journal of the Republic of Albania.

SECRETARY

Ylli Memisha

CHAIRMAN

Ardian Fullani

**BANK OF ALBANIA
SUPERVISORY COUNCIL**

REGULATION

“ON TRANSPARENCY FOR BANKING AND FINANCIAL PRODUCTS AND SERVICES”

(Approved by decision No.59, dated 29.08.2008, amended by decision No.14, dated 09.03.2011, by decision No. 25, dated 3.5.2017, by decision No. 15, dated 07.02.2018, and by decision no. 64, dated 24.11.2021 of the Supervisory Council of the Bank of Albania)

**CHAPTER 1
General Provisions**

**Article 1
Purpose**

The purpose of this regulation is to set out the requirements concerning the way and form of providing information to the client about banking and financial products and services offered by the subjects of this regulation with the intention to insure transparency and the customer's safeguarding.

**Article 2
Subjects**

This regulation shall apply on banks, branches of foreign banks and non-banking financial institution (hereinafter referred to as “banks”), which conduct banking and financial activities in the Republic of Albania in compliance with the license granted from the Bank of Albania .

**Article 3
Legal ground**

This regulation is issued for the implementation of Article 12, “a” of Law No.6269, dated 23.12.1997 “On the Bank of Albania” as amended (hereinafter the Law “On the Bank”) and Article 53, item 4, “e”, paragraph 1 of Article 55, Article 56, paragraph 2, Article 69,124 and 125 of the Law no. 9662, dated 18.12.2006 “On banks on the Republic of Albania” (hereinafter the Law “On banks”).

Article 4 Definitions

1. The terms used in this regulation shall have the same meaning with the terms set forth in Article 4 of the Law “On banks”, ¹also in the Regulation “On consumer credit and mortgage credit”.
2. In addition to paragraph 1 of this article, for the purpose of this regulation’s implementation, the following terms shall have these meanings:
 - a. **“effective interest rate”** – EIR shall imply the total cost of the customer’s loan stated as an annual rate of the loan’s value and calculated in accordance with Article 6 of this regulation.
 - b. **“the total cost of the loan lent to the customer”** – generally relates to all expenditures, including interests, commissions and any other kind of expenditures spent by the customer for the loan agreement according to its specifications (expenditures for the loan agreement subsidiary services; security premiums are especially included if the service is compulsory in order to profit a loan and the applied interest rate).
 - c. **“fixed interest rate on loans”** – shall imply the interest rate, as agreed between the bank and the customer in the loan agreement, to be a fixed unchangeable percentage throughout the agreement duration or some fixed unchangeable percentages in partial periods².
 - d. **“variable interest rate on loans”** – shall imply the interest rate as agreed between the bank and the customer at the moment of signing the loan agreement or contract. This rate is calculated based on a directing index and fixed margin³.
 - e. ⁴**“benchmark index”** – represents the interbank interest rates provided, which are published by the regulatory authorities or the authorities authorized for their management and/or other interest rates that are constantly quoted in the market and are transparent to the general public and that are calculated with the interest rates on debt instruments issued by the central governments of different countries. These rates represent the reference rates that are widely used in the price of financial transactions.
 - f. ⁵**“benchmark index change clause”** – is the contractual provision set out in the loan agreement, which entitles the bank to replace the benchmark

¹ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

² Added by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

³ Added by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

⁴ Added by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

⁵ Added by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

index, in cases of the compound interest application, if there is any disruption of the quotation of this benchmark index for the loan currency. This clause applies only provided that, by the regulatory authorities or the authorities authorized to manage the index, there is a clear definition of the date of termination of the quotation of the benchmark index for the currency and its replacement with an alternative benchmark index published by these authorities.

The Bank of Albania shall publish in any case on its official website, the source of information (official website) of the regulatory authority or the authorized authority for the management of the index, which publishes the relevant alternative benchmark index.

Chapter II **Financial and banking products and services**

Article 5 **General requirements**

- 1/1. ⁶Banks shall, among other things, include rules on transparency to customers, in the internal regulations and procedures of their activity.
1. Banks shall disclose clearly and at a visible vie at their websites and in their work premises the information on the loans and deposits interest rates, also the commission charged on the outputs and services banks supply to the customers⁷.
 2. Banks shall ensure that information, terms and conditions of outputs and services, the clients' rights and responsibilities are complete and accurate and in a language understandable for the client. The legal or technical language will be used only when it becomes necessary.
 3. Prior to the selection of a product or service by the client, the banks provide to the client beforehand a complete feedback about conditions, deadlines and interest rates, accompanying risks in getting an output or services, ⁸commissions and penalties when the later are applied etc.
- 3/1. ⁹In case the client shall apply for a loan in a different currency than the one in which he/she generates the income, and when the bank assesses that his/her capacity to hedge against the exchange rate risk is inadequate, the

⁶ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁷ Amended by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

⁸ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁹ Added by the Supervisory Council of the Bank of Albania Decision No. 15, dated 7.2.2018.

bank shall offer the client, as an alternative, a comparable loan in the currency in which his/her income is generated.

4. ¹⁰In the event banks change the terms of offering their banking or financial services and products, they shall notify:
 - a. individually, every customer subject to these amendments, in accordance with the deadline and the form stipulated in the contract between parties (in written form, via durable medium, or telephone messages) documented by the bank; and
 - b. through posting notices or brochures inside the bank's premises, the bank's official website or through mass media.

This notice shall be made at least 15 days before the amendments take effect. The information within the notice shall be accurate, complete and easy for the customer to understand. In any case, the terms of the contract may not be amended without prior consent by the customer in accordance with the contract provisions.

5. ¹¹Repealed.
6. Banks shall inform in advance the customer, in case they use debit cards/cash and credit cards, on the terms for their application and the commission charged for the transactions carried out by cards, especially in banks' ATMs or ATMs of other banks. The client is informed about this in the agreement reached for this service and also through posters posted next to ATMs. The content of the announcement to be posted next to each ATM will be the same with that contained in attached Appendix 2, attached and integrated part of this Regulation.
7. Banks shall explain to the customers all possible risks which they may encounter while using any of the offered product or service.
8. Banks shall compile and approve the calculation method /policy as stipulated in their internal regulations, of the following¹²:
 - a. interest rate on applied on deposits and loans;
 - b. commission charged on the banking and financial products and services
9. ¹³Banks shall not change the calculation method/approach of the interest rate and/or its components, over the loan agreement/ contract duration,

¹⁰ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

¹¹ Repealed by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

¹² Added by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.201.

¹³ Amended by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

without the consent of the customer, the penalties in case of delay/late payment interest (charges) as well as any other provision that charges the client with financial costs, as agreed at the moment of signing the loan agreement/contract.

10. Banks shall submit to the Bank of Albania quarterly reports on the interest rate applied on deposits and loans and the commissions charged on banking and financial products and services. These reports shall be submitted no later than 15 (fifteen) days after the closure of the quarterly period, in line with the standard approved from the Bank of Albania¹⁴.
11. Bank of Albania shall publish a summary of the comparable interest rates applied on loans and deposits, also the commission charged on the banking and financier services and products reported with regard to all subjects¹⁵.

Article 6

The calculation method and disclosure of loan effective interest rates

1. The effective interest rate is calculated as specified in mathematical formula presented in Appendix 1 of this Regulation.
2. To calculate the effective interest rate, the customer's loan cost total the according to articles 4, paragraph b, shall not include:
 - a) expenses that are unknown on the calculation date but which may occur during the loan disbursement;
 - b) expenses payable from the customer in case of not meeting any of commitments provided for in the loan agreement;
 - c) other expenses different from the purchasing price, the customer should pay for the purchasing of commodities and services, if the buying is performed in cash or by cash flow, on condition that the bank will not be the last beneficiary of these payments;
 - d) the expenditures of the client to pay other persons (for example, a notary public, tax authority, mortgage register) while drafting the loan agreement and any other expenditure for registration and warranty;
 - e) spending for security and/or non-compulsory warranties;
 - f) each spending the client has to pay to the bank only when:
 - i. the granted loan is not totally or partially used;
 - ii. the client applies for a change in the payments deadline and the bank accepts such an application.

¹⁴ Added by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

¹⁵ Added by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

3. The costs of opening and maintaining an account¹⁶, using a card or other payment instruments needed for loan transactions, payment flow and other costs with regard to payment transactions in general will be included in the total cost of the loan ¹⁷if the account opening and maintenance are mandatory to obtain the loan or to obtain it according to agreed terms.
4. The effective interest rate is calculated based on the assumption that the loan agreement (contract) is valid over the agreed period and the parties meet their liabilities in line with specifications and the date agreed in the loan agreement (contract).
5. When the loan agreements contain provisions, allowing variations in the interest rates, or other expenses included in the effective interest rate, but immeasurable at the time this rate was calculated, the effective interest rate is calculated upon the assumption that the interest rate and other expenses will remain unchanged (fixed) ¹⁸in relation to the level set at the conclusion of the loan contract.
6. The bank shall set out at the loan contract the way it will notify the client each time the basic elements for the calculation of effective interest rates are changed and this notification has to be disclosed beforehand.
7. The effective interest rate is disclosed through using the term “effective interest rate” or its abbreviation “EIR”.
8. The bank shall accurately and adequately disclose the effective interest in the bank premises.
9. The bank shall submit to the Bank of Albania, quarterly reports on the effective interest rates and with regard to all products and services it supplies to customers, within 15 (fifteen) days after the termination of the quarterly period.
10. The Bank of Albania shall disclose data about effective interest rates as reported by the entities of this regulation, by safeguarding the client/clients information confidentiality¹⁹.

Article 7

Elements of loan agreement (contract)

1. For each loan agreement, the bank and the borrower endorse an agreement (contract) in a written form, which minimally includes the following elements:

¹⁶ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

¹⁷ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

¹⁸ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

¹⁹ Amended by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

- a) the purpose of loan usage;
 - b) the type of loan (by instalment, margins etc.);
 - c) loan specifications concerning value, monetary currency, issuing date, maturity date, nominal interest rate and its type (variable or fixed), interest rate index²⁰, margin, effective interest rate, the frequency of interest rate change or its comprising parts, periodical value of the loan repayment (instalment), ²¹ the method of calculating loan instalment and ²² the settlement date or period;
 - d) the initial contribution of the borrower (if applicable) or different commissions when the loan is received and settled;
 - e) The type of collateral (if existent);
 - f) The parties liabilities and penalties and cases when they are applied, especially when the entity is a borrower;
 - g) The way the contract's specifications are changed;
 - h) ²³The benchmark index change clause;
 - i) The way the contract is terminated;
 - j) The number of endorsed original copies of the contract and the way they are possessed by the parties.
2. During the process of loan lending for the first time or at the moment of its restructuring, ²⁴the bank shall make it available to the borrower and include a signed copy of this information in the loan file:
- a) loan repayment schedule at the moment of its lending and in case of restructuring the information is received at that moment;
 - b) the schedule of all pre-defined and known payments which the borrower pays during the process of receiving a loan and during the period of its duration;
 - c) penalties put to the borrower and examples ²⁵on their calculation method;
 - d) a written comment, ²⁶accompanied by an illustrative example, which warns the borrower about the risk that the following are posing:
 - i. borrowing in foreign currency, especially when his/her revenues are in Lek and when unfavourable fluctuations of exchange rates of Lek against foreign currency (or vice versa) do occur.
 - ii. the increase of loan interest rate during the loan duration as the result of an increase in orientating index.

²⁰ Amended by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

²¹ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

²² Amended by the Supervisory Council of the Bank of Albania Decision No.14, dated 09.03.2011.

²³ Added by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

²⁴ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

²⁵ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

²⁶ Added by the Supervisory Council of the Bank of Albania Decision No. 15, dated 7.2.2018.

3. In case of the consumer loan, including credit cards loans, or other forms of crediting, when the liability of the client towards the bank rises automatically, the conditions for lending, using and repaying of loan and all the corresponding penalties have to be set out in detail in the contract bided with the borrower.

Article 8

Special information concerning loan agreements (contract)

1. In the case of applying a variable interest rate, the bank shall provide to the borrower, in the form specified in the contract between the parties (in written form, via durable mediums or telephone messages), at least once every 12 months, the following information²⁷:
 - a) annual interest rate at the beginning and at the end of the corresponding period ;
 - b) the unsettled part of the loan at the beginning and at the end of the corresponding period;
 - c) The amount of each loan instalment determined according to a payments schedule and the time when each instalment has to be paid based on the annual interest rate applied at the end of the respective period.
2. ²⁸ Repealed.
3. The bank, in event of financing agreements (loan lines), shall provide in writing to the borrower following information:
 - a) loan initial margin if it is known at the moment the information is provided;
 - b) annual interest rate or the calculation method if it is changeable;
 - c) the type and the amount of each payment different from the interests;
 - d) minimal payment during each payment period ²⁹as well as its calculation method;
 - e) each period when the condition of an account will be announced;
 - f) the date when and after to which³⁰ interests are calculated and the information about each applicable remission period;
 - g) data about commissions and penalties³¹;
 - h) Real or movable estates, which serve as a basis for getting a loan from the bank.

²⁷ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

²⁸ Repealed by the Supervisory Council of the Bank of Albania Decision No. 14, dated 09.03.2011.

²⁹ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁰ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³¹ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

4. When *issuing a credit card*, the banks inform the client on the following apart from the information according to letters “a”, “b” and “c” of paragraph 3 of this Article³²:
- a) ³³Repealed.
 - b) the date when the interests are calculated and information concerning every applicable remission period;
 - c) if the credit agreement asks the borrower to pay all the unpaid share of the loan as soon as he/she gets the accounting situation, the following information is received:
 - i. description of this liability;
 - ii. the remission period by the end of which the borrower has to pay the unredeemed part of the loan and
 - iii. the applicable annual interest rate over the unredeemed part of the loan, which is not paid in due time ³⁴and the method of calculating the amount the customer is obliged to pay.
 - d) when the bank is announced by the borrower, in a written or verbal form about a lost or a stolen credit card it does not force the borrower to pay for transactions performed with the card after notification.

Article 9

Elements of the account and deposit contract

1. For each account opened by the client in the bank, a contract is endorsed by the participating parties in the transaction.
2. Apart from the client’s personal data and the accounting number, the current account and saving contract includes the following:
 - a) the interest rate³⁵;
 - b) method of calculation and frequency of the interest payments³⁶;
 - c) the measure for interest incomes tax withholding;
 - d) commissions for accounts maintenance;
 - e) other applicable commissions and penalties³⁷.
 - f) ³⁸the criteria / conditions for the classification of accounts under "inactive" status and the financial costs for their restoration to "active" status;

³² Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³³ Repealed by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁴ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁵ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁶ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁷ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

³⁸ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

Elements set out in letters “a”, ”b” and “c” are included in the contract in cases when the bank applies interests on current accounts and/or the saving accounts.

3. The contract made for time limit deposits contains the following alongside the individual data of the client:
 - a) the amount invested in the time limit deposit;
 - b) annual interest rate;
 - c) ³⁹the amount of interest, method of calculation and frequency of its payment;
 - d) the measure of the interest revenues tax withholding;
 - e) the date of deposits maturity;
 - f) conditions selected by the client for time limit deposits renovation;
 - g) ⁴⁰terms of early termination of the contract; and
 - h) ⁴¹applicable penalties in the case of early termination of the contract.
4. ⁴²The Bank shall provide in the current and savings account contracts, the manner of notifying the customer on any changes to the terms of the signed contract, prior to applying the change.
5. ⁴³Repealed.

Article 10 Marketing

1. The bank provides assurance that the advertisement materials of banking products or services are real and gives comprehensive explanations about all the conditions upon which products and services are offered. It has to assure its clients that it will not provide false or exaggerated information and it will not try to hide special features of the offered products and services.
2. In addition to the promoting preferential features of the services (for e.g. interest rates), the bank shall inform about the special conditions that to be met in order to profit this kind of service.
3. The information used for banking products and services promotion is based on accurate, verifiable, detailed data in compliance with the confidentiality principle and the best practices. It is intended that the information to be disclosed to the public is objective, sufficient and unbiased.

³⁹ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴⁰ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴¹ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴² Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴³ Repealed by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

Article 11 Confidentiality

1. The banks shall maintain confidentiality and/or the client's privacy and give a guarantee to the client that they will save and administer all the personal information concerning the client at safe and confidential systems, which are able to preserve information on payments (transactions, services etc).
2. Requirements of paragraph⁴⁴ 1 of this article are not applied if:
 - a) the bank should provide personal information on the client according to the applicable legal and by-law framework;
 - b) the client asks for the publication of this information in a written form, or the bank has received the client's written permission/ or authorization to do so.
3. The banks shall provide to the client, in accordance with the relevant request, all the possessed information upon his/her own request.
4. The banks shall provide to the client all the basic information about his/her deposits insured by the Deposits Insurance Agency.

Article 12⁴⁵ Customers' complaints

1. The bank shall drafts internal procedures and rules for handling customer complaints, defining the structures responsible for following them up.
2. The bank shall provide the customer with the necessary information on the procedures for handling complaints in a timely and complete manner.
3. In the case of a written complaint from the customer, the bank shall give a written reply to the client on the complaint within the deadline set out in the internal regulatory acts of the bank or in the relevant contract between the client and the bank.
4. The bank shall record, in a separate register, data on any customer complaint relating to the implementation of the requirements of this regulation, information on the resolution of such complaints, and any other necessary additional information.

⁴⁴ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴⁵ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

5. The responsible structure for addressing client complaints, shall periodically prepare a summary report for the bank's governing bodies, on the number, type and resolution of complaints filed by the customers of the bank.

Chapter III Final provisions

Article 13 Supervisory and corrective measures⁴⁶

In the event of non-compliance with the provisions of this regulation, the Bank of Albania shall apply supervisory and corrective measures set out in the Law “On banks” and other by-laws in pursuance thereof.

Article 14 Final provisions⁴⁷

1. Provisions of this regulation shall not be applied for inter-bank loans and/or deposits.
2. Provisions of this regulation shall not be applied for the approved loans and/or deposits accepted prior to entrance into force of this Regulation.
3. ⁴⁸The benchmark index change clause shall not be applied for the approved loan agreements, before the date of entry into force of this regulation, except when the bank takes the necessary measures for the inclusion of, with the borrower's approval, the benchmark index change clause in loan agreements assigned before the entry into force of this regulation.

CHAIRMAN OF SUPERVISORY COUNCIL

Ardian Fullani

⁴⁶ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

⁴⁷ Amended by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

⁴⁸ Added by the Supervisory Council of the Bank of Albania Decision No. 64, dated 24.11.2021.

Annex 1

⁴⁹Calculation method of the effective interest rate on loans

The basic equation, for the calculation of the effective interest rate (EIR), equates on an annual basis, the total present value of the loan (drawdowns) **on the one hand**, by deducting any expenses withheld (for example, administrative expenditures, etc.), made available to the customer under the loan agreement and **on the other hand** the total present value of repayments and payments of charges.

$$\sum_{k=1}^m K_k (1+i)^{-t_k} = \sum_{l=1}^{m'} R_l (1+i)^{-t_l}$$

where:

***i* (EIR)** - is the effective interest rate, which can be calculated (either by algebra or by a computer program) when the other terms of the equation are known from the contract or otherwise.

m - is the total number of instalments of the loan disbursement, if the loan is disbursed by drawdowns paid by the lender.

k - is the *k*-instalment of the loan disbursed by the lender if the loan is disbursed by drawdowns), so $1 \leq k \leq m$.

K_k - is the value of the loan drawdown available to the client in the period ***k***.

t_k - is the interval expressed in years and fractions of one year between the date of the first drawdown made available to the client (if the loan is disbursed by instalments) and the date of each subsequent instalment of the loan made available to the client, i.e. ***t₁ = 0***.

m' - is the total number of instalments paid by the client for loan repayment and/or payment of expenses.

l - is the payment made by the client for the loan repayment or the payment of the expenses.

R_l - is the value of the repayment instalment or payment of expenses by the client in period ***l***.

t_l - the interval, expressed in years and fractions of one year, between the date of disbursement of the first instalment of the loan made available to the client (if the

⁴⁹ Amended by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

loan is disbursed by instalments) or the date of disbursement of the loan (if the loan is disbursed completely) and the instalment date of each payment and/or subsequent payment of expenses by the client.

Notes:

- a. It is not necessary for the amounts paid by both parties at different times to be equal and paid at equal intervals.
- b. The start date shall be that when the first loan instalment is disbursed by the bank, if the loan is disbursed by instalments, or on the date of the loan disbursement, in case of a complete loan disbursement.
- c. The intervals between the dates used in the calculation should be expressed in years or fractions of the year. A year is presumed to have 365 days or 366 days for leap years, 52 weeks or 12 months. A month is presumed to have 30,41666 days (365/12), regardless of whether it is a leap year or not.

Where intervals between dates used in the calculation cannot be expressed as a whole number of weeks, months or years, the intervals shall be expressed as a whole number of one of these periods in combination with a number of days.

Where using days:

- i) Every day shall be counted, including weekends or holiday days;
 - ii) Equal periods and then days shall be counted backwards to the date of the initial drawdown;
 - iii) The length of the period of days shall be obtained excluding the first day and including the last day and shall be expressed in years by dividing this period by the number of days (365 or 366 days) of the complete year counted backwards from the last day to the same day of the previous year.
- d. The calculation results shall be expressed with an accuracy of at least one decimal place.
- e. The equation can be rewritten using a single sum in case of full loan disbursement by the bank:

$$S = \sum_{l=1}^{m'} R_l (1+i)^{-t_l}$$

S - is the total current value of the drawdowns, deducting any retained expense (for example, administrative expenses, etc.).

Banks should ensure that the applicable settlement methods give an outcome equal to that of the presented examples in the annex (see below).

⁵⁰Additional assumptions on EIR calculation

1. If a loan agreement gives the customer freedom of drawdown, the total amount of loan shall be deemed to be drawn down immediately and in full.
2. If a loan agreement provides different ways of drawdown with different charges or borrowing rates, it will be assumed that the total amount of loan shall be deemed to be drawn down at the highest charge and borrowing rate applied to the most common drawdown mechanism for this type of loan agreement.
3. If a loan agreement gives the customer freedom of drawdown in general but imposes, amongst the different ways of drawdown, a limitation with regard to the amount of loan and period of time, the amount of loan shall be deemed to be drawn down on the earliest date provided for in the loan agreement and in accordance with those drawdown limits.
4. If different borrowing rates and charges are offered for a limited period or amount, the highest borrowing rate and charges shall be deemed to be the borrowing rate and charges for the whole duration of the loan agreement.
5. For loan agreements for which a fixed borrowing rate is agreed in relation to the initial period, at the end of which a new borrowing rate is determined and subsequently periodically adjusted according to an agreed indicator the calculation of the EIR shall be based on the assumption that, at the end of the fixed borrowing rate period, the borrowing rate is the same as at the time of calculation of the EIR, based on the value of the agreed indicator at that time, but is not less than the fixed borrowing rate.
6. For loan agreements (for limit loan or credit cards), does not have a defined ceiling, that ceiling will be assumed to be ALL 200,000 or its equivalence in foreign currency.
7. In the case of an overdraft facility, the total amount of loan shall be deemed to be drawn down in full and for the whole duration of the loan agreement. If the duration of the overdraft facility is not known, the EIR shall be calculated on the assumption that the duration of the loan is three months.
8. If there is no fixed payment plan, it will be assumed that:
 - a. The loan is granted for a one-year period; and / or
 - b. The loan will be paid in 12 equal monthly instalments.
9. If there is a fixed payment plan for the repayments, but the amount of payments is variable, it will be assumed that the amount of each payment is the lowest among the values provided in loan agreement.

⁵⁰ Added by the Supervisory Council of the Bank of Albania Decision No. 25, dated 3.5.2017.

Unless otherwise specified, when the loan contract provides more than one repayment date, it will be assumed that the loan becomes available and the payments are repaid at the earliest date provided in loan agreement.

Examples

I. EIR calculation according to calendaring basis (1 year + 365 days or 366 days for the leap year)

Example 1:

The loan sum: Euro 1000 lent on 1 January 1994. The loan is paid through a sole payment of Euro 1,200 on 1 July 1995 for example, 1.5 years or 546 (365+181) days after the loan was lend.

Equation is converted:

$$1000 = \frac{1200}{(1+i)^{\frac{546}{365}}}$$

or:

$$(1+i)^{546/365} = 1.2$$

$$1+i = 1.129624$$
$$i = 0.1296204$$

This value will be rounded at 13% (or 12.96% if preciseness with two decimal numerals is requested).

Example 2

The loan's sum is Euro 1000, but Euro 50 are hold from borrower for administrative expenditures. The sum of Euro 1200 will be repaid just like in the first example on 1 July 1995.

Equation is converted into

$$950 = \frac{1200}{(1+i)^{\frac{546}{365}}}$$

or:

$$(1+i)^{546/365} = 1.263157$$
$$1+i = 1.169026$$
$$i = 0.169026$$

this figure will be rounded at 16.9%

Example 3

The loan amount amounts Euro 1000 on 1 January 1994, repayable in two sums where each of the sum is Euro 600, respectively repayable after one or two years.

The equation is converted into:

$$1000 = \frac{600}{(1+i)} + \frac{600}{(1+i)^{\frac{730}{365}}} = \frac{600}{(1+i)} + \frac{600}{(1+i)^2}$$

Its solution results in $i=0.1306623$ rounded in 13.1 % (or 13.07 if accuracy into two decimal numerals is requested).

Example 4:

The loan amount is Euro 1000 and it was lent on 1 January 1994 while the amounts to be paid by the borrower are:

After 3 months (0.25 years/ 90 days):	272 euro
After 6 months (0.5 years/181 days):	272 euro
After 12 months (1 year/365 days):	<u>544 euro</u>

Total: 1088 euro

The equation is converted into:

$$1000 = \frac{272}{(1+i)^{\frac{90}{365}}} + \frac{272}{(1+i)^{\frac{181}{365}}} + \frac{544}{(1+i)^{\frac{365}{365}}}$$

The outcome of this equation is $i=0.13226$, rounded in 13.2% (or 13.23% if an accuracy into two decimal numerals is requested)

II EIR is calculated according to a standard year (1 year = 365 days or 365.25 days, 52 weeks or 12 similar months)

Example 1:

The loan amount: Euro 1000. (The loan shall be paid through a sole payment of Euro 1200 after 1.5 years (for example, $1.5 \times 365 = 547.5$ days, $1.5 \times 12 = 18$ months or $1.5 \times 52 = 78$ weeks).)

Equation is converted into:

$$1000 = \frac{1200}{(1+i)^{\frac{547.5}{365}}} = \frac{1200}{(1+i)^{\frac{547.875}{365.25}}} = \frac{1200}{(1+i)^{\frac{18}{12}}} = \frac{1200}{(1+i)^{\frac{78}{52}}}$$

or: $(1+i)^{1.5} = 1.2$

$$1+i = 1.129243$$

$$i = 0.129243$$

This figure is rounded into 12.9 percent (or 12.92% if accuracy in two decimal numerals is preferred).

Example 2

The loan amount is Euro 1000, but Euro 50 are held from the borrower for administrative spending, therefore the loan runs in fact at Euro 950. The amount of Euro 1200 just like in the first example is repaid after 1.5 years after the loan was received.

The equation is converted into:

$$950 = \frac{1200}{(1+i)^{\frac{547.5}{365}}} = \frac{1200}{(1+i)^{\frac{547.875}{365.25}}} = \frac{1200}{(1+i)^{\frac{18}{12}}} = \frac{1200}{(1+i)^{\frac{78}{52}}}$$

or:

$$(1+i)^{1.5} = 1200/950 = 1.263157$$

$$1+i = 1.168526$$

$$i = 0.168526$$

This figure will be rounded into 16.9% (or 16.85 if accuracy into two decimal numerals is preferred).

Example 3:

The loan amount is Euro 1000, repayable into two amounts, each of 600 Euro, respectively repayable after one or two years.

The equation is converted into:

$$1000 = \frac{600}{(1+i)^{\frac{365}{365}}} + \frac{600}{(1+i)^{\frac{730}{365}}} = \frac{600}{(1+i)^{\frac{365.25}{365.25}}} + \frac{600}{(1+i)^{\frac{730.5}{365.25}}}$$

$$= \frac{600}{(1+i)^{\frac{12}{12}}} + \frac{600}{(1+i)^{\frac{24}{12}}} = \frac{600}{(1+i)^{\frac{52}{52}}} + \frac{600}{(1+i)^{\frac{104}{52}}}$$

$$= \frac{600}{(1+i)^1} + \frac{600}{(1+i)^2}$$

out of which $i = 0.13066$ rounded in 13.1% (or 13.07 % if an accuracy into two decimal numerals is preferred).

Example 4:

The loan amount is Euro 1000 and the amounts to be paid by the borrower are:

After 3 months
(0.25 years/13 weeks/91.25 days/91.3125 days): Euro 272

After 6 months
(0.5 years/26 weeks/182.5 days/182.625 days): Euro 272

After 12 months
(1 year/52 weeks/365 days/355.25 days): 544 euro

Total: Euro 1088

Equation is converted into:

$$\begin{aligned} 1000 &= \frac{272}{(1+i)^{\frac{91.25}{365}}} + \frac{272}{(1+i)^{\frac{182.5}{365}}} + \frac{544}{(1+i)^{\frac{365}{365}}} \\ &= \frac{272}{(1+i)^{\frac{91.3125}{365.25}}} + \frac{272}{(1+i)^{\frac{182.625}{365.25}}} + \frac{544}{(1+i)^{\frac{365.25}{365.25}}} \\ &= \frac{272}{(1+i)^{\frac{3}{12}}} + \frac{272}{(1+i)^{\frac{6}{12}}} + \frac{544}{(1+i)^{\frac{12}{12}}} \\ &= \frac{272}{(1+i)^{\frac{13}{52}}} + \frac{272}{(1+i)^{\frac{26}{52}}} + \frac{544}{(1+i)^{\frac{52}{52}}} \\ &= \frac{272}{(1+i)^{0.25}} + \frac{272}{(1+i)^{0.5}} + \frac{544}{(1+i)^1} \end{aligned}$$

Out of which $i = 0.13185$ rounded in 13.2% (or 13.19 % if an accuracy into two decimal numerals is preferred).

Annex No. 2

Notification On the commissions charged for services by cards

Clients be attentive!

1. This ATM is placed by the bank_____.
2. In this ATM you may withdraw your money in cash, by using the debit card (_____) issued by our Bank. For this service you pay a commission of_____.
3. In this ATM you may withdraw your money in cash by using the credit card (_____) issued by our Bank. For this service you pay a commission of_____.
4. In this ATM you may withdraw your money in cash and by cards issued from other banks, but in these cases you will pay a commission for the transaction that our bank will perform with the bank issuing the card.
5. Our bank doesn't hold any responsibility and doesn't reimburse commissions that you are going to pay for services offered in this ATM with cards issued by other banks.
6. Our Bank is always under your service.
7. For any problem and necessary information please contact our bank in this telephone number_____.