

DECISION
No. 62, dated 4.11.2020

Approval of the Regulation “On the establishment, licensing, supervision, functioning, and termination of the operation of the bridge bank”

In accordance with Article 12 (a), Article 43 (c) of the Law No. 8269, dated 23.12. 1997 “On the Bank of Albania”, as amended, and Article 28 of the Law No. 133, dated 22.12.2016 “On the recovery and resolution of banks in the Republic of Albania”, having regard to the proposal from Supervision Department and the Resolution Department, the Supervisory Council of the Bank of Albania

DECIDED:

1. To adopt the Regulation “On the establishment, licensing, supervision, functioning and termination of the operation of the bridge bank”, as provided therein.

2. The Supervision Department and the Resolution Department shall be responsible for the implementation of this Decision.

3. The Decision of the Supervisory Council No. 27, dated 16.05.2012, “Approval of the Regulation ‘On the establishment, licensing, supervision, and functioning of bridge bank’” shall be repealed.

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.

This Decision shall enter into force 15 days after its publication in the Official Journal of the Republic of Albania.

Vice Chair
Luljeta Minxhozi

CHAPTER I
GENERAL PROVISIONS

Article 1
Subject matter

This Regulation lays down the conditions for the establishment, licensing, supervision, functioning and termination of operation of the bridge bank, as a resolution tool.

Article 2
Legal ground

This Regulation is adopted pursuant to:

a) Article 12 (a) and Article 43 (c) of the Law No. 8269, dated 23.12.1997 “On the Bank of Albania”, as amended,

b) Article 28 of the Law No. 133, dated 22.12.2016 “On the recovery and resolution of banks in the Republic of Albania” (Law “On Resolution”).

Article 3
Scope of application

This Regulation applies to bridge banks.

Article 4
Purpose for the establishment of the bridge bank

The bridge bank is established to ensuring the continuation of commercial bank's critical functions under resolution.

Article 5
Definitions

The terms used in this Regulation have the same meaning as those defined under the Law No. 9662, dated 18.12.2006 "On bank in the Republic of Albania ", as amended (Law "On banks"), Law "On resolution" and the bylaws issued by the Bank of Albania.

CHAPTER II
Establishment and licensing of the bridge bank

Article 6
Establishment of the bridge bank

1. The bridge bank shall be a legal person, organised as a joint stock company, which is wholly or partially owned by one or more public authorities (the Council of Ministers of the Republic of Albania, through the ministries of lines, the State Aid Commission, other public authorities under the applicable legislation) and is controlled by the Resolution Authority.

2. The Bank of Albania shall submit a proposal to the Ministry of Finance, when deeming necessary the use of public funds, aiming at establishing and financing the bridge bank's capital, as a resolution tool.

3. The decision on the establishment of bridge bank may contain eased requirements on the licensing and supervision of the bridge bank, compared with the requirements set forth for other banks, at the at the beginning of its operation, by determining the period for which the bridge bank is subject to these requirements, but no longer than six months.

4. The eased requirements under paragraph 3 of this Article shall consist in eased initial capital requirement, documentation on the approval of administrators, and eased requirements regarding the implementation of supervisory indicators laid down in the Law "On banks" and in the applicable regulatory framework on banks, accordingly.

5. Notwithstanding the provisions referred to in Article 8 of this Regulation, the bridge bank may be licensed without complying with all the conditions on the establishment of the bridge bank set out in this Regulation, if the Bank of Albania decides it is indispensable for the realisation of the resolution objectives.

Article 7
Registration at the National Business Centre

1. The Decision on the establishment of the bridge bank and its statute shall be submitted at the National Business Centre.

2. Upon the registration in the Trade Register, in compliance with the legislation on the National Business Centre, the extract from Trade Register shall be provided to the bridge bank

Article 8

Licensing of the bridge bank

1. The Bank of Albania shall be the authority for the licensing of the bridge bank.
2. The proposed shareholders of the bridge bank shall submit an application for the licensing of the bridge bank to the Bank of Albania, in addition to the following documents:
 - a) the approved statute of the bridge bank;
 - b) the extract from trade register for the bridge bank, issued by the National Business Centre;
 - c) the proposed name of the bridge bank;
 - d) the locations of the head office and branches;
 - e) strategy and risk profile of the bridge bank;
 - f) the business plan for the period the bridge bank shall conduct its operation;
 - g) the implementation of the regulatory and supervisory framework (prudential indicators, reports, etc., in accordance with the unified reporting system of banks) throughout the operating period of the bridge bank;
 - h) internal regulatory acts (rules, internal guidelines, etc.), of the bridge bank;
 - i) the full list with the names of the appointed administrators of the bridge bank, who represent the bridge bank in respect with third parties.
3. The statute of the bridge bank, shall minimally include:
 - a) name and address of shareholder or shareholders;
 - b) name and address of the bridge bank head office;
 - c) the subject-matter of the business activity;
 - d) rights and liabilities of shareholder/shareholders;
 - e) the amount of minimum initial capital under the stipulations in the Law on banks;
 - f) the total number and nominal value of shares, including the description of voting rights;
 - g) the investor compensation scheme;
 - h) management bodies of the bridge bank;
 - i) competences and the way the shareholders assembly of the bridge bank; operates;
 - j) Selection, number of members and competences of the bridge bank steering council;
 - k) selection and competences of the bridge bank' directorate;
 - l) the remuneration and payment of steering council's members, salaries and other benefits of the members of the directorate of the bridge bank as well as their rights and liabilities;
 - m) organisation of internal control system;
 - n) legal auditor;
 - o) the term of bridge bank's operation, which should not be longer than two years from the last date of the transfer of assets, rights and liabilities?
4. The documents defined in paragraph 2 of this Article shall be submitted in Albanian language, in original or notarised copy. In the event of documents issued from the relevant public authorities in foreign countries, they shall be legalised by the responsible authorities.

Article 9

Characteristics of the licence

1. The licence of a bridge bank is temporary, non-transferable and not tradable.
2. The licence shall contain an integrated annex setting out the banking and/or financial operations, in accordance with Article 54 of the Law "On banks", that the bridge bank shall exercise.

3. The licence granted to the bridge bank shall have the same format as the licence granted by the Bank of Albania to banks and branches of foreign banks.

4. The licence and its annex of the bridge bank shall bear the signature of the Governor of the Bank of Albania.

5. The term “bridge bank” shall be written alongside the commercial name of the bridge bank

Article 10

Term of granting the licence to the bridge bank

1. The Bank of Albania shall grant the licence to the bridge bank within five business days upon the registration of the bridge bank at the National Business Centre.

2. The decision on the establishment of the bridge bank and its licence shall be published in the Official Journal of the Republic of Albania, Official Bulletin of the Bank of Albania and on its official website.

3. The Bank of Albania shall keep a special register for bridge banks and shall publish it on the official website of the Bank of Albania.

Article 11

Transfer of assets and liabilities

1. The Bank of Albania shall implement the transfer procedure of assets, rights and liabilities to the bridge bank, in accordance with the resolution decision.

2. The Bank of Albania shall carry out the transfer in accordance with paragraph 3 of Article 28 of the Law “On resolution”, on the condition that the total value of liabilities transferred to the bridge institution does not exceed the total value of the rights and assets transferred from the institution under resolution or provided by other sources.

3. The transfer of ownership right on the shares or other instruments of ownership, of assets and liabilities, from the bank under resolution to the bridge bank, shall take place in accordance with the decision referred to in paragraph 1 of this Article, and it may be a partial transfer or in full.

4. The Bank of Albania may transfer more than once the assets and liabilities from the bank under resolution to the bridge bank, and vice versa.

5. The Bank of Albania, in accordance with paragraph 1 of this Article, shall determine the list of assets, rights and liabilities to be transferred to the bridge bank, accordingly.

6. The deposits to be transferred to the bridge bank shall at list consist in deposits which are insured pursuant to the stipulations set forth in the legislation on deposits insurance. The bridge bank shall be part of the deposit insurance scheme at the Albanian Deposit Insurance Agency.

7. The bank under resolution shall not transfer to the bridge bank:

- a) “frozen deposits” subject to money laundering suspect;
- b) deposits from related parties;
- c) subordinated liabilities with related parties.

8. The assessment of assets and liabilities, to be transferred from the bank under resolution to the bridge bank, shall take place in compliance with the Regulation of the Bank of Albania No. 44, dated 5.6.2019, “On the assessment for the purposes of resolution”.

Article 12

Operations of the bridge bank

1 The bridge bank shall exercise any right executed by the bank under resolution in relation to the assets, rights or liabilities transferred, as well as the operations and services as defined in the Decision of the Bank of Albania on its establishment, in compliance with the stipulations laid down in the Law “On banks”, the Law “On resolution”, the regulatory framework of the Bank of Albania, and in compliance of the requirements set out in this Regulation.

- 2 The bridge bank shall conduct limited lending operations and at a low risk.
- 3 The bridge bank, with a view to ensuring the continuity of operations, shall review and approve operational and management rules of its operation, related to deposits, loans, as well as the staff and information previously owned by the bank under resolution.

Chapter III
STRATEGY, PRINCIPLES, ORGANISATION AND MANAGEMENT OF THE
BRIDGE BANK

Article 13

Strategy and risk profile of the bridge bank

1. The bridge bank shall draft the risk management strategy to which the bank is exposed while carrying out its business, referred to in paragraph 2 (e) of Article 8 of this Regulation.
2. The strategy and risk profile shall contain a description of most important risks the bridge bank is exposed to, the principles on which it is ensured the management and undertaking of these risks, and/ or the policies and procedures of risk management;
3. The managers/administrators of the bridge bank shall regularly discuss with the Bank of Albania the risk profile and the implementation of risk management strategy, in accordance with paragraph 1 of this Article.
4. The bridge bank, in case of changes in factors and circumstances upon which it is drafted the risk management strategy, may make changes to the risk profile and risk management strategy, by informing in advance the Bank of Albania on these changes.
5. The Bank of Albania shall approve the changes thereto, in accordance with paragraph 4 of this Article.

Article 14

Content of strategy, risk profile and business-plan

1. The strategy and risk profile, referred to in paragraph 1 of Article 13, shall include at least the following elements:
 - a) risk management procedures;
 - b) forecasts on the liquidity risk management;
 - c) forecasts on the conduction of internal control functions;
 - d) forecasts on the prevention of money laundering and financing of terrorism;
 - e) forecasts on the signing of arrangements with third parties on the conduction of functions and responsibilities for the management and administration of the bridge bank.
2. The business-plan referred to in paragraph 2 (f) of Article 8 of this Regulation, shall contain at least the following:
 - a) information on the location of bridge bank, including its branches;
 - b) organisational structure, number of bridge bank's employees, including the reporting lines;
 - c) banking and financial operations that the bridge bank shall carry out;
 - d) the person in charge on the conduction of specific segments of the plan;
 - e) the employees and the implementation way of policies/regulation of the internal control;
 - f) Financial forecasts;
 - g) arrangements with third parties on the conduction of functions and responsibilities for the management and administration of the bridge bank.
3. The financial forecasts, referred to in paragraph 2 of this Article, shall contain at least the following:
 - a) statement of income and expenditure;
 - b) balance-sheet statement;
 - c) capital and liquidity ratios/indicators;
 - d) detailed description of the employed assumptions;

e) financial statements are accompanied with the notes on their items.

Article 15

Management bodies of the bridge bank

The bridge bank shall be managed by the bodies laid down in the Law On resolution, except when otherwise decided by the Bank of Albania on simpler structures. The bodies of the bridge bank are set out in the decision on its establishment and in its statute.

Article 16

Management principles of the bridge bank

1 The management of the bridge bank shall aim at maintaining rather than expanding and enlarging the bank's network.

2 The management of the bridge bank shall aim at maintaining and increasing the value of the bank's assets and its profitability.

Article 17

Administrators of the bridge bank

1. The Bank of Albania shall appoint the administrators of the bridge bank, who shall comply with the following criteria:

a) meet the criteria set out in the applicable legislation on banks in the Republic of Albania and the bylaws issued by the Bank of Albania on the administrators of bank or branch of foreign bank;

b) have at least seven years of work experience, as executive director in a bank, other financial institution or in a company of chartered auditors;

c) have not been criminally convicted by the court of a criminal offence punishable by imprisonment;

d) are not subject to inquiries for deception or other criminal offences;

e) there is no court decision in force to deem him as unable to discharge their duties towards the bank;

f) there are no conflicts of interest with the bridge as defined in the applicable Law "On banks in the Republic of Albania".

2. To assess the criteria, as specified in paragraph 1 of this Article, the proposed administrator of the bridge bank shall submit the documentation, in compliance with the requirements laid down in the applicable legislation on banks in the Republic of Albania and the bylaws issued by the Bank of Albania on the administrators of bank or branch of foreign bank.

3. Pursuant to paragraph 11 of Article 28 of the Law "On resolution", the Resolution Authority may remove, at any time, the administrators of the bridge bank.

Chapter IV

Reporting and supervision of the bridge bank

Article 18

Reporting

1. The chief executive officer and/or administrators of the bridge bank shall maintain ongoing contacts with the Bank of Albania.

2. The chief executive officer and/or administrators of the bridge bank shall report once in two months to the Bank of Albania, regarding the financial situation of the bridge bank, and the measures and projects on the sale of the bridge bank.

Article 19

Supervision of the bridge bank

1 The bridge bank shall be subject to the applicable legal and sublegal requirements, related to the conduction of banking and/or financial operations, set out in the decision on its establishment and/or according to later amendments.

2 The Bank of Albania shall supervise the bridge bank, in compliance with the requirements stipulated in the Law “On banks”, the Law “On resolution” and the applicable bylaws.

3 The Bank of Albania, on a case by case basis, may take the needed supervisory measures on the bridge bank, in compliance with the provisions of the Law “On banks”, the Law “On resolution” and the regulatory supervision framework issued in compliance with this laws.

4 The bridge bank shall report to the Bank of Albania in accordance with the unified reporting system.

5 Upon the request of the Bank of Albania, the bridge bank may report in accordance with the unified reporting system at shorter frequencies than those laid down in the applicable legal and regulatory framework.

CHAPTER V

SALE, TERMINATION AND REVOCATION OF THE BRIDGE BANK LICENCE

Article 20

Transfer of capital, assets and liabilities of the bridge bank

1. The bridge bank shall draft a sale strategy, to be submitted for opinion to the Bank of Albania, which should mainly consider the following factors:

- a) composition of the bridge bank’s assets and liabilities;
- b) economic and competitive conditions of the bank in the respective market;
- c) previous experiences in the trading of assets and liabilities of a company (bank, non-bank financial entity, etc.);
- d) any other important information;
- e) how the bridge bank shall be traded (either partially or totally, etc.);
- f) bridge bank assets that shall be supplied to the future acquires;
- g) selling price of assets and the basis for the selling price of assets, etc.)

2. The administrators of the bridge bank, upon drafting the strategy and structure on the sale of the bridge bank’s capital, assets and liabilities, shall provide to the acquiring banks the following information:

- a) geographical location of the bridge bank;
- b) competitive environment;
- c) coverall financial conditions of the bridge bank;
- d) total assets;
- e) capital level; and
- f) assessment by the Bank of Albania on the bridge bank.

3 Administrators of the bridge bank, based on the potential acquirers’ list and upon prior approval by the Bank of Albania, may contact and/or hold meetings with potential acquirers to provide them the information on the data, structure, etc. regarding the sale of the bridge bank.

4 Banks, which are considered by the administrators of the bridge banks as potential acquirers, shall sign a confidentiality agreement on the possible negotiations for the trading of assets and liabilities of the bridge bank.

5 If the value of the bridge bank liabilities is higher than the value of assets, the difference between them shall be part of the sale price undertaken by the acquirer.

6 The Supervisory Council of the Bank of Albania shall preliminarily approve the contract on sale of the bridge bank’s capital, assets and liabilities to another bank

Article 21

Termination of the operation of the bridge bank

1 The Bank of Albania shall take a decision that the bridge bank is no longer a bridge bank in any of the following cases:

- a) the bridge bank merges with another bank;
- b) the bridge bank ceases to meet the requirements upon which it was established and the conditions laid down in the Decision of the establishment in accordance with Article 6 of this Regulation;
- c) the sale of all or substantially all of the bridge bank's assets, rights or liabilities to a third party;
- d) the expiry of the period specified in the Decision on its establishment;

2 The Bank of Albania takes the decision that the bridge bank is no longer a bridge bank.

3 The Bank of Albania shall ensure, the implementation of the applicable legal requirements, in cases when it is requested the sale of the bridge bank or its capital, assets, rights or liabilities, that the bridge bank or the relevant assets or liabilities are marketed openly and transparently, and that the sale does not materially misrepresent them or unduly favour or discriminate between potential purchasers.

4 If none of the outcomes referred to in points (a), (b), (c) and (c) of paragraph 1 of this Article applies, the Bank of Albania shall terminate the operation of a bridge institution as soon as possible and in any event two years after the date on which the last transfer from the bank under resolution pursuant to the bridge bank was made.

5 The Bank of Albania may extend the period referred to in paragraph 4 of this Article or one or more additional one-year periods where such an extension:

- a) supports the outcomes referred to in point (a), (b), (c) of paragraph 1; or
- b) is necessary to ensure the continuity of essential banking or financial services.

6 Any decision of the Bank of Albania to extend the period referred to in paragraph 5 of this Article shall be reasoned and shall contain a detailed assessment of the situation, including of the market conditions and outlook, which justifies the extension.

Article 22

Revocation of the bridge bank's license

1 The Bank of Albania, after the termination of the operation of the bridge bank, as specified in Article 21 of this Regulation, shall revoke its license.

2 Upon the revocation of the bridge bank's licence, the Bank of Albania shall place under liquidation the non-transferred or unsold assets and liabilities.

3 The liquidation of non-transferred or unsold assets and liabilities of the bridge bank is carried out in line with the criteria and procedures stipulated in the provisions of the Law "On banks", the Law "On resolution" and the applicable regulatory acts issued by the Bank of Albania.