

# CENTRAL BANKING

**BANK OF ALBANIA  
HIGHLIGHTS**  
July - December 2018



## NEWS AND EVENTS

No. 04





*Gent Sejko, Governor of the Bank of Albania*



## EDITORIAL

Dear reader,

I have the pleasure to present you our periodic publication - Central Banking Magazine: highlights for 2018 H2.

This magazine presents a chronological overview of the activity of the Bank of Albania over the past six months. It shows the steps we have taken toward our main objectives, to support the country's economic development and overall welfare. In addition to the usual objectives, we are often committed to achieving other objectives to safeguard the financial security of our citizens. One such objective is resolution in banks and their resolution in case of financial distress.

Resolution in banks is a relatively new term. It was not part of the banking vocabulary 10 years ago. This term was introduced after the 2008 financial crisis, when states were faced with the difficulties to save "big banks" and were forced to invest public funds to maintain banks' core financial services for citizens and businesses. On the one hand, this support helped to curb, in the short term, a massive bankruptcy of banks and collapse of the real economy. On the other hand, it burdened taxpayers with deteriorated public finances.

In response to this situation, the European Union looked at the issues of resolution in banks, setting out harmonized rules and procedures for market exit and creating a unified mechanism on bank resolution in the euro area.

Albania has not had so far any case of a bank facing insolvency or bankruptcy issues; however, the Bank of Albania took the initiative to further develop the crisis management framework, so as to be in a more favourable position in order to weather potential crisis in the future.

Thus, following the European example, it drafted a law on resolution in banks in the Republic of Albania, which, after the entry into force, vested the Bank of Albania with a new mandate, i.e. the Resolution Authority. With this new mandate, the Bank of Albania completes the financial security mechanism for the banking sector, together with the deposit insurance scheme provided by the Deposit Insurance Agency.

Resolution in banks implies the implementation of one or more instruments made available to the Bank of Albania, when a bank is in financial distress. The resolution aims at ensuring business continuity for critical functions of the bank, preventing any serious adverse consequences for the stability of the financial system. In addition, it provides protection for public depositor funds. Moreover, a Resolution Fund has been established with contributions from the banking sector. This is a special fund that will be used to support the implementation of the Bank of Albania's instruments in the event of a crisis.

In compliance with the law, the Bank of Albania continues to work on developing recovery plans with concrete scenarios from each bank operating in Albania; defining early warning signals on the financial situation in a bank, before it becomes irreversible; and drafting of resolution plans. These efforts of the Bank of Albania may sound "silent" in serene times, but they speak "loudly" in critical moments for the banking sector. It helps strengthen the Bank of Albania's authority with back-up plans and additional safeguarding measures to ensure a resilient financial system.

## PRESENTATION OF THE WORLD BANK STUDY ON FINANCING MICRO, SMALL AND MEDIUM ENTERPRISES

10 July 2018, Tirana

On 10 July 2018, a joint workshop of the Bank of Albania and the World Bank was organized at the premises of the Bank of Albania on "Finances for Economic Growth". The workshop focused on the presentation of the World Bank study "Access to financing of micro, small and medium enterprises." The experts of the World Bank have compiled a detailed diagnosis and recommendation report on the economic environment in which micro, small and medium enterprises operate in Albania.

In her welcome address to the workshop, the Second Deputy Governor of the Bank of Albania, Ms Natasha Ahmetaj focused

on the role of the development of this sector for the economy, introducing new ideas and activities for effectively utilizing the country's assets. Second Deputy Governor Ahmetaj emphasized that for transition countries, such as Albania, these enterprises are twice as important for the economy, as they not only are the main provider of new jobs but also serve as a starting point toward the industrialization for our economy. Therefore, they need more access to finance, in order to increase their chances to hold up in the economy.

Ms Maryam Salim, Country Manager of the World Bank for Albania, during the presentation of the report, reemphasized the importance of a better access to the funding for micro, small and medium enterprises. Ms Salim said that this would bring higher innovation and new jobs. She pointed out the importance of such studies and thanked the Bank of Albania for the cooperation on the successful realization of the report.



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## GOVERNOR SEJKO MEETS REPRESENTATIVES OF THE INTERNATIONAL MONETARY FUND MISSION

17 July 2018, Tirana

On 17 July 2018, the Governor of the Bank of Albania, Mr Gent Sejko, met with representatives of the International Monetary Fund (IMF) mission, led by Mr Jan Kees Martijn, the newly appointed IMF mission chief for Albania. The meeting was held in the framework of the continuous sharing of opinions and inter-institutional dialogue.

Governor Sejko presented an overview on the main economic developments focusing on



the financial and banking sector in Albania. Regarding the financial developments in Albania, the Governor underlined that the financial system is characterized by high liquidity levels and is well capitalized. He emphasized the measures undertaken by the Bank of Albania to maintain and guarantee price stability in Albania. The Governor informed the interlocutors on the decisions of the Bank of Albania on inflation, the exchange rate, highlighting the positive effects of intervention of the Bank of Albania in the domestic foreign exchange market. Maintaining inflation at 3% is the main target of the Bank of Albania. In this regard, Governor Sejko stated that, according to the Bank of Albania's forecasts, inflation is expected to return to target within 2020.

On his side, Mr Jan Kees Martijn commended the work of the Bank of Albania and the successful collaboration between the two institutions. He emphasized that the economic policies and the implemented structural

reforms over the years have led to notable developments in Albania.

## **PRESENTATION BY MR PATRIZIO PAGANO, EXECUTIVE DIRECTOR FOR ALBANIA AT THE WORLD BANK**

**18 September 2018, Tirana**

On 18 September 2018, Albania, under the auspices of Governor Sejko, the World Bank Group Executive Director for Albania, Mr Patrizio Pagano, presented the study on: "The Productivity Slowdown and the Secular Stagnation Hypothesis". His presentation focuses on issues related to the impact of technology and human capital in boosting productivity growth. Professors and academics in the field of economy,





representatives of commercial banks, as well as representatives of domestic and international financial institutions attended the presentation.

In his opening remarks, the Governor of the Bank of Albania, Mr Gent Sejko, thanked Mr Pagano for his presentation and the selection of the topic, which deals with one of the challenges experienced by the global economy after the financial crisis of 2008.

In his presentation, Mr Pagano focuses on the phenomenon of the slowdown in the growth of advanced economies in the post-crisis period, and on the analysis of its driving factors. Recognizing the primary role of the slowdown of growth of productivity and labour contribution in this aspect, he highlights that this development is not something specific to the recent crisis, but a circumstance often repeated in the history of the global economy after strong episodes of crisis. In this context,

Mr Pagano explained his view that the role of new technologies has not yet been fully explored and that the potential for innovation worldwide will benefit from the global integration process.

## GOVERNOR SEJKO ATTENDS GOVERNORS' CLUB OF CENTRAL ASIA, BLACK SEA REGION AND BALKAN COUNTRIES

**20-21 September 2018, Bucharest, Rumania**

On 20-21 September 2018, the Governor of the Bank of Albania, Mr Gent Sejko, attended the 40th Meeting of the Central Bank Governors' Club of the Central Asia,

Black Sea Region and Balkan Countries. The meeting was held in Bucharest, Romania, hosted by the Governor of the National Bank of Romania, Mr Mugur Isărescu, attended by Governors of central banks of Club member countries.

The discussions were held in three main panels. Governor Sejko was the lead speaker in the second panel. He delivered a presentation on: "Financial stability and growth prospect of corporate debt in emerging and developing countries", focusing on the possibilities and challenges among them.

Mr Sejko added that to assess risks to financial stability, it is important to provide better data on the nature of this debt. It becomes more important given the current conditions, when monetary policy normalization at global level may have consequences for the debt burden of financial corporations in emerging countries and for its quality as well. He pointed out



that more needs to be done to enhance the elasticity of both financial institutions and financial markets.



THE 40TH MEETING OF THE CENTRAL BANKS GOVERNORS' CLUB  
OF THE CENTRAL ASIA, BLACK SEA REGION AND BALKAN COUNTRIES  
National Bank of Romania, Bucharest 20 September 2018



## GOVERNOR SEJKO RECEIVES H.E. AMBASSADOR OF THE REPUBLIC OF HUNGARY IN ALBANIA

**27 September 2018, Tirana**

On 27 September 2018, the Governor of the Bank of Albania, Mr Gent Sejko, received H.E. Ambassador of the Republic of Hungary in Albania, Mr Lóránt Balla.

Governor Sejko commented the very good historical relationships between Albania and Hungary, focusing also in the very successful collaborations between the two countries.

He presented Ambassador Balla with an overview of the economic developments in Albania, and stated that the economic growth is set on a positive development trajectory, supported by the improved external environment and the favorable financial conditions in Albania.

The Ambassador of Hungary highlighted the importance of the implementation of economic, structural and sectorial reforms, and appraised the progress done in the recent years in Albania. He emphasized that attributable to this progress, Albania has attracted the attention of many countries, particularly in the field of tourism.



## ANNUAL MEETINGS OF THE INTERNATIONAL MONETARY FUND AND THE WORLD BANK GROUP

**12-14 October 2018, Bali, Indonesia**

On 12-14 October 2018, Mr Gent Sejko, Governor of the Bank of Albania, in the capacity of the Governor of the Republic of Albania at the IMF, attended the 2018 Annual Meetings of the International Monetary Fund (IMF) and the World Bank Group (WBG), in Bali, Indonesia.

Albania was represented in the Annual Meetings 2018 by a joint delegation of senior officials of the Bank of Albania and of the Ministry of Finance and Economy led by Governor Sejko.

During these meetings, Governor Sejko presented an overview of the Albanian economic and financial situation. He emphasized that the economic activity in Albania has continued to improve. The Governor presented the measures undertaken by the Bank of Albania, as the accommodative monetary policy, accompanied with simulating macro-prudential policies, aiming at the acceleration of the economic activity and the maintaining of financial stability in Albania. He highlighted that the Bank of Albania is committed to providing all the





necessary support, with a view to boosting the future economic activity and the returning of inflation to target.

The banking system has very good financial indicators as well as adequate capitalization and liquidity levels. The further decline of non-performing loans ratio to 12.9%, the lowest level in the last years, is a rather positive sign, which paves the way for increasing the contribution of the banking system in economy and for boosting a sound credit.

Representatives of the IMF and WB commended the positive role and policy implemented by the Bank of Albania, contributing to the development and macroeconomic stability of Albania. In particular: the implementation of an accommodative monetary policy harmonized with fiscal consolidation; the interventions in foreign exchange market to maintain inflation target; and the continuing attention to safeguard the financial stability, were highlighted as rather necessary and adequate



actions, which are undertaken by the Bank of Albania.

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## **GOVERNOR SEJKO ATTENDS THE CEREMONY OF INTESA SANPAOLO BANK ALBANIA, ON THE OCCASION OF THE 10TH ANNIVERSARY OPERATING IN ALBANIA**

**18 October 2018, Tirana**

On 18 October 2018, the Governor of the Bank of Albania, Mr Gent Sejko attended the ceremony organized by Intesa Sanpaolo Bank Albania (ISP Albania), on the occasion of the 10th anniversary of operating in Albania, and the inauguration of the new premises in Tirana.

In his address, the Governor of the Bank of Albania, Mr Gent Sejko, stated that both the Albanian banking system and the Albanian economy have gone through many stages, and extraordinary development, vis-a-vis the early years. In this context, the economy in Albania shows rather good indicators, the banking system is well capitalized, liquid, and provides a broad range of products and services to clients.



Concluding, the Governor commended the positive developments regarding the investments of these institutions, which bring the experience and culture of European banking in providing services to enterprises and households. He assessed that it is a very good sign for the economy and banking sector that a serious investor as ISP Bank Albania is making another step further toward its consolidation and positioning in the Albanian market.



## **ANNUAL CONFERENCE OF THE BANK OF ALBANIA**

**1 November 2018, Tirana**

The Bank of Albania co-organizes with the London School of Economics and Political Science (LSE) the annual conference: "Monetary Policy, Economic Integration and the "New Normal", on 1 November 2018.

The conference proceedings were opened by the Governor of the Bank of Albania, Mr Gent Sejko; the Director of the LSE's Institute of Global Affairs (IGA), Mr Erik Berglof; the Minister of Finance and Economy, Mr Arben Ahmetaj; and the Prime Minister of the Republic of Albania, H.E. Mr Edi Rama.

During the conference, participants discussed broadly on issues related to the new





“normal” of monetary policy, under the new global economic conditions following the recent financial crisis. In this context, the key challenges faced by central banks will relate to meeting their objectives in terms of economic, financial and price stability in a more complex and dynamic reality.

The closing session of the Conference, the Governor’s Panel, brought together the governors and deputy governors of the Bank of Albania, Island, Kosovo, Bosnia-Herzegovina and Croatia. This panel summarized from the theoretical and practical point of view the dominant characteristics of the challenges faced by central banks, especially those of the region. In his speech, Governor Sejko highlighted that central banks face a number of new challenges from economic and technological developments, so it is necessary for them to create sufficient shields to face today’s and future unknowns and cooperate with each other to find the

best solutions according to the specific conditions of each country.

## GOVERNOR SEJKO MEETS THE INTERNATIONAL MONETARY FUND MISSION

6 November 2018, Tirana

On 6 November 2018, the Governor of the Bank of Albania, Mr Gent Sejko met with the International Monetary Fund (IMF) Mission team, led by Mr Jan Kees Martijn, Mission Chief for Albania, in the framework of Article IV discussions.

The issues discussed during this meeting were: macroeconomic developments and the outlook for 2019; economic growth for 2018 and factors contributing to its performance; inflation; exchange rate and interventions of the Bank of Albania with a view to converging toward the inflation target; financial markets; the banking system, its consolidation and financial indicators; credit performance; the implementation of the law on resolution in banks and the role of the Bank of Albania in this framework; non-performing loans, implementation of the inter-institutional plan for their reduction, as well as expectations for them in 2019; and, modernization of payment systems.

## BANK OF ALBANIA SIGNS COOPERATION AGREEMENT WITH THE SINGLE RESOLUTION BOARD

7 November 2018

Ms Natasha Ahmetaj, Second Deputy Governor of the Bank of Albania, and Ms Elke König, Chair of the Single Resolution Board (SRB), signed a bilateral agreement on the exchange of information and cooperation in the field of drafting Resolution Plans, as well as on the implementation of these plans in relation with cross-border banking institutions that exercise their activity in the Republic of Albania and vice versa.

This agreement further fosters the close cooperation between the two resolution authorities, in order to safeguard financial stability. The cooperation towards planning and implementing the resolution is very important in the framework of the global nature of financial markets and the significant share that EU-based banks have in the Albanian banking sector. The purpose of this agreement is to facilitate the resolution for banks and banking groups present in the respective jurisdictions.



## REGIONAL CONFERENCE ON "RECOVERY AND RESOLUTION PLANNING"

15 November 2018, Tirana

On 15 November 2018, the Bank of Albania, in cooperation with the Financial Sector Advisory Centre (FinSAC) of the World Bank, organized a Regional Conference on "Recovery and Resolution



planning”, attended by senior representatives of the supervisory and resolution authorities of the European Union, of the countries in the region and of commercial banks operating in Albania.

The conference proceedings were opened by the Second Deputy Governor, Ms Natasha Ahmetaj. During her speech, the Second Deputy Governor Ahmetaj stated the difficulties encountered during the global financial crisis period 2008-2011, by the governments of various countries, which were forced to use public funds by injecting money and issuing guarantees for distressed financial institutions. This situation motivated the activation of the European Bank Recovery and Resolution Directive (BRRD) for all member states, and has established the Single Resolution Mechanism in the euro area.

During 2015, with the support of World Bank’s FinSAC project, the Bank of Albania started harmonizing the European Directive in a new



Albanian law. The Law “On the recovery and resolution of banks in the Republic of Albania” entered into force in July 2017, vesting the Bank of Albania with a new attribute, i.e. the Resolution Authority, thus completing the financial security mechanism of the banking sector.

In the end of the conference, the Second Deputy Governor Ahmetaj, highlighted that this conference is the culmination of the work of the Bank of Albania in the past 18 months



for developing a complete framework for bank recovery and resolution.

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## **GOVERNOR SEJKO PRESENTS BOA'S OPINION ON THE DRAFT BUDGET 2019**

**19 November 2018, Tirana**

On 19 November 2018, the Governor of the Bank of Albania, Mr Gent Sejko presented the opinion of the Bank of Albania on the Draft Budget 2019 to the Parliamentary Committee on Economy and Finance.

This opinion was based on the following main directions: the link between the performance of the economy and fiscal policy; the impact of the borrowing strategy and public debt management on the Albanian financial market; and the overall analysis of Albania's public finance stability indicators.

In this context, Governor Sejko expressed that the Bank of Albania deems that the outlook on economic growth remain positive. The sources of economic growth appear solid and diversified, in terms of both aggregate demand and production sectors. In parallel, the external environment remains overall favorable, although uncertainties and risks surrounding it remain present and are not entirely negligible.

Moreover, the Governor said that the Bank of Albania deems that the Draft Budget 2019 maintains the fiscal consolidation trend, remaining harmonized with the direction and intensity of the monetary stimulus and contributing to the reduction of the risk premia and the costs of financing in the economy.

In conclusion, the Governor presented some suggestions and recommendations by the Bank of Albania, in order to enhance the effectiveness and stability of public finance.



## **GOVERNOR SEJKO AT THE JOINT PRESS CONFERENCE WITH THE IMF MISSION CHIEF FOR ALBANIA AND THE ALBANIAN MINISTER OF FINANCE AND ECONOMY**

**20 November 2018, Tirana**

On 20 November 2018, the Governor of the Bank of Albania, Mr Gent Sejko, participated at the joint conference with IMF Mission Chief and the Minister of Finance and Economy organized in the framework of the periodic Article IV consultations with the IMF Mission for Albania. This discussions focused on the current performance of the economy and financial markets in Albania, their outlook, as well as the adequate economic policies and necessary structural reforms that should be implemented and monitored with a view to guaranteeing sustainable development for the country.





Governor Sejko expressed the Bank of Albania's views on the issues in question. He highlighted that the positive trend of Albania's economic development continued. Economic growth has contributed to the overall improvement of Albania's economic and financial balances. He added that in accordance with these projections, the Bank of Albania deems that the current policy mix is adequate. The fiscal policy is and should remain committed to lowering the debt level and diminishing fiscal vulnerabilities. On the other hand, the monetary policy should maintain the accommodative stance.

In conclusion, the Governor highlighted that the Bank of Albania judges that the fulfillment of the criteria for opening accession negotiations and the rigorous implementation of reforms that this process imposes should be the focus of the entire political spectrum in Albania.

## THE 12<sup>TH</sup> SOUTH-EASTERN EUROPE ECONOMIC RESEARCH WORKSHOP

**6-7 December 2018, Bank of Albania, Tirana**

On 6-7 December 2018, the Bank of Albania organized the 12<sup>th</sup> SEE Economic Research Workshop. This activity aims to provide a discussion forum on innovative research for issues related to central banking and to promote





the exchange of views among researchers of the Bank of Albania, other central banks, academia and other research institutions.

During the two-day proceedings, 35 research works will be presented, of which 17 from the Bank of Albania researchers.

In his address to the workshop, Mr Sejko, the Governor of the Bank of Albania, highlighted that the topics that will be discussed such as monetary policy, financial stability, and new methodologies in these areas are important in the daily activity of the central bank. Also, the Governor added that some of the trends that will be discussed in this workshop have not yet reached our economies but will definitely have a significant impact on our economy and our financial system in the future. In this context, he said that scientific research within the central bank is a factor with a substantial role both in the process of a proper analysis of the data and of impacts, and in the proper preparation of the relevant institutional response and decision-making process. Precisely for all these reasons, research results regularly and actively feed into the decision-making process at the Bank of Albania.

## **GOVERNOR SEJKO AT THE YEAR-END FUNCTION OF THE ALBANIAN ASSOCIATION OF BANKS 13 December 2018, Tirana**

On 13 December 2018, the Governor of the Bank of Albania, Mr Gent Sejko, participated in the function organized by the Albanian Association of Banks on the occasion of the end-of-the-year holidays. During his welcoming speech, he presented briefly the developments of the global economy, the Albania economy, as well as the performance of the banking system together with the challenges faced by it in 2018.

The Governor estimated that the overall performance of the Albanian economy in 2018 was positive, adding that the pace of growth picked up, employment increased, internal and external balances were strengthened, while the main indicators of the banking sector's soundness have been improving.





Furthermore, the Governor highlighted that Albania has reached an important milestone on its path to development and integration: the opening of accession negotiations with the European Union, which should be viewed as an important development anchor and an additional guarantee for both domestic and foreign investors.

In conclusion, the Governor mentioned some of the constant priorities in the optics of the Bank of Albania for 2019, by highlighting that it will be a very challenging new year from the point of view of further economic revival, as well as further strengthening Albania's financial stability.

## THE SECOND HIGH-LEVEL MEETING ON REMITTANCES

### 14 December 2018, Tirana

On 14 December 2018, at the premises of the Bank of Albania, the second high-level meeting was held between the Bank of Albania, the Minister of State for the Diaspora, commercial banks, and non-bank financial institutions engaged in the field of money transfers that operate in Albania. This meeting was held in the framework of the Memorandum of Understanding "On Remittances" signed last year by the Bank of



Albania, the Minister of State for the Diaspora and the Ministry of Finance and Economy.

The ceremony started with the opening addresses by the Governor of the Bank of Albania, Mr Gent Sejko, and the Minister of State for Diaspora, Mr Pandeli Majko.

During his speech, Governor Sejko underlined the importance of remittances for the Albanian economy, family welfare and development in general. He stated that, during 2018, the Bank of Albania was vigorously engaged in creating the necessary preconditions for the efficient channeling of these remittances into the Albanian economy. He noted that during this year, the Bank of Albania has been engaged in a series of projects aimed at analyzing the domestic market with a view to identifying and addressing the needs for intervention.

## GOVERNOR SEJKO AT THE END-OF-YEAR MEETING WITH THE MEDIA

**20 December 2018, Tirana**

On 20 December 2018, the Governor of the Bank of Albania, Mr Gent Sejko, met with publicists, experts of politics and economy, journalists and representatives of the print and electronic media on the occasion of the traditional end-of-year event.



In his opening address, Governor Sejko thanked the media representatives for the readiness, objectivity and seriousness shown in covering the activities of the Bank of Albania and informing the public about them throughout 2018. The Governor highlighted that communication is a very important process for a central bank, and that without the help and objectivity of the media, the realization of Bank of Albania's decision-making regarding

monetary policy and financial stability would have been an impossible mission. Mr Sejko assured the media that the Bank of Albania will continue to be an open and very loyal institution vis-à-vis the media and that it will be continuously open to communication with regard to the entire spectrum of economic, financial, contemporary, professional and unbiased news.

During the end-of-year event, the three winners of the annually "Governor's Award for the Best Diploma Thesis 2018" dedicated to Albanian students graduated in Albania and abroad, for scientific research on issues related to the integration, international monetary and economic developments, price and financial stability, etc.



## GOVERNOR SEJKO PRESENTS THE BANK OF ALBANIA ACTIVITY HIGHLIGHTS FOR 2018

**24 December 2018, Tirana**

On 24 December 2018, the Governor of the Bank of Albania, Mr Gent Sejko, during the final press conference of the year, presented to the public a brief overview of the work of the Bank of Albania in 2018.



More concretely:

- The activity of the Supervisory Council: 15 meetings, 69 decisions, of which 48 were new legal acts and 21 amendments to existing legal acts
- Main policies approved by the Supervisory Council:
  - The Policy For Increasing The Use Of The National Currency In The Activity Of Banks And Non-Bank Financial Institutions In Albania;
  - The Policy For The Oversight Of Payment And Settlement Systems
  - The Accounting Policy In Accordance With IFRS
- The application of the Primary Dealers system was a notable development in this regard. A pilot project was implemented on the issuance of five-year benchmark securities with commercial banks, which now play the role of Market Creators.
- The banking sector continued to expand its activities and is:
  - Liquid and well-capitalized
  - Its exposures to market risks remain contained
  - Liquidity risk is assessed as low
- Credit quality improved during the year, mainly attributable to repayments, meanwhile recoverability also made a contribution
- The aim was systematic and formalized treatment of NPLs, particularly for large borrowers, by drafting a special regulation

for this purpose, in accordance with the best international practices and country-specific characteristics

- It was approved, by decision, legal reorganization through merger by absorption of some banks, as well as the modification or expansion of the scope of activity for some other financial institutions
- Upon the invitation of the ECB, the Bank of Albania was able to participate in the supervisory colleges for two banks, members of EU-based banking groups
- Some of the existing regulations on regulatory capital and banking transparency have been amended, and the compilation of the new draft-regulation on the "Liquidity Coverage Ratio" has been completed successfully
- To promote the use of the national currency, a set of regulatory amendments were adopted regarding the assets and liabilities of the banking system and determining requirements for a better awareness on foreign currency lending to unhedged borrowers
- In compliance with its legal role as the Resolution Authority in Albania, the Bank of Albania established the "Resolution Fund", with contributions from commercial banks
- The national strategy for the Reformation of Retail Payment Systems was approved. The strategy aims to broaden financial inclusion of the population and the use of electronic payment instruments
- It was completed the work for the application of a new accounting standard, IFRS-9
- With regard to enhancing the quality of the issuance of the Albanian currency, a series of measures have been implemented with a view to minimizing the operational risk, improving currency processing processes, and protecting it against counterfeiting
- In the fields of statistics, it was published a new statistical block, that of financial accounts, developed in accordance with the latest relevant ESA 2010 standards
- The Bank of Albania has concluded a set



of important projects related to the strategic objectives for the further automation of processes, as well as the enhancement of security and sustainability of information systems

- Research activity focused on the interpretation of economic and monetary phenomena, in both the domestic and the external environment, in order the decision-making of the Bank of Albania and other relevant actors
- The Bank of Albania launched a new website, with an improved image, design, and content to transmit information more easily and more quickly to the public
- Education and financial inclusion: the Global Money 2018, the Second Conference of the Museum, the lectures of the cycle "Museum Nights", two temporary exhibitions in Tirana and Prizren in the framework of the "Year of Skanderbeg"

In conclusion, Governor Sejko emphasized that during 2018, the Bank of Albania made further steps to meet the strategic target of aligning itself with the central bank model of the European System of Central Banks. He also added that since he knows closely the spirit and seriousness that characterize the Bank of Albania, he feels optimistic about the successful fulfillment of its mission to guarantee the macro-economic and financial stability, as a necessary condition to support Albania's sustainable economic growth in the following years.

## OTHER

### GOVERNOR SEJKO ATTENDS THE GRADUATION CEREMONY OF THE STUDENTS OF EUROPEAN UNIVERSITY OF TIRANA 12 July 2018

On 12 July 2018, Mr Gent Sejko, the Governor of the Bank of Albania, attended the graduation ceremony of the students of European University of Tirana. This ceremony was also attended by representatives of the academia, business community, students and their relatives. In his commencement address, Governor Sejko congratulated all the students who, thanks to their persistence, succeeded in finalizing one of the most important stages of life, the completion of university studies.

The Governor said that post-university life is way more complex and challenging, and he urged the students to courageously take up the challenges they may come across in the future. He said that the involvement of the young generation in visionary and innovative projects, which transmit prosperity and integrity, plays an important contribution to guaranteeing their future and of the country in the path toward European integration.



In conclusion, Governor Sejko said that the Bank of Albania will always be open to welcome talented students and devoted people.

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## SECOND CONFERENCE OF THE MUSEUM OF THE BANK OF ALBANIA, "THE ROLE OF MONEY IN WARTIME"

20 September 2018

On 20 September 2018, the Bank of Albania organized the Second Conference of the Museum of the Bank of Albania: "The role of Money in Wartime" with the participation of historians, numismatists, archaeologists and scholars of monetary and economic history from Albania and a number of other countries.

During his welcoming speech, Governor Sejko thanked the participants, emphasizing that this



Conference is one of the most prominent events of the Museum. He added that the Museum of the Bank of Albania helps to enrich and further the study of the exposed collections, and serves as a platform for experts to discuss and share their research findings.

First Deputy Governor of the Bank of Albania, Ms Elisabeta Gjoni, opened the proceedings of the Conference. She emphasized that this event complements the rich collection of the Museum with the historical context and of the area where these coins were minted. It contributes to the historical and educational role of the Museum. This Conference is also an excellent opportunity to share experiences with representatives of the main institutions of culture in Albania and museums of central banks.

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## GOVERNOR SEJKO ATTENDS THE GRADUATION CEREMONY OF THE STUDENTS OF ECONOMICS, UNIVERSITY OF TIRANA

7 November 2018, Tirana

On 7 November 2018, the Governor of the Bank of Albania, Mr Gent Sejko attended the graduation ceremony of the students of economics at the University of Tirana.





In his speech, Governor Sejko emphasized that this was an important transition. He added that, starting from tomorrow, the student would face a new dimension of human reality, rather dynamic and complex, extended in time but also with many stations, which would make any next step even more challenging. In this context he encouraged the students to bravely overcome every challenge that they will face.

## THE BANK OF ALBANIA COMMUNICATES TO THE PUBLIC THE MONETARY POLICY DECISION-MAKING

After each meeting of the Supervisory Council, the Governor of the Bank of Albania communicates to the public the decision-making of the Bank of Albania, at a press conference.

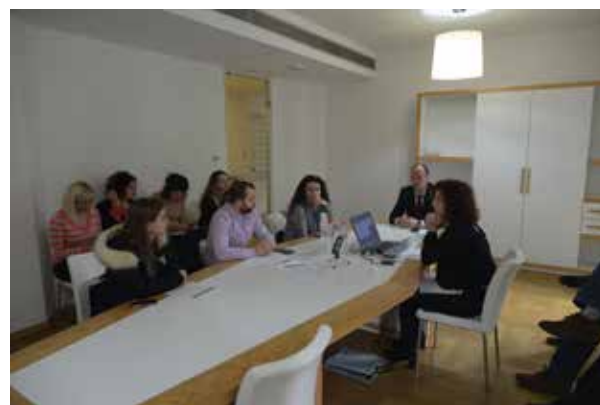
During 2018 H2 were held four press conferences of the Governor were held on this decision-making, respectively on: 4 July, 1 August, 3 October, 24 December.

In this conferences, Governor Sejko communicates to the general public the decision of the Supervisory Council of the Bank of Albania on maintaining unchanged the key interest rate at 1.00%, the overnight deposit interest rate at 0.10%, and overnight loan interest rate at 1.90%.



## THE PRESENTATION OF THE PERIODICAL REPORTS OF THE BANK OF ALBANIA TO THE MEDIA

As part of its communication strategy with the public, the Bank of Albania presents





its periodical reports to the media prior to their publication. Based on the publication calendar of periodic reports published on the Bank of Albania's website at the beginning of 2018, during the second half of this year, three presentations off-the-record were held for the media:

- 1.The presentation of the Monetary Policy Report/III 2018, dated 9 August 2018;
- 2.The presentation of the Financial Stability Report 2018 H1, dated 28 September 2018;
- 3.The presentation of the Monetary Policy Report/IV 2018, dated 31 December 2018;

These releases are organized on the day of publication of the relevant report on the website. They aim to direct the media toward a correct understanding of the decision-making of the Bank of Albania and are seen as an effective means of communication with the public.

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## FRIDAY SEMINARS

The Bank of Albania holds regularly the research activity "Friday Seminar". This initiative welcomes Bank of Albania's experts, researchers from the academic and other financial, research and scientific institutions to present and discuss their theoretical and empirical research papers.



During the second half of the year the paper by Dr Ilir Miteza on "The unusual normal: innovations, challenges and dilemmas of monetary policy" was presented. Dr Ilir Miteza, is Professor of Economy and currently serves as Associate Provost for Graduate, Global and Digital Education at the University of Michigan Dearborn.

The presentation gave an overall overview of some new ideas on monetary policy objectives, strategies and instruments as well as a discussion of the potential impacts of these developments on the Bank of Albania.



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## SOCIAL ACTIVITIES OF THE BANK OF ALBANIA

### 14 December 2018, Tirana

On 14 December 2018, in the premises of the Bank of Albania was organized a humanitarian activity from the "SOS" village and the Foundation "Down Syndrome Albania". During this activity, the Bank of Albania employees purchased greeting cards for the end-year holidays with children's drawings as well as Christmas flowers. Funds collected from their sale went to help the children of the "SOS" village and to provide free therapy for individuals with Down syndrome.

