



**FINANCIAL  
STABILITY  
ADVISORY  
GROUP**

Tirana, 05.04.2013

## **PRESS RELEASE**

### **Meeting of the Financial Stability Advisory Group April 2, 2013**

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The meeting of Financial Stability Advisory Group (FSAG) was held on 02.04.2013, at the Ministry of Finance. The meeting was chaired by the Minister of Finance and was attended by the Governor of the Bank of Albania, the Chairman of the Financial Supervisory Authority (FSA), the Director General of the Deposit Insurance Agency (DIA), and other managers and experts of these institutions.

According to the meetings' program, members of the FSAG were introduced initially to an assessment of the FSA on existing developments and challenges in the insurance market. The FSA recommended that the regulatory and supervisory framework of this segment of the financial system be improved to precede the development potential of this market, better monitor its interaction with the rest of the financial system, as well as improve the supervisory framework according to the best standards. In this regard, the FSA representatives urged the finalization of the draft- law "On Insurance", which has been prepared for some time. In addition, the FSA representatives discussed some technical elements of insurance financial operations related to the structure of their investments, the manner of keeping the guarantee fund and ways to further ensure its safety. Members of FSAG appreciated the substantial development potential of the insurance market, particularly toward health and life insurance products. The implementation by the industry of the best standards in terms of transparency, level of compensation and financial strength of these institutions, will be associated with a steady rise in public demand for insurance products. Members of FSAG supported the request for the finalization of the draft-law "On insurance" at the earliest possible time.

Following the meeting, representatives of the Bank of Albania informed the members of FSAG on the package of regulatory changes approved by the Bank of

Albania Supervisory Council on 27 March 2013, to promote lending to the economy and better support the process of loan restructuring. In this context, the elements contained in this package and its implementation were described and discussed. Members of FSAG appreciated the timeliness of the package and recommended to the Bank of Albania to assess its impact consistently. Such impact could be amplified if associated with the approval and application of other measures that improve the credit environment, like the proposed legal amendments for the execution of collateral.

In addition, representatives of the Bank of Albania stressed the importance of cleaning the banks' balance sheet from bad debt through the write-off mechanism. This process cleans the banks' balance sheet from assets that do not perform, distort the structure and quality of the balance sheet, and engage valuable resources of the bank in inefficient way. Furthermore, this action that sets the right relationship among firms, households and banks with regard to transparency of financial position, prompting restructuring in the market. In this context, representatives of the Bank of Albania presented in meeting the concern of the banking industry regarding the tax treatment of the write-off process. Members of FSAG stressed the importance of writing-off lost credit from the bank balance sheet in a timely and appropriate way. They recommended an inter-institutional cooperation to identify problems stemming from the tax treatment that hinder this process and propose ways of solving them in a short time.

According to the meeting's agenda, participants discussed on ways to manage in the medium term the demand of the public sector for foreign currency. They identified some measures to preserve the sources of foreign currency and duly align the availability of foreign currency funds with the respective needs.

With the completion of the meeting's agenda and upon no further discussion, the Minister of Finance declared the meeting as closed.

Given the rules of operation, the next meeting of FSAG is scheduled to take place in July 2013.