

## ACTION PLAN FOR NON-PERFORMING LOANS

	No	Measures	Comments	Responsible institution	Deadline
Legal Amendments	1	<i>Drafting the new law on bankruptcy</i>	The draft, prepared with IFC assistance, is distributed for comments until <b>August 15, 2015</b> . It seeks to regulate the “hybrid” restructuring of debt (allow for out-of-court restructuring that may be certified by the court).	MoJ	November 2015 (Deadline for submission to the Parliament)
	2	Amendments to the <i>Civil Procedure Code</i>	<p>2.1. <b>Introducing the success fee for the bailiff</b> (combined with possible amendments to the Law “On Private Bailiff Services”)</p> <p>2.2. <b>Reviewing Article 609 of the Civil Procedure Code</b> – establishing a term of prescription (from the moment the [collateral] execution process has finished) related to the right of the borrower to submit a request for invalidation; <b>and/or</b> the removal of the right to request the invalidation of the execution order when the borrower claims that the obligation exists for a lower amount, deleting the phrase “or exists to a lower amount” from the first paragraph of Article 609. The borrower should also be allowed to request such right through a lawsuit for the incurred damage.</p>	MoJ (Proposals of WG)	November 2015 (Deadline for submission to the Parliament)

		<p>2.3. Review of the continuation of <b>judicial processes for collateral re-appraisal after collateral execution</b>. The Civil Procedure Code does not explicitly stipulate what happens with the judgment on the challenge of the appraisal by a bailiff-appointed expert, which continues while the collateral execution ends.</p> <p>2.4. <b>Review of Article 511, Civil Procedure Code</b> –The ruling on the collateral execution should specify that from the date of the issuance of the execution order until the fulfilment of the obligation set out in it, the legal interest shall be calculated.</p> <p>2.5. <b>Limitation in the Civil Procedure Code of the right to contest judicially any bailiff notice or action</b>, e.g. voluntary execution notice.</p> <p>2.6. <b>Auction price</b> –the auction held by the bailiff office should take in consideration the reference price set by the state bodies (as a floor price), and the price of the appraised collateral price at the moment the loan is granted (as a ceiling price), thus removing the right of the parties to challenge the bailiff office decision on the final auction price.</p>		
3	Amendments to Law No 33/2012 <i>“On the</i>	3.1. <b>Article 46 paragraph 2 of the Law</b> - to render as obligatory the registration of the undertaking	MoJ, IPRO, WG	October 2015 (Deadline for submitting the

		<b>registration of immovable property”</b>	<p>/promissory sale agreements for new buildings, to enhance the confidence of third parties, such as lending banks.</p> <p>3.2. In Directive No. 3, “On the criteria and procedures for registering the construction permit”, specify, under Chapter II, the ability and obligation of the entity to register the construction permit within a specified timeframe.</p> <p>3.3. <b>Article 47 of the law</b> – review the registration of unfinished (carcase) buildings and the further status of this property, when its ownership passes to the lending bank at the end of the execution procedures. The inability to use such immovable properties for transactions is a concern. This creates a legal loophole for the lending banks, penalizing them instead of the construction companies when these fail to meet debt obligations.</p>		amendments to the Parliament)
	4	Amendments to the Law <b>“On securing charges”</b>	Review of mechanisms for ensuring the well-functioning and of legal terms.	MoF, MoE, WG	October 2015 (Deadline for submission to the Parliament )
Regulator					
	5	Extension of the deadline for BoA	Such measures taken by the Bank of Albania in 2013, in effect until June 2015, include: reduction of risk		September 2015

		measures on risk coefficients and NPL restructuring.	coefficients to zero, in order to weigh new bank loans in the 4-10% growth interval, taking the same reference date as for the application of risk coefficients, for banks' investments abroad.	BoA	
	6	Modification of terminology in the Regulation on non-performing loans write-off	Substitution of term "write-off" with the new term "reclassification under off-balance sheet items". The respective paragraph in the Regulation should specify that debtors' obligations shall not be written-off after the classification of the loan under off-balance sheet items.	BoA	September 2015
	7	Modification of the one-year banks' limit to hold the seized collateral	Amendments to the respective Regulation	BoA	October 2015
	8	Treatment of 35 groups/companies with the highest bank debt level	<ul style="list-style-type: none"> <li>a) Mapping a detailed plan of measures and</li> <li>b) Implementing the plan of measures</li> </ul>	BoA	October 2015 (a) and December 2016 (b)
	9	Improvement of framework on sale of NPLs	Facilitation of licensing conditions and supervision of companies specialized in the management of NPL collaterals	BoA	December 2015

	10	Improvement of Credit Registry	a) add court cases in process b) introduce a credit scoring system	BoA	April 2016 (a) and December 2017 (b)
	11	Granting loans only based on tax-compliant statements	Obligation for banks and NBFIs starting from January 1, 2018 (above a certain threshold exposure)	BoA	December 2015
	12	Framework agreement for out-of-court debt restructuring	Exploring the possibility of adopting a framework agreement for banks allowing for preliminary agreement regarding out-of-court restructuring of debt	BoA, AAB	December 2015

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BoA – Bank of Albania  
 SC – Supervisory Council  
 MoJ – Ministry of Justice  
 MoE – Ministry of Economy  
 MoF – Ministry of Finance  
 AAB – Albanian Association of Banks  
 IMF – International Monetary Fund  
 WB – World Bank  
 IFC – International Finance Corporation  
 WG – Working Group