REPUBLIC OF ALBANIA

BANK OF ALBANIA

SUPERVISORY COUNCIL

Draft

DECISION

No.____ , dated ___.12.2014

ON

APPROVAL OF THE REGULATION "On the functioning of the central Albanian Financial Instrument Settlement and Registration (AFISaR) system"

In compliance with Article 1, paragraph 4 "b" and "ç", of Article 3, paragraph 2, paragraph 4 "d", of Article 25, paragraph 2, of Article 29, of Article 43 "c", of Article 53, paragraph 4, the final paragraph of the Law No. 8269, dated 23.12.1997 õOn the Bank of Albaniaö; as amended; Law No. 9662 dated 18.12.2006 õOn banks in the Republic of Albaniaö, as amended; Law No. 9879, dated 21.02.2008 õOn securitiesö; of Article 31 of the Law No. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantee of the Republic of Albaniaö, Law No. 133/2013, dated 29.04.2013 õOn payment Systemö; of the Agreement between Bank of Albania and the Ministry of Finance " On the organisation, of the Albanian securities auctions, settlement of transactions and the holding of this securities register", signed between the parties on 26.03.2003, and other bylaws issued by the Bank of Albania to regulate the functioning of AIPS, AECH, LORO, ATM; having regard to the proposal from Monetary Operations Department, the Supervisory Council of the Bank of Albania,

DECIDED:

1. To approve the Regulation " On the functioning of the Albanian Financial Instrument Settlement and Registration system (AFISaR)ö, as provided in the text attached thereto.

2. To authorise the Head of Monetary Operations Department to sign standard contract for participation in the AFISaR system, in accordance with the contents found in the Appendixes No. 1, No. 2, No. 3, and the standard contract agreed and signed between the Bank of Albania and commercial banks: õOn settlements of cash transactions which are generated from transactions with securities of natural persons that have the security

account at the Bank of Albania", in compliance with the content of Appendix No. 4, attached and integral part of the Regulation.

3. The Monetary Operations Department, the Department of Payment System and Accounting and Finance and the Information Technology Department at the Bank of Albania, and participants in the AFISaR system.

4. The Governor's Office is charged with the publication of this Decision and of the Regulation " On the functioning of the Albanian Financial Instrument Settlement and Registration system (AFISaR)ö at the Official Bulletin of the Bank of Albania and in the Official Journal of the Republic of Albania.

5. The Regulation On securities transactions among banks and the functioning of securities registration system", approved with Decision No. 61, dated 29.07.2009 of the Supervisory Council of the Bank of Albania, shall be abrogated, upon the entrance into force of the Regulation õOn the functioning of the Albanian Financial Instrument Settlement and Registration system (AFISaR)".

This decision shall enter into force immediately.

SECRETARY   **DEPUTYCHAIR**

Elvis Çibuku   **Elisabeta Gjoni**

Chapter I

General provisions

Article 1
Scope

This regulation shall lay down the rules and procedures for the organisation and functioning of the Albanian Financial Instrument Settlement and Registration system (AFISaR).

Article 2
Legal ground

This Regulation is issued pursuant to:

a) Law no. 8269, dated 23.12.1997 õOn the Bank of Albaniaö, as amended;
b) Law no. 9879, dated 21.02.2008 õOn securitiesö;
c) Law no. 9662, dated 18.12.2006 õOn banks in the Republic of Albaniaö, as amended;
d) Law no. 9665, dated 18.12.2006 "On state borrowing, state debt and state loan guarantee of the Republic of Albaniaö;
e) Law No. 133/2013, dated 29.04.2013 õOn payment systemö;
f) Framework Agreement between the Bank of Albania and the Ministry of Finance;
g) applicable legal acts issued by the Bank of Albania.

Article 3
Scope

This Regulation shall apply to the participants and the Administrator of the AFISaR system.

Article 4
Definitions

For the purposes of this Regulation the following terms apply:

1) **Settlement agent** – refers to a bank that has a settlement account in Bank of Albania's AIPS system, which may enter a contract with participants in the AFISaR system to provide its account in AIPS to settle their transactions, or the Bank of Albania, as Administrator of AIPS.

2) **ALL (Albanian Lekë) -** is the code set forth for the Albanian currency at õISO 4217 on Currency Codesö.

3) **Access -** means the right and/or possibility for a participant to use the services of a certain payment system to settle payments on its own account on or on behalf of its clients.

4) **Membership in AFISaR system -** means the procedure completed by a participant to become a participant, under the observance of the AFISaR system's Administrator.

5) **Relevant authorities –** means the national or international authorities, which grant the licence and/or oversee legal persons related to securities transactions.

6) **RMA (Relationship Management Application) -** means the exchange of credentials in the respective SWIFT service, which provides for the management of business relationships.

7) **Digital certificate -** means a set of electronic data, which shall serve to certify the users' identity during the operation of AFISaR as well as to certify the authenticity of the delivered/received information.

8) **Participant certification in the AFISaR system -** means the final step of membership when a participant is granted the certificate for participation in AFISaR.

9) **Database -** means the data set stored in an electronic structured form.

10) **Value date -** means the date by which the execution of the payment order is ordered.

11) **Settlement date** - means the date by which the settlement of payments takes place. Settlement date and value date may be on the same calendar date.

12) **System business day -** means a predetermined time interval over a business day, within which the payment orders are accepted, processed and settled by the AFISaR system.

13) **Final settlement date –** means the date set forth in the auction announcement as the final date for the settlement of transactions generated from the participation in the auction, after which this transaction shall be cancelled.

14) **Book entry day** ó means the day when the security owner, who will benefit the payments related to the security such as maturities/ interest payments, is made known. After the book entry day, occurring prior to a payment event, transactions that may lead to a change of a security's owner, shall not be allowed, until after the day of payment transactions.

15) **Delivery Versus Payment (DVP):** The principle providing the final and irrevocable settlement of financial instrument transactions, where the irrevocable and unconditioned transfer of instruments from the seller to the purchaser occurs if and only if the irrevocable and unconditioned transfer of funds from the purchaser to the seller occurs.

16) **DVP cut-off -** means the procedure carried out in the AFISaR system to close the service for the settlement of DVP payment instructions.

17) **Fallback – Recovery -** implies the restoration of the system into a normal situation, after a failure in the functioning of the primary system.

18) **FIFO (First in – First out) -** is the principle, which places the payment orders in a queue, according to the moment of their arrival in the system; thus, the payment order that arrives first in a Participant's queue, is settled first.

19) **Firewall -** means a hardware and software system which either blocks or allows the traffic within the internal and external network of the Bank of Albania.

20) **FOP cut-off** means the procedure carried out in the AFISaR system to close settlement services for the FOP transfer payment instructions.

21) **Payment instruction-** is an electronic message that contains details of the settlement request or of the payment order.

22) **Clearing-** refers to the comparison and calculation of the mutual obligations of the parties in a buy/sell transaction, on a net basis or for each transaction, to exchange a security against its monetary value.

23) **ILF cut-off** – refers to the procedure carried out in the AFISaR system to close the service of the intra-day liquidity facility.

24) **Bank Identifier Code (BIC) -** means a unique code determined by SWIFT for each settlement participant. This code serves to identify the participant in the AFISaR system.

25) **SWIFT Company-** (Society for Worldwide Interbank Financial Telecommunication) is the international company, providing the safe and global exchange of FIN messages and files.

26) **Standard Contract** implies the Participation Contract in the AFISaR system in accordance with Appendix 1, 2 and 3 of this Regulation. This contract is entered into between the Administrator and the Participant, on the provision of book-entry and settlement services for securities transactions. The contract lays down the rights and obligations of the parties, which derive from their positions in the system in compliance with the provisions laid down in this Regulation.

27) **Counterparty–** is the other party in a contract or financial transaction.

28) **Omnibus account–** means the account opened by a direct participant for his clients, with one or more recipients, who are not individually identified.

29) **Release of collateral –** means that the securities placed in the "pledged" section of a participant's account are unblocked and released to the available section of the participant's account, therefore being available for any kind of trading operation .

30) **Settlement account –** refers to an account in Bank of Albania payment systems used by a participant for funds settlement or securities transfers.

31) **User manual –** means the user manual of the AFISaR system.

32) **SWIFT Manual** – means the manual on the use of types of messages accepted in the AFISaR system.

33) **Financial collateral agreement** – means the agreement that meets the criteria laid down in the Law on Payment System and is subject to the execution regime set forth in this Law.

34) **Gridlock Mechanism -** is the algorithm used by the system to resolve the Gridlock situation.

35) **MF -** means the Ministry of Finance in the Republic of Albania.

36) **DVP Model 1**- refers to the way securities transactions are settled; according to it, the securities and funds are transferred on gross basis (liability per liability), under irrevocable and unconditional final transfer of securities from seller to buyer after the irrevocable and unconditional transfer of funds from buyer to seller.

37) **DVP Model 2** - refers to the way securities transactions are settled; according to it, the securities are transferred on gross basis (transaction per transaction), while funds are transferred on net basis (only one transaction for all securities transactions by netting the inflows with outflows of funds).

38) **Interface -** means software products, which enable the interaction between the AFISaR system and other systems the Administrator operates.

39) **Financial intermediary** – means the legal persons licenced by the respective authorities to operate in the securities markets.

40) **Digital signature** – means the encrypting of electronic messages transmitted according to an encrypted system, based on a digital certificate.

41) **Unforeseen event-** means an event causing problems in the normal operation of the AFISaR system.

42) **Security Officer -** is the employee who creates and manages the users in the AFISaR system.

43) **Security device-** means the hardware and software configured to implement the creation, protection, and verification of digital certificates.

44) **Grace period** – means the period during which the net position, arising from the netting of total redemption and issuance operations, is maintained.

45) **Natural person** – means the individual enjoying full legal capacity.

46) **Participant in the AFISaR system -** means the natural/legal person who is identified/recognised by the system and is allowed to deliver, and is capable to receive payment orders either directly or indirectly.

47) **Participant's profile -** is the data set regarding a participant. This data is recorded in the system and serves to identify a participant in a unique way as specified in the appendixes 10 and 11 7 attached to this Regulation.

48) **Insolvency proceedings -** means any procedure provided for in the Laws of the Republic of Albania, or a third country, to either liquidate or reorganise the participant, where such measure involves, among others, suspension or imposing limitations on transfers or payments.

49) **Queue -** means the ordering of instructions.

50) **Principal loss risk –** refers to the risk that a security seller, delivers the security, but does not receive the payment; or the risk the buyer of a security carries out the payment, but does not receive the security. In these cases, the complete principal value of the security or funds is at risk.

51) **Settlement risk –** refers to the risk that one party/participant in the AFISaR system may fail to meet contractual obligations to the other party, in accordance with the time established for the transaction payment. Settlement risk relates to bankruptcy at the settlement moment and/or to the differences at the settlement time between one party and the other. This kind of risk may lead to principal loss risk.

52) **Liquidity risk** ó implies the risk that a participant in the AFISaR system may fail to pay short-term financial obligations due to the failure in a securities transaction, where this participant is the seller of the security, or due to the use of liquidity in its account from the clients for whom this participant acts as settlement agent.

53) **Market risk** ó means the risk of losses from price volatility in markets that may arise due to a securities transaction failure.

54) **Operational risk** ó means the risk of losses that may derive from: inadequacy, lack or failure of internal procedures, or due to human, system error or external events.

55) **Server -** implies a computer providing services to other computers or the software being executed in that computer.

56) **SWIFT Server -** means the server where SWIFT applications are installed and configured, which provide the communication with the SWIFT network.

57) **Service-** is part of the AFISaR system application that carries out a certain function.

58) **Settlement -** implies the completion/finalisation of the buy/sell process, whereby the selling party transfers the security to the buying party and the latter transfers the monetary value to the selling party. Settlement in AFISaR may be carried out through a transfer of funds, in compliance with the DVP principle, or without a transfer of funds, in compliance with FOP principle.

59) **Real-time settlement -** means a settlement executed without deferral, upon receiving the instruction in line with the provisions of this regulation.

60) **Final settlement -** means an irrecoverable and unconditioned settlement.

61) **Book Entry** ó is the system operated by Bank of Albania to enter and settle Government securities which will be used until the AFISaR system goes live.

62) **Backup system** ó means the set of hardware and software serving in emergency events, when the primary system is out of function.

63) **Loro system -** is the management system of third parties' foreign currency accounts operated by the Bank of Albania.

64) **RTGS –** is the Real Time of Gross Payment system. In the context of this Regulation, RTGS refers to the AIPS and Loro systems.

65) **Live system -** is the set of hardware and software serving for the daily operation of the AFISaR system.

66) Test system - is the set of hardware and software serving for the testing of AFISaR.

67) **AFISaR Sytem (Albanian Financial Instrument Settlement and Registration) -** is the central system of Albanian Government securities settlement and registration. Bank of Albania organises the auctions in accordance with the Agreement signed between the Bank of Albania and the Ministry of Finance on these securities. This system may also register and settle securities that Bank of Albania may issue.

68) **AIPS (Albanian Interbank Payment System) -** is the Interbank Large-Value Payments System. It is the real time gross settlement system of payment orders denominated in ALL, of systematic importance, within the territory of the Republic of Albania, in an unrecoverable and unconditioned way.

69) **Gridlock situation -** an event that occurs with transfers of funds or securities, whereby the failure of execution of a payment order (due to insufficient funds or securities) prevents the settlement of a number of other payments, ordered by other participants in the system.

70) **Securities** - means only the dematerialised securities.

71) **Auction general data –** consists of all the data included in the auction announcement in the primary securities market.

72) **Free of Payment transfers (FOP) –** are securities transfers, which are not accompanied by funds transfer.

73) **Free of Delivery transfers (FOD) –** means the transfers of funds ordered by the AFISaR system for funds settlement systems, which are not followed by the transfers of funds.

74) **Delivery Versus Delivery transfers –** are the securities transfers occurring against securities transfers.

75) **"Primary market" –** implies the physical or functional venue where the issuer places the securities for sale for the first time.

76) **"Secondary market"** ó implies the physical or functional venue where the securities transactions are carried out, after they have been first issued in the primary market.

77) **Payment order-** is an electronic instruction to carry out a payment in the AFISaR system, through which a participant requests the securities transfers, or in AIPS, through which a participant requests the transfer of funds.

78) **VPN** (Virtual Private Network) **-** is the private virtual network used exclusively by the participants in the AFISaR system to provide access to the central AFISaR system, to conduct operations and monitor accounts.

79) **Workstation -** implies the platform that is part of the AFISaR system, through which the participants accessing AFISaR deliver payment instructions through VNP.

80) **Webstation AFISaR -** means the access granted to participants in the AFISaR system.

Chapter II
Principles of the AFISaR

Article 5
Role of the AFISaR

The AFISaR system shall:

a) Connect the issuer, who deposits the securities in this system, to the financial intermediaries, who hold these securities in their accounts or in the accounts of the clients represented by them. In this role, the system shall perform all events occurring between the issuer and the holders of securities, acting as a registrar
b) Settle the securities transactions allowing participants to deliver securities versus payment and carry out free-of-payment transfers, enabling the clearing and settlement of securities.

Article 6
Instruments

1. The AFISaR system is the central registration and settlement system of Albanian Government securities issued by the Ministry of Finance, for which the Bank of Albania organises the auctions, as agreed in the Agreement between the Bank of Albania and the Ministry of Finance.

2. In addition to the financial instruments mentioned in paragraph 1, Bank of Albania may register and settle in the AFISaR system the securities that Bank of Albania may issue in compliance with the Law "On the Bank of Albania".

Article 7
Administrator

The Bank of Albania is the only owner and administrator of the AFISaR system.

Article 8
Operating method

The AFISaR system shall function based on a system of indirect holding of accounts , implying that there are financial intermediaries acting between the issuer and the final investor.

Article 9
Risk management

1. Settlement risk shall be managed through the following characteristics of the system:

    a) It eliminates the risk of principal loss by conducting the securities transfer and the funds transfer according to the "Delivery Versus Payment (DVP)" principle.
    b) There is no time limit in conducting the final settlement from the entry of orders for the settlement of transactions and the realisation of all steps described in Article 11 that allow for the implementation of the DVP principle.
    c) The system provides the intraday liquidity facility and securities lending as facilities that help in resolving situations when one of the counterparties in the contract cannot settle the transaction or when the participant with the highest contractual obligation is unable to carry out the settlement.

2. Market risk shall be managed through the following characteristics of the system:

    a) Participants buying securities are provided with the possibility of setting forth a time limit by which instructions must match, so that they may then enter the settlementprocess. Through this service, the buyer receives prior information on the process of security settlement at the time set forth by him, having thus the possibility to decide whether to continue or not with the transaction.
    b) Stipulations in compliance with paragraph 1 "b" of this Article.

3. Liquidity risk will be managed through the following characteristics of the system:

    a) It provides the possibility for the direct participant to determine a trading ceiling for the use of his account in AIPS by other participants, for whom this participant acts as a settlement agent in AIPS. The trading ceiling is flexible during the day according to the description in the Userøs Guide.
    b) Stipulations in compliance with paragraph 1 "b" of this Article.

4. Operational risk shall be managed through the following characteristics of the system:

    a) The implementation of the õfour-eyesö principle meaning that any new data recorded in the system will be approved by a user of the system different from the the data entry user.
    b) Implementation of Fallback-Recovery procedures in compliance with the stipulation laid down in the Bank of Albania's Regulation "On Information Security".
    c) Continuous updating of the regulatory framework that regulates the system.

Article 10
DVP principle models

1. The system will use the following DVP models:

   a) DVP Model 2 for the settlement of transactions in the primary market;
   b) DVP Model 1 for the settlement of transactions other than those laid down in "a".

2. Securities transactions denominated in ALL and primary market transactions in foreign currency shall be settled in real time via AIPS and LORO, respectively.

3. In the case of foreign currency transactions in the secondary market, securities shall be settled following the seller's confirmation on the receipt of funds as laid down in Article 33, paragraph 4.

Article 11
Conducting the delivery versus payment

The DVP principle in the AFISaR system will be carried out through the following steps:

1. Validation of messages sent by the participants: Each payment instruction sent in this system will be subject to validation, which involves the control of fields formats (syntax), their content and context. Messages containing errors will be rejected and each participant will be informed on the reason (reasons) of the rejection as provided in the message described in Appendix 6.
2. Matching of the messages sent by the participants: This process identifies the instructions of a transaction and then compares the instruction delivered by the participant in the transaction, against the instruction delivered by the counterparty to ensure that the transaction terms are identical in both instructions. Fields and data to be compared are described in Appendix 6. The system provides no tolerance. All instructions, requesting a bilateral notification, that have been verified as valid, shall be subject to matching.
3. Acceptance of instructions: Upon successful matching of the messages, the system will accept instructions by generating a unique transaction code. Once a payment enters the AFISaR system, it will be accepted.
4. Reservation of Securities: In case the securities are in the seller's account, then they will be reserved for the purposes of this transaction and the seller may not trade them. In the event they are not available in the seller's account, then the transaction will be placed in the õSecurities Waitingö queue within the meaning of stipulation in Appendix 5.
5. Settlement of transactions: After the confirmation of funds settlement by:
   a) AIPS for transactions denominated in the national currency;
   b) Loro for transactions in the primary market, denominated in foreign currency;
   c) the Seller for transactions in the secondary market, denominated in foreign currency;

the system will accept the settlement of the respective transaction carrying out the irrevocable settlement and will transfer the financial instrument's ownership or register the security as collateral in the event of financial collateral agreement, thus finalising their settlement. In the event of lack of confirmation, in accordance with paragraph 5, due to the lack of funds, the transactions will be held in the õWaiting for Funds Confirmationö queue until the DVP cut off of the settlement value date. In the event the transaction is not settled until the DVP cut-off of the settlement value date, then the transaction will be cancelled.

6. Confirmation of the transactions: When the settlement of the transaction is completed, the system will deliver the notification to participants to confirm it. In case of transaction cancellation, the system will deliver notifications to participants. The notifications will take place as described in Appendix 6.

Chapter III
Role of the Administrator

Article 12
Duties regarding the regulation and organisation of the System

The Administrator, regarding the regulation and organisation of the AFISaR system shall:

a) approve the necessary rules to ensure the well-functioning and security of AFISaR;
b) accept new direct participants in AFISaR, and/or changes the status or the information for the participants in this system in accordance with the established rules;
c) sign the standard contract of participation with the participants in AFISaR;
d) establish mechanisms to cover liquidity needs, to ensure the settlement of payment instructions delivered by the participants having access to use this mechanism;
e) decide on the temporary restriction of access in the system, and expulsion of a direct participant in the system; and
f) ensure the development and oversight of AFISaR in compliance with the applicable international standards.

Article 13
Duties regarding the administration and operation of the System

The Administrator, regarding the organisation and operation of the AFISaR system, shall:

a) hold and manage the settlement accounts opened for participants with AFISaR;
b) ensure real time final and irrevocable settlement of participantsø payment orders, for those that have sufficient securities and/or funds;

c) take all the necessary and reasonable measures to ensure the proper management and record-keeping of data to protect the rights that arise from securities' ownership for investors, who have accounts in the system and which are not part of omnibus accounts;

d) impose and enforce all required procedures in order to ensure the safekeeping and record-keeping of securities data in the participant's account through the reconciliation of data with the direct participants;

e) hold the system operational allowing the participants to access the system, in compliance with the business hours of the system, and the provisions laid down in this Regulation;

f) lay down the contingency plan, which provides the timely completion of the daily process of the system, in unexpected circumstances;

g) provide equal access to direct participants, based on secured mechanisms for the protection of access, for the authenticity of the sender of the instruction, for the protection of confidentiality of the information received and kept by AFISaR.

h) set forth the daily procedure of opening-closure, archiving and backup of the system;

i) set forth the operating hours of AFISaR and, in the event of changes, immediately inform the participants

j) set forth the inclusion of direct participants in the system and carry out the procedures for membership and certification of a new participant in the system;

k) in close collaboration with the hardware and software providers, correct without delay any error or failure in the system;

l) manage the systemøs security in compliance with the Bank of Albania's Regulation õOn Information Security".

m) monitor AFISaR, particularly:
    i. systemøs functionality,
    ii. settlement of transactions,
    iii. AFISaR interfaces with other systems,
    iv. internet connection;
    v. payment instructions from or to an account,
    vi. order in a waiting status in a participant queue;

n) suspend the functioning of AFISaR in accordance with the procedures laid down in Article 74 of this Regulation;

o) keep records of the transactions and data in compliance with the legislation in force;

p) provide training and technical assistance to direct participants, accessing the system within the meaning Article 44;

q) withhold the tax at source on the securities transactions in AFISaR. This obligation is set forth by the Ministry of Finance (General Directorate of Taxation) , and shall be reflected in the system by the Administrator. The participant may update the document set forth in Article 18, paragraph 1 "d" of this Regulation in the case of legislative/regulatory amendments to this Regulation.

Article 14
Responsibilities of the Administrator

1. The Administrator shall be liable for AFISaR failures, which are related to errors in the operations recorded by the Administrator himself.

2. The Administrator shall not be liable for:

   a) any AFISaR failure resulting from the incorrect use of the system by participants;
   b) damages resulting from AFISaR failure due to software errors;
   c) damages resulting from wrong instructions of participants or errors in instructions, which are not criteria determined for assessing the validity of the instructions.
   d) damages resulting from participants' non-compliance with monitoring responsibilities of their accounts referred to in Article 44, paragraph 2 "c".
   e) the issuerøs financial condition or capacity to act in transactions where the issuer is a counterpart;
   f) the possibility that the transfer performed by a participant might subsequently be declared invalid or devoid of legal effects, despite its registration and recording pursuant to these rules;
   g) the possibility that the collateral set up by pledging the financial instruments in in the system, although registered and recorded pursuant to these rules, might subsequently be declared invalid or devoid of legal effects;
   h) the possibility that the creditor may not execute such pledge either through sale or appropriation due to obstacles beyond the control of the system and its administrator;
   i) the security, quality and availability of services supplied by SWIFT company.

Chapter IV
Participation in AFISaR

Article 15
Categories of participants

1. Participants in AFISaR system will be categorised as:

   a) Direct participant, performing transactions on behalf of its own account as well as on behalf of its client accounts, by accessing the system via VNP or SWIFT. This category will include:

      i.   Bank of Albania;
      ii.   Commercial banks in the Albania;
      iii. Resident and non-resident brokerage companies;
      iv.   Resident financial institutions (other than commercial banks) and non-resident financial institutions;
      v.   non-resident central depositories;
      vi.   securities clearing houses;
      vii. securities stock exchange;

viii.　　Ministry of Finance.

b) Indirect participants, for which the accounts in AFISaR system are opened by the direct participants. They may be organised in omnibus accounts, or may have individual accounts within the meaning of Article 26. This category shall include:
　i.　　Natural persons; and
　ii.　　Legal persons.

2. Direct participants in the system may act in one or more of the following capacities:

a) Issuer, implying the capacity to sell securities in the primary market. Ministry of Finance and the Bank of Albania will act in this capacity.
b) Central Bank. Bank of Albania will act in this capacity.
c) Custodian implying the capacity that participants perform transactions on behalf of their own account and on behalf of their clientsø accounts. Bank of Albania and all participants being licensed by the respective authorities will act in this capacity to perform transactions on behalf of their clients. Participants, who do not have this capacity, may perform transactions only on their account.
d) Participants in the primary market implying the capacity to place bids in the primary market directly for their hourse account or for their clientsø accounts. All direct participants will have this capacity. Ministry of Finance will set forth limits for direct participation in the primary market.
e) Settlement agent implying the capacity to directly settle in AIPS the payments resulting from securities transactions. All AIFSaR direct participants and participants in the Loro system have this capacity, which is intended only for the purposes of settleing primary market transactions.

3. The participant may request the change of one or some capacities. The change will affect the accounts opened on behalf of the participant.

Article 16
Participation of the Bank of Albania

1. Bank of Albania will be a direct participant in the system having a house account.

2. Bank of Albania may open accounts for its customers that have the following status:

a) Natural persons participating in the primary auctions through its bank windows opened for this purpose;
b) Pension fund of its employees;
c) Legal persons signing a contract with it for indirect participation.

Article 17
Connection

Article 44 and Article 45 lay down the ways participants can access the AFISaR system.

Article 18
Crtieria for direct participation

1. The institutions applying for direct participation shall fulfil the following criteria:

    a) sign the standard contract of direct participation in AFISaR with the Administrator in compliance with Appendix 1 to these rules, excluding Bank of Albania.
    b) participate in AFISaR system only via their head offices;
    c) each candidate for participation should meet at least one of the connection methods set forth in Article 44 and 45.
    d) submit a certificate issued by the Taxation Directorate General related to the taxation scheme on the revenues derived from the investment in securities;
    e) have a settlement account in AIPS, or to have entered a contract with a settlement agent operating in this system.

2. In addition to the conditions set forth in paragraph 1, the direct participant applying to access AFISaR via VPN shall meet the following criteria:

    a) have in place internal operating rules for AFISaR, complying with the guidelines issued by the Administrator;
    b) have qualified and trained staff for the operation of AFISaR;
    c) have obtained from the Administrator a certificate for participation in AFISaR.

3. In addition to the conditions laid down in paragraph 1, the direct participant wishing to access the system through SWIFT should be registered in SWIFT and access the SWIFTNetFIN service.

4. In addition to the conditions mentioned in paragraph 1, institutions that are regulated by another state's legislationwishing to become a direct participant, shall also submit the following official documents:

    a) Certificate on the registration status of the legal person in the registers held for this purpose according to the definitions of the country of origin;
    b) certificate on the financial soundness of the legal person, that certifies its payment capacities;
    c) Certificate that the legal person is not subject of bankruptcy procedures based on the relevant legislation of the country of origin;

d) Certificate issued by the relevant institutions on the validity of permissions/licences/authorisations issued to legitimate the financial activity they intend to conduct;

e) a document certifyingthe authorization to conduct financial transactions on behalf and account of the legal person;

f) Any other necessary document in compliance with the legislation of the country of origin, necessary to carry out the activity, or arising as an obligation from the conduct of the activity.

5. The documents laid down in paragraph 4, and any other document submitted by the foreign legal person, shall be submitted as legalised in accordance with the agreements where the Republic of Albania is a counterpart, translated into the Albanian language and confirmed against the original in compliance with the legal stipulations.

6. In addition to the conditions stated in paragraphs 1, 2, 3 and 4, the Administrator may set out requirements related to the financial soundness, or other, of participants prior to the membership and during the participation.

Article 19
Indirect participation

Indirect participation in the system may occur through the following ways:

a) via an individual account;
b) via an omnibus account.

Article 20
Conditions for indirect participation

1. Bank of Albania has the exclusive contract to accept indirect participants with individual accounts, with which BoA signs the contract for indirect participation or upon its approval for the customers of other direct participants.

2. Indirect participation through an omnibus account may be accepted through direct participants acting as custodians in AFISaR as set out in Article 15, paragraph 2 "c".

3. A legal person may become an indirect participant having an individual account if the following conditions are met:

a) He is an indirect participant in AIPS or has a contract with a settlement agent on the settlement of securities transactions;
b) He has signed the standard contract of indirect participation of legal persons in AFISaR, as provided in Appendix 2.

4. A natural person may become an indirect participant with individual account if the following conditions are met:

a) He has a funds account for the settlement of transactions with securities opened with one of the settlement agents with which Bank of Albania has entered in an agreement for the settlement of securities transactions of natural persons, its client as set forth in Appendix 4;

b) He has signed the standard contract of indirect participation of natural persons in AFISaR system, as provided in Appendix 3.

Article 21
Membership procedure of direct participants in AFISaR via VPN

Membership procedure as direct participant with access rights in AFISaR via VPN consists of the following steps:

a) the candidate for direct participant will submit to the Administrator a written application for membership in AFISaR along with all the necessary documentation that certifies the fulfilment of the conditions laid down in Article 15, paragraph 1"a" and paragraph 2 "c" to "f".

b) The Administrator shall examine the application of the candidate for membership and shall reply within 10 business days from the date of receiving the application.

c) In the event the application is approved, the Administrator shall inform the participant on the fulfilment of the conditions set forth in Article 18, providing the latter with the entire regulatory basis.

d) The Administrator, in collaboration with the candidate, will set forth and implement the membership calendar as provided in Appendix 10.

e) The Administrator shall train the future users of the candidates and administers the testing for the certification of the candidate.

f) After the successful finalisation of tests and upon the compliance of the candidate, internal rules with this Regulation, the Administrator shall issue a certificate to the candidate as a participant in AFISaR.

g) The candidate shall complete the forms provided in Appendix 13.

h) The candidate shall sign the standard contract for participation in AFISaR, with the system Administrator, as provided in Appendix 1.

i) The Administrator shall create the users in AFISaR, VPN, Firewall, prepare the security certificates and provide the security device to the participant.

j) The Administrator shall inform the participant on the date when access in AFISaR will be provided, at least five business days prior to this date.

k) The Administrator shall inform all the direct participants in AFISaR on the name, correct address (BIC code) of the new participant, and the date when this participant will be provided access in AFISaR, five business days prior to this date.

Article 22
Membership procedure of direct participants in AFISaR via SWIFT

Membership procedure as direct participant in AFISaR via SWIFT consists in:

a) all steps laid down in Article 21, õaö, õbö, õcö,õdö,õgö,öhö, õjö, õkö.
b) exchange of RMA authorisations.

Article 23

Temporary suspension of a direct participant in AFISaR

1. The Administrator may temporarily suspend a direct participant in AFISaR.

2. The Administrator may suspend the account of the participant in the following circumstances:

   a) via an official note submitted by the respective authority on the temporary suspension of the licence to conduct operations with securities on behalf of the participant or on the accounts of its clients;
   b) upon the official request of the relevant authority or the prosecution/court on the temporary suspension of the participant's accounts;
   c) the direct participant fails to comply with one access criteria as laid down in Articles 18 and 25.
   d) liquidation procedures have been initiated against the participant.
   e) the participant unjustifiably breaches the provisions of this Regulation for more than three business days;
   f) the placement of an embargo against a country where the participant is resident
   g) upon the written request submitted by the participant itself and its approval by the Administrator;
   h) when the participant meets the condition for expulsion, but the expulsion is impossible due to the failure to meet the condition set forth in Article 24, paragraph 2.

3. The temporarily suspended participant shall continue to fulfil its financial obligations, and not only, in compliance with the stipulations laid down in this Regulation.

4. The participation shall be temporarily suspended through the suspension of the account/accounts of the participant. The participant may carry out operations with these accounts only upon the argued approval of the respective authority,

5. The Administrator will decide on the repeal/revocation of the temporary suspension when the participant has fulfilled the obligations required to end the suspension and/or when the

respective authorities who have taken the decision on temporary suspsension, will notify on the end of the suspension.

6. The Administrator will immediately notify the participant subject of temporary suspension and all the other participants on the decision on the temporary restriction of a participant's access or the repeal/revocation of this decision.

Article 24
Expulsion of a direct participant from AFISaR

1. The Administrator shall decide on expelling a direct participant from AFISaR, when at least one of the following conditions is met:

   a) upon the written request of the participant, immediately after the approval of the request by the Administrator;
   b) the participant is merged with /acquired by one/some other participants;
   c) the decision on liquidation/insolvency procedure is communicated to the administrator, or a final and irrevocable decision has been made on the suspension of the licence by the relevant authorities.
   d) the participant infringes repetitively the provisions stipulated in this Regulation. In this case, the Administrator shall ensure that the participant has been given the possibility to express its opinion.

2. Prior to the conduct of the expulsion procedure, the Administrator ensures that the balance in the participantøs house account and its client accounts is zero and there is no incoming or outgoing payment from the participantøs house account or its clientsø accounts.

3. When expelling the participant is impossible due to a non-zero balance in the participantøs house and/or client accounts, the participant will be temporarily suspended until the procedures for the transfer of his accounts' balances are completed.

4. The Administrator shall immediately inform the participant itself and other participants on the decision for expelling the participant.

5. The Administrator will close the account of the expelled participant. Historical data for that participant remain in the database.

6. The participant will pay all the obligations to the administrator for the participation in the system, arising prior to the decision on its expulsion.

7. The Administrator will conduct the procedures set forth on the suspension of the connection with the participant by deactivating the certificate and/or revoking the RMA authorisation.

Article 25
Obligations of direct participants in AFISaR

1. Direct participants in AFISaR system will:

   a) abide by the rules and procedures of AFISaR;
   b) channel the payment instructions in AFISaR, only on the basis of a justifying available document;
   c) channel the payment instructions in AFISaR, only from the authorised users.
   d) administer their local system to ensure the continuation and delivery of payment instructions in AFISaR;
   e) retain the registration of transactions in hard copy for a period not less than 10 years and in electronic form, in compliance with the accounting standards and rules in force in the Republic of Albania;

2. In addition to the obligations laid down in paragraph 1 of this Article, the direct participants accessing the system via VPN shall:

   a) access AFISaR at any time during the business day, observing the schedule, provided in Appendix 4.
   b) ensure a qualified and trained staff for operation in AFISaR;
   c) not allow temporary or external staff to operate in AFISaR.
   d) inform the Administrator in the event of the transfer of staff that has operated in AFISaR, to cancel the certificate of that user.
   e) Compile internal procedures on the security and protection of the system, including the organisational procedures (human resources and equipment) and informatics procedures (hardware and software components), in compliance with the provisions of this Regulation.
   f) To assure the integrity of the transactions and of the user access within the respective institutions, by:

      i. Locating any primary or back-up connection in AFISaR only where there is adequate access to digital telecommunications facilities, adequate arrangements for necessary authentication and security devices, and adequate assurances that the operation of the system will not be subject to interruption or interference by internal or external factors.
      ii. applying the four eyes principle for the authorisation of the payment order, by ensuring different users for the data entry and their approval;

iii. executing payment instructions, according to procedures that observe the minimum rights in accordance with the role and responsibilities of different personnel categories;

iv. becoming subject to control by the internal audit or supervisory authority for each institution on each rejected, corrected, cancelled or removed instruction;

v. performing regular assessment on contingency events envisaged in AFISaR as provided in Appendix 16 to this Regulation, and submit it to the Administrator on a monthly basis.

vi. reporting every January to the Administrator about each observed or suspected breach related to the security, integrity and stability of their internal equipment connected to AFISaR, as provided in Appendix 15 thereto.

vii. compiling a contingency plan, which guarantees the timely completion of the daily operations of AFISaR under unpredicted circumstances.

3. In the event of breaches of the above obligations, the respective authority and the participant will be informed on the breaches and consequences as provided in Article 23.

Article 26
Participant's securities accounts

1. The Administrator will open or approve the opening of securities account for the participants in AFISaR. The accounts will accept debit and credit operations.

2. The following types of securities accounts may be opened in AFISaR:

a) own account/house account (0) ó an account opened on behalf of the participant, in which the securities owned by the participant are deposited.

b) omnibus account (1) ó an account opened on behalf of the participant, securities owned by the participantøs customers, natural and/or legal persons, resident or non-resident are deposited. The omnibus account, as a rule, may include the following categories, which may be added/changed upon an agreement between the Bank of Albania and the Ministry of Finance.

    i. Omnibus account for individual investors;
    ii. Omnibus account for registered businesses;
    iii. Omnibus accounts for pension funds;

c) Individual account-opened by the direct participant, where the securities are deposited only for an individual client, a legal or natural person, resident or non-resident, whose identifying data are entered in advance in AFISaR.

d) Trading ceiling account on behalf of an AFISaR participant, who is neither a direct nor indirect participant in AIPS, and will therefore use the account of another participant, who is a settlement agent in AIPS.

e) issuer account (9) ó an account opened on behalf of the issuer, in which the securities he owns are deposited.

Chapter V
Securities transactions in AFISaR

Article 27
Securities transactions in primary market

1. Primary market auctions on the issue of the Albanian Government securities will be performed via AFISaR. The Userøs Manual provides a description of the way AFISaR is used to submit bids at auction. The other rules related to the auction in primary market or other operations of the issuer as provided in Article 29 to 31 are set forth in the respective Agreement between the Bank of Albania and the Ministry of Finance.

2. Participation at auction gives rise to the obligation of the participant in the system to settle transactions generated from this participation on his house account or on his client accounts.

3. The settlement of transactions in the primary market will be conducted in compliance with DVP Model 2, where securities will be transferred on a gross basis (transaction per transaction) from the issuer's account to the accounts of the winning bidders at auction when a security is issued; and, from the participantsø account into the issuer's accounts in the case of redemption at maturity, which will be registered according toparagraph 4. Cash transactions generated from both events will be netted to a single cash transaction as laid down in paragraph 5.

4. On the record day for the redemption at maturity of the securities, the system will cancel all the transactions that may be in process for the respective security to be redeemed, and "will suspend" this security from the further trading.

5. Operations to be netted should have the same settlement date. These operations include:

   a) payments generated from the redemption at maturity of securities;
   b) payments generated from the issuance of securities;
   c) re-opening of auctions in the primary market.

6. Cash netting will take place for each account type that a participant may have, as provided in Article 26, paragraph 2, except for the accounts described in "d" of that paragraph.

7. Netting outcome may be either a credit or a debit transaction. If the netting results in a debit transaction for the settlement agent in the respective system as set out in paragraph 12 of this Article, and the the latter does not have sufficient funds to settle this transaction, AFISaR will hold this position until the end of the grace period. After this period, the net position will be broken up into individual transactions, moving to the DVP Model 1 of settlement.

8. In the cases the transactions generated in accordance with paragraph 1 are not settled until the settlement date set forth in the general data of the auction, they shall be recycled every day until the settlement cutoff date.

9. The recycling in accordance with paragraph 8 generates a commission, which is charged as provided in Article 53.

10. When the transaction is not settled due to insufficient funds in either the participantøs account or his settlement agentøs account until the DVP cut-off on the settlement cut-off date, the transaction will be cancelled and securities will be deposited in the issuerøs own account.

11. In cases of failure of transactions settlement due to funds' insufficiency at issuer's cash account, the securities will remain in the participant's account and will be recycled infinitely.

12. Primary market transactions:

   a) in the domestic currency will be settled in AIPS in accordance with the stipulations laid down in this Article.
   b) in foreign currency will be settled in the foreign currency accounts system, Loro, in accordance with the stipulations laid down in this Article.

Article 28
Management of payments arising from primary market transactions

1. Payment of coupons/interest on securities that have periodicpayments of interest will be carried out on the payment date set forth in the general auction data.

2. Coupon payments are FOD transfers.

3. Total payments of coupons shall be reconciled with the issuer.

4. After the reconciliation, AFISaR will calculate the amounts to be paid to participants in compliance with their balance on the respective security account on the record day and will send the payment instruction to the respective system as stipulated in Article 27, paragraph 12.

5. After receiving the payment confirmation from AIPS, AFISaR will notify the participants as provided in Appendix 6.

Article 29

Auction Reopening

Procedures to be implemented for the reopening of an auction in AFISaR are the same as those for creating a new auction.

Article 30
Early redemptions

1. The issuer may call securities before maturityonly if such thing is stipulated in the general data of the auction or in the prospectus of the security registered in AFISaR and the call date is set forth in accordance with all security's owners.

2. The issuer may initiate in AFISaR an early redemption auction for the security before it reaches maturity. The settlement process of transactions generated from this auction is similar to those of a regular redemption at maturity.

Article 31
Repurchase agreements of the issuer

The issuer may enter into repo/reverse repo agreements with participants through the AFISaR system. The issuer may choose to enter into a special repurchase agreement or via a repo/reverse repo auction.

Article 32
Secondary market transactions

Transactions in the secondary market among participants include:

   a) sale-purchase operations;
   b) Free of Payment (FoP) transfers;
   c) repo agreements;
   d) security lending agreements;
   e) pledge agreements.

Article 33
Sale-purchase operations in the secondary market

1. The system shall register and settle the buying and selling of securities in the secondary market between:

   a) direct participants;
   b) a direct participant and its customers;
   c) a direct participant and an indirect participant;

d) a direct participant and a client of another direct participant.

2. Transactions in secondary market in ALL are settled in AFISaR according to Delivery Versus Payment principle, DVP 1 model, abiding by the steps stipulated in Article 11.

3. For the direct participants that settle transactions in the secondary market of securities in ALL through another direct participant in AFISaR, that is a settlement agent in AIPS, the settlement will be performed up to the amount set out in the trading ceiling account as laid down in the agreement between the direct participant and the settlement agent. The functioning of trading ceiling is provided in the User's Manual.

4. Foreign currency-denominated transactions in the secondary market between participants, when Bank of Albania is not a participant, will be settled in AFISaR via the following steps:

   a) Upon the completion of the steps described in Article 11, paragraphs 1 to 4, the parties in the transaction will be informed on the unique code and the transaction will stay in the õWaiting for Funds Confirmationö queue.
   b) For the settlement of the transaction in AFISaR, the selling party in the transaction, after receiving the confirmation by its correspondent on the entry of funds, will deliver a notification in AFISaR, via the message "Funds Settlement Confirmation" as provided in Appendix 6, where the unique code generated in AFISaR is placed.
   c) After receiving the Funds Settlement Confirmation, securities are transferred in AFISaR from the seller to the buyer and the settlement is considered final.

   The system recycles the transaction until the DVP cut-off time of the value date. If the transaction is not settled until the DVP-cut off, then the transaction will be cancelled and the security will be released pursuant to Article 11, paragraph 4.

5. Related to foreign currency-denominated transactions in the secondary market, where Bank of Albania is one party, AFISaR communicates with Loro, and the "Funds Settlement Confirmation" is automatically delivered from Loro to AFISaR.

6. The types of the SWIFT messages to be exchanged for the settlement of transactions in the secondary market on both foreign and domestic currency-denominated securities are laid down in Appendix 6.

Article 34
Free of Payment transfers

1. Within the meaning of this Regulation, a Free of Payment (FoP) transfer within AFISaR is the transfer of securities between two securities accounts, which does not generate any payment in the funds' settlement systems, with which AFISaR is connected.

2. Participants may initiate a FoP transfer in the following cases:

a) operations occurring between the own account of a direct participant and the account of an indirect participant, who is a customer of the same direct participant. In this case, securities are transferred among the same participantøs securities accounts, and do not generate any funds transfer as they have the same participant in AIPS.

b) operations occurring between two participants that have the same settlement agent in AIPS.

c) transfer of the security from the customer's account of a direct participant, to the client's account in another direct participant;

d) transfer of securities due to the merging of participants, or various cases as known and confirmed by the licensing and supervision authority.

e) replacement of securities, which are traded through the Repo agreements and collateral arrangement.

f) operations for the transfer of securities to complete the margin call to maintain the security value traded through the repurchase agreement

3. The AFISaR system will automatically initiate a FoP transfer for the transfer of securities from the issuer account (9) to its own account (0), in the case of initial placement, and in reverse order in the case of early or regular redemptions at maturity.

4. The types of SWIFT messages that are exchanged for the settlement of the transactions denominated in both foreign and domestic currency in the secondary market are provided in Appendix 6.

Article 35
Repo agreements

1. The system will register and settle the repo agreements concluded between:

a) direct participants on their own accounts;

b) direct participant on his account and his client that is an indirect participant with individual account;

c) direct participant on his account and an indirect participant with an individual account with another direct participant.

2. Repo agreements will be settled in compliance with DVP Model 1, except for the transactions described in paragraph 1 "b", which are FOP transfers. Repo agreements consist in two legs in AFISaR, which are related to each other:

a) first leg - sale operation; and

b) second leg- repurchase operation

3. The second leg will be automatically generated in the AFISAR system, at the moment the first leg is settled. This step will be processed for settlement at the moment defined originally in the respective message by which the settlement of the repo agreements operations is ordered.

4. In the case the second leg 2 fails to settle at the end of the defined settlement date, it will be automatically recycled for one business day. In the case it is not settled even on the recycled day, then the second leg will be cancelled and the repo agreement will be unified with a sale purchase agreement, which is settled in the first leg. Penalties related to the recycling, or failure to settle the second leg as well as terms for resolving the failure, shall be set forth and resolved by participants outside AFISaR.

5. The AFISaR system processes all the Repo agreements, which have two legs laid down by the participants for intraday settlement or on different days.

6. Through a repo agreement, one security may be traded at one time.

7. Operations of repo agreements will not be accepted in the system if during the time period between the settlement of the first leg and that of the second legthe maturity date of the security involved in this operation falls due.

8. When the settlement day of the second leg is a holiday, the settlement will be conducted on the next business day. Any compensation payment between participants, which may arise from this cause, will be dealt with outside AFISaR.

9. If during the time period between the settlement of the first leg and that of the second leg of the repo agreement, the issuer of the security traded under the repo agreement has to perform any payment of coupon/interest the interest/ coupon will be paid to the temporary holder of the security (buyer). In compliance with the Standard Contract on Securities Repurchase, AFISaR will initiate a transaction on the transfer of funds to return the value as acquired by the temporary holder of the security (the buyer in the first leg), to their owner (seller in fthe first leg). That will be a FOD transaction, which may not be cancelled, but due to non-settlement will be recycled indefinitely.

10. Participants may initiate, at any time from the settlement of the first leg until a day prior to the settlement of the second leg, operations to replace the security traded through the repo agreement. This is a Delivery Versus Delivery (DVD) transaction. For the replacement, each participant shall submit two messages specifying the unique code of the initial transaction. One of the messages relates to the returning operation of the security that is traded in the initial agreement, and the other message relates to the delivery operation of the security. AFISaR will process both transactions as delivery versus delivery transactions where the payment is made via the security going through the stages provided in Article 11. Thus, for the settlement of both operations, both the security to be returned by the purchaser in the first leg and the security to be delivered by the seller in the second leg, should be reserved.

11. Participants may agree on terminating the repo agreement after or before the time set forth in the initial instructions. To terminate early a repo agreement, messages as laid down in Appendix 6, are sent on the day when the termination of the agreement is desired. To extend the agreement, parties should send a message to end the current agreement and then they should send the usual message for a new agreement.

12. In case the issuer initiates an early redemtionas laid down in Article 30, paragraph 1 for a security/securities that are traded in repo agreements between participants, and the participants have not undertaken any operation for the replacement of that security as stipulated in paragraph 9 until the day set forth by the issuer on the early redemption, then the maturity will be transferred to the account of the temporary holder of the security (purchaser in step one) and the repo agreement will be considered as terminated. The parties will be informed on the termination of the contract. Any dispute arising from or in connection to this agreement will be resolved outside the system.

13. The participants involved in a repo agreement, may initiate operations for the transfer of securities to complete the requirement on the margin for the maintenance of the traded security value. The value of the margin is agreed by the participant outside AFISaR. The system will process an operation for the transfer of the securities to complete the maintenance margin of the security value, when both participants will deliver messages as provided in Appendix 6. The settlement date of these messages should be after the settlement of the first leg of the agreement and prior to the settlement of the second leg.

14. On the foreign currency- denominated repo agreements, the settlement in AFISaR will take place as described in Article 33, paragraph 4, where the confirmation on the settlement of funds comes from the sender of the security.

15. The lending of securities is a type of a repo agreementø however, in the system, it is distinguished from the name.

Article 36
Intraday liquidity facility by the Bank of Albania

1. An Intraday liquidty facility is granted by the Bank of Albania in compliance with the stipulations laid down in the Regulation "On intraday liquidity facility granted to banks".

2. ILF operations are in the form of repo agreements, where the first leg and and the second leg as stipulated in Article 35, paragraph 2 are settled within the same business day. These operations are conducted among participants who are allowed to use this operation, and the Bank of Albania.

3. The settlement of the first leg will never be placed in "Waiting queue" related to the securities in the participant's account. The operation will be rejected if there are no securities in the participantøs account.

4. Participants will initiate an operation for intraday liquidity by delivering a message according to the User's Manual where the requested amount of intraday liquidity and the pledged securities are provided specifically. In this case, matching in compliance with the stipulation in Article 11 will be replaced by an automatic assessment of the system, which will ensure that:

   a) In the first leg of the settlement, funds transferred into the cash account of the participant from the Bank of Albania through AIPS, are lower or equal to the acceptable value of the security calculated in accordance with the stipulation laid down in the Regulation õOn Intraday Liquidty Facility";
   b) In the second leg of the settlement, funds transferred from participant's account in AIPS at the Bank of Albania, are higher or equal to the acceptable value of the security calculated as stipulated in the Regulation "On Intraday Liquidty Facility".
   The system will reject the extending of intraday liquidty facility, when both conditions are not fulfilled. Notwithstanding these terms, the allowed participants will ensure that the amount of funds in step two is equal to the amount of funds in step one.

5. Bank of Albania will authorise the instructions on intraday liquidty facility, in order for the liquidty to be credited in the participantøs account.

6. In case the participant does not set forth a time limit for the settlement of step two of the intraday liquidity operation, then the system will start the settlement at the time set forth in Appendix 7.

7. In case the participant does not have funds in its account to settle step two of the operation, the participant requests the use of the marginal lending facility in compliance with the Regulation of the Bank of Albania "On the marginal lending facility" according to the process of financial collateral agreement laid down in Article 38. The participant will not place the same security pledged as collateral for the intraday liquidty facility for the automatic overnight loan.

8. In the event the operation on granting the loan will not be performed until the DVP cut-off service, the system will cancel the settlement of the second leg of the intraday liquidity facility, and the security will remain in the securities account of the Bank of Albania.

Article 37
Pledge agreements

1. The system will settle and register the pledge agreements with securities, concluded between the legal persons as follows:

   a) Direct participants for their house accounts;
   b) Direct participant on his house account and his customer that is an indirect participant with individual account, that is a legal person;

c) Direct participant on his house account and an indirect participant with an individual account at another direct participant;

2. One of the parties in the pledge agreement, concluded as provided in paragraph 1 of this Article, shall be: Republic of Albania, Bank of Albania, a foreign central bank, a bank, a financial institution, a foreign institution similar to banks and financial institutions, a settlement agent, an operator, or a national or international public authority.

3. More than one security may be used in the pledge agreement.

Article 38
Pledge registration

1. In a pledge agreement, the participant that places the security as collateral is known in the system as the pledger, whereas the participant that accepts the security as collateral is known in the system as the pledgee.

2. Pledge operations with securities are operations, which are settled in compliance with the definition of DVP model 1, except for the case described in Article 34, paragraph 2 (b), which are FoP transfers.

3. The registration of securities as collateral takes place via the messages provided in Appendix 6, sent by both parties in the contract and observes all steps described in Article 11, except for the foreign currency-denominated securities. The latter are registered as provided in Article 33, paragraph 4.

4. The registration of a security as collateral occurs in the step described in paragraph 5 of Article 11. The pledge registration will take place in the pledger's account, in the "collateral" section.

5. In the event the pledge agreement has more than one security, then the the agreement will be accepted only if all securities are available in the pledger's account.

Article 39
Pledge Release

1. AFISaR will make an automatic release of the security pledged, on the day set forth by the participants, which are parties in the pledge agreement.

2. In the case of the final settlement of the transaction, the security pledged will be released and transferred from the "pledgedl" section into the pledger's account, being added to the securities balance, thus becoming available for the pledger.

3. In the event the transaction is not settled until the DVP cut-off , due to insuficcient funds on the part of the pledger, then:

a) for pledge agreements, where Bank of Albania is one of the parties, the security will be transferred to Bank of Albania's house account;

b) for pledge agreements, where other participants different form Bank of Albania are parties, the security is transferred to õbanned" section of the pledger's account.

Article 40
Pledge execution

1. The execuition of the pledge, whose object is the security, may take place through the sale or appropriation, by sending payment instructions in compliance with User's Guide of the AFISaR system.

2. The pledgee has the right to execute the security/securities pledged according to the pledge agreement, only when they are in the "banned" section of the pledger's account.

3. If there are securities registered as collateral, part of an outstanding pledge agreement, or listed in the "banned" section of the pledger's account whose redemption at maturity falls due, the system will automatically transfer these securities in the õdisputed" section of the pledger's securities account on the registration date. At total redemption payment date, the matured value will be transferred into a special account within the Bank of Albania, while the interest, if there is any, into the cash account of the pledger.

4. Bank of Albania will transfer the value of the matured security, from the special account, in accordance with paragraph 3, into the pledgee's account, in one of these cases: request from the pledger, upon confirmation by both parties (pledger and pledgee), or upon an order/act of court authorities.

Article 41
Early termination of the financial collateral agreement

1. The pledger and pledgee may agree to prematurely terminate the pledge agreement. To terminate the agreement, both parties will deliver a message as laid down in Appendix 6, on the day they intendto terminate the agreement.

2. If the pledge is not released prior to the maturity set out in the pledge agreement, due to the lack of funds of the pledger until the DVP cut off, then the transaction will be cancelled and the security will remain registered as pledge in the pledger's account.

3. All securities or one/some of them may be substituted through the instructions of both contractual parties. The parties will place the unique code of the initial contract in the instructions for the substitution of securities. The substitution of securities in a pledge agreement is similar to the one described in Article 35, paragraph 10.

Article 42
Gridlock mechanism

AFISaR automatically initiates the gridlock mechanismfor the instructions held in queue, by settling first the transactions that can be settled, by changing the order of the transactions, which have the same priority.

Chapter VI
Means of communication in AFISaR

Article 43
Communication

1. Each participant and the system administrator, by signing the contract of participation, agree to communicate with the system through one of the communication means described in this Regulation.

2. The communication of the issuer in AFISaR is subject to rules laid down in this Regulation. Other aspects of communication between the Bank of Albania and the Ministry of Finance related to the operations performed in AFISaR are regulated through the agreements concluded between the Bank of Albania and the Ministry of Finance.

3. Upon the request of the participant (participants), or when, due to the specific circumstances, the Administrator deems as reasonable, he may allow a temporary communication via other means of communication for which the Administrator ensures to have sufficient security in order to not jeopardise the security of the system.

4. Electronic communication is subject to the security provisions laid down in the Guideline of the Bank of Albania "On the use of internet and electronic mail at the Bank of Albania".

Article 44
Communication via VPN

1. Access for communication via VPN will be granted only to direct participants who are eligible for this means of communication in compliance with the stipulations laid down in the Regulation on õInformation Security" of the Bank of Albania.

2. Participants, who communicate via VPN, will have the possibility to access the system via the webstation. This access provides them the possibility to:

   a) initiate instructions to debit/credit their account or the accounts of their clients. Instructions are conducted from the workstation by delivering messages according to the type of the transaction, as laid down in Appendix 6.
   b) monitor the status of their transaction by reading the statuses provided in Appendix 6.
   c) monitor their house account and the accounts of their clients;

d) monitor securities-payment events such as the payments of coupons and redemption to maturity.
e) realise the participation in the primary auction on their house account or on the accounts of their clients.
f) receive all the information related to the outcome of the participation in the primary auction.
g) monitor the use of the system by their users.

Article 45
Communication via SWIFT

1. Communication via SWIFT shall be obligatory to all direct participants, which may not be given access via VPN.

2. Communication via SWIFT shall be performed in compliance with the SWIFT Manual.

3. Participants that will communicate via SWIFT will be able to conduct the following operations:

   a) initiate instructions to debit/credit their account or the account of their customers; Instructions are conducted via the messages in accordance with the type of the transaction provided in Appendix 6.
   b) receive notification on the status of their transactions via the messages delivered from AFISaR in compliance with Appendix 6.

Article 46
Communication via written orders

1. Written orders, as general rule, are acceptable only for the indirect participants. These participants, through these orders, instruct the system Administrator to operate on their behalf.

2. The written order will be accepted, as a rule, in the original form of official documents signed and stamped by the authorised persons, representatives of legal persons or signed by the natural persons. For the purposes of time management, but not to replace the original form, the administrator may accept the transmission of these orders via fax, or scanned via electronic mail.

3. These participants may use the order form stipulated in Appendix 9 or another document which contains all the elements laid down in the relevant form of the order. This order shall be kept in two copies. A copy will be submitted to the system administrator and the other will be held by the participant.

4. The system Administrator reserves the right to reject the execution of order, when concluding that the order is either illegible or subject to interpretations, or features essential errors.

Chapter VII
Registration of operations in the account, reporting and reconciliation

Article 47
Registration of operations in the security account in AFISaR

1. In the securities account of the participant or the account of their clients, the following operations will be registered in AFISaR :
   a) purchase operations of securities in the primary market;
   b) securities transactions in secondary market;
   c) FOP transfers of securities;
   d) maturity of the security;
   e) repurchase agreement and security lending transactions; and
   f) registration of the security as pledge.

Article 48
Reporting

1. Through AFISaR, the Administrator will provide direct participants with information on:

   a) their house account(s) balance in AFISaR.
   b) transactions performed through the accounts registering the financial instruments opened on their behalf in AFISaR.
   c) their own transactions held in the waiting queue (pending).

2. The system will provide direct participants, accessing the webstation, various reports, which are generated during the day or at the end of the day. Unlike official reports, such reports are not signed. The Administrator may not be held liable for the accuracy of reports that are not signed. If the participants wish their reports be delivered officially, they may request that reports sent by the system be digitally signed.

3. Direct participants, who access the system via SWIFT, may request reports at the frequency stated in the contract agreed between them and the Administrator against payments as set out in Appendix 8.

Article 49
Registration and reconciliation

1. Securities entered into AFISaR will contain, among others, the following elements:

    a) type of the security;
    b) serial identification number of the security;
    c) issue date;
    d) maturity date;
    e) issuer;
    f) total nominal value;
    g) minimum tradable amount;
    h) currency;
    i) issue rate; and
    j) term and way of interest payment.

2. The Administrator will deliver, within three business days of the following month, the account balance of the participant's security account and of its clients detailed by the type of security at the last day of the preceding month. In the event of no claims until five days after the delivery day, the submitted information will be considered as accepted.

3. For every claim, the Administrator and participant will investigate on the reasons of non-reconciliation and, after the explanation of the reasons of non-reconciliation, will decide and accept the correct information and the duties for each of them for redering the information accurate.

Chapter VIII
Billing and business hours

Article 50
Fees

1. The Administrator may set forth fees for participation in AFISaR, to cover the expenses related to the operation of the system and its cost.

2. Fees may be charged for participation in AFISaR and for special operations that are realised in this system.

3. The Ministry of Finance and legal persons that open the accounts through the Bank of Albania will be exempted from fees. Other exemptions shall be subject of the Supervisory Council's decision.

4. Fees charged to participants consist in:

    a) membership entry fee;
    b) participation fee;
    c) exit fee;

Fees charged to participants must be paid annually.

5. Fees applied on special operations include:

   a) Delivery Versus Payment operations, which include sale-purchase, repo agreements, pledge agreements;
   b) Free of Payment operations, including the operations provided in Article 34;
   c) processing of transactions in the primary market;
   d) pledge management in compliance with the steps provided in Articles 38 to 41.
   e) Intraday liquidity facility ;
   f) recycling of settlement operations in the primary market due to the lack of funds;

6. The fees will be charged to both parties involved in the operation, except for the operation as provided in "e" and "f" and the operations between the participant and its client, where the fee will be paid only by the direct participant.

Article 51
Incentive fees

The Administrator, for well-functioning and encouragement of the use of the system, may apply discounts on the applied fees, in cases of:

   a) high volume of transactions processed in the system;
   b) initiation of operations at the early time after start of business day

Article 52
Notification on the fees

1. Appendix 8 provides the applicable detailed fees and discounts.

2. The Administrator may change the fees and their application.

3. The Administrator shall inform the participants at least 30 days prior to the entry into force of the fees.

Article 53
Billing

1. Fees shall be charged to participants by items on a daily basis, for the previous business day.

2. Participants may submit a claim when they conclude any inaccuracy in their bill.

3. The administrator shall respond related to the claim within five business days from the day of receiving the claim.

Article 54
Operating days

1. AFISaR is active and operates only on business days in the Republic of Albania.

2. The Administrator shall ensure that AFISaR and AIPS business days are equal.

3. The Administrator shall inform participants on the official holidays prior to the beginning of the calendar year.

4. Participants are responsible for complying with the official holidays in the country of origin of the foreign currency, where they are participants in foreign currency-denominated transactions.

Article 55
Operating hours of the system

1. Operating hours of AFISaR are set out in Appendix 8, but the Administrator may modify the latter even during the business day, to maintain the system's well-functioning.

2. The Administrator shall notify the participants about any changes in the operating hours.

Chapter IX
Payment Instructions

Article 56
Irrevocability of instructions

1. The moment an instruction is entered in AFISaR is the moment of technical acceptance of a payment by AFISaR. Within the meaning of the stipulations provided in this Regulation, the moment of technical acceptance is the time when the system, based on the participant's instructions, immediately after the validation and matching of the messages in compliance with Article 11, paragraph 3, creates a transaction to which it assigns a unique code.

2. Once entered in the system, instructions cannot be revoked by a participant or a third party. This is also applicable in the case of opening insolvency procedures against a participant, as laid down in Chapter X.

3. After this moment, a payment instruction in AFISaR may be cancelled by the system Administrator as set out in Article 58. The system Administrator may revoke the payment instructions entered in the system by the participants in the period between the moment of technical acceptance and the moment of settlement acceptance.

4. A payment instruction to debit/credit the account of a client, ordered by the direct participant, , when the respecitve client is unidentified in AFISaR, but is part of an omnibus account of the participant, generates a participant's obligation against the counterpart that has issued the instruction, in the event the participant has initiated the respective instruction, the messages of the participant and its counterpart are matched and the technical acceptance of the instructions is performed. Any dispute arising from or in connection with instruction inaccuracy or lack of their settlement will be resolved outside AFISaR.

5. A payment instruction ordered by the direct participant for debiting a clientøs account, when this client has an individual account with this direct participant in AFISaR, does not imply a personal obligation of the participant against the counterparty that issued the instruction, even if the technical acceptance of the payment instruction by both parties was performed, except when sufficient securities are available in the customer's account to debit the account.

Article 57
Cacellation of instructions by the participants

1. Participants may request the cancellation of payment instructions entered in the system.

2. Instructions may be cancelled by participants, if the messages are not matched yet.

3. Where the system may process such a cancellation requested from the participant, it will cancel the respective instruction and will send to the participant a confirmation notification on executing the request. Where the respective request may not be processed either because the participant is no longer entitled to revoke the instruction or the instruction was already settled, the system will send the adequate notification to the participant.

4. In order to revoke an instruction, participants will send a message in compliance with the message types set out in Appendix 6. The type of the message sent depends on the type of the message sent initially that the participant intends to cancel.

5. The instructions that are not matched may be revoked until the Cut-off of the respecitve service on the settlement day. If these instructions were not revoked by the participant, they will be automatically cancelled by the system on end of business day on the settlement day.

Article 58
Cancellation of instructions by the Administrator

1. The Administrator may cancel the payment instructions in AFISaR only if the operation with funds is still unsettled in AIPS or the crediting confirmation is not delivered yet by the delivering agent in the cases of transactions in the secondary market of foreign currency-denominated securities. AFISaR will inform AIPS on the cancellation of ALL-denominated securities and, if during the time that AFISaR is waiting from AIPS the confirmation for the cancellation, a confirmation on the settlement of funds arrives from AIPS, then the settlement of the transaction in AFISaR will be final.

2. The Administrator may cancel payment instructions:
   a) in an unforeseen event, by observing and arguing according to the applicable legal provisions;
   b) based on the decision of a competent authority, by observing and arguing according to the applicable legal provisions.

Article 59
Automatic cancellation of instructions

Automatic cancellation of payment instructions in AFISaR occurs when:

a) instructions are not matched or settled prior to the final cut-off;
b) cancellation of cash instruction in AIPS occurs in accordance with its own rules.

Chapter X
Procedures for insolvency proceedings

Article 60
General terms and conditions

1. Upon receiving an official notification on the initiation of insolvency proceedings against a participant, the Administrator will immediately suspend the participant.

2. The payment instructions, initiated by the insolvent participant and entered in the system before the notification on the initiation of insolvency proceedings is sent, will be processed for final (irrevocable) settlement, according to Article 11 of this Regulation.

Article 61
Initiation of insolvency proceedings during the operating day

Where the system Administrator is notified of the decision on the initiation of insolvency proceedings at a certain moment during the operating day, he will take the following measures:

a) immediately restrict the account/s of the respective participant, in accordance with the regulations in force, so that the participant should no longer be able to initiate instructions by using the respective account/s, except for:
   i.   instructions for the transfer of securities on the account of its clients;
   ii. net settlement instructions related to settlement of primary market results and/or payment of coupons/interest;
   iii. payment instruction for the pledge execution through appropriation by the pledgee.
b) notify immediately all the other participants about the restriction imposed on that participant;
c) reject all the instructions in the system after the participant has been subjected to the restriction, except for the instructions provided in paragraph õaö;
d) instructions entered in the system prior to the initiation of insolvency proceedings, which have not been settled and are still in a queu, will be settled to the extent to which sufficient funds and/or securities are available. At the final Cut-off of the business day, AFISaR will automatically cancel all the instructions entered in the system by that participant, except for those which are recycled in compliance with the stipulations laid down in this Regulation and with settlement in the following days that have been technically accepted by the system.

Article 62
Opening of insolvency proceedings after the end of the operating day

1. Where the system administrator is notified of the initiation of insolvency proceedings after the end of the operating day, he will take all the necessary measures so that the respective participant can no longer initiate or receive instructions on operations in securities on the following operating day, by restricting that participant in the system.

2. The Administrator will notify the other participants about the initiation of insolvency proceedings against a participant by sending them a secured/confidential e-mail and/or informing SWIFT message prior to the start of the following operating day.

3. The operations that have been technically accepted by the system, having future settlement dates, will be processed in accordance with the present Regulation.

4. The administrator will transfer the clients' accounts to another participant in compliance with the instructions issued by the respective authority.

Chapter XI

Confidentiality

Article 63
Confidentiality

1. The direct participants will observe the confidentiality rules and regulations of the information related to all payment instructions accepted by AFISaR. Each participant will instruct the respective staff, who has access to the information on the payment instructions accepted in AFISaR, to maintain confidentiality related to this information, in compliance with the confidentiality rules and regulations and the provisions laid down in this Regulation.

2. Procedures to ensure the security, security devices, codes, passwords and other access control methods are confidential and the direct participants are required to use and protect them with the utmost responsibility. Participants will immediately notify the system administrator if they discover or have reasons to suspect that any of these procedures is likely to be compromised.

3. Participants authorise the staff approved by the Administrator or a third party related to the Administrator, to access the information necessary to ensure provision of AFISaR services to participants, by maintaining the confidentiality and banking secret.

4. All direct participants, having the right to open an account for their clients in AFISaR, will obtain in writing the clientøs consent on the use of their personal data in the system.

5. The Administrator will not be responsible in case the transmission/content/use of the data from the participant (for himself, or for his clients) and/or SWIFT, as a provider of electronic messaging services, has not taken place in compliance with the rules of the respective legislation on the protection of personal data, at the countries of origin.

6. The direct participant and the Administrator will comply with the provisions of this Article even after the closure of the participant's settlement account.

Chapter XII
Technical aspects for the management of AFISaR

Article 64
Assistance provided to the users of AFISaR

1. The Administrator will establish a helpdesk centre for the assistance of AFISaR users. Participants may address to this centre AFISaR-related problems throughout the operating day of AFISaR. The Administrator will inform participants for the contact persons of this centre.

2. The participant will submit the form provided in Appendix 13 for any request for security devices.

3. In the event of failure to create or delete a user in AFISaR, the participant will submit an official letter to the Administrator. The Administrator will conduct the operation as requested for that user in AFISaR.

4. In the event of failure to modify the password of a user, the participant in AFISaR will submit a written request to the Administrator. The Administrator will carry out those operations.

5. In the event of deleting a user, the participant will send to the Administrator the security device which contains his security certificate for its revocation.

6. The Administrator will renovate, annually, the digital certificates of AFISaR users, as submitted by them, on the expiry date.

Article 65
Management and control of changes

1. Changes in AFISaR are as follows:
   a) functional and technical changes of AFISaR;
   b) changes in SWIFNet FIN and in the SWIFT standards;
   c) changes in VPN.

2. The Administrator will inform and instruct the participants prior to the implementation of the planned changes in AFISaR, whenever these changes affect the participant.

3. The necessary changes or corrections in the procedures and completing documentation of AFISaR in case of changes will be notified to the participants.

4. In case of changes in the operating of the AFISaR system, all participants will be informed in advance, providing them with the necessary time for preparing and establishing the necessary conditions to test their connection to AFISaR.

5. The Administrator before or upon the argued request of the participant, may apply changes in AFISaR, to ensure its normal functioning. In the event the proposed changes affect the participants in AFISaR, the Administrator will be consulted with the latter in advance.

6. The Administrator, after considering the argued request of the participants for changes in AFISaR, will inform the participant on the acceptance or refusal of the request, providing along with the notification the respective arguments.

7. In the event the aforesaid changes are initiated by:
    a) the Administrator, change costs are paid by the Administrator;
    b) a direct participant belonging to a certain profile group, in accordance with the provisions set out in this Regulation, the change costs will be subject of consultations with all the participants of the same profile, and the possibility of covering by all participants in AFISaR, equally will be assessed.
    c) the issuer, change costs are to be paid by the issuer or the administrator based on the latter's decision.

8. The Administrator is not obliged to consult the participants when the need to intervene in AFISaR is urgent and any delay may lead to difficulties for the participants in AFISaR.

Article 66
Modification in VPN communication of participants

Participants will fill in the form of changes in VPN network as provided in the Appendix 14 thereto, in any case of changes in the internet addresses or VPN users.

Article 67
Contact Persons

1. Each participant will submit to the Administrator the information about the contact persons as provided in Appendix 10. The Administrator will hold and update the list with all the contact persons of the participants.

2. Participants in AFISaR will immediately inform the Administrator on any change in the list of the contact persons.

Chapter XIII
Contingency events and emergency procedures

Article 68
Contingency events

Contingency events are classified as follows:
    a) break down of communication at the participant;
    b) contingency events in the communication via SWIFT;
    c) contingency events in AFISaR;
    d) contingency events in VPN network.

Article 69
Breakdown of communication at the participant

1. If a participant encounters technical difficulties which obstruct:

    a) the initiation of transactions via the workstations at AFISaR; or
    b) monitoring of transactions via AFISaR webstation;

    the participant will inform the Administrator within 30 minutes from the moment of identification of these difficulties.

2. Participants will immediately inform the Administrator on any change in the circumstances or condition of difficult operation.

3. The Administrator, upon receiving the notification submitted by the participant, will identify the problem and will instruct the participant on alternative possibilities.

Article 70
Contingency events in SWIFT communication

1. In the case of a long interruption of SWIFT connection, the Administrator will inform participants, and consult the support of SWIFT, and will be in continuous contact with these participants.

2. When re-establishing the connection via SWIFT is impossible, the Administrator will instruct participants on alternative communication ways and will act as an operator for these participants, after being authorized by them.

Article 71
Contingency events in AFISaR

In the event of a persisting failure in AFISaR, the Administrator will inform participants via emergency contacts: e-mail, telephone or SWIFT message.

The Administrator, when deemed reasonable, will move to back-up AFISaR site and inform participants in AFISaR on the transfer in the back-up system.

Article 72
Contingency events in VPN network

In case of any failure in the primary internet line, backup internet line will start.

Article 73
Registration of contingency events

Each participant will register all the contingency events and the problems concluded in the system and will report them to the Administrator within two business days from the end of every calendar month pursuant to the format laid down in the Appendix 16

Article 74
Testing of Fallback Recovery procedures in AFISaR

1. The Administrator will test every six month the Fallback Recovery procedures for the contingency events in cooperation with the other participants in AFISaR.

2. The Administrator will notify the participants on the transfer of live AFISaR operations to back-up AFISaR, testing of Fallback Recovery procedures and any other operation they should undertake, no later than five business days after the test date.

3. To access AFISaR backup, participants will address the backup site of AFISaR through their webstation.

Article 75
Suspension of the system

1. The Administrator may either partially or totally suspend the functioning of AFISaR, in circumstances when the continued function of the system would negatively impact the systemøs stability, and will immediately inform the participants.

2. Throughout the suspension of the system functioning, the operations will be performed in compliance with the way set forth by the Administrator for every case.

3. The Administrator will re-establish the functioning of AFISaR as soon as possible, and will immediately inform all participants.

Article 76
Final Provisions

1. Participants in the book entry system of securities operated by the Bank of Albania in compliance with the Regulation " On securities transactions among banks and the functioning of securities registration", will be transferred into AFISaR, but will start accessing the system or operating with their account only after they have signed the contract for direct participation as provided in Appendices 1, 2 and 3. The completion of the documentation in compliance with the requirements laid down in this Regulation may take place even after the beginning of the operation of AFISaR live.

2. Natural persons that are clients of the Bank of Albania, for a period of two years, may hold a settlement account for cash operations. This account may be used only for the maturity of securities that are owned at the moment of the transfer of data from the Book Entry system of securities into AFISaR.

Article 77
Entry into force

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

Elisabeta Gjoni

Deputy Chair of the Supervisory Council

Appendix 1 - Standard contract for direct participation

Contract for direct participation in the Albanian Financial Instruments Settlement and Registration (AFISaR) system

Parties

Bank of Albania, in the capacity of the **Administrator** of the AFISaR system (hereinafter referred to as the "**Administrator**", registered address in: Sheshi õSkënderbejö, No 1, Tirana, Albania, represented in this contract by Mr. Marian Gjermeni, Head of Monetary Operations Department,

and

_____, in the capacity of the **Direct participant** (hereinafter referred to as the õ**Participant**ö), registered address in _____, license no ____), represented in this contract by Ms./Mr. _____ passport/ID no. _____

Having regard to the following:

1. Law No. 8269, dated 23.12.1997 õOn the Bank of Albaniaö, as amended and the agreement between the Bank of Albania and the Ministry of Finance, whereby the Bank of Albania is the fiscal agent of the Government;

2. Article 31 of the Law No. 9665, dated 18.12.2006 õOn state borrowing, state budget and state loan guarantees of the Republic of Albaniaö, the Bank of Albania, in the capacity of the fiscal agent of the Government, creates, maintains the registration system in the accounts for the securities, and supports the creation of the secondary securities market, by facilitating the use of the registration system; and

3. Article 12 of the Decision No ____, dated ____2014 of the Supervisory Council of the Bank of Albania õOn the approval of Regulation 'On the functioning of the central financial instruments registration (AFISaR) system'ö (hereinafter referred to as the õ**Regulation**ö), the entity that wishes to participate in the AFISaR system, shall conclude a contract with the Administrator for participation in the AFISaR system;

Agree to sign this contract according to the following conditions:

Article 1
Scope

The contract establishes the rights and obligations of the Administrator, which arise in the context of it providing services for the settlement and registration of securities in the AFISaR system, as the sole owner and administrator of this system, and of the participant in this system, conform to the terms of this contract and the Regulation.

Article 2
Legal basis

The contract shall be concluded pursuant to articles 659 *et seq* of the Civil Code of the Republic of Albania and the Regulation of the Bank of Albania.

Article 3
Definitions and interpretations

1. The terms used in the contract shall be the terms as defined in the Regulation.

2. "Documentation" is the set of rules that regulate the AFISaR system, including: Regulation on the AFISaR system, AFISaR User's Manual, SWIFT User Guide.

3. Any term or provision of the contract that may give rise to ambiguity shall be interpreted in the context of the Regulation and from the perspective of the purpose for which the parties conclude this contract.

4. For all the issues that are not explicitly stipulated in this contract, the provisions of the Regulation shall apply, and if the latter do not regulate specific issues, the applicable legal and sublegal acts in this field, as cited in the legal basis of the Regulation, shall apply.

Article 4

Application request

The application request, together with other documents required by the Regulation, submitted by the Participant, shall be attached to the contract and shall be an integral part of it.

Article 5

Entry into force and duration

This contract shall enter into force upon signing by the parties and shall extend its effects for an undetermined period of time.

Article 6

Means and form of communication

1. To send/receive payment instructions in relation to transactions of securities registered and settled in the AFISaR system, the Participant shall use as a means of communication:

   a) VPN ☐

   b) SWIFT ☐

2. The Administrator shall, after approving the means of communication set forth in paragraph 1 of this Article, lay down the technical specifications for the communication in accordance with the Regulation.

Article 7

Accounts

The Participant shall operate the following accounts:

   a) Personal account ☐
   b) Omnibus account
      i. Omnibus account for natural persons ☐
      ii. Omnibus account for registered businesses ☐
      iii. Omnibus accounts for pension funds ☐

Article 8

Rights and obligations of the parties

The Administrator and the Participant shall have all the rights and obligations set out in the Regulation, whose implementation is mandatory.

Article 9

Participation fees

The participant shall pay fees stipulated in the Regulation in order to access the AFISaR system. The participant shall take the necessary measures to comply with this obligation, without delay.

Article 10

Confidentiality

The parties commit to keep confidential the information provided reciprocally, making maximum efforts to minimise as much as possible the number of people possessing such information.

Article 11

Administrative sanctions

The Administrator may take the measures envisaged in the Regulation when the Participant fails to conduct its activity in compliance with the Regulation, Documentation and instructions given by it.

Article 12

Modification of the contract

The terms of the contract may be modified upon signing by both parties.

Article 13

Force Majeure

The parties shall not be held liable for any breach of contractual obligations resulting from a Force Majeure, for which the other party shall be notified immediately.

Article 14

Notices

1. Any notice, request or other formal communication between the parties, except for the communication specified in Article 6 of this contract, shall be made via official registered mail, fax, e-mail, or, when this is not possible, via telephone.

2. When the notice, request or communication arrives to the addressee after 16.30 hours, it shall be considered as received at 08.30 hours of the following business day.

3. The parties shall notify each-other on eventual changes of address, within 5 (five) working days from the change.

4. The parties shall notify each-other immediately on eventual changes regarding their representatives.

Article 15

Termination of the contract

1. The parties may terminate the contract when they both agree, or unilaterally for failure to perform important obligations, by notifying the other party in writing at least 15 (fifteen) days prior to the date they wish to terminate the contract, requesting the fulfilment of matured financial obligations, which may arise from the contract.

2. For all the other cases of contract termination that are not envisaged in this contract, the respective provisions in the Civil Code of the Republic of Albania shall apply.

Article 16

Resolution of disputes

For disputes between the parties arising out of or in connection with the implementation of the contract, that the parties may resolve amicably, the competent body for their settlement shall be the District Court of Tirana.

Article 17

Final provisions

1. For resident participants, the contract shall be signed in 2 (two) original copies in Albanian; each party shall keep one copy.

2. For non-resident participants, the contract shall be signed in 4 (four) original copies: 2 (two) in Albanian, and 2 (two) in English; each of the parties shall keep 1(one) copy in Albanian and 1 (one) in English.

3. In case of discrepancy between the text in the contract in Albanian and in English, the Albanian language version shall prevail and shall be binding.

4. The contract, after being read by the parties, shall be signed in their free and independent will.

For the Bank of Albania: **For _____**

Marian Gjermeni
Head of Monetary Operations Department

Appendix 2 - Standard contract template for indirect participation of a legal person

Contract for indirect participation in the Albanian Financial Instruments Settlement and Registration (AFISaR) system through the Bank of Albania

Parties

Bank of Albania, in the capacity of the **Administrator** of the AFISaR system and the Operator of the account of the indirect participant in the AFISaR (hereinafter referred to as the "**Administrator**"), registered address in: Sheshi "Skenderbej", No. 1, Tirana, Albania, represented in this contract by Mr. Marian Gjermeni, Head of Monetary Operations Department,

and

_____, in the capacity of the **Indirect participant** (hereinafter referred to as the õ**Participant**ö), registered address in _____, license no ____), represented in this contract by Ms./Mr. _____ passport/ID no. _____

Having regard to the following:

1. Law No. 8269, dated 23.12.1997 õOn the Bank of Albaniaö, as amended and the agreement between the Bank of Albania and the Ministry of Finance, the Bank of Albania is the fiscal agent of the Government;

2. Article 31 of the Law No. 9665, dated 18.12.2006 õOn state borrowing, state budget and state loan guarantees of the Republic of Albaniaö, the Bank of Albania, in the capacity of the fiscal agent of the Government, creates, maintains the registration system in the accounts for the state securities , and supports the creation of the secondary securities market, by facilitating the use of the registration system; and

3. Article 12 of the Decision No. ____, dated ____2014 of the Supervisory Council of the Bank of Albania õOn the approval of Regulation 'On the functioning of the central financial instruments settlement and registration (AFISaR) system'ö (hereinafter referred to as the õ**Regulation**ö), the entity that wishes to participate in the AFISaR system, shall conclude the contract with the Administrator for participation in the AFISaR system;

Agree to sign this contract according to the following conditions:

Article 1
Scope

The contract establishes the rights and obligations of the Administrator, which arise in the context of it providing services for the settlement and registration of securities in the AFISaR system, as the sole owner and administrator of this system, and in the role of the operator in the indirect participant's account, and of the indirect participant conform to the terms of this contract and the Regulation.

Article 2
Legal basis

The contract shall be concluded pursuant to articles 659 *et seq* of the Civil Code of the Republic of Albania and the Regulation of the Bank of Albania.

Article 3
Definitions and interpretations

5. The terms used in the contract shall be the terms as defined in the Regulation.

6. Any term or provision of the contract that may give rise to ambiguity shall be interpreted in the context of the Regulation and from the perspective of the purpose for which the parties conclude this contract.

7. For all the issues that are not explicitly stipulated in this contract, the provisions of the Regulation shall apply, and if the latter do not regulate specific issues, the applicable legal and sublegal acts in this field, as cited in the legal basis of the Regulation shall apply.

Article 4

Documentation

The application request, together with the documents required by the Regulation, submitted by the Participant, shall be attached to the contract and shall be an integral part of it.

Article 5

Entry into force and duration

This contract shall enter into force upon signing by the parties and shall extend its effects for an undetermined period of time.

Article 6

Means and form of communication

3. To send/receive payment instructions in relation to transactions of securities settled and registered in the AFISaR system, the Participant shall use written orders as a means of communication.

4. Written orders shall be executed by the Administrator, in accordance with the schedule of the system as set out in the Regulation.

Article 7

Securities account

1. The Administrator shall open a securities account for the Participant in the AFISaR system and shall notify the Participant in accordance with Annex 1, an integral part of this contract.

2. The Participant may ask for opening more than one securities account in the same currency and/or in different currencies as established by the Administrator.

Article 8

Settlement agent

1. The Participant shall inform the Administrator about the settlement agent it has selected, in accordance with Annex 2, an integral part of this contract.

2. A notification on the change of the settlement agent may be sent at any time by the Participant by presenting Annex 2, but it shall become effective on the following business day in the AFISaR system.

Article 9

Rights and obligations of the parties

The parties shall have all the rights and obligations set out in the Regulation, whose implementation is mandatory.

Article 10

Participation fees

1. The Participant shall pay the fees set forth in the Regulation for his account in the AFISaR system and other obligations arising from his transactions, without delays.

2. The system Administrator and, at the same time, the Participant's account operator may provide analytical information to the Participant on participation costs.

Article 11

Confidentiality

The parties commit to keep confidential the information provided reciprocally, making maximum efforts to minimise as much as possible the number of people having such information.

Article 12

Authorised persons

The Participant, upon the signing of the contract, shall notify the Administrator about the authorised persons, who are entitled to sign orders on his behalf.

Article 13

Modification of the contract

The terms of the contract may be modified upon signing by both parties.

Article 14

Force Majeure

The parties shall not be held liable for any breach of contractual obligations resulting from a Force Majeure, for which the other party shall be notified immediately.

Article 13

Notices

5. Any notice, request or other formal communication between the parties, except for the communication specified in Article 6 of this contract, shall be made via official registered mail, fax, e-mail, or when this is not possible, via telephone.

6. When the notice, request or communication arrives to the addressee after 16.30 hours, it shall be considered as received at 08.30 hours of the following business day.

7. The parties shall notify each-other on eventual changes of address, within 5 (five) business days from the change.

8. The parties shall notify each-other immediately on eventual changes regarding their representatives.

Article 16

Termination of the contract

3. The parties may terminate the contract when they both agree, or unilaterally for failure to perform important obligations, by notifying the other party in writing at least 15 (fifteen) days prior to the date they wish to terminate the contract, requesting the fulfilment of matured financial obligations, which may arise from the contract.

4. For all the other cases of contract termination that are not envisaged in this contract, the respective provisions in the Civil Code of the Republic of Albania shall apply.

Article 17

Resolution of disputes

For disputes between the parties arising out of or in connection with the implementation of the contract, that the parties cannot resolve amicably, the competent body for their settlement shall be the District Court of Tirana.

Article 18

Final provisions

5. For resident participants, the contract shall be signed in 2 (two) original copies in Albanian; each party shall keep one copy.

6. For non-resident participants, the contract shall be signed in 4 (four) original copies: 2 (two) in Albanian, and 2 (two) in English; each of the parties shall keep 1(one) copy in Albanian and 1 (one) in English.

7. In case of discrepancy between the text in the contract in Albanian and in English, the Albanian language version shall prevail and shall be binding.

8. The contract, after being read by the parties, shall be signed in their free and independent will.

For the Bank of Albania: **For _____**

Marian Gjermeni

Head of Monetary Operations Department

Annex 1. Securities account in the AFISaR

   1.   Securities account/accounts in ALL:

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┌─────────────────────────────────────────────────────────────────┐
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└─────────────────────────────────────────────────────────────────┘

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│                                                                   │
└─────────────────────────────────────────────────────────────────┘
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   2.   Securities account/accounts in foreign currency:

Currency ☐   ┌──────────────────────────────────────┐

Currency ☐   ┌──────────────────────────────────────┐

Currency ☐   ┌──────────────────────────────────────┐

Signature by the representative of the Bank of Albania

Annex 2 Settlement agent

The settlement agent for ALL transactions

shall be the [name of] Bank* _____

The account no. by the settlement agent _____

The settlement agent for foreign currency-denominated transcation:

In currency _____

shall be the [name of] Bank*_____

The account no. by the settlement agent _____

Signature by the legal representative of the Participant/Stamp

*The above-mentioned accounts shall be certified by the attached certificates, issued by the settlement agent.

Appendix 3 - Standard contract for indirect participation of a natural person

Contract between the Bank of Albania and the individual client

Parties

Bank of Albania (hereinafter: **"The Bank")**, legally represented in this contract by: Mr. Marian Gjermeni, Head of Monetary Operations Department.

and

Natural person (hereinafter: **"individual"** _____, identification card (or biometric passport) no _____,

address _____.

Agree to sign this contract according to the following conditions:

Article 1

Legal basis

This contract is signed on the basis and pursuant to the following acts:

a) Law No. 8269, dated 23 December 1997 õOn the Bank of Albaniaö, as amended;
b) Civil Code of the Republic of Albania;
c) Law "On state borrowing, state debt and state loan guarantee of the Republic of Albaniaö
d) Bank of Albania Regulation "On the functioning of the central Albanian Financial Instrument Settlement and Registration (AFISaR)ö
e) Tax legislation; and
f) Other sublegal acts of the Bank of Albania.

Article 2

Purpose

The contract aims to regulate the relationship for opening, keeping and maintaining the securities account(s) of the individual in the AFISaR system of the Bank, in order to realise the investment in the primary market of Government T-Bills (lek) through Bank's counters.

Article 3

Definitions

a) "Securities account" – an account opened in the AFISaR system, which reflects transactions with regard to the T-bill owned by an individual;

b) "Cash account" – an account opened in a commercial bank, which reflects transactions with regard to the investment of individual's funds in T-bills;

c) "Individual" – a natural person, with full legal capacity, who invests in T-bills in the primary market, at Bank counters;

d) "Government" – the Government of the Republic of Albania;

e) "Bank" – the Bank of Albania;

f) "Primary market" – the market where Government securities are sold for the first time;

g) "Auction" – an auction organised at the Bank for selling Government T-bills;

h) "Treasury bills" – short-term Government securities, sold at a discount, whose nominal value is payable on the date of maturity;

i) "Treasury bills issuer" – the Ministry of Finance on behalf of the Government;

j) "Albanian Financial Instruments Settlement and Registration (AFISaR)" – the system that the Bank creates and maintains for the registration and settlement of securities issued by the Government;

k) "Prorata" – the ratio of the preset amount for noncompetitive bids of individuals against the total amount of noncompetitive bids submitted in the auction by the individuals.

Article 4

Securities account

1. The securities account serves to conduct the following actions:

   a) Reflects the purchase of T-bills by the individual in the primary market on the date of issue of the auction;

   b) Reflects the maturity of the T-bill on the date of its maturity;

   c) Reflects the transfer of the T-bill to a security account of a natural person opened at a commercial bank; and

   d) Reflects the sale of the T-Bill by the individual in the secondary market.

Article 5

Cash account

1. The cash account that shall reflect the transactions of the individual with T-bills shall be in one of the commercial banks with which the Bank of Albania has concluded a contract for this service.

2. The individual shall present the information on the commercial bank with which it has a cash account. The information shall contain the following details:
   a) Name of the commercial bank; and
   b) Number of cash account in the form of IBAN.

3. Transactions, which shall be reflected in the individual's cash account in a commercial bank shall be:
   a) the difference of the nominal value with the purchase price of the T-bill;
   b) the remaining un-invested amount in the case of prorata;
   c) the transfer of the matured value of the T-bill after deduction of the tax on interest.

4. Notification on changing the cash account number and/or commercial bank may be sent at any time; however, it shall become effective for transactions on the following business day of the Bank's system.

Article 6

Means and form of communication

1. The individual orders transactions in his securities account and participation in T-bill auctions through written orders presented in one of the Bank's counters.

2. The individual may go to any Bank counter to conduct operations, regardless of where the account was opened.

3. Written orders shall be executed by the Bank, in accordance with the schedule of the AFISaR, as set out in the Regulation of the system.

Article 7

Operations that are not provided

The Bank shall not perform the following operations for individuals:

a) Pledge as guarantee or collateral the T-bills owned by an individual in accordance with his securities account;
b) Transfer the situation of the securities account opened in a commercial bank to his securities account opened at the Bank;
c) Transfer the situation of the securities account of an individual to an account at the Bank or a commercial bank whose holder is different from the individual, except when so ordered by the court;
d) Opening of a securities account with more than one holder; and
e) Any other transaction that is not listed under articles 4 and 5.

Article 8

Obligations of the Bank

In relation to the individual, the Bank has the following obligations:

a) Open, keep, maintain and use, according to functions set out in Article 4, the securities account;
b) Clear and settle any transaction ordered by the individual for permissible transactions with his accounts according to stipulations of Article 4;
c) Provide information to the individual on the investment of the T-bills and make available the informative brochure on the investment of the T-bills.
d) Provide information to the individual on the list of commercial banks with whom it has a contract for opening cash accounts for individuals;
e) Inform the individual on the terms for opening account(s) in accordance with Article 1 "General Terms"
f) Comply with the confidentiality of the individual's data and information on his account, except when information on this data is given with the individual's consent, or are requested by the court, prosecution, or any other authority having the legal competency to collect such information;
g) Provide appropriate informative systems for keeping, securing and administering electronic data for the individual; and
h) Store in a safe place the original documentation used for registering the individual's data or his orders for transactions in his accounts, in accordance with the procedures and time frame laid down in the laws and relevant sublegal acts.

Article 9

Obligations of the individual

In relation to the Bank, the individual has the following obligations:

a) Provide accurate information to open an account/accounts at the Bank and inform the Bank of changes to this information;
b) Provide information verified with the relevant documents, if it has a special status, which are offered fiscal facilities, in accordance with the tax legislation;
c) Obtain information on the T-bills instrument, by asking the Bank employees, reading the informative brochure, or through other sources; and
d) Pay Bank fees, through the commercial bank where he has a cash account, for the provided service, in accordance with the terms and conditions, signed by him in the Annex to the contract.

Article 10

Rights of the individual

In relation to the Bank, the individual has, among others, the following rights:

Ask for information or statement on his securities account(s);

a) Ask for information on investment in T-bills; and
b) Authorise another individual, with a proxy, for transactions in his accounts

Article 11

Waiver of liabilities

The Bank shall not be liable:

a) for failure to comply with contractual obligations due to a force majeure; and
b) for damages caused to the individual by the Issuer of the T-bills.

Article 12

Modification of the contract

1. The Bank may change the terms of the contract and notify the individual in writing or in other means of communcation.

2. Any changes to the contract by the Bank shall become effective once the contract is signed by both parties.

Article 13

Notices

1. Parties shall notify each other via registered mail, fax, e-mail or, when this is not possible, telephone.

2. The parties shall notify each-other on eventual changes of address, within 5 (five) working days from the change.

Article 14

Termination of the contract

1. The individual may terminate the contract unilaterally by notifying the Bank in writing. In this case, he presents himself to the Bank counters to sign the order for transferring the balance of his account(s).

2. The Bank may terminate the contract unilaterally by notifying the individual at least 30 (thirty) days in advance, and provide the conditions for the transfer of the balance of his account(s) in accordance with the individual's orders.

3. Upon the termination of the contract, the Bank shall close all the accounts of the individual.

4. For all the other cases of contract termination that are not envisaged in this contract, the respective provisions in the Civil Code of the Republic of Albania shall apply.

Article 15

Resolution of disputes

Any disputes between the parties that may arise from or in connection to this contract that the parties cannot resolve on an amiable basis shall be resolved by the District Court of Tirana.

Article 16

Addresses

The address of the Bankøs counters

 are as follows:

1. Tirana: Sheshi õAvni Rustemi", Nr. 24, Tirana;

2. Elbasan: Lagja "28 Nëntori", Rruga "11 Nëntori", pranë Prefekturës Elbasan, Elbasan;
3. Korça: Bulevardi "Gjergj Kastrioti", Korçë;
4. Shkodra: Lagja "Qemal Stafa", Rruga "13 Dhjetori", pranë Prefekturës Shkodër, Shkodër;
5. Lushnja: Lagja "Kongresi i Lushnjës", prapa Bashkisë Lushnjë,Lushnjë;
6. Gjirokastra: Lagja "18 Shtatori", Rruga õ18 Shtatoriö, Gjirokastër.

Article 17
Final provisions

1. The contract shall be compiled in 2 (two) copies in the Albanian langauge, of which the Bank shall retain 1 (one) copy and the individual shall retain 1 (one) copy.

2. The contract, after being read by the parties, shall be signed in their free and independent will.

For the Bank of Albania: **Individual: _____**

Marian Gjermeni

Head of Monetary Operations Department   **Mr./Ms. _____**

Annex 1

General terms and conditions

The Bank implements the following terms for services provided to individuals:

1. No cash transactions are carried out at Bank counters
2. The commission for intermediating the individualsø request in the T-bills auction shall be 0 (zero) lek.
3. The commission for opening and maintaining the securities account shall be 0 (zero) lek.
4. The commission for transfers to the commercial bank shall be 0 (zero) lek.
5. Transfers from the individual's accounts shall be cleared and settled not later than 2 (two) business days from the receipt of order from the individual.

Appendix 4:

Contract on settlement of cash transactions which are generated from transactions with securities of natural persons that have a securities account at the Bank of Albania

Parties

Bank of Albania (hereinafter referred to as õ**BoA**ö) registered address: Sheshi õSkënderbejö, No. 1, Tirana, Albania, represented in this contract by Mr. Marian Gjermeni, Head of Monetary Operations Department,

and

_____, (hereinafter referred to as the õ**Bank**ö) registered office address _____, Licence ____), represented in this contract by Ms/Mr _____passport/ID number

Agree to sign this contract according to the following conditions:

Article 1
Scope

The scope of this contract is to regulate the relations between the parties laying down their rights and obligations in the process of cash settlement through transactions in the primary market by natural persons, who have a securities account at the BoA counter.

Article 2
Legal basis

This contract shall be compiled pursuant to articles 659 et seq. of the Civil Code of the Republic of Albania and to Regulation of the Bank of Albania "On the functioning of the Albanian Financial Instruments Settlement and Registration (AFISaR)"

Article 3
Definitions

1. For the purposes of this contract the following terms apply:

   a) Customer - a natural person that participates in the primary market auction of Government T-bills through Bank counters.
   b) Treasury bills - short-term securities, whose issue is regulated by the Guidelines on the issue of Treasury bills by the Government of the Republic of Albania in the form of registration and the Agreement between the Bank of Albania and the Ministry of Finance on the "Organisation of auctions for Albanian state securities, settlement of transactions and keeping of the register for these securities".

c) FTP (File transfer protocol) - a standard network protocol used to transfer computer files from one host computer to another host computer over a TCP-based network, such as Internet.

d) Reconciliation - comparison of data sent from banks, generated automatically from their systems, with the data generated by the AFISaR system of the BoA.

e) Process - in the context used herein, it shall consist of the following steps:

   i)   Blocking the amount by the natural person in the bank;
   ii)   Registration in the AFISaR of the client's request for participation in the auction by the BoA.
   iii) Settlement of cash transactions that are generated by the client's participation in the auction in the primary market (issue/maturity of the security).

f) Security - in the context used herein, it refers only to treasury bills.

g) Cash net value - is the result of transactions for the issue and maturity of securities, which take place on the same settlement day.

h) Natural person – means the individual enjoying full legal capacity.

i) Competent bodies - include court, prosecution, tax and other bodies that, empowered by the law, may block accounts.

2. For other terms, the parties may refer to the terms and scope of the Regulation on the AFISaR system and the relevant legislation.

Article 4
Registration of request

1. The natural person may present himself to one of the branches of the bank and request to block the amount for the auction for the issue of the T-bill he desires, carrying out all the necessary procedures in accordance with the specifications of the bank.

2. The natural person shall present himself to one of BoA counters and state the will to participate in the auction for the issue of the T-bill he desires. At the same time, he presents the cash account number with a commercial bank through which the transactions for purchasing the T-bill shall be settled.

3. Data of the natural person shall be registered at the bank and shall be presented to the BoA in accordance with Annex 1, attached herein as an integral part of this contract.

Article 5
Reconciliation of data

1. Data shall be reconciled by the BoA.

2. The bank shall send the data file compiled in accordance with the form set out in Annex 2, attached herein as an integral part of this contract.

3. The file shall be sent by the bank 1 (one) business day before the date of the auction at 09.30. After this time, the bank may not add or change data, except for correcting errors that arise from the reconciliation process.

4. In case of discrepancies after the reconciliation, the BoA shall communicate to the bank to clarify the discrepancies until 12.00 of the business day prior to the auction day. The final reconciliation shall take place at 16.00. When there are no discrepancies, the BoA shall confirm the data reconciliation.

5. When the final reconciliation according to paragraph 4 is not complete, the BoA shall not present in the auction the requests of the natural persons, for which the reconciliation did not succeed. The BoA shall notify the bank and clients on the rejection of their requests.

Article 6
Settlement

1. On the auction settlement day, the BoA shall debit/credit automatically in the banks account in AIPS the net value of cash for securities transactions for each of its clients.

2. The bank shall automatically process these transactions by intervening in the respective client accounts not later than the date of the auction settlement.

3. The BoA may audit the automatic settlement process in the bank according to paragraph 2, whenever it deems it as reasonable.

Article 7
Errors

1. In the event during the automatic settlement process at the bank errors are identified with regard to securities issue transactions, which may not be remedied, and may result in unjust benefit of the security from a natural person to whom an error has been committed, then the following actions shall be taken:

   a) The Bank assumes the security in its possession. For this, the relevant payment instructions are implemented in the AFISaR for transferring FoP in accordance with the AFISaR regulation.

   b) When assuming ownership over the security is not possible for argumented reasons, the latter shall be transferred to the personal securities accuont of the Ministry of Finance, after having agreed with the latter to return the security price to the bank's account. Transactions shall be carried out in the AFISaR in accordance with the regulation on the system.

2. If during the automatic settlement at the bank of securities maturity transactions errors are found, which may not be remedied within the investigation period set out in the AIPS Regulation, the bank shall return this payment to the BoA, in accordance with the instructions provided by the latter.

Article 8
Suspension orders

If the competent bodies send an order to suspend the natural person's accounts during the time the process has started, then this will take place as follows:

a) If the order arrives at the respective institution before the final reconciliation in accordance with Article 5, paragraph 4, the bank shall suspend the account and notify the BoA immediately on the suspension. The BoA shall deregister the request of the natural person and the final reconciliation is made.

b) If the order arrives at the respective institution after the final reconciliation, the BoA shall suspend the customer's account. The BoA shall notify the bank immediatly upon receipt of the order.

Article 9
Taxation

Taxation at the source on the interest earned, as of the security's maturity date, if there is any, shall be withheld at the BoA.

Article 10
Means and form of communication

1. The means of communication for the file exchange shall be through the file transfer FTP. The FTP service shall be accessed and shall operate only through the secure VPN network.

2. The notification for the settlement of transactions shall be made through MT900 and MT910.

3. Clarification of discrepancies found during reconciliation, or notifications for blocks according to Article 8, shall be made via telephone and/or official e-mail. For blocks in accordance with Article 8, an official letter shall be sent.

Article 11
Notices

When the parties have differences with regard to the method and technology of the systems with which the process is realised, they shall notify each other, at least 3 (three) months befor the changes.

Article 12
Obligations to the client

1. The BoA shall be liable to the natural person, its client for all the rights and obligations towards him, as laid down in the contract with him for a security account.
2. The BoA shall be liable to the natural person for all the rights and obligations towards him, as laid down in the contract with him for a cash account.

Article 13
Entry into force and duration

This contract shall enter into force upon signature by the parties and shall extend its effects for an undetermined period of time.

Article 14
Termination of the contract

1. The parties may terminate the contract amicably, or unilaterally for failure to comply with important obligations, notifying the other party in writing at least 15 (fifteen) days before the date they wish to terminate the contract.
2. For all the other cases of contract termination, that are not envisaged in this contract, the respective provisions in the Civil Code of the Republic of Albania shall apply.

Article 15
Resolution of disputes

For disputes between the parties arising out of or in connection with the implementation of the contract, that the parties cannot settle amicably, the competent body for their settlement shall be the District Court of Tirana.

Article 16
Final Provisions

1. The contract shall be compiled in 4 (four) copies in the Albanian langauge, of which the Bank shall retain 2 (two) copies.
2. The contract, after being read by the parties, shall be signed in their free and independent will.

For the Bank of Albania: **For the Bank:**

Marian Gjermeni   _____

Head of Monetary Operations Department
_____

Annex 1: Data on the natural person

First name/Last name_____

ID number _____

Date of Birth _____

Taxation at source:　　Yes ☐　　　　　　　No ☐

If "yes" tax rate in per cent _____

Residence : Resident ☐　　　　　Non-resident ☐

Address:_____

Official e-mail :_____

Tel: _____

Annex 2: File data

No.	Description	Type	Comments
1	Bank's SWIFT code	String(8) or String (11)	Commercial bank's SWIFT code
2	Unique Ref Number	String (50)	Unique number that identifies the transaction for blocking the amount in the core banking system. Will serve the bank to identify the transaction in case of discrepancy during reconciliation.
3	Reporting date	Date (yyyy-mm-dd tt:mm:ss)	Date and time of data reporting
4	Issue date	Date (yyyy-mm-dd)	Settlement date (date of acution issue)
5	Type of auction	String (2)	Code for: TB 3 months - **3M** TB 6 months - **6M** TB 12 months - **1Y**
6	IBAN	String(28)	IBAN of the individual's current account at the bank
7	Name of	String (50)	First Name of individual
8	Last name	String (50)	Last name of individual
9	Unique identificaiton number	String(50)	Personal number of the individual specified in the ID or

			biometric passport.
10	Amount	Float (max 13; 11 digits plus 2 decimals)	Amount by type of auction Amount with two decimals, undivided.

For each amount blocked by the natural person at the bank, the bank should report a line in the text file according to instructions in Table 1. The Bank should be careful to report different lines when the same client participates in many auctions.

Appendix 5: Waiting queues and status of transaction

1. Waiting queues

In the settlement of operations in securities, the instructions sent by the participants are held, as appropriate, in the following waiting queues:

I. õWaiting for matchingö queue

The õWaiting for matchingö queue contains messages that need matching and that have not yet overcome this stage. An automated process of scanning the waiting queue is performed within the system, all day long, in order to carry out the matching for the messages that need matching.

II. õWaiting for securitiesö queue

The õWaiting for securitiesö queue contains the transactions for which the securities available in the account recording the sellerøs securities are not sufficient to perform the settlement. The rule for queue management is FIFO. Transactions are ordered for each participant depending on the time they enter the system and on the priority assigned by the system. The time when the transaction is considered to have entered the system is the time when the system gives the unique code.
There are two priorities, as follows:
  c) Priority 0: for the operations between the participant and the central bank;
  d) Priority 99: for the operations between the participants.

III. õWaiting for funds confirmationö queue

The õWaiting for funds confirmationö queue contains the transactions waiting confirmation for:
  a) Settlement of ALL-denominated funds from AIPS;
  b) Settlement of foreign currency-denominated transactions in the primary market from the LORO system;
  c) Confirmation from the seller for the settlement of foreign currency-denominated transactions in the secondary market.

IV. õWaiting for deferred startö queue

The õWaiting for deferred startö queue contains information about the operations involving the execution, at a subsequent time, namely:
  a- Second step of Repo transactions;
  b- Transactions with a value date subsequent to the entry date of transactions into the system.

Messages are ordered in the waiting queue and processed by the system depending on the hour/date established for settlement and on the time they entered the system.

  V.   õWaiting for authorizationö queue

The õWaiting for authorizationö queue contains the transactions involving a õrestrictedö account.

 VI.   õWaiting for the settlement ceilingö queue

The õWaiting for the settlement ceilingö queue contains the transactions whose amounts exceed the limit of available funds for the participants without a settlement account in RTGS, or for the participants for whom the system manages the settlement ceiling.
The transaction is held in the waiting queue until the participantøs settlement ceiling reaches the amount needed for the settlement or until the cut-off time of the respective service, when all the transactions held in the waiting queue are cancelled by the system and a notification is sent to the participants.

   2. **Status of transaction**

In addition to the queues described above, a transaction is assigned the following statuses:

  I.   õFinalö, which means that the settlement of the transaction has finalised.
 II.   õCancelledö, which means that the transaction has been cancelled. The transactions can be assigned this status when the system automatically cancels the transactions in waiting queues I, II, III and VI in the cut-off time of the relevant service, or when this is requested by the participant and the transaction is still in the phase when the system accepts the cancellation initiated by the participant.
III.   õRejectedö, which means that the system has not accepted the payment instruction.
IV.   õWaiting for RTGS responseö, which means that the interaction between the two systems, AFISaR and AIPS, or AFISaR and LORO has not taken place yet.
 V.   õWaiting for RTGS releaseö, which means that the respective settlement system, AIPS or LORO has not yet sent a response to the AFISaR for its request to cancel the transactions in the cut-off time of the relevant service.

Appendix 6: Types of messages and notifications

1. Incoming messages

Type of message	Description
MT 540	Instructions to receive a FOP instrument Used also to cancel an instructions
MT 541	Instructions to receive a DVP instrument Used also to cancel an instructions
MT 542	Instructions to deliver a FOP instrument Used also to cancel an instructions
MT 543	Instructions to deliver a DVP instrument Used also to cancel an instructions
MT 527	Instructions related to collateral
MT 910	Confirmation of credit

2. Recognition and notification messages

System uses SWIFT messages to confirm the execution of payment instructions or to warn for failure and extraordinary circumstances Types of messages are as follows

a. Confirmation messages:

Type of message	Description
MT 544	Confirms receipt of an instrument in a FOP transaction. May be used to cancel the instruction or carry out a reverse transaction.
MT 545	Confirms receipt of an instrument in a DVP transaction. May be used to cancel the instruction or carry out a reverse transaction.
MT 546	Confirms delivery of an instrument in a FOP transaction. May be used to cancel the instruction or carry out a reverse transaction.
MT 547	Confirms delivery of an instrument in a DVP transaction. May be used to cancel the instruction or carry out a reverse transaction.
MT 558	Notification related to collateral

b. Notification messages:

Type of message	Description
MT 599	Descriptive messages
MT 548	• Notification for instruction compliance (generated automatically by the system, but one may select not to receive this message) • Notification for instruction rejection, including the reason for rejection

3. Compliance criteria

For payment instructions which enter the system through a workstation and are subject to compliance procedure, the AFISaR shall validate automatically the following compliance criteria:

1. Type of message:
2. Delivering Agent
3. Receiving Agent
4. Type of account where the security is delivered from (type of acount subject to compliance only when it is in both messages)
5. Type of account where the security is received from
6. Settlement date
7. Price
8. ISIN
9. Nominal value of the security

4. Alerts

No.	Nature of alert	Type of alert
1	Informative	Auction Information Created Alert
2	Informative	Auction Information Executed Alert
3	Informative	Auction Information Modified Alert
4	Informative	Auction Information Rejected Alert
5	Error	Blocked User Alert
6	Informative	Failed Messages Alert
7	Informative	Failed Transactions Alert
8	Informative	Issue Modified Alert
9	Informative	Participant Modified Alert
10	Informative	Pledged ISIN Maturity Alert
11	Error	Process Exception Alert

12	Error	Repetitive Alert Failed
13	Informative	Repo Auction Created Alert
14	Informative	Repo Auction Executed Alert
15	Informative	Repo Auction Modified Alert
16	Informative	Repo Auction Rejected Alert
17	Informative	Timetable Modified Alert
18	Informative	Transaction High Amount Alert
19	Warning	Transactions Pending for Funds Alert
20	Warning	Transactions Pending for Securities Alert

Appendix 7: AFISaR business hours

Time	Procedure	Potential activities and transactions
8:30	Start of day	Initiation of procedures for the start of the day
08:45	Start of business day	Participants may send and receive payment instructions
15:00	Intraday auction cut-off	After this hour, an intraday issue auction may not be executed/cancelled.
15:00	Intraday liquidity facility cut-off loan	Second leg of intraday loan with the Bank of Albania is executed automatically
16:00	DVP cut-off	Closing of service for settlement of DVP payment instructions
16:15	FoP cut-off	Closing of service for settlement of FoP payment instructions
16:25	End of business day	After this hour the end-of-day reports are ready and the balances are recorded in the system that serves for the payment of coupons and/or maturities.
16:30	End of day	End of day in the system.

Appendix 8: Commissions applied in the AFISaR

Type of commission	Amount	Per cent
A. Commission		
Access commission for direct participants	0 (zero)	
Access commission for indirect participants	0 (zero)	
Access commission for indirect participants	0 (zero)	
Annual maintenance commission	250.000	
Exit commission	0 (zero)	
B. Commissions for processing and settlement		
Processing commission for DVP transactions (sell/buy, Repo, Rev/Repo, collateral agreements)	0 (zero)	
Procession commission for FOP transactions (portfolio transfers, collateral execution, security replacement in a repurchase agreement operations to match demand for the margin for maintaining the value of the security traded through a repurchase agreement)	0 (zero)	
Commission for processing results in the primary market	0 (zero)	
Commission for processing financial collateral agreements (registration of collateral, replacement of security in a collateral agreement, release of collateral, execution of collateral)	0 (zero)	
Commission for recycling transactions in the primary market	0 (zero)	
C. Other commissions		
Preparation of reports according to specific request	To be assessed according to specific request	
Commissions for organising training	0 (zero)	
Commission for certifying system operators	0 (zero)	
Commission for the access token to the AFISaR system	3 (three) participants for free, others with payment according to the token's cost.	

D. Discounts for incentives

For the processed volume	0 (zero)	
For the processing time	0 (zero)	

Appendix 9: Order form for indirect participants

Form 1.

<div style="border:1px solid black; padding:10px;">

<center>Order</center>

Type of transaction   Buy [ ]   Sell [ ]

Ordering person:

Securities account:

Trade date:

Value date:

International Securities Identification Number (ISIN):

Nominal value:

Price:

Currency:

Trading party: _____ with the securities account _____

</div>

Form 2.

<div style="border:1px solid black; padding:10px;">

<center>Order</center>

Type of transaction: Repurchase agreement [ ]   Collateral agreement [ ]

Ordering person:

Securities account:

Trade date:

Value date:

International Securities Identification Number (ISIN):

Nominal value:

Price:

Date of conclusion of agreement:

Price:

Currency:

Trading party: _____ with the securities account _____

</div>

Appendix 10: Information on direct participant

I. **General information**

Name of institution: _____

Legal representative: _____

Residence : Resident ☐   Non-resident ☐

BIC code _____

Class according to stipulations in Article 15 (1) (a): _____

Address:_____

E-mail:_____

Taxation at source: Yes ☐   No ☐

If "yes", tax rate in per cent _____ proven by an attached document.

Means of communication: VPN ☐   SWIFT ☐

II. **Characteristcs related to the operation of the system:**

1. Licence for custodian/commissioner of securities   ☐   ☐

   If "yes", attach the certification document

2. Confirmation for compatibility of messages Y☐   ☐o

3. Do you have an account in AIPS;   ☐es   ☐o

If "no", your settlement agent is _____.

Please attach herein the document that certifies your relation to the settlement agent.

III. **Contact details**

Contact person for issues/problems related to the system operation:		
Contact person for the business:		
First name, last name		
Position		
Telephone		
Mobile		
E-mail		
Contact person for the IT:		
First name, last name		
Position		
Telephone		
Mobile		
E-mail		

By signing this form, I hereby give my consent for the use of data in the context of the operation of the AFISaR system.

Appendix 11: Information on indirect participant

I. Legal person

Name of legal person

Legal representative_____

NIPT _____

Registration date _____

Taxation at source:　　Yes　[　　]　　　　　　　　No[　　]

If "yes", tax rate in per cent _____ proven by an attached document.

Residence : Resident　　　[　　]　　　　　Non-resident　[　　]

Address:_____

E-mail:_____

Tel: _____

II. Natural person

First name/Last name_____

ID card number _____

Date of birth _____

Taxation at source:　　Yes　[　　]　　　　　　　　No[　　]

If "yes" tax rate in per cent _____

Residence : Resident　　　[　　]　　　　　Non-resident　[　　]

Address:_____

E-mail:_____

Tel: _____

Settlement agent _____

Account number with the settlement agent _____

Please attach herein a certification document for the settlement agent.

Appendix 12: AFISaR membership of a new direct participant

Membership phases

    I.   Testing and training
    II.   Preparation of documents
    III.   Implementation and transition to *live*

I .Testing and training

1. **VPN testing**
   a. installation and configuration of VPN and connection to FTP server at the premises of the candidate institution;
   b. preparation of the request for users in VPN and FTP server from the the candidate institution;
   c. creation of users of VPN and FTP server by the Administrator;
   d. testing of VPN and connection to FTP server by the candidate institution and the Administrator;

2. **SWIFT testing**
   a. If the institution uses the SWIFTNet FIN services for transaction exchanges with the AFISaR system, it should exchange in advance RMA authorisations wit hthe Bank of Albania;
   b. the exchange of a number of test messages through the SWIFTNet FIN test services between the candidate institution and the Administrator.

3. **Training / testing in the AFISaR system for direct participants having access in VPN**
   a. the participating institution shall submit a request for users in the AFISaR test system;
   b. the Administrator shall prepare the security tokens, which shall be delivered to the participants and users in the AFISaR test environment shall be created;
   c. the Administrator shall train two-three employees of the candidate institution for AFISaR system functionalities;
   d. the candidate institution, in cooperation with the Administrator, shall execute and sign the testing document.

II. Preparation of documentation for direct participants with access in VPN
   a. the candidate institution shall prepare the "Internal rules and procedures for the functioning of the AFISaR" in accordance with this Regulation;
   b. the complete documentation shall be submitted to the Administrator for approval;

c. The Administrator makes the relevant remarks/modifications if they contradict this Regulation and/or other Regulations of the Administrator, and presents them to the candidate institution;

d. the candidate institution brings the final version of the "Internal rules and procedures for the functioning of the AFISaR" with the modifications according to paragraph c reflected in it.

III. Implementation and transition to the *Live* AFISaR system for direct participants with access to the VPN

a. preparation and delivery of the participation certificate by the Administrator for the candidate institution;

b. signing of the standard participation contract between the Administrator and the participating institution, in accordance with Annex1:

c. the participant prepares and submits to the Administrator "Information on the direct participant" Appendix 10;

d. the participant completes and submits to the Administrator a "Request for a security token and user in the live environment" Appendix 13 and Appendix 17.

e. the participant completes and submits to the Administrator a "Request for changes to the VPN network" Appendix 14.

f. the participant completes and submits to the Administrator a "Request for creating a user in the FTP-AFISaR system" Appendix 18 after the approval of requests by the Administrator a participant in AFISaR is created, security tokens and user certificates are prepared, users are created in AFISaR *live*, users are created in VPN, security tokens are delivered to the participant;

g. Administrator determines the date for transition to live for the participant and notifies via e-mail all participants in AFISaR;

h. transition to live.

IV. Implementation and transition to the *Live* AFISaR system for direct participants with access to SWIFT

a. the participant submits to the Administrator "Information on the direct participant" Appendix 10;

b. signing of the standard participation contract between the Administrator and the participating institution, in accordance with Annex1:

c. Administrator determines the date for transition to live for the participant and notifies via e-mail all participants in AFISaR;

d. transition to live.

Appendix 13 - Form for security device

CONFIDENTIAL

Bank of Albania	
Monetary Operations Department	
Request for security device	

Tirana, on ___ / ___ / ___   **To the Bank of Albania:**

Authoriser

Institution _____a participant in the AFISaR system, needs security tokens as per the following:

No.	Name of device	Quantity	Price per unit[1]	Value
1				
2				

Name of persons (first name, last name) that will use the cards:

For the issuing institution:

_____

Security devices were handed over, in accordance with the respective handover records dated: _____

---

[1] Value of security devices will be withheld from the institution's account with the relevant settlement agent.

Appendix 14 - Form for changes to the VPN network

CONFIDENTIAL

Bank of Albania
Information Technology Department
<u>Request for changes to the VPN network</u>

Tirana, on   /   /

                                             To the Bank of Albania:

                                                  Authoriser

Issuing institution submitting the request for changes:

_____

Reason and details for the changes:

_____
_____
_____
_____
_____
_____
_____

                                     For the issuing institution:

                                   _____

                                       Authoriser of request

Appendix 15-Self assessment of operation in AFISaR

Participant: _____

Assessment for year_____

Annual assessments shall be submitted in January of each calendar year

_____

Please answer the following questions:

A. Criminal activity related to the AFISaR system

1. Has your institution noted any criminal activity or efforts for criminal activities in the framework of the AFISaR system, during the year?

2. If yes, has it been reported to the administrator, in accordance with the rules and procedures of the AFISaR system?

3. Has the used method been identified and the appropriate correction made?

4. Did this activity result in financial loss for the institution or your clients?

5. If yes, are you still working for compensating such losses?

B. Contingency plans and relevant facilities

1. Does your institution have a documented contingency plan related to operations in the AFISaR?

2. Does the plan cover the possible scenarios in a satisfactory manner?

3. Does your institution hold computer backup facilities and/or for the SWIFT interface that is used for connection to the AFISaR?

4. If yes, are these facilities physically separated from the main location of the SWIFT environment?

5. Do you think that possible risks to the work have been addressed and analysed in a satisfactory manner?

C. Interruption period and system stability

1. Have ever had defects or repeated problems during AFISaR operations?

2. If yes, have they been reported to the Administrator and have they been reported in the register of unforeseen events in accordance with AFISaR procedures?

3. Du you think that your systems connected to the AFISaR have adequate capacities and stability to cope with your traffic of payments in a timely and secure manner?

Appendix 16

Reporting of incidents for month _____year _____ in AFISaR

Participant:_____

Date of event	Time of event	Nature of problem	Decision taken	Time the problem was fixed

Appendix 17 - Form for Request to create user

<table>
<tr><td colspan="2" align="center">REQUEST TO CREATE USER</td></tr>
<tr><td align="center">To:</td><td align="center">Bank of Albania
Monetary Operations Department</td></tr>
<tr>
<td>From the Issuing Institution
_____</td>
<td>Date of request: __/__/____

(dd/mm/yyyy)</td>
</tr>
<tr><td colspan="2">

The following users shall be granted access rights in the system, according to the table:

First name/Last name of user	Profile name

</td></tr>
<tr><td colspan="2">

For the issuing institution:

Authoriser of request

(_____)

To the Bank of Albania:

Authoriser of request

(_____)

</td></tr>
</table>

Appendix 18 - Form for creating users in the FTP-AFISaR system

CONFIDENTIAL

Bank of Albania

Information Technology Department

Form for creating users in the FTP-AFISaR system

Tirana, on   /   /

To the Bank of Albania:

Authoriser

Requesting institution _____

User names (first name, last name) : Level of access[1]

For the issuing institution:

_____

(1)Level of user's access in the respective folder of each institution may be:
READ/WRITE
READ