



**REPUBLIC OF ALBANIA
MINISTRY OF FINANCE**
No. 3211, On 10.03.2014



**REPUBLIC OF ALBANIA
BANK OF ALBANIA**
No. 588, On 10.03.2014



**REPUBLIC OF ALBANIA
ALBANIAN FINANCIAL SUPERVISORY AUTHORITY**
No. 515, On 10.03.2014



**REPUBLIC OF ALBANIA
DEPOSIT INSURANCE AGENCY**
No. 254, On 10.03.2014

MEMORANDUM OF UNDERSTANDING

Between the Ministry of Finance, Bank of Albania, Financial Supervision Authority and Deposit Insurance Agency:

"On cooperation for the prevention and management of extraordinary situations in the activity of the financial system in the Republic of Albania"

I. Definitions

In this Memorandum of Understanding, the following terms shall mean:

1. "*FSAG*" – is the Financial Stability Advisory Group, established pursuant to Article 30 of Law No. 9572, dated 03.07.2006 "On the Financial Supervision Authority";
2. "*FSAG member*" – is the Ministry of Finance, the Bank of Albania and the Financial Supervision Authority (hereinafter referred to as MoF, BoA, and FSA), according to the stipulations of Article 30 of Law No. 9572, dated 03.07.2006 "On the Financial Supervision Authority";
3. "*Authorities*" – are the FSAG members and the Deposit Insurance Agency (hereinafter referred to as DIA), which participates regularly in FSAG meetings to exercise their rights and obligations under this Memorandum;
4. "*Senior managers of Authorities*" – are the persons that discharge the following functions: Minister and/or Deputy Minister of the Ministry of Finance; Governor and/or Deputy Governor of the Bank of Albania; Chair or Deputy Chair of the Financial Supervision Authority; and Director General of the Deposit Insurance Agency;
5. "*Systemic risk*" – is an extraordinary situation situation that may be currently happening or is expected to happen in the activity and/or infrastructure of the financial system, and that may severely damage its capacity to act in a stable way, to provide financial intermediation services, or to enable the settlement of payments in the economy.
6. "*Systemic infrastructure*" – consists of financial institutions and any other infrastructure, which is supervised by the authorities and deemed by them as critical to the stability of the entire financial system;
7. "*Responsible authority*" – is the authority that supervises the segment of the financial system, where a risk is identified or developed;
8. "*Secretariat*" – is the Secretariat of the FSAG, established according to Chapter V, paragraph 4 of the Memorandum and functions according to procedures established in Annex 1, herein;
9. "*TSG*" – is the Technical Support Group of the FSAG, established according to Chapter V, paragraph 5 of the Memorandum and functions according to procedures established in Annex 2, herein.
10. "*Regular meeting of the FSAG*" – is the meeting of the FSAG that is convened every quarter;
11. "*Ad hoc meeting of the FSAG*" – is a meeting of the FSAG that may be convened at any given time, upon the request of a member, to tackle an event/development of systemic importance for the financial system;

II. Institutionalization of Cooperation

1. MoF, BoA, FSA and DIA:

- a) considering the status and responsibility deriving from the implementation of the Constitution of the Republic of Albania, the Law No. 8269 of 23.12.1997 "On the Bank of Albania", as amended, the Law No. 9662 of 18.12.2006 "On banks in the Republic of Albania", as amended, the Law No. 9572, of 03.07.2006 "On the Albanian Financial Supervision Authority"; the Law No. 8873, dated 29.03.2002 "On deposit insurance", as amended; international standards and best practices for handling extraordinary financial situations that may threaten the stability of financial system;
- b) considering that the institutionalization of cooperation between authorities that steer and supervise developments in the financial system, and the in advance preparation for handling systemic risks, contribute to handling with efficiency and professionalism:

decided to conclude this Memorandum of Understanding, in the framework of achieving the common objective for maintaining financial stability in the country.

- 2. Through this Memorandum, the Authorities express their will to enhance and formalize cooperation. Based on this will, and to complement the existing legal provisions, the Authorities will stipulate herein several procedures to supplement the functioning of the FSAG, as an advisory body on financial stability matters.

III. Objectives of Cooperation

- 1. In the framework of exercising their responsibilities and ensuring financial stability for the country, the Authorities will discuss and harmonise the necessary actions, focusing on the following objectives:
 - a) preventing systemic risks;
 - b) managing systemic risks;
- 2. To achieve the above-mentioned objectives, the Authorities will cooperate to:
 - a) realise on-going and comprehensive supervision of markets, of all financial institutions and of the supporting technical infrastructure;
 - b) identify in due time the developments that represent a potential systemic risk, and implement in an efficient and coordinated way the necessary actions to prevent them;

- c) conceptualise and realise improvements to the legal and by-legal acts, and the framework of instruments to handle systemic risks, including communication about them to the public;
- d) plan and enhance human, technical and financial capacities, necessary to manage systemic risks;
- e) test the implementation of procedures and special actions in the event of a crisis, by simulating extraordinary financial situations;
- f) consult on the impact that amendments to the institutional policy of each authority may have on the responsibility and capability of other institutions with regard to managing extraordinary situations;

IV. Principles of Cooperation

Cooperation of Authorities, under this Memorandum, shall be guided by the following principles:

- a) achieving regular information exchange, in compliance with the letters and spirit of the effective legislation, through specific and regular communication between experts of each institution, so that each authority fulfils its responsibility;
- b) determining accurately the area of activity of each institution in the situations of systemic risk prevention and management to prevent inaction, inefficiency and unnecessary overlapping as well as enhance responsibility;
- c) achieving appropriate transparency to foster Authorities' credibility and responsibility related to accomplished actions;
- d) aiming at a steady solution, which implies that systemic risk situations are handled by relying, as much as possible, on a market solution, which preserves present and future market competition and prevents wrong incentives on the economic agents' activity, with the main objective to maintain the stability of the country's financial system at the lowest cost possible for public funds, wealth and interests;

V. Functioning of the FSAG

1. In the framework of the FSAG, the Authorities shall discuss, consult and harmonise their actions for the identification, monitoring, prevention and management of systemic risks.
2. The FSAG shall hold:

- a) regular meetings; and/or
 - b) *ad-hoc* meetings.
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- 3. At FSAG meetings, the Authorities shall be represented by the senior management of the institutions, accompanied by their support staff. Representatives of other institutions that have a role or interest in matters addressed by the FSAG, including representatives of the financial industry, may also be invited to participate in FSAG's meetings. The meetings are chaired by the Minister of Finance.
 - 4. The FSAG shall have a Secretariat, which is organised and functions as specified in Annex 1 attached herein. Prior to the next regular FSAG's meeting, each Authority shall submit the Secretariat a list of matters and materials they intend to discuss. Before the FSAG's meeting, the Secretariat shall prepare and circulate the materials of the FSAG's meeting to all Authorities. A member of the Secretariat shall keep the minutes of the meeting.
 - 5. The work of the FSAG shall be supported by the Technical Support Group (TSG). TSG's organisation and functioning is specified in Annex 2 attached herein.
 - 6. In the context of cooperation at the FSAG, the Authorities may establish joint working groups providing necessary expertise to inform, discuss and address issues. If necessary, representatives of other interested institutions, both public and private, may be invited to participate in these working groups. When deemed necessary, the joint working groups shall operate on the basis of procedures that will, at least, determine: the purpose of its establishment, method and duration of its operation, and the way the results will be reported to the FSAG.
 - 7. At the FSAG's meetings, each Authority may express its opinion on the issues being discussed, aiming at converging positions and actions. There will be no voting about matters discussed at the FSAG's meeting. In the case of contrary opinions, the parties' positions shall, if necessary, be expressed in writing. At every meeting, the FSAG shall assess the appropriateness of issuing and the content of a press release on the meeting.

IV. Agenda of regular FSAG meeting

At a regular FSAG meeting, the authorities shall exchange information on:

- a) *financial system situation and assessment of risks*, where:
 - i. the BoA shall provide an overview of the banking sector financial situation and risks;
 - ii. the FSA shall provide an overview of the financial performance of the institutions it supervises, and an assessment of their exposure to the banking sector or other financial system segments;
 - iii. the DIA shall present information on the compensation fund liquidity level;
 - iv. the MoF shall provide an overview of the real economy, performance of main budget items and debt financing;
- b) *capacities/instruments to cope with an extraordinary financial situation*, where:
 - i. the BoA shall make an assessment of the appropriateness of available instruments to cope with an extraordinary financial situation in the banking sector and other institutions it supervises;
 - ii. the FSA shall make an assessment of the appropriateness of available instruments to cope with an extraordinary financial situation in the non-bank financial sector;
 - iii. the DIA shall make an assessment of its readiness for the immediate fulfilment of deposit compensation procedures;
 - iv. the MoF shall make an assessment of the impact and room in the state budget, as the last resort, to manage an extraordinary financial situation jeopardising financial system stability;
 - v. the authorities shall address the problems that may arise as a result of the integration of domestic financial markets with the international financial markets, and the subsequent implications arising from the need/challenge to cooperate with foreign counterpart authorities.
- c) *initiatives/projects that substantially impact the financial system activity*, including regulatory and legal reforms. In this context, the Authorities shall support each other in drafting laws or decisions, and submitting them to the Council of Ministers.

V. Agenda of ad-hoc FSAG meetings

1. At the ad-hoc FSAG meeting:

- a) the responsible authority shall:
 - i. focus the contents of information on the emerging risk and its potential to transform into a systemic risk;
 - ii. assess the possibility for the speed at which this risk might evolve over time, its restriction or spread across other financial system

- segments and impact on different markets, as well as other implications;
 - iii. assess the possibility for this situation to affect public behaviour;
 - iv. inform other authorities on the actions taken or to be taken in the near future, and the availability and validity of different legal mechanisms to address the situation;
 - v. assess the need for other actions by the Authorities;
- b) upon the information provided by the responsible authority, the other authorities shall:
- i. assess the magnitude of risk and probability of its spreading;
 - ii. assess the need for additional information and establish the modality for its collection;
 - iii. inform other public institutions on developments and relevant risk;
 - iv. assess the need and prepare, at the earliest possible time, legal, regulatory and operational amendments to handle the extraordinary financial situation;
 - v. evaluate the communication strategy with the public, media and other economic agents, aiming at providing accurate and harmonised information, at the necessary frequency and as suitable to the situation;
 - vi. inform the foreign counterparts or international financial institutions and seek their assistance or cooperation in the event of an extraordinary financial situation arising from international developments or with similar implications.
2. Besides the actions set out in paragraph 1, the Authorities shall consider taking other measures that would contribute to an effective resolution of the extraordinary financial situation jeopardising the financial system stability.

VI. Management of information

1. With a view to supporting the analysis and cooperation, and according to their fields of competence, the Authorities shall periodically organise, store and update information on financial institutions (particularly systemic-important financial institutions), including, at least:
 - a) the legal organisation of ownership and management structure;
 - b) balance sheet data, and asset and liability composition;
 - c) capitalisation, profitability and liquidity indicators;
 - d) exposures to other financial institutions, critical infrastructure and certain market segments;
 - e) share and impact on the market, the real economy, inter-sectorial exposures, market liquidity conditions, etc.;

- f) other data on situations that may hamper their ability to operate safely and soundly.
- 2. When information is exchanged, the recipient Authority shall ensure that it shall only be used to fulfil its responsibilities and not be forwarded to a third party without prior notice to the Authority furnishing the information, unless otherwise provided by law.

VII. Interpretation, amendment and entry into force of the Memorandum

- 1. Different interpretations that may arise during the implementation of this Memorandum shall be resolved through direct communication and consensus between the parties.
- 2. Any amendments to this Memorandum shall be made in writing and agreed upon by its parties. The amendment shall become effective on the date the amended Memorandum is signed by the parties or on another date as approved by the signatory parties. Each party shall respond in writing to the proposal for amendments or other amendments made by another party, no later than 30 (thirty) days following the receipt of this proposal.
- 2. This Memorandum was signed by the parties on **10 March 2014** and shall enter into force on the date of its signing.
- 3. Upon its entry into force, this Memorandum shall replace, hence invalidating, the Memorandum of Understanding between the MoF, BoA, FSA and DIA "On cooperation for the development of the financial system and prevention and management of extraordinary situations in the activity of financial markets and financial institutions operating in the Republic of Albania, which may jeopardise the financial system stability in the country (hereinafter referred to as systemic risks)", registered at:
 - a) MoF with No. 1412/1, dated 03.02.2012;
 - b) BoA with No. 422/1, dated 27.01.2012;
 - c) FSA with No. 255, dated 09.02.2012; and
 - d) DIA with No. 110, dated 10.02.2012.
- 4. This Memorandum shall be drafted in four original copies with equal legal power, one for each party.

MINISTRY OF FINANCE

Shkëlqim CANI

Minister
(signature, stamp)

BANK OF ALBANIA

Ardian FULLANI

Governor
(signature, stamp)

ALBANIAN FINANCIAL SUPERVISORY
AUTHORITY

Enkeleda SHEHI

Chairwoman
(signature¹, stamp)

DEPOSIT INSURANCE
AGENCY

Toni GOGU

Director General
(signature, stamp)

¹ With the Chairwoman authorization, the document was signed by Mrs. Enkela Idrizi, Deputy Chairwoman.

Annex 1:

FUNCTIONING OF FSAG SECRETARIAT

I. Grounds for the establishment of the Secretariat

The Secretariat shall be established in compliance with Chapter V, paragraph 4 of the Memorandum, to assist the FSAG.

II. Functions of the Secretariat

1. In compliance with the work of and in line with the FSAG directions, the Secretariat will serve as a structure, which, through its members, will:
 - a. request from authorities, gather, deliver to authorities and manage the information that serves as a basis for discussion at FSAG's meetings;
 - b. deliver various materials at FSAG's meetings, according to the need and possibility;
 - c. monitor the implementation of the Memorandum.
2. To fulfil its functions, the Secretariat, through its members will:
 - a. establish and maintain regular communication between the relevant authorities' structures, the TSG, and the joint working groups established upon the recommendations of FSAG;
 - b. deliver instructions on the form and content of the information provided by the authorities and the joint working groups, for the improvement of FSAG meetings' effectiveness;
 - c. suggest issues to be discussed at FSAG's meeting;
 - d. monitor the realisation of recommendations from FSAG's meeting;
 - e. keep the minutes of the meeting and maintain the documentation of issues discussed at FSAG's meetings.
3. The authorities will assist the Secretariat to fulfil its functions by supporting it through their internal structures.

III. Composition of Secretariat

1. The Secretariat shall be composed as follows:
 - 3 employees from the Bank of Albania;
 - 2 employees from the Ministry of Finance;
 - 2 employees from the Financial Supervisory Authority;
 - 2 employees from the Deposit Insurance Agency.
2. One representative of the Bank of Albania shall serve as the Chair of the Secretariat. One representative of the Ministry of Finance will serve as the Deputy Chair of the Secretariat and will exercise the powers of the Secretariat's Chair in his absence.

3. To fulfil the Secretariat's function, the members will have different tasks and will collaborate and harmonise their actions to realise them.
4. The Authorities will nominally assign their representative employees in the Secretariat and their respective role.

IV. Role of the Chair of the Secretariat

To accomplish the Secretariat's function, the Chair will:

- a. participate at the FSAG and TSG meetings;
- b. represent the Secretariat in communications with the authorities;
- c. organise the work of Secretariat's members, by assigning tasks, coordinating actions and facilitating collaboration among them;
- d. maintain regular communication with the authorities' management, about issues that will be discussed at the FSAG's meeting and to improve the Secretariat's functioning;
- e. propose, provide opinions and introduce different issues that are discussed at FSAG and TSG meetings.

V. Operations by Secretariat for the well-functioning of FSAG meeting

1. For the well-functioning of FSAG's regular meeting, the Secretariat members will carry out these operations:
 - *before the meeting:*
 - a. the chair and deputy chair of the Secretariat, through consultations with the management of Authorities or persons authorised by them, will set out:
 - i. the date and place of the meeting to be held;
 - ii. FSAG meeting agenda and the nature and amount of information to be addressed at the meeting;
 - b. the chair of the Secretariat will inform the management of the Authorities or their authorised persons, on the meeting agenda and provides guidance on the materials they have to introduce at least 20 days prior to the meeting;
 - c. the Secretariat members will communicate with the Authorities to collect the materials they want/may deliver at the meeting, at least 7 days prior to the meeting;
 - d. in coordination with the Authorities they represent, the Secretariat members may compile and introduce various materials at FSAG's meetings;
 - e. the Secretariat members will submit to the Authorities' management, or persons authorised by them, the materials to be discussed at the meeting, in line with the established agenda, at least 3 days prior to the meeting;
 - f. the Secretariat members will provide printed copies of the meeting materials for the participants, accordingly;

- *during the meeting:*

- g. the Secretariat members will participate at the meeting;
- h. the chair and deputy chair of the Secretariat will monitor the implementation of the meeting program;
- i. a member of the Secretariat will keep the minutes/process-verbal of the meeting and reflect the recommendations of the meeting;
- j. the members of the Secretariat will draft the press release about the meeting and the communication with other institutions, if authorised by the Authorities during the meeting;

- *after the meeting:*

- k. the members of the Secretariat will monitor the publication of the press release, with the same content, on the web pages of the Authorities and will ensure that it occurs no later than 1 business day after the meeting;
 - l. the Chair of the Secretariat, within 3 business days from the end of the meeting, will deliver at the Authorities' management the minutes of the meeting, by clearly identifying the recommendations of the meeting and, when possible, the tentative date of the next meeting to be held;
 - m. the members of the Secretariat will store electronically and/or archive the materials addressed in the meeting and its minutes.
2. All the actions stipulated in paragraph 1, will be carried out in the case of ad-hoc meetings of FSAG, at an adopted form, for as much as it is possible given the time available for the organisation of the meeting, and as long as it does not contradict the priority need for organising the meeting swiftly.

VI. Means of communication

As a rule, the communication of the Secretariat with the representatives of authorities and the transfer of the meeting's materials will be carried out via electronic mail. When recommended as necessary by one of the authorities due to the circumstances and issues to be discussed at the meeting, the communication will be carried out only in paper.

VII. Status of the information that is used at FSAG's meetings

- 1. Any information used at FSAG meetings, any material discussed and the communication about them will be considered as "confidential" and will not be published. At FSAG's meetings, the authorities will set out the information that may be published and/or shared with third parties, and the means for doing it.
- 2. In the event of publication, the Secretariat's representative will summarise the information that may be published, will consult it with the members, and then delivers it for publication on the official internet pages of each authority.

Annex 2:

FUNCTIONING OF THE TECHNICAL SUPPORT GROUP

I. Grounds for establishing the technical support group

Technical Support Group (hereinafter referred to TSG) shall be established pursuant to Chapter V, paragraph 5 of the Memorandum to support the FSAG activity.

II. TSG Functions

1. TSG performs the following functions:
 - a. identifies and discusses the latest developments in the financial system and assesses potential risks associated with them;
 - b. assesses the performance of the FSAG recommendations;
 - c. supports by providing information and opinions on issues discussed by the FSAG;
 - d. proposes to the Secretariat various issues to be discussed at the FSAG meetings.
2. For a proper functioning, the TSG shall coordinate its work with the Secretariat.

III. TSG members

TSG members are:

- a. Deputy Minister of Finance;
- b. First Deputy Governor of the Bank of Albania;
- c. Vice Chair of the Albanian Financial Supervisory Authority.

IV. TSG meetings

1. As a rule, the meeting shall be held monthly, on third Thursday of the month. On the month when the FSAG regular meeting takes place, the TSG shall meet a few days earlier.
2. As a rule, the meeting shall be held at the Ministry of Finance or Bank of Albania premises. It may be held at any of the headquarters of other members, at their request and upon the consent from all the members.

3. The members may delegate participation in the meeting not more than twice a year. In these cases, the meeting shall be attended at least by the Deputy Minister of Finance or the First Deputy Governor of the Bank of Albania;
4. The TSG members may be accompanied by support staff in the meeting.
5. The Chair of the Secretariat shall attend the TSG meeting.
6. The Secretariat, in consultation with the TSG members, shall coordinate and prepare the meeting agenda.
7. The meeting notice and agenda shall be sent in advance also to the office of the Director General of the Deposit Insurance Agency (DIA) so that he/she:
 - a. ensures institution's representation in the meeting if necessary, or when invited by the TSG members;
 - b. puts forward or confirms the issues to be discussed at the meeting agenda, in the case of DIA's representation in meeting.
8. TSG members, and DIA as the case may be, shall ensure preparation of the needed materials according to meeting agenda and shall send them to the Secretariat representative to prepare them for submission to the meeting, as rule, not later than 2 days before the meeting date.
9. When the meeting is over, the Secretariat representative shall prepare and share the meeting minutes with other TSG members and shall insure their saving.

V. Decisions in the meeting

1. In TSG meetings, participants give their opinions on issues under discussion.
2. Because of the nature of addressed issues and the TSG role, no voting shall take place in the meeting.
3. The positions formulated at the meeting aim to rely on the participants' consensus.

VI. Manner of communication and saving of information

1. As a rule, Secretariat representative will communicate with the participants of the meeting and will share meeting materials via e-mail. In this case, the Secretariat shall save the materials electronically.
2. When deemed as necessary by one of the members, because of circumstances of an issue or of a certain meeting, the communication shall be carried out and safeguarded only in paper.

VII. Status of information used in TSG meetings

1. As a rule, all information used in the TSG meetings, all materials under discussion and related communication, shall be classified as “confidential” and shall not be published.
2. When otherwise provided, the TSG members shall determine the part of information and discussions that may be published.
3. In the case of paragraph 2, the Secretariat representative shall summarise the information that may be published, consult it with the members and then send it for publication on the official internet pages of each authority.