



**REPUBLIC OF ALBANIA
BANK OF ALBANIA
SUPERVISORY COUNCIL**

DECISION

No. 9. dated 07.02.2018

ON

**THE APPROVAL OF THE POLICY “ON INCREASING THE USE OF THE NATIONAL CURRENCY IN THE
ACTIVITY OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS THAT ARE SUBJECT TO THE
BANK OF ALBANIA REGULATION AND SUPERVISION”**

In accordance with Article 3, paragraphs 2, 3, 4, items “c” and “f”, and 5, of Article 43, item “j” of the Law No. 8269, dated 23/12/1997 “On the Bank of Albania”, as amended, having regard to the proposal of the Financial Stability Department, the Supervisory Council of the Bank of Albania,

DECIDED:

1. To adopt the Policy Document “On increasing the use of the national currency (ALL) in the activity of banks and non-bank financial institutions, subject to the Bank of Albania regulation and supervision”, as provided thereto.
2. The Financial Stability Department and other structures of the Bank of Albania are responsible for implementing this Decision.
3. The Governor's Office is responsible for publishing this Decision on the website and the Official Bulletin of the Bank of Albania.

This decision shall enter into force immediately.

SECRETARY

Elvis Çibuku

CHAIR

Gent SEJKO



**REPUBLIC OF ALBANIA
BANK OF ALBANIA**

POLICY

“ON INCREASING THE USE OF THE NATIONAL CURRENCY IN THE ACTIVITY OF BANKS AND NON-BANK FINANCIAL INSTITUTIONS THAT ARE SUBJECT TO THE BANK OF ALBANIA REGULATION AND SUPERVISION”

I. Definitions

For the purpose of this Document, throughout the text, the following terms shall mean:

- a) ‘*MFE*’ – is the Ministry of Finance and Economy;
- b) ‘*FSA*’ – is the Financial Supervisory Authority
- c) ‘*DIA*’ - is the Deposit Insurance Agency;
- ç) ‘*authorities*’ – are MFE, FSA, DIA, and any other Albanian public institution with whom the Bank of Albania collaborates to realise this policy;
- d) ‘*entities*’ – are the financial institutions, subject to the Bank of Albania supervision and regulation;
- dh) ‘*stakeholders*’ – are the authorities, entities and any other legal person that may be effected by the activities undertaken in the framework of this policy;
- e) ‘*Organic Law*’ – is the Law No.8269, dated 23.12.1997 “On the Bank of Albania”, as amended;
- ë) “*Law on banks*” – is the Law No.9662, dated 18.12.2006 “On banks in the Republic of Albania”, as amended.
- f) ‘*SLA’s Law*’ – is the Law No 52/2016, dated 19.05.2016 “On savings and loan associations and their unions”;
- g) ‘*Payment System Law*’ – is the Law No. 133/2013, dated 29.04.2013 "On Payment System", as amended;
- gj) ‘*Bank Recovery and Resolution Law*’ – is the Law No. 133/2016, dated 23.12.2016 “On Bank recovery and resolution in the Republic of Albania”, as amended
- h) ‘*Financial Supervisory Authority Law*’ – is the Law No. 9762, dated 03.07.2006 “On the Financial Supervisory Authority", as amended;

- i) ‘*Memorandum of Understanding*’ – is the Memorandum of Understanding signed on 10.03.2014 between the Ministry of Finance, the Bank of Albania, the Financial Supervision Authority and the 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”, as published¹;
- j) ‘*FSAG*’ – is the Financial Stability Advisory Group, which functions in accordance with Article 30 of the FSA Law and the Memorandum of Understanding;
- k) “*Deposit Insurance Law*” – is the Law No. 53/2014 “On Deposit Insurance”;
- l) ‘*The Macro-prudential Policy Strategy*’ – is the Macro-prudential Policy Strategy approved by the Supervisory Council’s Decision, No.38, dated 02.08.2017, as published²;
- ll) ‘*Memorandum of Cooperation*’ – is the memorandum signed between the Ministry of Finance and Bank of Albania and Financial Supervisory Authority on 18.04.2017 “ To increase the use of the national currency (ALL) in the Albanian financial system and economy ”, as published³;
- m) ‘*policy*’ – shall mean this Document, unless defined otherwise;
- n) ‘*increase of the use of the national currency*’ – means the increase of the national currency’s share in the indicators of the financial entities.

II. General provisions

The Bank of Albania, *in the framework of the contribution it provides*:

- a) in the capacity of the monetary authority, under the Organic Law;
- b) in the capacity of the supervisory and regulatory authority of the banking sector activity and of some non-bank financial institutions’ activity, under the Organic Law, the Law on banks and the SLA’s Law;
- c) in the capacity of the supervisory and regulatory authority of payment systems, under the Organic Law and the Payment System Law;
- d) in the capacity of the resolution authority in banks and in strengthening the crisis management framework in the financial system, according to the Law on banks, Resolution Law, Deposit Insurance Law;
- e) in maintaining the financial stability and managing the systemic risk, according to the Organic Law, Law on banks, Macro-prudential Strategy and the Memorandum of Understanding;

¹ Published at: https://www.bankofalbania.org/web/Collaboration_3452_2.php?kc=0.25.4.0.0

² Published at: https://www.bankofalbania.org/web/Finanacial_Stability_3448_2.php

³ Published at: https://www.bankofalbania.org/web/Collaboration_3452_2.php?kc=0.25.4.0.0

recognizing the advantages of increasing the use of the national currency in the financial system for:

- i) improving the effectiveness of monetary policy and micro and macro -prudential policies;
- ii) reducing risks to financial stability;
- iii) other economic and financial benefits, toward achieving stability of economic growth and increasing financial resilience of economic agents;

and considering that:

- the levels of the use of the national currency in the financial system reflect its degree of use throughout the economy;
- the process of increasing the use of the national currency in the financial system becomes more effective if it is based on the collaboration with the relevant stakeholders;
- the increase of the use of the national currency is a process that takes time, continuous commitment and realistic objectives;

affirms its principal support and commitment to this process, through the approval of this policy.

III. Determinant factors for the process

The process of increasing the use of the national currency in the activity of entities, that is the effectiveness of this policy, is determined by the ability of authorities to ensure:

- a) the stability of the overall macroeconomic framework and financial stability, as key preconditions for safeguarding public confidence in the national currency;
- b) the preservation of the inflation targeting and the floating exchange rate regimes, as important factors for providing the right incentives to enhance public awareness against financial risks;
- c) the development of the financial market, in terms of expanding financial instruments in the national currency and improving their trading characteristics;
- d) the collaboration and action harmonisation, for the gradual and continuous increase of the use of the national currency across the financial system and the real economy.

IV. Purpose

The purpose of this document is to define briefly the ways how the Bank of Albania will contribute to increasing the use of the national currency and how it will assess the effectiveness of this contribution.

V. Objective

The Bank of Albania, through the implementation of this Policy, aims, by way of its positions and actions, to contribute in establishing the conditions that promote the greater use of the national currency (and the reduction of the foreign currency share) in the activity of entities.

VI. Scope

1. The entities, including banks and non-bank financial institutions, shall be subject to this policy.
2. For an effective implementation of this policy, the Bank of Albania shall collaborate with other stakeholders.

VII. Priority in implementing the Policy

1. The Bank of Albania shall use the principle of priority in implementing the policy, which provides for the objective to be achieved more effectively.
2. In implementing the policy, the Bank of Albania shall prioritise:
 - a) the banking sector, due to its role in transmitting the monetary policy and its significance to the financial stability;
 - b) certain areas of the banking activity, where banks and their clients face a higher risk to financial exposures leading to currency mismatch.
3. The Bank of Albania will also aim to monitor the developments in the financial markets and in the real economy, in order to:
 - a) assess their potential impact on the objective of this policy;
 - b) identify the need and way of response;

- c) communicate with authorities on a possible reaction, if needed.

VIII. The ways of Policy implementation

1. To implement this policy, the Bank of Albania shall:
 - a) communicate with the entities and stakeholders on the monetary operations, supervisory measures, proposals on legal amendments and other regulatory improvements, as well as all other instruments enabled under the legal and regulatory framework in terms of monetary policy implementation, of the regulatory and supervision of banks and non-bank financial institutions, of the development and oversight of payment systems and of the implementation of the macro-prudential policy;
 - b) collaborate with other authorities, in particular, to fulfil the commitments taken in the strategy arising from the Memorandum of Cooperation;
 - c) use public communication and education, to emphasise the importance of expanding the use of the national currency for the stable economic growth of the country.
2. Regarding the instruments to be used in the framework of this policy, the Bank of Albania shall act based on cost –benefit analysis, adopting a long-term perspective, in compliance with the objective of this policy, and in line with the legal objectives of the institution’s activity.
3. Each instrument:
 - a) either alone or combined with other instruments, shall reflect the expectation on its effectiveness and the degree of the financial system development;
 - b) depending on its nature, shall be adopted in line with the relevant procedures of the Bank of Albania for prior consultation and the approval of decisions.

IX. Method and structures for assessing the effectiveness of the Policy

1. To assess the effectiveness of this policy, the Bank of Albania shall:
 - a) determine the indicators to be monitored and shall regularly report on them, in line with the stipulations in the Memorandum of Collaboration;

- b) review regularly the performance of indicators set out in paragraph (a) and other complementary factors. Based on the analysis, it shall assess the adequacy of the actions to be taken or the need for additional complementary actions.
2. The structures that are responsible for the assessment process of the policy effectiveness in the Bank of Albania shall be:
- a) the Financial Stability Department, for paragraph 1 (a);
 - b) the Financial Stability Advisory Committee and/or the Monetary Policy Advisory Committee, for paragraph 1 (b);
 - c) the other structures of the institutions required to contribute to this process.

X. Entry into force and publication of the Policy

This Policy shall enter into force immediately, and shall be published on the website and in the Official Bulletin of the Bank of Albania.

**Chair of the Supervisory Council
GENT SEJKO**