

LAW¹

No. 8269, dated 23.12.1997

ON THE BANK OF ALBANIA

Amended by the Law No. 8384, dated 29.7.1998

Amended by the Law No. 8893, dated 25.7.2002

Amended by the Law No. 179/2014

Pursuant to Articles 78, 81(1), 83(1) and 161 of the Constitution, having regard to the proposal of the Council of Ministers,

**THE ASSEMBLY
OF THE REPUBLIC OF ALBANIA**

D E C I D E D:

**CHAPTER I
GENERAL PROVISIONS**

Article 1

1. The Bank of Albania is the central bank of the Republic of Albania and shall operate in accordance with the provisions of this Law.

¹ UNOFFICIAL TRANSLATION

Note: This English language version of the Law is a working document and serves merely for information purposes. The Bank of Albania bears no responsibility for potential losses due to errors arising from the text translation. The only authentic text is that published in the Official Journal (Fletorja Zyrtare) of the Republic of Albania.

2. The Bank of Albania has legal personality, and is domiciled in Tirana.

3. Within the limits of its statutory powers laid down in this Law, the Bank of Albania shall be entirely independent of any other authority in the pursuit of its primary objective, its activity and the performance of its tasks. Any entity shall respect the independence of the Bank of Albania, shall not seek to influence the members of the Supervisory Council of the Bank of Albania in the performance of their duties towards the Bank of Albania, and shall not interfere in the activities of the Bank of Albania.

4. The Bank of Albania may:

a) enter into contractual relationships;

b) issue normative acts;

c) own, hold, dispose and acquire movable or immovable properties, for the purposes of its business;

ç) trade securities, distribute securities for the account of the Government of the Republic of Albania and issue securities for its own account.

5. Whenever used herein, the following terms shall have the respective meanings set forth below:

a) "bank" means a legal person that conducts banking business under a license granted by the Bank of Albania.

b) "banking business" means the commercial business conducted in the Republic of Albania for taking deposits from the public and using all or a part of such funds to grant credit lines or loans or make investments for the account of the undertaking that conducts such activity, as well as other commercial activities set out in Bank of Albania bylaws.

c) "bank account owner" means a bank that holds an account in the books of the Bank of Albania;

ç) "debt securities" means negotiable instruments of indebtedness and any other instrument equivalent to such instrument of indebtedness, whether in certificate or book-entry form.

d) "state" means the Republic of Albania.

Article 2

1. The Bank of Albania is accountable to the Assembly of the Republic of Albania.

2. Not later than six months after the entry into force of this Law, and at six month intervals thereafter, the Bank of Albania shall deliver to the Assembly and to the Council of Ministers of the Republic of Albania, a statement which shall contain:

a) the assessment on achieving and maintaining price stability during the previous six months and an outlook projection for the next six months;

b) the assessment of the monetary, credit and exchange rate policies implemented by the Bank of Albania during the previous six months;

c) the description and the assessment of the monetary, credit and exchange rate policies to be implemented by the Bank of Albania in the next six months;

ç) the description of the principles that the Bank of Albania undertakes to observe in formulating and implementing the monetary, credit and exchange rate policies, over the next two years, or such longer period as may be decided by the Bank of Albania.

Article 3

1. The primary objective of the Bank of Albania shall be to achieve and maintain price stability.

2. The Bank of Albania, in accordance with its primary objective and based on the domestic banking market, shall promote and support the development of the foreign exchange regime and system, domestic financial market, payments system, and shall assist in improving monetary and crediting conditions to support economic stability and development of the country.

3. The other objectives of the Bank of Albania, conditioned by the primary objective of the Bank of Albania, shall promote maintaining the liquidity level, solvency, and the normal functioning of the banking system, based on market principles.

4. The basic tasks to be carried out by the Bank of Albania shall be to:
- a) formulate, adopt and implement **independently** the monetary policy in the Republic of Albania in line with its primary objective;
 - b) formulate, adopt and implement the foreign exchange regime and the exchange rate policy in the Republic of Albania;
 - c) grant or revoke a license granted to a bank and supervise their banking business, in order to secure the stability of the banking system;
 - ç) hold and manage the official international reserves;
 - d) act as banker and adviser to, and as fiscal agent of the Government of the Republic of Albania;
 - dh) promote the smooth operation of payment systems;
 - e) **use, independently, monetary policy instruments for achieving the primary objective and monetary policy objectives.**
5. Any other objective and task assigned to the Bank of Albania shall be conditional on the achievement of its primary objective.

Article 4

1. Save as otherwise provided in this Law, the Bank of Albania shall not:
- a) grant any financial assistance, whether in the form of a credit line, a direct loan or donation; it shall not grant a conditioned credit line or loan, purchase a loan, participate as a solidary creditor or any other instrument of indebtedness, subsidize a debt or conditioned liabilities of any form;
 - b) engage in commercial activities, purchase the shares of any commercial company or any undertaking, including the shares of any financial institution, and may not be a co-owner in any financial, commercial, agricultural, industrial, or other undertaking;
 - c) acquire through purchase or any other form any real right to immovable property, except as it shall consider necessary or expedient for the conduct of its administration and operations or for the housing of its employees or for similar

demands incidental to the performance of its functions, in compliance with the provisions of this Law.

2. Without prejudice to the provisions of paragraph 1 herein, the Bank of Albania may:

a) establish staff retirement funds or similar arrangements for the benefit or protection of its employees, and make contributions toward the costs associated with such arrangements;

b) grant credit to any of its employees for the improvement of their living conditions, in accordance with the amount and the criteria determined by the Supervisory Council of the Bank of Albania.

Article 5

The Bank of Albania may participate in, cooperate with, and enter into banking agreements with international financial institutions, and with public and private banking and financial institutions abroad.

CHAPTER II

PAID-UP CAPITAL AND PROFIT ALLOCATION

Article 6

1. The paid-up capital of the Bank of Albania shall be ALL 750 million.

2. The paid-up capital may be increased upon the proposal of the Bank of Albania and approval by the Ministry of Finance.

3. The paid-up capital shall be fully subscribed and exclusively owned by the State of Albania. This paid-up capital may not be transferable or subject to encumbrance.

Article 7

Whenever on the balance sheet of the Bank of Albania the value of its assets falls below the sum of its liabilities and paid-up capital, the minister of finance shall transfer negotiable government securities the Bank of Albania, applying interest at market rates.

Article 8

For each financial year, the net profit of the Bank of Albania shall be calculated after deducting from revenues the expenditure for the year in question and after making provision for:

a) doubtful debts with no hope of recovery, the level of the depreciation of assets in the balance sheet of the Bank of Albania, and contributions to the staff retirement fund;

b) expenditures approved by the Supervisory Council for such other purposes deemed as necessary for the Bank of Albania.

Article 9

The Bank of Albania shall establish a general reserve fund. At the end of each financial year, the fund shall be allocated an amount equivalent to 25 percent of the net profits of the Bank of Albania, until the general reserve fund amounts to 500 per cent of the paid-up capital of the Bank of Albania.

Article 10

1. After the transfer of 25 per cent of the net profit to the general reserve fund under Article 9, the remainder of the net profits for the financial year shall be used to redeem any government securities issued to the Bank of Albania pursuant to Article 7 of

this Law.

2. Any balance of net profits for the financial year, remaining after all deductions under Article 8, Article 9 and Article 10 (1) of this Law, shall be transferred to the State Budget revenues within four months after the closing of the financial year.

Article 11

No transfer, settlement or payment under Article 8, Article 9 or Article 10 of this Law shall be made when the assets of the Bank of Albania are less than the sum of its liabilities and paid-up capital.

CHAPTER III

RELATIONS BETWEEN THE BANK OF ALBANIA AND OTHER BANKS IN ALBANIA

Article 12

The Bank of Albania shall be exclusively responsible for the licensing and supervision of all banks in the Republic of Albania. To that end, the Bank of Albania shall:

a) issue normative and non-normative acts to ensure the soundness of the banking system in accordance with and for the implementation of this Law;

b) control any office of a bank and foreign exchange bureau, bank accounts and documents of banks and of other persons that conduct banking activities under a licence. It shall obtain such information in such forms as prescribed by the Bank of Albania.

Article 13

The Bank of Albania shall oversee international payments resulting from trade, non-trade transactions with abroad, as well as engagements of banks licenced in

Albania, under contracts with foreign states, banks, or companies.

Article 14

The Bank of Albania may open accounts on its books for, and accept deposits from licensed banks, under such terms and conditions as it may prescribe.

Article 15

1. The discounting and rediscounting operations of the Bank of Albania shall be restricted to banks that hold an account on Bank of Albania books and to the following securities:

a) bills of exchange and promissory notes issued for commercial, industrial, or agricultural purposes, bearing two or more endorsements, of which at least one shall belong to a licensed bank, and maturing within 182 days from the date of their acquisition on the Bank of Albania;

b) securities issued by specific State organs and other securities publicly issued or guaranteed by the State, forming part of a public issue and maturing within one year from the date of their presentation to the Bank of Albania;

c) securities issued by the Bank of Albania.

2. The discounting and rediscounting operations of the Bank of Albania shall be subject to such other timeframes and terms and conditions as established in regulations by the Bank of Albania.

Article 16

1. The Bank of Albania may grant to banks that hold an account on its books credit lines on such terms and conditions as it may determine, but the timeframe may not exceed 92 days:

Credit that is secured by:

i) instruments specified in Article 15 (1) of this Law;

ii) deposits with the Bank of Albania or a deposit acceptable to the Bank of Albania of any assets, which the Bank of Albania is permitted to buy or sell or deal with under this Law.

The extensions of credit lines envisaged in paragraph 1 herein, may be treated in the form of fixed-term loans and repurchase agreements. Overdraft facilities shall not be permitted.

2. For banks in conservatorship, in accordance with the Law on "On banks in the Republic of Albania", the Bank of Albania may grant credit lines that are unsecured, or that may be secured by other assets, on such terms and conditions as the Bank of Albania may determine, but only in the event that, in its judgement, such extension of credit is necessary on an exceptional basis, in order to maintain the integrity of the banking system.

Article 17

The credit line by the Bank of Albania to other banks may be extended only to the banks' head offices in Albania.

Article 18

The term and rates applied by the Bank of Albania for discounts, rediscounts, credit lines, or loans, as well as its differentiated rates and ceilings for various categories of banking transactions shall be established by the Bank of Albania and made public in its official notice.

Article 19

1. The Bank of Albania shall require these banks to hold deposits with the Bank of Albania at prescribed minimum levels (required reserves) related to the size of funds

or specific categories of liabilities.

2. Required reserves for each bank shall be held as monetary deposits at the Bank of Albania, in such proportion as determined by the Bank of Albania, provided that banks do not hold required reserves with the Bank of Albania exceeding the equivalent of 20% of the aggregate amount of monetary deposits of each bank or liabilities of each of such banks.

3. The Bank of Albania may determine to pay interest on banks' required reserves.

Article 20

1. When banks fail to hold the required reserves specified in Article 19 of this Law, the Bank of Albania shall impose a penalty, until the level of the required reserve is complied with accordingly. Such penalty shall not exceed twice the current discount percentage of the Bank of Albania.

2. Rules on increasing the required reserves levels shall specify also the date by which banks must be in compliance with the new level of the reserves.

Article 21

1. The Bank of Albania, in cooperation with other banks, may establish rules and procedures for carrying out payments through instruments that are used as means of payments, as well as for telegraph and electronic funds transfer services.

2. The Bank of Albania shall organize and carry out the settlement of payments with instruments that are used as means of payment.

3. The Bank of Albania may organise the clearing of payments and securities services.

4. The Bank of Albania shall oversee the payments system in the Republic of Albania directly, or through entities or interbank units established by it for this purpose. The Bank of Albania shall facilitate the execution of payments and the effective

settlements between banks and the payment services.

Article 22

The Bank of Albania shall establish and maintain an information network for the banking system.

Article 23

1. On the basis of the reciprocity principle, the Bank of Albania may cooperate with relevant banking supervisory authorities abroad, with respect to the supervision and inspection of banks that operate directly under their respective jurisdictions.

2. The Bank of Albania may exchange with such banking supervisory authorities abroad information concerning any bank that operates under their respective jurisdiction, provided that such authority undertakes to respect the reliability of the information received.

CHAPTER IV

RELATIONSHIP BETWEEN THE BANK OF ALBANIA AND THE STATE OF ALBANIA

Article 24

1. The Bank of Albania shall cooperate with the legislative and executive bodies of the Republic of Albania in pursuing its objectives, and shall, in accordance with this Law, take such actions as it deems necessary to promote such cooperation in discharging its functions.

2. The Bank of Albania shall be consulted on any normative act that is sent for approval to the Assembly and to the Council of Ministers, having an economic nature and effects on financial, monetary, credit and foreign exchange policies.

3. The Bank of Albania shall prepare periodical economic and monetary analyses,

publish the outcome and present proposals and measures to the Government of the Republic of Albania.

4. The Bank of Albania shall provide information as requested by Ministries and other central governmental entities with respect to monetary and financial matters, and, vice-versa, such entities shall provide information to the Bank of Albania as the Bank of Albania may request concerning macroeconomics, monetary and financial matters.

5. The Bank of Albania shall define the form in which such information is to be provided, the persons charged to provide such information and the confidentiality applicable for the provision of such information.

Article 25

1. The Bank of Albania shall represent the State of Albania in all banking relationships and activities with foreign states, banks and institutions.

2. The Bank of Albania may, on such terms and conditions as agreed upon with the Ministry of Finance, act as fiscal agent for the account of the Government of the Republic of Albania.

3. The Bank of Albania carries out, through the banking system, the function of the treasury for the State budget.

Article 26

In agreement with the Ministry of Finance, the Bank of Albania shall record and evidence the public and private external debt of the Republic of Albania, to the extent that it deems it as necessary or possible.

Article 27

The Bank of Albania compiles the balance of payments of the State of Albania,

and organises and directs the statistical system of this balance of payments.

Banks, institutions, and other legal and natural persons shall be required to deliver statistical data, requested in accordance with the reporting system approved by the Bank of Albania, and employing the relevant criteria for the appraisal, indicating the designation, nomenclature and classification presented therewith.

Article 28

The Bank of Albania may accept deposits from the Government of the Republic of Albania and make payment transactions to the extent of the level of such deposits. The Bank of Albania may, in accordance with conditions set out in an agreement, authorise a bank, in accordance with its judgement, to which these deposits will be transferred.

Article 29

The Bank of Albania may, in agreement with the Government of the Republic of Albania, represented by the Minister of Finance, act as an agent for the following transactions:

- a)** trading of securities issued by the Government;
- b)** payment of the principal, interest and other charges on such securities, specified in paragraph "a";
- c)** execution of cash transactions concerning the accounts of the State at the Bank of Albania.

Article 30

1. Save as otherwise explicitly provided in this Law, the Bank of Albania shall not grant any direct or indirect credit line or loan or any financial assistance to the Government of the Republic of Albania or to any of its State agencies.

2. Subject to the overall limits specified by this Article, the Bank of Albania may grant credit lines or loans to the Government of the Republic of Albania, for maturities that do not exceed six months.

3. The Bank of Albania's credit lines or loans to the Government of the Republic of Albania shall be disbursed, denominated and made payable in lek only. All such credit lines or loans shall be secured (collateralized) by debt securities in bearer form, at market interest rates, with maturities corresponding to those of the credit lines or loans that they secure, and that are issued and delivered by the Government of the Republic of Albania to the Bank of Albania. For each credit line or loan, a written loan agreement shall be concluded between the Government of the Republic of Albania, represented by the Minister of Finance, and the Bank of Albania. The agreement shall clearly set out the principal amount of the credit line or loan, its maturity term, and the applicable interest rates and other possible charges.

4. At no time shall the disbursed principal amount of the credit line or loan and outstanding credit line or loan of the Bank of Albania granted to the Government of the Republic of Albania exceed the equivalent of five percent of the annual average budget revenues of the Government of the Republic of Albania for the three financial years immediately preceding; provided that, for the purposes of this Article "revenue" shall not include credit lines or loans, grants and other forms of financial contributions.

5. Notwithstanding the foregoing, the Bank of Albania may, in exceptional circumstances, by a special act, exceed temporarily the limit stipulated in paragraph 4, but only for as long as such waiver is not inconsistent with the monetary policy objectives on maintaining price stability, and only if such waiver does not cause the disbursed principal amount of the credit line or loan and outstanding credit line or loan of the Bank of Albania granted to the Government of the Republic of Albania, to exceed the equivalent of eight percent of the annual average revenues of the budget of the Government of the Republic of Albania for the last three financial years immediately preceding.

6. If, in the opinion of the Bank of Albania, the limit provided in paragraph 4 or 7, as the case may be, risks of being exceeded, the Bank of Albania shall submit a report to

the Assembly on Bank of Albania's disbursements and outstanding credit lines or loans to the Government of the Republic of Albania, as well as the causes that may lead to such excess, together with such recommendations as it may deem appropriate to forestall or otherwise remedy the situation. If the limit provided in paragraph 4 or 7, as the case may be, is exceeded in accordance with paragraph 5 or Article 32 of this Law, the Bank of Albania shall make further such reports and recommendations as it may deem appropriate in order to for the situation to be remedied and its recurrence in the following financial year to be avoided.

7. The limits of financing for the year 1998 shall be as follows: pursuant to paragraph 4, it shall be 30%; pursuant to paragraph 5, it shall be 40%.

The limits for the year 1999 shall be of the same magnitude as those for the year 1998 provided that they may be increased by the Budget Law for that year, following consultation by the Government of the Republic of Albania with the Bank of Albania. In such event, the Bank of Albania shall report to the Assembly of the Republic of Albania, setting out its opinion concerning the increase in the financing limits, and the probable consequences to the objectives of the Bank of Albania.

The Assembly shall take the respective decisions.

Thereafter, the limits under paragraphs 4 and 5 shall apply.

8. The Bank of Albania may restructure securities of the Government of the Republic of Albania in agreement with the Ministry of Finance, at the same as or lesser maturities than the original obligation.

Article 31

Notwithstanding the provisions of Article 30, the Bank of Albania may extend credit lines or loans to the Government of the Republic of Albania on such terms and conditions as may be agreed between the parties, exceeding the determined limit, for payments resulting from the State's membership in an international organization. Any extension of credit lines or loans pursuant to this Article shall be conditioned by the issuance of government securities to the Bank of Albania under terms and conditions set

out in mutual agreement.

Article 32

The Bank of Albania may purchase and sell securities issued by the Government of the Republic of Albania. However, purchases by the Bank of Albania for its own account of debt securities issued by the Government of the Republic of Albania in open market operations or in the secondary market, shall be treated as Bank of Albania credit lines or loans to the Government of the Republic of Albania and will, therefore, be subject to the overall limits set out in Article 30, except when and to the extent that such purchases are consistent with the primary objective of the Bank of Albania laid down in Article 3(1) or are required for investing assets of the pension fund of the Bank of Albania staff and provided that such purchases are made only in the secondary market.

CHAPTER V CURRENCY ISSUANCE

Article 33

- 1.** The monetary unit of the Republic of Albania is the "lek".
- 2.** The Bank of Albania shall have the exclusive right and shall be the sole issuer of banknotes and coins having the status of legal tender within the territory of the Republic of Albania.
- 3.** The Bank of Albania shall define the forms, dimensions, weights, pattern and other features of Albanian banknotes and coins, which shall be have legal tender status, as well as of other banknotes and coins printed and minted for numismatic purposes.

Article 34

The amounts and procedures for exporting and importing banknotes and coins shall be determined by the Bank of Albania.

Article 35

Banknotes and coins issued by the Bank of Albania, which are not withdrawn from circulation, shall have the status of legal tender and shall be accepted for all payments of public and private obligations without any limitation whatsoever, at full face value.

Article 36

The Bank of Albania shall compile issuance plans and ensure a regular supply of banknotes and coins, in order to satisfy the demand of the economy for currency.

Article 37

The value of banknotes and coins in circulation shall be entered in the accounts of the Bank of Albania as liabilities. Such liabilities will not include banknotes and coins of the monetary reserve.

Article 38

All contracts concluded and payable in foreign currencies shall be valid in the Republic of Albania. Unless the parties have agreed in writing otherwise, debtors shall have the option to pay their obligations in lek at the market exchange rate on the day of maturity. If the debtor is in default, the creditor may, upon his discretion, determine that the debt be paid in lek at the market exchange rate on the day of maturity, or the day of payment.

Article 39

1. The Bank of Albania shall arrange the security and safekeeping of issued banknotes and coins, as well as the custody or destruction, as necessary, of plates and dyes for banknotes and coins withdrawn from circulation.

2. In accordance with the monetary policy adopted by the Supervisory Council, the Bank of Albania shall determine the amount and procedures for printing banknotes and minting coins having the status of legal tender within the Republic of Albania, as well as banknotes and coins for numismatic purposes.

3. The Bank of Albania shall exchange without charge and commission banknotes and coins issued by it for other notes and coins having the status of legal tender within the Republic of Albania.

Article 40

1. The Bank of Albania sequester and confiscate counterfeit banknotes and coins.

2. Unfit banknotes and coins shall be withdrawn, destroyed, and replaced with banknotes and coins by the Bank of Albania.

3. The Bank of Albania may decline to exchange banknotes or coins if their designs are illegitimate, unfit, perforated, or if more than 40 percent of the banknote or coin has been lost. Such banknotes and coins shall be withdrawn and destroyed without indemnity to the owner, save special cases when the Bank of Albania may determine a whole or partial indemnification.

4. The Bank of Albania shall not provide any compensation for lost or mutilated banknotes and coins. It may confiscate, without compensation, any banknote that have been altered in their external appearance, in particular banknotes having annotations, drawings, are overprinted, stamped or perforated, or to which adhesive matter has been applied.

5. The Bank of Albania may decide to recall and withdraw from circulation any banknotes or coins that it has issued, against a payment of the original face value, issuing in exchange other banknote or coins. The decision shall set out the duration of the period during which banknotes and coins may be submitted for exchange. Such exchanges period shall not be shorter than one year from the publication of the official note of the Bank of Albania in the "Official Journal". At the end of the aforementioned period:

a) banknotes and coins recalled to be exchanged, shall cease to be currency in circulation, notwithstanding provisions of Article 37;

b) banknotes or coins recalled, save those presented for exchange, shall be deducted from the amount of currency in circulation on the books of the Bank of Albania.

CHAPTER VI

ORGANIZATION AND MANAGEMENT OF THE BANK OF ALBANIA

Article 41

The Bank of Albania shall be organized and managed and shall conduct its activity through the Supervisory Council, the administrators i.e. the Governor and two deputy governors, and the staff, pursuant to the stipulations of this Law.

Article 42

1. The Supervisory Council is the highest decision-making body and supervisor of policies, management and operations of the Bank of Albania.

2. The Supervisory Council shall, in view of carrying out its functions, periodically assess the economic situation, including the monetary, credit and exchange rate policies. To that end, the Governor and two Deputy Governors of the Bank of Albania shall inform, not less than once every month, the Supervisory Council on the main issues

related to:

- a)** administration and operations of the Bank of Albania;
- b)** implementation of monetary and regulatory policies;
- c)** smooth functioning of the banking system in particular and the financial system in general;
- ç)** state of affairs in the money, capital and foreign exchange markets;
- d)** circumstances and conditions that could preclude achieving or maintaining price stability and have or are expected to have a significant effect on the administration and activity of the Bank of Albania, and influence the successful implementation of policies on the financial system or money, capital and foreign exchange markets.

Article 43

The Supervisory Council shall have the powers to:

- a)** adopt the monetary policy of the Republic of Albania, determining the limits of open market operations by the Bank of Albania, the interest rates on deposits at the Bank of Albania and discounts and loans or credit lines of the Bank of Albania, and the reserves and levels of reserves that commercial banks are required to hold with the Bank of Albania;
- b)** establish the foreign exchange regime and policy in the Republic of Albania, and approve the procedures for determining the exchange rates of the Albanian lek against foreign currencies;
- c)** adopt all decisions, regulations, and instructions of general application that are issued by the Bank of Albania;
- ç)** approve all reports and recommendations that the Bank of Albania submits to the Assembly or the Council of Ministers;
- d)** determine the face value, denomination, and design of banknotes and coins, and the conditions of any withdrawal from circulation;
- dh)** approve credit lines or loans of the Bank of Albania to the Government of the Republic of Albania;

e) approve and revoke the granting of preliminary approvals and licences for conducting banking activities;

ë) approve the discounting of instruments having longer-than-three months maturity from the date of their acquisition by the Bank of Albania, pursuant to Article 32; upon the consent of at least three-fifths of the Supervisory Council members present, approve any credit line, loan, or other contingent commitments of the Bank of Albania for a bank pursuant to Article 16;

f) adopt the Statute and internal bylaws of the Bank of Albania;

g) determine the administration policies in general, and establish rules and procedures for using financial resources for the realisation of the operational activity of the Bank of Albania;

gj) determine the organizational structure of the Bank of Albania;

h) approve the appointment of the heads of departments and decide, in general, the terms and conditions of employment at the Bank of Albania for agents and correspondents of the Bank of Albania;

i) decide on opening and closing subsidiary, branches or agencies of the Bank of Albania;

j) decide on the budget of the Bank of Albania;

k) propose increases in the capital of the Bank of Albania, and decide on the special reserve fund of the Bank of Albania, decide on the net income of the Bank of Albania, and to what amount such net income shall be transferred to the reserve;

l) approve annual reports and financial statements of the Bank of Albania;

ll) determine the debt securities that shall be treated as suitable instruments for investment by the Bank of Albania;

m) decide on the policies and proceeding of international reserves administration.

Article 44

1. The Supervisory Council shall be composed of nine members, as follows:

- Governor of the Bank of Albania - Chairperson of the Supervisory Council;
- First Deputy Governor of the Bank of Albania - Deputy Chairperson of the Supervisory Council;
- Second Deputy Governor of the Bank of Albania;
- Six members.

2. All the members of the Supervisory Council shall be elected and appointed by the Assembly of the Republic of Albania, having regard to proposals as follows:

- a)** Five members shall be proposed by the Assembly;
- b)** Three members shall be proposed by the Council of Ministers;
- c)** One member shall be proposed by the Supervisory Council.

The Governor shall be elected by the Assembly, having regard to the proposal by the President of the Republic.

The Supervisory Council of the Bank of Albania shall elect and appoint the deputy governors, having regard to the proposals by the Governor.

3. Candidates for membership in the Supervisory Council shall be persons of recognized standing and morality, and have:

- a)** higher education in economics or law;
- b)** professional experience in financial and banking matters;
- c)** professional qualifications in the respective profile;
- ç)** over five years of experience in public administration or in financial and banking institutions;
- d)** no grounds under Article 47 applied to them.

4. The term of office for each member of the Supervisory Council, the Governor and the deputy governors shall be seven years, aiming that the end dates of the tenure of each individual member of the Supervisory Council be spread over the seven-year period. The members of the Supervisory Council, the Governor and the deputy governors may be eligible for re-election, except when removed from office for cases stipulated under Article 47 in this Law.

Article 45

1. The Supervisory Council shall determine the compensation of its members.
2. The Supervisory Council shall determine the compensation of the Governor, deputy governors and the staff of the Bank of Albania. Total compensation shall be determined, including salaries and bonuses, and any monetary or non-monetary compensation, including health, postgraduate studies, recreation, or housing benefits.

Article 46

The function of the Supervisory Council member is incompatible with that of the President of the Republic of Albania, a member of the Assembly, or a member the Council of Ministers.

The function of the member of the Supervisory Council shall be incompatible with that of the employee, administrator or shareholder, having a qualifying holding in a commercial bank or in an entity licensed by the Bank of Albania.

The function of the member of the Supervisory Council shall be incompatible with that of the employee, administrator or shareholder that has a qualifying holding, which makes it possible to exercise a significant influence in a commercial bank or entities licensed by the Bank of Albania.

Article 47

1. Any member of the Supervisory Council, including the Governor and the deputy governors, shall be suspended from office by the Council of Ministers and removed by the Assembly, in the event he or she:

- a) becomes ineligible to serve in the Supervisory Council pursuant to Article 46;
- b) is convicted by a court of a criminal offense for which the law envisages imprisonment sentence;
- c) has become insolvent or has been declared bankrupt and has not been

rehabilitated;

c) has been banned or suspended by a court of law from practicing a public duty or public service or any activity or profession;

d) has participated actively in political activities during his or her tenure.

2. The Governor and the deputy governors of the Bank of Albania, and any other member of the Supervisory Council, may be relieved from office by the Assembly, upon a proposal by a majority of all the members of the Supervisory Council, when:

a) the person proposed to be relieved from office has been absent in two or more successive meetings of the Supervisory Council of the Bank of Albania without reasonable cause;

b) the person proposed to be relieved from office is unable to perform the functions of such office because of an infirmity of body or mind; or

c) the person proposed to be relieved from office has engaged in serious work ethic infringement, and has substantially jeopardised the interests of the Bank of Albania.

3. When a member of the Supervisory Council, including the Governor and the deputy governors, has been suspended from office by the Council of Ministers, and the Assembly has not acted on relieving him or her from office within 30 days of the suspension, then such suspension shall be repealed and all powers and duties shall be restored immediately to the suspended member.

4. No member of the Supervisory Council, including the Governor and the deputy governors, may not be relieved from office on other grounds.

Article 48

1. The Governor and the deputy governors may resign from office upon not less than three months prior written notice to the Assembly of the Republic of Albania.

2. Any other member of the Supervisory Council may resign upon not less than one month prior written notice to the Assembly of the Republic of Albania.

3. Any vacancy at the Supervisory Council shall be filled by the appointment of a new member of the Supervisory Council in accordance with provisions laid down in Article 44 of this Law, to serve in this function within the remaining period of the term of the Supervisory Council member replaced.

Article 49

1. The Governor, or when he is absent or unable to vote, the First Deputy Governor shall chair the meetings of the Supervisory Council.

2. The Supervisory Council shall meet as often as the business of the Bank of Albania may require, but not less frequently than once per each calendar month.

3. Normally, meetings of the Supervisory Council shall be convened by the Governor. Meetings of the Supervisory Council may also be convened at the written request of three members of the Supervisory Council or, in the event of an emergency, two members of the Supervisory Council.

4. The meetings of the Supervisory Council shall be convened and the members of the Supervisory Council shall be notified with regard to the date, venue and agenda of the meeting at least five working days before the date set for the meeting, except when, in the event of an emergency, meetings of the Supervisory Council may be so convened at shorter notice.

5. Each member of the Supervisory Council shall have one vote. A meeting of the Supervisory Council shall take place when more than one half of the appointed membership of the Supervisory Council is present, including the presence of the Chairperson or the Deputy Chairperson of the Supervisory Council.

6. Save when otherwise provided for in this Law, decisions of the Supervisory Council shall be adopted by a simple majority of the votes of the members of the Supervisory Council, who are present at the meeting. The right of the members of the Supervisory Council to vote shall be exercised in person; by way of derogation from this rule, the "Statute" of the Bank of Albania may lay down that voting may take place via other means of communication, and in exceptional circumstances by telex or other

tested electronic means of communication. In the event of a tie, the chairperson shall have the casting vote.

7. Taking into account paragraph 5 of this Article, related to the participation of the members in the meeting, no act or procedure of the Supervisory Council shall be invalidated merely by reason of the existence of a vacancy or vacancies on the Supervisory Council.

8. All acts done by a person acting in good faith in the capacity of the chairperson or a member of the Supervisory Council shall be valid, notwithstanding any flaw that may have been found in his appointment, eligibility, or qualification.

9. The Minister of Finance may attend meetings of the Supervisory Council of the Bank of Albania, but shall not be entitled to vote.

Article 50

1. The proceedings and the outcome of the meeting of the Supervisory Council shall be confidential. The Supervisory Council may decide to make the outcome of all or part of its deliberations public.

2. Minutes of each Supervisory Council meeting shall be signed by the chairperson and by the Secretary of the Supervisory Council.

3. The Secretary of the Supervisory Council shall be appointed by the Supervisory Council among the senior staff members of the Bank of Albania. The Secretary is not a member of the Supervisory Council.

4. Decisions of the Supervisory Council shall be recorded and issued with the signature of the chairperson presiding the Supervisory Council meeting that adopted the decision, as well as the Secretary of the Supervisory Council.

Article 51

1. Upon election in the Supervisory Council and annually thereafter, members of the Supervisory Council shall periodically disclose to the Supervisory Council all their

direct or indirect commercial interests, which they or members of their family may have. Such disclosures shall be made compliant with the rules adopted by the Supervisory Council.

2. Whenever any matter related to such interests are presented for discussion in the Supervisory Council, the member concerned shall disclose his or her interest at the beginning of discussions and shall not participate in the discussion and the decision on such matter. The presence of this member shall not be taken into account for the purpose of participation in the meeting.

Article 52

The Chairperson and Deputy Chairperson, following their departure from this duty, shall not serve in another financial institution during a period of one year.

Article 53

1. The Governor shall serve as the chief executive officer of the Bank of Albania in charge of the day-to-day business of the Bank of Albania. When the Governor is absent or unable to act, the First Deputy Governor shall act as the chief executive officer of the Bank of Albania.

2. The Governor shall be responsible for the formulation and presentation to the Supervisory Council of the monetary, credit and foreign exchange policies, as well as other policies.

3. The Governor shall be responsible before the Supervisory Council for the execution of its approved decisions, including the implementation of monetary, credit, and exchange rate policies, as well as for the direction, control and oversight of the administration and operations of the Bank of Albania.

4. All powers that are not specified for the Supervisory Council shall be vested in the Governor, or in the event that the Governor is absent or unable to act, such powers shall be vested in the First Deputy Governor, of the Bank of Albania. In particular, he is

vested with the power to take all actions required or deemed acceptable from him for the administration or operations of the Bank of Albania, including without limitation:

- a)** entering into contractual relations on behalf of the Bank of Albania;
- b)** appointing the employees, agents and correspondents of the Bank of Albania;
- c)** representing the Bank of Albania in legal proceedings.

The Governor may, upon approval by the Supervisory Council, delegate some or all of his powers to other employees of the Bank of Albania.

Article 54

1. The Inspector General of the Bank of Albania shall be appointed for a five-year term by the Assembly of the Republic of Albania, among candidates who are citizens of the Republic of Albania and to whom no grounds specified in Article 47 herein apply. The Inspector General shall be a person with high education and an experience not less than 7 years in banking system. The Inspector General shall be eligible for reappointment. The salary, bonuses, including any kind of compensation, and other emoluments for the Inspector General shall be equivalent with those of the Deputy Governor of the Bank of Albania.

2. The Inspector General may resign from office upon giving not less than three months written notice to the Assembly of the Republic of Albania. The Inspector General shall be removed from office only by a decision of the Assembly of the Republic of Albania, laying down one or more of the grounds for removal specified in Article 47 of this Law.

3. The Inspector General shall head the Audit Department of the Bank of Albania. The Inspector General shall propose for nomination the inspectors of this department. The Inspector General and the inspectors in the Audit Department shall each have the duty:

- a)** to exercise internal accounting auditing over, and to perform periodic audits of the administration and operations of the Bank of Albania, in order to ensure compliance with the laws and bylaws that apply to the Bank of Albania;

b) to audit and to submit, to the Supervisory Council, reports and recommendations on the accounts and books, as well as the budgetary and accounting procedures and controls of the Bank of Albania;

c) to audit the periodic financial statements and related documents of the Bank of Albania and, when properly prepared, certify them to that effect.

4. The incumbent Inspector General shall vacate the post upon the entry into force of this Law, but he may be reappointed by the Assembly of the Republic of Albania in accordance with the provisions of this Law.

Article 55

1. During their employment by the Bank of Albania, staff of the Bank of Albania shall not receive any credit line or loan from any entity other than the Bank of Albania, unless the Bank of Albania shall otherwise decide.

2. The Supervisory Council shall adjust the Bank of Albania staff regulation on the conditions of employment at the Bank of Albania.

Article 56

1. The Governor shall appoint and terminate the appointment of employees, agents, and correspondents of the Bank of Albania, in accordance with the general terms and conditions of employment and appointment, prescribed by the Supervisory Council.

2. No salary, bonus, wage or other remuneration or allowance paid by the Bank of Albania shall be calculated on the basis of net income, net profits or other revenues of the Bank of Albania.

Article 57

1. While holding office, the Governor, Deputy Governors, and the Inspector

General of the Bank of Albania shall devote the whole of their professional capacities to serve to the Bank of Albania, and none of them shall hold any other office or employment, whether remunerated or not, save when otherwise determined by the Bank of Albania.

2. No member of the staff of the Bank of Albania may simultaneously enter into other employment relations, whether gainful or not, without prior written approval by the Bank of Albania.

3. No member of the Supervisory Council, management or staff of the Bank of Albania shall accept any gift or credit for himself, or on behalf of any person with whom he has family business or financial connections, if the acceptance thereof may result in a diminishment of his required devotion to his duties at the Bank of Albania.

Article 58

1. No person who serves or has served as a member of the Supervisory Council, management or staff or as an auditing inspector, agent or correspondent of the Bank of Albania shall, in a manner unauthorized by law, or an international agreement where the Bank of Albania is a party to:

(i) permit access to, disclose or publicize non-public information which he or she has obtained in the performance of his or her duties; or

(ii) use such information, or allow such information to be used, for personal gain.

2. Such persons may disclose non-public information to tax authorities of the Republic of Albania. Such non-public information may be disclosed outside the Bank of Albania only when such disclosure would serve to provide evidence of a legal act or of circumstances or conditions which are part of a legal act to be implemented by the entity requesting such information in writing. As the case may be, the Bank of Albania may communicate non-public information obtained in the performance of its duties under this Law and the Law “On banks in the Republic of Albania” to:

(i) central banks and banking supervisory authorities of other countries, pursuant to agreements concluded with them, and

(ii) international financial organizations of which the Republic of Albania is a member.

CHAPTER VII
EXCHANGE RATE REGIME, EXCHANGE RATE POLICY, INTERNATIONAL RESERVES,
SPECIAL RESERVE ACCOUNTS AND FOREIGN EXCHANGE CONTROL

Article 59

The exchange rate regime of the Republic of Albania shall be determined by the Bank of Albania, and shall be consistent with the obligations set out in international treaties to which the Republic of Albania has adhered.

Article 60

1. Pursuant to Article 59, the Bank of Albania may declare the value for the Albanian lek against foreign currencies, and any change thereof. If the Bank of Albania elects not to declare the exchange rate for the lek against foreign currencies, or adopt any other exchange rate regime, the rates for the lek against foreign currencies shall be determined freely in the market.

2. The Bank of Albania shall formulate, adopt and execute the exchange rate policy in the Republic of Albania.

3. As a general rule, no restrictions on current account or capital transactions shall be imposed on the purchase, sale, holding or transfer of foreign currency, except when provided as follows:

a) the Bank of Albania may restrict temporarily the purchase, sale, holding, or transfer of foreign currency in the current account, if, in the opinion of the Bank of Albania, the imposition of such restrictions serves to guaranteeing the protection of the exchange rates or the level of the official reserves;

b) any restrictions under paragraph 3(a) of this Article shall be applicable for a period not exceeding twelve months, and can only be extended for another period of twelve months with the approval by an absolute majority of votes of the members of the Supervisory Council;

c) whenever the Bank of Albania exercises the provision set out in paragraph 3(a) herein, it shall submit a report to the Assembly, within seven days, and every three months thereafter, containing the causes which have led to the introduction of such restrictions, together with such recommendations as it considers necessary to remedy the situation;

ç) the restrictions approved pursuant to this Article shall be consistent with the obligations acquired by Republic of Albania, accepted in international agreements;

d) the Bank of Albania may impose foreign exchange restrictions for the making of payments and transfers in capital account transactions;

dh) the Bank of Albania shall define, by Regulation, the terms "capital account transactions" and "current account transactions". Such definitions shall be consistent with any international agreement adopted by the Republic of Albania.

Article 61

In particular, the Bank of Albania shall have the right to:

a) issue regulations and instructions governing foreign exchange market operations;

b) license, revoke the licenses, supervise and regulate the activity of foreign exchange agents, including banks, pursuant to the regulation on foreign exchange issued by the Bank of Albania;

c) set limits on foreign exchange positions of foreign exchange agents, including banks;

ç) acquire, sell, hold, maintain and manage its international reserve assets in accordance with the provisions in Article 63 of this Law.

Article 62

The Bank of Albania may, for its own account or for the account and by, authorization of the Albanian State, enter into clearing and payments agreements or any other contract for the same purpose with public and private central clearing institutions domiciled abroad.

Article 63

1. The Bank of Albania shall hold and manage the international reserves of the Republic of Albania, which consist, in all or part, of the following assets:

- a) gold, or other precious metals;**
- b) foreign currency in the form of banknotes and coins, or bank accounts of held abroad in foreign currencies;**
- c) any other internationally-recognized asset, including:**
 - i) entitlement to purchase reserve tranches from the International Monetary Fund;**
 - ii) holding by the Republic of Albania of Special Drawing Rights (SDR) of the International Monetary Fund;**
- ç) bills of exchange and promissory notes payable in foreign currencies; and**
- d) debt securities issued and collateralised by forward purchase or repurchase agreements concluded with or guaranteed by foreign States or central banks or public international financial organizations, expressed and payable in foreign currency.**

2. The Bank of Albania shall use its best endeavours to maintain its international reserve at a level which, in the Bank of Albania's opinion, is adequate for the implementation of the monetary and exchange rate policies of the Republic of Albania and for the timely settlement of the country's international transactions.

3. Should the said international reserve diminish or, in the opinion of the Bank of Albania, runs the risk of diminishing to such an extent as to jeopardize the implementation of the monetary or foreign exchange policies of the Republic of Albania

or the timely settlement of the country's international transactions, the Bank of Albania shall submit a report to the Council of Ministers and the Assembly of the Republic of Albania on the state of the international reserves and the causes that have led or may lead to such a diminishing. The report shall also contain relevant recommendations to remedy the situation.

4. For as long as, in its opinion, the situation has not been rectified, the Bank of Albania shall make further such reports and recommendations as it shall deem advisable.

Article 64

Gains or losses arising for the Bank of Albania, in a financial year, arising from changes in the valuation, recorded on the balance sheet of the Bank of Albania, of assets or liabilities in, or denominated in, gold, SDRs, or foreign currencies and resulting from any change in the values or exchange rates of gold, SDRs, or foreign currencies in terms of the Albanian lek, shall be treated as follows:

a) The total net amount of such foreign exchange gains or losses shall be offset by a corresponding amount in an account on the balance sheet of the Bank of Albania ("Valuation Reserve Account").

b) The amount recorded in the Valuation Reserve Account, which corresponds to net foreign exchange losses, shall be covered by debt securities, bearing interest at market rates, issued by the Government of the Republic of Albania to the Bank of Albania and held by the Bank of Albania in an off-balance sheet Valuation Reserve Securities Account. Within four months after each financial year, the aggregate principal amount of such securities held by the Bank of Albania shall be increased or decreased, as required, to restore the equivalency between that amount and the amount recorded in the Valuation Reserve Account as net foreign exchange losses as of the end of that financial year.

c) Neither net gains nor net losses referred to in this Article shall be included in the computation of annual net profits of the Bank of Albania.

Article 65

Licensed foreign exchange dealers including banks shall report periodically to the Bank of Albania, upon its request, on their operations, including their open foreign currency positions on a currency-by-currency basis. The Bank of Albania shall prescribe the reporting forms and supporting documents that must be submitted.

CHAPTER VIII

ACCOUNTING, BALANCE SHEET AND REPORTING OF THE BANK OF ALBANIA

Article 66

The financial year of the Bank of Albania shall begin on 1 January and close on 31 December.

Article 67

The Bank of Albania shall maintain, in accordance with the "Accounting Law" and the international standards, accounts and records that shall, at all times, accurately reflect the financial condition of the Bank of Albania.

Article 68

The accounts and records of the Bank of Albania may be audited by internationally- recognized external auditors appointed by the Supervisory Council. The auditors shall express their opinion as to whether the statements prepared by the Bank of Albania present a full and fair view of the financial condition of the Bank of Albania, in accordance with generally accepted international accounting standards.

Article 69

1. The Bank of Albania shall, at the end of each financial year, prepare the report and the financial statements. They should be submitted to the Assembly and to the Council of Ministers by the Governor of the Bank of Albania, within three months after the close of the Bank's financial year.

2. The report and the balance sheet of the Bank of Albania shall be published in the form determined by the Bank, after their approval by the Supervisory Council of the Bank of Albania.

3. The report shall include the auditor's opinion, in reference to the financial situation of the Bank of Albania.

4. The Bank of Albania shall publish a summary of its balance sheet monthly.

5. The Bank of Albania shall publish a detailed opinion on the state of the economy on a quarterly basis.

6. Within six months after the entry into force of this Law, and semi-annually thereafter, the Bank of Albania shall inform the Council of Ministers and the Assembly of the Republic of Albania, and shall publish a statement on:

a) whether there is any threat to the stability of the financial system;

b) the nature and type of the threat;

c) whether improvements to existing laws or sublegal acts, or any other legal initiative, are necessary to be undertaken.

CHAPTER IX

FINAL PROVISIONS

Article 70

1. The Bank of Albania shall have the right to issue regulations, orders, and guidelines for the implementation of the provisions of this Law.

2. The acts issued by the Bank of Albania that apply to more than one entity shall

be published in the Official Bulletin of the Bank of Albania. The Bank of Albania shall maintain a public register of regulations and recommendations.

Article 71

The Bank of Albania shall be entitled to obtain from banks and other financial institutions documents or other information with respect to the relationships between each one of them and the Bank of Albania.

Article 72

1. Any natural or legal person, grieved by alleged infractions of this Law by the Bank of Albania, may file such complaints to the Court of Appeals.

2. Without prejudice to paragraph 1 of this Article, the act of the Bank of Albania shall apply with no restrictions, until a decision is made by the Court.

Article 73

1. The Bank of Albania shall be exempt from all taxes and duties.

2. Banknotes in circulation bearing the name the "State Bank of Albania" shall continue to be valid without restriction.

3. New bank notes shall be issued bearing the name "Bank of Albania".

Article 74

The Bank of Albania shall have its seal with signs of the coat of arms of the Republic of Albania.

Article 75

Any violations to this law by any bank, foreign exchange agency, person, officer, or any other legal or natural person shall be considered as a contravention and shall be sanctioned in accordance with law "On the Banking System in the Republic of Albania".

Article 76

The Bank of Albania shall not be subject of the Law "On Public Procurement", the Law "On Civil Service in the Republic of Albania" and any derivative sublegal acts in force for the implementation of these provisions.

Article 76/1

"Upon entry into force of this Law, the members of the Supervisory Council of the Bank of Albania, who had been proposed by the Assembly, the Council of Ministers, the Minister of Finance, and the Supervisory Council of the Bank of Albania, elected and appointed in compliance with the law No. 8230, dated 06.08.1997 "On amendments to the Law No 8076, dated 22.2.1996 "On the Bank of Albania", shall remain in office until their mandate ends.

The replacement of the members of the Supervisory Council of the Bank of Albania who leave prior to the end of the respective mandate for grounds laid down in this law and, pursuant to the law no 8230, dated 06.08.1997, were proposed by the President of the Republic of Albania and the Governor of the Bank of Albania, shall be proposed by the Assembly. Meanwhile, the member that was proposed by the Minister of Finance shall be proposed by the Council of Ministers.

The election and appointment of the two new members of the Supervisory Council to fill the new vacancies arising by the increased membership of the Supervisory Council of the Bank of Albania, shall be made by the Assembly.

The Governor, the Deputy Governor and the Secretary General appointed before the entry into force of this law, shall perform their duties (the Secretary General as

Second Deputy Governor) until the end of their mandate and may be entitled to re-election in accordance with the provisions of this Law.”

Article 77

Law No.8076, dated 22.2.1996 "On the Bank of Albania", Law No.8173, dated 21.12. 1996 "On amendments to the Law No.8076, dated 22.2 .1996, "On the Bank of Albania", and Law No.8230, dated August 6, 1997 "On amendments to the Law No.8076, dated 22.2.1996, "On the Bank of Albania", amended by Law No.8173, dated 21.12.1996 "On amendments to the Law No.8076, dated 22.2.1996, "On the Bank of Albania", shall be rescinded.

Article 78

This Law shall enter into force on the 15th day following its publication in the Official Journal of the Republic of Albania.