



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

**DECISION**

**No.12, dated 25.02.2009**

**On the  
Approval of the document  
“Licensing policy of banks”**

In accordance with Article 43 letters “c” and “e” of the Law No. 8269, dated 23.12.1997 “On the Bank of Albania” as amended, having regard to the proposal from the Supervision Department, the Supervisory Council of the Bank of Albania,

**Decided:**

1. To adopt the document “**Licensing policy of banks**”, as provided in the texture attached therein:
2. The Supervision Department is responsible for the implementation of this Decision.
3. The Foreign Relations, European Integration and Communication is responsible for the publication of this Decision.
4. The Decision of Supervisory Council No. 79, dated 17.09.2003 “on the approval of licensing principles of banks” shall be abrogated.

This decision shall enter into force successively.

**Secretary  
YLLI MEMISHA**

**Deputy- Chairman  
FATOS IBRAHIMI**

**Bank of Albania  
Supervisory Council**

**Licensing policy of banks**

**I. Foreword**

The Law No. 9662, dated 18.12.2006 “On Banks in the Republic of Albania”, makes the Bank of Albania exclusively accountable for the licensing, adjustment and supervision of the banking system at home. Bank of Albania, through banking supervision, aims to safeguard the depositors’ interests, contribute for the sound development of the banking system, and to maintain the banking and financial system stability, thus contributing for the economic development of the country. The policy and rules for the licensing of banks and branches of foreign banks, set out from the Bank of Albania are, *inter alia*, the most important instruments assisting the accomplishment of these responsibilities and objectives. Notwithstanding, a well-managed licensing process does not provide the successful business of a bank, the latter is considered as an effective method to restrict the introduction of unstable institutions into the market.

Bank of Albania, to accomplish this process, has tried prioritising the entering of new subjects into the market, aiming the establishment of a competitive, efficient and sound banking system. In the view of accomplishing these targets, Bank of Albania has in place a prudential and conservative licensing policy. The developments characterising our banking system, the best international practices, and also the experiences of banking crises that different countries has encountered, not only confirm the crucial significance of licensing process, but make also indispensable the further development of this process towards a more conservative treatment.

Bank of Albania, through the approval of this document, aims to support the introduction into the market of the sound and stable banking entities: which are grounded from powerful and experienced shareholders in the banking industry, that implement the best management responsibilities standards; that fulfil a balanced operation with well-managed risks; which are able to encounter and develop under the free competitiveness conditions as provided by an open and integrated market in the international financial market; which are able to encounter with capitals and liquidities the crisis situations; which support the developments of the domestic economy; and which supply in a transparent way to the public qualitative and efficient banking services and products.

In view of these objectives, Bank of Albania assesses that the introduction of foreign capitals is a factor to be particularly encouraged. The increasing presence of foreign banking groups, particularly those from EU and USA, assists the integration of our financial markets into the developed international markets, provides ground to the establishment of sound banking entities in the financial terms, and provides the possibility on a modern development of banking business.

This document is compiled in line with the stipulations set out in the document “Core principles for a prudential supervision” and is based particularly on the licensing principles and requirements for a prudential settlement of banks.

## **II. Purpose of compiling the licensing policy**

The purpose of this document is to assist and facilitate the perception from banks, public and other interested parties regarding the positioning of the Bank Albania for the purpose of licensing banks in the Republic of Albania, concerning the following issues:

- a) the objectives of the Bank of Albania for the licensing of banks and branches of foreign banks,
- b) the principles the licensing process of banks shall be based on; and
- c) the priorities of the Bank of Albania in the licensing process.

## **III. Objectives of the Bank of Albania in the licensing process**

Bank of Albania, through the licensing process of banks and branches of foreign banks, aims to accomplish the following targets:

- a) maintaining the conservative and prudential positioning in terms of licensing sound and stable banks, aiming the qualitative growth of our banking system.
- b) promoting, without infringing the principle of equality and non-discriminatory treatment, the further increase of banks role in the market, which enjoy a high reputation and confidentiality, and which originate from developed and consolidated markets.

## **IV. The Principles- the licensing processes is based on**

The licensing principles aim to stipulate those principles, which should characterise, lead and on which the concrete decision-taking should be based on, throughout the licensing process of entities which shall exercise banking activity at home.

**1. The assurance principle for the introduction of sound and stable banks into the market** – The conditions and requirements stipulated in the bylaws of licensing process aim the qualification for the introduction into the market only of those applicants, enjoying the attributes to establish banks which act in a healthy and safely financial manner.

Each new entry in the Albanian banking system should provide complete guarantees regarding the fulfilment of supervisory requirements, particularly in terms of the support through capitals, adequacy of shareholders, the responsible and expertise managing, the best practices on the risk management, the competition and the implementation of regulatory framework.

**Support with equities** – One of the most important elements of banking supervisions are the requirements for capital. Each subject applying to get a license to carry out banking activity should meet the requirements on the minimum capital.

**Adequacy of shareholders** – Bank of Albania, with the purpose the analysing of applications for license, assesses the financial capacities, the integrity and the ethical and professional reputation of shareholders of banks, as these elements are important and affect directly the public confidentiality against the bank and banking system, at large. Bank of Albania shall also assess the direct or indirect control and the qualifying holding/holdings that shareholders might own in a company or in other banks.

**The responsible and proficient management** – A good management provides the ground for a stable development of the banking business and assures sound financial positions of the banking subject to be licensed. Bank of Albania, in the licensing process shall pay particular attention to the managing elements of banks, as follows:

- The management structures of the subject should be composed of individuals with adequate ability and experience to fulfil the responsibilities in terms of functions they shall exercise. Bank of Albania for the purpose of licensing process shall pay particular attention to the qualities, experience and integrity of directors, who shall carry out the management of banks.
- The presence of adequate internal audit systems, which should assure that the Steering Council and the executive directors exercise their duties in the best possible interest of shareholders, depositors and of the subject in general.

**Practices of risks management** – Bank of Albania encourages and support banks to implement adequate practices for the purpose of managing the risks of the banking activity. The Steering Council and the executive directors should provide within the bank a transparent environment, which encourage the controlled and disciplined undertaking of risks.

**Competition** – Subjects aiming to get a license for the conduction of banking business should be able to acquire a right position in the market and succeed in encountering the free competitive conditions as provided in an open and integrated market within the international financial market.

**The fulfilment of public and economy needs and interests** – The new banks, in the market, should contribute for the development of banking intermediation at home, to grow the market's value through the supplying of original products and services, and to sustain the development of economy sectors less served from banks.

**2. The principle on the maintenance and enhancement of the financial stability** – Bank of Albania, in the process of assessing and analysing the application for banking license shall consider the effects of any new introduction into the banking system, particularly regarding the assessment of risks and threats against the stability of

the system. In this view, there shall take place the assessment of risk arising from concentration of operators deriving from the same place of origin, the risk arising from the presence of the big and same operators throughout the region, etc.

**3. The Principle on the cooperation with the homologue supervision authorities** – In terms of licensing banks with foreign capital, the cooperation with other domestic or foreign supervisory authorities, is part of licensing and supervisory process. This cooperation shall take place through the signing of memorandum and or agreements which provide the ground for the implementation of the consolidated supervision principle/process.

**4. The principle for the existence of an open and free competition market** – The regulatory framework adopted by the Bank of Albania on the licensing of banks shall aim to provide an environment of free competition in the banking market. The competition is mandatory and desirably, as it obliges subjects that are participants in the market to carry out their operations in such a way, to be as helpful and fruitful for the public, with general positive effects on the quality and costs of services.

**5. The principle for a fair, equal, neutral and non-discriminatory analysing of the submitted applications** - Each subject applying to get a license to exercise banking business, shall be subject of the same requirements or conditions as set out in the respective bylaws issued from the Bank Albania, as in substance and procedure. The specific and detailed requirements, to be met by each applicant for a banking license, are stipulated in the Regulation “On granting the license to carry out banking activity in the Republic of Albania” and are implemented by following the principle on equality.

**6. The principle on the transparency of the licensing process** – The licensing process to carry out banking activity is subject of the Bank of Albania requirements on a complete transparency with public and with the interested subjects. The Regulations on the licensing of a bank or branch of a foreign bank are published and made available to each applicant presented at the Bank of Albania. The Bank of Albania makes available for each interested subject the requirements and procedures concerning the licensing documentation. Each application as submitted to the Bank of Albania to get a license to carry out banking business is made available to public not only for information purpose, but also to require and receive the latter’s reaction on this application. The list of shareholders applying to establish a bank is made available to the public, *inter alia*, along with the list of its main administrators.

**7. The principle on the accomplishment of obligations arising from the membership in the World Trade Organisation, as well as for the Stabilisation and Association Agreement and the integration process in the European Union** – In this view Bank of Albania guarantees the equal legal treatment of all banks recorded in the countries of European Union, as well as the liberalisation of banking services in accordance with the respective rules set out in the General Agreement on the Trade in

Services (GATS). For this purpose, a particular attention is paid to the approximation of the domestic regulatory framework on banking supervision and licensing with *Acquis Communautaire* in this field

## **V. Priorities in the licensing process**

Licensing is a dynamic process, playing an important role to set out the qualities of banking system. Therefore, this process, in general and particularly the decision-making process needed to be adopted and take account the characteristics that the current banking system manifests as well as the directions and priorities of development the latter should have in the future. Our banking system reveals consolidated, solid and well-capitalised already. In line with these progresses, Bank of Albania assesses that the maintenance and further growth of the banking system stability at home shall be accomplished, by anchoring the licensing process towards the following priorities:

1. Bank of Albania, for the purpose of licensing process, shall give priority to the assessment of applying subjects' abilities and capacities to adopt the most contemporary and advanced practices regarding the identification, measurement and management of risks. The approximation and harmonising of our supervisory regime with the European Union standards has oriented our supervisory process and the present banks to gain a position more oriented to the risk management. In a medium-term period, banks also should show up to the challenges for a gradual approximation to the adoption of New Basel II Accord of Banking Supervision Committee of the Bank for International Settlements (BIS). This target poses the implementation of advanced risk assessment methods, the enhancement of market discipline and the development of a set of requirements on information reporting.

2. Bank of Albania, by safeguarding the equality principle, the non-discriminatory treatment in the licensing process, shall be attentive to the ability for capitalisation of applicants. The accomplishment of only the requirement on the initial capital shall be considered insufficient to grant the banking license. The applicants for the purpose to acquire a license should be able to sustain the subject on an ongoing basis with additional capital, in line with the risk profile the latter shall have and the forthcoming developments in the market, at least in a medium-term period. Bank of Albania shall give importance, throughout the analysing process of the application for a license, to the willingness of those applicants that offers guarantees and capacities to provide additional capitals in unfavourable situations, through the access in the international financial institutions as well as through the listing in capital markets.

3. Bank of Albania encourages the introduction of new banks into the market, which may compete with the current subjects and enjoy the premises to turn into important participants of our banking system. In this light, banks should have in place a clear development vision, competitive qualities, an experience in the banking industry, be grounded on "know how" principle and strong capitals. Bank

of Albania shall be attentive in order banking system not be overloaded with small-sized banks, which operate in a restricted area of the market, as this may threaten the system steadiness and stability.

4. Bank of Albania, without infringing the principle on equal and non-discriminatory treatment of the applications for banking license, throughout the licensing process encourages the entrance of foreign banks into the market, enjoying a high reputation and reliability, and which originate from developed and consolidated markets. These banking groups are characterised in general from a high standardisation of risk management practices, implying that the same risk management techniques as implemented in developed countries (EU and USA countries) shall be smoothly implemented throughout the group, that means even in that part exercising the activity in the Republic of Albania.
5. Initiatives of domestic or foreign households and businesses, without banking experience to establish or to purchase qualifying holding, are encouraged to assure for this purpose stable partnership in the shareholder capital structure with banks which have expertise, reliability and reputation.
6. Bank of Albania, through the licensing process, aims to ground the development of less serviced economy sectors at home. In this light particular priority shall be given to those applications of banks for a license which project to direct a part of their attempts on the establishment of contemporary instruments to fund particular segments/sectors of the economy, which currently are out of the funding schemes.