

BOGA & ASSOCIATES

NEWSLETTER

To keep you up to date with the latest legal and economic developments, this newsletter prepared by our Team provides information that may affect the operation of your business in Albania.



“On the core management principles of banks & branches of foreign banks and the criteria on the approval of their administrators”

Changes to Regulation: “On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators”

The Supervisory Council of the Bank of Albania upon its Decision no. 21 dated 06.04.2022 approved the changes to the Regulation no. 63 dated 14.11.2012 **“On the core management principles of banks and branches of foreign banks and the criteria on the approval of their administrators”** (the “Decision”).

The Decision was published in the Official Gazette and will enter into force on 30 June 2022.

Regulation no. 63, dated 14.11.2012 (Regulation 63/2012) sets out a detailed regulatory framework with regard to the core principles and regulations for a responsible and efficient management of banks and branches of foreign banks, the criteria for the approval of administrators, banks and branches of foreign banks, the documentation required from the Bank of Albania etc.

The recent amendments complete the legal framework with regards to the risk-management structure. Specifically, the competencies and duties of the Head of the risk management structure/unit are distinctly defined and relate to, *inter alia*, the provision of complete and comprehensible information on risks, the counseling of the Steering Council and the periodic reporting to the Steering Council, the risk committee and the general director of the bank.

The elements of remuneration policies are expanded by including the objectives, performance measurement/evaluation methods and variable reward elements. Individuals performing activities with a material impact on the bank's risk profile are assessed as identified personnel, which comprises of the bank's executive directors, internal audit employees, employees performing risk-taking duties (e.g. traders of securities) and all employees, whose activity is deemed to affect the bank's risk profile. Remuneration policies and practices are reviewed

periodically by the Steering Council or the remuneration committee (where applicable) at least once a year, in order to reflect changes in the financial situation.

Referring to the process of re-assessment of the administrators, the Decision provides that in cases where banks find non-compliance with the conditions by administrators, for whom prior approval is given, they must immediately notify the Bank of Albania, or no later than within 5 working days of ascertainment. After this notification, or even if this fact is ascertained during the supervision process, the Bank of Albania may order the dismissal of the administrators in accordance with the legal provisions in force.

Banks are additionally required to publish in their annual report information on the periodicity of meetings of the Steering Council and its committees, as well as information on the level of participation, ownership and influence in other companies.

Annex 5 is added to the existing Annexes of Regulation 63/2012 and comprises a Declaration, whereby the administrator certifies whether or not he/she has family ties or close personal, work or business relationships with persons for whom there are final criminal convictions.

In function of the entities of Regulation 63/2012, the changes also include the Guideline *“On the internal and effective management of banks”*, which addresses the basic principles of internal management of banks and its improvement through the establishment and organization of relevant structures and governing bodies, policy making, creating a management culture and a risk culture, as well as constituting an appropriate framework of risk appetite/tolerance.



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Chambers Global 2022: Ranked **Band 1** in Corporate/Commercial

Chambers Europe 2022: Ranked **Band 1** in 3 practice areas

The Legal 500 2022: Ranked **Tier 1** in Legal Market Overview

Benchmark Litigation Europe 2022: Top Ranked in Dispute Resolution

WTR1000 2022: Top Ranked in Trademarks

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Boga & Associates

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The firm's particularity is linked to the multidisciplinary services it provides to its clients, through an uncompromising commitment to excellence. Apart from the widely consolidated legal practice, the firm offers the highest standards of expertise in tax and accounting services, with keen sensitivity to the rapid changes in the Albanian and Kosovo business environment. The firm delivers services to leading clients in major industries, banks and financial institutions, as well as to companies engaged in insurance, construction, energy and utilities, entertainment and media, mining, oil and gas, professional services, real estate, technology, telecommunications, tourism, transport, infrastructure and consumer goods.