



SPI Albania Project on Assessing the feasibility of establishing a Central Securities Depository

Project Objective

To produce a feasibility study that should contain a thorough analysis of the alternatives that would guarantee the existence of the services offered by the Central Security Depository by comparing the “make” versus “buy” options of these services.

Project Management Team

Project Owner (PO): Financial Supervisory Authority

Project Manager (PM): Flora Musta, Head of Licensing Sector, Financial Supervisory Authority

Co- Project Manger (CPM): Marjan Gjermeni, Head of Treasury Department, Bank of Albania

Co- Project Manger (CPM): Irena Gjika, Head of Debt Contracting and Payments Department, Ministry of Finance

Minutes

First meeting

December 16, 2009—AAB premises

Attendees: Flora Musta, FSA (PM)
Jergent Kabashi, FSVC, (observer)
Erald Sakiqi FSA (observer)
Denalda Duro, BoA (CoPM)
Rezarta Arapi, RB (member)
Elona Iljazi, MoF, (CoPM)
Andin Jakova, ICB, (member)
Anuela Ristani, SPI Albania, Director of Operations
Holta Kotherja, SPI Albania, Consultant

SPI Albania Secretariat

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AGENDA

- I. Welcome Note and Introduction of Participants
- II. SPI Albania Presentation
- III. Conclusions and Distribution of Tasks
- IV. Closing Remarks

I. Welcome Note and Introduction of the Participants

SPI Secretariat welcomed all the PWG members and introduced the PMT and the SPI Albania Secretariat. All members introduced themselves and the institutions they were representing.

II. Presentation of SPI Albania

In order for the PWG members to have a better understanding on the SPI work process and methodologies, SPI Secretariat held a short presentation focusing on the SPI Albania project management and methodologies.

SPI Albania is a partnership lead by a high level public private Committee with representatives from BoA , AAB (Chairman) and the Head of Convergence Program (World Bank) as well as MoF, AMF, Market Surveillance Department-METE. European University of Tirana and Italian Banking Association are Permanent Observers to the SPI Committee. SPI Secretariat orchestrates different working groups for each SPI Project.

SPI Secretariat presented the role and responsibilities of the PMT and PWG members as well as the role of the Secretariat throughout the entire project process from the start to enactment.

SPI Secretariat presented the methodology followed for every SPI Albania project. After the Terms of Reference are endorsed by the SPI Committee and reviewed / approved by the PMT, the PWG first target is identifying the problem and its causes (a market or a regulatory failure) in order to understand if it creates the case for a regulatory intervention or for self-regulatory actions. PWG defines the policy objectives to be achieved with this project and considers if ‘do nothing option’ could be a solution and its costs. PWG identifies then the possible regulatory/self-regulatory policy options that could be envisaged for solving the problem.

Once the Scoping of the Problem is concluded as described above, the PWG is focused on the Analysis of the impact that is: to identify and state the costs borne and benefits yielded by consumers, by the regulator and regulated firms, and to collect market structure data to perform a quantitative cost and benefit analysis. SPI Albania work has created a significant impact on the regulatory financial reforms through projects of legal natures as the changes of Civil Procedure Code, Private Bailiff and Bank and several Bank of Albania regulations.

With the conclusion of the analytical work, the policy document is drafted and consultations are run with various stakeholders. PWG has to agree on the final PWG Recommendations document. The actual work of the PWG is concluded with the SPI Committee approval of the final PWG recommendation. However the PWG members, representing the professional experts for each respective project, will stand ready to participate in further consultations with the regulators or other authorities during the enactment process.

PWG members should evaluate, at the end of the project, SPI Secretariat's performance based on a questionnaire that is presented at the first meeting in order to get acquainted with the criteria to follow for this evaluation.

III. Project Terms of Reference presentation (Discussion and approval)

SPI Secretariat presented the Project Terms of Reference as the outlining document that will guide the PWG through all the project steps.

In Albania, there are individual banks acting as custodians and they do keep records on the transactions effectuated by the bank, but there is not a central and/or unique depository.

For companies shares the Shares' Registration Center operates as licensed registrar. It was created as a joint stock company in 1996, and is a state-owned entity.

Governmental securities (G-Securities) are issued in book entry form and are transferable. Every transfer of property from the owner of the G-Securities to the purchaser must be registered, for the transfer to take effect.

The Bank of Albania maintains the registry of the first level, referred as the synthetic registry. Registrars licensed by the FSA (for example, Raiffeissen Bank and the INTESA SANPAOLO Bank and three other banks) maintain the registry of the second level, referred as the analytic registry. Furthermore, the new law on "Securities" foresees that the companies that plays the role of a security registrar shall have a sole purpose of registering the securities and recording the transactions data made in their connection. Having this there is no room for banks to serve as registrar as it is the practice till now and this can be considered also as being conflict of interest since the banks play the traders role and they cannot have alos the capacity of the registrar for the trade that they effectuate.

The existence of several securities registrars is not considered as having a positive impact for the development of the market. There is a need for the existence of one central depository since it would assist in:

- Stimulating an active Stock Exchange
- Increasing the number of long term debt instruments of the Albanian Government,
- Increasing the transactions with Albanian Government Securities by individuals and legal persons,
- Increasing the foreign investors' interesting, particularly foreign banks, on buying Albanian Government Securities,

- Increasing Cross-border transactions,

The experience of many countries that have established Central Depository institutions, and consulting with several foreign experts in this area, strongly supports the necessity of having a Central Securities Depository for:

- Registering all kind of securities in the same center, including the Government Securities;
- Completing the clearing and settlement of transactions with securities,
- Processing of the identification number of securities (ISIN),
- Other services to help securities issuers, etc..

The main objective of the PWG will be to produce a feasibility study that should contain a thorough analysis of the alternatives that would guarantee the existence of the services offered by the Central Security Depository by comparing the “make” versus “buy” options of these services. In more detailed terms the feasibility study shall duly considered all possible options, by not limiting itself in only examining the alternative of establishing an Albanian tailored Central Security Depository, but also the possibility to buy these services from another already established agency abroad.

Having in mind what set above the Working Group while preparing the feasibility study shall:

- Assess the current situation and needs from all the stakeholders of the functions of a central depository taking into account both options “Make” versus “Buy”;
- Consider short and long term perspective related to the development of the securities market in Albania and the development in regard to stabilization and association process with EU and the Albania’s final accession as a EU member.
- Discuss possible options with a main focus on the establishment of a Central Depository
- Assess the need (or not) for amending of the Law no 9879 dated 21.02.2008 “On securities” in regards of the establishment of the Central Depository.
- Explore/approach sources for technical assistance on establishing the Depository (round table with potential shareholders).
- Produce basic principal features and requirements to be fulfilled by the CSD

IV. Conclusions and Distribution of Tasks

For the next PWG meeting:

- SPI Secretariat will send the meeting minutes and the revised drafts of the documents for final approval to the PWG;
- SPI Secretariat will re-draft the meeting minutes and distribute them to the PWG members
- SPI Secretariat will handle the bilateral meetings of the foreign expert with each of the relevant institutions.

VII. Closing Remarks

The second PWG meeting is preliminarily scheduled to take place in late January 2009, however PWG members are to be contacted individually or through group e-mails and bilateral meetings.