

SUPERVISION OF THE FINANCIAL SYSTEM IN ALBANIA

Reforming and Improving the Supervision over Non-Banking Sector

Discussion Paper

**Seminar for Trainees on the topic
“Financial Market”**

taking place on September 16-20, 2008
in Primošten, hotel “Zora”, Croatia

**by Artan Gjergji, MA
Expert on Securities Markets &
Director of Business Services Department
Tirana Chamber of Commerce & Industry**

Croatia - September 2008

GENERAL OVERVIEW OF THE FINANCIAL MARKET IN ALBANIA

From the central planning economy of the communist system, Albania inherited a banking system which was underdeveloped. After 90s, for the new democratic government, one of the most important means to accomplish the objectives on macroeconomic development and stabilization was the reform on banking and financial sector.¹ Thus, strong efforts were made to develop especially banking sector by establishing an independent central bank as well as a few commercial banks. Also, reforms were undertaken to establish non-bank financial sector. Hence, Insurance Institute (INSIG) was established to pave the way for a modern insurance sector and in 1995-96 important steps was made to establish a capital market as well as its necessary institutions. Only after 1998, insurance sector started developing when private capital companies entered the market, while the capital market still remains undeveloped with a formal stock exchange which was never backed by the state and has no listed companies so far.

Efforts were made to compile the legal infrastructure in order to enable the financial system to work efficiently. Donors helped the government establish a comprehensive legal framework for the financial sector. Also, work continues on the introduction of the International Accounting Standards (IAS) based on the accounting system for both the banking and enterprise sectors, including a uniform chart of accounts for enterprises, leading to enhanced transparency and increased intermediation. Regulatory framework has been improved and continues to be subject of changes both for banking and non-banking system.

In spite of the possible existing problems, Albania has a relatively sound financial system. Prudent monetary and fiscal policies have contributed to a stable macroeconomic environment. According to international financial organisms which monitor Albania, the system does not appear to be highly vulnerable to any immediate macroeconomic or financial sector shocks which may have been spilled over by regional, global or domestic developments. Nonetheless, the risk spectrum in the financial system is widening and thus begs for prudent and constant monitoring, backed up by correcting and timely regulatory measures.² While the core legal and regulatory framework is in place, several recommendations are made that aim to broaden and deepen markets to encourage financial intermediation.

Banking Sector

Banking sector is the most relatively developed part of the Albanian financial system. This sector dominates the financial sector with over 90 percent of all financial intermediaries' assets. The banking system consists of 16 banks with assets as of end-2007 amounting to around 76 percent of GDP relative to last year's 69.4%. At the end of 2007, the credit portfolio in the financial sector reached approx. 40% of total assets in this sector.³

Albania is one of the countries with a very high share of the foreign capital banking market. It started with Bank di Roma, which was co-owner of Italian-Albanian Bank (BIA), and then continued with prestigious foreign banks, such as: IFC, EBRD, National Bank of Greece, Bank

¹ Bajraktari, Rexhina & Brahja, Ermira (1999), "Albania: Country Profile", in "Capital Markets in Central and Eastern Europe", ed. by C. Helmenstein, Edward Elgar Publishing Ltd.

² Bank of Albania, "Annual Report 2007"

³ see Bank of Albania, "Annual Report 2007"

of Piraeus, Raiffeisen Bank, San Paolo IMI, and Society General etc. Also, another special characteristic of the Albanian banking sector is that it is almost totally privatized. Currently, Albanian state holds only 40% of the United Bank of Albania, which is a relatively small bank in the market.

Due to the poor quality of assets and limited range of financial services provided by the banks, returns on both assets and equity for banks in Albania throughout the decade were negative, and this applied to some state banks as well as private ones. Losses resulted mainly from high loan arrears. With the imposition of greater discipline since the pyramid scheme collapse, Albania's banks posted profits in 2000 of about US\$ 24 million.⁴ This event can be seen as a "boomerang" effect, as it brought about the return of confidence in the banking sector. The fact that no bank collapsed during the 1997 financial crises as well as the presence of foreign banks in the market, was one of the main reasons why people turned back to these financial institutions and started using their services. However, because of the high risk and the lack of creditworthiness on the local business, the banking sector in Albania developed at a very slow pace until 2003, focusing more on the government activity lending instead of the private sector. Later on, the establishment of two Albanian capital owned banks (Credins Bank and Popular Bank) increased the competition in the market because of their aggressive strategy to enter the market and to expand in the territory. Together with Raiffeisen Bank entrance to the market in 2004, better conditions were created to increase real market competition and improve the quality and quantity of banking products offered to the public. The strong competition forced even the former banks to adapt the situation and to be more attractive by offering new products or better lending rates. The entrance to the domestic market recently of the two prestigious foreign banks such as San Paolo IMI and Societe Generale, is expected to further prompt a high competition in the banking sector.

Non-Banking Sector

The non-bank financial sector is less developed in Albania than the country's banking system. There are many challenges with which this sector has to be faced in order to develop in the near future. There is almost an absent capital markets activity. The money and capital markets consist only of primary issues and a narrow secondary market (almost inexistent) for T-bills. Corporate debt securities are uniformly absent from the markets and there is no law approved by the parliament "On Corporate Bonds".⁵ As a matter of fact, during the transition period, donors' development and consulting policies were focused on banking sector, indirectly "cornering" the parallel development of the non-banking sector.⁶ On the other hand, lack of domestic political will was an important obstacle to the development of the non-bank sector in Albania. Thus, different from the experiences of the CEE or SEE countries, privatization process in Albania did not pass through capital markets, killing the opportunity for creating the initial supply for equity securities in the market. The only stock exchange licensed by the Albanian Securities Commission (ASC)⁷ was left alone without any support by financial authorities, functioning only in a juridical way and not in an operational one. Because of the high level of informality of the economy, local business is not interested in using stock exchange as a finance alternative.

⁴ Sherif, K.; Borish, M. & Clarke, G. (2000), "Structural Adjustment in the Transition: *Case of Albania, Azerbaijan, Kyrgyz Republic and Moldova*", The World Bank, Washington, D.C.

⁵ Gjergji Artan, (2004), "Financing of Albanian business through Exchange", MONITOR Economic Magazine

⁶ In all country or evaluation reports made by IMF and WB it is stressed out the importance of a developed banking sector and generally the soundness of the whole financial system is based on the performance of this sector. Moreover, almost major parts of the donors' funds were concentrated in banking sector. Funds given for non-banking sector were used generally on insurance legal infrastructure, institution building and on the foreign advisory of state-owned insurance company privatization, INSIG

⁷ nowadays is Albanian Financial Supervisory Authority

The insurance industry started developing after the liberalization of the market in 1999. In Albania there are 10 insurance companies, 3 of which offer non-life insurance. However this sector still remains underdeveloped (based only on a few basic products and services where the vehicle insurance market dominates) and it is characterized by many problems. Recently, efforts have been made by Albanian Financial Supervisory Authority (AFSA) to improve the legal infrastructure by strengthening the quantitative criteria, aiming at a proper and efficient regulation of the domestic insurance market. Thus, in the frame of obligations that derive from the endorsement of Stabilization and Association Agreement with European Union (EU), during 2006 amendments were made in the insurance legislation to reflect some EU directive quantitative benchmarks relating to the increase of the guarantee fund for insurance companies to 3 million Euros.⁸ It should be stressed out that, this amendment brought about the need for capital increase among domestic insurance companies, pushing them to enter into negotiations with foreign partners. Therefore, during 2007 few foreign capital insurance companies with a good reputation in the international area such as UNIQA, Vienna Insurance and ASPIS (*Greek Insurance Company*) entered into the Albanian market. These positive changes are expected to cause a faster development of the domestic insurance industry.

Contractual savings and investments institutions are in the early stages of development. Since 1995, three investment funds have purchased privatization vouchers, but because of the failure of this process, they are presently inactive and waiting for any expected political decision on privatization of state-owned companies through these instruments. There is no legal infrastructure and there are no mutual investment funds in Albania so far. Law “On Investment Funds” has been waiting to be passed by the parliament since 1999. In 2004 it was established the Inspectorate of Private Supplementary Pension Institutes (IPSPI), as the regulatory body for pension schemes, and two private pension funds were set up. Despite these facts, the development of the contractual saving and investment schemes (CSISs), not accompanied with the development of a normal capital market, constitutes a strong disadvantage for the development of the non-banking sector as a whole. Non-bank financial institutions remain relatively small and are not currently a source of systemic vulnerability.⁹ Most of them are totally undeveloped because of the lack of the market (i.e. existing brokerage houses); while the others have limited possibilities to perform their activities (pension funds & life insurance companies).

Year 2006 marked a significant step in terms of the reformation of supervision and regulation relating non-banking financial system. Based on the Government’s initiative to reform the non-banking financial regulatory system towards unification into a consolidated regulatory entity, and on the close assistance of World Bank, the integration of regulatory-supervisory entities was accomplished in October 2006 including markets and legal entities performing activities in the insurance area, securities market, as well as, supplementary private pension schemes. In this context, the unification of Insurance Supervisory Authority (ISA), Albanian Securities Commission (ASC), as well as, Inspectorate of Private Supplementary Pension Institutes (IPSPI) was accomplished and this led to the establishment of the Albanian Financial Supervisory Authority (AFSA) as the unique institution responsible for licensing, supervision and regulation of the overall non-banking financial sector activity in Albania.¹⁰

⁸ see AFSA, “Annual Report 2006”

⁹ see “Albania: Financial System Stability Assessment - FSSA”, IMF Country Report, August 2005

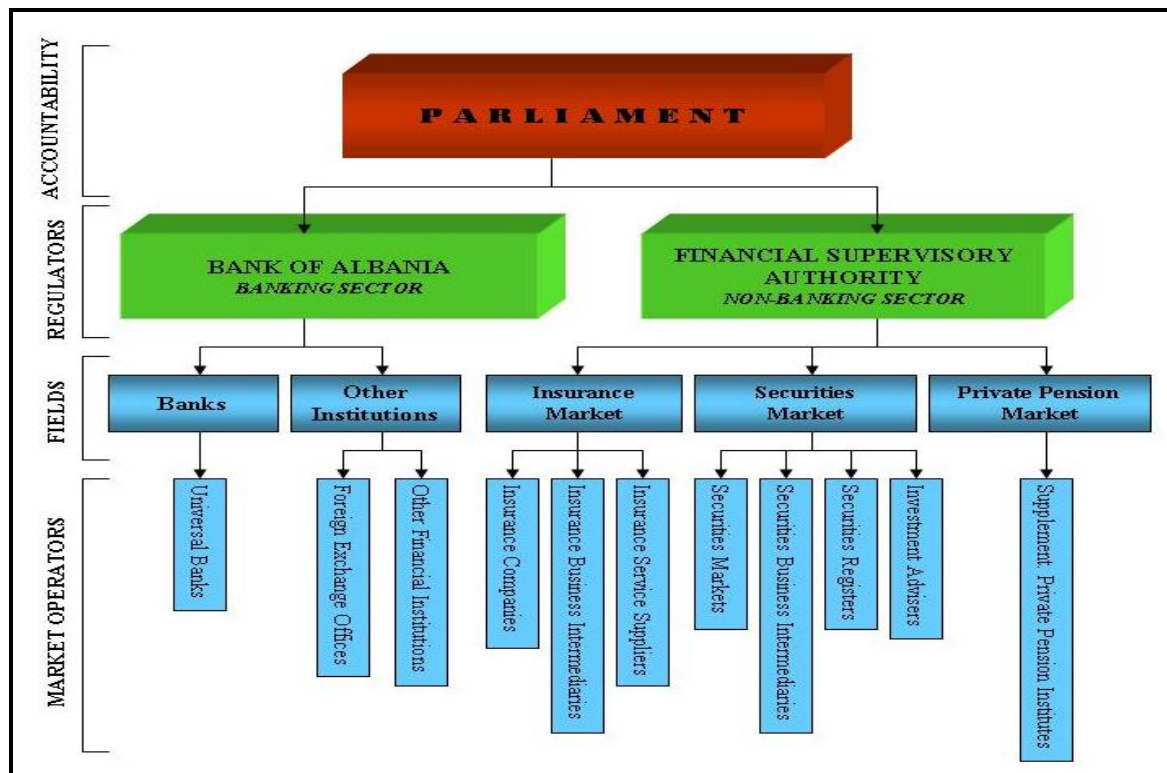
¹⁰ see AFSA, “Annual Report 2006”

SUPERVISION STRUCTURE OF THE FINANCIAL MARKET

Integrated supervision is an approach, which assumes that in a global economy, changes to financial services operators are becoming such decreasingly smaller as often causing conflicting and overlapping regulative or supervisory practices, which may leave room for violations or negative influences on the financial markets development. In this respect, a new and highlighted trend of financial regulators' unification can be observed over the last decade, which is also a characteristic of the Eastern Europe.

Integration can be a complete unification (model used in UK, Japan, Austria, Poland, Hungary, Czech Republic etc.), or into two regulatory structures (Bulgaria). Albania pursued the model of two financial regulators, to be reviewed at a second stage towards a complete unification. The establishment of the Albanian Financial Supervisory Authority by merging three predecessor authorities (insurance, securities and private pension funds), division and standardization of financial sector regulation and supervision into two main pillars based on the banking sector supervised by the Bank of Albania and the non-banking sector supervised by an integrated regulatory entity (Albanian Financial Supervisory Authority) was deemed by supporting international organizations (World Bank, IMF) as the best and most appropriate solution for the country's financial system. On the other hand, Ministry of Finance, as the fiscal authority of the country cooperates closely to both supervisory bodies, in order to maintain a sound and steady growth of the financial system and a satisfactory growth rate of the economy.

Supervisory and Regulatory Structure of the Financial System in Albania



Both, Bank of Albania and Albanian FSA possess “*de jure*” a relatively good level of the independence. Thus, both institutions are accountable to the Parliament, their Supervisory Boards' members are qualified persons elected by this legislative organ. Even though all legislative initiatives have to be presented to the Parliament through the Ministry of Finance

because of constitutional reasons, Bank of Albania and Albanian FSA have the right to improve continuously the regulatory framework in order to achieve a proper and prudent supervision.

Despite the legal equality, the asymmetric development of the financial market in Albania caused a “*de facto*” weak level of independence for Albanian FSA in front of the Government, comparing to the one of the Bank of Albania. As a matter of fact, the central bank managed to create a higher and steady institutional independence in its financial supervisory activity, while Albanian FSA is still a newly established and fragile financial supervisory body.¹¹

SUPERVISION IN TO THE DIFFERENT SECTORS OF THE FINANCIAL SYSTEM

Supervision of financial markets in Albania was characterized by a step-by-step and prudent model, remaining between the need to foster the development of the system and the need to build trust, especially after the 1997 domestic financial turmoil. The oversight bodies are fully supported and strictly monitored by international financial organisms (IMF, World Bank), improving continuously their supervision models and policies. Nonetheless, it is important to stress that regulatory and supervisory capacity needs to keep pace with the sector’s development to mitigate the attendant risks. In this regard, proving cross-border supervisory collaboration, contingency planning, and collateral execution is considered as one of the most important priorities Albanian financial oversight bodies should have.¹²

It is important to stress out that cooperation between oversight bodies like Bank of Albania and Albanian FSA with the Ministry of Finance has been positive aiming the maintenance and promotion of the financial sustainability of the country. This cooperation has served as an instrument to prevent risks, to enhance transparency and, to unify standards across the financial sectors. Joint inspections, which the Bank of Albania has conducted with the Albanian FSA concerning issues where cooperation was necessary, were highly effective. The development of the information technology in both institutions is facilitating a more complete and regular exchange of information.

Banking Sector

Banking supervision is carried out by the Bank of Albania, as the central bank of the country, pursuant to the Law “On the Bank of Albania”, No. 8269 of 23.12.1997 and the Law “On the Banks in the Republic of Albania”, No. 8365 of 02.07.1998.

In compliance with its legal responsibility, the Bank of Albania, being the supervisory authority of the banks and other financial institutions licensed by it, intends to:

- § Ensure a sound banking activity that is in good harmony with legislation in power in order to protect depositors and prevent financial crises;
- § Safeguard the banking system stability by monitoring the market developments and recommending adequate measures to the banks operating in Albania;
- § Strengthen the banking system credibility and to promote a healthier market discipline by demanding higher transparency in the system;

¹¹ Zhilla Fabian & Gjergji Artan, (2008), “Financial Supervisory Bodies’ Independence in the financial market”, MONITOR Economic Magazine, 26 February, 2008

¹² *see* “Albania: Fourth Review Under the Three-Year Arrangement under the Poverty Reduction and Growth Facility - PRGF”, IMF Country Report No. 08/128, April 2008

§ Provide a fair competition in the banking system;

The Bank of Albania has succeeded in ensuring banking system stability, thus fulfilling one of its legal responsibilities, through constant off-site and on-site supervision, highlighting problems and taking proper measures for their improvement.

Being risk-oriented, the supervisory process undergoes constant improvements, including in the risk list even the operational ones, both in terms of identification and awareness of managers of the licensed entities to monitor and minimize them. Also, a special attention has been constantly paid to banks and non-bank institutions of a higher risk profile, analyzing high risk operations in more details. A tight monetary policy pursued by Bank of Albania associated with a prudent supervisory policy were the main factors which successfully contributed to the cool-off the international financial markets crisis effects to the domestic market as well as the slowed down the rapid credit growth by the banking sector. Nonetheless, according to IMF, authorities need to remain vigilant as well as need to continue supplementing monetary policy with regulatory and prudential measures. On the other side, much remains to be done regarding enhancement of supervisory and regulatory capacities, which must develop in step with the rapidly maturing financial system.¹³

During 2006, legal and regulatory framework of the financial and banking supervision of the banking sector underwent important developments. A new law “On the Banks in the Republic of Albania” was issued regulating the activity of banks and branches of foreign banks operating in the country. Likewise some regulations were amended and some new ones were drafting some. The best European practices and experiences, and recommendations of standards of the Basel Committee on banking supervision, the core principles for an effective supervision and the developments of the country’s banking sector would be on the basis of these important developments.¹⁴

Another important step towards an effective oversight in the banking sector is considered the establishment of the Credit Registry within the structure of Bank of Albania.¹⁵ This mechanism composes the electronic data base for borrowers of the Albanian banking system. Its scope is to process information on data, in terms of the credit exposure of each borrower and related people. The implementation of this Registry aims to facilitate opportunities for sound credit transactions, through access to information on borrowers, rendering the credit process efficient and safe. In other words, what are called “bad borrowers” would be easily identified and let out of the system indirectly.

The Credit Registry allows commercial banks to have access to necessary information in order to appropriately and quickly determine the capability to pay back financial dues and the credibility of the credit applicant. This curtails the necessary time needed to take decisions in credit-lending and helps to enhance the quality while reducing credit costs.

The Credit Registry Bureau has been set up within the Supervision Department and reports directly to the Director of the Department. The operation of the Credit Registry Bureau within the framework of the Supervision Department serves to the execution of the supervisory and regulative role of this department.¹⁶

¹³ *see* “Albania: Fourth Review Under the Three-Year Arrangement under the Poverty Reduction and Growth Facility - PRGF”, IMF Country Report No. 08/128, April 2008

¹⁴ Bank of Albania, “Supervision Annual Report 2006”, Tirana, Albania

¹⁵ Credit Registry started officially functioning on January 1st, 2008

¹⁶ Bank of Albania, “Annual Report 2007”

Non-Banking Sector

Non banking sector in Albania is regulated and supervised by the Albanian Financial Supervisory Authority. A major part of the Albanian FSA resources during its two year life were focused on this market regulation and supervision. Improving of the insurance legal framework was combined with qualitative steps, which reflected, to a considerable extent, the European directives requirements, while supervision kept on developing with risk based elements and with a structured system of financial analysis based on contemporary approaches.

On the other hand, an enormous work is done towards increasing the level of the transparency on the activity performed by the market operators trying to shift the supervision model towards a more modern and efficient one. In this context, Albanian FSA gave priority to more flexible and user-friendly reporting systems introducing some new electronic platforms for subjects under supervision to report periodically.

Insurance Market

Albanian FSA is undertaking activities to improve the supervisory processes and to make them consistent with the risk based supervision for the insurance market in Albania. Shifting from the traditional method (conventional supervision) to this new approach requires a back up of a modern reporting and analysis electronic system.

Conventional supervision

- Ensures financial institutions safety by means of defining the rules
- Rules are applicable to all financial institutions and are defined by law
- Imposing of sanctions in the interest of enforcing the rules

Risk based supervision

- Rates the business of a company, the risk profile and the macroeconomic context in view of two dimensions:
 - a. Risks individual profiles
 - b. Regular risk
- Analyzes the impact that a potential bankruptcy may have vis-à-vis the following:
 - a. Policyholders
 - b. Financial system
- Designs an effective supervisory system

Advantages

- Better risk management
- More efficient market
- Economic positive effects also on a macro level

Given that the insurance market dominates the non-bank sector, one of the AFSA priorities consists in attaining an efficient supervision of the insurance companies. In this frame, a series of significant legal reforms have been undertaken with the purpose of enhancing the supervision of this market. Thus, the increase of the minimum rate of the guarantee fund to the level of rates defined in the EU directives constituted a significant legal change and, at the same time, a challenge for the insurance sector in 2007-2008. Additionally, a new law “On Accounting and Financial Statements” made obligatory for financial services companies to report their financial statements by the end of 2008 in accordance with the international financial reporting standards (IFRS).

EBRD upon the support of Western Balkans Fund donors has supported Albanian FSA with the project of the Information Management System (IMS) development. The main objective of this program is to develop an appropriate system of information management, which supports the Albanian FSA supervisory processes. The program helps with the effective development in compliance with the non-bank financial markets rules including here the insurance sector (both, life and non-life) and the pensions' funds administration, henceforth enhancing the oversight body's role through the modernization of the information and reporting system.

This system is applied to data collection and to reporting functions and it facilitates recording of issues, therefore helping, at the same time, Albanian FSA to shift to the "risk based supervision" approach and to the efficient utilization of supervision inputs. Application helps in closely monitoring the solvency and other aspects of the insurance companies and of the pensions' funds. IMS will focus on the insurance companies and pensions' fund, thus providing opportunities in connection with expansion to the supervision of securities sector and to other supervised operators (such as the intermediaries) in the future. The project is ongoing, while the system is expected to start operating not later than the end of 2008.

Private Pension Funds Market

The regulation of pensions' activity bears a special importance due to the term of assigned responsibilities and the high level of expertise that is required to manage this activity. Based on the international practices, it is indispensable to have clear rules, which include the real financial profile of the owners and, in addition, of the directors of these operators. Given that and the IMF specific recommendations, as well as, on the official commitments regarding establishment and development of a sound sector, Albanian FSA is pursuing a restrictive policy in respect of the licensing applications or, changes that have to do with the supplementary private pensions business in Albania. This policy is viewed as a necessity up to the stage when clear rules shall be adopted in accordance with successful practices. On the other hand, Albanian FSA has cautiously monitored and administered the trend in the existing companies in order to protect contributor' interests.

The existing legal framework has serious shortcomings in relation to licensing applications, 'fit & proper' governance standards, investment policies and in relation to supervision elements. Therefore, Albanian FSA is working on drafting a new law about voluntary private pension institutions, which will give a further impetus to this sector development on the grounds of solid basis of ensuring and protecting the interests of voluntary contributors. To supervise the three existing funds, AFSA has drafted and adopted appropriate reporting and monitoring rules.

Securities Market

Nowadays the securities trade is confined only to government securities (T-bills and T-bonds). Throughout 2007, the Albanian FSA helped with the expansion of the secondary market and with the functioning of the corresponding registers by means of licensing and regulatory amendments in the frame of a close cooperation with the Bank of Albania and Ministry of Finance.

Completion of the legal framework on securities is also in the focus of Albanian FSA's attention. In addition to the new law "On Titles", which passed by the Parliament in early 2008, Albanian FSA started working to adopt all the regulatory framework in full compliance not only with the legislation in power, but also with the best practices of the EU *acquis communautaire*. Likewise, supported by the EBRD the oversight body is working on drafting a law on Corporate and Municipal Bonds, as well as, on drafting a new law on investment funds.

The goal of these programs is to approximate to the European directives and to improve the market operation.

Cooperation with the Bank of Albania, Ministry of Finance about market expansion, public awareness, transparency enhancement in the market and permanent dialogue with second level banks concerning retail trade bore a specific significance. During 2007, the Albanian FSA installed in its website a GSRM rating system where each bank may update in real time the transactions and quotations for the T-Bills and T-Bonds performed in the retail market.

The policy pursued by Albanian FSA brought a positive impact in terms of the volume of trading and market participation. At this stage, T-bills market is marked by the increasing trend of individuals' participation. Based on the participation (transaction number) according to the type of investors, either individuals or legal entities, it can be observed that individuals take up a higher specific weight with 80.25% of the total transactions in this market.¹⁷ However, the oversight made to this market segment, brought to the light many problems such as the lack of the information and transparency that banks offer to their clients. This fact should become a priority on the future supervision of the securities market by Albanian FSA.

GSRM SYSTEM AN INNOVATIVE APPLICATION THROUGH AN EFFICIENT SUPERVISION – CASE STUDY

Starting as of 1 December 2007, Albanian FSA has launched an online electronic platform (GSRM) where all the subjects allowed to operate in this market and licensed from the Albanian FSA, updates in real time the transactions and quotations of T-bills and T-bonds. This increases the transparency and stimulates the participation of public in the Government Securities Retail Market. GSRM was designed by Albanian FSA in the form of a common/platform for the delivery of the information throughout the obligatory publication of the data about operations done from the operators in the Government Securities Retail Market. This platform was made available to the public through the Albanian FSA webpage.

Government securities retail trade is the trade that is conducted at the physical or virtual windows of banks and of other entities, which have been issued with the license to carry out transactions with the investors, which can be resident and non-resident individuals or legal entities.

What is GSRM System?

Government Securities Retail Market System (GSRM System) is an electronic data reporting & publication system for the executed transactions in the government securities retail market in Albania.

In the GSRM System are published all data relating “quotations” (*bid/ask price publication*) or “executed transactions” (*all transactions as set forth in the article 3 of the regulation “On retail market”*).

Input data used by GSRM System (*such as price & issuing date, maturity date, coupon etc.*) are provided by primary auctions organized at Bank of Albania.

GSRM System is a web based system created & administered by the Albanian FSA.

¹⁷ Albanian Financial Supervisory Authority, “Annual Report 2007”

Advantages of the GSRM System

- Increase the transparency in the G-securities retail market;
- Provides the public with continuous and real-time information;
- Increase the competition among market operators;
- Decrease the operational costs of trading in G-securities;
- Decrease the possibilities for any market abuse;
- Provides a better and more efficient protection for the investors;
- Paves the way for the further development of the secondary securities markets in Albania;

Who is allowed to publish data in the GSRM System?

Only banks or other legal persons who are licensed by the Albanian FSA as “Securities Dealer/Broker in the Government Securities Retail Market” can publish data in the GSRM System;

Albanian FSA does not license individuals (physical persons) who are going to use the GSRM System. Banks or other licensees nominate specific individuals (their employees) to publish data on their behalf. The licensees should notify the Authority on their users, and they will be provided with username & password in order to access the GSRM System.

Informative character of the data published in the GSRM System

Data published in the GSRM System have merely “*informative*” and “*not binding*” purposes. This means that banks or other licensees save the right to negotiate with their clients with prices which might be different from them quoted in the GSRM System.

Responsibility for Data Accuracy

Banks and other licensees are responsible for the accuracy of data relating executed transactions in the government securities retail market.

Time of Data Publication in the GSRM System

- Information relating “quotation” & “executed transactions” in G-securities retail market should be published every working day between **8.30** a.m. until **16.30** p.m.;
- Every bank or other licensee shall publish every day between 8.30 to 9.00 a.m bid & ask prices on the G-securities it want to “quote” in the retail market. However banks can “quote” continuously during the day if they will need to do it;
- Banks and other licensees are obliged to publish real-time B & C type transactions (as they have direct effect to the market) and at the end of the day A, D & E type transactions.

Prior the launching to public, GSRM System passed through a 1 month testing period of time. During this period of time banks and other licensees entered real data to the system. Nonetheless this information was accessed only by Albanian FSA and licensees, but not by the public. After December 1st, 2007, information entered to the GSRM System started to be published in the Albanian FSA’s web site and easily accessed by the public.

It is important to stress out that the implementation of the GSRM System to the Albanian securities market brought very positive impact, because of the increase at the level of transparency the the market data. This fact can easily noticed through the increase of the trading volume, increasing number of transaction and what is more important, an increase on the individual investors, participation in the market. On the oversight point of view, Albanian FSA now can better monitor the market through conducting off-site supervision via internet web site and taking all the necessary steps against any possible operational problem in order to protect consumers.

At a second phase, which is planned to finish at the end of year 2008, Albanian FSA will launch a GSRM System Trading Database. It will provide public, investors, academicians or other stakeholder with statistical data from the historic of trading in the G-securities retail market.

ANEX 1: Screen of the Government Securities Retail Market (GSRM) System in Albania

GSRM
Tregu me Pakicë i Letrave me Vlerë të Qeverisë
Government Securities Retail Market

TE DHENA STATISTORE

Yield Curve

Filters

Quotations

Transactions

Data	Barje	Shpejti	D. Nd.	EDM	Supoz.	Lloji i Trans.	Totali i Trans. Detyr.	Mbipjeset e Funtit
Birori Detyrës (1.00%)								
CRD0412	4.00%	-	10000000	70	-	-	-	010110007 10:38:48
Birori Detyrës (1.00%)								
BKT	7.00%	8.00%	25000000	170	-	-	-	010110007 10:38:42
CRD0412	7.00%	-	15000000	111	-	-	-	010110007 10:41:07
Birori Detyrës (12.00%)								
BKT	8.00%	8.00%	80000000	340	-	-	-	010110007 10:41:00

Data	Barje	Shpejti	D. Nd.	EDM	Supoz.	Lloji i Trans.	Totali i Trans. Detyr.	Mbipjeset e Funtit
Birori Detyrës (1.00%)								
ALP02	6.00%	-	80000000	83	-	05	10 000 000 LER	010110007 10:12:57
Birori Detyrës (12.00%)								
BKT	8.00%	-	25000000	129	-	01	1 000 000 LER	010110007 10:27:04
Shuma totale e transaksioneve detyrës							11 000 000 LER	
Totali i transaksioneve detyrës							2	

Please quote this paper as:

Gjergji Artan, (2008), "Supervision of the financial sector in Albania: *Reforming and Improving the Supervision over Non-Banking Sector*", discussion paper presented in the seminar for trainees on the topic "*Financial Market*", Primošten, Croatia, September 2008