



## **REGULATION**

### **ON MINIMUM LIQUIDITY OF SECURITIES BROKERAGE COMPANIES**

**Approved by FSA Board Decision No. 41, date 28.05.2009**

#### **Article 1**

##### **Object**

The object of this Regulation is the stipulation of the manner of balancing the liquid funds and short term liabilities of securities brokerage companies and the procedures of reporting to the Financial Supervisory Authority (FSA).

#### **Article 2**

##### **Purpose**

The purpose of the Regulation is the securing of its liabilities to creditors, through adjusting (balancing) its liquid assets and liabilities.

#### **Article 3**

##### **Legal framework**

This Regulation is proposed to be approved according to and performing the article 53 of the Law No.9879, date 21.02.2008 “On Securities” article 14, point 3 of the Law No.9572, date 03.07.2006 “On Financial Supervisory Authority”.

#### **Article 4**

##### **Subjects**

Subjects of this Regulation are the brokerage companies which have been granted a licence according to the Law No.9879, date 21.02.2008 “On Securities” and the Regulation No.165, date 23.12.2008 “On licensing the brokerage/advising companies, broker and securities investment advisor”.

#### **Article 5**

##### **Definitions**

Within the meaning of the Regulation, terms:

1. “Liquidity” means “Net liquid capital”;

2. "Liquid assets" means "its own liquid funds";
3. "Liquid asset Ratio" means "indicator of the net liquid funds";
4. "Balancing" means "equilibration" (term used in the Law "On Securities").

The following terms shall have these meanings:

1. "Reporting period" is the period of a calendar month;
2. "Short term liability" is the liability with the period of maturity within one year of the date of calculating the liquid asset ratio;
3. "Liquid asset ratio" is the ratio of the total liquid assets and the total short terms liabilities.

## **Article 6**

### **Liquid asset ratio**

The lowest required value of net liquid asset ratio of a brokerage company shall be 1.00 (one).

## **Article 7**

### **Liquid Assets**

Total liquid assets, within the meaning of the Regulation, shall include:

- 1) cash at bank and in hand,
- 2) time deposits made for a 90-day period and deposits with a maturity period shorter than 90 days,
- 3) treasury bills issued by the Ministry of Finance of the Republic of Albania and bills issued by the Bank of Albania,
- 4) net liquid receivables, whose total value is calculated by reducing total short-term receivables by:
  - receivables from related parties
  - receivables not related to transactions in securities,
  - interest receivable
  - other receivables older than 30 days or 5 days after the maturity period has expired,
- 5) securities in a company's own portfolio which include:
  - shares,
  - bonds,
  - open-end investment fund units,
  - other securities.

## **Article 8**

### **Valuation of Securities**

- (1) Securities shall be valued by a brokerage company at the closing price at the close of the market.
- (2) In the event that securities were not traded during the trading day, they shall be valued at the first available closing price in the previous seven days.

- (3) In the event that the closing price referred to in paragraph 1 and the closing price referred to in paragraph 2 of this Article is not available, securities shall be valued at the average closing price.
- (4) The average closing price within the meaning of this Regulation shall be the weighted average of closing prices in the previous 30 days.
- (5) In the event that securities were not traded in the previous 30 days, they shall not be included in liquid assets.
- (6) Treasury bills issued by the Albanian Government and bills issued by the Bank of Albania shall be valued at their nominal value.
- (7) Open-end investment fund units shall be valued at the last price determined for the unit.

## **Article 9**

### **Calculation of Net Liquid Asset Ratio.**

- (1) A brokerage company shall calculate the value of net liquid asset ratio on a daily basis. Daily calculations are an integral part of the form referred to in Article 10, paragraph 2 of the Regulation.
- (2) In the event that the value of the ratio calculated is lower than 1.00 (one), a brokerage company shall immediately notify thereof the FSA using the form referred to in Article 10 of the Regulation.
- (3) In the event that the case referred to in paragraph 2 of this Article occurs, a brokerage company shall adjust its operations with the provisions of this Regulation within three (3) days.

## **Article 10**

### **Submitting of Reports**

- (1) A brokerage company shall submit reports on daily calculation of net liquid asset ratios to the FSA electronically, on a monthly basis, by completing the form referred to paragraph 2 of this Article.
- (2) The form for calculating net liquid asset ratio and the Instructions for Completing the Form are an integral part of the Regulation.
- (3) The deadline for submitting the report referred to in paragraph 1 of this Article shall be within 5 working days after the last day of the reporting period.

## **Article 11**

### **Entering into force**

The Regulation shall enter into force on the day of its publication in the FSA-s web site.

### **Chairperson**

**Elisabeta GJONI**

Form – **ON CALCULATION OF NET LIQUID ASSET RATIO – DAILY**

Company: \_\_\_\_\_

Reporting Period: \_\_\_\_\_

No	Description	Date 1	Date 2	.....	Date30
1.	Cash at bank and in hand				
2.	Deposits with 90 days of maturity and shorter than 90 days.				
3.	Treasury bills issued by the Albanian Government and bills issued by the Bank of Albania.				
4.	Total short term value of the liquid receivables.				
4.a	Receivables from related parties.				
4.b	Receivables not related to transactions in securities.				
4.c	Interest receivable.				
4.d	Other receivables older than 30 days or 5 days after the maturity period has expired.				
4.e	Net total value of the liquid receivables. (4-4a-4b-4c-4d).				
5.	Securities in the company's own portfolio (5a+5b+5c+5d)				
5.a	Shares				
5.b	Bonds				
5.c	Open-end investment fund				

	units				
5.d	Other securities				
6.	<b>Total liquid assets</b> (1+2+3+4e+5)				
7.	<b>Total liabilities</b>				
7a.	Liabilities with maturity period exceeding 1 year				
7.b	Total short-term liabilities (7-7a)				
8.	<b>Net liquid asset ratio</b> <b>(6/7b)</b>				
9.	Balance on customer's account.				

Company's authorised person

### INSTRUCTIONS FOR COMPLETING THE FORM

Data under **1 Cash at bank and in hand** is completed by entering the amount of the company's available cash funds (Lek and foreign exchange funds) that are in the company's vault and on the company's regular account(s) with banks. Funds on customers' accounts are not included here.

Data under **2 Deposits** made for a 90-day period and deposits with a maturity period shorter than 90 days is completed by entering the amount of the company's available funds which the company holds as time deposits with financial institutions – banks, savings banks and insurance companies.

Data under **3 Treasury bills issued by the Albanian Government and bills issued by the Bank of Albania** is completed by entering their nominal.

Data under **4 Total short-term receivables** is completed by entering the value of total short-term receivables.

Note: Deductible items are entered in only one of the four designated positions (items 4a through 4d). Once entered, an item cannot be calculated any more (for instance, interest receivable from the Board members (item *Receivables from related parties*) is at the same time interest receivable 4c.)

Data under **4a Receivables from related parties** is completed by entering all short-term receivables from employees, members of the Management and Supervisory Boards with more

than 5% of voting rights or from members of their families, and branches fully or partially owned.

Data under **4b Receivables not related to transactions in securities** is completed by entering the value of all short-term receivables that are not related to transactions in securities.

Data under **4c Interest receivable** is completed by entering the value of all short-term interest receivable.

Data under **4d Other receivables older than 30 days or 5 days after the maturity period has expired** is completed by entering the value of all short-term receivables that are older than 30 days regardless of maturity period and receivables that were due 5 or more days ago.

Data under **4e Total value of net liquid receivables** is completed by entering the difference between the value of total short-term receivables (4) and the value under 4a, b, c and d.

Data under **5 Securities in the company's own portfolio** is completed by entering the total value of securities which the company holds in its own portfolio.

Data under **5a Shares** is completed by entering the total market value of shares.

Data under **P 5b Bonds** is completed by entering the nominal value of bonds.

Data under **5c Open-end investment fund units** is completed by entering the last price determined for the units in open-end investment funds.

Data under **5d Other securities** is completed by entering the total market value of other securities.

Data under **6 Total liquid assets** is completed by entering the total value of liquid assets (1+2+3+4e+5).

Data under **7 Total liabilities** is completed by entering the total value of the company's liabilities.

Data under **7a Liabilities with maturity period exceeding 1 year** is completed by entering the total value of the company's liabilities whose maturity period is longer than one year of the last trading day of the reporting period.

Data under **7b Total short-term liabilities** is completed by entering the difference between the value of total liabilities (7) and the value of liabilities with maturity period exceeding one year (7a).

Data under **8 NET LIQUID ASSET RATIO** is completed by entering the quotient of total liquid assets (6) and total short-term liabilities (7b).

Data under **9 *Balance on customers' account(s)*** is completed by entering the daily balance of cash funds on customers' account(s).

The form for calculating net liquid asset ratio shall be submitted to the FSA on a monthly basis, with the data for each trading day.