



REPUBLIC OF ALBANIA
FINANCIAL SUPERVISORY AUTHORITY
THE BOARD

REGULATION
ON
ALLOWED INVESTMENTS CATEGORIES, APPLIED RESTRICTIONS AND THE
USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Approved by the Board Decision no. 76, dated 30.05.2016

Article 1
Object

This regulation determines:

- a) Allowed investment categories;
- b) Restrictions applicable to assets investment;
- c) Use of derivative financial instruments;
- d) Content, method and time limits on reporting to the Financial Supervisory Authority.

Article 2
Legal Basis

This regulation is drafted on the basis and pursuant to Article 78, items 5 and 6 and Article 99 item 3 of the Law no. 52, dated 22.05.2014 " On the activity of insurance and reinsurance "

Article 3
Scope of Application

The provisions of this regulation are applied by all insurance companies, licensed by the Financial Supervisory Authority, to carry out insurance and reinsurance activity in the Republic of Albania.

Article 4
Type of allowed investments

Allowed categories of investments will be considered as listed below:

- a) Land and buildings;
- b) Investments in affiliates and companies with participating interests, which consist in:
 1. Shares and interests in affiliates;
 2. Debentures issued by, and loans granted to affiliates;
 3. Shares and interests in companies with participating interests;
 4. Debentures issued by, and loans to companies with participating interest;

5. Other investments in affiliates and companies with participating interests.
- c) Financial investments, which consist of:
1. Held until maturity such as:
 - 1.1 Debentures and other fixed income securities that are:
 - 1.1.1 Government securities;
 - 1.1.2 Other.
 2. Available for sale, which are:
 - 2.1 Shares, variable-income debentures, investment funds and participation in other funds that are divided into:
 - 2.1.1 Listed;
 - 2.1.2 Unlisted.
 - 2.2 Debentures and other securities with fixed income such as:
 - 2.2.1 Government debentures;
 - 2.2.2 Other.
 3. At fair value through profit or loss, which are divided into:
 - 3.1 Shares, variable-income debentures, investment funds and participation in other funds;
 - 3.2 Debentures and other fixed income securities;
 - 3.3 Derivatives;
 - 3.4 Other.
 4. Bank Deposits.
 5. Mortgage Loans.
 6. Other Loans.
 7. Other financial investments.

Article 5

Types of investment instruments

1. The insurance company may invest in assets referred to Article 4 of this Regulation through the instruments listed in Article 97 of the Law no. 52/2014 "On the activity of insurance and reinsurance".
2. The insurance company may invest in assets listed above through the instruments listed in Article 4 of the Regulation no. 19, dated 28.04.2015 "On assets covering the technical provisions and types of permitted investments of these assets".
3. Investments in other types of assets with prior approval of the Authority.
4. In special cases and with the request of the insurance company, the Authority shall approve the investments in derivative financial instruments, provided that they meet the requirements of Article 6 of this Regulation.

Article 6

Investments Restrictions

The insurance company may invest in the instruments permitted under Article 5 of this Regulation in the event that all the following conditions have been fulfilled:

- a) The company has covered technical provisions and/or mathematical provisions according to the legal requirements in force;
- b) The company possess the solvency indicator pursuant to the legal requirements in force;

- c) The company does not affect the level of liquidity;
- d) The Authority has not taken any measure or limitation against the company regarding its investments.

Article 7

Use of derivative financial instruments

1. Derivative financial instruments are those instruments defined by Articles 7 to 11 of the Law no. 9879, dated 21.2.2008 "On Securities".

2. An insurance company may use derivative financial instruments only in the investment of assets covering technical provisions and if they reduce the risk defined in Article 99, item 1, of the Law no. 52/2014 "On the activity of insurance and reinsurance "; or if they enable efficient portfolio management.

3. Investments in derivative financial instruments permitted to be used are only those traded in regulated financial markets. Investment in these regulated markets is permitted only with prior approval by the Authority under the following terms:

- a) The asset on which the financial instrument is signed consists of "*futures*" contracts, options over financial indices, interest rate options and currency options on which the insurance or reinsurance company may invest according to Article 99 of the Law no. 52/2014 and the current regulation.
- b) Before investing in derivative financial instruments, the insurance/reinsurance company must submit an internal document for the investment in the Derivative Financial Instruments and submit it to the Authority. The internal document contains complete, accurate and objective information on the method of measuring and managing the risks arising from the asset covering technical provisions. The rights on derivative financial instruments that are invested for the sole purpose of protecting individual assets or against some changes in value, the connection of the hedging instrument to the asset should be clear. The effectiveness of the protection relationship must also be documented in the internal investment document and reviewed in a regular basis. The insurance company reports to the Authority for the use of derivative financial instruments.
- c) The relevant department of risk management in the company is responsible for determining at any moment whether the company is able to meet the obligations deriving from the contract with regards to derivative financial instruments.

Article 8
Reporting and time limits

1. The insurance company shall notify the Authority for investments in other types of assets, one week before the investment is carried out.
2. The insurance company shall submit to the Authority the investment policies in each year- end financial reporting.

Article 9
Supervisory Measures

The Financial Supervisory Authority, in case of failure to meet the obligations of this regulation, shall apply the provisions provided in the Law no. 52/2014 "On the activity of insurance and reinsurance", as well as other by-laws for its implementation.

Article 10
Entry into Force

This regulation shall enter into force immediately.