



**ALBANIAN FINANCIAL SUPERVISORY AUTHORITY
BOARD**

**REGULATION
ON THE LICENSING AND SUPERVISION OF THE SECURITIES EXCHANGE**

Adopted by AFSA Board Decision No.120 Date 02.10.2008

Article 1

Legal Base and Scope

1. This rule is issued in accordance with the Article 78, paragraph. 3, article 81, para.1, article 86, paragraph.1, and article 88, para.1 of the Law No. 9879, date. 21 February, 2008, “On Securities”, and in accordance with the power given to the Financial Supervisory Authority by the Law No. 9572, date. 3 July 2006 “On the Albanian Financial Supervisory Authority”.
2. The scope of this regulation is to provide for:
 - a. conditions, requirements and procedures for the licensing of a company operating a securities exchange, and;
 - b. regulation and supervision of the maintenance of such conditions and requirements by the company operating a securities exchange;
3. Terms “securities exchange” and “company operating a securities exchange” shall be used interchangeably;

Article 2

Establishment and Functions of a Securities Exchange

1. A securities exchange may be operated only by a joint-stock company.
2. The business of a company operating a securities exchange shall consist exclusively in the operation of a securities exchange or other activities related to the organization of trading in financial instruments and trade-related activities.

3. A company operating a securities exchange may be involved in activities related to education, promotion and provision of information connected with the operation of the capital market.
4. The permissible method for organizing a securities exchange is centralized trading through the use of an electronic system where all members submit all bids and offers for securities on behalf of their own account and/or for the accounts of their customers, and all trades that are completed.
5. A company operating a securities exchange shall have an obligation and the exclusive right to include the words “securities exchange” or “stock exchange” in its company name.

Article 3

Ownership Rights in a Securities Exchange

1. The shares of a company operating a securities exchange may only be acquired by the Albanian Government, companies operating securities exchanges, securities companies, banks, portfolio management companies.
2. Owners of a company operating a securities exchange shall be legal persons established in Albania, with the exception when the owner is a company operating a securities exchange.

Article 4

Shareholders of a Securities Exchange

1. Albanian Government and a company operating a securities exchange may own or have the right to exercise 100% of votes in the company operating the securities exchange.
2. A foreign company operating a securities exchange need to fulfill the following criteria in order to own or have the right to exercise more than 20% of the votes in the company operating the securities exchange:
 - a. be a company operating securities exchanges in one or more EU countries, or
 - b. be a company operating a network of securities exchanges where at least one should be located in one of OECD countries, or
 - c. be a company operating a securities exchange at least in the last five years, have at least 100 listed securities and an annual turnover of at least EUR 2 billion;
3. Securities companies, banks, portfolio management companies, may not own or have the right to exercise more than 10% of the votes in the company operating the securities exchange.

4. Shareholders, other than securities companies and banks, can not own or have the right to exercise in aggregate more than 50% of the votes in the company operating the securities exchange.

Article 5

Changes in shareholdings and voting rights

1. The Authority shall be notified of all transfers of shares, and changes in rights to exercise the votes in the company operating the securities exchange.
2. The Authority shall approve any intended direct or indirect acquisition or subscription for any number shares in a company operating a securities exchange which:
 - a. represent 10% or more of the total vote or the share capital, or
 - b. would result in reaching or exceeding 10%, 20%, 33% or 50% of the total vote or the share capital.
3. The party that is acquiring the shares or the voting rights has the obligation to submit to the Authority the notification as per paragraph 1 or the request as per paragraph 2 of this article.
4. The holding of shares and the voting rights in a company operating a securities exchange by entities belonging to the same group of companies shall be deemed the holding of such shares or voting rights by a single entity.
5. Indirect acquisition of shares in a company operating a securities exchange shall be the acquisition or subscription for shares in an entity which holds, whether directly or indirectly, shares in such company operating a securities exchange, if the acquisition or subscription results in reaching or exceeding 50% of the total vote, or 50% of the share capital of such entity.
6. The Authority within 60 days from the request referred to in paragraph 3 of this article shall notify in writing the requesting party on its decision to approve or disapprove the transfer of shares or voting rights. The Authority shall request to the requesting party any extra information that it deems as necessary. The acquisition will be considered as approved if the Authority does not answer within 60 days from the date of the last information received.
7. The Authority will not approve any intended direct or indirect acquisition of shares or voting rights in a company operating a securities exchange, if there are reasonable grounds to believe that the entity proposing to acquire shares or voting rights could exert detrimental influence on the management of the company operating the securities exchange. If the Authority approves the acquisition it may set a final date by which the shares in the company operating a securities exchange may be acquired.
8. If shares in a company operating a securities exchange are to be acquired by:
 - a. a regulated foreign entity, or

- b. by a company established in Albania which is subsidiary of a foreign regulated entity, or on which a foreign regulated entity exercises significant influence,

the Authority shall seek an opinion on such entity from the competent regulatory authority of the country where this entity is established.

9. The notification referred to in paragraph 1 and the request referred to in paragraph 2 of this article shall specify the number of shares to be acquired, their share in the share capital, and the number and share of votes which the acquirer will obtain at the general shareholders meeting, and shall include a statement, subject to criminal liability, on the source of funds to be used to pay for the shares in a company operating a securities exchange.

Article 6

Criteria for the Appointment of Members of the Supervisory Board and Directors

1. The Authority approves the appointment of directors and supervisory board members of the securities exchange pursuant to Article 84 of the law no. 9879, date 21 February 2008 "On securities".
2. The members of the securities exchange supervisory board can be persons that have at least five years of experience in company management, banking, finance or accounting.
3. The annual report of the securities exchange shall publish information on the participation of the members in the meetings of the supervisory board, and their remuneration.
4. Members of the board of directors and supervisory board of the securities exchange as well as employees of the securities exchange cannot be members of boards of directors or supervisory boards of securities companies or issuers whose securities are listed in the securities exchange.
5. The member of the directory of the securities exchange must have a long term qualifications and at least five years of experience in financial market.
6. The request for appointing a securities exchange director or supervisory board member, shall be accompanied with the following documents:
 - a. short biography or curriculum vitae;
 - b. resolution of the exchange's authorized body for appointing the proposed director or supervisory board member;
 - c. official documents evidencing the educational background;
 - d. evidence that the member or director has subject to any court sentencing for criminal offences in the commercial companies, taxes, economic and financial areas .
 - e. a recommendation or reference letter by a previous employer.

7. The Authority shall approve the appointment of the supervisory board members and directors within sixty (60) calendar days from the day of reception of request referred in paragraph 2 from this Article, unless it finds that the proposed supervisory board member or director:
 - a. does not fulfill the educational and experience criteria;
 - b. is subject to a civil or penal measure prohibiting performance of a profession, activity or duty;
 - c. has been irrevocably adjudicated by a court to have contributed to or caused the bankruptcy of a legal entity; or
 - d. provides false information in the documents submitted in accordance with paragraph 2 of this Article.
8. The Authority shall provide a reasonable written explanation of any decision not to approve the request for appointment of a director or supervisory board member of a securities exchange. The appointment will be considered as approved if the Authority does not answer within 60 days from the date of the last information received.

Article 7

Content of the Statute

A securities exchange's statute, shall determine the following:

1. criteria, duties and rights of members of the securities exchange;
2. conditions, criteria and documents required for admission of individual members to the securities exchange and their rights and duties;
3. possible reasons for denying certain members the right to participate on the exchange;
4. basic principles of securities exchange operation;
5. duty to issue rules and guidelines and relevant company bodies to approve and amend such rules;
6. method of control conducted by the securities exchange itself over operations carried out on the securities exchange and over its members;
7. the method of resolving potential disputes between members of the securities exchange;
8. the method of prevention of abuse of information not accessible to all members of the securities exchange;
9. other issues related to the work of the securities exchange.

Article 8

Securities Exchange Members

1. A securities exchange shall adopt Membership Rules consistent with its by-laws that closely determine membership criteria and duties and rights of exchange members.
2. An exchange shall be obliged to allow any licensed market participant pursuant to paragraph 3.a. of this Article meeting the conditions laid down in its Membership Rules to become a member of the exchange.
3. The exchange's Membership Rules shall require that an exchange member shall be:
 - a. licensed by the Authority for performing services with respect to securities;
 - b. be adequately equipped in terms of organization and technical equipment;
 - c. have a service arrangement with an entity that performs register functions for the securities exchange; and
 - d. satisfies any other criteria as the Authority and the securities exchange may prescribe.
4. The exchange's Membership Rules shall require that a company applying for membership shall submit the following:
 - a. application in writing and in such form and with such content as determined by the securities exchange;
 - b. a copy of its by-laws;
 - c. a copy of its license for performing services related to Securities as issued by the Authority;
 - d. any additional information as the exchange may require under its Membership, Trading, Listing, and Clearing Rules.
5. Licensed securities participants that are denied membership in a securities exchange may appeal the exchange's decision to the Authority within fifteen (15) days of receipt of the decision. Within 60 days from the appeal, the Authority will confirm the securities exchange decision or return it to the exchange for re-consideration.
6. All securities exchange members shall comply with all Rules of the exchange.

Article 9

Listing Rules

1. The securities exchange Listing Rules shall define criteria, conditions and procedures for listing, suspending and delisting of securities and other financial instruments on or from the securities exchange;
2. The Listing Rules may specify additional conditions for admission of securities to trading, whose sole purpose will be the protection of investors' interests. In such a case, the entity applying for admission of given securities to listing should be advised on such conditions before it submits its application.

3. The securities exchange shall issue a decision for listing and delisting of securities and other financial instruments on or from the securities exchange.
4. The listing rules shall establish disclosure, notification, and other corporate governance requirements for the listed companies. These conditions shall not be less detailed or less stringent than requirements, provided by law and AFSA bylaws, for the listed companies. The listing rules should provide a procedure to be followed if issuers fail to comply with the above mentioned requirements specified in the rules;
5. The shareholder assembly of the issuer shall issue a decision for the listing of securities on the securities exchange.
6. Securities and other financial instruments are listed upon written request and application of the issuer.
7. A general precondition for listing of the securities is that they must be fully paid and with unlimited transferability.
8. The securities exchange shall keep a separate register for each issuer, in whom it shall register and keep all relevant data and documents pertaining to issuers who's securities are listed on the securities exchange.
9. The Listing Rules shall provide for the classification of securities and other financial instruments listed on the securities exchange;
10. The Listing Rules shall provide for the fees to the issuers applying for listing their securities.
11. The issuer whose securities are listed on the securities exchange shall comply with all Listing Rules.
12. Delisting of the securities from the securities exchange at a request of the issuer is performed only upon a decision brought by the shareholders assembly.

Article 10

Trading Rules

1. A securities exchange shall adopt Trading Rules, which shall determine the following:
 - a. conditions and manner of trading securities on the securities exchange;
 - b. types of transactions to be executed on the securities exchange;
 - c. order of trading in securities and other financial instruments on the securities exchange;
 - d. method for determination and publication of prices;
 - e. trading days and trading hours;
 - f. procedures for cancellation of transactions;
 - g. the organization the information system;

- h. amount of the fixed annual fee for using the securities exchange's facilities, amount of trading fees and the methods of their calculation;
 - i. provisions intended to prevent and reveal any market manipulation;
 - j. conditions under which the securities exchange may temporarily suspend or permanently halt trading in a security in order to avoid manipulative illegal operations or to protect the interest of investors and market;
 - k. other issues relevant to the operation of the securities exchange.
2. The Trading Rules of a securities exchange must provide for comparison and confirmation of trades and transfer of information to the registry and the clearing entity or unit that will facilitate the clearance and settlement of all trades conducted through the exchange no later than three business days following the transaction date.

Article 11

Clearing Rules

1. The securities exchange shall adopt Clearing Rules that would enable the organizing and operation of a system guaranteeing proper performance of obligations under transactions.
2. The Clearing rules should provide and describe procedures for:
 - a. settlement and clearing of transactions in securities;
 - b. operation of a system ensuring liquidity of settlements, and
 - c. activities related to the operation of a system for registration, clearing and settlement of transactions in financial instruments other than securities.

Article 12

Settlement of Disputes Among Members

1. The securities exchange shall adopt Arbitration Rules designed to resolve disputes between members in a fair, efficient and trustworthy manner.
2. All disputes between members of the exchange shall be first addressed through arbitration, before following resolution through court. .

Article 13

Conduct and Disciplinary Rules

The securities exchange shall create and operate a supervision system to ensure that the members and issuers of listed securities comply with rules of the exchange and other regulations and procedures governing its operation.

Article 14

Data, Records and Information System

1. A securities exchange shall have an adequate computerized system through which it shall regularly inform the public of the:
 - a. name of issuer and type of securities traded on the exchange;
 - b. open or first transaction price, last transaction price, highest price, lowest price and volume weighted average price of each Security traded;
 - c. volume and value of the Securities traded in the market;
 - d. other information relevant to the operations of the exchange.
2. A securities exchange shall protect the electronic system and the data contained therein against unauthorized use and against change and loss of the data.
3. A securities exchange shall preserve in a safe place in the original form the original documentation used for making entries in the data storage media for at least five (5) years.
4. The original documentation related to trading activities must be recorded on electronic media.
5. Data recorded on electronic media shall be permanently stored.

Article 15

Application for License to Establish an Securities Exchange

The legal person applying for a license to establish and operate a securities exchange shall submit the following:

- a. a written application, in such form and with such content as determined by the Authority;
- b. evidence on the payment of licensing fees to the Authority;
- c. a proposed copy of its Statute;
- d. a proposed copy of its Membership Rules;
- e. a proposed copy of its Trading Rules;
- f. a proposed copy of its Listing Rules;
- g. a proposed copy of its Clearing Rules;
- h. a proposed copy of its Arbitration Rules;
- i. a proposed copy of its Conduct and Disciplinary Rules;
- j. a copy of the contract or letter of intent with an authorized registry where all the listed securities will be registered.
- k. A business plan on the establishment and operation of the exchange.

Article 16

Grant and Denial of License to Establish a Securities Exchange

1. The Authority shall issue a decision with respect to a securities exchange's license application within sixty (60) days after it has notified the applicant that it has received a complete application. The Authority shall submit the notification for completion of application to the applicant within five (5) days of the day of receipt of the last documentation requested.
2. The Authority shall grant an application for the license to establish an exchange if it finds that:
 - a. the shareholders structure and voting rights structure complies with the conditions put forward in Articles 3 and 4.
 - b. the capital for the establishment of a company operating the securities exchange is raised from legitimate sources.
 - c. the name of the company operating the securities exchange complies with the requirement put forward in Article 2, para. 5.
 - d. the Membership Rules provide for open and equal access by all qualified applicants;
 - e. the Trading Rules provide for a trading system as required in Article 2, para. 4, and for a high degree of:
 - i) orderly clearing and settlement of trade transactions ;
 - ii) open access to all investors and equal treatment of members;
 - iii) honesty in business dealings;
 - iv) security of confidential customer information;
 - v) transparency in trading; and
 - vi) dissemination of pre-trade and post-trade information.
 - f. the Listing Rules are designed to promote full and fair disclosure to the market from listed securities issuers;
 - g. the Conduct and Disciplinary Rules are adequate to provide for full and fair enforcement of the exchange's rules;
 - h. the Arbitration Rules provide efficient, fair and timely dispute resolution;
 - i. the exchange is capable of performing all required operations in terms of staff, technical equipment and organization;
 - j. the supervisory board members and directors satisfy the requirements as per article 6,
 - k. the exchange has contracts or letters of intent with at least three licensed securities firms;

- l. the exchange has satisfactory organizational structure to provide efficient and uniform performance of all exchange operations.
- m. The applying entity has paid the licensing fees to the Authority;
3. The Authority shall issue a decision for refusal of the application for issuing license for establishing a securities exchange if:
 - a. it finds that the conditions under paragraph 2 of this Article are not satisfied;
 - b. it reaches to the conclusion that granting the license would be at the detriment of public interest. In such case the Authority will issue a resolution explaining its decision.
4. The decision regarding an approval a license for an exchange shall be published by the Authority in the Official Gazette and on the web page of the Authority.

Article 17

Acts Subject to Authority Approval

1. The securities exchange shall obtain approval from the Authority for:
 - a. Statute and any changes and amendments to it;
 - b. adoption of its Membership Rules, Trading Rules, Listing Rules, Clearing Rules, Arbitration Rules and Conduct and Disciplinary Rules, and any other act of the exchange, and any amendments thereto;
 - c. any acts or decisions relating to fees and commissions charged, and any amendments to the occurrences of such charges ;
 - d. adoption of forms of connecting or merging with other securities exchanges.
2. The requests to approve the rules and other acts or amendments to such rules and acts shall be accompanied with evidence documenting the payment of relevant fees to the Authority.
3. The Authority will approve the rules and other acts within 60 days of the receiving the final and full documents of the request.
4. For the purpose of investor protection or securing fair and proper trading in Securities, the Authority may order the securities exchange to introduce changes or adopt new acts or rules related to the work and the operations of the securities exchange.
5. At a written request of the Authority, the management board or supervisory board of a company operating a securities exchange shall:
 - a. convene an extraordinary general shareholders meeting, or
 - b. include the matters indicated by the Authority in the agenda of the general shareholders meeting.

6. The Authority may order the securities exchange supervisory board to promptly, and in any case no later than within 10 business days, adopt a resolution on a specific matter.

Article 18

Supervision Over the Securities Exchange Operations

1. The Authority conducts supervision over the activity and operation of the securities exchange.
2. The Authority carries out the supervision by:
 - a. reviewing the periodic and annual financial and other required reports, as well as the other documentation of the securities exchange submitted to the Authority. The Authority may impose any reporting requirements and frequency as it deems appropriate;
 - b. Performing on-site inspections to the securities exchange premises.
3. In order to perform the supervision, the Authority reviews in particular any documentation related to:
 - a. trading in securities on the securities exchange in accordance with prescribed conditions for trading, as well as legality of activities related to trading;
 - b. fulfillment of obligations by the issuer as prescribed by relevant law and bylaws;
 - c. implementation by the securities exchange and its members of regulations related to the operations with securities, as well as exchange rules, by - laws and other acts on the basis of which a license to operate is issued;
 - d. control of the financial situation of the securities exchange; and
 - e. the conditions and manner of securities exchange operations designed to assist members in meeting their liabilities in order to perform clearance and settlement of trade transactions.

Article 19

Annual Report

1. No later than 31 May of each year the securities exchange shall submit to the Authority its complete annual report on its operations for the previous year.
2. The securities exchange's annual report shall contain among others, the financial statements as of the close of the previous year, prepared in accordance with International Financial Reporting Standards and audited by a certified auditor, in accordance with International Standards on Auditing.
3. If, in the opinion of the Authority, a review is needed of certain parts of the annual report of the securities exchange, the Authority will return the report to the securities

exchange which should reflect the changes within a reasonable amount of time, but no later than within 30 days.

4. The securities exchange shall publish the complete annual report on its web site.

Article 20

Final provision

This Regulation comes into effect as of the day of its adoption by the AFSA Board. All the provisions contrary to this regulation will be repealed.

Chairperson

Elisabeta GJONI