



# 2017

ANNUAL REPORT

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**Albanian Financial Supervisory Authority**

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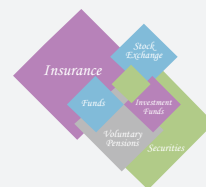
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## THE EXECUTIVE GENERAL DIRECTOR'S STATEMENT

Dear Reader,

It is with great pleasure that on behalf of the Albanian Financial Supervisory Authority I present to you the activity of the Authority for the year 2017.

The year 2017 has brought positive developments to the economy and non-banking financial system in Albania. The expansion of the markets with a total of assets of 6.9% of the GDP has significantly increased the role of these markets in the Albanian economy. The total assets of these markets marked an increase of 6.5% as compared to 2016. This increase is almost twice the growth of the country's economy.

The investment fund market experienced a further development during 2017 and remains one of the largest markets to be supervised in terms of assets with a share of 69.2% to the total assets of the markets supervised by the Authority.

The insurance market marked an increase of 5.37% more than the previous year. Nevertheless, this market continued to be oriented towards the compulsory insurance.

Meanwhile, the voluntary private pension market, nevertheless the growing trend of the number of the members, continues to remain a modest market with the lowest participation of the total assets in Europe. The fostering of the participation of contributors in this system and confidence remains one of the key challenges of this market.

The year 2017 was characterized by positive developments in the capital market in Albania. The licensing of the Albanian Securities Exchange created the right premises for the development of the secondary market in Albania to increase the liquidity and fair valuation of securities. Despite the aforementioned positive developments, this market remains in the early stages of its development.

During 2017 Authority's work focused on the supervision and regulation of the markets under supervision. The Authority's objectives related to the development of the markets and their conversion into one of the most consolidated markets in the region was reflected in the 5-year strategic document (2018-2022), drafted during 2017, which defines the Authority's vision on the development of the markets during the forthcoming 5-year period, seeing this development closely related to the country's integration process in the European Union.

During 2017, the Authority's focused on further strengthening its capacities for effective supervision of the market as a necessity to restore consumer confidence in the Authority.

Consumer and investor protection was another important direction where the work of the Authority focused during 2017. This main objective of the regulatory and supervisory activity of the Authority was achieved through the review and handling of customer and investor complaints; monitoring the implementation of the legislation in force regarding the obligation to inform the public as well as the deadlines for the settlement of claims; increasing public financial literacy; as well as providing customer assistance.



**Ervin Koçi**  
**Executive General Director**  
**Financial Supervisory Authority**

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Authority's activity during 2017 focused also on the improvement of the legal and regulatory framework in compliance with the Directives of the European Union, as a necessity to strengthen the supervisory role and to eliminate barriers and restrictions which impede the development of the markets under AFSA's supervision. Moreover, the implementation of the contemporary methodology such as the risk-focused methodology of 2017, has played a key role in the improvement of the legal framework of the Authority.

International cooperation and that with counterpart authorities in Europe has contributed in the exchange of best supervisory and regulatory experiences and practices. Thus, in the framework of the effective supervision, the year 2017 was characterized by a close cooperation with the counterpart regulators and other local or foreign institutions, the activity of which is linked directly or indirectly with supervisory or regulatory activity.

This report provides a detailed overview of the financial markets and presents in details the work and achievements of the Authority during 2017.

I believe this report conveys to you useful and interesting information.

Respectfully,

A handwritten signature in black ink, reading "Ervin Kagi". The signature is written in a cursive, flowing style.

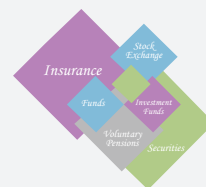
Executive General Director



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## INTRODUCTION

The Albanian Financial Supervisory Authority (AFSA) was established pursuant to Law no. 9572, dated 03.07.2006 “On the Financial Supervisory Authority” as amended, as a public legal institution, independent in the exercise of its powers, reporting to the Parliament of Albania.

AFSA licenses, regulates and supervises the activity of the insurance market and its operators, the securities market activity and its operators, the voluntary pension fund market and its operators, as well as other non-banking financial activities.

The Authority's mission is to contribute in promoting stability and sound development of financial markets under supervision. In fulfilling its mission, the AFSA exercises its powers through a regulatory and supervisory function. The priority objective of the AFSA, leading these two functions is the **Protection of the Interest of Consumers and Investors, as well as their Financial Education**. In exercising its regulatory and supervisory functions, the AFSA is guided by the principles and norms of independence, transparency and integrity. Increased institutional and financial independence, as provided by Law no. 54, dated 29.05.2014 “On some amendments and additions to Law no. 9572, dated 3.7.2006, “On the Financial Supervisory Authority” aim at strengthening the supervisory and regulatory role of the AFSA.

AFSA's main objectives are to promote and maintain the stability of the financial system and supervise the legitimacy of the activities of the supervised entities. In achieving its objectives, the AFSA is guided by the principles of transparency, creating trust in the financial market participants, protecting and informing the consumer.

### **In fulfilling its competences, the AFSA aims at:**

- Approving the implementation of regulations in compliance with the Law.
- Issuing and revoking licenses, authorizing and approving, according to authorization based on regulation;
- Encouraging, organizing and monitoring measures aimed at the effective functioning of financial markets;
- Initiating the approval of laws, regulations and administrative provisions and inform the public on the basic principles of the functioning of non-banking financial markets;
- Approving regulations that define the conditions, manner and continuity of procedures for a uniform supervisory process within its area of competence and take other measures and perform other duties in compliance with its statutory powers;
- Informing other supervisory, administrative and legal bodies on all issues directly or indirectly related to their area of competence in relation to activities related to the AFSA's area of competence.

Our mission is to achieve the creation of a modern and efficient market that will provide

quality services and promote the further development of the non-bank financial sector in Albania.

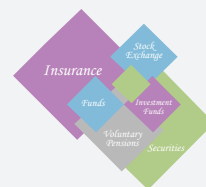
**Responsibility:** the AFSA will react with a concrete action plan and with a comprehensive commitment to achieve the mission and strategic goals as a supervisory authority for non-bank financial markets.

**Competences:** the AFSA will exercise its authority to ensure the efficient implementation of the strategy and mission in compliance with the highest professional standards and rational costs.

**Accountability:** For the accomplishment of its activities, the AFSA must implement the highest ethical standards in communication and co-operation with interest groups in the supervisory process for non-banking financial markets.

**Transparency:** the AFSA will regularly publish information about the market as well as services for non-banking financial markets offered in the Republic of Albania.





## THE AFSA MAIN ACHIEVEMENTS

### **1. Strengthening the capacities of institutions in supervisory role, further improvement of the inspection and audit capacities for the performance of risk-focused inspections, and drafting a clear plan for conducting these inspections in all insurance companies.**

The AFSA, in 2017, in order to strengthen the institution's integrity, as well as to strengthen its supervisory capacity, undertook a series of steps in terms of adopting a number of new regulations, as well as amendments to the existing ones.

Thus, the following regulations were approved and revised:

1. "On the compulsory liquidation of the branch of the insurance company of a foreign country and an EU member country", approved by BD no. 54, dated 26.05.2017;
2. "On the Supervision of Insurance Groups", approved by BD no. 55, dated 26.05.2017;
3. "On the transfer of insurance portfolio in relation to member countries", approved by BD no. 56, dated 26.05.2017;
4. "On the calculation of the net retention of the maximum aggregate coverage of risks deriving from insurance contracts", approved by DB no. 57, dated 26.05.2017;
5. "On the administration and cases of intervention in the insurance fund of the insurance company", approved by BD no. 86, dated 03.07.2017.

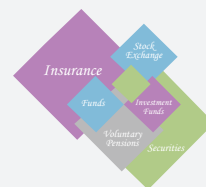
Alongside, during this period, risk-based inspections were performed in non-life insurance companies such as Sigal, Atlantik, Insig, and the scheduled inspections will carry on during 2018. The conclusion of this process helps supervise the risk assessment and analysis according to insurance companies, supervisory actions to be undertaken for certain levels of risk, setting priorities during the supervisory process, increasing the level of supervisory intervention based on the level of risk.

Regarding the strengthening of human capacities, the structure of the AFSA was revised during 2018 and was approved by BD no. 69, dated 19.06.2017, based on the recommendations of the project consultants (SECO) "Strengthening the Supervisory Capacities of the Financial Supervisory Authority", with the aim of creating dedicated structures according to the markets under supervision and in response to developments in these markets. During this period it was proceeded with the recruitment of human resources. It was intended to select professionals from the financial market, who represent professional integrity and who wish to further deepen their knowledge and to represent the AFSA in its supervisory and regulatory role.

## **2. Identifying the issues related to the Albanian Insurance Bureau and in particular the Compensation Fund and the review and use by the Legal Space Authority of their solution in order to respect the rights and equal treatment of investors.**

During this period, verbal and written communications with the Albanian Insurance Bureau were intensified in order to identify the issues accumulated in time and to find ways and opportunities for their solution. Below, we are listing some the AFSA's interventions made during this period:

- a. Review of the AIB Regulation "On the Standards of Reporting and Supervision of the Albanian Insurance Bureau". These changes were implemented and approved by Decision no. 153, dated 30.11.2017, where the serial number personalized in the compulsory motor insurance policies emitted by the Albanian Insurance Bureau was unified. Concurrently, this regulation provided for an inventory and reconciliation process between insurance companies and the AIB, compulsory insurance policies and the process of eliminating unused policies.
- b. The Authority has worked on amendments to the Law on Obligatory Insurance in the Transport Sector, which are intended to ensure, in addition to the improvements in the entirety of this Law, that the Insurance Bureau and the Compensation Fund Management are well-functioning. This draft has been discussed with stakeholders and is in the reporting process to relevant institutions.
- c. Regarding the Compensation Fund, the work of the AFSA is focused on identifying and providing solutions to the issues accumulated over the years by the Albanian Insurance Bureau. For this purpose, the AFSA set up a working group which performed an inspection at the AIB for the verification of the Compensation Fund files starting from 2002 onwards. This process started on 1 July, 2017 and lasted 2 months. The purpose of this inspection was the accurate determination of the obligations and payments made over the years, specifying precisely the total obligation, the payments for each insurance company and the outstanding obligation that each company still has for each year. Upon completion of this process, the AFSA managed to establish a clearer picture of the outstanding files and those in process during the given period and approved by the Board, by Decision no. 145, dated 20.10.2017 an addition to the Compensation Fund of 2017 in the amount of ALL 250 million. The decision was forwarded to the Albanian Insurance Bureau and the General Assembly of the Members of the AIB to act and respect the order of payment of damages for the events until 31.12.2013, and is continuously monitored by the AFSA.
- d. The AFSA Board in its meeting of December 2017, by Decision no. 217, dated 28.12.2017, "On the Compensation Fund of 2018" has reviewed and evaluated the Compensation Fund's situation regarding the accumulated overdue obligations over the years as well as the obligations that will arise during 2018. In this decision, AIB



has been ordered to follow the procedure of repayment of the practices that have completed the treatment process and to provide a final solution to this problem.

- e. Another important decision related to the obligations of the Compensation Fund over the years, analyzing the factors increasing the value of the damages incurred, subject of this fund, is the decision taken in December, on the audit of the AIB activity, by international auditing companies.
- f. The implementation process of the Board's decisions for the payment of the Compensation Fund has been supervised and monitored in an ongoing manner, with priority being given to earlier practices, with the aim of completing practice payments from 2010 by the end of 2017.
- g. The Authority has consistently held regular meetings with the companies and representatives of the AIB to promote the implementation of the compensation claims subject of the Compensation Fund.
- h. The payment of damages of the Compensation Fund, for events from 1 January, 2014 and onwards, has been followed consistently in order not to repeat the phenomena of their accumulation. For this reason, inspections have been performed in all insurance companies for the practices of the Compensation Fund for the insurance events from 2014 onwards, the unpaid practices for these insurance events have been verified and the Board has been informed about the findings.
- i. Data on the Electronic Claims Registry for the claims subject of the Compensation Fund are gathered and all companies are completing the updated version of the Electronic Claim Registry. It is being proceeded with the completion of the compensation claim files for the events after 1 January, 2014, and onwards, handled by them.

### **3. Verification (especially for brokers) of the server algorithm and IT system related to sales across the market for TPL, Green Card and Border Insurance Policies, to ensure free and unobstructed competition due to this algorithm.**

Verifications of all IPs in the system were performed and all IPs that were active and were not based on regulations approved by the AFSA were closed. The broker IP from the online electronic registry of the compulsory motor insurance register, which trades TPL, Green Card and Border Insurance Police has been removed since November 2017.

### **4. SLA Level Service Agreement between the National Agency for Information Society (NAIS) and the Albanian Financial Supervisory Authority (AFSA).**

All actions have been taken to reach an agreement with the NAIS for the installation of Disaster Recovery Site in the Government DC. The installation process, thanks to the continuous work of the staff during 2017, was made possible in the beginning of 2018. It was thus an important achievement of the institution, because throughout its existence, the AFSA did not have a Disaster Recovery Site.

**5. Improvement of the legal framework for compulsory motor insurance and implementation of stabilization measures in the insurance market and establishment of well-defined standards regarding minimum reserves, liquidity level, capital adequacy, provisioning practices and especially improved reporting on claims / premiums.**

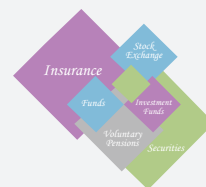
At the beginning of September 2017, a working group was set up for the revision of Law no. 10 076, dated 12.02.2009 "On compulsory insurance in the transport sector". During this period, a hard work has been done for the draft elaboration, which is now ready for discussion with other responsible institutions. In this draft, all recommendations were taken into account in order to stabilize the market and all its indicators have been revised, making them comparable to the market levels of the region. It is foreseen that this law will go to the Parliament and pass for approval.

**6. Strengthening the role of the AFSA with a focus on consumer protection.**

In 2017, the Albanian Financial Supervisory Authority strengthened its role in protecting the interests of consumers and investors. The AFSA's informing role was strengthened by carrying out communication on the website and other public communication platforms. The AFSA, through the review of complaints, has received valuable information on the manner of exercising the activity by the entities supervised against the consumer. By assessing complainants' experience, the AFSA has identified the incorrect behavior of the entities and has intervened in time to resolve concrete issues and has also taken the appropriate measures in time to avoid repetition of the same problems in the future even for those customers who have chosen not to file a complaint with the AFSA.

During 2017, besides the reviewing of the complaints in order to resolve them, AFSA in terms of consumer protection has taken measures aiming at regulating and disciplining certain issues. Based on the Board Decision no. 146, dated 20.10.2017, as of November 1<sup>st</sup> 2017 the sale of Border Insurance Policies is done through real-time reporting via the electronic register of compulsory motor insurance. This regulatory measure ensures the standardization of the insurance market for the sale of all compulsory insurance policies, as well as the elimination of cases of non-reporting or incorrect reporting of compulsory insurance policy data.

By Decision no. 173, dated 30.11.2017 the AFSA Board approved the amendment of Regulation no. 128, dated 06.10.2011 "On the Procedures and Additional Requirements for the Licensing of the Depositary of Collective Investment Undertakings". The amendments aim at protecting the investor by clarifying the relationship between the management company and the depositary, providing that the obligations are clearly defined between them and that the investor is not charged with commissions or fees that are not derived from his direct relationship with the management company.



## **7. Strengthening the information role and educating the public regarding the beginning of the functioning of the securities market.**

The AFSA Board by Decision no. 128, dated 31.08.2017, approved the strategy and action plan “On increasing consumer/investor trust in the markets under supervision”.

The purpose of the strategy is to increase consumer/investor trust in the markets under supervision by increasing the level of knowledge through financial education, information, awareness and consumer/investor protection.

Among the main activities developed by the AFSA during 2017 for the implementation of the strategy “To increase consumer/investor trust in the markets under supervision” were the signing of Memorandums of Cooperation with public and private universities in the country, the development of open-lectures in the auditoriums and delivery of information at the stands, carrying out of surveys to understand the level of knowledge and participation in financial markets supervised by the AFSA and others.

## **8. Following an open policy with citizens and the media. Design and compliance with the legal and public information mechanisms in order to encourage and increase consumer confidence.**

During 2017, the AFSA has increased its presence in the visual and print media. Senior officials of the Authority and experts from respective fields have participated in economic programs, where various articles have been presented in the media, especially those of economic character. The AFSA website was redesigned, with the aim of accessibility from all market players and consumers, as well as facilitating the finding of relevant sections it.

During 2017, innovation has been made in the development of communication mechanisms with the citizens, presence in the social media, through the Facebook page, where the launching and putting into operation of this site served and will serve not only to convey information to the public on activities or announcements related to the activity of the AFSA, but also as a forum where citizens can ask questions and receive answers and even submit their complaints.

In the framework of public information, the AFSA has regularly published and continues to publish any information regarding brokerage companies operating on online platforms for the purpose of transparency of the activity of these entities.

## **9. Redimensioning of collaborative relations with international partners and counterpart institutions in the region.**

Strengthening and cooperation with the homologue institutions of the region and beyond has been the focus of the work of the AFSA. During the year a series of meetings have taken place with counterpart authorities from Austria, Kosovo, Italy, Macedonia and others. Moreover, participation in activities organized by international organizations of markets under supervision has served to strengthen relations with all supervisory authorities that adhere to them.

Thanks to the ongoing cooperation and professional relationship of the AFSA with the organizations it adheres to, Albania was selected for the first time by the International Organization of Pension Supervisors (IOPS) as the organizer of a world-wide conference to be developed in Tirana in the fall of 2019.

During this year, AFSA will also organize a regional meeting with counterpart institutions for the markets under supervision.

The European Insurance and Occupational Pensions Authority (EIOPA) in cooperation with the World Bank will organize for the first time in Albania an international workshop on “Risk-Based Supervision” under the organizational assistance of the AFSA in September 2018. Representatives of counterpart regulatory and supervisory authorities, representatives of insurance and reinsurance groups are expected to participate in this event, discussing and exchanging experience and views on global risk-based supervision trends as well as challenges related to the implementation of global supervision standards.

In the framework of cooperation with international institutions, a series of meetings were held with representatives of the World Bank, representatives of the IMF, and other organizations having their representatives in Albania.

#### **10. Review of internal operation regulations and organizational structure.**

During the second half of 2017, work was done towards reviewing and amending the regulations on the organization, functioning and description of the AFSA's tasks and structure, with the aim of well-functioning human resources and the definition of job responsibilities. Concurrently, in November, the AFSA Board approved the new Financial Regulation, which responds to the needs for change and the new way of reporting and budgeting.



## CHRONOLOGY OF THE IMPORTANT EVENTS IN 2017

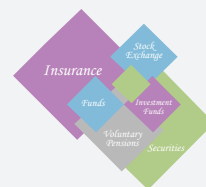
During 2017, there have been significant developments in the Albanian Financial Supervisory Authority regarding consumer protection, the final resolution of issues regarding the Compensation Fund accumulated over the years, drafting strategies for increasing consumer trust and strategies for market development, modernization of the IT infrastructure, improvement of the legal and regulatory framework, new licensing, implementation of technical assistance projects and new projects as well as domestic and international institutional cooperation.

Some of the most important events for the AFSA during 2017 are summarized in chronological order in the following table:

<b>January</b>	<ul style="list-style-type: none"> <li>➤ Began the second phase of the Project: “Strengthening Supervisory Capacities of the Albanian Financial Supervisory Authority: Focus on Capital Market Development”. This phase aims at reviewing the legal and regulatory framework of the Authority.</li> </ul>
<b>February</b>	<ul style="list-style-type: none"> <li>➤ Began the third phase of the Project: “Strengthening Supervisory Capacities of the Albanian Financial Supervisory Authority: Focus on capital market development. This phase aims to strengthen the supervisory capacities of the AFSA in order to respond to capital market development.</li> </ul>
<b>March</b>	<ul style="list-style-type: none"> <li>➤ The Parliament of the Republic of Albania decided the dismissal Ms. Enkeleda Shehi, before the end of term, from the duty of the Board Member and the Executive General Director of the Financial Supervisory Authority.</li> <li>➤ In order to promote the development of the capital market, the AFSA licensed a brokerage company to act simultaneously as an associated agent on behalf of a brokerage company abroad.</li> </ul>
<b>April</b>	<ul style="list-style-type: none"> <li>➤ The Parliament of Albania, at the plenary session of 6 April 2017, approved by Decision no. 37/2017 the appointment of Mr. Ervin Koci as a Board Member of the Albanian Financial Supervisory Authority, while at the same time maintaining the function of the Executive General Director.</li> <li>➤ The long-term professional training program for actuaries organized by the AFSA in close cooperation with the Institute and Faculty of Actuaries in London and the participation of the Albanian Association of Actuaries was successfully completed. Certificates were delivered to nine new actuaries.</li> <li>➤ The Memorandum of Cooperation “On the expansion of the use of national currency in the financial system and the Albanian economy” between the Ministry of Finance and Economy, the Albanian Financial Supervisory Authority and the Bank of Albania was signed.</li> </ul>

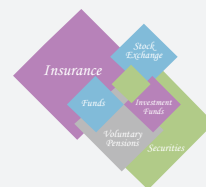
May	<ul style="list-style-type: none"> <li>➤ A working meeting is held between the Albanian Financial Supervisory Authority (AFSA) and the Austrian Financial Market Authority (FMA) on important issues of common interest on insurance markets.</li> <li>➤ The AFSA applies for participation in the “Access to Insurance Initiative” (A2ii) Microinsurance Project. Albania was selected as one of the winning and participating countries in this project.</li> </ul>
June	<ul style="list-style-type: none"> <li>➤ The AFSA Board by Decision no. 69, dated 19.06.2017, approved amendments to the AFSA's organizational structure, in compliance with the recommendations of the consultants of the project “Strengthening Supervisory Capacities of the Albanian Financial Supervisory Authority” with the aim to create dedicated structures according to the markets under the supervision of the AFSA and in response to developments in these markets.</li> <li>➤ The AFSA Board, by Decision no. 81, in its meeting of June 19th 2017 decided to revoke the license of the company “Stock International Albania sh.a.”</li> <li>➤ The Albanian Financial Supervisory Authority participates as a representative of the Albanian delegation at the 53rd Plenary Session of the Council of Europe Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism, (Moneyval).</li> <li>➤ The AFSA Board by Decision no. 84, dated 19.06.2017, established the Advisory Committee for drafting a five-year strategy for the development of financial markets under supervision.</li> </ul>
July	<ul style="list-style-type: none"> <li>➤ The AFSA Board by Decision no. 88, dated 03.07.2017, licensed the first privately owned company “Albanian Securities Exchange, ALSE” for the exercise of the activity as a securities exchange, as a necessity for the development of the secondary market in Albania.</li> <li>➤ On July 10-11th 2017, the Albanian Financial Supervisory Authority organized joint working meetings with senior executives of the Insurance Supervisory Agency (ISA) of Macedonia. The purpose of the meeting was to further strengthen cooperation between institutions, for an effective and dynamic supervision of the insurance market in both countries.</li> </ul>
August	<ul style="list-style-type: none"> <li>➤ The AFSA Board, by Decision no. 128, dated 31.08.2017 approved the “Strategy for Increasing Consumer / Investor Trust in the Markets under Supervision 2017-2020” that focuses on increasing consumer trust through financial education.</li> <li>➤ The AFSA Board approved Regulation no. 130, dated 31.08.2017 “On the Organization, Functioning and Job Description”, defining the general norms governing the organization, functioning and description of the structure and main duties of each unit of the AFSA.</li> </ul>





September	<ul style="list-style-type: none"> <li>➤ The Albanian Financial Supervisory Authority signed the Cooperation Agreement with the General Directorate of Taxation “Joint inspections of insurance companies and other subjects under the AFSA’s supervision as well as exchange of information.</li> <li>➤ A bilateral high-level meeting was held between the Albanian Financial Supervisory Authority and the Insurance Supervision Agency (ISA) of Macedonia on effective insurance market supervision issues.</li> </ul>
October	<ul style="list-style-type: none"> <li>➤ The AFSA Board, by Decision no. 146, dated 20.10.2017, decided that the reporting and identification of border insurance sold by insurance companies should be carried out in real time via the online Electronic Register of Compulsory Motor Insurance, in order to protect the consumer from possible abuses.</li> <li>➤ Insurance companies began to use the new Electronic Claims Register, which together with the Online Electronic Register of Compulsory Motor Insurance products constitutes the basic infrastructure for the implementation and maintenance of the <b>Bonus-Malus</b> system.</li> </ul>
November	<ul style="list-style-type: none"> <li>➤ Began the reporting and identification of border insurance sold by insurance companies through the online Electronic Register of Compulsory Motor Insurance sales, pursuant to the AFSA Board Decision.</li> <li>➤ The Authority approved an addition to the Compensation Fund for 2017 in order to resolve the issues and follow-up of the Compensation Fund payments during 2017.</li> <li>➤ The “Access to Insurance Initiative” (A2ii) microinsurance project began.</li> <li>➤ The project “Improving the quality of financial reporting” with the component “Improving the capacity of financial regulators in better monitoring and controlling the better implementation of financial reporting” began.</li> <li>➤ The AFSA Board approved the amendments to Regulation no. 128, dated 06.10.2011, creating the possibility of banning similar commissions or payments that depository banks apply to investors of investment funds at the time of repayment, thereby eliminating additional expenses for the investor.</li> <li>➤ The AFSA Board by Decision no. 153, dated 30.11.2017, decided to unify the serial number of compulsory motor insurance issued by the AIB, by additionally placing, in front of the current serial number (seven digits) of the last two-digits of the current year for which insurance are issued.</li> </ul>

December	<ul style="list-style-type: none"> <li>➤ The AFSA Board approved the Compensation Fund for 2018.</li> <li>➤ The AFSA Board took the decision to audit the activity of the AIB by an international audit firm.</li> <li>➤ The AFSA signed a Memorandum of Cooperation with the Institute of Statistics (INSTAT).</li> <li>➤ The first national workshop in Albania is organized within the framework of the “Access to Insurance Initiative” (A2ii) micro-insurance project;</li> <li>➤ The AFSA completed the drafting of the compulsory motor insurance draft-law, to be discussed later with interest groups and referred for comments to the relevant institutions.</li> </ul>
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## THE AFSA BOARD

In 2017, the AFSA Board consisted of:

Chairman of the Board	Mr. Pajtim Melani
Members	Mr. Ervin Koçi, Executive General Director
	Mrs. Mimoza Kaçi, Deputy Executive Director
	Mr. Arjan Salati, Non-executive Member <sup>1</sup>
	Mr. Klodion Shehu, Non-executive Member



The Board of the Financial Supervisory Authority, 2018

The Financial Supervisory Authority Board is the highest governing and decision-making body. Based on Law no. 9572, dated 03.07.2006 “On the Financial Supervisory Authority” as amended, it is a collegial body composed of 5 members, two of whom, the Executive General Director and the Deputy Executive Director are full-time executive members, while the Chairman of the Board and two other members are non-executive members. The members of the Board are appointed by the Parliament of the Republic of Albania under a procedure defined by law.

The Parliament of Albania by Decision no. 19/2017, dated 16/03/2017, decided: “On the dismissal before the end of term of Mrs. Enkeleda Shehi from the duty of the Board Member and Executive General Director of the Financial Supervisory Authority”, following a continuous monitoring by the responsible Commission of Economy in the Parliament of Albania based on the Board’s decisions and the performance of the AFSA, the issues identified during 2016, both in terms of organization and management of the activity of the AFSA in fulfilling its legal functions and competences, transparency of activity and others, damaging the image of the institution.

At the plenary session of 6 April 2017, the Parliament of Albania adopted by Decision no. 37/2017, “On the appointment of Mr. Ervin Koçi in the duty of the Board Member of the

<sup>1</sup> Upon termination of the mandate of Mr. Arjan Salati, at the plenary session dated 25/01/2018, the Parliament of the Republic of Albania decided to appoint Mr. Idlir Gjata as Board Member of the Financial Supervisory Board.

Albanian Financial Supervisory Authority, holding the function of the Executive General Director”.

These changes have also been acknowledged by the World Bank Mission, during the mission’s visit on 8-12 May, 2017, which cited:

“With the departure of the previous AFSA Executive Director, we appreciate your commitment to encourage a good cooperation with the AFSA Board and normal functioning of the AFSA. Restoring the normal functioning of the AFSA and creating a sustainable and supportive environment to attract and retain high quality staff are important to ensure that the AFSA effectively exercises its supervision mandate for markets under its responsibility.”

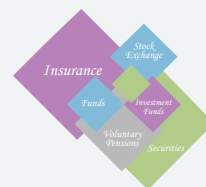
The AFSA Board, in order to accomplish its duties and functions, during 2017, has held 17 meetings and reached 221 decisions. The most important decisions of the Board were taken in full transparency, while at the same time respecting the principle of majority voting and collegial spirit. The table below reflects the number of the AFSA Board Decisions divided by type.

**Table 1: Division of the AFSA Board Decisions according to the type of decision**

<i>Types of Decision</i>	<i>Number</i>
Decisions on companies operating in the insurance market	113
Decisions on the Stock Exchange and companies operating in the securities market	18
Decisions on companies operating in the private voluntary pension market and SIK	10
Decisions on institutional cooperation	5
Decisions on administrative and corrective measures against supervised subjects	36
Decisions on the AFSA regulatory framework	39
<b>Decisions in Total</b>	<b>221</b>

As also seen in the table, the largest number of decisions continues to be related to the insurance market. Compared to the previous year, decisions related to administrative and corrective measures against supervised subjects have increased in order to regulate their activity, 17 more than in 2016. The number of decisions on the AFSA's regulatory framework has also increased with 20 decisions more compared to the previous year.

In order to complete or improve the legal framework governing the activity of markets and supervised institutions, the AFSA Board has approved 8 new regulations and has amended or supplemented 14 existing regulations.



**In the AFSA Board activity for 2017 it is worth emphasizing:**

1. Decision no.88, dated 03.07.2017, on the licensing of the first private-capital company “Albanian Securities Exchange, ALSE” sh.a., for exercising its activity as a securities exchange. The Board’s decision came after a long period of discussions and the fulfillment of legal and regulatory requirements, infrastructure and technological systems necessary for the realization of its activity;
2. Decision no.217, dated 28.12.2017, “On the Compensation Fund of 2018”, resolving the situation of the Compensation Fund, both for the immediate payment of completed practices and the identification of the obligations of this fund;
3. Decision no.84, dated 19.06.2017 on the establishment of the Advisory Committee for the drafting of the 5-year strategy for the development of markets under supervision;
4. Decision no.128, dated 31.08.2017 on adopting a strategy for increasing consumer/ investor trust in the markets under supervision (2017-2020);
5. Decision no.69, dated 19.06.2017 on the adoption of the AFSAs structural changes, reflecting the best dynamic development of the non-bank financial markets, particularly that of investment funds.

## PROGRESS SUMMARY OF THE MARKETS UNDER SUPERVISION

During 2017, financial markets under the AFSA supervision continued their expansion trend. The total assets in these markets on 31.12.2017 amounted to about ALL 105.05 billion, an increase of 6.5% compared to 2016. The total assets indicator to GDP for 2017 amounted to 6.9%. The largest market to be supervised in terms of assets remains the investment funds market. The share of this market for 2017 in the financial markets under the AFSA supervision amounted to about 69.2%, the share of the insurance market amounted to about 29.1%, and that of the pension market to 1.7%.

The three financial markets under the AFSA supervision are characterized by the expansion dynamics.

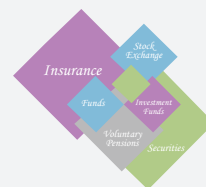
### **Investment Fund Market**

During 2017, three open investment funds with a public offering administered by two management companies carried out their activity in the investment fund market. The net assets of the investment funds market on 31.12.2017 amounted to ALL 72.72 billion, an increase of ALL 7.3 billion or 11.14% compared to 2016. The number of investors in the investment funds amounted to 31,320 with an increase of 7.01% compared to the previous year. The considerable growth of the investment funds market and the share that this market occupies in the AFSA supervised markets have increased the challenges that AFSA has to face for an effective supervision.

### **Insurance Market**

In this market there are 11 insurance companies, 8 of which operate in non-life insurance and 3 in life insurance. Gross written premiums for the insurance market in 2017 amounted to ALL 16.2 billion, with an increase of 0.8 billion ALL or 5.37% more than the previous year. The insurance market has maintained the same configuration of the Albanian market over the years, where the volume of non-life insurance premiums represents 92.06% of the total insurance market premiums, while the life insurance premium volume is only 7.44%. In 2017, the number of contracts reached 1,235,092 with an increase of 9.67% compared to the previous year. Even during 2017 the insurance market continued to be oriented towards compulsory insurance, where the ratio between compulsory and voluntary insurance was respectively 61.5% and 38.5% respectively, a report which is almost the same as in 2016.

Insurance market assets for 2017 compared to 31.12.2016 increased by ALL 1,169 million or 3.97%, reaching ALL 30.6 billion. This increase comes only from the non-life insurance sector, which grew by ALL 1,066 million or 4.07%, while the Life sector grew by 103 million or 3.1%.



### **The Voluntary Private Pensions Market**

The voluntary pension fund market has had an increasing trend, in terms of the assets it manages as well as the number of contributors, since the beginning of its activity. However, the net asset value of this market is still negligible compared to the GDP in Albania. The total net assets of this market on 31.12.2017 amounted to ALL 1.73 billion, with an increase of 31% as compared to the previous year. The number of members in the voluntary pension fund market at the end of 2017 amounted to 20,947, marking an increase of 21% compared to the end of 2016. Even during 2017, three private voluntary pension funds carried out their activity managed by three management companies .

# Chapter 1.

## Consumer Protection

### 1.1 Consumer and Investor Protection

Protecting the interests of investors and consumers is a primary objective of the regulatory and supervisory activity of the Financial Supervisory Authority.

Efficient consumer protection is achieved through:

- Reviewing and handling consumer and investor complaints;
- Monitoring the implementation of the applicable legislation regarding the obligation to inform the public as well as the time frame for handling compensation claims requests;
- Increasing financial education among the public; and
- Assisting the consumer by providing information and clarification as required.

In order to increase its role as protector and guarantor of consumer rights and interests, during 2017, the Authority has carried out the organizational structure reform aiming at establishing a new, more professional dimension of the consumer protection unit and strengthening its role as an ad-hoc facility, dedicated to consumer protection and financial education.

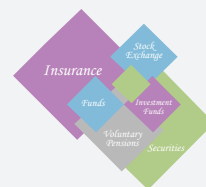
#### Reviewing and complaints-handling of the consumers and investors

The review of consumer/investor's complaints during 2017 also aimed at professionally, impartially and quickly resolving the complaints filed. The Authority, through complaint review also received valuable information regarding the manner of activity exercised by the supervised entities. In this way, during the assessment of the activity of the supervised entities or the experiences of the complainants, incorrect behavior of the subjects can be identified and intervened in time in order to resolve concrete issues and to take timely measures to avoid repetition of the same issues in the future, even for those consumers who have chosen not to file a complaint with the Authority.

During 2017, the Authority has dealt with 73 complaints which have been focused on the insurance market related issues. Mostly, the consumer has filed complaints regarding delays and ineffective procedures by insurance companies in the treatment process and compensation payment for third parties liability insurance products, Life insurance or health insurance products that dominate the insurance market. Out of the total number of the complaints filed, 51 of them associate to the compensation payment from the Compensation Fund and 22 associate to compensation claims deriving directly from insurance contracts issued by insurance companies.

Information requests are handled by the Authority within short time frames ranging from 1 to 5 working days. In 2017, about 135 information requests were handled, which consisted in requests for confirmation of insurance contracts, requests for clarifications for insurance compensation procedures, request for information on specific products offered in the insurance market.





Alongside, there were submitted information requests which have been answered within a time frame of 2-3 days from the submission date of the request.

### **Monitoring the implementation of the legislation in force regarding the obligation to inform the public as well as the time frame for handling compensation claims**

During 2017, the activity of the supervised entities was monitored regarding the obligation of information and transparency to the public. The concrete measures taken by the Authority in this context are focused on monitoring the information published on the official websites of the subjects, reviewing the advertising materials, to ensure that the information transmitted to the public is complete, clear, true and easily understandable and accessible. In conclusion of the verifications carried out, the Authority has requested the completion, correction and updating of the information published on the official websites or the information of the advertising materials.

In order to continuously verify compliance with the legal terms for the treatment and compensation payments arising from compulsory insurance contracts in the transport sector, it was required the update of the electronic claim registry functioning, enabling the timely treatment of compensation claims to be monitored in real time by the Authority, interfering in case of delays in compensation claim treatments, even in cases where the consumer has not filed a complaint.

### **Assisting the consumer and investor by providing information and clarifications as required**

The AFSA operates with public communication mechanisms that enable assistance to the consumer and investor not only through formal handling of complaints and claims, but also by creating availability for the consumer to contact easily and at any time with the AFSA. For this purpose, the AFSA has made available to the public the telephone number, (Phone: +355(0)42257560, Mobile +355694060671) and a dedicated e-mail address, [customer@amf.gov.al](mailto:customer@amf.gov.al), which are easily accessible on the official website of the Authority.

Besides, the official website of the Authority provides continuous information on the development of the markets under supervision, with updated legal basis, news on the decision-making activity of the Authority Board, etc. Special columns on the online website reflect periodic statistical reports, consumer education information, and announcements of new developments in the countries of the region for these markets through monthly newsletters. The online website reflects information on the subjects operating in the supervised markets by providing the organization form and executive management staff.

## **1.2 Financial Education**

The Authority considers very important the need for information and financial education of the consumer for the markets under supervision and the increased financial culture in the country. While the financial markets under supervision continues to evolve, investment

products are becoming more and more complex and the financial services progressively more diverse.

The aim is that in the near future financial products such as voluntary insurance, voluntary pension funds or investment funds are not merely financial information or remote financial mechanisms, which are avoided by the financial consumers, but they should become part of their economic life and coexist naturally with them. An informed and knowledgeable financial consumer has the ability to make the right decisions to become part of successful financial schemes.

#### **Definition of financial education according to OECD:**

“The process, through which financial consumers / investors:

- a. Improve their understanding of financial products, concepts and risks;
- b. Develop skills and confidence to become more aware of financial risks through objective information, guidance and / or advising, and to make the right choices in order to know where to ask for assistance;
- c. Undertake other effective actions to improve their financial well-being.”

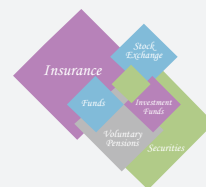
### **1.3 Education Strategy**

The Authority, within the context of the fulfillment of its mission, values as one of the main priorities the continuous information and education of the investor and the consumer for its involvement in the financial markets. For this purpose, in August 2017, the Authority Board approved the strategy “On increasing consumer / investor confidence in the markets under supervision 2017-2020” (Education Strategy), which focuses on increasing consumer confidence through financial education.

**The aim of the Education Strategy** is to increase consumer and investor confidence in the markets under supervision by increasing the level of knowledge through financial education, information, awareness raising and consumer or financial investor protection. Through the implementation of the Education Strategy and at the same time by strengthening institutional transparency, the Authority also aims to:

- Expand simple and understandable information transmitted to the general public, and increase the level of their knowledge; professionally educate certain groups of professionals in the markets under supervision;
- Draw in other groups of professionals who may be potential investors in these markets;
- Raise awareness of young people about the possibility of investing and involvement in the financial markets under supervision;
- Include financial education programs in the education curricula.

The Education Strategy encompasses a wide range of initiatives and activities aimed at increasing the Authority’s presence in the public through communication channels, in



order to increase the level of information and transmit information to the public in order to increase its credibility on the markets under supervision . These initiatives have focused on high priority issues, which are considered as a means to boost economic growth and financial stability in the country, together with the regulation of financial institutions under supervision for the purpose of protecting the interests of the consumer and the financial investor. Financial education programs or methods are designed within the Education Strategy framework to meet the requirements and the level of financial knowledge of the target groups and the way in which this audience prefers to be informed.

During 2017, work started on the implementation of the Education Strategy in several directions, in order to achieve the aim of increasing consumer and investor trust in the markets under supervision, such as:

### **Activities at Universities**

An important part was the presence of the Authority staff in three different public and private universities, presenting the institution and its activity, the markets under supervision, through open lectures, student surveys, in order to finalize the signing of MoU by reinforcing cooperation with these universities. This, because students as potential consumers and investors of financial products are the target group of information, communication and education in this Education Strategy.

### **Collaboration with the Media**

Transparency and public communication have been and continue to be under the special attention of the Authority. Considering the media as one of the most important and effective tools for the realization of an awareness campaign. The media presence of senior executives and experts in various fields has increased considerably, with the aim of bringing the institution closer to the public by conveying the appropriate message.

### **Organization of professional vocational training**

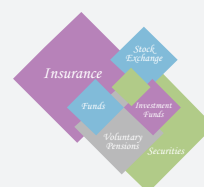
Work has continued with the organization of professional vocational trainings (vocational training and continuing education) for professionals who exercise their activity as actuaries, brokers and claim adjusters in insurance and brokers in securities, thus contributing to the delivery of quality products and high level services for consumers and the further development of the markets under supervision. The training for these professional groups also reflect the most recent and best global practices.

**Table 2: Professionals trained in vocational training during 2017***(In number)*

<i>Professionals</i>	<i>Professional Qualification</i>	<i>Continuing education</i>
Actuary	9	12
Claims Adjusters	30	10
Broker in Insurance	18	14
Broker in Securities	10	
Other Participants	19	20

**The long-term professional qualification training program for actuaries**

In April, was organized the Certificate Distribution Ceremony for 9 young actuaries who successfully completed the long-term professional training program for actuaries, organized by the Authority in close cooperation with the Institute and Faculty of Actuaries in London and the participation of the Albanian Association of Actuaries. The curriculum of this training was in line with the program of the International Association of Actuaries and based on the best practices of the Institute and Faculty of Actuaries in London. The Authority has contributed over the years by creating a permanent actuarial school in Albania, supported by the Albanian Association of Actuaries.



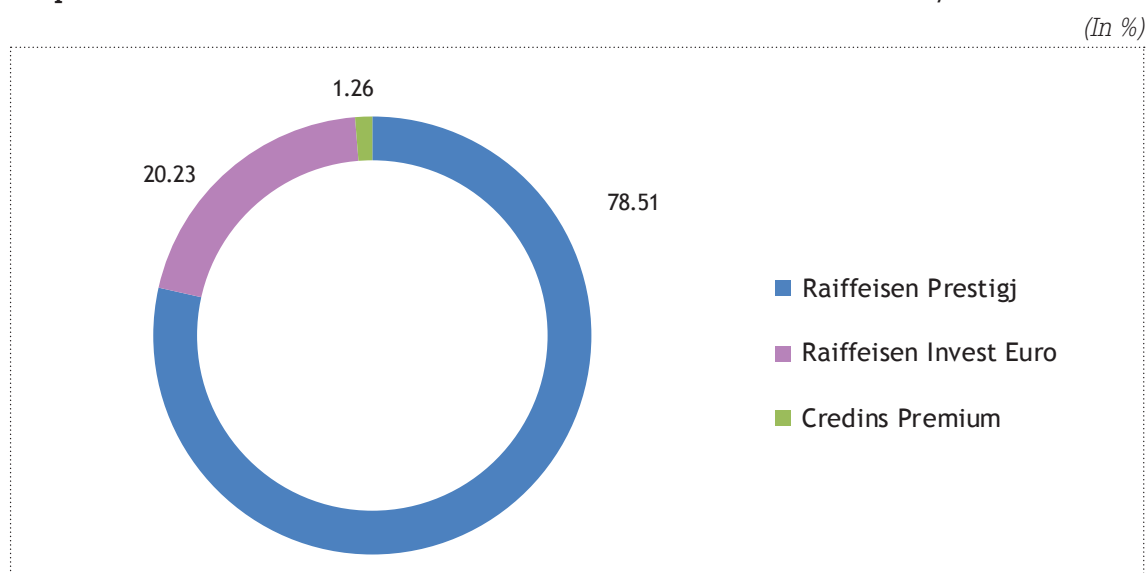
## 2.1 Investment Funds Market

### 2.1.1 Market Structure

During 2017, three open investment funds with a public offering administered by two management companies exercised their activity in the investment fund market.

Both of these management companies carry out management activities both for investment funds and voluntary pension funds.

**Graph 1: The share of the net assets of each investment fund in the market, 31.12.2017**



### 2.1.2 Financial Position and Market Supervision

Since the beginning of the first investment fund activity in 2012, the investment fund market has grown considerably and this market already represents a significant role of the financial sector in Albania. The net assets of the investment funds market on 31.12.2017 reached ALL 72.71 billion or EUR 546.95 million, an increase of ALL 7.3 billion or 11.14% compared to 31/12/2016. The number of investors in investment funds is 31,320, of which 99.98% are individual investors.

Investments of the investment funds market consist of Government bonds inside and outside the Republic of Albania, Treasury Bonds of the Government of the Republic of Albania, Foreign corporate bonds, as well as investment fund units. This market is predominantly dominated by investments in Government bonds inside and outside the Republic of Albania, which account for 61.3% of the assets of this market.

The table below reflects the initial value of the quota for each investment fund as well as its value at the end of 2016 and 2017.

**Table 3: Unit value of investment funds on 31.12.2017***(In ALL)*

<i>Description</i>	<i>Initial net asset value per unit</i>	<i>Net asset value per unit 31/12/2016</i>	<i>Net asset value per unit 31/12/2017</i>
Raiffeisen Prestigj	1,000	1,381	1,435
Raiffeisen Invest EURO	14,000	15,395	15,547
Credins Premium	1,037	1,059	1,137

The table below reflects the performance of the investment fund market portfolio, as per quarterly periods of 2017.

**Table 4: Data on investment fund portfolio, as per quarterly periods of 2017**

<i>Description</i>	<i>Value (in mln. ALL)</i>			
Period	31.03.'17	30.06.'17	30.09.'17	31.12.'17
Fund net assets	70,839	71,845	73,604	72,717
<b>Total fund assets</b>	<b>71,065</b>	<b>71,985</b>	<b>73,751</b>	<b>72,921</b>
<i>of which:</i>	-	-	-	-
Government Bonds	42,846	45,182	46,115	44,700
Corporate Bonds	4,055	3,940	3,724	3,854
Treasury Bills	10,570	11,742	12,417	12,912
Investments in investment funds units	2,861	2,788	2,820	3,618
Monetary Means	10,000	7,525	7,789	7,101
Other Assets	733	808	886	736
<b>Total Fund Liabilities</b>	<b>226</b>	<b>140</b>	<b>147</b>	<b>204</b>

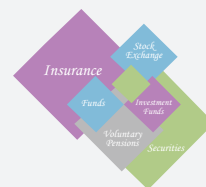
The table below reflects the change in the portfolio of the investment fund market of 2017 versus 2016, as well as the share that each portfolio component has in the total of assets in 2016 and as well as in 2017.

<sup>2</sup> Initial value on 01.03.2012

<sup>3</sup> The values for Raiffeisen Invest EURO are converted with the rate of the relevant period

<sup>4</sup> Initial value on 22.11.2012

<sup>5</sup> Initial value on 01.08.2016

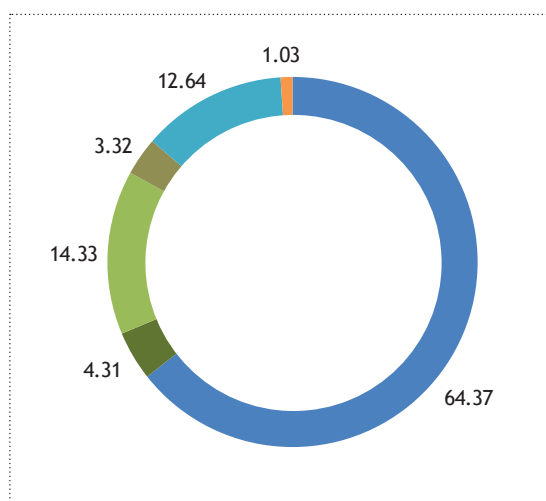


**Table 5: Change in the portfolio composition of investment funds 31.12.'16-31.12.'17**

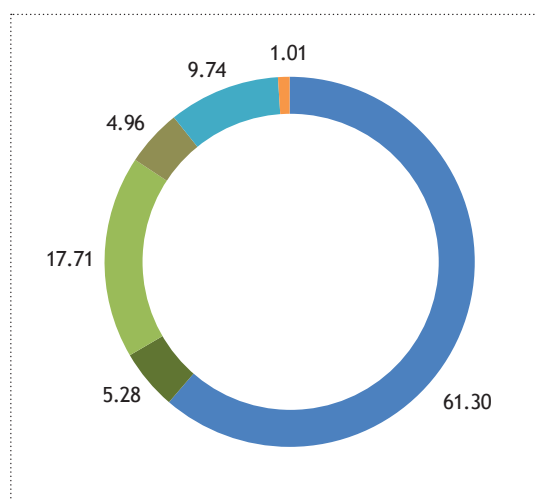
<i>Description</i>	<i>Value (in mln. ALL)</i>		<i>Change (in %)</i>	<i>Share in total value (in %)</i>	
<b>Period</b>	<b>31.12.'16</b>	<b>31.12.'17</b>	<b>31.12.'16 - 31.12.'17</b>	<b>31.12.'16</b>	<b>31.12.'17</b>
Fund net assets	65,429	72,717	11.14		
<b>Total fund assets</b>	<b>65,613</b>	<b>72,921</b>	<b>11.14</b>	<b>100</b>	<b>100</b>
<i>of which:</i>	-	-	-		
Government Bonds (of the R.A. and foreign)	42,234	44,700	5.84	64.37	61.30
Corporate Bonds	2,830	3,854	36.18	4.32	5.28
Treasury Bills	9,404	12,912	37.30	14.33	17.71
Investments in investment funds units	2,173	3,618	66.50	3.31	4.96
Monetary Means	8,295	7,101	(14.39)	12.64	9.74
Other Assets	677	736	8.71	1.03	1.01
<b>Total Fund Liabilities</b>	<b>184</b>	<b>204</b>	<b>10.87</b>	<b>0.28</b>	<b>0.28</b>

As can be seen from the figures below, during the last two years over 60% of the market assets have been invested in Government Bonds.

**Graph 2: Structure of investment fund assets 31.12.2016 (In %)**



**Graph 3: Structure of investment fund assets 31.12.2017 (In %)**



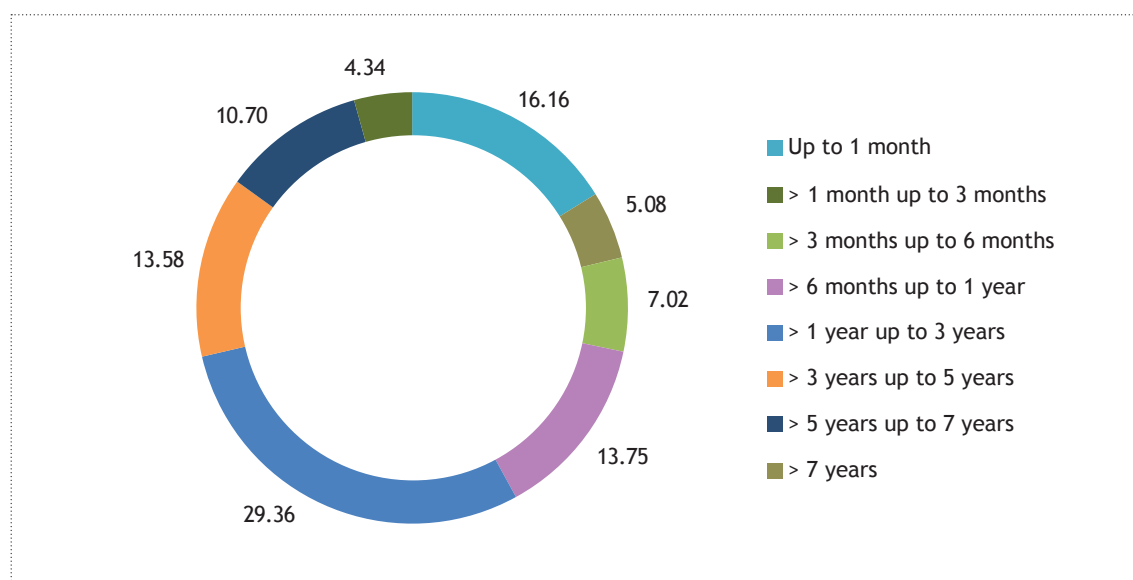
<span style="color: blue;">■</span> Government Bonds	<span style="color: green;">■</span> Treasury Bills	<span style="color: lightblue;">■</span> Monetary Means
<span style="color: darkgreen;">■</span> Corporate Bonds	<span style="color: brown;">■</span> Investments in Investment Funds Quotas	<span style="color: orange;">■</span> Other Assets

Below are provided in details investments of the investment market inside and outside the Republic of Albania:

**Table 6: Details of market investment, 31.12.2016-31.12.2017**

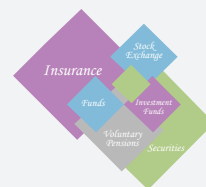
<i>Description</i>	<i>Value (in mln. ALL)</i>		<i>Change (in %)</i>
<b>Period</b>	31.12.'16	31.12.'17	31.12.'16 - 31.12.'17
<b>Total of Investments</b>	<b>56,642</b>	<b>65,084</b>	<b>14.90</b>
<i>of which:</i>			
<b>Inside the country</b>	<b>50,358</b>	<b>56,441</b>	<b>12.08</b>
Government Bonds	40,954	43,529	6.29
Treasury Bills	9,404	12,912	37.30
<b>Outside the country</b>	<b>6,283</b>	<b>8,643</b>	<b>37.56</b>
Government Bonds	1,280	1,171	(8.52)
Corporate Bonds	2,830	3,854	36.18
Investments in investment fund units	2,173	3,618	66.50

**Graph 4: Investment Profile of the investment funds market 31.12.2017** (In %)



In the framework of fulfillment of the requirements of the liquidity regulation, the management companies ensure that investment funds investing in inactive markets keep liquidity for up to one month at least 10%. As can be seen from the figure above the maturity up to one month of the investment funds market is 16.16%.





The Authority, with the aim of facing the challenges of this market, which come mainly from its growth and the share this market already occupies in the markets under its supervision, has worked with priority on the improvement of the legal basis on the protection of investors' interests and efficient and rapid intervention in cases where regulatory intervention is required.

Thus, in September 2017, the AFSA approved amendments to Regulation no. 137, dated 28.09.2017 "On compulsory content, timelines and form of reports of collective investment undertakings, management companies and depositories", accelerating and improving financial reporting so that the AFSA intervention is faster and more effective.

In November 2017, the AFSA Board approved amendments to Regulation no. 128, dated 06.10.2011 "On the Procedures and Additional Requirements for the Licensing of the Depository of Collective Investment Undertakings", **by removing the commissions or similar additional fees that depository banks charge to investors of investment funds at the time of repayment.** Taking into account that the legal base and the management companies have set a limit on fees charged to investors, as well as the fact that the commissions applied by the depository bank at the time of repayment are not part of the administration fees and are not reflected in the net assets of the investment fund, the Authority requested the banning of this practice by amending the aforementioned regulation. This decision serves to further protect the interests of investors, participants in collective investment schemes, thereby eliminating this additional expense for the investor.

In December 2017, the AFSA Board approved amendments to Regulation no. 97, dated 25.06.2014 "On the Key Information to be made available to the Investor of Collective Investment Schemes", which defined the methodology that the management company of collective investment undertakings should pursue for the calculation of the synthetic risk and profitability indicator, which is presented in the document with key investor information.

### Some data on the countries of the region

In Croatia, operate 30 investment fund management companies, of which 14 are UCITS management companies and 16 are AIF management companies, while 168 separate investment funds operate respectively 94 UCITS, 39 AIFs, 1 special fund and 34 funds with private offerings. Slovenia has 22 management companies (2 for UCITS, 14 for AIFs and 6 for umbrella funds), which manage 36 investment funds of which 10 are UCITS, 18 AIFs, 2 Special Funds and 95 UCITS umbrella funds. Serbia has licensed 6 management companies which administer 19 investment funds. In Macedonia, operate 5 management companies that manage 15 open investment funds and 12 private offer funds. Montenegro has 6 management companies which manage 10 investment funds, of which 5 are open funds and 5 funds with private offerings.

**Table 7: Information on the number of management companies and investment funds in the countries of the region** *(In number)*

<i>Country</i>	<i>Management Companies</i>	<i>Investment Funds</i>
Croatia	30	168
Slovenia	22	36
Serbia	6	19
Macedonia	5	27
Montenegro	6	10

### 2.1.3. Joint Inspections for Consolidated Supervision of Financial Markets

During 2017, the AFSA conducted an inspection at one of the Pension Fund Management Companies (PFMC) and Collective Investment Undertakings (CIU), with the purpose of the latter implementing the current regulatory framework in force. The object of this inspection was the assessment of transparency elements with the clients of Investment Funds during the sale of the product by the management company, following the implementation of AFSA recommendations from previous inspections. The inspection team was supported by Bank of Albania employees within the framework of the cooperation agreement between the two regulatory institutions.

Concurrently, object of this inspection was the verification of the implementation of regulations by the investment fund management company in relation to asset evaluation, risk management and liquidity management.

At the end of this inspection, the Authority came to a conclusion on each of the inspection issues and communicated the relevant recommendations to the company.

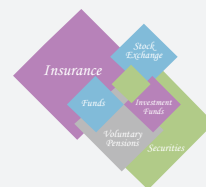
## 2.2 Capital Market

### Stock Exchange

The AFSA Board by Decision no. 88, dated 03.07.2017, licensed the first private capital company “Albanian Securities Exchange, ALSE” sh.a., for exercising its activity as a securities exchange. The Board Decision came after a long period of discussion and fulfillment of the legal and regulatory requests, infrastructure and technological systems necessary for the realization of its activity.

Shareholders participating in the the capital of the Securities Exchange are: Credins Bank (42.5%), ABI Bank (42.5%) and AK-Invest (15%).

Based on the current developments as well as on the need to increase the financial literacy of investors and issuers, the Authority decided that in the first year of its operation (a year starting from the moment when the technical infrastructure is operational), the Securities Exchange will exercise its activity only in Government Bonds of the Republic of Albania.



Trading in Securities is executed through an electronic trading platform, called “Quick Trade”, a system used by several stock exchanges in the region.

In the second half of 2017, all necessary tests on the operation of the trading system were carried out at the Stock Exchange. In December 2017, the Albanian Securities Exchange organized training on the trading system with several brokers, mainly licensed banks for brokerage activities in the securities market and which would be potential members of the Stock Exchange. The trading system was also installed at the AFSA, with the purpose of minute-to-minute supervision of trading on the Stock Exchange. The authority is being cautious to monitor any stock exchange action in order to provide maximum guarantee and transparency to investors.

The operation of the Stock Exchange in Government securities transactions is necessarily linked to the Albanian Financial Instrument Settlement and Registration (AFISaR) of the Bank of Albania. From the legal and technical point of view, the process of interoperating the Exchange with the AFISaR system has almost been realized.

Meanwhile, the Authority is paying attention to the Stock Exchange’s regulatory base in order to ensure and provide an equitable market for all operators, a fair and transparent market.

The creation of the Albanian Securities Exchange came as a necessity to meet the business needs for financing as well as the demand of investors for new investment alternatives beyond the banking one. The necessity of the licensing of the Securities Exchange is also linked to the important function of the secondary market to create liquidity and a fair appreciation of the price of securities.

### **Over-the-Counter (OTC) Market**

The retail market of Government securities is organized in the form of an over-the-counter market (OTC). The OTC regulated and supervised by the AFSA includes only trading between licensed brokerage companies to transact on the retail securities market (mainly the Bank) and individual investors or investors - legal persons. Despite the issuance of some commercial receipts or bonds with private offerings from some financial institutions and commercial companies, the activity in the securities market focuses mainly on transactions in the retail market of government securities.

The retail market is dominated by the purchases of banks in the primary government securities market, on behalf of the client through direct auctions organized by the Ministry of Finance through the Bank of Albania. The activity on the secondary market is still low. In the absence of investment alternatives, participants in the primary government securities market tend to hold securities until their maturation period.

Even in 2017, pursuant to the Regulation no. 22, dated 26.03.2009 “On the Retail Market of Government Securities of the Republic of Albania”, the brokerage companies licensed

to carry out transactions in the retail securities market have periodically reported to the Authority as well as have reflected in real time on the GSRM platform the transactions carried out in this market. This platform continued to function and fulfill its role in enhancing transparency in quotations and providing full information to the public and institutional investors on transactions in the retail market of Government securities. During 2017 the GSRM platform, recorded 16,048 visits, occupying 4% of the visits at AFSA website.

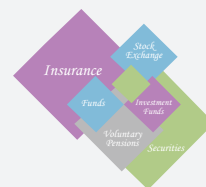
### The volume of transactions in the Government Securities Retail Market

The volume of transactions of the government securities retail market for 2017 was dominated by the transactions in short-term instruments (T-Bills) at the share of 75.12% and the rest of 24.88% by long-term instruments (bonds). Regarding the number of transactions, 93.07% of all transactions in the retail market of Government securities, belong to transactions carried out with treasury bills.

Statistical data on the Government securities retail market for 2017 show a dominance of the transactions “Primary market purchases” (PMP) and “Settlement of nominal value at maturity”, respectively by 60.22% and 29.82% versus the total volume. Participation in the retail market of Government securities during this period is dominated by individual investors, who perform 99.67% of all transactions in this market.

**Table 8: Government Securities Retail Market**

Type of Transaction		Nominal value (in mln. ALL)		Change (in %)
		2016	2017	'17/'16
<b>A</b>	<b>Purchases in the primary market</b>	<b>38,732.30</b>	<b>48,556.49</b>	<b>25.36</b>
	<i>Individuals</i>	27,860.61	26,119.69	(6.25)
	<i>Legal persons</i>	10,871.69	22,436.80	106.38
<b>B</b>	<b>Sales from financial intermediary portfolio</b>	<b>6,511.15</b>	<b>4,685.59</b>	<b>(28.04)</b>
	<i>Individuals</i>	5,397.25	4,291.69	(20.48)
	<i>Legal persons</i>	1,113.90	393.90	(64.64)
<b>C</b>	<b>Purchases prior to maturity</b>	<b>3,506.67</b>	<b>2,568.48</b>	<b>(26.75)</b>
	<i>Individuals</i>	3,024.77	2,551.48	(15.65)
	<i>Legal persons</i>	481.90	17.00	(96.47)
<b>D</b>	<b>Placement of bond as collateral</b>	<b>464.90</b>	<b>773.16</b>	<b>66.31</b>
	<i>Individuals</i>	288.90	506.16	75.20
	<i>Legal persons</i>	176.00	267.00	51.70
<b>E</b>	<b>Settlement of nominal value at maturity</b>	<b>19,534.10</b>	<b>24,046.12</b>	<b>23.10</b>
	<i>Individuals</i>	18,365.01	22,944.28	24.93
	<i>Legal persons</i>	1,169.09	1,101.84	(5.75)



The transaction “Sale from financial intermediary portfolio” during 2017 has decreased by 1,826 million or 28.04% compared to 2016. Alongside, the number of transactions has decreased by 33.16%. The “Purchase prior to maturity” transaction during 2017 has decreased by 938 million ALL or 26.75%, as well as a decrease in the number of transactions by 22.72% compared to 2016.

## **The bond market of joint stock companies**

### **Bonds issued with a private offer**

The bonds issued by the joint stock companies until now have been issued through private placement and are offered to institutional investors, shareholders of the issuer itself or up to 100 individuals.

Even during 2017, the Authority continued with the adoption of prospectuses for issuing bonds of two financial institutions, of which one bank (two issues), which issued share convertible bonds and one microcredit institution (one issue). The characteristics of these bonds are: fixed interest, six-month coupon and long term maturity, or feature of convertible bonds into shares. During 2017, the amount of issuance of approved bonds reached ALL 1,525 million.

### **2.3 Licensing activity**

During 2017, the Authority licensed new entities and approved additional licenses for existing entities. Thus, in 2017, the number of bond trustees of joint-stock companies increased by three, following the licensing of the American Investment Bank to act as a custodian in these securities. The increase in the number of custodians of increased interest of joint stock companies to issue bonds. The number of brokerage companies increased by three, reaching 17.

During 2017, three brokerage companies were licensed with an activity focus as agents of the foreign broker under whose administration are the respective online platforms”:

1. The company “EUROTRADE Securities” on behalf of the brokerage company “Lead Capital Markets” Ltd.
2. The company “Prodata Securities” on behalf of the brokerage company “Depaho” Ltd.
3. The company “Smartcom” sh.a. on behalf of “Rodeler” Ltd, securities brokerage company.

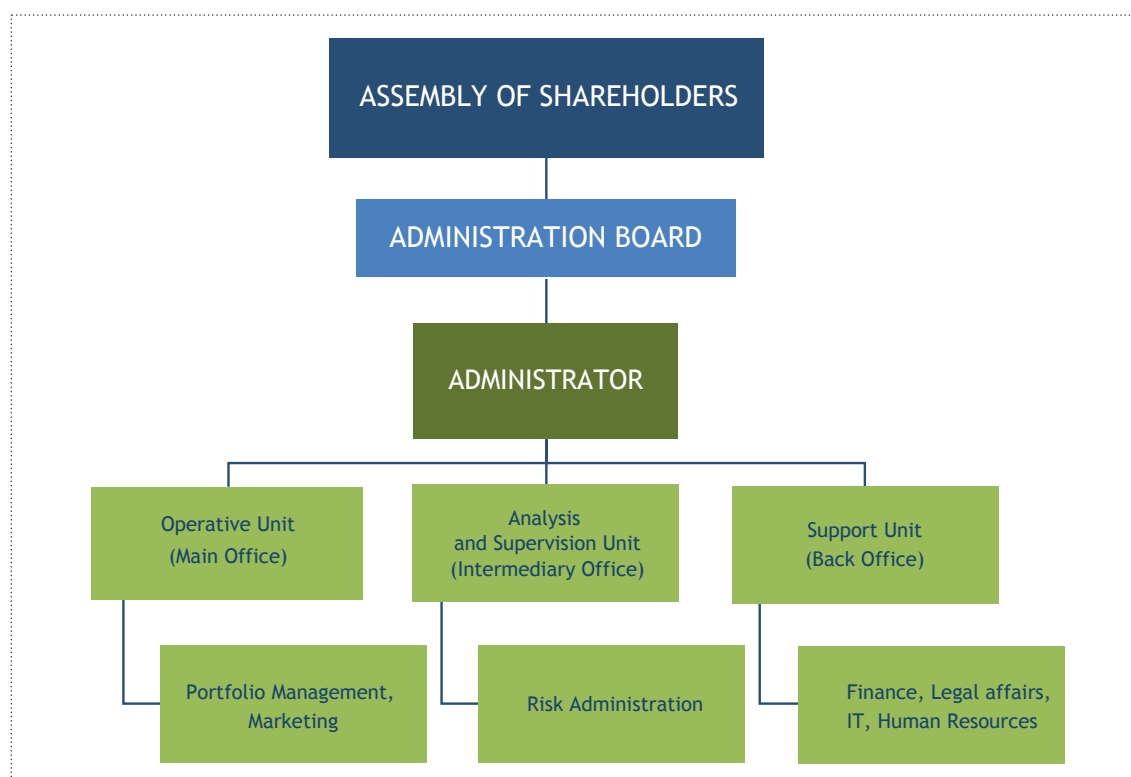
The licensing of these companies was completed following the inspection performed on the infrastructure installed in these companies. By the end of 2017 in the securities market result 17 brokerage companies, 26 individual brokers, two investment advisory companies, three individual advisors, four related agents, nine custodians of government securities, one registrar represented by the Share Registration Centre.

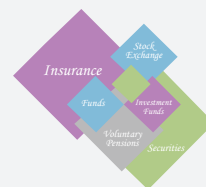
**Table 9: Entities operating in the securities market 2011-2017***(In number)*

Entities	2011	2012	2013	2014	2015	2016	2017
Albanian Securities Exchange	0	0	0	0	0	0	1
Brokerage Companies	13	13	13	13	14	15	17
Physical broker in brokerage company	17	18	18	18	19	21	26
Custodians of government securities of the Republic of Albania	7	8	8	8	8	8	9
Shares registrars	1	1	1	1	1	1	1
Advisory companies for investments in securities	0	0	1	1	1	2	2
Advisors for investments in securities	0	0	1	1	1	3	3
Related agents	1	1	1	1	2	2	4

## 2.4 Governance

Pursuant to the laws and by-laws' requirements, the structure of the organization and running of the management companies of collective investment undertakings and voluntary pension funds is presented in the scheme below:

**Graph 5: Scheme of the current management structure of pension and investment fund management companies**



**Table 10: Data on the shareholders of management companies of collective investment undertakings and voluntary pension funds** *(In number)*

<i>Subjects</i>	
Management companies	3
Total shareholders	5
<i>Classification of shareholders by capital ownership</i>	
Under 10%	0
From 10% to 33 %	1
From 33% to 50%	1
Over 50%	3

**Table 11: Classification of shareholders by country of origin** *(In number)*

<i>Subjects</i>	
Total shareholders	5
<i>of which:</i>	
Foreign shareholders	2
Domestic shareholders	3

**Table 12: Classification of shareholders by status** *(In number)*

<i>Subjects</i>	
Total shareholders	5
<i>of which:</i>	
Individual shareholders	1
Company shareholders	4

**Table13: Data on approvals of statutory changes** *(In number)*

<i>Reason for Statute Change</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
New Statute and other changes	-	-	1	2	2	-
Capital increase	1	1	1	-	-	1
Changes in shareholder structure	-	1	1	-	-	1

Companies operating in the securities market are organized in compliance with the Law “On Commercial Companies”. Meanwhile, the requirements for the appointment of administrators or members of the supervisory/administration board are determined in the Securities Act or in the AFSA’s regulatory framework.

For a better governance of companies operating in the securities market, attention has been paid to meeting the requirements by the persons holding managerial positions within the company. The novelty for 2017 has been focused on the conduct of interviews for persons appointed as administrators or members of the administration / supervisory board, with the aim to conclude on their suitability and ability.

## **2.5 Inspections in Companies exercising the activity of Related Agent**

On 10 and 11 May 2017, an on-site inspection was carried out at companies approved by the AFSA to act as an agent on behalf of foreign brokerage companies that manage online trading platforms.

This inspection focused on: the technical and organizational conditions of these companies, and mainly the infrastructure for the exercise of the activity, public announcements and advertisements, the way of identifying the clients and their databases, the manner of recording and reporting of the activity carried out and the compliance with the contractual obligations with the foreign brokerage company.

Following on-site inspections, the Authority found that the company “Stock International Albania” sh.a., in its role as a licensed brokerage agent, had closed its office where it was exercising its activity, removed its staff due to financial difficulties and did not have technical means to provide customer relationships and did not comply with the legal obligation to report to the AFSA the 2016 financial statements and those related to the activity carried out for the period 1 January - 31 March 2017. Shortly, the Authority undertook the appropriate measures against this company.

## **2.6 Enforcement and the Legal and Regulatory Framework**

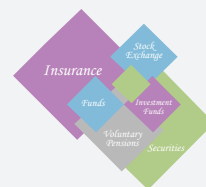
### **2.6.1 Legal and Regulatory Framework**

During 2017, the Authority worked on drafting and improving the by-laws related to securities market and investment funds, as follows:

#### **Acts of the Authority in the Field of Securities and Investment Funds**

- Regulation no.127, dated 06.10.2011 “On mandatory content, terms and form of reports of collective investment undertakings, management companies and depositaries”, was subject to amendmends, which change (shorten) the deadlines for submission to the Authority financial statements of investment funds by management companies. Other changes consisted in the format of the financial statements of investment





funds deposited by the administration companies to the Authority as well as the change on the deadlines for submitting liquidity supervision reports for investment funds from management companies.

- Regulation no. 68, dated 27.07.2009 “On the preparation and publication of financial analysis in the field of securities” and Regulation no. 165, dated 23.12.2008 “On the licensing of brokerage / advisory companies, brokers and investment advisors” suffered the relevant adjustments in order to match the denominations with the changes in the respective law and the organizational structure of the AFSA.
- Regulation no. 97, dated 25.06.2014 “On the key information to be made available to the investor of collective investment schemes”, a second annex was added to the key investor information, which should contain a synthetic risk indicator presented graphically.
- Regulation no. 128, dated 06.10.2011 “On the Procedures and Additional Requirements for the Licensing of the Depositary of Collective Investment Undertakings”, was amended with the aim of protecting the investor by clarifying the relationship between the management company and the depositary, providing that the obligations are clearly defined and are not charged to the investor.

### 2.6.2 Corrective and Administrative Measures

The legislation regulating the activity of financial entities under the supervision of the AFSA as well as Law no. 9572, dated 03.07.2006 “On the Financial Supervisory Authority”, as amended, provide corrective and administrative measures aimed at preventing, correcting or terminating the circumstances and actions that constitute violations of the legal provisions or acts of the Authority.

Even during 2017, the measures taken by the Authority were based on on-site inspections, control over documents and verification of information. Thus, in support of the inspections carried out in 2017, the AFSA Board in its May 2017 meeting decided to take measures against “Stock International Albania”, as well as to deposit information to the AFSA on the notification of all its customers on the termination of the activity and the decisions of the General Assembly of the Company and the Supervisory Council on the situation of the company. The Authority requested compliance with all legal deadlines and procedures, in order to give the company time to notify all its investors and customers on the closure of the activity. “Stock International Albania” sh.a. did not fulfill its obligations determined by the AFSA Board decision in May 2017. As a consequence, the AFSA Board, by Decision no. 81, in its meeting of 19 June 2017, decided to revoke the licenses of “Stock International Albania” sh.a.

During 2017, the AFSA Board imposed penalties on “Stock International Albania” and the administrator of the company “Kapital Invest”.

**Table 14: Penalty measures taken by the AFSA in the securities market for 2016**

*(In number)*

<i>Penalties against companies operating in the securities market</i>	<i>Penalties against responsible persons</i>
1	1

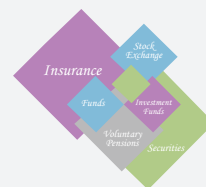
**Table 15: Supervisory measures taken by the AFSA in the securities market for 2017**

*(In number)*

<i>Plan of measures for the elimination of breaches</i>	<i>Revocation of the right to exercise activity / license</i>
1	2

## Chapter 3

### Insurance Market Supervision



#### 3.1 Insurance Market Structure

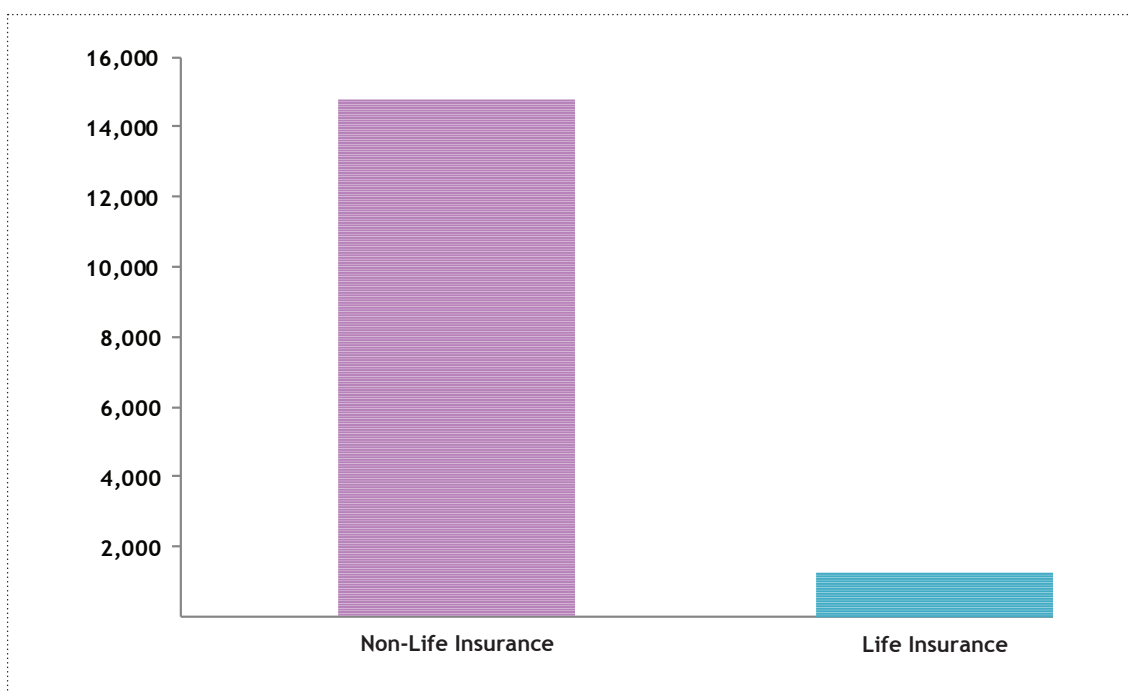
In 2017, as a market total, the volume of the gross written premiums by insurance companies amounted to ALL 16,197 million (EUR 121 million), an increase of ALL 828.6 million or 5.39% more than the previous year.

In this volume of premiums, ALL 14,911 million or 92.06 of the total premiums belongs to the Non-Life market and ALL 1,205 million or 7.44% to the Life market.

The volume of gross written premiums in the Non-Life activity recorded an increase by 4.22% and the volume of gross written premiums in the Life activity marked an increase by 23.19% compared to 2016.

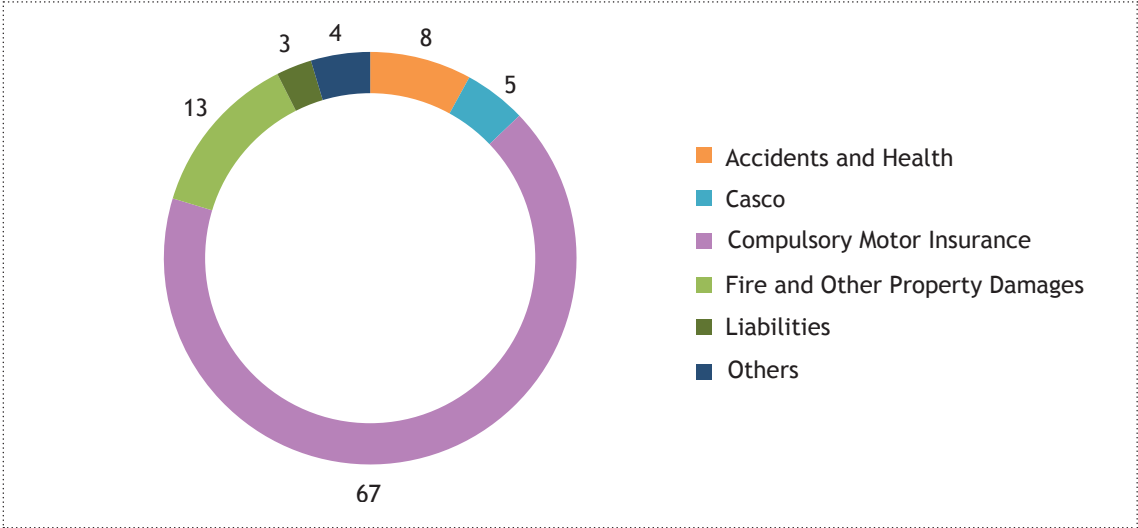
Thus, over the years the market has maintained the same configuration, where Life insurance has a low volume of premiums compared to the Non-Life.

**Graph 6: Gross written premium, by type of Non-life and Life insurance, 2017** *(In mln. ALL)*



Graph 7: Gross written premium share according to Non-life activity, 2017

(In %)



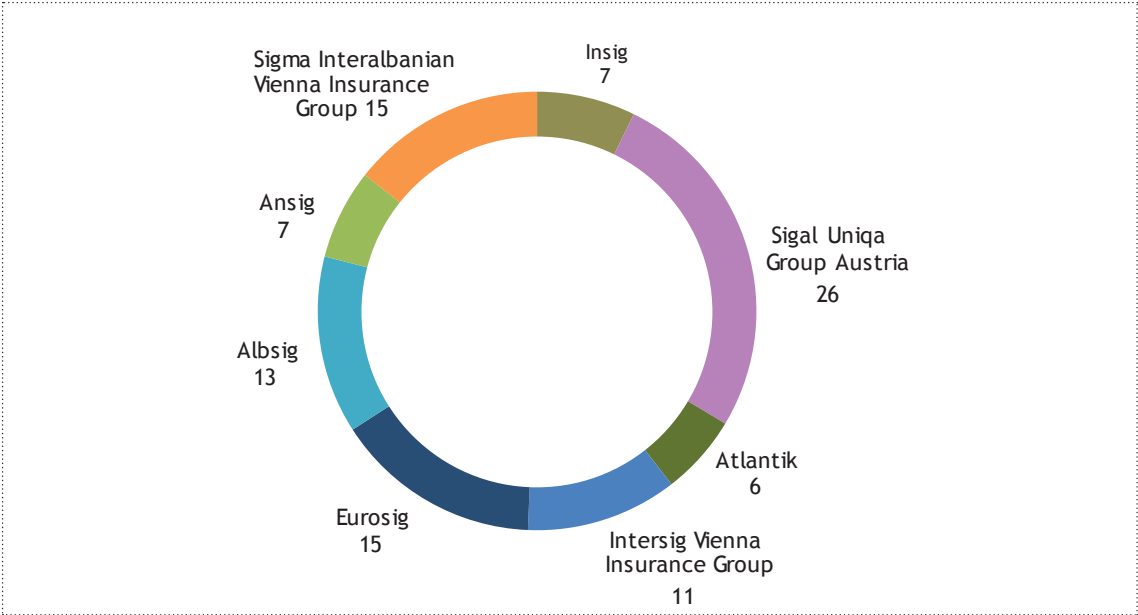
Compulsory motor insurance accounts for 67% of the Non-Life market with a premium volume of ALL 9,964 million and an increase by 4.82% compared to the previous year.

According to the above figure, the second place in the market share is the portfolio “Fire and property damage” with a premium volume of ALL 1,922 million or a 2.93% increase in premium volume.

Gross written premiums in accident and health insurance in 2017 reached ALL 1,190 million or 3.80% more than the previous year.

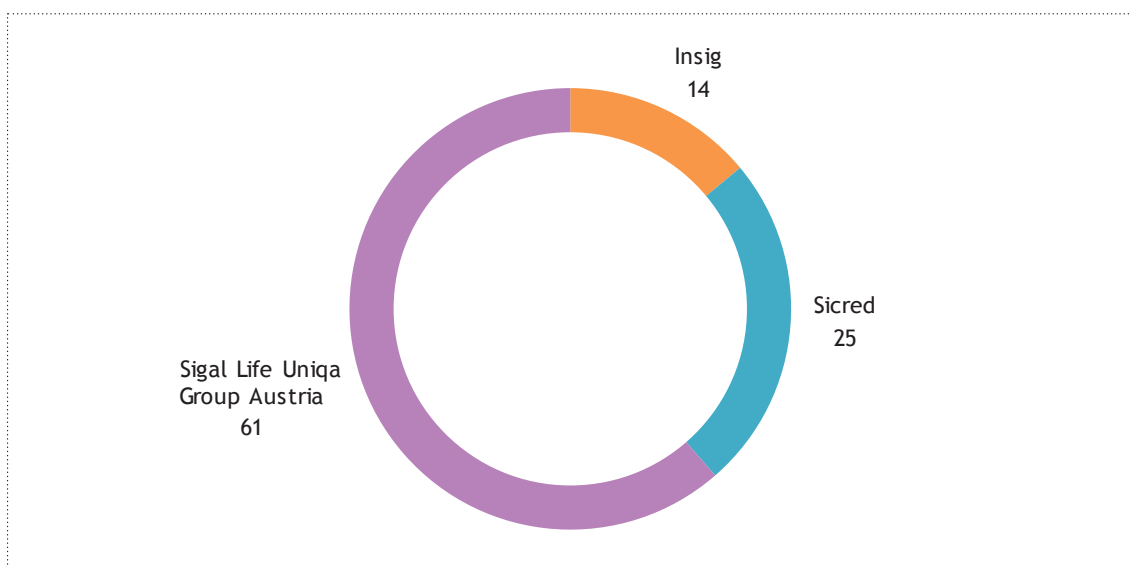
Graph 8: Division of Non-Life Insurance Market, 2017

(In %)



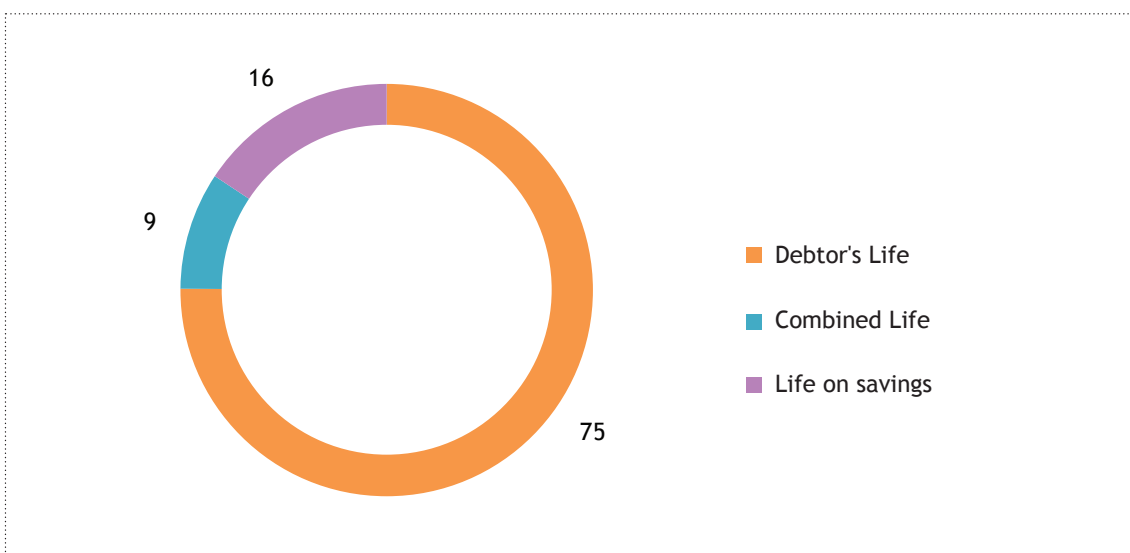
**Graph 9: Division of Life Insurance market, 2017**

(In %)

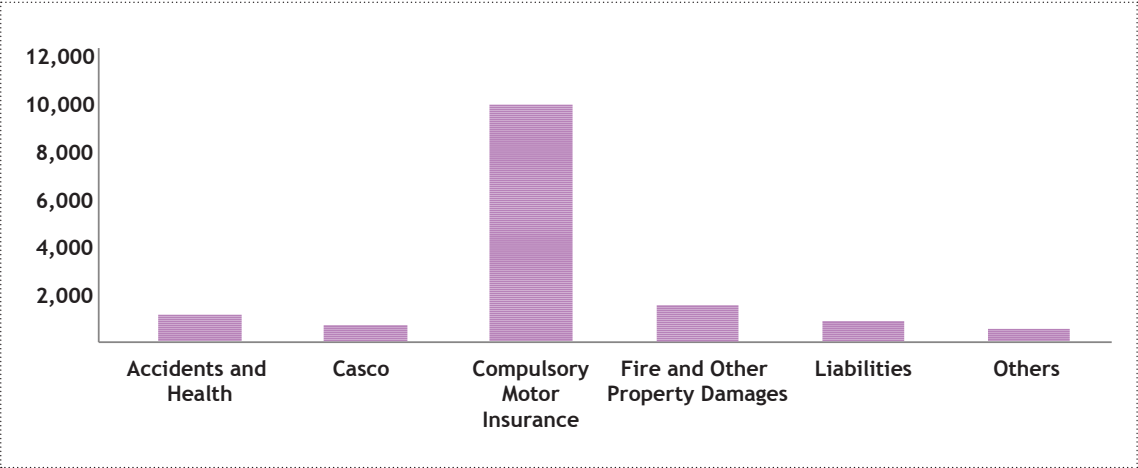


**Graph 10: Structure of gross written premium pursuant to Life market activity, 2017**

(In %)

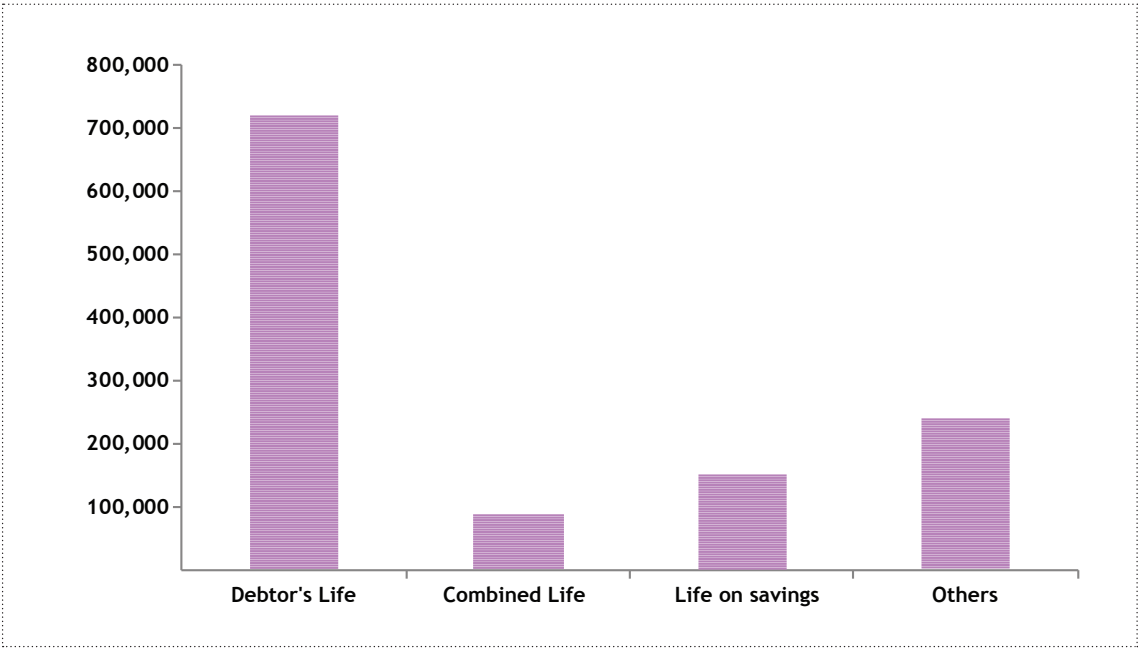


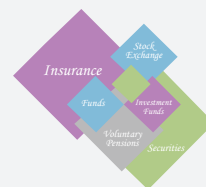
**Graph 11: Structure of gross written premium of Non-Life market activity, 2017** *(In mln. ALL)*



In the volume of gross written Life insurance premiums, the largest share corresponds to the Debtor's Life insurance by ALL 723 million or 38.62% more than the previous year.

**Graph 12: Structure of Gross written premium of Life market activity, 2017** *(In thousands ALL)*



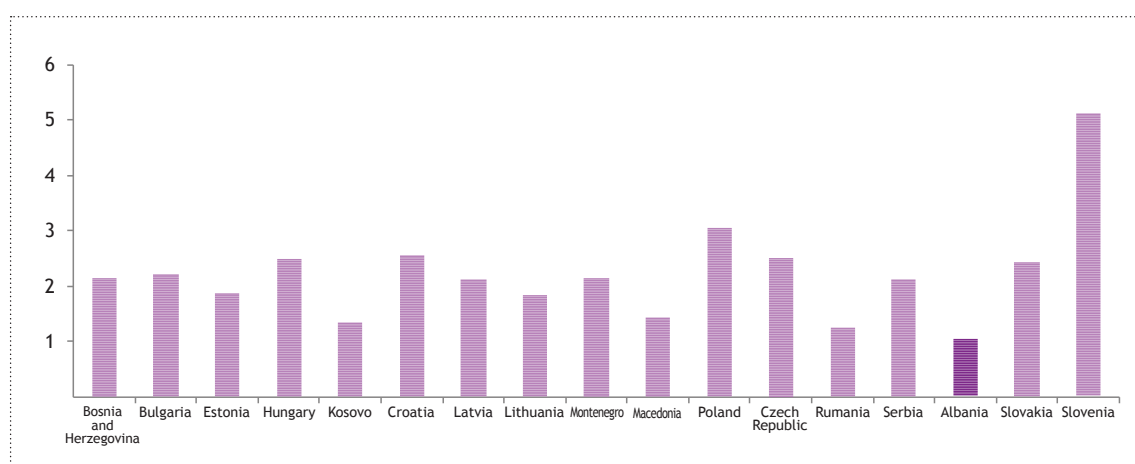


**Table 16: The volume of premiums from Central and Eastern European countries, 2016**

<i>Central and Eastern European Countries</i>	<i>Gross written premium (Mln. Euro)</i>	<i>Gross written premium/GDP (in %)</i>	<i>Gross written premium/person (in Euro)</i>	<i>Life insurance premium ratio to the market total</i>
Bosnia and Herzegovina	324	2.16	84.12	20.40
Bulgaria	1,048	2.21	147.38	20.90
Estonia	388	1.86	295.74	22.07
Hungary	2,849	2.50	289.65	49.53
Kosovo	81	1.34	45.64	3.21
Croatia	1,159	2.55	277.96	33.31
Latvia	532	2.13	270.37	23.25
Lithuania	710	1.84	247.24	34.75
Montenegro	80	2.15	128.64	17.10
Macedonia	142	1.44	68.43	14.80
Poland	12,667	3.04	333.63	42.57
Czech Republic	4,386	2.51	415.55	22.35
Rumania	2,090	1.24	105.79	17.79
Serbia	722	2.12	102.82	25.94
Albania	112	1.04	38.89	6.46
Slovakia	1,987	2.45	366.25	49.32
Slovenia	2,033	5.11	985.15	28.33
<b>Total</b>	<b>31,310</b>	<b>2.50</b>	<b>258.2</b>	<b>35.36</b>

**Graph 13: Gross written premiums/GDP, 2016**

(In %)

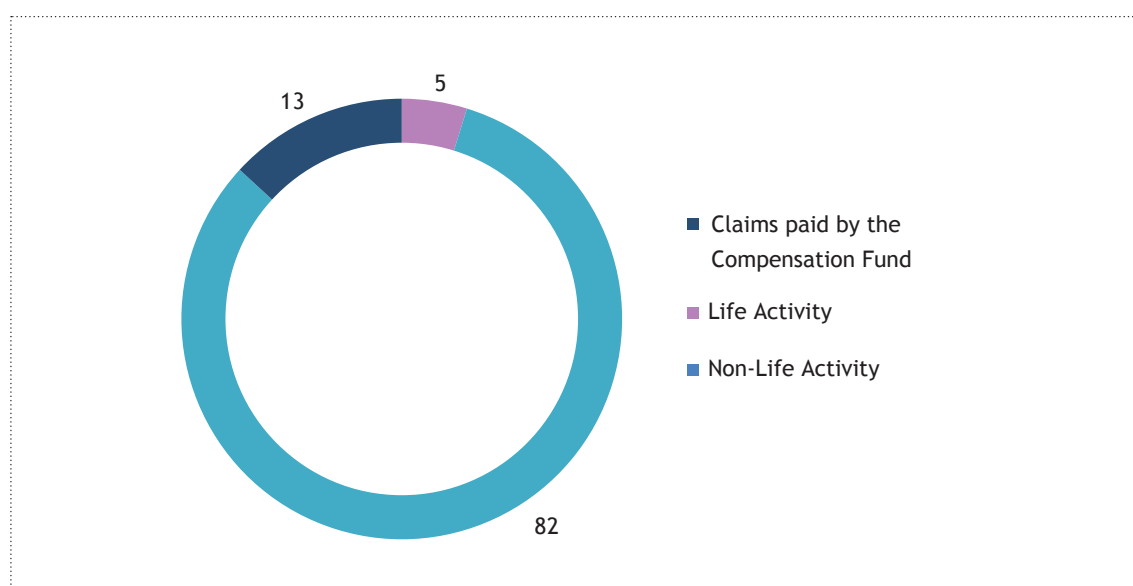


## Gross paid claims

Total gross claims paid in 2017 in the insurance market amounted to ALL 5,534 million (EUR 41 million), which is 774 million ALL or 16.25% more than in 2016.

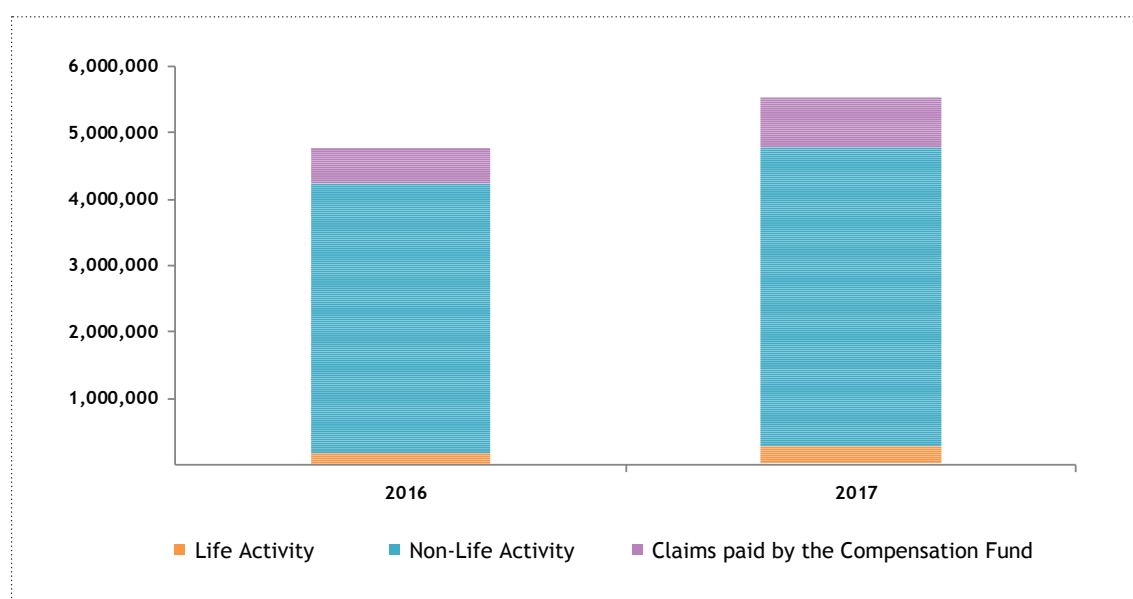
**Graph 14: Division of Gross claims paid according to the activity, 2017**

(In %)

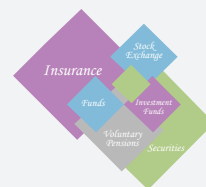


**Graph 15: Gross claims paid according to the activity, 2016-2017**

(In thousand ALL)







### 3.2 Financial Position

Pursuant to the existing regulatory framework, the AFSA has supervised and analyzed the insurance market by assessing the financial position, results and technical indicators of the activity of insurance companies during 2017. The AFSA has consistently followed the fulfillment of the legal requirements on the Guarantee Fund of insurance companies and the implementation of the rules for its investment.

#### The Guarantee Fund

The Guarantee Fund is an amount in monetary means cash (whose value is defined in Article 81 of Law No. 52/2014) deposited by the insurance or reinsurance company in a bank account with the same name, in banks in the territory of the Republic of Albania, where the company has its headquarters, mandatory to be available by the insurer from the moment of activity's commencement and onwards. Insurance companies own a guarantee fund invested in "one-year" "target deposits" at second level banks and treasury bills. The Guarantee Fund at market level for 11 insurance companies and one reinsurance company should be ALL 4,440 million.

On 31.12.2017, the Guarantee Fund of insurance companies, at the market level, was invested in deposits with a maturation term of not less than one year in commercial banks as well as in securities.

From the review of the financial reporting data of 31.12.2017, reflected in the tables below, it is ascertained that:

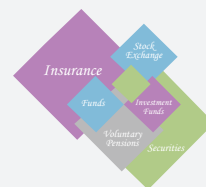
Insurance market assets for 2017 compared to 31.12.2016 increased by ALL 1,169 million or 3.97%. This increase comes only from the Non-life insurance sector, which grew by ALL 1,066 million or 4.07%, while the Life sector grew by ALL 103 million or 3.1%.

**Table 17: Financial data on the insurance market***(In mln. ALL)*

<i>Period of Time</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
<b>Total assets</b>	<b>20,343</b>	<b>21,839</b>	<b>24,451</b>	<b>27,610</b>	<b>29,422</b>	<b>30,591</b>
Life	3,207	3,788	4,009	3,857	3,287	3,390
Non-life	17,136	18,051	20,442	23,752	26,135	27,201
<b>Total investments</b>	<b>13,692</b>	<b>14,082</b>	<b>15,721</b>	<b>18,996</b>	<b>18,811</b>	<b>19,057</b>
Life	2,748	2,971	2,684	2,904	2,743	2,862
Non-life	11,334	12,750	15,175	16,092	16,068	16,195
<b>Technical gross provisions</b>	<b>8,317</b>	<b>9,650</b>	<b>11,191</b>	<b>14,014</b>	<b>15,568</b>	<b>15,840</b>
Life	1,175	1,522	1,529	1,605	1,690	1,702
Non-life	8,475	9,669	11,486	12,409	13,878	14,138
<b>Total Own Capitals</b>	<b>10,005</b>	<b>9,173</b>	<b>9,954</b>	<b>10,204</b>	<b>9,688</b>	<b>9,441</b>
Life	1,899	2,195	1,988	1,782	1,503	1,560
Non-life	8,105	6,978	7,966	8,421	8,185	7,881
<b>Total Signed Capital</b>	<b>8,247</b>	<b>8,652</b>	<b>8,152</b>	<b>8,190</b>	<b>7,708</b>	<b>6,953</b>
Life	1,351	1,355	1,217	1,221	1,221	1,221
Non-life	7,301	6,797	7,339	6,969	6,487	5,732

Investments dominated the total assets of insurance companies and focused on deposits with credit institutions (banks), treasury bills and bonds. Deposits occupy the main share by 32.78%, followed by land and buildings by 9.88% and treasury bills and bonds by 8.33%.

Insurance companies Own Capitals in 2017 dropped by 6.48% compared to 31.12.2016 as a result of retaining the profit for the period, increasing the capital revaluation reserves, and adding to the initial funding capital.



**Table 18: Structure and dynamics of assets and liabilities in the insurance market<sup>6</sup>**

<i>Denomination</i>	<i>31.12.2014</i>	<i>31.12.2015</i>	<i>31.12.2016</i>	<i>31.12.2017</i>
<i>structure (in %)</i>				
Deposits	36.26	36.00	29.39	31.55
Land and buildings	7.93	7.21	6.76	9.88
Shares and participations	10.92	11.18	17.26	9.15
Treasury bills and bonds	10.85	11.52	9.50	11.72
Debtors	8.88	7.93	9.32	12.50
Other assets	25.16	26.16	27.76	25.21
<b>Total Assets</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
Technical gross provisions	45.16	50.76	48.63	51.78
Other liabilities	13.32	12.28	14.20	17.36
Own capitals	41.62	36.96	37.17	30.86
<b>Total Liabilities</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
<b>Denomination</b>	<b>31.12.2014</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2017</b>
<i>Dynamics (in %) previous year = 100</i>				
Deposits	107.20	110.43	94.67	102.55
Land and buildings	95.82	101.08	108.84	139.54
Shares and participations	100.84	131.82	179.02	95.44
Treasury bills and bonds	163.63	118.19	95.64	117.87
Debtors	97.21	99.35	136.27	128.10
Other Assets	121.09	115.68	123.04	86.76
<b>Total Assets</b>	<b>111.76</b>	<b>112.92</b>	<b>115.95</b>	<b>103.97</b>
Technical gross provisions	122.16	125.30	111.08	101.75
Other liabilities	111.25	102.58	134.07	116.79
Own capitals	102.47	102.45	116.62	101.42
<b>Total Liabilities</b>	<b>111.76</b>	<b>112.92</b>	<b>115.95</b>	<b>103.97</b>

<sup>6</sup> Balance statements on this table include Life and Non-life insurance companies. Reporting of the financial statements of insurance companies is done according to the International Financial Reporting Standards (IFRS) and pursuant to AFSA's legal basis.

### Early Warning Tests

Early Warning Tests consist of a series of financial indicators, which are considered as key indicators of the start of financial weaknesses in insurance companies. Early Warning Tests were conducted by the National Association of USA Insurance Commissioners (NAIC) in the early 1970s, based on the financial results of several thousand insurers and hundreds of insurers insolvencies that occurred over a 50-year period. NAIC empirically defined the "normal range" across the wide range of companies and events over a considerable period of time and since the insurance business is essentially the same in any jurisdiction, it is difficult to imagine that these ranges are not applicable also in other jurisdictions. This is known as the only large-scale study of insurance reports that has been conducted on an important statistical basis.

The purpose of these tests is to assist the supervisor in setting priorities for the allocation of resources in the monitoring of insurance companies acting as early warning indicators. Despite some limitations and warnings, reports have been internationally accepted by supervisors across the world, as it has been concluded that they provide a very useful contribution to the risk assessment of the insurance company.

In the following table have been reflected the most important Early Warning Tests for the Albanian insurance market during the period 2012-2017.

**Table 19: Early Warning Tests for the Non-Life Insurance Market**

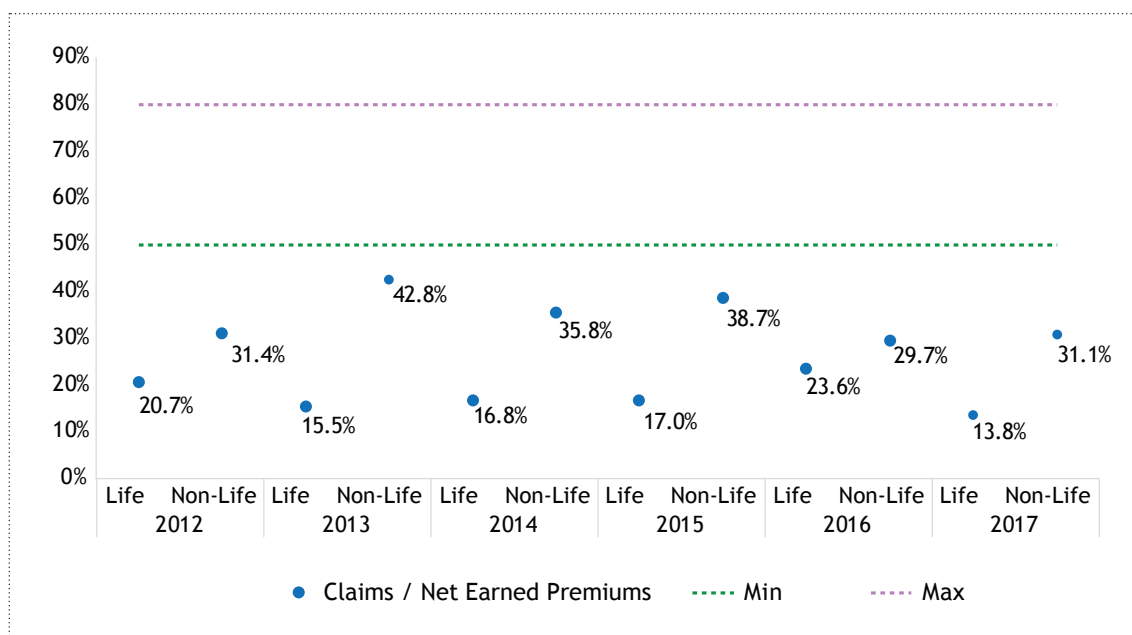
(In %)

	2012		2013		2014		2015		2016		2017	
Claims/ Premiums Ratio	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non- Life	Life	Non- Life	Life
	31.4	20.1	42.8	15.5	35.8	16.8	38.8	16.9	29.7	23.6	31.1	13.8
	Range: 50 - 80											
Expenses Ratio	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non- Life	Life	Non- Life	Life
	68.9	59.7	72.9	62.7	65.7	51.5	62.1	57.6	66.9	67.1	64.5	69.8
	Range : 25 - 50											
Combined Ratio	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non- Life	Life	Non- Life	Life
	100.3	80.4	115.7	78.2	101.4	68.3	100.8	74.5	96.6	90.7	95.6	83.6
	Range : 85 - 105											
Retention Ratios	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non- Life	Life	Non- Life	Life
	86.7	95.6	72.4	96.9	78.1	97.1	78.6	97.3	81.1	96.3	79.4	96.6
ROE	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non - Life	Life	Non- Life	Life	Non- Life	Life
	4.9	10.4	-5.9	9.7	6.7	6.9	4.4	13.2	5.1	5.1	9.6	11.7
	Range: over 6.5											

**The claims/premiums ratio** (net expenses for paid claims/net earned premiums) in 2017 for the Non-Life insurance market was 31.1%, slightly increasing compared to the end of 2016, while for the Life market was 13.8%. This ratio continues to be below the lower limit of the “normal range” that is 50%. For the Life market, this ratio has a significant decline since net earned premiums have marked a significant increase and on the other hand the net expenses for paid claims have had the same performance. This trend for the period 2012-2017 is presented in the following graph:

**Graph 16: Paid Claims/Net Earned Premiums**

(In %)

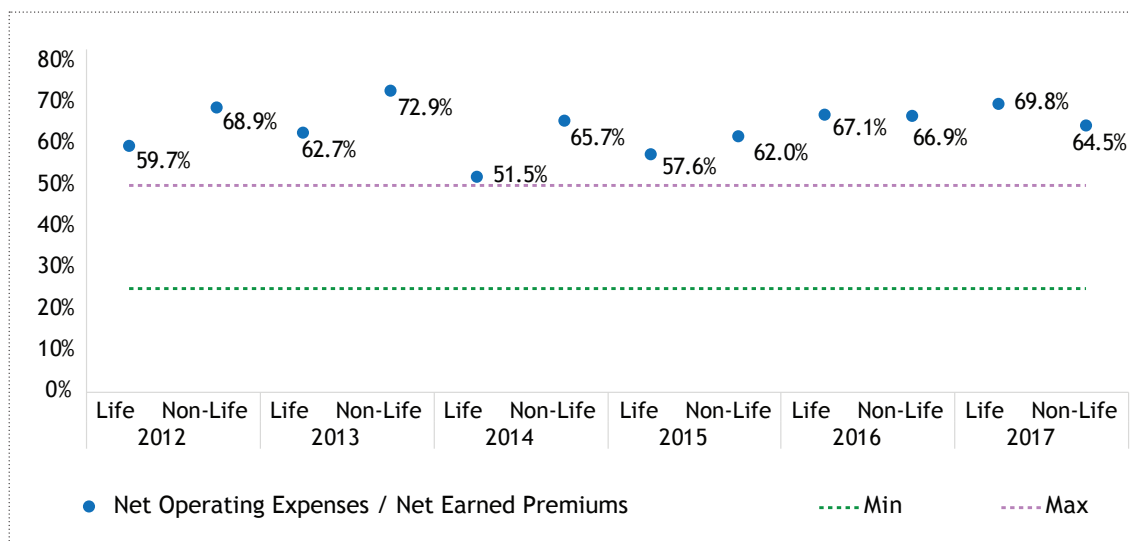


**The Expenses Ratio** (net operating expenses of the activity/net earned premiums) in 2017 for the Non-Life insurance market was 64.5%, and the Life insurance market 69.8%. This ratio, although there has been a decreasing trend over this period, still remains above the upper limit of the “normal range”, which recommends a maximum ratio of up to 50%. This ratio for the Non-Life insurance market has marked a decrease compared to the end of 2016 (66.9%), while for the Life insurance market this ratio has increased compared to the end of 2016 (67.1%) as a result of increased administrative expenses at a higher rate than the net earned premiums.

From 1 January 2017, based on amendments to Law no. 9975, dated 28.07.2008, “On National Taxes”, as amended, and the Instruction of the Minister of Finance no. 12, dated 04.04.2017, the national tax on written premiums, which applies to written premiums of Non-Life activity, excluding Green Card and Travel Health products, is no longer part of the written premiums and consequently it is not part of the expenses. This trend for the period 2012-2017 is presented in the following graph:

**Graph 17: Net operating expenses of the activity/ net earned premiums**

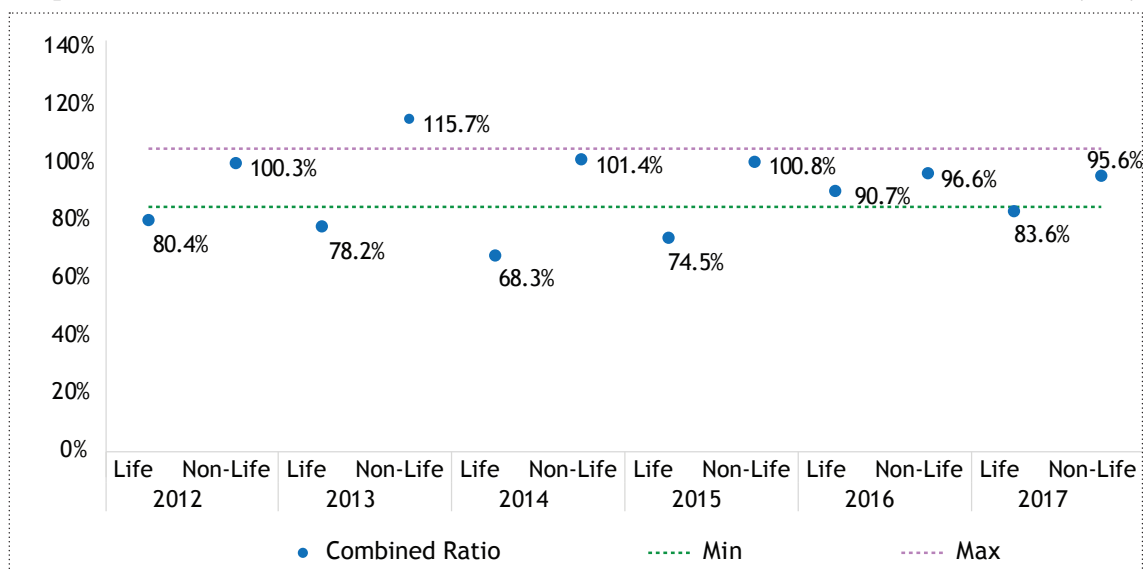
(In %)



**The Combined Ratio** (Claims/Premiums Ratio + Expense Ratio) in 2017 for the Non-Life insurance market is at 95.6%, while for the Life market it is 83.6%. Although this indicator remains below 100% resulting within a “normal range”, it does not necessarily mean that the financial performance of the insurance market is optimal, since the component of the claim ratio is below the lower limit of the “normal range”, while the component of expenses results above the upper limit of the “range”, meaning that these expenses are not managed efficiently. Under the conditions of effective expense management, it would be expected that this indicator would be below the lower limit of the “range”, highlighting as a primary cause the increase in the level of payment of claims and the reduction in the level of expenses. This trend for the period 2012-2017 is presented in the following graph:

**Graph 18: Combined Ratio**

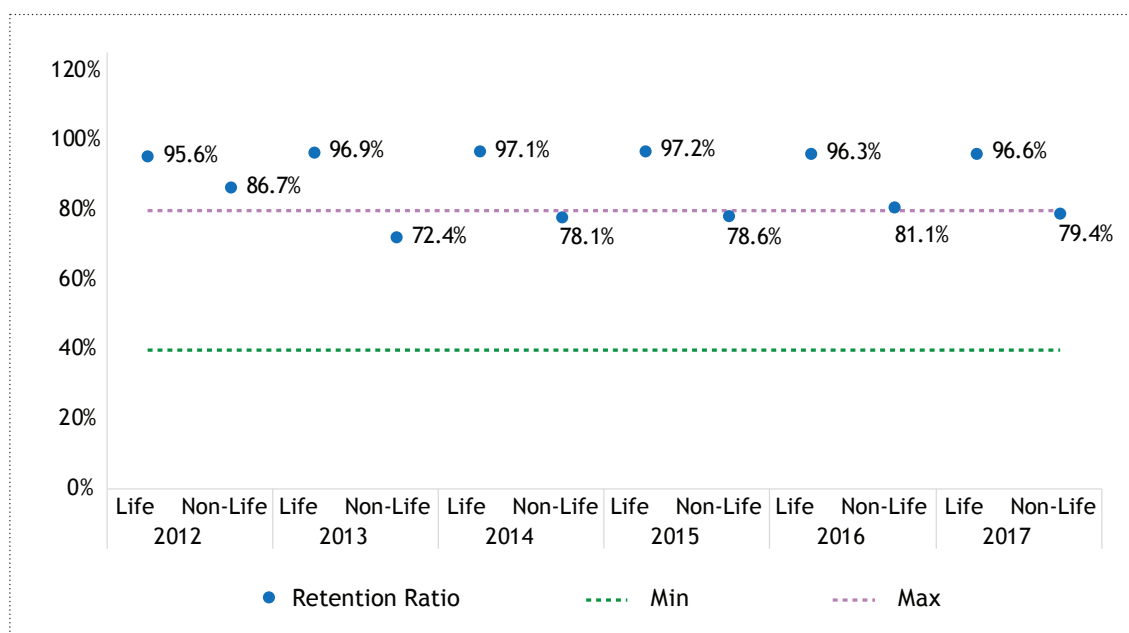
(In %)



**The retention ratio** for the Albanian Non-Life insurance market is at 78.9%, reaching almost the upper limit of the range, proving that insurance companies retain the most significant part of the risk themselves without ceding enough on reinsurance. If it were not for two insurance companies, which possess a significant market share and have had a low retention ratio for the MTPL product, because of their reinsurance ceding policies, this ratio for the Non-Life insurance market would exceed the upper limit of the “normal range”. For the Life market, the retention ratio is 96.4%, exceeding the upper limit of the “range”. This trend for the period 2012-2017 is presented in the graph below.

**Graph 19: Premium retention ratios**

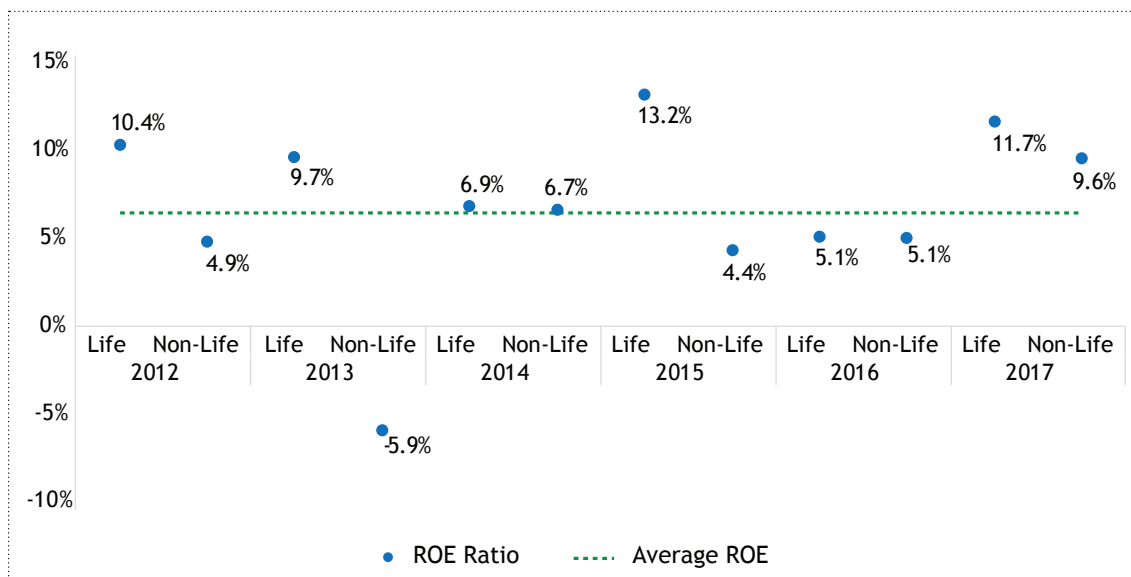
(In %)



**ROE** for the Non-Life insurance market in 2017 is at a favorable level of 9.6%, while for the Life market it is 11.7%. Life and Non-Life insurance companies have performed above this average during this period of 2017. The main reasons are the positive technical results as well as the returns on investments for companies that own participation. The average capital return over the last five years for insurance companies is 6.48%. This trend for the period 2012-2017 is presented in the following graph:

**Graph 20: ROE Ratio**

(In %)



### 3.3 Inspection in insurance companies under risk-focused supervision

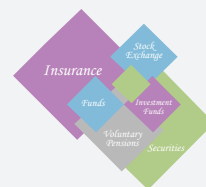
#### Risk-focused full inspection

Even during 2017, the Authority has continued with full on-site inspection of three Non-life insurance companies according to the risk-focused methodology, based on the Insurance Companies Supervision Manual. The inspection focused on structuring inspection procedures and drafting a plan of interviews with the management levels of insurance companies. Concurrently, were assessed the dangers present according to the business activities in the inspected companies, as well as the administration and mitigation of these risks by senior company executives.

In more detail, these inspections focused on:

- Credit risk assessment in relation to reinsurers, collection of premiums and other related activities;
- Insurance risk assessment, focusing mainly on insurance coverage and liability risks, as well as other related activities;
- Operational risk assessment, focusing on provisions, damage assessment, damage treatment procedures, information technology systems, operational performance, and other related activities;
- Assessment of the regulatory and strategic risk in the evaluation of the Guarantee Fund;
- Assessment of the capital adequacy and the quality of profits;





- Assessment of the specific elements of the assets of the company's financial statements;
- Risk management, internal control systems, including supervision of the activity at the management level of the company.

At the end of the inspections, the Authority drafted a risk profile for the inspected companies, which represents its assessment of each of the company's risks within the context of the insurance market in general. The inspection according to the risk-focused methodology focuses on the responsibilities of the supervisory council and senior management of the insurance company in terms of safeguarding the company's financial security and stability.

### Thematic Inspections

During 2017, three thematic inspections were carried out in non-life insurance companies, with the object of: verification of incurred damages, insurance costs, sponsorships and advertising expenses, as well as verification of border insurances sold outside the online sales reporting system.

Concurrently, during 2017, two thematic inspections were carried out at the Albanian Insurance Bureau, as well as an inspection at each of the non-life insurance companies focusing on the damages subject to the Compensation Fund. These inspections consisted in the most fundamental issues related to the control of damage payments according to the regulatory requirements, the control of physical documentation for high value damages to the AIB, their compliance with the reported data, the security assessment and the validity of the computer programs used by the AIB for data storage and administration, following of regression complaints, as well as the implementation of recommendations left by previous Authority inspections.

### Joint inspections

- Inspection in cooperation with the General Directorate for the Prevention of Money Laundering

he AFSA based on the Supervision Manual for the Prevention of Money Laundering adopted by Board Decision no. 136, dated 29.09.2016, conducted during 2017 a joint inspection with the General Directorate for the Prevention of Money Laundering in a reinsurance company, subject to the Law on the Prevention of Money Laundering.

The inspection was focused on verifications regarding the respect of the legal framework regarding the prevention of money laundering and measures against the financing of terrorism. This inspection did not reveal any administrative offenses by the reinsurance company.

- Joint Inspection with the Central Bank of Kosovo (CBK)

Within the framework of the Memorandum of Understanding (MoU) between the AFSA and CBK, aiming at the effective supervision of the insurance groups operating in both

countries, Albania and Kosovo, during 2017, the AFSA representatives participated in a joint inspection with the CBK at the insurance companies operating in Kosovo, as part of Albania-based insurance groups.

Such a cooperation which has been carried out in past years influences positively on the efficiency of the supervision and regulation of the insurance industry of both countries, especially in terms of the extent of the activity of Albanian insurance companies in the territory of Kosovo.

### 3.4 Technical Provisions

In the framework of the analysis on the financial soundness of insurance companies, the AFSA assesses whether the technical provisions are sufficient and consistent with the level of risk contracted by the companies. The adequacy of technical provisions is assessed in compliance with the legal basis in force and failure to comply with this obligation constitutes a breach of risk management rules.

At market level, technical provisions over the years show a growing tendency while maintaining the structure of Life and Non-Life activity. Consequently, the highest share in terms of exercised activity is held by gross technical provisions of Non-Life companies, which also reflects the structure of the insurance market in Albania.

#### Technical Provisions:

A technical provision is a sum calculated on the basis of an expectation and in accordance with a set of actuarial methods, which is kept by an insurer to cover the liabilities deriving from insurance contracts.

#### Technical Provisions include:

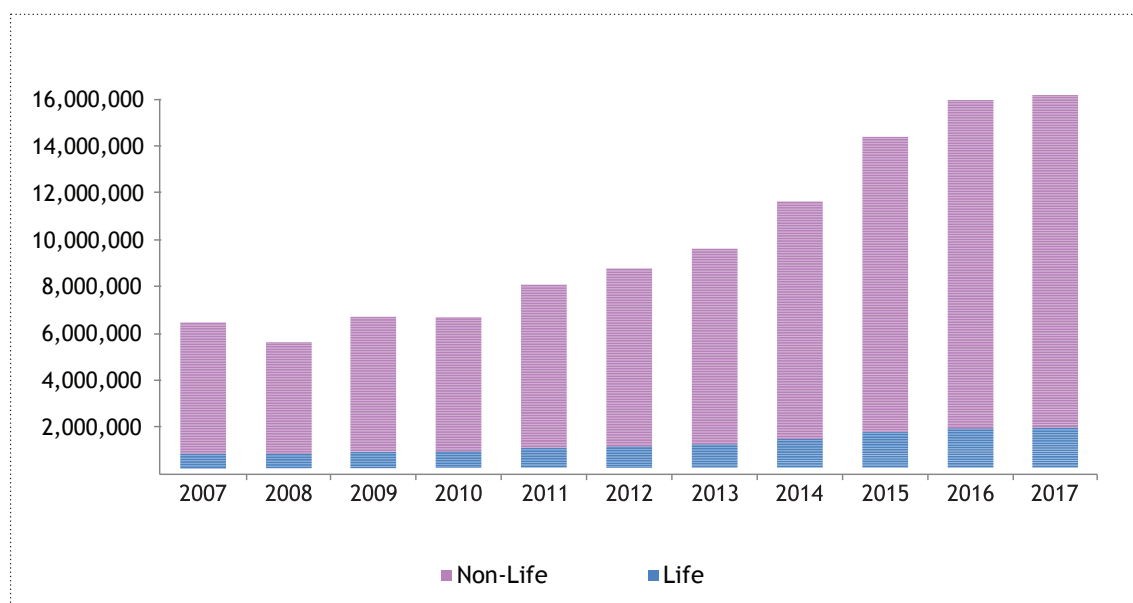
- Provision for premiums, which consist of provisions for unearned premiums and for unexpired risks. These provisions are created in proportion to written premiums related to insurance coverage, which are still valid after the end of the financial period during which these provisions have been created;
- Provisions for bonuses and rebates, which are created at the same level as the amount of payments the insured receives on the basis of the right to benefits derived from the insurance contracts, the right to partial reduction of the insurance premium (rebate) and the right to reimbursement of part of the insurance premium in case of early termination of the insurance contract;
- The technical provisions of the damages that arise in the event of the occurrence of the insurance event before the end of the period of insurance of the insurance contract and their assessment is carried out at the same level as the responsibilities assumed by the insurance company through the insurance contract;
- Provision for protection against investment risk;
- Other technical provisions. These provisions are created by insurance companies in order to cover the expected responsibilities and risks of major claims deriving from liability insurance for losses from nuclear risk, the responsibility of the manufacturer of pharmaceuticals, and the risks of flooding and earthquake.

Mathematical provisions are created at the same level as the present value of future liabilities deriving from life insurance contracts, by deducting the current estimated value of future premiums to be paid under the contract in question.

From the market-level data, reflected in the figure below, is reflected the increasing trend of the technical provision indicator of claims and premiums, reflecting the ongoing efforts of the Authority on improving this indicator. Specifically, the AFSA has consistently provided recommendations on the increased improvement in the technical provision of claims from compulsory insurance in compliance with the growth of the insurance market activity. These recommendations are based on the data analysis of the insurance companies, the findings ascertained during on-site inspections, as well as information received from third parties (courts, on claims in court proceedings) regarding the liabilities and risks to which companies are exposed.

**Graph 21: Gross Technical Provisions**

*(In thousand ALL)*



#### Gross Technical Provision for compulsory motor insurance (MTPL)

The gross technical provision for the MTPL product covers the largest share in the total technical provision of the Non-Life market. As of 31.12.2017, this indicator remained at almost unchanged levels compared to last year, reaching 69% versus the 70% at the end of 2016. The technical provisions structure reflects the structure of the Non-Life insurance market, with a high concentration on compulsory insurance.

**Table 20: The Share of technical provisions of compulsory insurance***(In thousand ALL)*

	2011	2012	2013	2014	2015	2016	2017
Total Gross MTPL Provisions	4,594,762	4,903,000	5,876,000	7,606,407	8,259,209	9,757,238	9,823,894
Total Gross Non-Life Provisions	6,781,384	7,375,000	7,980,000	9,662,572	12,409,665	13,866,272	14,137,852
Specific rate (in %) of compulsory insurance versus the total for the market	68%	66%	74%	79%	67%	70%	69%

**Table 21: The structure of technical provisions of compulsory insurance***(In %)*

	2011	2012	2013	2014	2015	2016	2017
Technical provisions for claims MTPL	62%	56%	52%	53%	52%	52%	52%
Provisions of unearned Premium MTPL	38%	44%	48%	47%	48%	48%	48%
Total gross provisions MTPL	100%	100%	100%	100%	100%	100%	100%

In addition, with regard to the structure of the technical provision of compulsory insurance, it is consistently observed that the highest share is held by the technical claims provision in comparison to the provision of the unearned premium. Even during 2017, the same structure division has been maintained, despite the reflection of the fluctuation in the rates of sale of compulsory insurance products, an indicator showing its effect on the provision of the unearned premium.

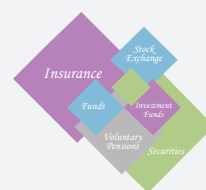
### Compulsory Motor Insurance Premium

#### Risk Premium

In the framework of the World Bank First Initiative project, regarding the liberalization of compulsory motor insurance, insurance companies have been introduced and have accepted the risk premium calculation model for the compulsory motor insurance contract TPL, a methodology that has also been adopted and used in assessing the risk premium for the Green Card and Border Insurance Contracts.

Based on the requirements of this methodology, where the key elements on determining the risk premium are the frequency and the average cost of the claims, the insurance companies take into account the inflation of the claim over the years and make their projections for future financial periods, an important element in determining a more accurate value of the future risk premium.

The Authority shall, on the basis of data from insurance companies, calculate the market



risk premium for compulsory motor insurance products by 31 March of each subsequent year. This premium is the guideline for the insurance market in relation to the risk premium assessment that the insurance companies themselves will perform.

In specific terms, compared to the same period of 2016, it is observed a decrease by approximately 10% of the market risk premium for the domestic TPL portfolio (calculated as the weighted average of all TPL categories).

### The average insurance premium

The premium paid by the insured includes the risk premium, the calculated portion for covering insurance and administrative expenses, including commissions, and the estimated portion of the insurance company's profit.

The average premium paid by the insured for the main categories is reflected in the following table:

**Table 22: The average premium paid for motorcycles, cars, vans during the period January-December 2017** *(In ALL)*

<i>Denomination/ Category</i>	<i>A1/1</i>	<i>A1/2</i>	<i>B1/1</i>	<i>B1/2</i>	<i>B2/1</i>	<i>B2/2</i>
<b>2015</b>	5,640	8,550	15,100	15,850	24,500	29,050
<b>2016</b>	6,150	9,210	16,330	17,120	26,500	31,440
<b>2017</b>	6,040	9,280	16,050	16,880	26,260	30,550

The average premium paid by the insured for the main categories of motor vehicles decreased by approximately 1.6% for the period January-December 2017 compared to the same period of the previous year.

### Reinsurances

Based on the legal framework and regulatory acts approved by the Authority, the insurance company is obliged to reinsure in a reinsurance company that portion of the insured risk exceeding the permitted limit of 10% of the capital value.

For specific insurance products and cases, insurance companies have carried out risk transfer, by means of optional reinsurance contract in order to mitigate the financial effects of large and potential claims.

#### Optional Reinsurance

Optional reinsurance means the transfer of a portion of a particular risk insured by the insurance to the reinsurance company, under a separate reinsurance contract.

The strategy pursued by the insurance market for risk transfer, in general, has been realized through co-insurance (transfer of part of the risk of insurance contract to another insurance company), transfer to reinsurance of insurance portfolios and coverage with optional reinsurance of special contracts.

According to regulatory requirements, insurance companies report to the Authority the reinsurance program. Based on its supervisory function, the AFSA follows the progress of the implementation of this program and specific related contracts, aiming to ensure continuous financial stability regarding the risk-keeping standards of these reinsurance companies and the criteria related to the quality of reinsurers.

Reinsurance agreements on Non-Life insurance portfolios were made through non-proportional form, mainly of the Excess of Loss type, and the proportional form, of the Quota Share and Surplus type. In Life insurance, coverage with reinsurance was made through proportional form reinsurance agreements of Surplus type and the Quota Share type.

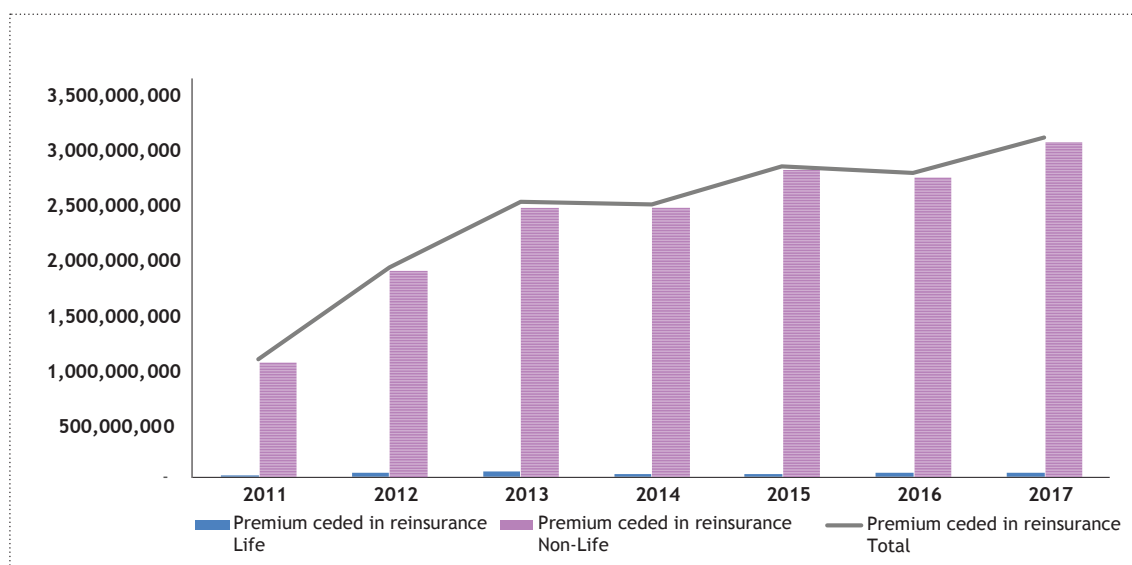
Ceded premiums in reinsurance as of 31.12.2017 result:

- For the total of insurance market in the amount of ALL 3.07 billion or 19.39% of the value of gross written premiums at market level;
- For Non-Life insurance in the amount of ALL 3.04 billion or 21.58% of the value of gross written premiums for Non-Life insurance;
- For Life insurance in the amount of 35.66 million ALL or 2.01% of the value of gross written premiums for Life insurance.

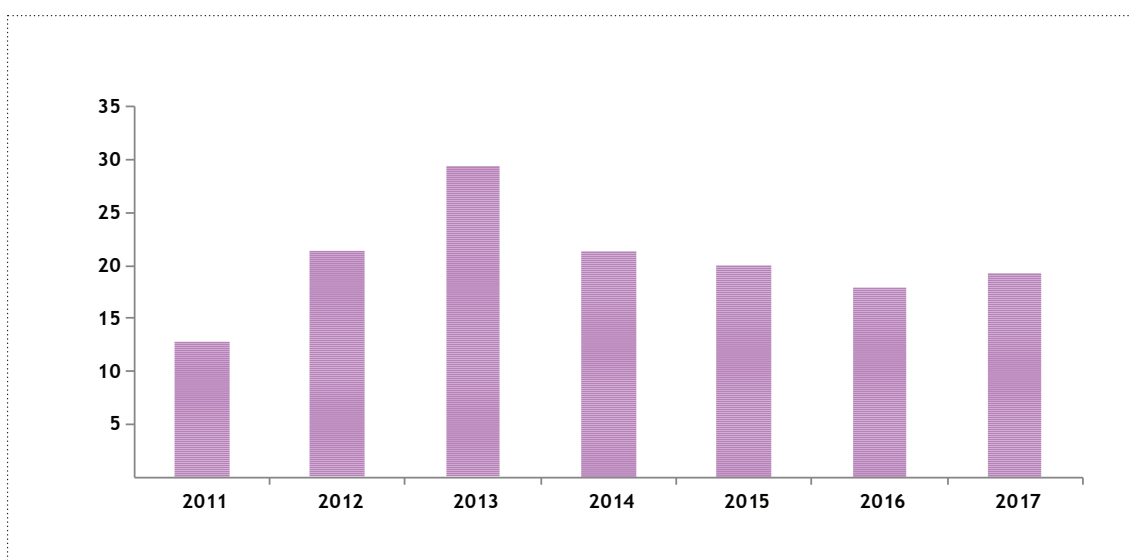
The value of premiums ceded to reinsurance compared to the same period of 2016:

- At the market level, it increased by about ALL 319.94 million or 11.62%;
- For Non-Life insurance, it increased by about ALL 320.12 million or 11.78%;
- For Life insurance, it decreased by about ALL 0.18 million or 0.5%.

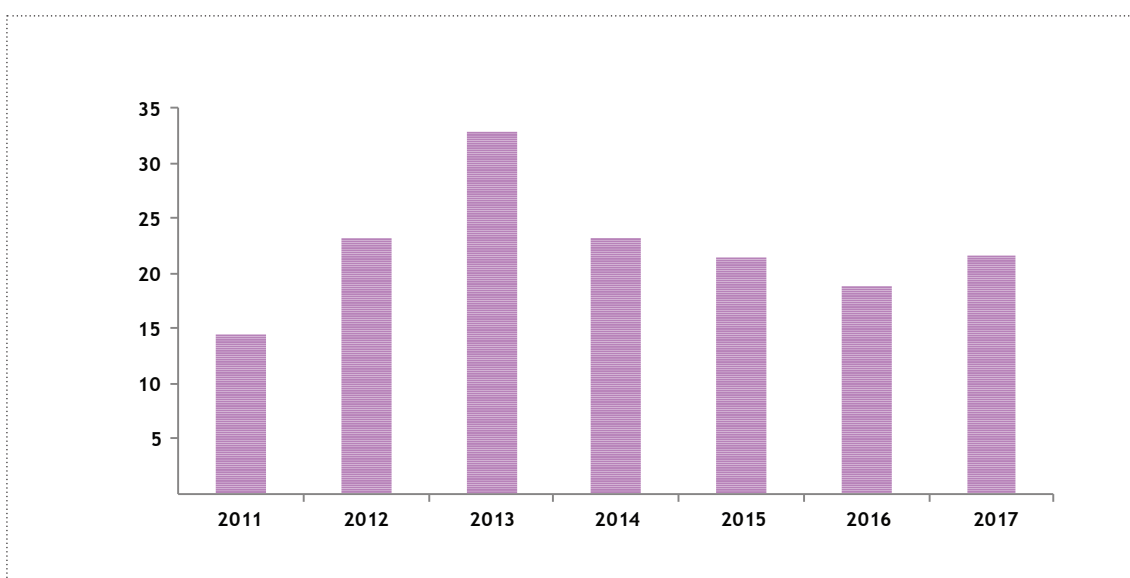
**Graph 22: Performance of premiums ceded in reinsurance for the period, 2011-2017** (In ALL)



**Graph 23: Premiums ceded to reinsurance/gross written premiums, market total** (In %)

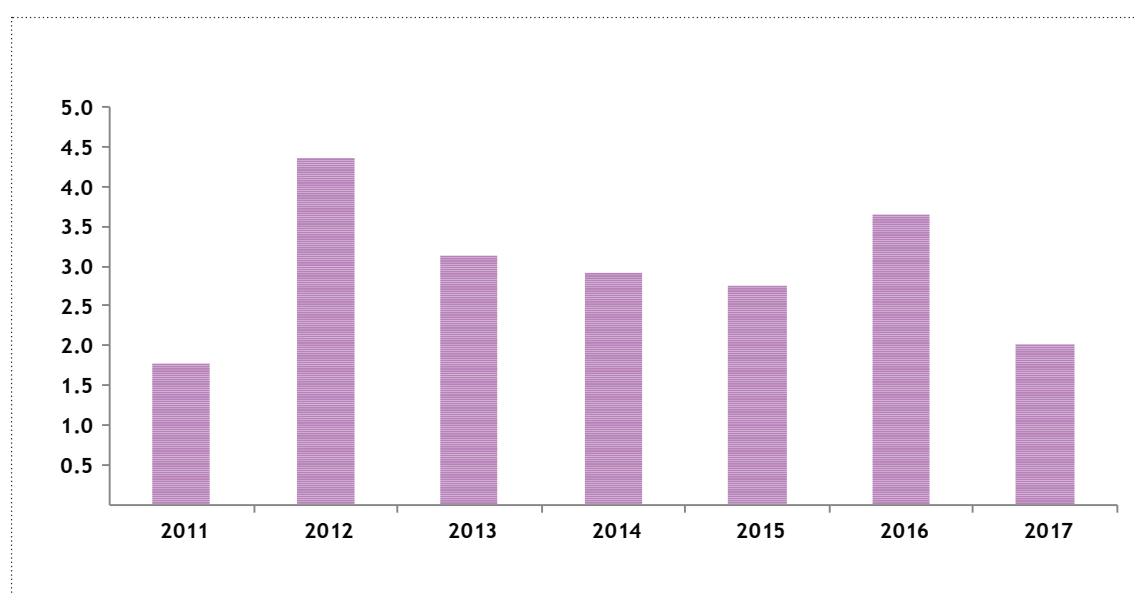


**Graph 24: Premiums ceded to reinsurance/gross written premiums, Non-life** (In %)



**Graph 25: Premiums ceded to reinsurance/gross written premiums, Life**

(In %)



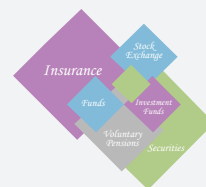
Similar to the previous years, the key participants in reinsurance contracts for Non-Life insurance were VIG Re, UNIQA Re, Munich Re, Hannover Re, Swiss Re, Partner Re, Scor, Lloyd's syndicates, etc. For Life insurance, the only reinsurance company involved in this program is Scor Global Life. More than 90% of reinsurance partners in insurance companies have a rating above BB - from Standard & Poor's, with over 60% of them having a rating of above A.

### **Own Risk and Solvency Assessment (ORSA)**

In compliance with the requirements and terms set out in Regulation no. 18, dated 28.04.2015 on "Rules for the organization of the risk management system in the insurance company", insurance companies during 2017 submitted an annual report on the assessment of the risks of the company. The Authority has analyzed the self-assessment reports of insurance companies, with particular attention being paid to the review of:

- Strategies, by which the insurance company's approach to addressing particular risk areas and legal and regulatory obligations is defined;
- Policies, through which are defined the procedures and other requirements that are mandatory for implementation by the Management/Supervision Board, senior executives, key officials and employees of the insurance company;
- Processes through which strategies and policies of the insurance company are implemented; and
- Controls, which ensure that strategies, policies and processes exist, are supervised and function in meeting the objectives.





Following the analysis of self-evaluation reports, within the framework of supervision and monitoring, the Authority provided a prospective assessment of the solvency of insurance companies and relevant recommendations for future improvement of this report.

#### **On the calculation of the net retention of aggregate maximum coverage of the risks deriving from insurance contracts**

During 2017, by Board Decision No. 57, dated 26.05.2017, the Regulation “On the calculation of the net retention of aggregate maximum coverage of the risks deriving from insurance contracts” has been approved.

The Regulation constitutes a novelty in the Authority’s supervisory framework and implies additional capital requirements to be owned by the companies.

### **3.5 Supervision of Groups**

During November 2017, representatives of the Financial Supervisory Authority participated in the annual meetings of the supervisory colleges of the insurance groups *UNIQA Insurance Group (UIG)* and *Vienna Insurance Group (VIG)*, which are organized by the Austrian Financial Supervisory Authority (FMA). The supervisory colleges are aimed at exchanging information on the performance of insurance groups in the function of more effective financial supervision. The AFSA representatives also reported to FMA on the progress of the activities of insurance companies, part of the UIG and VIG groups, that are active in Albania, on the presentation of the risks that characterize their functioning in the Albanian market, as well as bringing into their attention the identified issues and problems, such as off-site supervision and on-site supervision.

In July 2017, within the framework of the Memorandum of Understanding, a meeting was held at the AFSA headquarters between the AFSA representatives and representatives of the Macedonian Insurance Market Supervision Agency for the exchange of information on the insurance groups exercising their activity in both countries. The main focus of this meeting was the presentation of financial indicators for the insurance market in general, and those for the insurance groups that operate in Albania and Macedonia in particular, as well as discussing the phenomena and problems that accompany their progress and taking effective measures for the elimination or minimization of these issues.

### **3.6 Governance of Insurance Companies**

Insurance companies operating in the Albanian market are organized under a one or two-level governance system. In companies with one-level governance, the board of directors exercises administration and supervisory functions, while in two-level governance companies, the supervisory council exercises supervisory functions and the administrator or the board of directors exercises administrative functions.

During 2017, the Authority has approved changes or re-appointments in the composition of the supervisory boards of five insurance companies, and has approved appointments to their management bodies.

**Table 23: Data on the shareholders of the insurance companies**

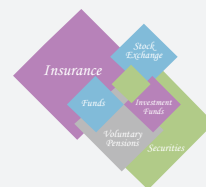
<i>Entities</i>	<i>Number</i>	<i>In %</i>
Insurance companies	11	
Total shareholders	35	
<b><i>Classification of shareholders according to the share</i></b>		<b>100</b>
Under 10%	19	54.29
from 10% to 20%	4	11.43
from 20% to 33 %	2	5.71
from 33% to 50%	1	2.86
over 50%	9	25.71
<b><i>Classification of shareholders according to the country of origin</i></b>		<b>100</b>
Foreign shareholders	2	6
Domestic shareholders	33	94
<b><i>Classification of shareholders according to status</i></b>		<b>100</b>
Individual shareholders	28	80
Company shareholders	7	20

### Approval of Statutory Changes to Insurance Companies

During 2017, the AFSA approved the requirements of insurance companies regarding the statutory changes, according to the following table:

**Table 24: Data on the approval of statutory changes***(In number)*

<i>Reason for Change of Statute</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
New Statute / other changes	6	2	6	4	4	2
Capital increase	4	3	5	2	2	1
Change of shareholder structure	2	2	3	3	4	1



### 3.7 Licensing Activity

During 2017, the licensing activity of the Authority in the insurance market focused on licensing the activity of:

- Insurance Mediators (brokerage/agent);
- Claims Adjusters in insurance.

In the licensing process, the Authority has ensured that the requirements and procedures applied to entities seeking to exercise mediation activity are clear, objective and transparent. Regulation no.79, dated 31.08.2015, “On granting approval/license to carry out the insurance agent activity, as well as denied cases of registration and refusal to grant the license”, as well as Regulation no.48, dated 30.06.2015 “On criteria, procedures and terms to grant the license and cases of refusal to grant the license for carrying out brokerage activity in insurance”, as amended, emphasizes the increased professionalism and integrity of persons who will exercise the activity in the mediation of insurance products.

Even during 2017, as a result of developments in the insurance market, the interest of entities for licensing in the mediation market continued.

Information on the number of licensed insurance brokers is given in the following table:

**Table 25: Data on licensed insurance brokers**

(In number)

<i>Broker's Status</i>	<i>Licensed in 2016</i>	<i>New Licenses in 2017</i>	<i>Licensed at the end of 2017</i>
Brokerage company	14	2	16
Physical Broker	35	1	36

During 2017 work continued on the approval of physical persons for the exercise of the activity as agents in Non-Life insurance, based on the requests received from Non-Life insurance companies.

During 2017 were licensed 224 physical persons (agents) in insurance, of which 165 for the first time. Meanwhile, 8 financial and commercial subjects were involved in this process.

**Table 26: Data on licensed insurance agents**

(In number)

<i>Agent status</i>	<i>Licensed at the end of 2016</i>	<i>License renewal in 2017</i>	<i>New Licenses in 2017</i>	<i>License terminated in 2017</i>	<i>License withdrawn in 2017</i>	<i>Licensed at the end of 2017</i>
Legal persons	8	1	7	1	1	14
Physical persons	334	59	165	121	17	420

### *Professional test in the field of insurance*

In compliance with regulatory requirements, the licensing of the insurance broker profession or the insurance claim adjuster is linked to the successful passing of the professional knowledge test in the relevant field. During 2017, the Authority has organized 2 tests for applicants seeking to obtain a broker's license on insurance and 2 tests for claims adjusters. The purpose of organizing the tests has been the certification of professional knowledge, with the aim of providing financial services by professionals who know the legislation and the field of activity where they will operate.

### **3.8 Insurance Brokers**

Insurance mediation activity is carried out by brokers and brokerage companies, agents and agent companies.

#### *Insurance Brokerage*

Currently, there are 13 brokerage companies and 3 brokerage banks operating in the insurance market. Out of the 13 brokerage companies, 8 of them operate only in the field of Non-Life insurance, 3 companies carry out brokerage activities in Life, Non-Life insurance and reinsurance, 2 companies and 3 banks exercise brokerage activities in both Life and Non-Life insurance sectors.

**Table 27: Brokerage Companies by insurance classes**

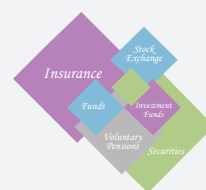
*(In number)*

<i>Year</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>
Non-Life brokerage company	5	5	4	5	6	8
Life and Non-Life brokerage company	1	2	2	2	5	5
Life, Non-Life and Reinsurance brokerage company	1	1	2	2	3	3
<b>Total</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>14</b>	<b>16</b>

Gross written premiums in insurance, mediated by brokerage companies, amount to ALL 7,107 million for 2017.

Compared to the total gross written premiums of the insurance market, the mediation through brokers indicator results to be 44.11%, with a decrease of 4.63% compared to 2016. The number of insurance contracts mediated by brokers, for the same period, constitutes 38.51% of the number of insurance contracts of the entire market.

In the total gross written premiums mediated by brokerage companies, Non-Life insurance accounts for 92.53% while Life insurance is 7.47%. The brokerage activity for Non-Life insurance products is driven by compulsory motor insurance.



## Supervision of the activity of agents in insurance

During 2017, the Authority conducted several on-site inspections at the insurance sales point of insurance companies in order to supervise their activity during the sale of insurance policies.

From the on-site verification in were also found cases of violations of the legal acts and by-laws in force, for which the Authority Boards has requested the taking of measures by the insurance companies, with the purpose of non-repetition of violations regarding the sales of compulsory insurance policies.

Moreover, administrative measures were taken for special persons related to more serious violations, applying the suspension of the license for a 6-month term, and in one case the withdrawl of the license for no longer performing any activities.

## Claim Adjusters in Insurance

The Albanian Financial Supervisory Authority, based on the regulatory framework, in the provisions of Law no.52, dated 22.05.2014, "On the Activity of Insurance and Reinsurance ", licenses the claim adjusters in insurance.

During 2017, the AFSA approved 16 new licenses for insurance claims adjusters and renewed 4 existing licenses. Data on the number of claim adjusters in insurance, according to the adjuster's status and the type of license are given in the following table:

**Table 28: Data related to the number of licensed claims adjusters**

(In number)

<i>Insurance claim adjusters</i>	<i>Licensed at the end of 2016</i>	<i>New Licenses in 2017</i>	<i>License Renewal in 2017</i>	<i>License terminated in 2017</i>	<i>License Withdrawl in 2017</i>	<i>Licensed at the end of 2017</i>
<i>by claim adjuster's status</i>						
Independent	41	5	4	4	10	36
Employed	34	6	-	4	-	36
Inactive Licenses	2	5	-	2	-	5
<i>by type of license</i>						
On material claims	4	1	-	1	1	3
On health claims (injuries)	14	5	1	1	3	16
On material and health claims (damages and injuries)	59	10	3	8	6	58
<b>Total licensed claim adjusters</b>	<b>77</b>	<b>16</b>	<b>4</b>	<b>10</b>	<b>10</b>	<b>77</b>

In 2017, The Authority, drafted Regulation no. 85, dated 03.07.2017, "On licensing and exercising the activity of Insurance Claim Adjuster".

This regulation determines the requirements, procedures, terms for licensing and renewal of the licenses of claim adjusters in insurance, as a physical and legal person, as well as the cases and procedures for refusing, revoking and suspending the claim adjuster's license.

During 2017, the Authority, after completing the entire procedure determined in the aforementioned regulation, revoked the license of 10 independent claim adjusters, informing the National Business Center (NBC) of these decisions.

### **3.9 The Albanian Insurance Bureau (AIB)**

The Albanian Insurance Bureau (AIB) is a legal person, based in Tirana, created for non-profit purposes.

Member of the Albanian Insurance Bureau is any insurance company licensed to exercise activity in compulsory motor insurance and passenger insurance against accidents in public transport. The Bureau is a national representative at the Council of Bureaux and is responsible for all obligations deriving from membership in the Green Card system.

The supervision of the Bureau is carried out by the Authority, which defines, through special regulation, reporting and supervision rules and standards. Competencies, duties of the governing bodies of the bureau and the form of its organization are defined in the statute of the bureau, which is proposed by the General Assembly and is approved by the Authority.

Pursuant to the provisions of Article 43 of Law no. 10076, dated 12.02.2009, "On compulsory insurance in the transport sector", a representative of the Authority participated in the meetings of the AIB Assembly.

### **Green Card**

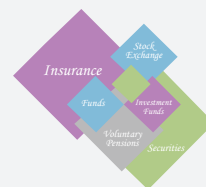
#### **Green Card System**

The Green Card System facilitates the flow of road traffic in crossing borders in Europe and guarantees compensation to domestic victims of accidents caused by foreign motorists.

The existence of the Green Card assists motorists in the event of an accident at any Green Card System country, because their insurance coverage and the Insurance Company that has issued the policy can be easily determined, and as a result, the injured party's compensation can be done without any delay.

If you are involved in a road accident in your country that is caused by a vehicle with foreign license plates, you can resolve your compensation claim through the Green Card System. You may address this compensation claim to the National Motor Insurance Bureau, which will settle the claim in compliance with the applicable national law. Furthermore, the National Bureau will address to the Motor Insurer responsible for the accident.

The Authority has consistently followed the fulfillment of the obligations of the Albanian Insurance Bureau regarding the implementation of the Uniform Agreement and the Internal Regulation of the Council of Bureaux.



The Albanian State, through Government decision-making, has adhered to this Agreement and at the same time in its implementation has accepted that the Albanian Insurance Bureau becomes a member of the Council of Bureaux.

The Albanian Insurance Bureau, under the status of a member of the Council of Bureaux, has the obligation to respect the Uniform Agreement that applies between the members. The Albanian Insurance Bureau has made significant changes by significantly enhancing its performance in meeting the financial requirements provided for the Bureau at the monitoring stage.

Following the beginning of monitoring of the Bureau, the AFSA has followed step by step the entire process of meeting the conditions determined by the Council of Bureaux, as well as continuously following the fulfillment of the obligations deriving from the membership in the Green Card system.

During 2017, there has not been any warranty claim related to Green Card claim payments.

#### **Memorandum of Understanding between the Central Bank of Kosovo Authority and the Albanian Insurance Bureau**

The Authority has also followed the issues inherited during the implementation of the Memorandum of Understanding between the Central Bank of Kosovo Authority and the Albanian Insurance Bureau.

In the function and implementation of the free movement of citizens of both countries, since 2001, the Memorandum of Understanding (MoU) signed between the Banking and Payments Authority of Kosovo (today Central Bank of Kosovo) and the Albanian Insurance Bureau. The Memorandum was revised on 31.10.2006.

The MoU is signed with the aim of mutual recognition of compulsory third party liability insurance, meaning that vehicles that are registered in Kosovo can circulate in the territory of the Republic of Albania with the TPL insurance policy, while vehicles that are registered in Albania can circulate in the territory of Kosovo with the internal TPL insurance policy. Moreover, for the treatment and payment of claims, it is foreseen that each party will treat and pay the claims that have been addressed on the same basis as they are treated and paid according to the compulsory insurance legislation in force of the country where the accident has occurred. Treatment and payment includes material and health damages.

Given the fact that the implementation of this MoU has presented issues related to the blocking of compensation payments to the citizens of the two states, a situation which is becoming urgent due to the increased amounts of these liabilities, at the request of the Authority, an official meeting was held with representatives of the Central Bank of Kosovo, the Kosovo Insurance Bureau and the Albanian Insurance Bureau.

During this meeting, the issues raised during the MoU implementation were discussed, as well as discussions on the compulsory motor insurance contracts, which under the legislation of the two countries do not cover the liability in the reciprocal territories.

In order to resolve the above issues, there is a need for the support of legal changes in order to recognize the territorial validity of these insurance contracts or the ratification of the new agreement to be concluded between the AIB and the KIB.

In this context, the need for legal compliance of the compulsory motor insurance contract and the reciprocal implementation of the Memorandum of Understanding between the parties, the Financial Supervisory Authority together with the representatives of the Central Bank of Kosovo has determined several concrete tasks where one of the main tasks is the approval of a new Memorandum of Understanding, which is in the process of finalization.

### 3.10 Compensation Fund

The Albanian Insurance Bureau, according to the Law, carries out the functions of the compensating entity, for making claim payments that are covered by the Compensation Fund.

#### Compensation Fund

The Compensation Fund is intended for the payment of property and non-property damages occurred in the territory of the Republic of Albania in cases when:

- The owner of the motor vehicle has not entered into a passenger insurance contract;
- The person responsible for the damage is not covered by third party liability insurance;
- The damage is caused by an unidentified vehicle;
- The insurance company responsible for the payment of the damage results in closure or bankruptcy.

During 2017, the Authority paid special attention to the supervision of the AIB, with the aim of protecting the interests of the consumer, with particular priority given to the claim payments subject of the Compensation Fund.

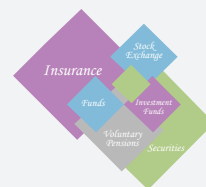
The Authority, with the proposal of the Bureau, determines annually the amount of contributions of the Compensation Fund and specifies the term for the payment of contributions.

During 2017, several decisions were made by the Authority regarding the contribution of the Compensation Fund.

Decisions of the Authority regarding the Compensation Fund taken during 2017:

- Decision no. 5, dated 03.02.2017, "On taking measures regarding the Compensation Fund";
- Decision no. 26, dated 30.03.2017, "On the Compensation Fund for 2017";
- Decision no. 145, dated 20.10.2017, "For an Addition to the Compensation Fund of 2017";
- Decision no. 217, dated 28.12.2017, "On the Compensation Fund for 2018".





The work of the Authority also focused on identifying and solving the issues accumulated over the years at the Albanian Insurance Bureau. For this purpose, the Authority has carried out a number of verifications related mainly to payments made over the years by all insurance companies, making transparent the values of payments made, as well as the current liabilities of this fund.

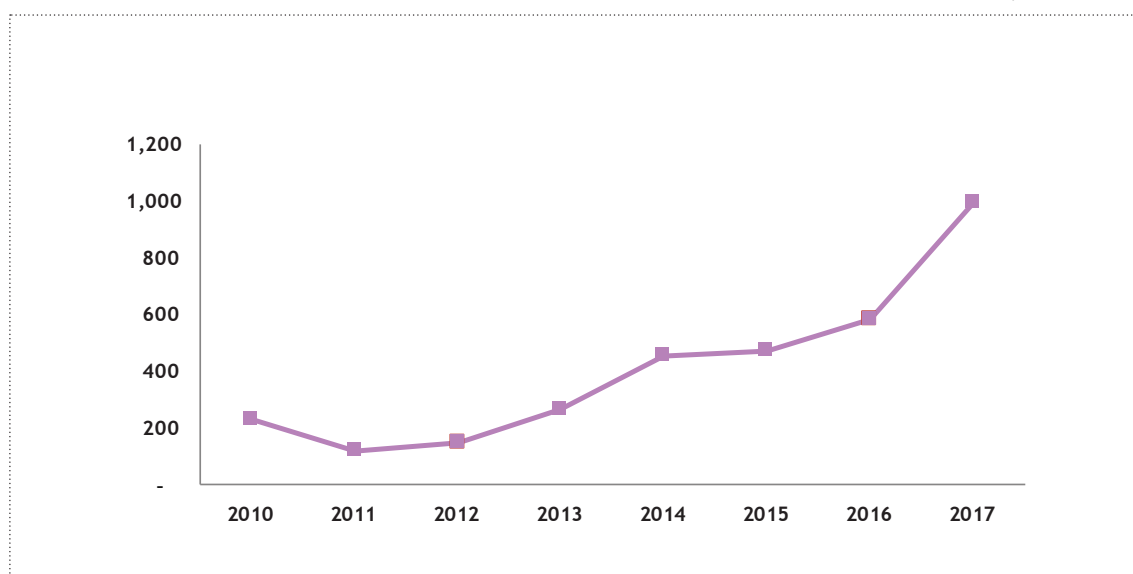
In addition, the Authority, in order to meet the obligations of insurance companies to the Bureau, to fund the Compensation Fund and to follow up the implementation of the decisions to make the payment of claims subject to this fund in due time, has drafted a repayment plan regarding the claim practices belonging to earlier events.

During this year, the implementation of the AFSA Board decisions to make payments of the Compensation Fund continued to be monitored, with priority being given to practices regarding earlier events.

During 2017, it results that payments from insurance companies, subject to the Compensation Fund for events until 31.12.2013 and those of insurance events from 1 January 2014 onwards, are in total ALL 726,751,002, with a growth of about 40% compared to last year.

By the end of 2017, the AFSA Board approved the Compensation Fund for 2018, solving the problematic issues over the years for the compensation fund, both for immediate payment of the practices that have ended the treatment process, as well as evidencing the obligations of this Fund. The AFSA is committed to protecting the customer, and ultimately resolving the issues related to the Compensation Fund.

**Graph 26: The value of the Compensation Fund, approved by the AFSA, over the years**  
(In mln.ALL)



Aiming at the implementation of the Board decisions regarding the Compensation Fund, the Authority has had ongoing communications with the insurance companies and has held several meetings with the directors of insurance companies.

### **3.11 Measures Taken for the Stabilization of the Compulsory Insurance Market**

During 2017, the Albanian Financial Supervisory Authority, in function of its mission to promote the stability and development of the markets under supervision, as well as the exercise of its supervisory competencies, has paid special attention to the stabilization of the compulsory insurance market.

Some of the steps taken in this regard are as follows:

#### **Issues accumulated over the years regarding the Compensation Fund**

The Authority has paid special attention to the supervision of the AIB, in order to protect the interests of the consumer, following with priority the claim payments subject to the Compensation Fund.

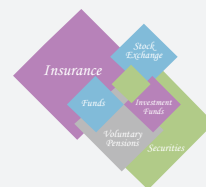
During 2017, the work of the Authority focused on identifying and solving the issues accumulated over the years at the Albanian Insurance Bureau. For this purpose, the Authority, in addition to carrying out a series of verifications mainly related to the payments made over the years by all insurance companies and the follow-up of payments of this Fund during 2017, for earlier events, in November 2017 approved the addition to the Compensation Fund for 2017.

Concurrently, the Authority pursuant to the Board Decision no. 217, dated 28.12.2017, "On the Compensation Fund of 2018", after reviewing the situation of the Compensation Fund related to the carried forward accumulated obligations over the years, as well as the obligations that will arise in 2018, has resolved the situation of the Compensation Fund, not only for the immediate payments of completed practices, but also for the obligations of this Fund.

Another important decision that mainly relates to the determination of the Compensation Fund's obligation over the years, by analyzing the factors for increasing the value of the claims incurred subject to this Fund, is the decision taken in December 2017 on the audit of the activity of the AIB by an international audit firm.

#### **Real-time reporting of the border insurance contract pursuant to the legislation in force**

The Authority, in the context of supervising the insurance market, based on Article 2 of Law no. 9572, dated 03.07.2006, "On the Financial Supervisory Authority", as amended, and Articles 129 and following of Law no. 52, dated 22.05.2014, "On the Activity of Insurance and Reinsurance", regarding the sale of compulsory border insurance contracts, in its meeting of 20.10.2017, has taken the Decision no. 146, dated 20.10.2017, "On the Repeal of Decision



no. 11, dated 30.01.2008 “On the Supply of the Electronic Registry Database for the Sale of Border Insurance Policies”.

Pursuant to this decision, the reporting and identification of Border Insurance sold from November 1<sup>st</sup> 2017 should only be carried out in real time via the online electronic registry of compulsory motor insurance sales, approved by Regulation no.3, dated 03.10.2007 “On the online registration of compulsory motor insurance sale”, as amended.

Regarding this obligation, the Authority has had ongoing communications with the road traffic and border control structures of the Republic of Albania to monitor the fulfillment of this obligation by motor vehicle drivers with foreign registration.

For this purpose, it has been requested that, in compliance with the law, if authorized traffic controllers observe during routine traffic control that the driver does not have a valid document of the compulsory liability insurance contract, they must prohibit further circulation of the motor vehicle and order the purchase of the border insurance contract in compliance with the law.

#### **Identifying issues related to the activity of agents or employees of insurance companies in the insurance contracts sales process**

During 2017, the Authority conducted an on-site inspection at the points of sales of MTPL insurance policies, by agents or employees of insurance companies, where several violations related to the performance of the agent/employee activity of some insurance companies were found.

Regarding these violations, some “suspension of activity exercising” measures have been taken, for some agents or employees of several insurance companies.

Likewise, the Authority Boards has taken a decision regarding the improvement and standardization of the activity of these mediators. The requirements of the Authority relate both to the professional and ethical exercise of their activity, the implementation of licensing requirements, as well as the requirements related to the mediation process of the sale of insurance contracts.

#### **Standardization and unification of compulsory motor insurance policies**

During 2017, the Albanian Financial Supervisory Authority has been engaged in technological renewal and modernization of reporting platforms and applications at the Compulsory Insurance Information Center.

In this context, and in order to avoid the phenomenon of non-reporting of compulsory insurance contracts, the need to unify the personalized serial number in compulsory motor insurance policies issued by the AIB has arisen. The unification of the serial number is accomplished by the addition, in front of the current serial number (seven digits) of the last two digits of the current year for which the policies are issued. The Authority has determined the date for the market launch of these compulsory insurance policies January 1<sup>st</sup>, 2018.

### **Inventorization of unconsumed insurance policies**

The Authority has paid particular attention to the process of inventorization of compulsory insurance policies, providing for changes in the Regulation “On the reporting and supervision standards of Albanian Insurance Bureau”, such as the process of coordination between the insurance companies and the AIB, as well as the process of elimination of unconsumed policies.

This change is accompanied by the amendment to Regulation no.38 dated 31.03.2016 “On the content, method, terms of periodic reporting and notification to the AFSA from insurance companies”, which establishes the obligation of insurance companies to report, notify the Authority about the quantities of compulsory insurance policies in the transport sector distributed to agents and brokers, according to the serial number, within the 10<sup>th</sup> day of each month.

### **Enforcement of applicable legislation by insurance claim adjusters**

The Financial Supervisory Authority, based on Article 226 of the Law no.52, dated 22.05.2014, “On the Activity of Insurance and Reinsurance”, licenses and supervises the activity of the claim adjusters in insurance.

Pursuant to the legal competencies, with the aim of improving and obliging the exercise of the claim adjusters activity with professionalism, in compliance with the requirements of the legislation in the field of insurance, the Authority has had communications as well as meetings with independent claims adjusters in insurance.

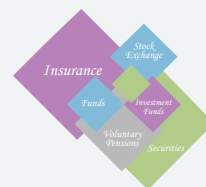
The Authority has requested claims adjusters to be impartial and independent, respecting the principle: an evaluation of an insurance event.

### **Reporting Claims from Insurance Companies and the AIB to the Electronic Claim Registry**

The Authority, pursuant to Article 38 of Law no. 10076, dated 12.02.2009, “On compulsory insurance in the transport sector” as amended, as well as Regulation no.36, dated 30.04.2009, “On the electronic registry of compulsory motor insurance claims”, as amended, has had ongoing communications regarding the reporting of claim files by insurance companies and the AIB.

The claim reporting process is considered very important to the Authority and it serves not only the verification of the data contained in this register regarding the claim treatment process, but in the future, also the implementation of the legal changes related to the implementation of the Bonus-Malus system.

Moreover, it is being worked on amendments to Regulation no.3, dated 03.10.2007 “On the online registration of compulsory motor insurance sales”, as amended, in order to improve the identification of insurance policy registration. In this regulation, it is envisaged to provide



for procedures and cases for the cancellation of insurance policies, the data reporting of a non-repeated insurance police, the elimination of cases with duplicate identification numbers, cases of incorrect identification numbers, cases of verification of changes of reported data compared to the printed ones, cases of system security violations and others.

### **Drafting of the compulsory insurance draft-law**

Another important part was the drafting of a compulsory insurance draft-law, according to which the first ones to benefit would be the consumers, both in terms of protecting their interests in compensation cases and in terms of their protection in general.

### **3.12 National Compulsory Motor Insurance Information Center**

During 2017, the continuity and improvement of the functioning of electronic registries and the continuous optimization of the IT systems have been provided, to complement and improve AFSA's reporting requirements, market needs, increase of security and continuity of services.

#### **Online Electronic Compulsory Motor Insurance Registry**

The Online Electronic Compulsory Motor Insurance Registry represents a reporting and identification platform for compulsory motor insurance policies, namely: Third Party Liability Insurance (Internal TPL), Green Card and Border Insurance. This registry is a complete database, which is supplied in real time with the TPL, Green Card, and Border Insurances Policies sold by the insurance sales systems.

Insurance sales systems sell policies through their agents or central offices. Each licensed agent of an insurance company is identified in the database with a unique code.

An insurance company agent when writing a vehicle's license plate, the vehicle and owner records automatically appear, without a change option, displaying the appropriate category, this in terms of increased transparency in policy issuance according to the vehicle circulation permit details.

Policies sold by insurance companies are identified in real time through a unique reporting number and the policy records identified through this number are entered in the register. The reporting number is printed at the time the policy is issued.

**The Registry is AFSA's competence and is installed in the AFSA's premises, which maintains and updates compulsory motor insurance policy data based on real-time reported data from insurance sales systems.**

In order to certify the incoming data and to avoid the various issues in policy sales, the electronic sales system is also integrated with the Vehicle Registry of the General Directorate of Road Transport Service (GDRTS) and the registry of the General Directorate of Civil Status (GDSCS).

Integration with GDRT enables the obtaining of real-time vehicle data by displaying them to the insurance companies sales system. Integration with the GDCS enables the consultation of Personal No. (Identity Card No.) of the vehicle owner.

Close cooperation with insurance companies and inter-institutional cooperation has aimed at avoiding potential abuses, increased standardization of insurance coverage, and exchanging controlled information where the main beneficiary is the consumer and the market as a whole.

### **Electronic Compulsory Motor Insurance Claim Registry**

Part of the online reporting center is also the Electronic Claim Registry. Claims of compulsory motor insurance are reported online in the Claim Registry by insurance companies. This registry was created to enable the creation of the Bonus-Malus system, using as one of its parameters, the history of claims.

During 2017, the work of the AFSA consisted in two directions:

- Improving the structure and logic of the Claim Registry;
- Existing data migration from the old registry to the improved Claim Registry.

The process for creating the new Electronic Claim Registry went through several stages, that of finding the issues, changes to the structure of the registry, for its use, as well as the adaptation according to the Event- File - Beneficiary scheme. The change stages also predicted the review of the database for compulsory motor insurance claims and the interface through which insurance companies record the relevant data.

**From October 2017, insurance companies use the new Electronic Claim Registry.**

## **3.13 Enforcement and the Legal and Regulatory Framework**

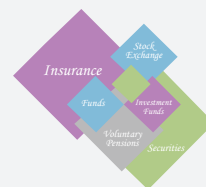
### **3.13.1 Legal and Regulatory Framework**

During 2017, the Financial Supervisory Authority, in order to further improve the regulatory framework, worked on drafting a new draft-law on compulsory insurance in the transport sector, as well as on drafting and amending sub-legal acts as follows:

#### **Draft Law “On compulsory insurance in the transport sector”**

At the end of 2016, the AFSA submitted to the Ministry of Finance legal amendments to Law no.10 076, dated 12.2.2009, “On compulsory insurance in the transport sector”, aiming at their approval in the Parliament.

The Ministry of Finance did not submit it for approval to the Council of Ministers and to the Parliament due to the issues raised by the Ministries with which the Law was reviewed, due to the complete consultation of the legal changes with the World Bank, unresolved number



of issues encountered in the market, as well as failure of complete approximation with the EU directives and recommendations of the European Commission, through progress reports and annual meetings of the EU-Albania Subcommittee “Internal Market and Competition”.

In 2017, the Authority set up a working group to review the Law no.10076, dated 12.2.2009, “On compulsory insurance in the transport sector” and the proposed amendments, referring to the best models of the region and beyond, as well as the EU directives and EC recommendations.

Following the review process and the revision of the abovementioned draft, it was found that about 70% of the articles of the existing law required amendments or additions to its provisions. For this reason, the Authority decided to draft a new draft-law on compulsory insurance in the transport sector.

The draft-law aims to better protect the consumer, ensure the implementation of the *Bonus-Malus* system, influence the reduction of the number of drivers who are circulating uninsured with the compulsory insurance contract, solve the issues of the current law by the responsible authorities, ensure adaptation to the developments and requirements of the insurance market, increase the degree of further approximation with European directives.

In drafting the act, legal acts in the field of compulsory insurance of some of the countries of the region and Europe have also been taken into account. Reference to the legal framework of these countries aimed at standardizing the domestic legislation with that of neighboring countries with similar issues in the financial markets.

The draft-law on compulsory public transport insurance aimed at aligning with the Directive 2009/103/EC of the European Parliament and Council, dated 16.09.2009 on civil liability insurance with regards to the use of motor vehicles and the enforcement of the obligation to get such an insurance.

## **Acts of the Authority in the field of insurance**

### **New Acts**

During 2017, six new regulations were drafted and approved, five of which concluded the obligation of by-laws approval pursuant to the implementation of Law no. 52/2014, dated 22.05.2014, “On the Activity of Insurance and Reinsurance”, and more specifically:

- Regulation no.57, dated 26.05.2017, “On the calculation of the net retention of the aggregate maximum coverage of risks deriving from insurance contracts”. This Regulation establishes rules for insurance companies in relation to the calculation of net retention of the aggregate maximum coverage of risks deriving from insurance contracts, earthquakes and other aggregate and accumulated risks for contracts signed by the insurance company.
- Regulation no.86, dated 03.07.2017, “On administration and intervention cases in the Guarantee Fund of the Insurance Company”, which establishes rules on the

administration of the Guarantee Fund and cases of intervention in the Insurance Company's Guarantee Fund.

- Regulation no.54, dated 26.05.2017, "On compulsory liquidation of an insurance company branch, of a foreign country and an EU member country". The object of this regulation is to determine the mandatory liquidation rules of the insurance company branch, of a foreign country and an EU member country.
- Regulation no.55, dated 26.05.2017, "On the Supervision of the Insurance Group", which determines the rules, conditions and requirements for conducting the supervision of the insurance group, in order to manage the risk deriving from the activity of the insurance group.
- Regulation no.56, dated 26.05.2017, "On the transfer of insurance portfolio in relation to member countries". The purpose of this Regulation is to determine the rules for the transfer of insurance portfolio in relation to member countries.
- Regulation no.85, dated 03.07.2017, "On Licensing and Exercising the Activity of Insurance Claim Adjuster", which invalidated Regulation no.127, dated 26.11.2015, defines the procedure, cases, terms for suspension and revocation of the Claim Adjuster License as a physical person or a legal person, determines the obligation of claim adjusters to report to the Authority both for the start of the activity, its continuation and others.

### **Amendments**

During 2017, four existing insurance market regulations were amended, as follows:

- Amendments to Regulation 38/31.3.2016 "On the content, method, terms of periodic reporting and notification to the AFSA from insurance companies" come as a result of some additions and amendments to Regulation 2 / 28.1.2010 "On the reporting and supervision standards of Albanian Insurance Bureau", related to the monitoring of sales as well as the inventorization process of compulsory insurance policies in the transport sector. The amendment consists in the obligation of insurance companies to report to the Authority about the quantities of compulsory insurance policies in the transport sector distributed to agents and brokers, according to the serial number, within the 10th of each month;
- Amendments to Regulation no.2, dated 28.01.2010 "On the reporting and supervision standards of Albanian Insurance Bureau", aim at unifying the serial number that is personalized in compulsory motor insurance policies, which is one of the data reported in the Online Electronic Sales Registry, pursuant to Regulation no. 3, dated 03.10.2007, "On the Online Electronic Registration of Compulsory Motor Insurance Sales", as amended. The unification of the serial number is accomplished by means of the addition, in front of the current serial number (seven digits) of the last two-digits of the current year for which the policies are issued. Also important in this regulation is the addition of a new article, which provides for the procedure to be followed for the disposal of insurance policies, which begins with the evidencing





of unconsumed insurance policies by insurance companies, their submission to the Bureau, establishment of special commissions for their disposal, as well as reporting to the Bureau;

- Amendments to Regulation no.38, dated 28.05.2015 “On detailed format, minimum of the object and content of the audit report, of the insurance company”, approved by Board Decision no.151, dated 30.11.2017;
- Amendments to Regulation no.2, dated 25.01.2016 “On the form, terms and content of financial statements, statistical reports and other reportings of intermediaries in insurance and reinsurance”, approved by Board Decision no.58, dated 26.05.2017.

### 3.12 Corrective and administrative measures

The supervisory, corrective and sanctioning measures set by the Authority during 2017 were aimed at preventing, correcting or terminating circumstances or actions in violation of the legal provisions or the acts of the Authority. The measures taken by the Authority are based on on-site inspections, control on documents, verification of information, or the review of the complaints filed.

The AFSA Board, in 2017, has taken 35 decisions on administrative and corrective measures to supervised subjects following the findings made, both through the analysis of financial indicators and on-site inspections carried out by the Authority.

The measures taken in compliance with the legislation in force, as a result of the findings from inspections, and the inadequate financial performance, are: the addition of means to meet the regulatory requirements for the minimum required capital, the restriction of the use of the company’s assets, request for re-auditing of financial statements, license revocation, request for a recovery plan, fines and other issues.

Detailed decisions by type of administrative measures are presented in the table below:

**Table 29: Supervisory measures taken by the AFSA in the insurance market during 2017**

(In number)

<i>Order for elimination of breach</i>	<i>Plan of measures for the elimination of breaches</i>	<i>Reccomandation for capital increase</i>	<i>License revocation</i>	<i>Ban of divident payment</i>	<i>Ban of granting loans</i>	<i>On the compensation fund</i>	<i>Ban of transactions to associated parties</i>
2	9	4	9	2	1	5	3

During 2017, the Authority imposed fines on certain insurance companies. The fines imposed on decisions taken during this year are presented in the following table:

**Table 30: Measures sanctions with fine taken by the AFSA in the insurance market during 2017** *(In number)*

<i>Penalties against insurance companies</i>	<i>Penalties against responsible people</i>
5	1

During 2017, a Board Decision was appealed to the Court and the trial on 13 decisions of the AFSA Board continues.

The AFSA has followed rigorously the appeal and judicial defense processes at all levels of the judicial system. During 2017, the Authority has followed 14 litigation cases.

**Table 31: Trials attended by the AFSA during 2017** *(In number)*

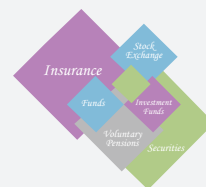
<i>Total</i>	<i>Completed</i>	<i>In process</i>
14	0	14

During 2017, one decision was appealed to the Court and the trial goes on for 13 decisions taken by the AFSA Board.

During 2017, three cases were adjudicated by the Administrative Court of First Instance, against which an appeal was made to the Administrative Court of Appeal. In two cases the appeal was made by the Authority and in one case by one of the insurance companies, since in the first instance was decided on the dismissal of the claim and the measure for securing the lawsuit.

During 2017, the Administrative Court of Appeals adjudicated two cases, to which recourse is made by insurance companies.

The total number of cases that are expected to be reviewed at the Administrative Court of Appeal is seven, and the total number of cases that are expected to be put on trial at the High Court is seven.



## Chapter 4

### Voluntary Private Pension Market Supervision

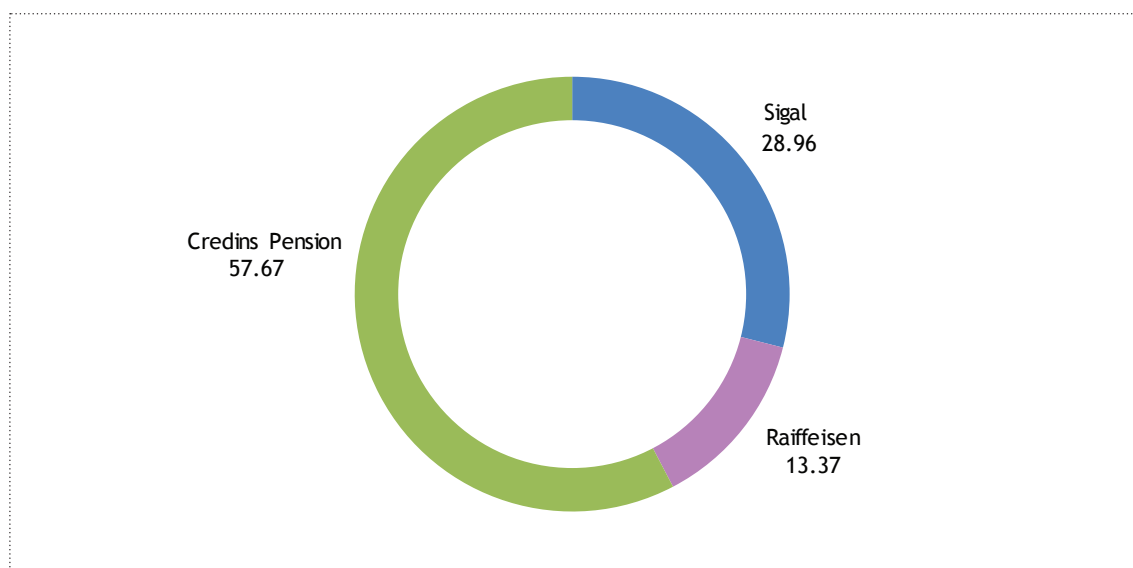
#### 4.1 Market Structure

The organization and functioning scheme of private pensions, sanctioned by Law no. 10197, dated 10.12.2009, has created the required spaces to stimulate citizens to save privately and voluntarily in order to benefit from an additional pension.

Even during 2017, in the voluntary pension funds market operated 3 voluntary pension funds managed by three management companies, namely “Raiffeisen Invest” sh.a., which manages the “Raiffeisen” Voluntary Pension Fund, “SIGAL-Life Uniqa Group Austria” sh.a., which manages the “Sigal” Voluntary Pension Fund, and “Credins Invest” sh.a., which manages the “Credins Pension” Voluntary Pension Fund.

The number of members of the voluntary pension fund market at the end of 2017 is 20,947, marking an increase by 3,630 members or 20.96% compared to the end of 2016. Of these, 12,081 members belong to the “Credins Pension” Voluntary Pension Fund, which occupy the largest market share according to the number of members in voluntary pension funds, expressed in percentage of 57.67%. In second place, with regard to the number of members, is the “Sigal” Voluntary Pension Fund with 6,066 members or 28.96%, while the remaining 2,800 members or 13.37% are members of the “Raiffeisen” Voluntary Pension Fund. The figure below shows the breakdown of the market share by the number of members in voluntary pension funds, expressed in percentage, at the end of 2017.

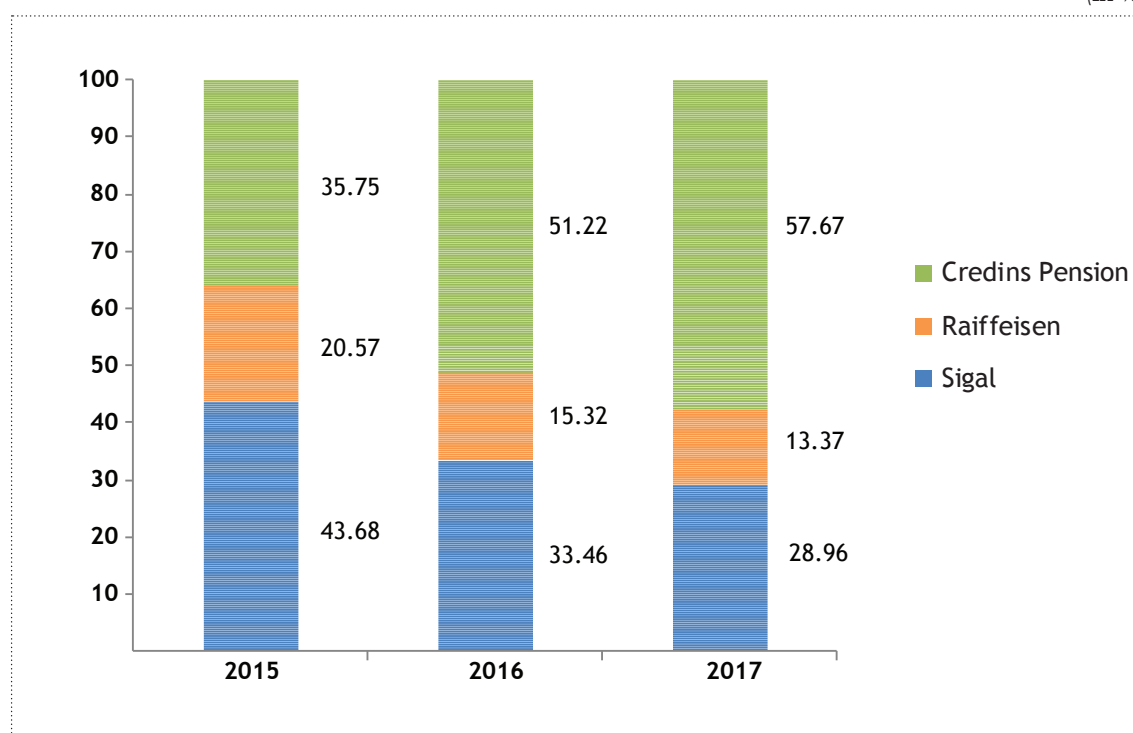
**Graph 27: Market share according to the number of members in voluntary pension fund**  
**31.12.2017** (In %)



The figure below shows the market share by number of members in voluntary pension funds over the last three years.

**Graph 28: Market share according to the number of members in voluntary pension fund**

(In %)

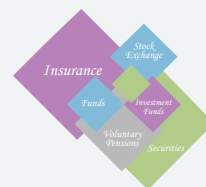


The table below reflects the number of members according to voluntary pension funds during the last three years and the percentage change for the periods 31.12.2015-31.12.2016 and 31.12.2016-31.12.2017.

**Table 32: Number of members according to voluntary pension funds**

Description	Number of Members in the PF			Change (in %)	
Period	2015	2016	2017	31.12.'15-31.12.'16	31.12.'16-31.12.'17
Sigal	5,486	5,794	6,066	5.61%	4.69%
Raiffeisen	2,583	2,653	2,800	2.71%	5.54%
Credins Pension	4,490	8,870	12,081	97.55%	36.20%
<b>Total</b>	<b>12,559</b>	<b>17,317</b>	<b>20,947</b>	<b>37.89%</b>	<b>20.96%</b>

As can be seen from the table above, the number of members of the voluntary pension funds has been increasing. The rate of increase in the number of members in voluntary pension funds for the period 31.12.2016-31.12.2017 is lower than that for the period 31.12.2015-31.12.2016. By the end of 2017, the number of members in the "Credins Pension" Voluntary Pension Fund increased by 36.20% compared to the end of 2016, while the number of members of the "Raiffeisen" and "Sigal" Voluntary Pension Funds respectively increased by 5.54% and 4.69%.



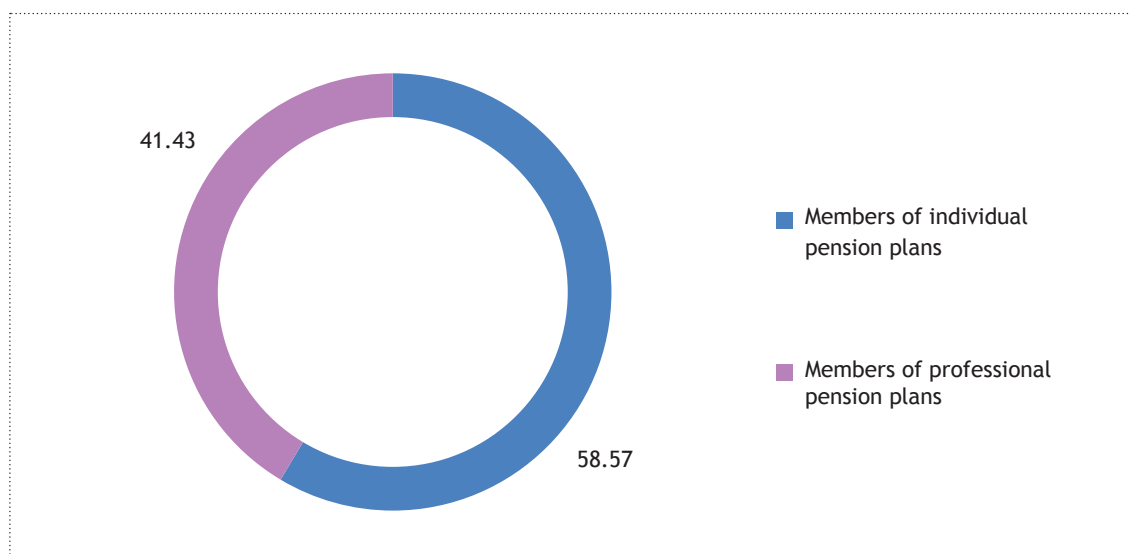
By the end of 2017, 12,269 voluntary pension fund market members were included in individual voluntary pension plans and 8,678 members were included in the professional voluntary pension plans created by employers for their employees. On 31.12.2017, in the “Sigal” Voluntary Pension Fund and in the “Raiffeisen” Voluntary Pension Fund, the majority of the members in each of these two funds were included in the professional pension plans, respectively by 79.66% and 68.43%, while in the “Credins Pension” Voluntary Pension Fund 84.02% of the members were included in the individual pension plans. The table below shows the distribution of members to each of the voluntary pension funds according to individual and professional pension plans at the end of 2017.

**Table 33: Distribution of voluntary pension fund members according to the pension plans 31.12.2017**

<i>Pension Fund</i>	<i>Number of members in individual pension plans</i>	<i>Number of members in professional pension plans</i>
Sigal	1,234	4,832
Raiffeisen	884	1,916
Credins Pension	10,151	1,930
<b>Total</b>	<b>12,269</b>	<b>8,678</b>

The figure below shows the distribution of voluntary pension fund market members according to pension plans at the end of 2017, where 58.57% of the members of this market are part of individual pension plans, while 41.43% of them are part of the professional pension plans.

**Graph 29: Distribution of voluntary pension fund members according to the pension plans 31.12.2017** (In %)



## 4.2 Financial Position

The Voluntary Pension Fund Market from the very beginning of its activity tended to grow regarding the assets it manages and the number of contributors. However, the net asset value of this market is still negligible compared to the GDP in Albania. The total net assets of this market as on 31.12.2017 is ALL 1,727.54 million with a total of 20,947 members. The net assets of this market on 31.12.2017 increased by 31%, while the number of members increased by 20.96% compared to the end of 2016. The net asset value of the voluntary pension fund market for the last three years is given in the following table:

**Table 34: Net assets of voluntary pension funds**

<i>Description</i>	<i>Value (ALL mln.)</i>			<i>Change (in %)</i>	
Period	2015	2016	2017	31.12.2015- 31.12.2016	31.12.2016- 31.12.2017
Net assets of the PF market	928.74	1,318.74	1,727.54	41.99%	31.00%

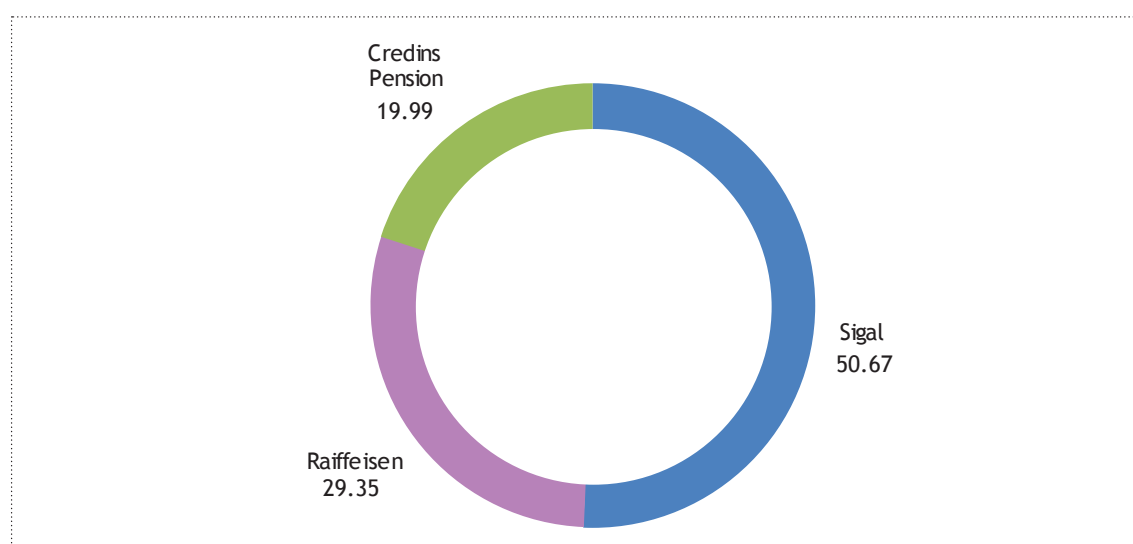
As can be seen from the table above, the growth rate of net market assets of voluntary pension funds for the period 31.12.2016-31.12.2017 is lower than that for the period 31.12.2015-31.12.2016.

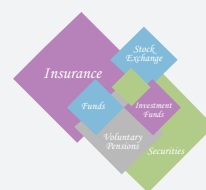
On 31.12.2017, the “Sigal” voluntary pension fund occupies the largest share of this market in terms of net asset value by 50.67%, while the “Raiffeisen” voluntary pension fund and the “Credins Pension” voluntary pension fund occupy respectively 29.35% and 19.99% of the market, as seen in the figure below.

**Graph 30: Market share according to the net asset value of voluntary pension funds**

31.12.2017

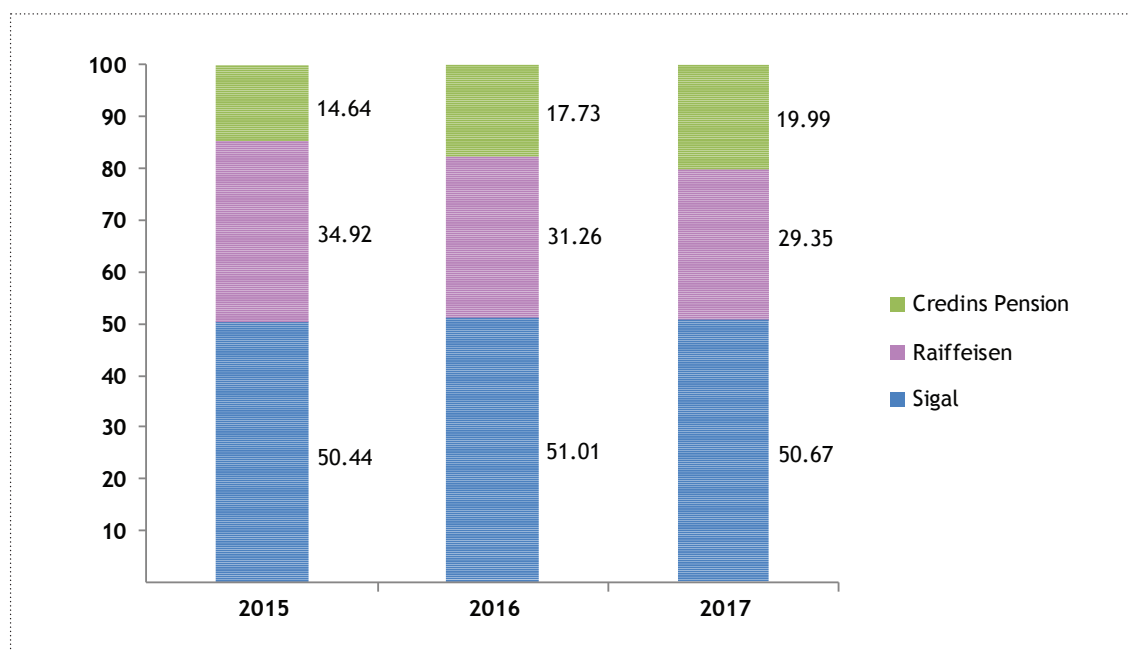
(In %)





The figure below reflects the breakdown of the market according to the net asset value of voluntary pension funds over the last three years.

**Graph 31: Market share according to the net asset value of voluntary pension funds** (In %)



The table below reflects the value of each voluntary pension fund quota over the last three years.

**Table 35: Value of the voluntary pension fund unit** (In ALL)

Pension Fund	Net asset value per unit		
	2015	2016	2017
Sigal	1,243	1,297	1,350
Raiffeisen	1,444	1,544	1,635
Credins Pension	1,249	1,305	1,354

The table above shows the net asset value per unit for each of the pension funds has had an increasing trend. By the end of 2017, the net assets value per unit of the “Sigal” pension fund increased by 4.09% compared to the end of 2016, while for “Raiffeisen” and “Credins Pension” voluntary pension funds this index increased by 5.89% and 3.75% respectively.

The assets of this market on 31.12.2017 are in the amount of ALL 1,732.94 million and are invested in Albanian Government Bonds. Investments in Bonds of the Republic of Albania account for 94.74% of the total market assets of pension funds and increased by 30.79% compared to the end of 2016. The rest of this market's assets consists of monetary means and equivalents of monetary means and in account receivables, which represent the estimated interest on investments in bonds of the Republic of Albania, by 3.37% and 1.89% respectively. The asset structure of this market over the last three years and the change of this structure is given in the following tables:

**Table 36: Structure of assets of the voluntary pension fund market during the last three years**  
(In mln. ALL)

Description	Value (ALL mln.)		
Period	31.12.'15	31.12.'16	31.12.'17
Net assets of pension funds	928.74	1,318.74	1,727.54
Total fund assets	930.40	1,325.36	1,732.94
of which:			
Monetary Means and Equivalents of Monetary Means	69.07	46.31	58.44
Treasury bills of the R.A	843.02	1,255.29	1,641.76
Bank Deposits	0.00	0.00	0.00
Other assets <sup>7</sup>	18.31	23.76	32.74
Total Fund Liabilities	1.66	6.62	5.40

**Table 37: Change of the structure of assets of the voluntary pension fund market on 31.12.2017 as compared to 31.12.2016**

Description	Value (in ALL mln.)		Change (In %)	Share versus total (In %)	
Period	31.12.2016	31.12.2017		31.12.'16	31.12.'17
Net assets of pension funds	1,318.74	1,727.54	31.00		
Total fund assets	1,325.36	1,732.94	30.75	100	100
of which:					
Monetary Means and Equivalents of Monetary Means	46.31	58.44	26.19	3.49	3.37
Treasury bills of the R.A	1,255.29	1,641.76	30.79	94.71	94.74
Bank Deposits	0.00	0.00	-	0.00	0.00
Other assets	23.76	32.74	37.79	1.79	1.89
Total Fund Liabilities	6.62	5.4	-18.43	0.50	0.31

<sup>7</sup> Përfaqëson interesin e përllogaritur të investimeve në obligacione të R.SH.





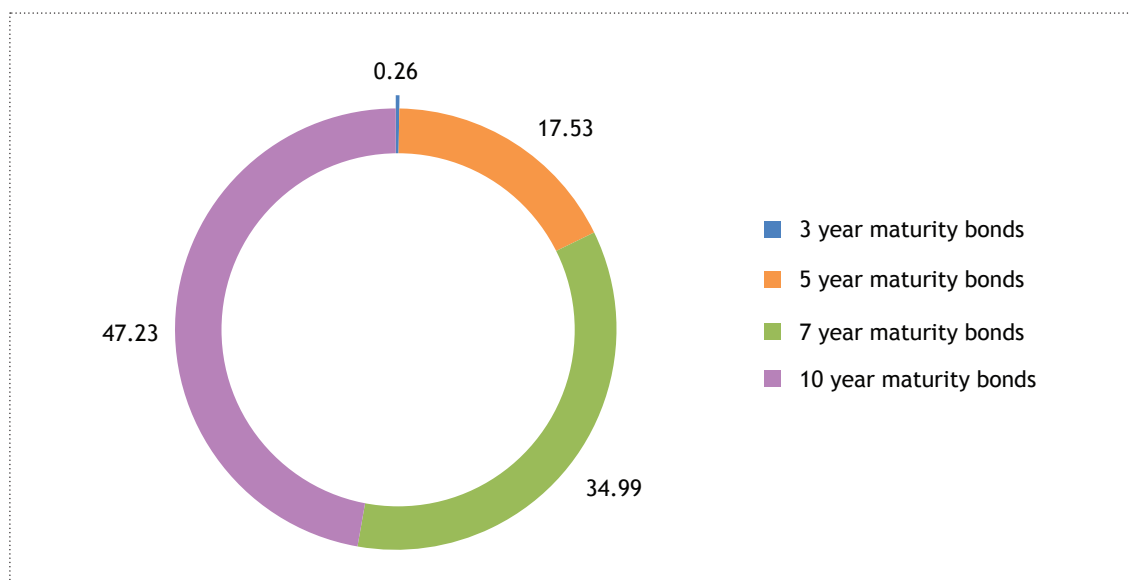
During 2017, the total investment of pension funds was ALL 1,641.76 million and these investments consist of treasury bills of the Republic of Albania (94.74% of total assets). Pension market investments have increased by 30.79% compared to 31.12.2016. Investment performance over the last three years is presented in the following table:

**Table 38: Voluntary Pension Fund Market Investment Amount** *(In mln. ALL)*

Period	2015	2016	2017
Total PF investments	843.02	1,255.29	1,641.76

Since the liabilities of voluntary pension funds are long-term as the members may withdraw when reaching the pension age, then the investment policy for all three pension funds operating in the market is long-term, by carrying the market risk. Thus, such investment policy of pension funds has aimed at maturities of 3, 5, 7 and 10 years as it can be seen and in the figure below:

**Graph 32: Distribution according to the maturity of voluntary pension fund market investment 31.12.2017** *(In %)*



The above figure shows that the largest share is invested in 7-year and 10-year maturity bonds, 34.99% and 47.23% respectively. This fact shows that voluntary pension funds aim to build a portfolio consisting mainly of long-term securities.

### 4.3 Some indicators from the countries of the region

In Macedonia, Serbia and Croatia, as well as in Albania, the third pillar pension schemes provided by the voluntary pension funds of these countries are of a defined benefit type.

In Macedonia operate two management companies, which manage two voluntary pension funds. According to the annual report of the Macedonian Supervisory Authority MAPAS, at the end of 2017, this market amounted to 23,800 members with a net asset value of EUR 21.15 million. Alongside, according to the Macedonian Authority, 48.66% of the total assets of the Macedonian market of voluntary pension funds has been invested in government bonds. Meanwhile, the net asset value of voluntary pension funds in our country expressed in euro at the end of 2017 is EUR 13 million.

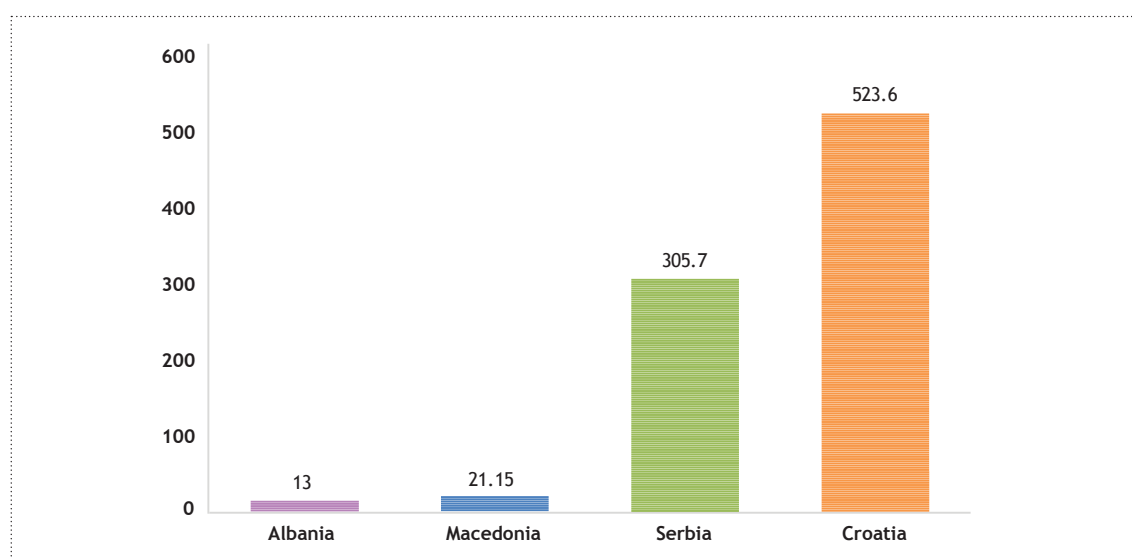
In Serbia, four management companies, which administer seven voluntary pension funds in total, exercise their activity. According to the report of the fourth quarter of 2017 published by the Serbian Supervisory Authority NBS, the net asset value of this market at the end of 2017 is EUR 305.7 million and the number of members is 185,455. Based on this report, at the end of 2017, 83.6% of the total assets of this market were invested in government bonds.

In Croatia there are four management companies and eight voluntary pension funds in total. Based on the statistical report published by the Croatian Supervisory Authority HANFA, at the end of 2017, the net asset value of this market is EUR 523.6 million and the number of members is 285,775.

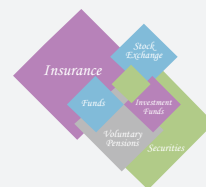
The following figure shows the net asset value of the voluntary pension fund market in Albania as well as the countries of the region mentioned above, by the end of 2017.

**Graph 33: Net asset value by countries of the region 31.12.2017**

*(In mln. Euro)*



Compared to the above mentioned countries, the voluntary pension market in our country approaches the Macedonian market in terms of net asset value and number of members.



#### 4.4 Supervision and Analysis of Market Risks

In the framework of risk-based supervisory methodology, in 2017, work continued on the implementation of the on-site inspection program at the depository unit of two of the pension funds. The object of this inspection was the assessment of the level of risks of the depository unit based on the principles upon which its activity should conform.

These principles are part of the implementation of the new supervisory methodology for voluntary pension funds, which was drafted and approved in 2016. This methodology identifies the greatest risks affecting this market and at the same time the strategies that should be followed to mitigate them to an acceptable level.

The approach followed during the inspection at the depository unit was to review the documentation required in advance from the depository unit, to conduct interviews with employees holding key positions in the depository unit, and to verify or test on-site in relation to various issues. Upon completion of the inspection, based on the findings identified, the compliance of the depository unit's activity was assessed according to the principles upon which the activity and the risk level of the depository unit should be consistent. Based on the findings of this inspection, the AFSA made relevant recommendations, on which the depository unit has worked on fulfilling.

The risk-based methodology, aiming at developing a sound process for judging the risk assessment, has also anticipated the establishment of the Risk Committee for Pension Funds, which started its activity in 2016 with the adoption of a new supervisory methodology.

During the meetings of the Risk Committee in 2017, there were introduced the present and remaining risk matrices in the system, and it was agreed to assess these risks by identifying the risks requiring faster interventions in the system. Thus, as the greatest risk in Albania's conditions, it was identified the increased participation of contributors in the system, which is also related to the increase of reliability in the system. The Risk Committee, aiming to alleviate the risks, approved the mid-term supervision plan for the pension fund market.

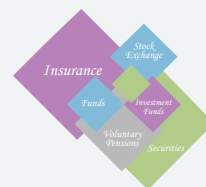
#### 4.5. Legal and Regulatory Framework

##### **Draft-law "On some Addenda and Amendments to Law no. 10 197, dated 10.12.2009 "On Voluntary Pension Funds".**

The Financial Supervisory Authority, in order to further improve the Law no. 10197, dated 10.12.2009 "On Voluntary Pension Funds", so as to adapt to the recent developments in the field of voluntary pensions, EU directives and pursuant to the recommendations of EU progress reports, finalized the draft-law "On some addenda and amendments to Law no. 10 197, dated 10.12.2009 "On Voluntary Pension Funds". Improvement of the legal framework in the voluntary pension market appeared as a need to fulfill the commitments undertaken within the National Plan for European Integration 2015-2020, adopted by the DCM no. 404, dated 13.05.2015. Currently, the draft-law has been forwarded by the Ministry of Finance to the Council of Ministers for approval.

Acts in the field of Voluntary Pensions:

- Regulation no. 25, dated 23.02.2011 “On pension fund management company reporting to FSA”, incurred some amendments, which extend the AFSA's reporting terms, as well as changing the method in which the pension funds financial statements are deposited at the Authority by the management companies.
- Regulation no.113, dated 18.11.2010 “On the testing of administrators of the pension fund management company”, made the relevant adjustments in order to comply with the denominations with changes in the law and the organizational structure of the AFSA.



## Chapter 5

### Institutional cooperation and projects

#### 5.1. National Partnership

The Financial Supervisory Authority has an important role in developing and maintaining the country's sound financial stability. The cooperation of various economic and financial regulators has been considered very important for the performance of the financial markets. In order to serve this cooperation, the relationship with the most important financial institutions in the country or other institutions and interest groups, whose activity relates directly or indirectly to the supervisory or regulatory activity, has deepened in 2017.

An important place was covered by bilateral cooperation between the AFSA and the Bank of Albania, the Ministry of Finance, the Deposit Insurance Agency, and the multilateral cooperation between them within the Financial Stability Advisory Group (FSAG). In April 2017, was held the term meeting of this group, where the focus of discussions was related to the need to strengthen the use of domestic currency in the Albanian economy and the financial system as well as the importance of this process in improving the efficiency of monetary policy and reducing the risks of financial stability and fiscal policy.

With the aim of institutional engagement, the Ministry of Finance and Economy, the Financial Supervisory Authority and the Bank of Albania signed a Memorandum of Understanding "On the expansion of the use of the national currency in the financial system and the Albanian economy", in which they committed to take action to reduce the level of use of foreign currencies in the economy according to the sectors they supervise.

In order to strengthen the insurance market and particularly the compulsory motor insurance market, the AFSA, in 2017, worked closely with the Ministry of Interior, the Ministry of Public Works and Transport and the General Directorate of the Road Transport Service. Thanks to the agreements previously implemented with these institutions, the cooperation has enabled the control of the implementation of the legislation on compulsory insurance, accurate identification and provision of motor vehicles moving in the territory of the Republic of Albania with valid insurance contracts.

An important element of institutional cooperation is the signing of Cooperation Agreements with regulatory and non-regulatory institutions of the country. The AFSA signed on September 11th, 2017, the Cooperation Agreement with the General Directorate of Taxation on "Joint Inspections in insurance companies and other subjects under AFSA's supervision as well as exchange of information". The signing of this agreement serves as basis for the cooperation between the two institutions with the aim to conduct joint inspections between the Financial Supervisory Authority and the General Directorate of Taxation, in compliance with the deadlines and procedural rules in force for the control and exchange of information in function of the above-mentioned inspections.

The AFSA signed a Memorandum of Understanding with the Institute of Statistics (INSTAT) in December 2017, under which the two institutions will cooperate in drafting strategic plans in the field of statistics, improving the methodology of existing statistics, methods and techniques, through working groups and regular exchange of formal and technical documents.

One of AFSA's work goals has been and remains the further development of cooperation with higher education institutions in the context of knowledge transfer on financial market activity and supervision through teaching, research, and services from higher education institutions. higher education. During 2017 the AFSA, in the framework of the implementation of the strategy for increasing consumer / investor trust in the markets under supervision 2017-2020, signed a Cooperation Agreement with the University Aleksandër Moisiu, Durrës in October, with the Mediterranean University in November and Luarasi University in December 2017.

## 5.2 Regional and International Cooperation

Partnerships and memberships in international organizations

AFSA is a member of the International Association of Insurance Supervisors (IAIS) since 2001. Established in 1994, IAIS represents the regulators and supervisors of more than 200 jurisdictions in around 140 countries. Its objectives are the most effective supervisions of the insurance industry for the development and preservation of markets, as well as the protection of the insured, and contribute to global financial stability. This accession has helped to strengthen the international cooperation between the authorities in supervising the insurance market.

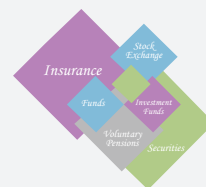
At the 24<sup>th</sup> Annual IAIS Conference in November 2017 on "Insurance Supervision: Looking Beyond" AFSA presented the initiatives undertaken to enhance the country's financial education within the Strategy adopted by the Authority Board to increase consumer trust in the markets under supervision. Besides, AFSA continued to participate actively in other activities organized by IAIS. Below are some of the main activities of IAIS, where AFSA participated as a member of this organization:

### Main activities within the framework of cooperation with IAIS

- The 3<sup>rd</sup> International Insurance Forum on "New Challenges of the Motor Insurance Industry";
- IAIS Annual Conference and Committee Meetings;
- IAIS Committees and Subcommittee Meetings and Global Insurance Conference.

AFSA is a full member of the International Organization of Securities Commissions (IOSCO) and is also a signatory to the IOSCO Multilateral Memorandum since 2009. The International Organization of Securities Commissions is the international organization that collects together around 95% of securities regulators worldwide and is recognized as a global standard drafter for the securities sector. IOSCO develops, implements and promotes the compliance with the internationally recognized securities regulation standards.

The AFSA has been committed to meeting all the obligations arising from participation in this organization and continues to complete the regulatory framework in order to align with



IOSCO standards and principles. The AFSA is also actively participating in the European Committee IOSCO (European Regional Committee, ERC) and of the Growth and Emerging Markets Committee (GEM).

Below is a summary of AFSA's participation in activities organized by IOSCO during 2017.

#### **Main activities within the framework of cooperation with IOSCO**

- The 42<sup>nd</sup> Annual Conference of the International Organization of Securities Supervisors
- Meetings of the European Regional Committee (ERC);
- IOSCO Committee Meetings (GEM);
- Seminar "On investor protection through supervision, inspections and examinations"

The AFSA is a member of the International Organization of Pension Supervisors (IOPS) since 2006. The IOPS is an independent international organization, which represents those institutions involved in the supervision of private pension agreements. The IOPS currently has 87 members and observers representing 76 countries and territories around the world.

#### **Main activities within the framework of cooperation with IOPS**

- The 6<sup>th</sup> World Pension Forum (World Pensions Investment Forum);
- International Seminar "Panorama of Pension Schemes, Progress, Perspectives and Challenges";
- Joint Working Group Meeting and IOPS / OECD Research Seminar on Private Pensions;
- Global OECD / IOPS Forum "Care for the Future of Pensions";
- Meeting of Technical and Executive Committees, Annual General Meeting.

### **Cooperation with international, financial institutions and donors**

Strategic projects and increased institutional capacities of the AFSA were also backed up in 2017 through effective cooperation and relations with international financial institutions and donors. Thus, during 2017, the AFSA closely cooperated with the World Bank, the Swiss State Secretariat for Economic Affairs (SECO), the A2ii organization, and the FSVC.

The World Bank remains an important strategic partner supporting the Authority over the years, in fulfillment of the fundamental mission. Even during 2017, the World Bank continued to support the Authority in the implementation of the Technical Assistance Project "Strengthening the Supervisory Capabilities of the Financial Supervisory Authority, focused on the development of the capital market". The World Bank, through its expertise and experts, has pursued the ongoing development of this important project funded by the Swiss State Secretariat for Economic Affairs (SECO) through the Trust Fund Grant.

Moreover, in 2017, the Authority supported by the World Bank commenced the implementation of the project "Improving the quality of financial reporting", which aims

to support and enhance the capacity and growth of financial regulators (AFSA and BoA) in monitoring and implementation of a high quality financial reporting based on IFRS.

During the official visits of the World Bank missions in Tirana, World Bank representatives have expressed their considerable appreciation regarding the work done by the AFSA in the framework of the project implementation. The AFSA staff in collaboration with project consultants and the World Bank support have worked intensively to deliver project products with a high quality and within the deadlines. This successful cooperation is expected to continue during 2018, to achieve the finalization of the project in the first quarter of 2019.

### **Cooperation with the Financial Services Volunteer Corps (FSVC)**

A very important partner for the AFSA is the Volunteer Financial Services Corps (FSVC/ USAID). Over the years, this organization has assisted the AFSA in various projects, for strengthening the supervisory and regulatory role, as well as the development of human resources. Even during 2017, the AFSA and FSVC have deepened their co-operation by continuing with projects such as the Early Warning System, the Memorandum on Supervisory Cooperation between the AFSA and BoA.

#### **AMF deepens cooperation with the Financial Services Volunteer Corps**

The Executive General Director of the Financial Supervisory Authority held a meeting with Mr. Charles E. Kilbourne, manager at the Financial Services Volunteer Corps offices in December 2017. The purpose of the meeting was the further deepening of cooperation and launch of joint projects between the two institutions.

The AFSA emphasized the willingness to continue cooperation with the FSVC to help develop and improve access to micro-insurances for the low-income population in the country. FSVC representatives expressed their willingness to deepen cooperation with the Authority by increasing the number of joint projects.

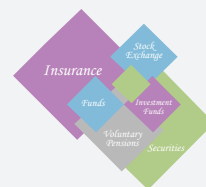
### **Cooperation with counterpart authorities in EU**

During 2017, the Authority has been focusing on expanding and further strengthening of its bilateral and multilateral relations with counterpart authorities, by participating in meetings or activities organized in order to be familiarized and updated with the latest supervisory and regulatory trends, exchange of mutual experiences.

#### **Austrian Financial Markets Authority (FMA)**

A very important AFSA partner in the development of the financial markets under supervision for many years is the Austrian Financial Markets Authority (FMA). The cooperation with the FMA has been consolidated over the years and has been materialized by frequent meetings of senior management of the institutions as well as technical staff. Since 2009, both institutions have signed a Memorandum of Understanding, immediately after the investments of Austrian insurance groups in Albania, being implemented through the





exchange of experiences and joint work in the supervision of the Austrian groups operating in Albania.

In this framework, a FMA senior management delegation paid a working visit in May 2017 to the AFSA and held meetings with senior executives of this Authority. During the meetings were discussed important issues of mutual interest and reflected the latest developments for the insurance markets of Austria and Albania. Among other things, the meetings focused on new developments in the insurance market during the implementation of Solvency II in the markets under supervision.

The AFSA is a regular participant of the supervisory colleges of “UNIQA Insurance Group” (UIG) and “Vienna Insurance Group” (VIG). Experts of the AFSA’s supervision department in 2017 attended the two-day meetings of the Supervisory College of the UIG Group and the VIG Group.

### **IVASS and CONSOB – ITALY**

In the framework of expanding bilateral relations with counterpart authorities, senior AFSA officials, in July 2017, held high-level working meetings with officials of the Italian Institute for Insurance Supervision (IVASS) and the Italian Companies and Exchange Commission (CONSOB). These meetings focused on strengthening the relationship between regulators through technical assistance and training, and agreed to draft and sign bilateral mutual understanding agreements with both IVASS and CONSOB.

### **Regional Cooperation**

Even in 2017, cooperation with counterpart institutions in the region continued through joint working meetings, exchange of information and experience in the regulatory and supervisory aspect, with the aim of increasing the effectiveness of supervision of non-bank financial markets.

### **Macedonian Insurance Supervision Agency (ISA)**

The AFSA cooperated closely with the Macedonian Insurance Supervision Agency (ISA). The Memorandum of Understanding between the two institutions, which is effective since 2010, positively affects the efficiency of supervision and regulation of the insurance industry of the two countries, especially in terms of the extent of the activity of Albanian insurance companies in the territory of Macedonia. The two regulatory authorities conduct periodical joint working meetings aimed at further strengthening cooperation for an effective and dynamic supervision of the insurance market in both countries.

During 2017, cooperation continued with bilateral high level official visits of the AFSA and ISA, in July in Tirana and in September in Skopje, with the aim of coordination and interaction between the two institutions, including the drafting of a joint working plan. The regulatory authorities of both countries are facing the same supervision challenges, they use the same electronic reporting platform, have in common the effort to implement the EU

directives in the integration process, and are implementing the joint project on protection from natural disasters with the support of the World Bank.

### **Central Bank of Kosovo (CBK)**

The AFSA's cooperation with the Central Bank of Kosovo (CBK) continued to strengthen during 2017. Within the framework of deepening cooperation between the two authorities, a delegation from the Central Bank of Kosovo (CBK) and the Kosovo Insurance Bureau conducted in December 2017, a working meeting at the AFSA offices, with the presence of executive directors of Albanian insurance companies, which have extended their activity also in Kosovo. The meeting aimed at further strengthening the cooperation in terms of exchange of information, technical and professional experiences for a more effective supervision, as well as discussions on issues related to the supervision and regulation of the respective markets, or certain specific issues of the relevant insurance bureaus.

### **Regional Initiative for the Supervision of the Insurance Market in the Central, Eastern and Southeast Europe Region (CESEE)**

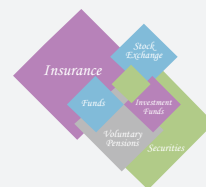
The AFSA is an active participant in the regional initiative "Regional Initiative for the Supervision of the Insurance Market in the Central, Eastern and Southeast Europe Region" (CESEE), which is considered successful, given the continued interest and active participation of the countries of the region, preserving and further promoting the spirit of effective cooperation on common issues and issues encountered in regulating the insurance markets in the region. During 2017, two meetings of this initiative were held in Bratislava, Slovakia and Zagreb, Croatia. At the thirteenth meeting in Slovakia, the issues addressed were of practical application regarding the new EU Directive, "Distribution in Insurance", as well as the issues encountered during its transposition into the national legislation of each country. Under this Directive, dated 23 February 2018, distributors in insurance should act in compliance with the new rules.

At the 14<sup>th</sup> meeting in Croatia, the challenges of risk-based supervision, and the challenges and experience of regulators addressed were related the implementation of new supervisory regimes, market approach to new demands, supervision of insurance groups, and ways of increasing co-operation among regional regulators. At this meeting, the moderator of the topic "Risk-Based Supervision" was a representative of the AFSA. **The next meeting of this initiative, in spring 2018, will take place in Albania under the AFSA's organizational support.**

### **Meeting of the Capital Market Authorities of the Six Western Balkan Countries (WB6)**

In December, the AFSA participated in the first meeting of the Capital Market Authorities of the Six Western Balkan Countries (WB6) "Diversifying Financial Systems to Increase Investments".

The meeting considered the opportunities for the integration of financial markets in the



region and specifically of the capital markets, assessing the need for a regional strategy for the development of capital markets. The representative of Albania made a presentation on the development of capital markets in Albania and the challenges they face.

### 5.3 Integration processes for markets under supervision

#### The Role of the AFSA in the European integration

The AFSA has made positive efforts to harmonize the internal financial services legislation with the *acquis*. Albania's current legislation in the field of financial services provides a strong basis for further and more complete harmonization with the European legislation. In the field of non-bank financial services, work has been consolidated to review the regulatory and supervisory framework aiming at further alignment with the EU *acquis* and progress has been made in aligning the insurance, securities and private pension market legislation. The AFSA, as a contributing institution in this process, has worked intensively on aligning the legal framework, as highlighted in the latest EU Progress Report.

The AFSA has also continued to contribute to the fulfillment of the obligations deriving from the Progress Report and the National Plan for European Integration. It coordinates and prepares reports regarding Chapter 9 "Financial Services" and the Economic Criteria.

The AFSA also regularly monitored the implementation of the SAA, as well as the National Plan for European Integration. It participated in the Stabilization and Association Committee meeting, as well as in the forthcoming meetings of the respective subcommittees. Thus, during 2017, the AFSA has performed successful reporting within the framework of European Integration, namely:

- 9<sup>th</sup> Meeting of the Subcommittee on Internal Market and Competition, including Consumer and Health Protection - 17 October 2017;
- 9<sup>th</sup> Meeting of the Subcommittee on Economic and Financial Affairs & Statistics - 28 September 2017;
- 8<sup>th</sup> Stabilization and Association Committee - 4 October 2017.

The evaluation of the European party during these reports was positive for AFSA's activity and the only recommendation for the AFSA regarding these meetings was the adoption of the draft-law "On compulsory motor insurance in the transport sector".

During 2017, the AFSA continued cooperation with the Ministry for Europe and Foreign Affairs as the coordinating institution in the European integration process. AFSA prepared reports that reflect the progress achieved by contributing to the drafting of documents related to the Stabilization and Association process. The key to Albania's success in the path of European integration is the rapid implementation of reforms through planned activities, in one of the basic documents such as the National Plan for European Integration (NPEI) for the period 2017-2020, which serves as a basis for the planning of the European integration

process of Albania. During 2017, the AFSA forwarded to the Ministry for Europe and Foreign Affairs periodic information on monitoring the implementation of NPEI 2017-2020 for the chapters on “Financial Services” and “Economic Criteria”, and worked on updating this plan for the period 2017- 2020, as one of the main instruments for planning and monitoring the alignment of the Albanian legislation with that of the EU, in the process of European integration of Albania.

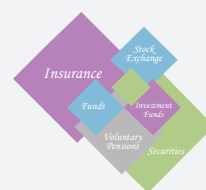
Also during 2017, the Authority as the Coordinator of Chapter 9 “Financial Services” held monthly IWGEI meetings on Chapter 9 “Financial Services”, part of which is also the Bank of Albania, according to Prime Minister’s Order no. 107, dated 28.02.2014 “On the Establishment, Composition and Functioning of Interinstitutional Working Groups for European Integration”, and also participated in the monthly meetings of the IWGEIs of the Chapter “Economic Criteria” and Chapter 3 “Right of establishment and the freedom to provide services” as a member of these inter-institutional groups.

### **Assistance from the European Union, the TAIEX instrument**

During 2017, the Authority has evaluated and utilized the TAIEX (Technical Assistance and Information Exchange) short-term assistance instrument, provided by the EU to assist candidate countries and potential candidates in terms of knowledge and implementation of EU legislation. All applications under the TAIEX instrument are made on the basis of European directives, setting out the relevant arguments for the necessity of this instrument, as well as the purpose and objectives to be achieved through this instrument. The activities developed within the framework of TAIEX aim at strengthening the capacities of the AFSA employees for the familiarization with the legislation and best European practices. Thus, in 2017, successful implementation and organization of the following TAIEX short-term assistance activities was carried out:

1. The Study Visit “On Licensing and Supervision of Insurance Mediators”. This activity was organized by the European Commission in cooperation with the Central Bank of Hungary (Magyar Nemzeti Bank), Budapest, Hungary. The development of this activity was in the form of exchange of experiences, presentation sessions by the organizers, as well as discussions from the participants following each topic.
2. The Expert Mission “On Compulsory Insurance in the Transport Sector”. This activity was organized by the European Commission in collaboration with the Italian Insurance Authority (IVASS), at the AFSA premises, with Italian experts. The purpose of this Expert Mission was to exchange knowledge in the field of compulsory insurance in the transport sector, particularly on the operation of the *Bonus-Malus* system, settlement and treatment of claims.

The Mission also enabled the discussion of a number of issues and problems encountered by experts and participants in their daily supervisory and regulatory work, as well as regarding the implementation of various rules on compulsory insurance in the transport sector.



3. The Expert Mission “On New EU Rules on Market Abuse and Domestic Trade in Securities. This training was organized by the European Commission in cooperation with the Malta Financial Services Authority (MFSA). The purpose of this Expert Mission was to exchange knowledge in the field of securities, focusing on issues related to the new EU regulations and the main requirements of the new market abuse regime. The Mission enabled the discussion and exchange of experiences regarding the implementation of various rules on market abuse and internal trading in the field of securities.

#### **New EU regulatory developments**

IORP II: The new European Directive on Pension Funds

On December 23rd, 2016, the long-awaited Directive “IORP II” was published in the Official Journal of the European Union.

This Directive is the successor of Directive 2003/41/EC, IORP I, which dates back to June 3rd, 2003, and which stipulated provisions regarding the activities and supervision of institutions for the provision of professional pensions (IORPs). The IORP II Directive, same as IORP I, contains a number of common standards to be included in the national law and be applied respectively.

The new rules, compared to the previous directive, aim to:

- Ensure that professional pensions have stability and better protect members and beneficiaries of the pension scheme;
- Better inform members and beneficiaries on their rights;
- Remove the obstacles faced by professional pension funds operating across borders;
- Encourage professional pension funds to invest long-term in economic activities that impact the economic growth, the environment and employment;
- The Directive entered into force on January 13th 2017 but is only applicable from January 13th 2019. Member States have until then to transpose this Directive into their domestic law.

#### **5.4 Evaluation Process under MONEYVAL**

During 2017, the Financial Supervisory Authority, within the framework of the fifth round of Albania’s evaluation in the field of the prevention of money laundering and terrorism financing, was engaged in the process of providing answers to the questionnaire prepared by the Council of Europe’s MONEYVAL Committee on issues related to the non-bank financial markets. In October 2017, meetings with the evaluation team for this round, composed of experts from the EC MONEYVAL Committee, were held. During this evaluation process the Authority contributed on completing the two questionnaires (on effectiveness and technicalities).

The Council of Europe (EC) MONEYVAL Committee, within the framework of Albania’s evaluation, also organized meetings with the supervised subjects regarding the visit of the MONEYVAL EC Committee experts in the country.

For 2018, it is planned that the supervision process according to this manual will continue in the companies under supervision, which will be subject to full inspections.

Concurrently, the AFSA conducted an inspection in 2017 in cooperation with Albanian Financial Intelligence Unit in the field of money laundering, based on the risk-focused manual on the Prevention of Money Laundering. The focus of the inspection were the verifications regarding compliance with the legal framework regarding the prevention of money laundering and measures against the financing of terrorism.

## 5.5 Projects

### **The Project “On improvement of financial reporting quality” with the component “Improving financial regulators’ capacities”.**

As part of the national project “Improving Financial Reporting Quality (REPARIS), the AFSA is the beneficiary of the second component of the project “Improving Financial Regulators’ Capacities in Monitoring and Controlling Better Implementation of Financial Reporting”. This component of the project is funded by the Swiss State Secretariat for Economic Affairs (SECO), administered by the World Bank and implemented by the Ministry of Finance and Economy. The project started with the signing of the contract in July 2017 and is expected to last for an 18-month period. During 2017, after reaching an agreement on the terms of reference, the first phase of the “Training on IFRSs with Focus on Insurance and Funds” project started.

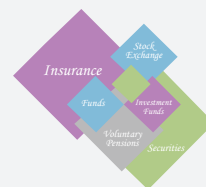
Thus, from October to December began the AFSA staff training on international financial reporting standards (IFRSs). For the supervisory institutions, the main purpose of the project is to support and assist the growth and improvement of financial regulators’ capacities (AFSA & BoA) in monitoring and implementing a high quality financial reporting based on IFRSs. The project will improve the capacity of important financial control institutions at the level of expertise, training, system and regulatory capacity, as well as in aligning and adopting the highest standards of EU legislation and best international practices.

### **The Microinsurance project “Access to Insurance Initiative” (A2ii)**

This project is supported and funded by the Access to Insurance Initiative in collaboration with the GIZ Global Leadership Academy. The project aims to promote multi-faceted cooperation, learning from international colleagues and developing innovative solutions that will increase the admission of insurances to low-income population and small businesses. The project brings together a wide range of comprehensive insurance actors involved in four teams of selected countries to provide an innovative solution to increase the degree of involvement of vulnerable groups in voluntary insurance schemes.

After its successful application in May, Albania was selected as one of the winning and participating countries in this project. The project started concretely in November 2017 and will last for 12 months, until November 2018.

Albania has established a national team with representatives from insurance companies, banks, credit bureaux and other organizations active in the financial and business fields



that will work to address in a new way the challenges faced by the industry of domestic insurance related to micro insurance, as a voluntary comprehensive insurance.

In December 2017, was organized the first national workshop in Albania. This activity was welcomed by senior executives of the AFSA and the Access to Insurance Initiative.

### **The project “Strengthening Supervision Capacities of the Albanian Financial Supervisory Authority: Focus on Capital Market Development”**

The project “Strengthening Supervision Capacities of the Albanian Financial Supervisory Authority: Focus on Capital Market Development” aims to support the AFSA in strengthening its capacities in supervising the investment funds market and corporate and local government bond markets. This project is supported by the World Bank, which will follow its implementation, while the Swiss State Secretariat for Economic Affairs (SECO) is funding this project through the Trust Fund Grant.

The project, whose implementation began in July 2016, has a duration of 36 months and is expected to be completed in March 2019. It has been designed to cope with the challenges being faced by the AFSA and the fields covered by this project are mainly:

- Development of the AFSA capacities on the supervision and regulation of investment funds. This component is intended to carry out diagnostic evaluations, develop a supervisory package (methodology, manuals and tools), and human resources development;
- Development of the AFSA capacities to prepare for bond issuance of joint stock companies and local government bonds. This component is intended to carry out diagnostic assessments as well as the development of human resources in the field of debt instruments and markets.

During 2017, intensive work was carried out within the implementation framework of the three phases of this project. Following the completion of the first phase, in 2017 the AFSA undertook the following actions:

- Preparation of an action plan following the recommendations of the consultants, which was approved at the Board meeting on 19.06.2017;
- Improvement of the organizational structure in compliance with the recommendations of the consultants. Alongside, intensive work has been carried out in terms of implementing the second phase of the project by completing a series of reports. Following the consultants’ recommendations, the legal review of both laws on Investment Funds and Securities, as well as respective regulations, has begun.

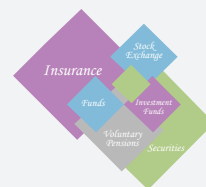
During 2017, work on the implementation of the third phase of the capacity-building and staff training project has started, where during the second half of 2017 training also began for the AFSA staff.

### **Projects with the technical assistance of the Financial Services Volunteer Corps (FSVC)**

The projects supported by the FSVC during 2017 are as follows:

- The Early Warning System. During 2017, work continued on the implementation of the Early Warning System. In September, an expert assisted the AFSA in following the implementation of an early warning system. In a joint team with the AFSA staff, a plan for an insurance supervision platform was drafted, which includes early warning criteria. Implementation will also include automation through a Business Intelligence (BI) package that will be chosen and installed by the IT staff at the Authority.
- The Memorandum on Supervisory Co-operation between the AFSA and BoA. The work for drafting a scheme for the co-operation memorandum between BoA and the AFSA started in May 2017, since both Authorities, interrelated, supervise the activity of financial institutions. The FSVC Consultant in cooperation with the AFSA and BoA supervisory departments worked on drafting a co-operation scheme between the two supervisors, which was submitted to the AFSA by the end of June.





## II. INSTITUTIONAL ORGANIZATION OF THE AFSA

### II.1 The AFSA legal and regulatory framework

During 2017, with the aim of improving the internal regulatory framework of the Authority, which regulates its organization and functioning, the following acts were amended:

- Regulation no. 130, dated 31.08.2017 “On the Organization, Functioning and Job Description”, abrogated the respective parts of Regulation no. 136, dated 21.12.2015, defining the general rules governing the organization, functioning and description of the main structure and duties of each department, directorate, sector and unit of administration of the Financial Supervisory Authority as well as communication procedures between them;
- Regulation no. 13, dated 03.02.2017, made amendments to Regulation no. 129, dated 26.11.2015 “On Employee Relations in the Albanian Financial Supervisory Authority”;
- Through Regulations no. 138, dated 28.09.2017 and no. 164, dated 30.11.2017, amendmends were made to Regulation no. 155, dated 23.12.2014 “On the determination of the elements for the calculation and fee levels charged to the supervised subjects, as well as the procedures for their collection and settlement”. Addenda and amendments to the Regulation no. 118, dated 19.09.2011 “On the Internal Audit Card” are a reflection of changes in the law on internal audit in the public sector, such as the definition of the Internal Audit Card, the mission of the internal auditor;
- Instruction no. 76, dated 28.07.2015 “On the remuneration of non-executive members and salaries of the General Executive Director, Deputy Executive Director and the employees of the Financial Supervisory Authority”, was amended and supplemented by Board Decision 131, dated 31.08. 2017.

Alongside, during 2017, the relevant arrangements were made in order to match the denominations with the changes in the law and the organizational structure of the AFSA, as follows:

- Regulation no. 177, dated 13.12.2011 “On the organization of research activity in the Financial Supervisory Authority”, as amended by the Board Decision no. 152, dated 30.11.2017;
- Regulation no. 17, dated 21.03.2007 “On keeping and maintaining registers of licensed entities, authorized and approved by the Financial Supervisory Authority”, as amended by Board Decision no. 152, dated 30.11.2017;
- Regulation no. 118, dated 19.09.2011 “On the Internal Audit Card”, as amended by the Board Decision no. 214, dated 28.12.2017.

## II.2 Human Resources Policy

The AFSA Board, based on Law no. 9572, dated 3.7.2006 “On the Financial Supervisory Authority”, in June 2017, approved the structure of the AFSA by Decision no. 69, dated 19.06.2017 “On approval of the organizational structure, number of employees and job descriptions of the Financial Supervisory Authority”.

During 2017 after a competition process the structure was completed with an Information Technology Audit. The new structure also provided for the position of the head of the internal audit office, which was declared vacant and concluded in 2018.

The model of the new structure was based on preserving the concept of the existing structure but was reformatted to enable a suitable hierarchy for employees, better coverage of the functions in the Authority, more effective coordination between the units in function of more efficient decision-making.

The new structural organization was achieved with the aim of promoting staff and, above all, employees with a long work experience in the Authority that at the same time possess very good professional skills and qualifications that are responsive to the Authority's development requirements.

Alongside, the dynamics of market development and the practices of other homologous authorities constituted an important basis in the proposals for the structural changes.

Guaranteeing a flexible organizational structure as well as strengthening the AFSA's administrative capacities has been a constant requirement of the World Bank and the European Commission in function of an effective and sound supervision.

In response to capital and investment market developments, innovation in the new structure consisted in the division of the supervisory functions by creating a special unit for the supervision of capital markets and investment and pension funds. The new structure is considered as a mid-term structuring and completion plan, which will be reviewed based on developments that can be observed in the financial markets, where the main share of employees will be in supervisory structures.

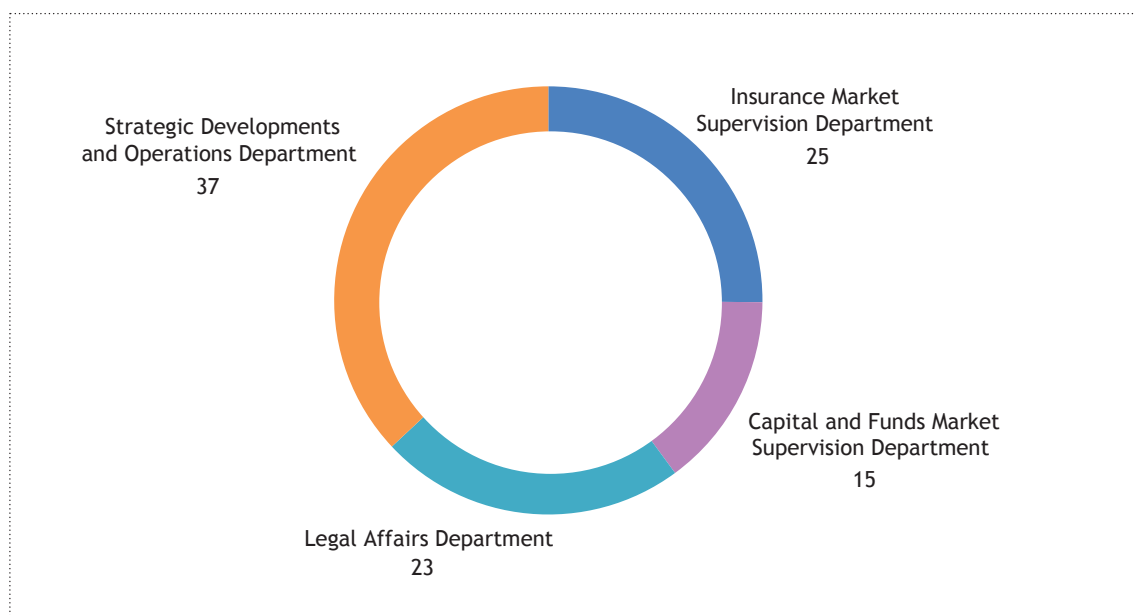
The new structure was accompanied by a small increase in the number of employees by an addition of 3 employees. The total number of approved employees at the end of 2019 is 100 employees.

For 2017, the rate of completion of the job position measured by the approved number of employees for 2017 is 94%.

Based on the new organizational structure, the distribution of employees according to the functions of AFSA and occupation is as follows:

**Graph 34: Structure of employees according to key function units of AFSA**

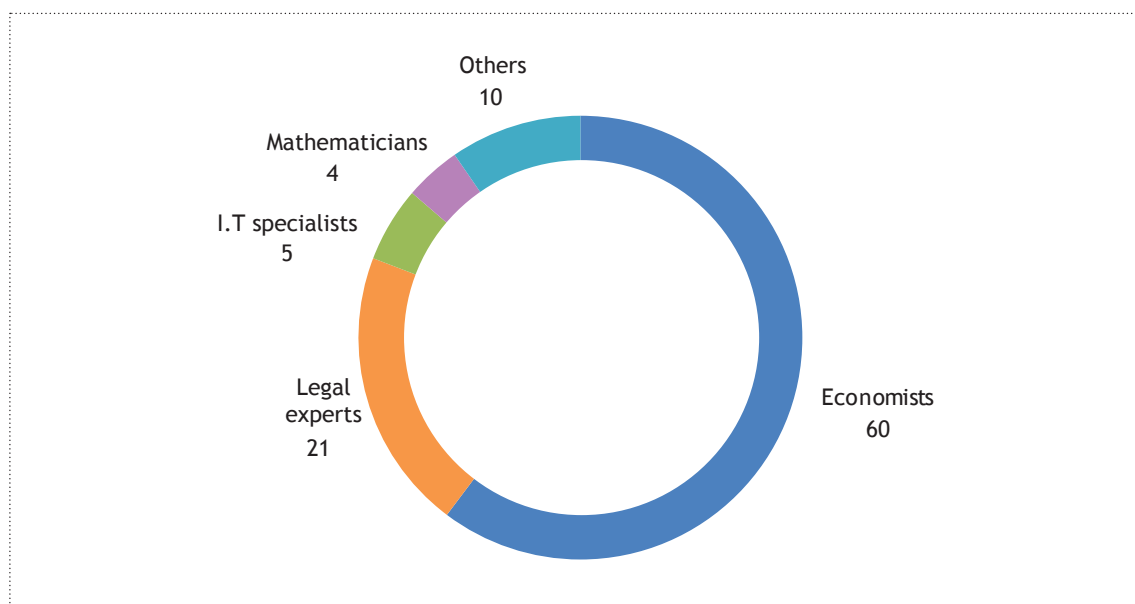
(In %)



77% of the number of the AFSA employees belong to units that perform core functions, which relate to AFSA's core tasks, such as licensing, regulation and supervision. In this group are included the employees appointed to the senior management level. The rest, around 23%, are employees engaged in supporting functions, which enable the smooth running of the institution's daily activity.

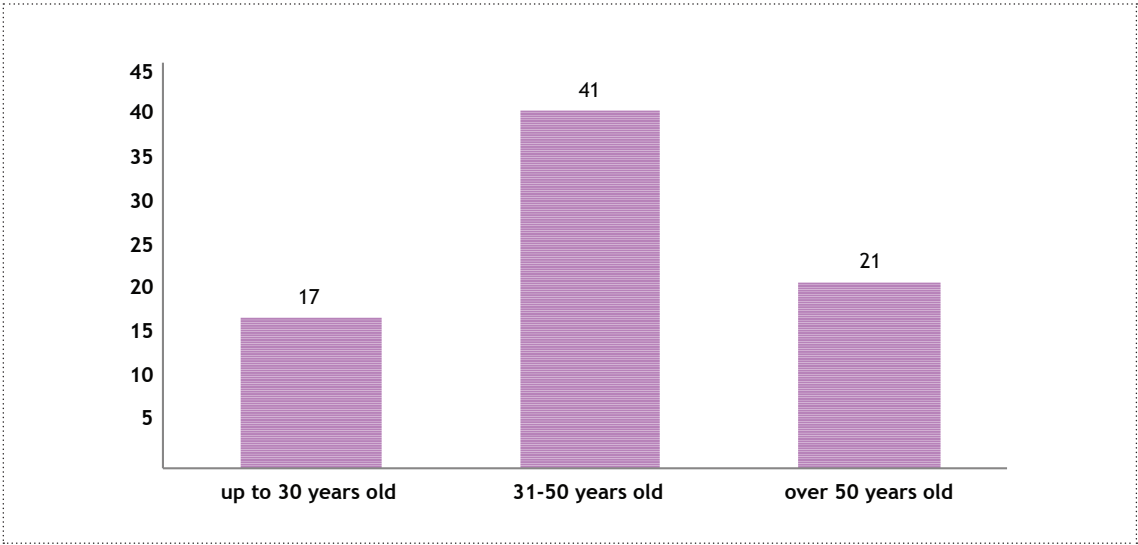
**Graph 35: Structure of employees by profession**

(In %)



**Graph 36: Structure of employees by age group**

*(In number)*



For a few years, the average level of the average age of 39 years old has been maintained, which has brought better harmonization of the qualities of different generations and has ensured an uninterrupted transmission of knowledge and experience.

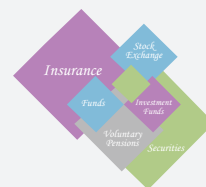
About 72% of the staff are women, which hold more management positions than men.

**Human Resources Policies**

Human resources management at the AFSA is carried out in compliance with its mission and strategic objectives. The main goal in the field of human resources for 2017 is the development of the professionalism of the employees, their motivation to achieve the objectives, and the employment of increasingly qualitative human resources.

Employment of the best human resources continued to be a priority in the framework of human resources policies. During 2017, through transparent employment procedures, the employment of 22 employees who possessed good professional skills, with a demand for professional self-improvement and high integrity, was enabled. Particular attention has been paid to the employment of young people who graduated or qualified with high scores and willingness to dedicate themselves to work.

The employment policy has as basic principle the right combination of generations and the natural harmonization of experiences. Through the promotion and motivation of employees, the aim is to increase the quality of work. In fulfilling this policy, the AFSA has used incentive tools and mechanisms for attracting and retaining professional capacities. In this regard, it is worth mentioning the economic aid system, the differentiated reward system for achieving results at work, the implementation of the professional supplementary pension plan for the employees of the Authority, and the provision of health and life insurance for its employees.



## Vocational Qualification

In terms of vocational qualifications, in order to increase professional expertise, even during 2017, was generally maintained the specialization line for the of employees according to their job profile. The training program is built in compliance with the objectives of the institution and the individual objectives for the employees. The training process enables:

- Basic training of newly recruited employees at the Authority;
- Specialized training of other employees.

The activities organized during 2017, both nationally and internationally, consisted in participation in trainings, seminars, conferences, meetings and visits for the exchange of best professional experiences, based on the assistance of prestigious international institutions in the financial field such as: The World Bank (WB), the Council of Europe, *USAID* through the Financial Sector Development Program in Albania, as well as the International Association of Regulators, the International Association of Insurance Supervisors (IAIS); The International Organization of Securities Supervisors (IOSCO); The International Organization of Pensions Supervision (IOPS); The National Association of US Insurance Commissioners' (NAIC) and others.

Important activities and trainings continued throughout 2017. Participation in specialized trainings organized by counterpart authorities or international financial institutions, in addition to enhancing professional knowledge, serve the staff of the Authority for the exchange of professional and managerial experiences with representatives of counterpart authorities from other countries.

SECO program is of particular importance in the strengthening of the capacity in the securities market.

Moreover, in the framework of assistance to the insurance and pension market, the AFSA in cooperation with the WB has developed several important projects directly related to the supervisory and regulatory functions of the markets under supervision.

## II.3 Information Technology Systems

The 2017 is characterized by a qualitative development in the internal infrastructure of IT systems. The latest and most modern methods have been built and developed in the construction of high availability virtualization systems.

### In-Reg System

The AFSA In-Reg consists of a set of application components that cooperate to achieve the primary activity for which this system is created. The system is a web reporting platform through which supervised entities' operators report the information requested by the Authority electronically via the Internet.

The reporting formats are another component of the AFSA In-Reg Firms system (the interface that enables operator reporting procedures under the AFSA supervision). They are designed, built and implemented in compliance with the Vizor Builder application.

## The Central System in the Server Room

The Information Technology (IT) at the AFSA has been developed in compliance with the national computerization strategy as an integral part of the institution, having as its work object the development, maintenance and improvement of the IT structure.

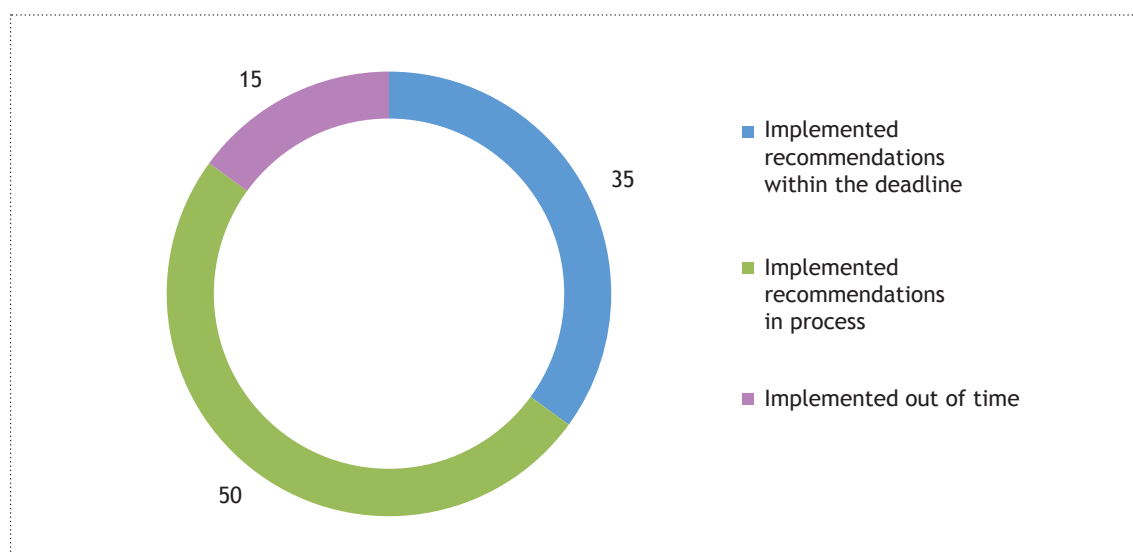
During 2017, the main information and communication technology (IT) systems at the AFSA have functioned consistently by providing support to the core functions of the Authority. The IT systems at the Authority have also provided coordination of work with the institutions with which the Authority cooperates in the exchange of information, such as GDRT, NAIS and the Ministry of Interior.

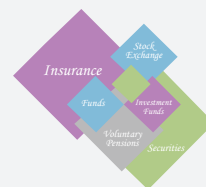
## II.4 Internal Audit

The Audit Unit's activity was based on the implementation of the Annual Accounts approved by the Authority's Board for 2017. The internal audit unit functioned with an auditor of the overall financial profile, equipped with the certificate of internal auditor in the public sector and an information technology and risk assessment auditor. Audit activity was based on audit procedures regulated by applicable legal acts and international standards on internal audit. In order to ensure the highest efficiency, attention has been paid to the risk assessment process in compliance with the audit scope. From the analysis of more specific audit indicators it turns out that they have changed over the years, influenced by both the number of audits and the specifics of the audited objects or areas. The nature of the 19 audit findings mainly refers to irregularities in the implementation of procedures, while 57 recommendations aim at improving internal control systems, reducing the risk level in these systems, and providing counseling solutions that enable the prevention of violation cases in the future. Findings and recommendations were reported to the General Executive Director and the Board of the Authority.

**Graph 37: Status of Recommendations during 2017**

(In %)





## II.5 Transparency and Public Relations

One of the priorities of the Authority's work during 2017 was communication with the general public and special population groups, with the aim of increasing transparency and quality information on financial markets under supervision provided by the AFSA, as well as the ever increasing number of the public interested in its activity. The Authority further expanded public communication forms such as print and electronic media, electronic communications through the AFSA website, direct meetings with specific interest groups and thematic meetings on the financial markets under supervision. Reflection on traditional media of the information on the AFSA activities and financial markets has grown continuously from year after year.

To better serve the absorption of new audiences the AFSA also created its Facebook page. Since its creation until the end of December 2017, the page has posted 77 posts, short photo news, photo albums, graphics accompanied by short descriptions, videos, various announcements, links from other sites, etc. Since its inauguration on October 10th, the AFSA Facebook page has had a continuous audience growth, receiving about 760 likes by the end of the year.

Progressive growth has also had the reading of posts posted on Facebook, respectively in October were read about 2621 posts. During November, there were 9282 post readings, while in December there were 8817 post readings.

During 2017, the most frequently reported topics in the media are related to the insurance market. Motor insurance and property insurance have been two of the most frequently discussed topics in the media. The fluctuations in compulsory motor insurance rates, the performance and opportunities offered by the Bonus-Malus system, the potential for property insurance in cases of natural disaster have been some of the topics that have taken up more media coverage. The media more specifically reflected the decision of the AFSA Board on the procedures for paying back arrears, object of the Compensation Fund with about 30 reports in the print and visual media only in the last quarter of 2017. The media devoted attention also to property insurance issues, also referring to developments in the region and the importance of insuring property from natural disasters such as fire, floods.

The media devoted attention to the public communications of the General Executive Director and Chairman of the Board of the Authority.

Another issue reflected in the media was the investment in investment funds and securities trading. The licensing of the "Albanian Securities Exchange, ALSE" sh.a. found a wide coverage in the print and visual media with 38 reports, with articles on the licensing day and extended interviews in specialized economic journals.

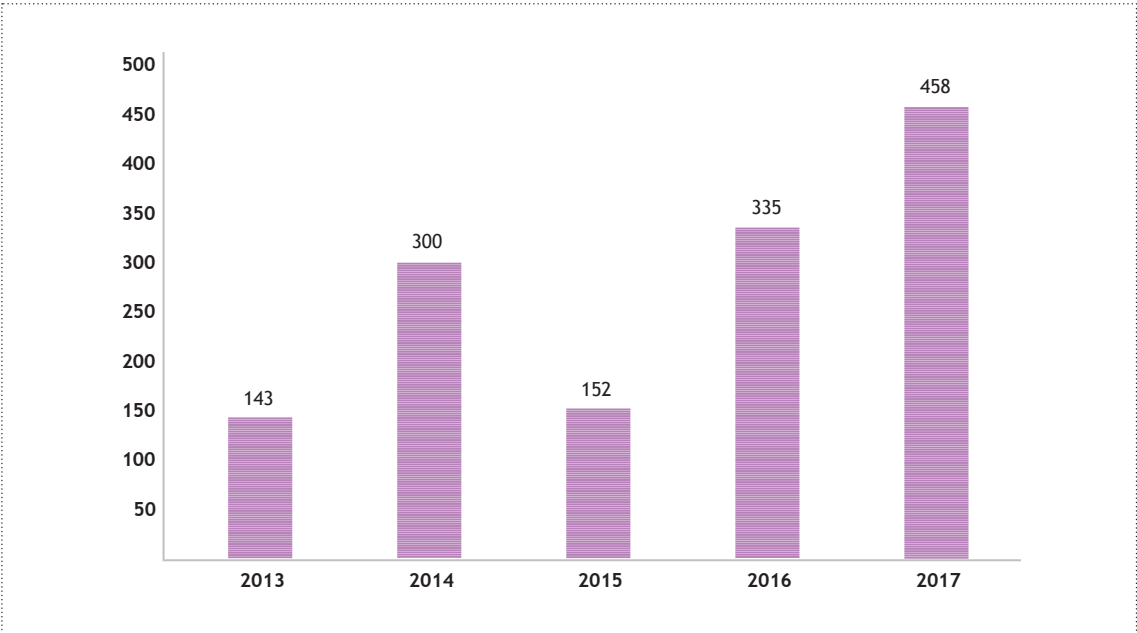
The Authority responded with public announcements about new forms of investment, online trading platforms as well as investments in virtual currencies. Through the online website and the social network Facebook, the AFSA advised investors to be careful when

deciding to invest in online platforms, in virtual currencies, by firstly becoming aware of the risks and having a necessary financial culture to make such investment decisions.

The AFSA official website also reflects the developments of the pension fund market, however, this market has had a more casual media coverage compared to the two other markets under the AFSA supervision, also because this market is still small compared to the other two markets. Coverage is mostly related to the activity and publications of the Authority regarding this market. Thus, the media, particularly those specialized in economic issues, have reflected quarterly publications on the pension market data.

The growing trend in media coverage of the AFSA's activity is also reflected in the number of reflections in the print media, television and online media as follows:

**Graph 38: Media coverage of the AFSA activities and markets under supervision over the years** (In number)



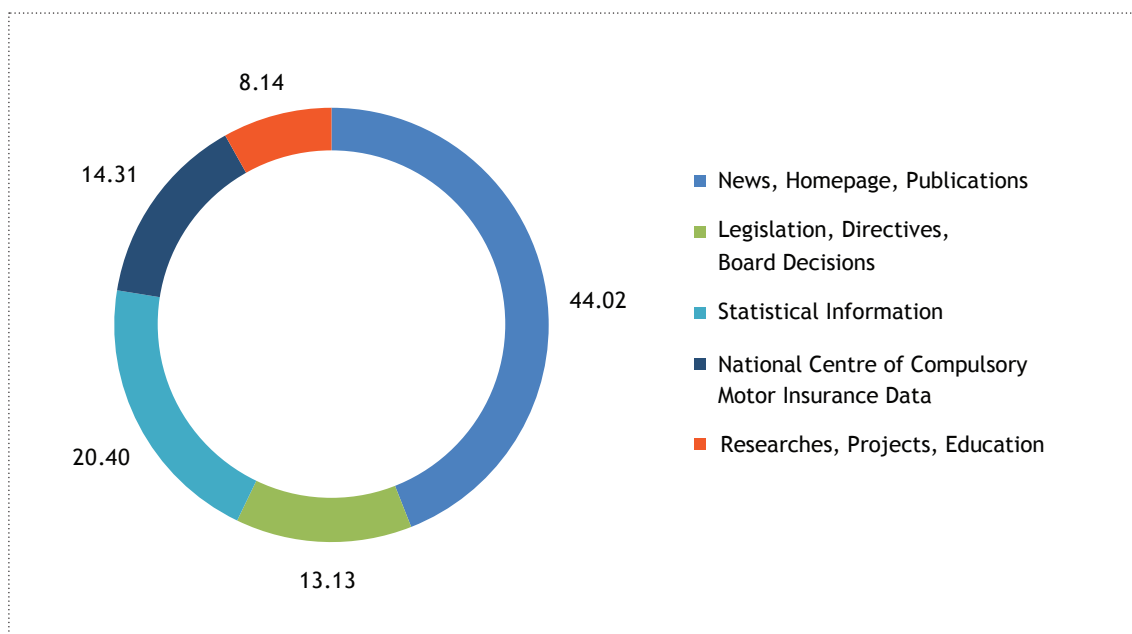
Even in 2017, the upward trend in the number of clicks on the AFSA's website passed by parallel to the current media developments in the country, where digital communications are gradually replacing traditional media communications by becoming the primary form of communication.

During 2017, the AFSA official website recorded 416,068 visits with an increased number of new visitors, with those accessing the website for the first time, accounting for about 75% of the total number of visitors. Referring to information published on the online website, most of the users seek information about the legal framework, regulations, decisions adopted by the AFSA, as well as various directives. Over 44% of clicks on the website were made for reading news and various publications made online. A significant rate of the clicks, about 21%, was interested in the publications of statistical information on supervised markets.



**Graphic 39: Structure of the visits on AFSA official website, 2017**

(In %)



The website is organized in two languages, Albanian and English, and in this way it serves the foreign investors or analysts as a source of information on the structure and development of financial markets, private pensions and securities in Albania. The site is also visited by visitors outside the country, and most of them are from countries such as Italy, Kosovo, the United States and England.

On the official website are also provided monthly newsletters on the supervised markets, annual reports, news and information about investors and consumers in the financial markets. The reflected information serves to insurance companies, investment funds and pension funds, as well as the public as a consumer and investor in these markets.

#### The AFSA publications

- Annual Report
- Supervision Report
- Insurance Geography
- Official Bulletin
- Leaflets for the three markets under supervision
- Statistical booklet
- Manuali i Mbikëqyrjes me Bazë Rrreziku të Fondeve të Pensioneve Vullnetare
- Manuali i Mbikëqyrjes për Parandalimin e Pastrimit të Parave

#### The AFSA e-publications

- Monthly informational Journal
- Insurance Market Statistical Bulletin
- Securities Market Statistical Bulletin
- Voluntary Private Pensions Market Statistical Bulletin

### III. CHALLENGES PRIORITIES AND STRATEGIES OF THE AUTHORITY

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Financial markets under the supervision of AFSA, respectively the insurance, securities and investment funds market, as well as the voluntary private pension funds, over the years have experienced gradual expansion of their activity, but remain relatively limited in comparison to the banking market and compared to the region's markets, as well as of a modest contribution to the financial mediation.

2014 could be considered as the year of the strengthening of AFSA's independence, with the legal changes, which almost equated this authority to the Bank of Albania. However, despite these efforts, as well as the substantial support from the WB and the IMF, the strengthening and effectiveness of the supervisory and regulatory process did not parallelize the expansion that markets were taking under the AFSA supervision and the need to increase transparency on the products offered, thus not becoming a stimulating factor for the further expansion of these markets and the strengthening of consumer protection. As a result, the AFSA continues to face many challenges even today, some of which have remained without address for years.

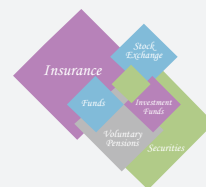
Consequently, 2018 has been defined as the year of strategic development for the AFSA and the markets. The Financial Supervisory Authority by Board Decision no. 84, dated 19.06.2017, established the Advisory Committee for drafting the 5-year strategy for the development of the financial markets under supervision. The Authority Board approved the "5-year strategy for the development of the AFSA and the markets under supervision", which was drafted through a broad consultation process with market actors and international financial institutions. In function of this Strategy is currently being drafted the Action Plan for the next 5 years. Although some of the elements highlighted in this strategy may have been on the agenda of the regulatory authority, the lack of implementation in the past was noticed, as a consequence of the unsustainable willingness to implement and the problematic transition which the institution faced over the last two years. Consequently, became inevitable the development of a clear strategy, with a strong emphasis on stabilizing markets and increasing consumer trust (in particular in the insurance market), by re-emphasizing these elements as a prerequisite for further designing the pillars of development and promotion of the financial markets and consumer protection.

This strategic framework will be supported by a detailed implementation plan with annual targets, which will make it easily understandable to stakeholders and market actors, and will enable monitoring of this strategy and its review as required.

The vision is basically guided by consumer protection, in terms of promoting financial stability and safe development of the financial markets under supervision.

This new five year vision defined in this document requires support through the necessary human capacities, support from strategic partners, as well as sufficient budgets.

Some important development directions for the mid-term period (2018-2022) have been identified. Given the size and uneven level of development of the markets under supervision, this strategy is conceived by taking into account the level of development, the needs for



support according to the markets, and in particular the acute problems facing each market.

Overcoming these challenges dictates the definition of some important development directions for the medium term (2018-2022), as well as the identification of certain projects aiming to fulfill the AFSA's mission to promote financial stability and safe development of the financial markets under supervision.

### Future Objectives and Challenges

**In the insurance market,** these developmental directions are: (i) promoting consumer trust through market stabilization; (ii) improving the quality and effectiveness of supervision and regulation; (iii) promoting market development; and (iv) promoting long-term stability.

The AFSA considers the quality of services provided by operators and transparency to the public, as the main pillar from which market development will be projected. Promoting a healthy financial market that meets obligations towards consumers is the main objective of this strategy, focusing on:

(i) strengthening the applicability of compulsory insurance products; (ii) coordinating actions with the Ministry of Finance in order to improve and stabilize the fiscal regime applied to the insurance industry; (iii) promoting a competitive and efficient insurance market; and (iv) creating facilities for the development of other distribution channels and new products.

**In the securities market,** some of the directions where the AFSA will focus in order to assist the sustainable development of this market are:

(i) eliminating restrictions that impede market development; (ii) strengthening the supervisory function; (iii) adjusting and regulating the AFSA policies in order to allow the creation of other types of funds; (iv) promotion of markets; (v) financial education; (vi) technology.

**In the voluntary private pension market,** the AFSA will focus on several directions:

(i) optimization of the fiscal framework regulating pension funds; (ii) raising awareness of the benefits of supplementary private pensions; (iii) continuous communication with interested parties; (iv) financial education.

Based on the importance of **financial stability**, the AFSA has defined several strategic directions in terms of (i) crisis management; (ii) capacity building for the supervision of financial groups and development of consolidated supervision; and (iii) building a mechanism for consumer protection against bankruptcy and exit from the market of operators. **During 2018** attention will focus on the following objectives:

### Market supervision and monitoring

This objective guarantees the development of the legal and regulatory framework and the efficient and proper implementation of this framework for all three markets under supervision

aiming at maintaining their financial health and guaranteeing stability in terms of consumer protection.

### **Consumer and investor protection**

Consumer and investor protection is one of the most important objectives of the AFSA, an objective that has been emphasized also during 2017. For this purpose, in 2017, with the structural changes, the Consumer Protection Unit was raised at the directory level and the three-year Strategy “On increasing consumer/investor trust in the markets under supervision 2017-2020” was approved. To achieve this objective during 2018, the AFSA will continue to pursue the activities planned for the implementation of this Strategy in order to increase awareness and information in function of better consumer protection, as well as further development of these markets.

### **Financial education**

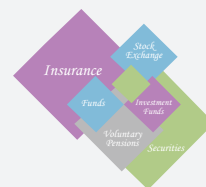
In support of this objective, to increase financial education on financial markets, in 2018, a number of monitoring procedures are foreseen for companies operating in the markets under supervision regarding their behavior towards the consumer and several educational activities at different educational levels in the country and particularly in public and private universities, to introduce and collaborate with them in the framework of enhancing and strengthening the knowledge on the non-bank financial markets. In support of this objective, the AFSA also intends, during 2018, to prepare a series of articles and information programs aimed at encouraging the public and other institutions to participate in these markets and develop their activity in these markets.

### **Improving the legal and regulatory framework**

Improving the legal and regulatory framework continues to be an important objective, with the aim of increasing the degree of alignment with EU directives and international standards, as well as increasing the effectiveness of supervision. In the insurance market, the AFSA will continue to work on the process of adopting a new law on compulsory insurance in the transport sector, with the purpose of addressing the issues that have been associated with this market for almost two decades, as well as the completion of the drafting process of the regulations implementing Law 52/2014 “On the Activity of Insurance and Reinsurance”. Regarding the voluntary pension market, the AFSA will pursue the process of adopting amendments to the law on pensions. While in the securities sector, during 2018, work on improving the legal framework will continue through the drafting of the new laws “On Collective Investment Undertakings” and “On Securities” within the SECO Project framework.

### **Administration of the Compensation Fund**

This objective remains one of the main priorities of AFSA’s activity, since within 2018 it is intended to complete the process of overdue payments that belong to the period 2001-31.12.2013, mitigation of arrears that belong to the period 1.1.2014-31.12.2017, as well as



curbing the phenomenon of accumulation of the failure to perform payments within the timeframes of the occurred event. In addition to the tracking of payments that will be carried out on an ongoing basis, the Albanian Insurance Bureau will continue to monitor the implementation of the Board decisions on the performance payments regarding the Compensation Fund obligations. The Compensation Fund deficit, for outstanding claims over the years, according to FSAP recommendations, had to be settled within the period 2014-2016. The negotiation of the three-year term was related to the difficult financial and market liquidity situation in 2013, deriving from the implementation of under-cost compulsory motor insurance tariffs. Although the tariffs stabilized a year later, this obligation still remains today at levels close to those of 2013. Recalling the period of monitoring the implementation of this stabilization measure, respectively 2014-2016, there was a misinformation of the Parliament and the public regarding the extent of the payment of this obligation, while this measure was not implemented effectively by creating a crunch that puts under pressure the development and health of the financial market.

### **Strengthening the administrative capacities of the AFSA**

This objective has been the focus of AFSA's work during 2017 and will continue to be such also in 2018. In order to complete the structure and recruit a highly qualified staff, work will be undertaken to attract and hire experienced specialists in the financial field as well as further capacity building of the existing staff. In pursuit of this objective, the implementation of the third phase of the project "Strengthening the Supervisory Capacities of the Financial Supervisory Authority" will be continued, where in cooperation with SECO experts, a detailed training plan will be developed to be funded by the project. This objective is expected to be achieved through (i) filling vacancies according to the AFSA's organizational structure in compliance with market developments and the employment of the most qualitative human resources; (ii) professional qualification of the AFSA staff, with the aim of enhancing professional expertise at work; (iii) treatment of the AFSA employees to support their quality enhancement.

### **Fulfillment of obligations for the implementation of technical assistance projects**

Even during 2018, the AFSA will continue to pursue, fulfill and implement all projects and technical assistance under process in order to increase the AFSA standards and expertise, improve financial reporting in compliance with the best international practices and harmonize the legal and institutional framework of the country with EU directives, crisis management, etc.

### **Modernization of ICT infrastructure**

This objective is linked to one of the main areas of information processing at the AFSA and will focus on strengthening the capacity building, further development of the Information Center, modernization of existing platforms and programs towards an intelligent integrated and secure solution, increasing security in information networks and increasing the level of knowledge, skills and capabilities of the expertise.

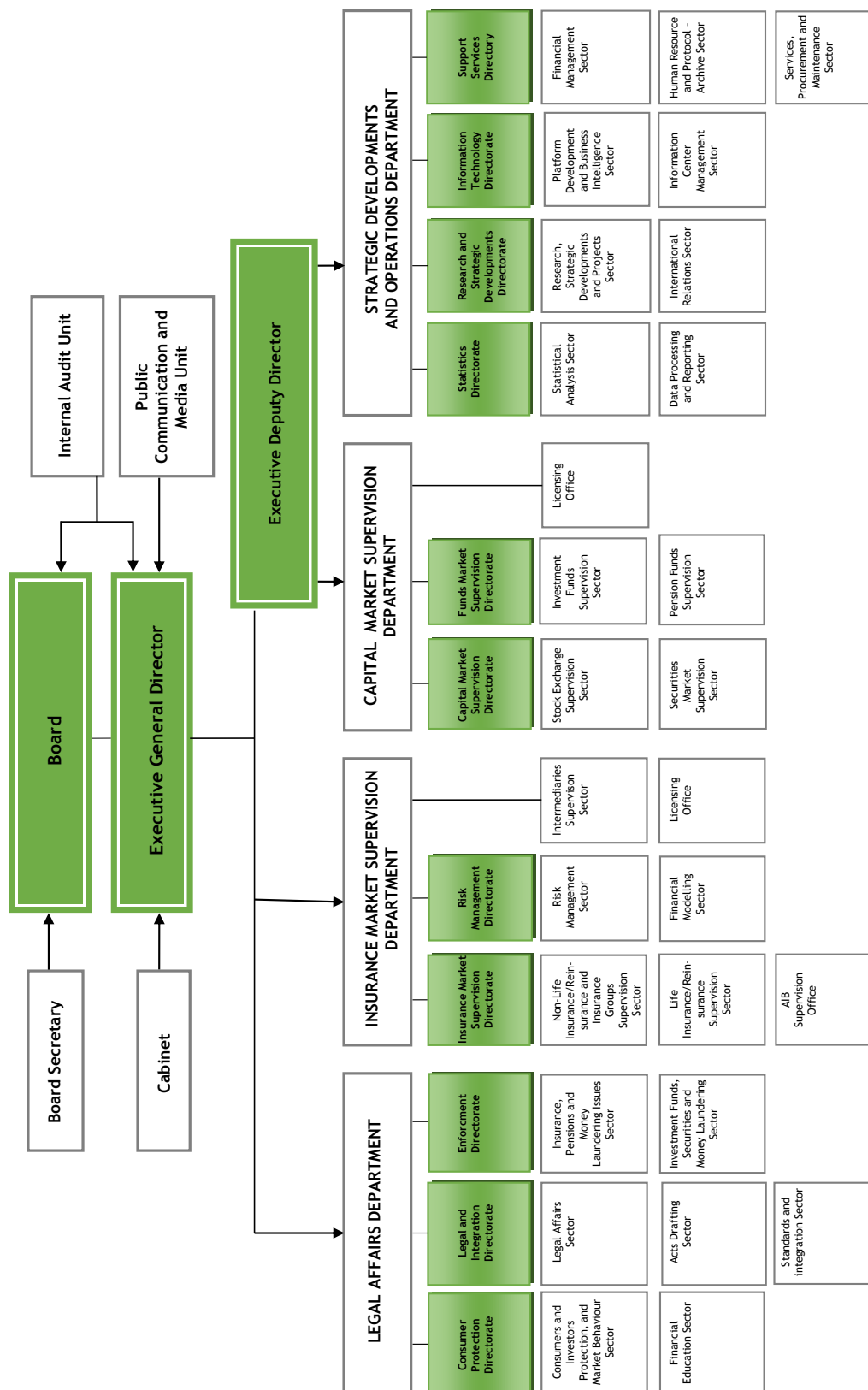
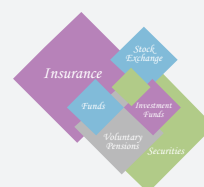
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Increased and strengthened institutional cooperation with international organizations, counterpart authorities as well as institutions within and outside the country.

This objective aims at strengthening the relationship between institutions within the country and counterpart institutions abroad. The aim is to achieve a bilateral agreement that serves us for work and exchange of experiences.

# APPENDICES A

## Organizational Structure of AFSA



**Legal Affairs Department** is responsible for the legal compliance of the Authority's activity through the drafting of the necessary laws and by-laws, providing legal opinions and legal support for the activity of the markets under supervision and the activity of the Authority; it carries out the legal protection of the Authority in front of the judicial bodies and coordinates the cooperation relationship with the law enforcing institutions; it ensures the protection of the consumer / investor, by making sure that the activity of the subjects under supervision is carried out in compliance with the legislation in force and in a transparent and trusted manner ensures the fulfillment of the integration processes, the alignment of the domestic legislation with that of the EU, as well as the alignment with international principles and standards.

**Insurance Market Supervision Department** is responsible for the effective supervision of insurance / reinsurance companies, the Albanian Insurance Bureau and insurance intermediaries, through off-site, on-site supervision and actuarial services; it licenses and monitors the insurance companies and other entities operating in the insurance market in compliance with the applicable legal and regulatory framework.

**Capital and Funds Market Supervision Department** is responsible for the supervision of the securities market, voluntary pension funds and investment funds, as well as the supervision of the licensed entities in these markets; it licenses entities active in the securities market, the investment and pension fund market, and monitors the carrying out of their activity in compliance with the legal framework;

**Strategic Developments and Operations Department** is responsible for the development of methodologies and strategies in function of supervision, follows the implementation and progress of the Authority's projects, carries out analysis of trends and developments in the markets under supervision; administers the Compulsory Insurance Information Center, develops new reporting platforms, and designs and implements effective management policies of the financial and human resources of the Authority in order to improve its activity.



## APPENDICES B

### List of Supervised Institutions

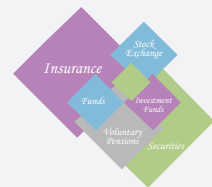
#### INSURANCE MARKET

	1. INSIG sh.a.	2. INSIG JETA sh.a.	3. SIGMA Vienna Insurance Group sh.a.	4. SIGAL Uniqia Group Austria sh.a.
<b>CEO</b>	<b>Areta Çuko</b>	<b>Elvana MINO</b>	<b>Klaidi ÇITOZI</b>	<b>Avni PONARI</b>
<b>Scope of Activity</b>	Non-life insurance	Life insurance	Non-life insurance	Non-life insurance, reinsurance
<b>Type of Ownership</b>	Domestic capital	Domestic capital	Foreign and domestic capital	Foreign and domestic capital
<b>Office address</b>	St. "Jul Variboba", No. 21, Tirana	St. "Kavajës", nr. 116, Tirana	St. "Komuna e Parisit", Kutia Postare No. 1714, Tirana	Bl. "Zogu I", No. 1, Kutia Postare No. 2387, Tirana
<b>Tel./Fax</b>	+355 42 223 838	+355 42 223 838	+355 42 258 254 +355 42 258 253	+355 42 233 308/ 253 407/408/ +355 42 250 220
<b>Website</b>	<a href="http://www.insig.com.al">www.insig.com.al</a>	<a href="http://www.insig.com.al">www.insig.com.al</a>	<a href="http://www.sigma-al.com">www.sigma-al.com</a>	<a href="http://www.sigal.com.al">www.sigal.com.al</a>
<b>Email</b>	<a href="mailto:info@insig.com.al">info@insig.com.al</a>	<a href="mailto:info@insig.com.al">info@insig.com.al</a>	<a href="mailto:info@sigma-al.com">info@sigma-al.com</a>	<a href="mailto:info@sigal.com.al">info@sigal.com.al</a>
<b>Licence number/date</b>	No. 3 dt. 08.06.2000	Nr. 4 dt. 08.06.2000	No. 01, of 03.02.1999	No. 02, dt. 23.06.1999 and No. 06, dt. 03.02.2006
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
<b>CEO</b>	<b>Dritan ÇELAJ</b>	<b>Gentian SULA</b>	<b>Xhevdet KOPANI</b>	<b>Muharrem BARDHOCI</b>
<b>Scope of Activity</b>	Non-life insurance	Non-life insurance	Non-life insurance	Non-life insurance
<b>Type of Ownership</b>	Domestic capital	Foreign and domestic capital	Domestic capital	Domestic capital
<b>Office address</b>	St. "Themistokli Gërmenji", 3/1, Tirana	St. "Ismail Qemali", Nd. Samos Tower, Floor 2, Box Office 8292, Tirana	St. "Papa Gjon Pali II", vila Nr. 5, Tirana	St. "George W. Bush", No. 10, Tirana
<b>Tel./Fax</b>	+355 42 230 506 +355 42 235 088	+355 42 270 576/577	+355 42 238 899/999, +355 42 223 841	+355 42 254 770 +355 42 254 664
<b>Website</b>	<a href="http://www.atlantik.com.al">www.atlantik.com.al</a>	<a href="http://www.intersig.al">www.intersig.al</a>	<a href="http://www.eurosig.al">www.eurosig.al</a>	<a href="http://www.albsig.com.al">www.albsig.com.al</a>
<b>Email</b>	<a href="mailto:atlantik@atlantik.com.al">atlantik@atlantik.com.al</a>	<a href="mailto:info@intersig.al">info@intersig.al</a>	<a href="mailto:info@eurosig.al">info@eurosig.al</a>	<a href="mailto:info@albsig.com.al">info@albsig.com.al</a>
<b>Licence number/date</b>	No 5, of 13.04.2001	No. 6 dt. 13.09.2001	No. 7 dt. 8.07.2004	No. 10 dt. 19.07.2004
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited

	8. ANSIG sh.a.	10. SICRED sh.a.	11. SIGAL-LIFE Uniq Group Austria sh.a.	12. MAI sh.a.
<b>CEO</b>	<b>Edlir RUKA</b>	<b>Genc KOXHAJ</b>	<b>Edvin HOXHAJ</b>	<b>Elnar GASHI</b>
<b>Scope of Activity</b>	Non-life insurance	Life insurance	Life insurance	Insurance brokers and reinsurance
<b>Type of Ownership</b>	Domestic capital	Domestic capital	Foreign and domestic capital	Foreign capital
<b>Office address</b>	St. "Donika Kastrioti", Vlla 9/1, (St. 4 shkurt) Tirana	St. "Brigada VIII", Vlla 3/1, Tirana	Bul. "Zogu I", Nr 1, Tirana	St. "Ismail Qemali", P. Gener 2 (Valle Verde), Floor III/4, Tirana
<b>Tel./Fax</b>	+355 42 263 490/495/486	+355 42 237 549 +355 42 237 530	+355 42 253 407/ 408 +355 42 233 308	+355 42 500 514
<b>Website</b>	<a href="http://www.ansig.al">www.ansig.al</a>	<a href="http://www.sicred.com.al">www.sicred.com.al</a>	<a href="http://www.sigal.com.al">www.sigal.com.al</a>	<a href="http://www.mai-cee.com">www.mai-cee.com</a>
<b>Email</b>		<a href="mailto:contact@sicred.com.al">contact@sicred.com.al</a>	<a href="mailto:infalife@sigal.com.al">infalife@sigal.com.al</a>	<a href="mailto:elnar.gashi@mai-cee.com">elnar.gashi@mai-cee.com</a>
<b>Licence number/date</b>	No. 12 dt. 22.06.2012	No. 8 of 26.07.2004	No. 11 of 28.07.2004	No. 1 of 11.09.2008
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
	<b>13. 3B BROKER sh.a.</b>	<b>14. DEVON sh.a.</b>	<b>15. ALL - SIG sh.a.</b>	<b>16. A-EJA INSURANCE BROKER sh.a.</b>
<b>CEO</b>	<b>Bashkim KRYEZIU</b>	<b>Valbona ÇARÇANI</b>	<b>Rezarta ZHUKRI</b>	<b>Anila QENDRO</b>
<b>Scope of Activity</b>	Non-Life Insurance Brokerage	Non-Life & Life Insurance Brokerage	Non-Life Insurance Brokerage	Non-Life Insurance Brokerage
<b>Type of Ownership</b>	Domestic capital	Domestic capital	Domestic capital	Domestic capital
<b>Office address</b>	St. "Mustafa Matohiti", P. 7/2, Apt. 8, Tirana	"Pallati i Kulturës", QTZHK, Scanderbeg Square, Tirana	St. "Abdyt Frasheri", P. De Rada, Tirana	St. "Pjetër Bogdani", P. 20, Floor 1, Tirana
<b>Tel./Fax</b>	+355 42 248 768/42 248 756	+355 42 379 925, +355 69 20 58424	+355 42 257 903 / 42 238 018,	+355 42 249 952 +355 42 227 307
<b>Website</b>				
<b>Email</b>	<a href="mailto:info@3bbroker.al">info@3bbroker.al</a>	<a href="mailto:valbona_carcani@yahoo.com">valbona_carcani@yahoo.com</a>	<a href="mailto:allsigbroker@gmail.com">allsigbroker@gmail.com</a>	<a href="mailto:a.qendro@a-ejainsurance.com">a.qendro@a-ejainsurance.com</a>
<b>Licence number/date</b>	No. 2 of 26.03.2009	No. 3 dt. 10.12.2009 No. 12 dt. 23.12.2013	No. 5 of 19.03.2010	No. 7 of 21.05.2010
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited

	17. WVP INSURANCE BROKER sh.a.	18. STAR BROKER sh.a.	19. IFIS BROKER sh.a.	20. FIDENTIA sh.a. Insurance BROKER
<b>CEO</b>	<b>Arbian KELMENDI</b>	<b>Arben SIMAKU</b>	<b>Edmira MUÇKA</b>	<b>Përparim ISUFI</b>
<b>Scope of Activity</b>	Life & Non-Life Insurance Brokerage	Non-Life Insurance Brokerage	Life and Non-Life Insurance Brokerage, and Reinsurance	Non-Life Insurance Brokerage
<b>Type of Ownership</b>	Foreign capital	Domestic capital	Domestic capital	Domestic capital
<b>Office address</b>	St. "Barrikadave", P. 18, H 6, Floor 4, Apt.11, Tirana	St. "Nikolla Tupte", Building no. 4, Floor I, Tirana	St. "Ismail Qemali", P. 2K, Floor 8, Apt. 40, Tirana	St. "Ismail Qemali", No. 27, Fratari Tower, Floor 1, Tirana, P.O. Box 2408/1
<b>Tel./Fax</b>	+355 42 224 525	+355 69 40 37 001	+355 69 20 87 987	+355 42 269 435 +355 69 20 45 790
<b>Website</b>	<a href="http://www.wvp.al">www.wvp.al</a>			<a href="http://www.fidentia.al">www.fidentia.al</a>
<b>Email</b>	<a href="mailto:wvptirana@wvp.al">wvptirana@wvp.al</a>	<a href="mailto:arben.simaku@starbroker.al">arben.simaku@starbroker.al</a>	<a href="mailto:ifs@ifs.al">ifs@ifs.al</a>	<a href="mailto:info@fidentia.al">info@fidentia.al</a>
<b>Licence number/date</b>	No. 10 dt. 25.04.2012	No. 11 dt. 23.05.2013	No. 13 dt. 23.01.2014	No. 14 dt. 26.11.2015
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
<b>CEO</b>	<b>Olti PECINI</b>	<b>Christian CANACARIS</b>	<b>Seyhan PENCAPLIGIL</b>	<b>Georgios PAPANASTASIOU</b>
<b>Përgjegjësi i njësies së brokerimit</b>		<b>Gentiana GJINO</b>	<b>Klaida ÇEKREZI</b>	<b>Jerina LLUKMANI</b>
<b>Scope of Activity</b>	Non-Life insurance broker	Life and Non-Life insurance broker	Life and Non-Life insurance broker	Life and Non-Life insurance broker
<b>Type of Ownership</b>	Domestic capital	Foreign capital	Foreign capital	Foreign capital
<b>Office address</b>	St. "Reshit Çollaku", P.24, H.13, Apt.5, Tirana,	St. e Kavajës, P.71, shk.1, Apt.4, Tirana	Bul. "Zhan D'ark", Tirana	St. Kavajës, G-KOM Business Center, Tiranë
<b>Tel./Fax</b>	+355 66 20 53 172	+355 42 226 699 +355 42 275 599	+355 4 250 955 +355 4 250 956	+355 42 233 550
<b>Website</b>	<a href="http://www.wvp.al">www.wvp.al</a>	<a href="http://www.raiffeisen.al">www.raiffeisen.al</a>	<a href="http://www.bkt.com.al">www.bkt.com.al</a>	<a href="http://www.alphabank.al">www.alphabank.al</a>
<b>Email</b>	<a href="mailto:infobestbroker@gmail.com">infobestbroker@gmail.com</a>	<a href="mailto:info@raiffeisen.al">info@raiffeisen.al</a>	<a href="mailto:info@bkt.com.al">info@bkt.com.al</a>	<a href="mailto:qualityassurance.albania@alpha.gr">qualityassurance.albania@alpha.gr</a>
<b>Licence number/date</b>	No. 16 dt. 30.05.2016	No. 17 dt. 31.10.2016	No. 18 dt. 27.12.2016	No. 19 dt. 27.12.2016
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited

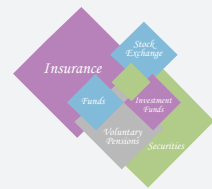
	25. SMART INSURANCE BROKER sh.a.	26. EURO BROKER sh.a.	27. ASSIBROKER sh.a.
<i>CEO</i>	<i>Fiorela QOSHJA</i>	<i>Grean SHEHAJ</i>	<i>Ejona RRYÇI</i>
<i>Scope of Activity</i>	Non-Life insurance broker	Non-Life insurance broker	Non-Life insurance broker
<i>Type of Ownership</i>	Domestic capital	Domestic capital	Domestic capital
<i>Office address</i>	St. "Dëshmoret e 4 Shkurtit", Sky Tower, no. 5, Suite 7/2, Postal code 1019, Tirana	St.. "Mustafa Matohiti", Tirana	St.. "Brigada VIII", vila 3/1, floor III, Tirana
<i>Tel./Fax</i>	+355 696033316		+355 42 2237549
<i>Website</i>			<a href="http://www.assibroker.com.al">www.assibroker.com.al</a>
<i>Email</i>			<a href="mailto:contact@assibroker.com.al">contact@assibroker.com.al</a>
<i>Licence number/date</i>	Nr. 20 dt. 30.03.2017	Nr. 21 dt 19.06.2017	Nr. 22 dt. 30.11.2017
<i>License Duration</i>	Unlimited	Unlimited	Unlimited



	1. RAIFFEISEN BANK sh.a.		2. BANKA KOMBËTARE TREGTARE sh.a.		3. INTESA SAN PAOLO Bank Albania sh.a.		4. ALPHA BANK sh.a.
CEO	Christian CANACARIS		Seyhan PENCAPLIGIL		Silvio PEDRAZZI		Georgios PAPANASTASIOU
Scope of Activity	Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities		Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities		Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities		Life and Non-Life insurance broker
Type of Ownership	Foreign capital		Foreign capital		Foreign capital		Foreign capital
Office address	European Trade Center, Bul. "Bajram Curri", Tirana		Bul. "Zhan D'ark", Tirana		St. "Ismail Qemali", No. 27, Tirana		St.. Kavajës, G-KOM Business Center, Tiranë
Tel./Fax	+355 42 381 381 / +355 42 275 599		+355 4 250 955, +355 4 250 956		+355 42 276 000/42 248 762		+355 42 233 550
Website	www.raiffeisen.al		www.bkt.com.al		www.intesasnpaolobank.al		www.alphabank.al
Email	info@raiffeisen.al		info@bkt.com.al		opinion@intesasanpaolobank.al		qualityassurance.albania@alpha.gr
Licence number/date	No. 3 dt. 25.06.2009 No. 6 dt. 29.09.2010		No. 4 dt. 25.06.2009 No. 7 dt. 18.11.2010		No. 6 dt. 25.06.2009 No. 2 dt. 21.05.2010		No. 19 dt. 27.12.2016
License Duration	Unlimited		Unlimited		Unlimited		Unlimited
	5. BANKA CREDINS sh.a.		6. TIRANA BANK sh.a.		7. SOCIETE GENERALE ALBANIA sh.a.		8. BANKA NDËRKOMBËTARE TREGTARE sh.a.
CEO	Maltin KORKUTI		Dritan MUSTAFA		Frederic BLANC		Gideon Van Den BROEK
Scope of Activity	Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities and corporate and local government bonds		Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities.		Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities		Brokerage company for Albanian Government securities on the exchange.
Type of Ownership	Domestic capital		Foreign capital		Foreign and domestic capital		Foreign capital
Office address	St. "Ismail Qemali", No. 21, Tirana		St. "Ibrahim Rugova", Tirana		Bul. "Dëshmorët e Kombit", Kulla Binjake I, Tirana		St. "Murat Toptani", kati VII , pranë Gjergji Center, Tirana
Tel./Fax	+355 42 234 096, +355 42 222 916		+355 42 277 700 +355 42 263 022		+355 42 280 442/3 +355 42 280 441		+ 355 42 256 254 + 355 42 235 409
Website	www.bankacredins.com		www.tiranabank.al		www.societegenerale.al		www.icbank-albania.com
Email	info@bankacredins.com		info@tiranabank.net		sgalb.info@socgen.com		enquiry@icbank-albania.com
Licence number/date	No. 8 of 25.06.2009 No. 4 of 30.08.2010 No. 1 of 13.12.2011		No. 1 of 21.05.2010 No. 1 of 21.05.2010		No. 5 of 25.06.2009 No. 8 of 13.12.2011 No. 5/1 of 21.03.2012		No. 11 of 25.06.2009
License Duration	Unlimited		Unlimited		Unlimited		Unlimited

9. FIRST INVESTMENT BANK sh.a.		10. POSTA SHQIPTARE sh.a.	11. KAPITAL INVEST sh.a.	12. TRIUMF GROUP sh.a.
<b>CEO</b>	<b>Bozhidar TODOROV</b>	<b>Laert Duraj</b>	<b>Lirim MUHARREMI</b>	<b>Mirela ANGJELI</b>
<b>Scope of Activity</b>	Broker of Republic of Albania Government securities on the Exchange and on the retail market, and custodian of Republic of Albania Government securities	Brokerage company for Albanian Government securities (T-bills) on the retail market	Brokerage company for Albanian Government securities on the exchange and on the retail market	Brokerage company for Albanian Government securities on the exchange.
<b>Type of Ownership</b>	Foreign capital	Government-owned	Foreign and domestic capital	Domestic capital
<b>Office address</b>	Bul. "Dëshmorët e Kombit", Twin Towers Nr. 2 Kati i 14 & 15, Tirana	St. "Reshit Collaku", No. 4, Tirana	Vila "Ajet Metaj", Njësia Bashkiake No.1, ish Uzina e Autotraktoreve, Tirana	St. "M. Gjollësia", Tower 2, Apt. 13, Tirana
<b>Tel./Fax</b>	+355 42 276 702/3 +355 42 280 210	+355 42 222 315 +355 42 266 559	+355 42 280 202	+355 68 20 58 275 +355 42 256 081
<b>Website</b>	<a href="http://www.fjbank.com">www.fjbank.com</a>	<a href="http://www.postashqiptare.al">www.postashqiptare.al</a>		
<b>Email</b>		<a href="mailto:posta@postashqiptare.al">posta@postashqiptare.al</a>		
<b>Licence number/date</b>	No. 12 of 29.09.2010 No. 5 of 29.09.2010 No. 2 dt. 23.12.2014	No. 10 dt. 25.06.2009	No. 9 of 25.06.2009	No. 2 of 25.06.2009
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited
13. AKSIONER INTERNATIONAL SECURITIES BROKERAGE sh.a.		14. BANKA AMERIKANE E INVESTIMEVE sh.a.	15. EUROTRADE SECURITIES sh.a.	16. PRODATA SECURITIES sh.a.
<b>CEO</b>	<b>Alma HASANAJ</b>	<b>Andi BALLITA</b>	<b>Florin DEDA</b>	<b>Gertin QJNAMI</b>
<b>Scope of Activity</b>	Securities brokerage company in trading in securities on customers' orders on the licensed market in the Republic of Albania, and stock broker on behalf of "Saxo Bank"	Securities Brokerage Company of Government of R.A on Stock Exchange and in the Retail Market.	Securities brokerage company for buying and selling of securities upon clients order on the licensed market in the territory of the Republic of Albania.	Securities brokerage company for buying and selling of securities upon clients order on the licensed market in the territory of the Republic of Albania.
<b>Type of Ownership</b>	Foreign capital	Company with foreign capital	Company with foreign capital	Domestic capital
<b>Office address</b>	St. "Qemal Stafa", P. 31, njësia tregtare 2, No. 20, Tirana	St. e Kavajës, Building 27, Kati VIII, Kodi Postar 1001, Tirana	St. e Kavajës, Compelx Parc Construction, G.D, Foor 2, Njësia Bashkiake Nr.7, Tirana	Rezidenc "Kodra e Diellit", A 0/1, Farkë e Madhe, Selitë, Tirana
<b>Tel./Fax</b>	+355 44 400 600	+355 44537253 +355 4225875	+355694056681	+355696084033
<b>Website</b>	<a href="http://www.aksioner.com">www.aksioner.com</a>	<a href="http://www.abi.al">www.abi.al</a>	<a href="http://www.eurotradesecurities.com">www.eurotradesecurities.com</a>	<a href="http://www.prodata.al">www.prodata.al</a>
<b>Email</b>	<a href="mailto:info@aksioner.com">info@aksioner.com</a>	<a href="mailto:ggjonca@abi.al">ggjonca@abi.al</a>	<a href="mailto:florin@eurotradesecurities.com">florin@eurotradesecurities.com</a>	<a href="mailto:prodata@prodata.al">prodata@prodata.al</a>
<b>Licence number/date</b>	No. 13 dt. 28.04.2011 No. 64 dt. 28.04.2011	No. 15 of 31.10.2016 No. 9 of 31.10.2016	No. 16 of 30.03.2017	No. 17 of 03.07.2017
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	Unlimited





	17. SMARTCOM sh.a.	18. QENDRA E REGJISTRIMIT TË AKSIONEVE sh.a.	19. BURSA SHQIPTARE ALSE sh.a.	20. BURSA E TIRANES sh.a.
<b>CEO</b>	<b>Alessandro UNGARO</b>	<b>Ardian MYSLIMAJ</b>	<b>Artan GJERGJI</b>	Temporary activity suspension in conformity with the decision of the shareholders no. 16 date 07.04.2015
<b>Scope of Activity</b>	Securities brokerage company for buying and selling of securities upon clients order on the licensed market in the territory of the Republic of Albania.	Corporate share registry	Operating as a Securities Exchange	
<b>Type of Ownership</b>	Company with foreign capital.	Government-owned	Foreign and domestic capital	
<b>Office address</b>	St. "Panorama", Kompleksi "Erion", Floor 1, Tirana	St. "George W. Bush", Nr. 13, Kutia Postare 7424, Tirana	St. "Nikolla Tupte", no.1, Floor 3, Apt.3, Tirana	
<b>Tel./Fax</b>	+355 694811119	+355 42 233 442, +355 42 233 425	+35542243808	
<b>Website</b>		<a href="http://www.qra.al">www.qra.al</a>		
<b>Email</b>	<a href="mailto:corporate@smartcom.al">corporate@smartcom.al</a>	<a href="mailto:info@qra.al">info@qra.al</a>	<a href="mailto:info@alse.al">info@alse.al</a>	
<b>License number/date</b>	No.18 of 27.07.2017	dt. 05.11.2002	No. 2 of 03.07.2017	
<b>License Duration</b>	Unlimited	Unlimited	Unlimited	
	<b>INVESTMENT FUND RAIFFEISEN PRESTIGJ (Ref. FI-B1)</b>	<b>INVESTMENT FUND "RAIFFEISEN INVEST EURO" (Ref. FI-B2)</b>	<b>INVESTMENT FUND "CREDINS PREMIUM"</b>	
	Under the management of "Raiffeisen Invest-Management Company of Voluntary Pension Funds and Collective Investment Undertakings" sh.a.	Under the management of "Raiffeisen Invest-Management Company of Voluntary Pension Funds and Collective Investment Undertakings" sh.a.	Under the management of "Credins Invest - management company of voluntary pension funds and collective investment undertakings" sh.a.	

## PRIVATE VOLUNTARY PENSION MARKET

	1. Raiffeisen Invest - Management Company of Voluntary Pension Funds and Collective Investment Undertakings	2. SIGAL-Life UNIQA Group Austria Pension Funds Management Company sh.a	3. SICRED Pension Funds Management Company sh.a	4. FIRST INVESTMENT Bank sh.a.
<i>General Managing Director</i>	<b>Edlira KONINI</b>	<b>Naim HASA</b>	<b>Estela KOCI</b>	<b>Bozhidar TODOROV</b>
<i>Scope of Activity</i>	Voluntary pension fund and collective investment undertaking management company	Voluntary pension fund management company	Voluntary pension fund management company	Depositary of voluntary pension fund and collective investment undertaking assets
<i>Type of Ownership</i>	Foreign capital	Foreign and domestic capital	Domestic capital	Foreign capital
<i>Office address</i>	St. "Bajram Curri", ETC Kati 10, Tirana.	Bul. "Zogu I", Tirana	St. Nikolla Tupe, no.1, floor 3, Tirana	Bul. "Dëshmorët e Kombit", Twin Towers Nr. 2 Kati i 14 & 15, Tirana
<i>Tel./Fax</i>	+355 42 277 901 +355 42 277 905	+355 42 233 308 +355 42 250 220	+355 42 237 549/ 496/ 44 538 674	+355 42 276 702/3 +355 42 280 210
<i>Website</i>	<a href="http://www.raiffeisen-invest.al">www.raiffeisen-invest.al</a>	<a href="http://www.fpsigal.com.al">www.fpsigal.com.al</a>	<a href="http://www.sicred-pensions.com.al">www.sicred-pensions.com.al</a>	<a href="http://www.fibank.com">www.fibank.com</a>
<i>Email</i>	<a href="mailto:invest@raiffeisen.al">invest@raiffeisen.al</a>	<a href="mailto:naimhasa@sigal.com.al">naimhasa@sigal.com.al</a>	<a href="mailto:ekoci@sicred.com.al">ekoci@sicred.com.al</a>	
<i>Licence number/date</i>	No. 1 dt. 18.10.2010 No. 1 dt. 13.12.2011	No. 2 of 30.03.2011	No. 3 of 23.11.2011	No. 1 of 13.12.2011
<i>License Duration</i>	Unlimited	Unlimited	Unlimited	Unlimited
	<b>5. BANKA E TIRANËS sh.a.</b>	<b>6. SOCIETE GENERALE ALBANIA sh.a.</b>	<b>7. BANKA KOMBËTARE TREGTARE sh.a.</b>	<b>8. BANKA AMERIKANE E INVESTIMEVE sh.a.</b>
<i>Executive Director</i>	<b>Dritan MUSTAFA</b>	<b>Frederic BLANC</b>	<b>Seyhan PENCAPLIGIL</b>	<b>Andi BALLTA</b>
<i>Scope of Activity</i>	Voluntary pension fund asset depositary	Voluntary pension fund asset depositary	Voluntary pension fund asset depositary	Depositary for assets of voluntary pension funds and collective investment undertakings
<i>Type of Ownership</i>	Foreign capital	Private foreign and domestic capital	Foreign capital	Company with foreign capital
<i>Office address</i>	St. "Ibrahim Rugova", Tirana	Bul. "Dëshmorët e Kombit", Twin Tower I, Tirana	Bul. "Zhan D'ark", Tirana	St. e Kavajes, Building 27, Floor VIII, Postal Code 1001, Tirana
<i>Tel./Fax</i>	+355 42 269 616/617/429 +355 42 269 707	+355 42 280 442/3 +355 42 280 441	+355 4 250 955, +355 4 250 956	+355 44537253 +355 4225875
<i>Website</i>	<a href="http://www.tiranabank.al">www.tiranabank.al</a>	<a href="http://www.societegenerale.al">www.societegenerale.al</a>	<a href="http://www.bkt.al">www.bkt.al</a>	<a href="http://www.abi.al">www.abi.al</a>
<i>Email</i>	<a href="mailto:info@tiranabank.net">info@tiranabank.net</a>	<a href="mailto:info@socgen.com">info@socgen.com</a>	<a href="mailto:info@bkt.al">info@bkt.al</a>	<a href="mailto:ggjonca@abi.al">ggjonca@abi.al</a>
<i>Licence number/date</i>	No. 2 of 18.11.2010	No. 3 of 13.12.2011	No. 4 dt. 21.12.2015	No. 5 of 03.07.2017
<i>License Duration</i>	Unlimited	Unlimited	Unlimited	Unlimited
	<b>VOLUNTARY PENSION FUND RAIFFEISEN (Ref. FP 1)</b>	<b>VOLUNTARY PENSION FUND SIGAL (Ref. FP 2)</b>	<b>VOLUNTARY PENSION FUND SICRED PENSIONS (Ref. FP 3)</b>	
	Under the management of "Raiffeisen Invest-Management Company of Voluntary Pension Funds and Collective Investment Undertakings" sh.a.	Under the management of "Sigal-life UNIQA Group Austria" sh.a. pension funds management company sh.a.	Under the management of "Management Company of Voluntary Pension Funds SICRED" sh.a	





## APPENDICES C

### Memberships And Signed Cooperation Agreements

A. Membership in International Organizations of Regulators	Year	Institution
International Organization of Securities Commissions (IOSCO)	1998	Securities Commission (now AFSA)
International Association of Insurance Supervisors (IAIS)	2001	Insurance Supervision Authority, Securities Commission (now AFSA)
International Organization of Pension Supervisors (IOPS)	2006	AFSA
B. Agreements signed with foreign counterpart institutions		
Capital Market Commission of Greece	1999	Securities Commission (now AFSA)
Quebec Securities Commission (Quebec Financial Market Authority)	2000	Securities Commission (now AFSA)
Securities and Exchange Commission of Italy	2002	Securities Commission (now AFSA)
Securities Market Agency of Slovenia	2003	Securities Commission (now AFSA)
Securities and Exchange Commission of Poland (now Financial Supervisory Authority of Poland)	2003	Securities Commission (now AFSA)
Capital Market Board of Turkey	2003	Securities Commission (now AFSA)
Kosovo Banking and Payment Authority (now the Central Bank of the Republic of Kosovo)	2004	Insurance Supervision Authority, Securities Commission (now AFSA)
Financial Supervision Commission of Bulgaria	2005	Securities Commission (now AFSA)
National Securities Commission of Romania	2005	Securities Commission (now AFSA)
Securities and Exchange Commission of Macedonia	2005	Securities Commission (now AFSA)
Securities and Exchange Commission of Montenegro	2005	Securities Commission (now AFSA)
Securities Commission of Croatia (now the Financial Services Supervisory Agency of Croatia)	2005	Securities Commission (now AFSA)
Central Bank of the Republic of Kosovo	2008	AFSA
Austrian Ministry of Finance & Austrian Financial Market Authority	2009	AFSA

IOSCO Multilateral Memorandum of Understanding	2009	AFSA
Macedonian Insurance Supervision Agency (ISA)	2010	AFSA
Agency for Supervision of Fully Funded Pension Insurance of Macedonia (MAPAS)	2012	AFSA
EU Competent Authorities, member of European Securities and Markets Authority (ESMA)	2013	AFSA
Coordination Agreement with Actuaries of London	2015	AFSA
Insurance Supervision Agency (Slovenia)	2016	AFSA
Swiss Financial Market Supervisory Authority FINMA	2016	AFSA
Coordination Agreement with Vienna Insurance Group	2016	AFSA
<b>C. Agreements Signed with Organizations in the Country</b>		
Faculty of Economics, University of Tirana	2002	Securities Commission (now AFSA)
Institute of Statutory Auditors (IEKA)	2003	Securities Commission (now AFSA)
Bank of Albania	2005	Insurance Supervision Authority, Securities Commission (now AFSA)
Competition Authority	2006	AFSA
Directorate General of Customs	2009	AFSA
Public Supervisory Board	2010	AFSA
Ministry of Interior	2011	AFSA
Ministry for Public Works and Transport	2011	AFSA
Agreement in the framework of the Financial Stability Advisory Group (FSAG)	2012	AFSA
Directorate General of Road Transport	2012	AFSA
Ministry of Finance, Bank of Albania and the Deposit Insurance Agency	2014	AFSA
General Directorate of Money Laundering Prevention	2015	AFSA
Faculty of Economics, University of Tirana	2016	AFSA
Ministry of Finance, Bank of Albania	2017	AFSA
Business Faculty, "Aleksander Moisiu" University	2017	AFSA
General directorate of taxation	2017	AFSA
College University "Luarasi"	2017	AFSA
The Mediterranean University	2017	AFSA
Institute of Statistics. INSTAT	2017	AFSA

## APPENDICES D

### Independent Accounting Auditor's Report And Financial Statements For The Year Ended 31 December 2017



MAZARS SHPK  
RR. EMIN DURAKU - PALL. "BINJAKET" N°5 - TIRANA, ALBANIA  
TEL/FAX: +355 42 278 015 - +355 42 222 889- www.mazars.al



#### Independent Auditor's Report

To the Board of the Financial Supervisory Authority

#### Opinion

We have audited the financial statements of the Albanian Financial Supervisory Authority (the Institution) comprising the statement of financial position as of 31 December, 2017, the statement of comprehensive profits and losses, the statement of changes in own funds and the statement of the monetary cash flows for the year closed on that date, as well as notes on the financial statements, including a summary of the most important accounting policies.

In our opinion, the financial statements attached present fairly, in all material aspects, the financial position of the Institution as of 31 December 2017, and the financial performance and cash flows for the year closed on that date, in compliance with the International Financial Reporting Standards (IFRS).

#### Basis for the Opinion

We conducted our audit in compliance with International Standards on Auditing (ISA). Our responsibilities under these standards have been described in more details in the section of the report, stating the Responsibilities of the Auditor for Financial Statements. We are independent from the Institution in compliance with the ethical requirements applicable to auditing the financial statements in Albania and we have fulfilled other ethical responsibilities in compliance with these requirements. We believe that the audit evidence we have made available is sufficient and appropriate to provide a basis for our opinion.

#### Issues to be highlighted

We draw your attention on the note 4.5 of the financial statements describing the changes in the implementation of the income recognition policy in the statement of comprehensive profit or losses as well as for note 4.7 of the comprehensive financial statements describing the reserve fund valuation technique. Our opinion is not qualified with regard to these issues.

## **Other issues**

The Financial Statements of the Albanian Financial Supervisory Authority for the year ended on 31 December 2016 have been audited by another auditor who has expressed an unqualified opinion on 13 April 2017.

## **Responsibilities of the Management and Persons in charge with Governance regarding Financial Statements**

The management is responsible for the preparation and fair presentation of financial statements in compliance with IFRSs, and the internal audits that management considers necessary to enable the preparation of financial statements that do not contain any material misstatement, due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Institution's capacity to continue its activity on the basis of the principle of continuation, explanatory notes as well as the issues regarding the continuation of the activity of the Institution, using the basic principles of continuity, except when the management aims to liquidate the activity, or interrupt the operational activity, or there is no other real alternative in addition to the above.

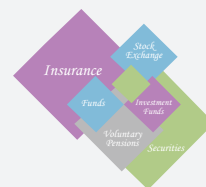
The parties in charge with governance are responsible for the supervision of the financial reporting process of the Institution.

## **Responsibilities of the Auditor on Auditing Financial Statements**

Our objectives for reaching a reasonable assurance that the financial statements do not have material misstatement due to fraud or error, and issue an audit report which includes our opinion. Reasonable assurance is a high level assurance, but it is not a guarantee that an audit carried out according to ISAs will always identify a material misstatement when it exists. Misstatements may come as a result of error or fraud and are considered material if, individually or together, are expected to reasonably influence the economic decisions of the users taken on the basis of such financial statements.

As part of the audit in compliance with ISAs, we exercise our professional judgment and skepticism throughout the audit process. We also:

Identify and assess the risk of material misstatement in the financial statements as a result of fraud or error, plan and implement the relevant procedures for mitigating these risks, as well as obtaining sufficient and appropriate evidence to establish a basis for our opinion. The risk of non-disclosing a misstatement arising from fraud is higher than the risk of non-disclosing a misstatement as a result of error, due to fraud may include concealment of information, counterfeit of information, intentional misappropriation, misrepresentation, or breach of internal control.



Gain an understanding of those internal controls relevant to the audit process in order to draft audit procedures in compliance with the circumstances, but not to express an opinion on the effectiveness of internal controls.

Assess the appropriateness of the accounting policies used and the reasonableness of the accounting estimates performed, as well as the presentation in the relevant explanatory notes made by the Management.

Conclude on the appropriateness of the principle of continuity, based on the evidence obtained during the audit, on the existence of a material uncertainty on the ability of the Institution to continue its activity. If a material uncertainty exists, we must draw attention to the relevant explanatory note, through our audit report, or if the explanatory notes are not appropriate we must modify our opinion. Our findings are provided on the basis of audit evidence obtained by the date of the audit report. However, events or conditions in the future may cause interruption of the institution's ability for continuation.

Assess the layout, structure and content of the financial statements and explanatory notes and whether they represent transactions and events correctly.

Communicate with the persons in charge of the governance of the Institution, besides other issues, the scope and timing of the planned audit, the main audit findings, including any relevant deficiencies in the internal audit identified during our audit.

**Teit Gjini**  
Auditues Ligjor

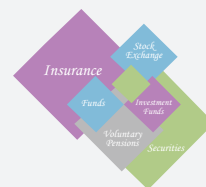
**MAZARS**  
Rr. Emin Duraku, Pali "Binjaket",  
No.5, 1000, Tirana, Albania  
phone: +355 42 27 80 15  
www.mazars.al , info@mazars.al

## Statement of the Financial Position

On 31 December 2017

(Values are in ALL)

	31 December 2017	31 December 2016
<b>ASSETS</b>		
<b>Long-term Assets</b>		
Tangible Fixed Assets	67,262,883	59,215,573
Intangible Fixed Assets	283,379	377,838
<b>Total Long-Term Assets</b>	<b>67,546,262</b>	<b>59,593,411</b>
<b>Short-Term Assets</b>		
Accounts receivable	29,380,734	38,332,986
Advances and accrued income	588,364	88,165
Warranties	20,000	20,000
Investment in Deposits and Treasury Bills	76,000,000	-
Monetary assets	132,575,257	217,936,822
<b>Total Short-Term Assets</b>	<b>238,564,355</b>	<b>256,377,973</b>
<b>Total assets</b>	<b>306,110,617</b>	<b>315,971,384</b>
<b>CAPITAL</b>		
Basic Fund	119,287,505	119,287,505
Reserve Fund	97,138,000	97,138,000
<b>Total Capital</b>	<b>216,425,505</b>	<b>216,425,505</b>
<b>LIABILITIES</b>		
<b>Long-Term Liabilities</b>	-	-
<b>Total Long-Term Liabilities</b>	-	-
<b>Short-Term Liabilities</b>		
Accounts payable	1,707,595	5,771,818
Liabilities for taxes	5,352,535	4,715,798
Liabilities to insurance companies	59,360,346	83,711,263
Other payable	107,465	14,380
Provision Fund	23,157,171	5,332,620
<b>Total Short-Term Liabilities</b>	<b>89,685,112</b>	<b>99,545,879</b>
<b>Total Liabilities</b>	<b>89,685,112</b>	<b>99,545,879</b>
<b>Total Capital and Liabilities</b>	<b>306,110,617</b>	<b>315,971,384</b>



## Statement of Profit and Loss and All-Inclusive Revenues

For the year ended on 31 December 2017

(Values are in ALL)

	For the year ended on 31 december 2017	For the year ended on 31 december 2016
From public and private financial entitites	233,422,012	281,126,339
Fines and late payment interests, seizures and claims	150,000	14,100,000
<b>Total non-monetary revenues</b>	<b>233,572,012</b>	<b>295,226,339</b>
Current Expenses	(156,147,542)	(133,687,076)
Goods and other services	(67,299,917)	(51,667,257)
Depreciation units and anticipated amounts	(7,071,829)	(6,548,645)
Disposals	-	(211,162)
<b>Total current expenses</b>	<b>(230,519,288)</b>	<b>(192,114,140)</b>
Revenues from deposit interests	346,038	392,333
Expenses for exchange rate	(3,398,762)	(1,484,269)
<b>Profit / Loss of the Year</b>	<b>-</b>	<b>102,020,263</b>
<b>Outcome of the year</b>	<b>-</b>	<b>102,020,263</b>

