



**REPUBLIC OF ALBANIA**  
**FINANCIAL SUPERVISORY AUTHORITY**

**THE BOARD**

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**REGULATION**

**ON SUSPENSION OF ISSUE AND REDEMPTION OF UNITS IN THE  
INVESTMENT FUNDS**

*Approved by Board Decision No.154, dated 29.09.2016*

**Article 1**  
**Scope**

The purpose of this regulation is to establish the rules, terms and procedures for the suspension of issue and redemption of units in investment funds.

**Article 2**  
**Scope of Application**

This regulation shall be applied by licensed entities, supervised by the Financial Supervisory Authority, in order to operate as management company of collective investment undertakings, as well as by entities licensed as depositary banks.

**Article 3**  
**Legal basis**

This regulation is drafted and applied pursuant to Article 14 (2) of Law No. 9572, dated 03.07.2006 "On the Financial Supervisory Authority", as amended, and Article 2 (7) of Law

No. 36/2016 "On some additions and amendments to Law No. 10198 of 10 December 2009 "On collective investment undertakings" The terms used in this Regulation shall have the same meaning given by the Law.

#### **Article 4** **Definitions**

1. For the purpose of the application of this regulation, the following term shall have such meaning:
  - a) "Durable mean of communication " implies any mean of communication (e-mail, floppy disk drive, CD-ROM, DVD), which meets the three following criteria:
    - Allows information to be adressed personally to the receiver;
    - Enables the receiver to save the information to be used in the future, for an ample period of time, as well as for the purpose of the information, and;
    - Allows the copy/reproduction of unmodified saved information.

#### **Article 5** **General Principles**

1. The right of unit-holders to purchase and redeem units in investment funds, in accordance with the law, may be affected in occurrence with extraordinary circumstances.
2. Temporary suspension of issue and redemption of units in investment funds is allowed only in the cases of protection of interest of fund investors or potential fund investors'.
3. Extraordinary and unforeseen circumstances, beyond the control of the management company or the depository, may bring the inability to value, dispose of or obtain payment for all or a part of the investment fund assets.
4. The suspension of the issue and redemption of investment fund units, will last only for the necessary period needed for the interest protection of the fund investment unit-holders', within the maximum limit as specified by this Law.

## **Article 6**

### **Extraordinary circumstances on suspension of issue and redemption of units**

1. Extraordinary circumstances which constitute major and justifiable reasons for the suspension of issue and redemption of units, shall be considered:
  - (a) Political, economic, military events, monetary policy or social events, strikes or other major force cases, under the influence of which valuation, sale or purchase of fund's assets cannot be realized as it should be done under normal conditions.
  - (b) Financial crisis situations leading to the closure of financial markets, where a substantial part of the investment assets have been invested.
  - (c) Suspension or break down of ordinary means of communication, for major reasons, used to measure the value of the fund's assets.
  - (d) Other necessary events deemed necessary by the Authority for the interest protection of unit-holders' in a specific fund.
  
2. In addition to paragraph 1, of this Article, extraordinary circumstance shall be considered even the case when after the fulfillment of the obligations by the management company, for a better management of liquidity, in accordance with requirements of the law and by-laws have been exploited all reasonable means in order to insure liquidity of the investment fund.
  
3. Suspension of issue or redemption of units of investment fund by the management company is made after the depositary gives consent.
  
4. In order to fulfill its functions, the Authority, may give orders to the management company and depositary, to suspend the issue and redemption of units, in circumstances where protection of unit-holders' interest in a specific investment fund is necessary.

## **Article 7**

### **Communication on suspension of trading units**

1. The management company and the depositary shall communicate to the Authority the decision taken for the suspension of issue and redemption of units and the documented reasons through a written notification and a durable mean of communication within one hour from the decision-taking.
2. The Authority, after the notification from the management company and the depositary evaluates the situation and in case of any objection related to the suspension, the Authority orders the company to resume the issue and redeem the units.
3. The fund management company should provide on its official website and through any durable mean of communication, the publication of the reasons of suspension , as well as adequate details on unit-holders informing them properly of the suspension, in cases when feasible suspension timeframe is made known:
4. Management company's notification should be made public for the investors, and:
  - a) draw special attention to unit-holders on exceptional circumstances which led to the suspension;
  - b) be clear, fair and not false/misleading;
  - c) guide unit-holders how to get detailed information;
  - d) Inform unit-holders on the deadline of suspension through a public notification on the official website as well as through a durable mean of communication.
5. In such case when the Authority requests to the management company and depositary to suspend the issue and redemption of investment fund units, the reasons and timeframe of suspension should be published on the official website of the Authority, if timeframe of suspension is made known by the company.

## **Article 8**

### **Request acceptance method on issue and redemption of units**

1. Redemption requests received during suspension of issue and redemption of units should be recorded according to the order of the request receipt, preventing any of the fund investors to obtain a privileged position.
2. Redemption requests received beforehand the suspension, which have not yet been redeemed, shall be recorded according to the unit price based on net asset value of the day the request has been made.
3. During the suspension of issue and redemption of units the management company should not sign agreements to issue units.

## **Article 9**

### **Management company liabilities**

1. Redemption requests received during the suspension of issue and redemption of units shall be realized according to the unit price determined on the termination day of suspension, after it has been published at the appropriate time, on the management company's website.
2. The management company must establish a written procedure which should be followed during circumstances of suspension of issue and redemption of units, including a communication plan between the depositary, Authority and unit-holders.
3. Resumption of issue and redemption of units should be applied as soon as the cause/causes of suspension lose validity.
4. The management company and the depositary must notify the Authority within one hour from the decision-taking on the resumption of issue and redemption of units.
5. The management company should submit to the Authority within one hour from the moment of the resumption of issue and redemption of units, the price of the fund unit, which has been previously reconciled with the depositary.

6. If the suspension of issue and redemption of units lasts for more than 28 days, the management company and the depository shall review the circumstances of suspension and report to the Authority, which may give permission to extend such period.
7. If net redemptions are negative and constitute one or more than one percent of net asset value in any given day for more than 5 working days consequently or constitute 5 percent or more of net asset value of the fund in one working day, the management company should inform the Authority immediately and report daily the level of net redemptions, as percentage of the net asset value, for the following 10 working days.
8. The management company must publish in the prospectus of each fund, that the suspension of issue and redemption of units is permissible, whereas due to unexpected circumstances outside the management company's control it is impossible to establish a fair value of the unit. Moreover, in the prospectus should be displayed even the method that will be used for the communication of the suspension to unit-holders.

## **Article 10**

### **Terms of unit price determination, payment and resumption of operations**

1. The management company must assess redemption requests received during the suspension of issue and redemption of units, at the price of the fund units as per the day of suspension termination.
2. The period referred to in Article 117, Paragraph 3 of CIU's Act, shall be seven (7) days from the day the unit price is valued, at the moment of the resumption of issue and redemption of units, if stated in the prospectus and/or in the rules of the fund.
3. During the suspension, the management company should inform each person who requests to purchase or redeem units, and that all kinds of unit funds trading has been suspended and that this person has the option to withdraw the request during the suspension period, or have his request accomplished at the earliest opportunity after the suspension has terminated.

## **Article 11**

### **Entry into force**

This regulation enters into force immediately.

