



**REPUBLIC OF ALBANIA
THE PARLIAMENT**

LAW

No 10198 of 10 December 2009

ON COLLECTIVE INVESTMENT UNDERTAKINGS

Pursuant to Articles 78 and 83 (1) of the Constitution, upon the Council of Ministers' proposal,

THE PARLIAMENT

OF THE REPUBLIC OF ALBANIA

DECIDED:

CHAPTER I

GENERAL PROVISIONS

SECTION I

SCOPE AND APPLICATION

Article 1

Purpose

The purpose of this law is to regulate the:

- a) conditions and criteria for the establishment, constitution and operation of collective investment undertakings and of management companies;
- b) issue and sale of units and shares;
- c) redemption of units;
- ç) promotion of collective investment undertakings;
- d) activities carried out by third parties on behalf of collective investment undertakings;
- dh) Financial Supervision Authority supervision of the operation of collective investment undertakings, management companies, depositaries and persons engaged in the sale of units and shares, required to be supervised under this Law;

- e) operation of foreign collective investment undertakings and foreign management companies in the Republic of Albania;
- ë) fair functioning of the capital market and promotion of the free movement of capital through adoption of rules.

Article 2

Definitions

For the purpose of this Law:

1. “Collective Investment Undertaking” (CIU) means a legal entity or a special pool of investor assets, the establishment and organization of which shall be specified in this Law. The undertakings shall operate in one of the following forms:

a) as “Investment Funds”, which shall be open-ended undertakings established by contract, offering units to the public, as prescribed in Article 54 and other provisions of this Law;

b) as “Investment Companies”, which shall be close-ended undertakings established as joint-stock companies under the legislation in power in the Republic of Albania that can be either with public or with private offering, and whose sole business shall consist of investing in accordance with Article 58 and other provisions of this Law.

2. “Significant Owner” means any person who exercises rights or has effective control over shares that represent 5 percent or more of the initial capital in the company or would give him or her 5 percent or more of the total voting rights in the company;

3. “FSA” means the Financial Supervision Authority established under Law no 9572 of 3 July 2006 “On the Financial Supervision Authority”;

4. “Assets” means securities, money market instruments, derivatives, money, and other assets under ownership of Collective Investment Undertakings, Management Companies, and depositaries as prescribed in this Law;

5. “Stock Exchange” means a stock exchange licensed by FSA;

6. “Depositary” means a licensed commercial bank appointed by the management company and which, under an agreement with a Management Company and upon its order, acts as a Depositary, in accordance with this Law. The Depositary is, for the purposes of this Law, the equivalent of the custodian as per Law No. 9879 of 21 February 2008 “On Securities”;

7. “Feeder Fund” means a fund which invests solely through another fund, known as the master fund. Shares are sold to investors through the feeder fund, but are invested through the master fund;

8. “Umbrella Fund” means the collective investment fund that owns separate asset portfolios, including sub-funds or separate series;

9. “Financial Institutions” means portfolio management companies and life insurance companies;

10. “Investor” means a person who owns units in an Investment Fund or shares in an investment company;

11. “Board of Directors” means, only in reference to the establishment and operation of Management Companies, the supervisory board of the company organized as a one-tier company under the Company Law;

12. "Investment Adviser" means an entity licensed to carry out the activities of an investment adviser in accordance with the Law No 9879 of 21 February 2008 "On Securities" and its implementation legislation;

13. "Ultimate controller" means any person exercising any influence on a licensee, either directly or indirectly through a third party. This includes, but is not limited to, any person in accordance with whose direction and instructions the managers of the regulated company are accustomed to act and whose opinions are influential in the licensee's decision-making process;

14. "Units" means investors' rights or interests in an Investment Fund;

15. "Accumulation Units" means units of a fund for which the income from the investment are automatically re-invested and the benefit to the investors comes from the accumulation of the value of those units;

16. "Income Units" mean fund units the incomes from which are periodically distributed to unit holders;

17. "Company Law" means Law 9901 of 14 April 2008 "On Entrepreneurs and Companies";

18. "Unit-Holders" mean natural or legal persons holding investment fund units in accordance with the provisions of this Law;

19. "Private Offering" means the issuance of shares and the invitation to subscribe to them, only addressed to institutional investors, shareholders or employees of a company but no more than 100 external investors which have been addressed directly by the issuer. Institutional investors and external investors shall have the meaning assigned to them in Law no 9879 of 21 February 2008 "On Securities";

20. "Public Offering" means the invitation to subscribe to securities, which is addressed to an indefinite number of persons through mass media.

21. "Related Party" means a natural person or legal entity that is related to a management company or investment company by reason of being:

a) a member of the supervisory board or a member of the board of directors or employed by the company;

b) a member of the company's audit committee;

c) a significant owner of the company;

ç) a spouse or relative, up to a third degree of consanguinity, of a member of the supervisory board, board of directors or audit committee, an employee of the company, a significant owner of the company, or an ultimate controller of the company;

d) a person that has the right to make decisions or influence decisions for the company, either under a contract between the parties or for any other reason;

22. "Promotion" means advertising to the public, issuing an offer, distributing application forms or flyers, or using other promotional materials, in the manner described in this Law;

23. "Prospectus" means the document issued to the public containing information on a Collective Investment Undertaking, which invites the public to subscribe to, or purchase, units or shares in the respective collective investment undertaking;

24. "Fund Rules" means the principal documents governing the formation and constitution of an investment fund, including the management contract and the depositary agreement, and, in the case of an investment company, also including its articles of association;

25. "Management Company" means a joint-stock company established under the laws of the Republic of Albania, the regular and sole business of which is the

establishment and/or management of investment funds and investment companies in compliance with this Law;

26. "IFRS" means the "International Financial Reporting Standards";

27. "Parent Company" means the company owning or controlling one of several other companies;

28. "Securities" means securities as defined in Law no 9879 of 21 February 2008 "On Securities".

29. "Regulated Market" means any stock exchange, over-the-counter market or other organized securities market that operates regularly, is open to the public and is formally recognized by the FSA;

30. "EU Country" means a Members State of the European Union;

31. "Permitted Country" means a country, other than Republic of Albania and an EU country, that offers the same conditions and supervision regime for the supervision of collective investment undertakings, and that is recognized as such by FSA;

32. "Net Asset Value" means the net value of the assets of a collective investment undertaking after deducting:

a) any outstanding liabilities, whether immediately due to be repaid or not;

b) any outstanding amount of loans secured with mortgage charges on immovable properties.

Article 3

Collective Investment Undertakings

1. For the purpose of this Law any legal entity or pool of assets shall be considered a Collective Investment Undertaking, irrespective of their legal form, where participation whether through shares, units or other rights is offered for the purpose of raising stakes in cash and with an explicit intention of investing more than 60% of these stakes in a portfolio of securities, monetary deposits and other types of assets, where the investors do not supervise, on a daily basis, the making of investment decisions, and where a primary objective is to produce investors' gain from return on their investments, whether in a form of profit or any other form.

2. Under this Law the following shall not be Collective Investment Undertakings:

a) banks licensed by the Bank of Albania to operate in the Republic of Albania;

b) pension funds licensed by FSA to operate in the Republic of Albania;

c) insurance companies licensed by FSA to operate in the Republic of Albania;

ç) legal persons investing their own funds;

d) family members making joint investments that are not related to this Law;

dh) other persons who are exempt under the laws of the Republic of Albania or international agreements ratified by the Parliament of the Republic of Albania;

e) collective investment undertakings that increase their capital without promoting the sale of their units/shares to the public.

3. The provisions of paragraph 2 of this Article shall not prejudice the rights of the persons referred to in the same paragraph, which these persons may have received or receive in accordance with laws, regulations or international agreements.

Article 4

Prohibition against Offering, Management and Trade without FSA Authorization

1. No entity that has been established to carry out the activities provided for in the Law can do so without the relevant authorization of the FSA.

2. Any person who has performed the activities of establishing and/or managing a Collective Investment Undertaking referred to in Article 3 of this Law without prior authorization of the FSA or conducting intermediary services in trading in units or shares of a collective investment undertaking in the territory of the Republic of Albania shall be deemed to have committed a criminal offence and will be punished in accordance with the provisions of Articles 131 and 132 of this Law.

Article 5

Tax Regime for Investment Funds

1. The tax administration of the Republic of Albania shall, at the request of a management company, and for taxation purposes, issue a certificate evidencing the tax regime for a collective investment undertaking in the Republic of Albania.

2. Unless otherwise provided for by the tax legislation, a collective investment undertaking shall be considered, for taxation purposes, an owner of the securities or of the overall fund's assets, as well as the final beneficiary.

Article 6

Applicable Law

1. The operation of Management Companies and activities related to the management of collective investment undertakings, unless otherwise specifically provided for by this Law or other regulations adopted pursuant to this Law, shall be governed by the provisions of Law no 9879 of 21 February 2008 "On Securities" and the provisions of Law no 9901 of 14 April 2008 "On Entrepreneurs and Companies".

2. Where there are any conflicts among the laws regulating the abovementioned issues, the provisions of this Law shall have superiority to the Law on Entrepreneurs and Companies.

SECTION 2

REGISTER OF COLLECTIVE INVESTMENT UNDERTAKINGS

Article 7

Fund Register

1. Collective Investment Undertakings shall be registered in the Register of Funds of the Republic of Albania.

2. The Register of Funds shall be kept by the FSA and be accessible to the public.

3. The Register of Funds shall contain up-to-date information concerning, in particular, the type of a collective investment undertaking, its objects, investment goal, its organizational structure and also any changes to its legal and/or organizational structure. The specific requirements regarding the contents shall be determined by an FSA regulation.

4. FSA shall maintain and update the Register of Funds in accordance with its relevant regulations, ensuring consistency of the information contained therein having regard to the facts and the legislation in power.

Article 8

Registration with the Register of Funds

1. The registration of a collective investment undertaking with the Register of Funds can only be done after the undertaking has been issued by the FSA a license to be established and operate.

2. When the FSA issues the license to a collective investment undertaking and at the moment of registration with the Register of Funds, which is uniform, unchangeable and unique, each collective investment undertaking shall be issued an identification number.

Article 9

Announcement of Registration

The decision on the registration in the Register of Funds shall be announced by the FSA in its Official Newspaper.

CHAPTER II

MANAGEMENT COMPANIES

SECTION I

ESTABLISHMENT AND OPERATION

Article 10

Scope of Management Companies

1. Management companies shall be joint-stock companies established for an undetermined period of time. At least 51 percent of shares or voting rights in management companies shall be owned by banks or financial institutions. Management companies shall be registered with the National Registration Centre. Their main objects shall include the activities of establishing and/or managing Collective Investment Undertakings, and other activities, as provided for by this Law.

2. Management companies shall have a one-tier management structure.

Article 11

Names of Management Companies

1. The wordings “fund management company”, “investment company”, “fund management board”, “investor”, “investment” or “to invest”, alone or together with other wordings, may be used in the company name or in its appendix only by the management companies of Collective Investment Undertakings for the purpose of denoting the objects of the company's business and for promotional purposes.

2. Paragraph 1 of this Article shall not relate to the companies which use the wordings “fund management”, “investment”, “investor” or “to invest” in a context which does not imply that the object of the company's business is the establishment and/or management of collective investment undertakings, i.e. investment of monetary assets in its own name and for the account of the unit-holders in an investment fund, or in the name and for the account of a closed-ended investment company.

Article 12

Registered Capital of Management Companies and its Source

1. The minimum amount of a management company's registered capital shall be ALL 15,625,000.00. If the total net value of the assets managed by a Collective Investment Undertaking exceeds the amount of ALL 31,250,000,000.00, the management company's registered capital shall be increased by at least 0.02% of the amount by which the net asset value of the managed funds exceeds the threshold of ALL 31,250,000,000.00. In this case, the total value of the registered initial capital of the management company must not exceed the maximum amount of ALL 1,250,000,000.00.

2. The sources of the initial capital for participating in the establishment of Management Companies may not include loans, credit or advance payments by third parties.

3. The FSA shall adopt rules on the form and amount of the capital that management companies are obliged to maintain.

Article 13

Objects of Management Companies

1. Management companies shall exclusively be engaged in the establishment and/or management of collective investment undertakings with public offering, unless otherwise permitted by the authorization of the FSA to perform other activities. Such objects may include:

- a) management of collective investment undertaking assets;
- b) promotion of collective investment undertakings and sale of units in investment funds, or shares in investment companies;
- c) administrative tasks that shall include, inter alia:
 - i) keeping accounting books and preparing financial reports,
 - ii) determining the net asset value and calculating unit or share prices,
 - iii) aligning management company operation with relevant laws and regulations,

- iv) issuing publications and reporting to shareholders and unit-holders,
- v) making payments to shareholders or unit-holders out of the fund's assets or profit,
- vi) issuing and redeeming units in investment funds and issuing and redeeming shares in investment companies with public offering,
- vii) keeping the unit-holders or shareholders register,
- viii) keeping records in accordance with the provisions of this Law,
- ix) other administrative tasks, approved by the FSA.

2. Management companies cannot be licensed by the FSA to provide only the services referred to in items (b) and (c) of Paragraph 1 of this Article if they have not been issued a license to also provide the service referred to in item (a) in the same Paragraph.

3. Management Companies can be authorized by the FSA to provide, in addition to collective investment undertaking asset management, the management of pension funds, or individual portfolio management. In this case FSA has the right to impose additional requirements on those management companies wishing to perform those other activities.

Article 14

Business Operations of Management Companies

1. In the course of its business, a management company shall:
 - a) act honestly and impartially in the best interests of investors and integrity of the market;
 - b) act with due skill and care, by observing professional rules, best business practice and other laws in power in the Republic of Albania,
 - c) be capable of settling on an on-going basis all its monetary liabilities in compliance with this Law and the Company Law;
 - ç) be responsible for a timely, fair and efficient exercise of all the rights and obligations provided for in this law, prospectus and/or fund rules, regardless of whether any of them are delegated to third parties;
 - d) ensure confidentiality with respect to the management company data concerning shareholders, unit-holders, fund unit balance, payments and redemptions, which may only be disclosed upon a court order, a memorandum of understanding on information exchange assuring mutual confidentiality, a request of an individual unit-holder or shareholder, and the depositary,
 - dh) ensure that all advertising and promotional documents, communications and announcements to shareholders or unit-holders, whether delivered or published in the press or public electronic media, be clear, accurate, not misleading, and that they are compliant with the Law and FSA requirements;
 - e) organize the sale of investment funds' units or investment company's shares exclusively through the persons referred to in Article 92 of this law;
 - ë) purchase assets on behalf and for the account of collective investment undertakings, by depositing the assets in a depositary, in accordance with the procedure prescribed by FSA;
 - f) deliver to the depositary a copy of all the original documents related to the transactions involving the investment funds' and/or investment company's assets, immediately upon the preparation of these documents or upon their receipt;

g) keep records of the transactions involving the individual funds' or investment company's' assets separately from their own accounts and records concerning other funds, and reflect them, in regular time periods, in the depositary accounts;

g) report the information concerning the funds and investment companies it manages and the management company itself in accordance with the law and FSA regulations;

h) submit to the FSA regular reports as provided in this Law and FSA regulations,

i) maintain honest and fair relations with the FSA;

j) report to the FSA any changes related to the members of the board of directors, audit committee members, shareholding structure and the registered capital, as well as any other changes related to the conditions previously approved by the FSA;

k) allow the FSA to inspect the records kept by the management company and make those records available in a timely manner and allow interviews with any persons performing any activities in the management company;

l) not enter into any contracts for the purpose of a limitation or change of responsibilities and liabilities provided for in this Law. Any such agreement shall be considered null and void;

ll) make sure that its employees and any other persons with whom a contract on the sale of investment company's shares or investment fund's units has been concluded, act in compliance with this Law and the relevant regulations in power;

m) appoint at least two non-executive members of its board of directors in the audit committee for ensuring compliance of the management company's operations with the provisions of this Law and any other regulations and for keeping regular contact with the FSA;

n) manage the Collective Investment Undertakings in accordance with the investment objectives of each fund it manages;

nj) issue clear and intelligible orders to a depositary for exercising the rights attached to the assets of a Collective Investment Undertaking;

o) ensure that the assessments of the Collective Investment Undertakings' value is accurate and that the unit or share price is correctly determined.

2. The FSA shall adopt a special regulation on the code of conduct which management companies must adhere to at all times.

Article 15

Delegation of Functions

1. A management company may outsource, on the basis of a written agreement, the management of part of its Collective Investment Undertaking portfolio for the purpose of a more efficient conduct of its business, to an entity conducting brokerage activities, but only with express written approval by FSA. FSA shall approve the terms and conditions of such agreement and effectively monitor the management company operation at all times. The obligations referred to in this Paragraph shall not preclude any management companies from acting, or any collective investment undertakings from being managed, in the best interest of their investors.

2. A management company may not outsource the management of the company.

3. The conclusion by a management company of the agreements referred to in this Article shall not release such management company from the liability referred to Article 34 of this Law towards its unit holders or shareholders.

4. Management companies shall be liable towards unit-holders or shareholders of an investment company for any noncompliance or undue compliance with the agreements specified in paragraph 1 of this Article jointly and severally with the entity with which it has concluded such agreements, unless the damage results from circumstances for which such entity is not responsible. In any event the management company shall always be firstly liable to the unit-holders or shareholders of the investment company.

5. A management company shall not delegate the management of an investment fund's or investment company's portfolio or a part of it to the fund's and/or investment company's depository or any other entity whose interests may conflict with those of the management company or the unit and share holders.

Article 16

Licensing a Management Company

1. A management company cannot start to perform any promotion, trade, or offer for sale of any units or shares of a collective investment undertaking before being issued a license by FSA.

2. The application for a license to conduct the activities related to the management of collective investment undertakings shall be accompanied by the following:

a) documents providing proof that the applicant is a joint-stock company that has been established and registered in compliance with the Company Law, including the applicant's articles of association, proof of the fact that the minimum mandatory capital has been fully paid in cash, proof of the fact that the founder or purchaser has paid the initial capital or their shares with means from legitimate sources;

b) documents attesting that the company's significant owners, directors, chief executive officers and internal auditor individually and collectively are fit and proper to lead the business. The documents needed to determine whether these persons satisfy the requirements to be fit and proper as required under Article 18 of this Law include diplomas, certificates and other relevant documents certifying academic achievements, as showing the complete biography of those persons, demonstrating their professional experience and also including names and contact information of persons that can endorse the correctness of the information in the CV, a statement signed and certified by a notary public for each individual person that there is no criminal investigation against any of them;

c) the management company business plan projected for a minimum of three years, giving a description of the business the applicant intends to conduct, how the capital adequacy requirements is to be maintained, and projected development of the business. The business plan shall contain detailed descriptions of the:

i) organization of the company, including information on the forecasted volume of the funds which the management company intends to market;

ii) marketing plan of the company;

iii) operational plan of the company, including the applicant's reporting arrangements, both internally to its own management and externally to the FSA;

iv) financial plan, including a description of how the start-up cost will be covered and the capital adequacy requirements maintained;

- v) risk analysis, including a description of how the applicant will address operational risk, credit risk, market risk, compliance risk, and reputational risk;
- ç) a description of the applicant's organizational structure, showing:
 - i) internal audit function, including names of persons responsible for this function;
 - ii) risk management function, including names of persons responsible for this function;
 - iii) information on the technology systems to be used, including a statement issued by the external auditor certifying that the management company's information system is suitable for providing the information required by this Law.
- d) a letter of intent between the management company and a depositary showing that the depositary will provide custodial services for the company;
- dh) a list of the management company shareholders, their first and last names, address or company name and registered office, nominal value of shares and the percentage of shares held by each shareholder;
- e) a list of related parties to the management company, if any;
- ë) documents to demonstrate the fulfillment of the fit and proper requirements as set out in Article 18 of this Law;
- f) employment/service agreement with one or more investment adviser/s, if any;
- g) delegation agreements, if any;
- gj) rules on conflict of interest prevention and management;
- h) rules on the separation of the investment fund management from the rest of activities in which the investment fund management company has been engaged in;
- i) rules on the separation of internal functions of the company's business in accordance with its structure;
- j) rules on decision-making responsibilities;
- k) rules on confidentiality;
- l) rules on the media through which investors can contact the management company of the Collective Investment Undertaking.

3. FSA may issue rules with additional requirements on the content and form of an application for authorization.

4. FSA shall review the application within ninety calendar days following the date it confirms receipt of a complete application. If FSA fails to respond with an answer on the application within the stated timeframe the authorization shall be deemed as granted. Reasons, in accordance with administrative procedural requirements, shall be given if the application is refused.

Article 17

Qualifications

1. At least two executive members of the board of directors of the management company must have the professional knowledge and experience required for managing the management company's operations. Those members must meet all the following criteria:

- a) have full legal capacity to enter into legal transactions;
- b) have a clean criminal record;
- c) be fit and proper to hold the position in accordance with Article 18 of this Law;

ç) have at least three years of working experience in a professional, managerial or independent position in a financial institution, and have been members of the governing bodies of such institutions; or be licensed or approved by the FSA to practice the profession of an investment adviser in the Republic of Albania;

d) have qualifications and certificates from vocational programs recognized by FSA or other counterpart institutions, certifying their professional capacities in the area of investment fund and portfolio management;

dh) take a test on their knowledge of their relevant field and legislation, in accordance with FSA-specified rules.

2. The rest of the members of the board of directors of a management company must meet the criteria specified in paragraph 1 (a) to (c) of this Article.

Article 18

The Fit and Proper Requirement

1. Every person who is, or is to be, a significant owner, member of the board of directors or auditor in or with respect to a management company must be fit and proper to hold the particular position.

2. In determining whether a person is fit and proper to hold a particular position, the following shall be considered:

a) integrity, honesty, diligence and commitment to fulfilling the responsibilities of the position;

b) competence, professional skills and soundness of judgment for fulfilling the responsibilities of the position;

c) whether the interests of customers of the licensee or proposed licensee are, or are likely to be, in any way threatened by a conflict of interest that would arise from the person holding that position.

3. In addition to the foregoing general provisions, the previous conduct and activities in business or financial matters of the person in question shall be considered and in particular special investigations carried out as to whether any evidence exists that the person has been:

a) convicted of a crime;

b) engaged in, or associated with, any financial losses due to dishonesty, incompetence or malpractice in the provision of financial services or the management of other companies;

c) engaged in any business practices including tax evasion appearing to the Authority to be improper whether unlawful or not or which otherwise reflects discredit on the person's approach to conducting financial services or other business.

4. Individuals that have been convicted of a crime cannot hold or be beneficial owners of a controlling interest, be managers of or hold a management position in a management company. For the purposes of this paragraph, "controlling interest" means:

a) owning more than 50 percent of any class of voting securities;

b) having the power to elect a majority of the directors of the board or managers of any other policy-making body;

c) otherwise exercising a controlling influence over the management or policies of a management company.

5. A significant owner, director, chief executive officer or manager of a management company cannot be a significant owner, director, chief executive officer or manager of a depositary that holds the assets of the management company's collective investment undertakings or a related party of the depositary.

6. FSA shall issue a regulation to describe in detail the definition of the fit and proper requirement.

Article 19

Internal Audit and Risk Management Function

1. The management company shall have an internal audit function and a risk management function, of a size and capacity appropriate for the business conducted by the management company.

2. The internal audit and the risk management functions shall be independent and report directly to the management company's board of directors.

3. The internal audit function is responsible for:

a) checking whether the management company is organized in a way that promotes effective and prudent management of the business and monitoring the board regarding the fulfilment of that management capacity;

b) checking compliance with the corporate governance principles, setting the policies and strategies for complying with those principles, and assessing annually the adherence to those policies and strategies. The corporate governance principles must include standards of business conduct and ethical behavior for directors, managers and other personnel, policies on private transactions, self-dealing, and other transactions practices adhering to the principle of equal and non-preferential treatment.

c) overseeing the operations of the management company and providing direction on a day-to-day basis, to ensure that the entity complies with the objectives and policies approved by the board of directors, as well as the relevant legislation;

ç) providing the board of directors with recommendations, for its review and approval, on objectives, strategy, business plans and major policies that govern the operation of the institution;

d) providing the board of directors with comprehensive, relevant and timely information that will enable the board to review business objectives, business strategy and policies, and to hold senior management accountable for its performance.

4. The risk management function is responsible for:

a) developing and suggesting for the board of directors' approval a risk management system for the collective investment undertaking that includes monitoring of established policies so that all major risks are identified, measured, monitored and controlled on an on-going basis;

b) establishing a risk management system that monitors what risks the management company is exposed to including market risk, credit risk, operational risk, legal reputational risk, and risk related to managers' actions in conflict with unit-holders' and shareholders' interests;

c) overseeing the operations of the management company and its method of managing the collective investment undertaking, and providing guidance on a day-to-day basis, to ensure that the institution, in its operations and in managing a collective investment undertaking, acts within the risk limits that have been set the board of

directors and provided in the fund prospectus and rules;

ç) accurately and independently determining the value of financial derivatives that are traded in other regulated markets. The management company shall, in accordance with the rules prescribed by the FSA, report to the latter, for each individual collective investment undertaking, types of financial derivatives in the collective investment undertaking's portfolio, associated risks, quantitative limits and the implemented methodology for measuring risks deriving from positions and transactions involving these derivatives. Where the securities or money market instruments have embedded derivatives, such derivatives shall be taken into account when calculating a collective investment undertaking's exposure, referred to this Article.

Article 20

Accounting and External Auditing Requirements

1. A management company shall:

a) maintain full and orderly accounting books on a continual basis, updated monthly;

b) annually prepare, for the financial year of the management company, financial statements in conformity with the internationally accepted IFRS accounting standards reflecting in detail the financial position of the business as of the last day of the financial year and the results of the operations and cash flow information for the period then ended. The financial statements shall fairly represent the state of affairs of the management company's business and refer to any matter which has affected or is likely to affect the financial affairs of the company;

c) a management company that is a subsidiary must prepare both individual and consolidated annual audited financial statements.

2. A management company shall cause the statements referred to in paragraph 1 of this Article to be annually audited by an external auditor appointed by the management company, in order to produce an audited:

a) balance sheet, including any notes, commentary, opinion thereof and documents attached;

b) income statement, including any notes, commentary, opinion thereof and documents attached;

c) cash flow statement;

ç) the certified auditor shall perform the financial audit in compliance with international standards.

3. FSA shall have the right to perform a financial audit on its own expense at any time of the year it deems necessary.

Article 21

Accounting Records

1. A management company shall at all times keep such records as are necessary to exhibit clearly and correctly the state of its business, to explain its transactions and financial position, and to enable the FSA to determine whether it has complied with the provisions of this Law.

2. The accounting records required by paragraph 1 shall be kept for a period of at least five years.

3. The records shall be such that they can be reproduced in legible form when required to do so.

Article 22

Certified Auditors

1. Within two months after becoming licensed under this Law, a management company shall have appointed a certified auditor to audit its accounts.

2. FSA can adopt additional criteria on the certified auditors that can be appointed in investment funds.

3. A management company cannot appoint as its external auditor an entity that has as one of its directors, managers, partners or officers anyone with a financial interest in the management company and any of its businesses. For the purposes of this Article a unit-holder and/or shareholder in a collective investment undertaking shall not be deemed to have a financial interest in the management company.

4. If the appointment of a certified external auditor is terminated for any reason, the auditor shall submit to the FSA a statement explaining what the auditor believes to be the reasons for that winding up and inform the FSA in writing of any matter relating to the affairs of the management company which the auditor became aware of in the performance of his or her functions as auditor and which, in the opinion of the auditor, may harm the management company's ability to comply with the requirements of this Law.

Article 23

Change of Control

1. No person shall become a significant owner of a management company unless:

- a) he or she has first notified the authority in writing of his or her intention;
- b) the Authority has notified him or her in writing that there is no objection to his or her becoming a significant owner or ultimate controller.

2. When notifying a person under paragraph 1 of this Article that there is no objection to his or her becoming a significant owner of, or increasing his or her stake in, the management company so as to become a significant owner, the FSA may specify a maximum stake that the person is permitted to acquire.

3. The FSA may:

- a) issue rules regarding the information that a notification under paragraph 1 (a) shall contain;

- b) require such further information and documents from the person applying to become a significant owner as the FSA deems necessary.

4. In granting permission to become a significant owner the FSA shall consider whether the person is fit and proper.

5. The FSA shall respond to the person applying to become a significant owner of a management company within 3 months of receiving a complete notification from the applicant.

6. The permission granted by the FSA to become a significant owner under paragraph 1 (b) shall lapse where the person has not become a significant owner within one year of the Authority issuing the permission.

Article 24

Objections to Existing Significant Owners

1. Where it appears to the FSA that a person who is a significant owner of a management company does not meet the fit and proper requirements, it shall give the person a written notice of the objection giving the reasons why it appears to the FSA that the person is not or is no longer a fit and proper person to be a significant owner.

2. The FSA is not required to specify any reasons in a notice issued under paragraph 1 of this Article, where this would in its opinion involve the disclosure of confidential information, which would be of harm to a third party.

3. Before submitting a notice under paragraph 1 of this Article, the FSA shall give the significant owner a preliminary notice, setting out its reasons for considering that the person is not fit and proper to be a significant owner of that management company.

4. A person who has received a notice under paragraph 3 of this Article has a period of 20 working days in which to make a written answer and contest the FSA's assertion and the FSA shall take into account any written representation it receives from the significant owner. The FSA must answer within 25 working days of having received the written answer from the significant owner whether it considers the significant owner is still not or is no longer a fit and proper person to be a significant owner.

Article 25

Cases When a Significant Owner Is Not Fit and Proper

1. Where a person has become or continues to be a significant owner without having received the required permission from the FSA, and where it appears to the FSA that the person is no longer fit and proper to be a significant owner, the FSA may order that the specified shares to which this article applies shall, until further notice, be subject to any or several of the following restrictions:

a) any transfer, or agreement to transfer, of the significant owner's shares shall be suspended;

b) no voting rights shall be exercisable for the shares;

c) no payment shall be made to the significant owner of any sums from the management company resulting from the shares or otherwise.

2. The FSA may notify the management company that because it no longer complies with the licence requirements as one of its significant owners are not fit and proper its licence can be revoked in accordance with Article 32 (1) (d) unless the significant owner ceases to be so through the sale of all or part of his or her shares in the management company.

Article 26

Acquisition and Merger

1. A management company may buy and hold shares in another management company provided it buys and holds all the shares of that acquired management company. A management company's purchase of all the shares in another management company requires prior written consent by the FSA.

2. Management companies may merge upon FSA written consent.

3. If a merger of a management company results in the liquidation of the company, it shall prior to terminating its business:

a) inform all unit-holders and/or shareholder of the investment company that it is going to terminate its business and give the unit holders and/or shareholder of the investment company three months to exercise their right to transfer their investments to another collective investment undertaking under management of a management company of their choice;

b) it may offer to the unit-holders and/or shareholder of the investment company to enter into a new management contract with the management company that resulted from the merger, but the unit-holders and/or shareholder of the investment company must then also be correctly informed of their right to choose any other management company or to demand redemption of their units and/or shares.

Article 27

Transfer of Management Business to another Management Company

1. A management company shall have the right to transferring its investment fund management activities to another management company licensed by the FSA in accordance with the procedure determined by the FSA, and, in the case of an investment company with public offering, upon approval by the general meeting thereof, in compliance with the provisions of Article 70 of this Law.

2. The management company shall notify at least three months prior to the transfer all the unit-holders in that fund on the transfer of management. The management company may not calculate and charge the exit fee for unit-holders wishing to exit the fund within such a period.

3. A management company transferring management to another licensed company must enter into a contract for the transfer of management, which shall include:

a) a specific description of all procedures and actions which will be carried out by both companies in relation to the transfer of management;

b) the period of time, counted from the publication of the notification on the transfer of management, within which the companies will carry out the transfer of management. Such a period of time may not be shorter than three months.

Article 28

Conflict of Interest and Prohibitions

1. A Management Company may not have a controlling influence or controlling interest in a brokerage company or in a bank authorized to execute transactions involving securities.

2. Prior to establishing a subsidiary in the Republic of Albania or abroad, a management company must have FSA approval to do so.

3. A management company may not participate in depositary business. The activities of organizing, directing and managing a depositary shall be unrelated to the activities of organizing, directing and managing a management company. Different and separate persons shall be put in charge of those functions.

4. The following persons may not be shareholders or members of boards of directors of management companies:

a) persons who, in the period of three years prior to acquiring shareholding interest in the management company, had at least 10% interest in the registered capital of the management company, or of the bank licensed for performing depositary functions, or of the investment fund, or of the brokerage company, or of a bank licensed to trade in securities, or of pension fund, at the time when the licence to pursue business was revoked from them;

b) persons who no longer hold membership in a professional association on grounds of infringement of association rules, or against whom the FSA or another competent authority has imposed a measure of removing the licence to perform securities-related activities;

c) persons convicted of a criminal offence, for a period of five years from the date the sentence has become final, the time of serving the sentence not being calculated in this period;

ç) persons convicted of criminal offences and/or misdemeanour under the Law on Securities;

d) persons holding an effective licence issued by the FSA, i.e. brokers or investment advisers who effectively perform these tasks as employees of a brokerage company or a bank authorized for securities transactions;

dh) persons currently holding a public service office.

Article 29

Disclosure of Conflict of Interest

1. A managing director of a management company who:

a) is a party to a contract or proposed contract with a management company in relation to the collective investment undertaking;

b) is a managing director of an entity that is a party to a contract or proposed contract with the management company in relation to the collective investment undertaking;

c) has an economic share of an entity that is a party to a contract or proposed contract with a management company in relation to the collective investment undertaking, shall disclose in writing a complete description of his or her relationship with the entity with which the management company is considering or entering into a

contract. The person must also make sure that this description is entered in the minutes of the management meetings and included with the reports to unit-holders and/or shareholders together with the reports of the collective investment undertaking net-asset value in accordance with Article 128 of this Law.

2. The disclosure required by paragraph 1 of this Article shall be made, in the case of a director, during a management meeting, in which the proposed contract is being considered for the first time, if:

a) the manager was not then interested in the contract, at the first meeting after the manager becomes so interested;

b) the manager becomes interested after a contract is made, at the first meeting after the director becomes so interested;

c) a person who is interested in a contract later becomes a manager, at the first meeting after that person becomes a manager.

3. The disclosure required by paragraph 1 of this Article shall be made, in the case of a manager who is not a director:

a) immediately after the manager becomes aware that a proposed contract is to be considered or a contract has been considered at a management meeting;

b) after a contract is made, immediately after the manager becomes so interested;

c) if a person who is interested in a contract later becomes a manager, immediately after the person becomes a manager.

Article 30

Requirements to Abstain

1. Where Article 29 (1) of this Law applies to a manager in respect to a contract, the manager shall not be present at the management meeting while the contract is being considered or voted upon.

2. Any director who acts against paragraph 1 of this Article shall cease to hold office as a manager and shall not be eligible, for a period of 5 years after the date when the breach occurred, for election or appointment as a manager in any institution supervised by the Authority.

Article 31

Related Party Transactions

1. A management company shall not, in relation to any of the collective investment undertakings it manages, grant any favourable terms to a related party.

2. For the purposes of this Article, “granting favourable terms” shall mean:

a) carrying out a business which by its nature, purpose, characteristics, or risk, would not be carried out by the company with other clients;

b) Collecting interest, fees, or other charges or accepting security which is lower than that required of other clients, or paying interest which is higher than that required of other clients.

3. The assets of a collective investment undertaking may not be sold, lent or used to secure an obligation in favour of:

a) the management company that manages its assets or the depositary holding its assets;

b) any person who is a related party in relation to any of the entities listed in item (a) of this Paragraph.

4. A management company may not use the assets of a collective investment undertaking it manages to purchase any assets from, give loan to, or take on an obligation in favour of any of the entities listed in Paragraph 3 of this Article.

Article 32

Withdrawal of Licence

1. FSA shall have a right to withdraw a licence from a management company in the following cases:

a) if the management company has failed to start business within one year following the date of granting the licence;

b) if the management company has voluntarily renounced the licence;

c) if the management company stops performing the activity of investment fund establishment and/or management for six or more consecutive months, in accordance with this Law;

ç) if the license has been granted on the basis of false information or misleading information, or in any other inappropriate manner;

d) if the company no longer meets the conditions under which the licence was granted;

dh) if the company seriously or systematically infringes the provisions of this Law;

e) if the initial capital of the management company falls below the required minimum amount.

2. Detailed rules with respect to the conditions when the licence can be withdrawn shall be established in a separate FSA regulation.

Article 33

Voluntary Termination of the Management Company Activity

A management company may terminate its registered activity in the following cases:

1. At least sixty days prior to the date of management termination, it must deliver a written notification to the depositary if the fund has made use of the depositary services, to the FSA if it manages an Investment Fund, or to the board of directors and the FSA if it manages an investment company with public offering;

2. If such circumstances have occurred that unambiguously suggest that the management company is not or will not be in a position to meet its liabilities, it must immediately notify the FSA if it manages an investment fund or the board of directors and the FSA if it manages an investment company with public offering;

3. If the management company that manages an Investment Fund has failed to effect the procedure of management transfer to another licensed management company, pursuant to this Article, within sixty days following the date of sending the notification, referred to in paragraphs 1 and 2 of this Article, and if the same has not been effected by the supervisory board in the case of an investment company with public offering, the

winding-up procedure for the fund shall be initiated, pursuant to the provisions of Chapter 8 of this Law.

Article 34

Management Company Liability

1. If a management company has not performed or has failed to perform, entirely or partially, and if it has improperly performed any activity or task provided for in this Law, any fund rules or fund prospectus, it shall be liable to the unit-holders or shareholders of the investment company for lack of due care and diligence in pursuing the business, as provided for by this Law, FSA regulations, fund rules and fund prospectus, as well as by the management agreement. Limitation of liability in any manner shall be considered null and void.

2. Waiver or limitation of liability resulting from the delegation of any of the functions of the management company to a third party shall not have a legal effect.

CHAPTER III

OPERATIONS OUTSIDE THE REPUBLIC OF ALBANIA AND OPERATIONS OF FOREIGN FUNDS IN THE REPUBLIC OF ALBANIA

SECTION I

OPERATIONS OF MANAGING COLLECTIVE INVESTMENT UNDERTAKINGS OUTSIDE THE REPUBLIC OF ALBANIA

Article 35

Management Company Method of Operations

A management company may also perform activities outside the Republic of Albania, whether directly or through establishment and business operation of a branch, in accordance with the Laws of the relevant country.

Article 36

Establishment of Branches in EU countries and Permitted Countries

1. A management company wishing to establish a branch in an EU country, or another country outside the EU if specifically permitted by the FSA, shall notify the FSA thereof, indicating the EU country or another permitted country in which it intends to establish a branch.

2. The notification shall be accompanied by the following:

a) general information concerning the branch, including:

i) objects of the branch operations;

ii) names of the persons authorized to represent the branch;

iii) name and registered office of the branch, where all the information related to the branch operation may be obtained;

b) information concerning the collective investment undertaking managed by the company, information concerning the units or shares which the management company plans to offer for public subscription through the branch in the EU country or other permitted country, including:

i) a precise description of the planned business activities which the management company intends to perform concerning the sale of collective investment undertaking's units or shares;

ii) for each collective investment undertaking, its prospectus and/or fund rules, and a financial report for the previous business year.

3. Notification to the relevant authority, of its intention to establish a branch. The FSA shall, no later than three months following the receipt of the notification referred to in paragraph 1 of this Article and of receipt of a request from the competent authorities of the respective EU country or permitted country, deliver to the authority the notification, together with the attachments, and shall notify the management company thereof.

4. The following shall be included:

a) information concerning the amount of registered capital of the management company;

b) a statement that every collective investment undertaking to which the notification referred to in paragraph 1 of this Article relates, meets the legal requirements for investment funds with public offering and investment company with public offering.

5. Notwithstanding the provisions of paragraph 2 of this Article, FSA shall not deliver the notification concerning the establishment of a branch to the competent authority of an EU country or permitted country, if, on the basis of the submitted information referred to in paragraph 1 of this Article, and on the basis of the proposed objects of the branch operations, it has concluded that there is a reasonable doubt concerning the organization and administration of the branch operations, i.e. the financial capacity of the management company for conducting business in the EU country or permitted country, on which the FSA shall issue a decision. FSA shall not deliver the notification or approve such activity, either, if it deems that it shall have an adverse effect on the business of the management company in the Republic of Albania.

6. The management company shall notify the FSA of any changes in the particulars, referred to in paragraph 1 of this Article, at least one month prior to implementing the planned changes.

SECTION 2

COLLECTIVE INVESTMENT UNDERTAING MANAGEMENT BY MANAGEMENT COMPANIES WITH REGISTERED OFFICES OUTSIDE THE REPUBLIC OF ALBANIA

Article 37

Granting of Licences to Collective Investment Undertakings with Public Offering Established by Foreign Management Companies

1. Collective Investment Undertaking established on the basis of a licence issued by a competent authority in an EU country and/or a country that is specifically approved by the FSA, which complies with the provisions of this Law regulating the operation of Collective Investment Undertakings with public offering, wishing to market its units and/or shares in the Republic of Albania shall deliver to FSA the following documents:

a) evidence that the undertaking has been authorised by the relevant authority of the respective EU country and/or permitted country that it meets the prescribed conditions for performing its relevant activities;

b) fund rules or other appropriate documents of the fund;

c) full prospectus and simplified prospectus;

ç) the latest semiannual and annual financial reports;

d) data on the method of marketing its units in the Republic of Albania;

dh) particulars on the state where Albanian investors will have access to the prospectus, fund rules, reports and other information concerning the fund in the Albanian language, as well as the particulars on the state where Albanian investors will be able to buy and sell the funds units or shares.

All the foregoing particulars shall be delivered in the Albanian language, too.

1 Unless the FSA has refused the application within two months on grounds of the undertaking's noncompliance with the prescribed requirements of the EU country and/or permitted country or other regulations of the Republic of Albania, the fund may start its operations in accordance with this Law.

2 Units or shares in a foreign undertaking in Albania may not be offered without FSA authorization.

Article 38

Subjects to this Law

The undertakings referred to in Article 37 (1) of this Law shall be subject to the provisions of this Law in relation to their activities in the Republic of Albania.

Article 39

Secondary Legislation

FSA shall adopt a regulation to specifically regulate the granting of licences, business activity, public offering and reporting requirements with regard to the data on collective investment undertakings, as referred to in Article 37 (1) of this Law, in the Republic of Albania.

Article 40

Foreign Management Company Branches

1. A management company with a registered office in an EU country and/or a country recognized, permitted and approved by the FSA, wishing to establish a branch in the Republic of Albania, shall notify the competent authority in the EU country or the permitted country.

2. The management company shall also provide the FSA with evidence that it is authorised by the competent authority of the respective EU country and/or the permitted country that it meets the prescribed conditions and is authorised to carry out its activities. It shall further provide to the FSA:

a) general information on the branch, including:

i) objects of the branch operations;

ii) names of the persons authorized to represent the branch;

iii) name and registered office of the branch, where all the information related to the branch operation may be obtained;

b) information on the funds managed by the company, information on the units or shares which the management company plans to make available on public offer through its branch in the Republic of Albania, including:

i) a precise description of the planned business activities which the management company intends to perform concerning the sale of units or shares.

ii) for each fund, its prospectus and/or fund rules, and its latest financial report.

3. The management company shall request and use all best efforts to cause the competent authority in the EU Member State or permitted country to deliver the notifications referred to in paragraph 1 of this Article, together with all necessary attachments, to the FSA who shall notify the management company thereof.

4. Together with the notification referred to in paragraph 2 of this Article, the management company shall make all best efforts to cause the competent authority in the EU country or permitted country to deliver to the FSA the following data:

a) information concerning the amount of registered capital of the management company;

b) a statement that every fund to which the notification referred to in paragraph 1 of this Article relates, meets the requirements set by that authority.

5. The FSA shall make all necessary enquiries to determine if the applicant management company in this case is a business that operates in compliance with the requirements of this Law.

6. The management company shall notify the competent authority in the EU country or permitted country of any changes to the fund rules at least one month prior to implementing the planned changes.

Article 41

Approval to Start Business

1. Within two months following receipt of information concerning the proposal to open a branch of a management company from an EU country or permitted country, the FSA shall notify the management company of all legal responsibilities arising from conducting business in the Republic of Albania.

2. Only upon receipt of the notification and upon the expiry of the time limit referred to in paragraph 1 of this Article, and if the notification has not been received within that time limit, the management company may start business in compliance with this law and FSA regulations.

CHAPTER IV

DEPOSITARY ROLE AND ACTIVITY

Article 42

Appointment of Depositary

1. Every collective investment undertaking for which licensing is requested, shall appoint a depositary which must be licensed by the FSA to act as a depositary thereof. FSA shall adopt a regulation specifying the procedures and additional requirements for licensing depositaries.

2. Appointment of a depositary and any changes in such appointment shall be subject to prior approval by FSA. The contract concluded between a depositary and a management company, and any subsequent amendments, shall only become effective on the day the FSA issues its approval.

Article 43

Depositaries

1. A depositary shall be a commercial bank which performs, for a collective investment undertakings needs, the activities of safe-keeping the pool of assets, managing special accounts for the assets and separation of assets of each individual CIU from the assets of other collective investment undertakings, and performs other depositary activities, as provided for by this Law.

2. Only a bank or a branch of a foreign bank with a registered office in the Republic of Albania, which has been granted approval by the Bank of Albania to also be a depositary, may act as a depositary of a collective investment undertaking in the Republic of Albania.

3. For the purposes of this Law, depositary activities shall primarily be regulated by this law and regulations adopted under it. FSA shall have supremacy in overseeing depositary activities.

Article 44

Basic Characteristics of Depositary Activities

1. A collective investment undertaking established in accordance with the provisions of this Law and conducting business in the Republic of Albania must have a depositary to safeguard its assets.

2. Compulsory provisions of this Law, which regulate the obligations of collective investment undertakings and Management Companies concerning the use of depositary services, shall relate to all collective investment undertakings and the management companies which manage them.

3. Activities of safe-keeping and other activities performed by a depositary for a management company shall be separated, in terms of organizational structure, from the activities of the management company.

4. The assets of collective investment undertakings, including bank accounts and other assets, shall be safe-guarded and held by the depositary in a separate account for each of the collective investment undertakings for which it performs depositary activities.

5. A depositary may not use collective investment undertaking assets, whether directly or indirectly, for executing transactions for its own account or for obtaining any benefits for itself, its employees or for other purposes, other than the benefit of shareholders or unit-holders.

6. Collective investment undertaking assets with the depositary shall enjoy the right of separation, shall not be included in the depositary assets, neither in liquidation or bankruptcy estate initiated under the Albanian law, nor for the execution of claims against the depositary.

Article 45

Investor Interest

Depositaries shall act solely in the interest of the fund unit-holders and shareholders for whom it performs depositary activities.

Article 46

Depositary Tasks

1. In addition to safe-keeping a separate pool of funds assets, maintaining special accounts for the assets of each individual collective investment undertaking and separation of assets of each individual collective undertaking from the assets of other such undertakings, depositaries shall perform the following activities:

a) in the case of investment funds, they shall ensure that the sale, issue, repurchase, redemption and cancellation of units effected on behalf of a management company investment fund's account are carried out in accordance with the law and the fund rules;

b) in the case of investment funds, they shall repurchase and redeem units, and shall make payments to unit-holders in investment funds out of the fund assets;

c) they shall ensure that the calculation of the net asset value of individual shares or units in a fund is announced in accordance with the law, relevant FSA regulations, prospectus and the fund rules;

ç) they shall execute the orders of the management company concerning the transactions involving securities and other assets constituting the portfolio, provided that they are not contrary to this law, FSA regulations, prospectus and/or fund rules, and shall ensure that securities transactions are executed and completed, i.e. that due monetary claims are collected within the legal or agreed time limits;

d) they shall report to management companies on the corporate actions related to the CIU assets which they safe-keep and shall, consequently, execute their orders;

dh) they shall collect incomes and other rights due to the benefit of the collective investment undertaking, attaching to their assets;

e) they shall make sure that collective investment undertaking profit is used in accordance with this Law and prospectus and/or fund rules, and that all the costs paid by the CIU are compliant with the conditions set out in the prospectus and/or fund rules,

ë) they shall perform other professional or administrative activities, as provided for in the contract between a management company or board of directors and a depositary;

f) they shall keep records of conducting depositary business for each individual collective investment undertaking and shall regularly adjust these records with the management company records;

g) they shall report to the FSA of any infringement of this Law and contract by the management company, if a management company refuses to accept a depositary request for the termination of such an infringement;

gj) they shall provide access to data and accounts related to funds and their assets for the certified auditors and other persons authorized to audit, including the FSA;

h) upon an FSA request, they shall provide information on the assets they hold for a collective investment undertaking, including, but not limiting to, data attesting to the existence of such assets.

2. FSA shall adopt a regulation to prescribe the method of implementing the provisions of paragraph 1 of this Article.

Article 47

Depositary Liability

Depositaries shall be liable to management companies, unit-holders in investment funds and shareholders in investment companies for the damage caused if they fail to perform or have improperly performed the activities provided for in the agreements signed by management companies and depositaries, or in this Law, as well as where it has entrusted its activities, entirely or partially, to third persons.

Article 48

Agreement between Depositary and Management Company

1. A depositary and a management company must enter into an agreement which must be in written form and signed by both parties in the presence of a notary public.

2. The agreement shall be drafted in accordance with the provisions of the Albanian Civil Code, and shall include all core obligations of each party as required by this Law or make specific reference to the obligations set out in this Law, and must be in accordance with all relevant FSA regulations.

Article 49

Conflict of Interest regarding Depositaries and Management Companies

1. A depositary shall act solely in the interest of the unit-holders and shareholders for whom it performs depositary activities.

2. As Article 28 (3) of this Law provides, management companies do not participate in a depositary business. The activities of organizing, directing and

managing a depositary shall be unrelated to the activities of organizing, directing and managing a management company. Different and separate persons shall be put in charge of those functions. Management companies cannot be depositary subsidiaries.

Article 50

Termination of Depositary Activities

1. Management companies shall not be permitted to replace depositaries without prior approval by FSA.

2. A depositary wishing to terminate its business as a depositary or to terminate a depositary service agreement with one or several collective investment undertaking shall, at least sixty calendar days prior to the date of issue of notice of termination of the activity or notice of termination of the contract, send a written notice concerning its intention to the FSA, board of directors of each investment company and the management company of investment fund for which it performs depositary activities.

3. Where an investment fund management company or board of directors of an investment company fails to conclude an agreement with another depositary within sixty calendar days following receipt of the notice referred to in paragraph 2 of this Article, a depositary shall, if it is in a position to do so, continue to provide depositary services for a further thirty calendar days.

4. In accordance with paragraph 3 of this Article, where a depositary terminates depositary activity and an agreement with another depositary is not concluded, the investment fund and investment company to which a depositary provided depositary services shall be wound up, pursuant to the provisions in this Law.

5. Investment fund management companies or boards of directors of investment companies may replace one depositary with another one. The former depositary shall, within three business days following receipt of the request, notify the FSA that, to its knowledge, there are no unresolved infringements of the Law or regulations.

6. In the case of termination of a depositary agreement, a depositary shall transfer all the assets of the investment funds and/or investment company that it has held in custody to another designated depositary for safe-keeping, with which the management company, or board of directors, have concluded a depositary agreement. The depositary shall also deliver the books of accounts, records and all other documents and materials significant for the pursuit of business of the collective investment undertakings for which it formerly provided depositary services, in a written or electronic form, depending on the method of keeping the foregoing data.

Article 51

Change of Address

Depositaries shall notify the FSA in writing of any intended changes of address of their registered office or permanent place of business in the Republic of Albania, at least 1 month in advance.

Article 52

Investor Register

Depositaries shall establish and maintain registers of investors for each Collective Investment Undertaking in a form and with required contents prescribed by the FSA. Depositaries may, with prior approval by FSA, appoint some other person to establish and maintain the register on their behalf. The register shall be conclusive evidence as to the persons respectively entitled to the units or shares standing in their name.

Article 53

Notification of Violations

1. Depositaries shall notify the FSA in writing forthwith after becoming aware of the matter, of any failure, act or omission of a management company or investment company constituting a breach or contravention of any of the provisions of this Law or of the formation documents of the fund and of the steps taken by it to ensure that the breach or contravention is rectified as soon as is reasonably practicable.

2. Depositaries shall carry out the instructions of management companies or investment companies unless it has reasonable cause to believe that to do so would contravene the provisions of this Law.

CHAPTER V

COLLECTIVE INVESTMENT UNDERTAKINGS WITH PUBLIC OFFERING

SECTION I

INVESTMENT FUND ESTABLISHMENT AND OPERATION

Article 54

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1. An investment fund is a separate pool of assets, with no legal personality, established under a contract, upon licensing by FSA, and managed by a management company, for the purpose of raising monetary or similar assets through public offering of units in the fund, whose assets are invested with the principle of risk diversification in accordance with the provisions of this Law and whose unit-holders shall have a right, not only to a proportionate participation in the funds profit, but to also request, at any time, the redemption of their units. In this manner, the units are cancelled in accordance with the Law.

2. A purchase of units through a public offering shall be carried out exclusively by payment of monetary assets, where the buyer, after buying the units, enters into a contractual relationship with the management company, which shall be obliged to manage the paid-in monetary assets as part of collective assets, in accordance with the terms and conditions indicated in the prospectus.

3. Notwithstanding paragraph 2 of this Article, a purchase of units may be carried out by granting the new units on the basis of distribution of share in profit, i.e. when reducing the value of units on the basis of granting the new units, or in any other case as provided for by FSA regulations.

4. Unit-holders shall be responsible for liabilities of an investment fund to the amount of their participation in the fund.

Article 55

Creation of Investment Funds

1. An investment fund may be created only by a licensed management company, subject to having received the relevant licence from the FSA.

2. A Management Company shall be the governing body of an investment fund and shall manage and represent it in relation to third parties.

3. Only an investment fund created pursuant to this Law may and shall use the words "Investment Fund" or an abbreviation of these words in its name, advertisements or other advertising or promotional materials, or for the purpose of describing its business activities.

4. The application for licence and the application for the registration of the investment fund in the register of funds, which is submitted by the management company, on behalf of the fund, to the FSA, shall contain:

a) the management company name, information on the licence granted to the Management company by the FSA, as well as the first and last name of the person authorized for representation, address, telephone and fax number and e-mail address of the Management company;

b) evidence of the FSA license granted to the management company to be a management company of collective investment undertakings;

c) the name of the fund and its investment objectives;

ç) fund prospectus;

d) fund rules;

dh) contract concluded between the management company and a depositary together with annexes including the license of the Bank of Albania authorising the depositary to be a depositary;

e) the name of the certified auditor, appointed following approval by FSA in accordance with the requirements and criteria specified in an FSA regulation.

5. The FSA shall consider the submitted application and issue a decision within a period of 3 months from the date of receipt of a complete application.

6. FSA may adopt and issue a regulation providing in more detail the requirements concerning the issuance of the licence, the compulsory contents of the investment fund prospectus, and additional data if this is necessary for the protection of investors' interests.

Article 56

Umbrella and Feeder Funds

1. An investment fund may operate as an umbrella fund comprising a number of different sub-funds which in particular may apply different investment policies. Sub-funds have the following characteristics:

- a) they shall not have legal personality;
- b) investment limits, rules on borrowing and lending securities defined in this Law for a given fund type shall be applicable to each sub-fund separately;
- c) an investment portfolio of a sub-fund shall not include units of another sub-fund that is part of the same umbrella fund;
- ç) the assets of all sub-funds shall be valued with the same frequency and with the same valuation methods;
- d) an umbrella fund shall be obliged to prepare combined annual and semi-annual financial statements encompassing all its sub-funds, and annual and semi-annual financial statements of the individual sub-funds.

2. An investment fund may invest all of its assets in a single investment fund and be licensed as a feeder fund, provided that:

- a) the underlying collective investment fund is licensed by the FSA;
- b) the fund rules must state that the investment fund is a feeder fund into the underlying fund;
- c) the borrowing from the feeder fund may not exceed 10 % of its net asset value and shall be restricted to facilitating redemption or covering operating expenses.

Article 57

Registered Office

An investment fund's registered office and address shall be that of its management company.

SECTION 2

ESTABLISHMENT AND OPERATION OF INVESTMENT COMPANIES WITH PUBLIC OFFERING

Article 58

Investment Companies

1. An investment company with public offering shall be a joint-stock company with a registered office in the Republic of Albania, established by a management company pursuant to the Company Law and only after the initial approval of the FSA. Its objects shall be the investment of its funds in securities and other assets with the aim of spreading investment risk and giving its members the benefit of the results of the management of those funds and the rights of investors are represented by shares of that company.

2. An investment company may be established for a definite or indefinite period of time.

3. The fund rules of the investment company shall determine its investment objectives.

4. An investment company may not be engaged in other activities than those referred to paragraph 1 of this Article, nor can it be transformed into a holding or other forms of similar companies.

Article 59

Establishment of Investment Companies

1. The licence application and the registration application for the Register of Funds, which are submitted to the FSA by the Management company shall contain:

a) the management company name, information on the authorization granted to the Management company by the FSA, as well as the first and last name of the person authorized for representation, address, telephone and fax numbers and e-mail address of the Management Company;

b) proof of the fact that the company is established in accordance with the two-tier management level under the Company Law;

c) name of the investment company;

ç) investment company's investment objectives;

d) first and last names, address, telephone and fax number, e-mail address of the members attending the first session of the investment company supervisory board;

dh) fund rules, which are also the articles of association of the investment company;

e) the investment company prospectus;

ë) decision on the appointment of the first supervisory board members and their written statements as to the acceptance of the appointment;

f) draft agreement concluded between the investment company supervisory board and the management company;

g) contract concluded between the management company and a depositary together with annexes including the license of the Bank of Albania authorising the depositary to be a depositary;

gj) the name of the certified auditor, of which the exact requirements and criteria for such shall be determined by an FSA regulation. The certified auditor shall be appointed by the management company, and such appointment shall be approved by the FSA;

h) an application for admitting the investment company's shares to official listing on the stock exchange or another regulated market open to the public, as well as a written confirmation of the respective stock exchange that the investment company's shares, judging by the application, meet the listing requirements.

2. The FSA shall consider the submitted application and issue a decision within a period of 3 months from the date of receipt of a complete application.

3. FSA shall adopt a regulation providing in more detail the requirements concerning the compulsory contents of the application, the investment fund prospectus and contracts, and additional data if necessary for the protection of investors' interests.

Article 60

Registered Capital and Shares of Investment Companies

1. The minimum amount of registered capital of an investment company shall be at least ALL 40 million.
2. Investment company shares shall be paid up entirely prior to the registration of the investment company in the Register of Funds and the National Registration Centre or prior to the registration of an increase in the registered capital.
3. Ordinary shares of investment companies shall be registered shares, granting shareholders equal rights, as provided for by the law, prospectus and fund rules.
4. An investment company may not issue any other types of securities, except for the shares referred to in paragraph 3 of this Article.
5. Investment company shares shall be admitted to the official listing on the stock exchange or another regulated market open to the public that is recognized and approved by the FSA.

Article 61

Investment Company Costs

1. Costs and fees associated with the establishment of an investment company may be paid by debiting the investment company's assets only if this is determined by the prospectus and fund rules. The maximum amount of establishment costs and fees that are paid by debiting the investment company's assets shall be expressed in the prospectus as a percentage of monetary assets paid in the investment company at its establishment. Any other costs and fees associated with the establishment, exceeding the percentage determined in this manner, shall be borne by the Management Company or supervisory board, depending on who has incurred them.
2. If the investment company fails to reach the minimum amount of registered capital, costs and fees associated with the establishment shall be borne by the founders who have adopted the fund rules, and monetary or similar holdings shall be returned to investors in their entirety.
3. Costs and fees associated with the establishment which are paid out of the assets of an investment company's may not exceed 3.5% of the total monetary assets raised by issuing shares.
4. As regards other costs, the following costs, exclusively, may be paid from the assets of the investment company:
 - a) the management company fee, which shall be based on the percentage of the investment company's average annual net asset value and shall be indicated in the contract between the investment company and the management company, and in the investment company prospectus, and may be deducted, as an annual cost, from the investment company's assets and shall be calculated at every net asset value calculation of the investment company's;
 - b) depositary fee;
 - c) fees and costs;
 - ç) costs, commissions or remuneration directly related to the acquisition or sale of investment company's assets;

d) fees and costs related to being listed on a stock exchange or another regulated market;

dh) costs of auditors and lawyers, incurred in a pursuit of business of an investment company;

e) costs of preparing, printing and covering postal charges related to the publication and delivery of reports that are, in accordance with this Law, communicated to shareholders;

ë) costs of holding a general meeting, except where an extraordinary general meeting is convened by the management company, in which case these costs shall be borne by the management company;

f) all other prescribed fees and remuneration, paid to the FSA, concerning the issuance of licence to the investment company;

g) costs of admittance to official listing on the stock exchange or another regulated market open to the public;

gj) taxes on assets and/or profit imposed on the investment company;

h) advertising costs, but only where this is compulsory for investment companies, pursuant to this Law;

i) other costs, as provided for by special laws.

5. The management company fee, referred to in paragraph 4 (a) of this Article, may not be defined in such a manner that it depends on the effectiveness of the investment company's activity.

6. Only the costs determined by the investment company's prospectus may be paid by debiting assets of the investment company.

7. The total amount of all the costs entered in the books by debiting the investment company shall be expressed as a total expense amount, and shall be calculated for each previous year in the following manner:

(Total management fee + total amount of all other costs, referred to in this Article, less costs referred to in paragraphs 4 (g) and (h) of this Article)

× 100

Average annual net asset value

and shall be published in the audited annual financial statements of the investment company.

8. The investment company's total expense amount may not exceed 3.5% of its average annual net asset value. Upon the expiry of the annual accounting period, the FSA shall publish, every year, a summary of a comparison of total expense amounts for all investment companies.

9. All the costs incurred, which in a particular year exceed the maximum permitted total expense ratio of 3.5% shall be borne by the Management Company.

Article 62

Supervisory Board

1. The supervisory board of an investment company shall have a minimum of 5 members.

2. A maximum of 40% of the total number of supervisory board members of an investment company may be employees or persons related to the management company or persons who have, in the past two years, concluded a service contract with the investment company, including auditors, lawyers and public notaries.

3. Other supervisory board members of the Investment Company with public offering shall be independent, which means that they may not be:

a) employed with the management company, depositary, auditor or persons granted a valid broker or investment adviser licence by the FSA, and effectively performing these activities as employees of a brokerage company or a bank authorized for securities transactions, or persons who have, in the past two years, concluded a service contract with any of them;

b) employed by entities related to the persons referred to in paragraph 3 (a) of this Article, or by persons related to them.

Article 63

Prohibited Supervisory Board Members

The following persons may not be members of the supervisory board of an investment company:

a) members of management or supervisory board of the management company, depositary, brokerage company or a bank authorized for share transactions, insurance companies, privately-owned pension fund, at the time when their licence has been withdrawn, in the period of three years following the licence withdrawal;

b) persons who no longer hold membership in a professional association on grounds of infringement of association rules, or against whom the FSA has imposed a measure of withdrawing the licence to execute transactions involving securities;

c) persons against whom a final sentence has been imposed for a criminal offence against property, a criminal offence against the payment transaction safety and operation, and a criminal offence of document forgery prescribed by the Criminal Code of the Republic of Albania, for a period of one year after the sentence has become final, where the time of serving the sentence is not calculated in that period;

ç) persons against whom a final sentence has been imposed for unauthorized use and disclosure of confidential information, price manipulation and distribution of false information, indication of false data in the prospectus and its unauthorized distribution, unauthorized listing of securities, concealment of ownership and unauthorized trading in securities, as provided for by the Law on Securities, for a period of one year after the sentence has become final, where the time of serving the sentence is not calculated in that period;

d) persons against whom a final sentence has been imposed for an offence prescribed by the Law on Securities, for a period of one year after the sentence has become final;

- dh) persons under security measures which preclude them from doing business which is completely or partially part of the objects of the investment company's/management company's operations, in the period the prohibition is in effect;
- e) any person who has been declared legally incapacitated;
- ë) persons currently holding a public service office and who are currently central government employees or employees of the local and regional self-government or of the authorities responsible to the Government of the Republic of Albania or to the Albanian Parliament.

Article 64

Supervisory Board Member Term

Supervisory board members of an investment company shall be appointed for a term in office of a maximum of four years and they may be re-appointed.

Article 65

Remuneration of Supervisory Board Members

The total amount of remuneration and costs paid to the supervisory board members, as well as the number and value of all the shares in the investment company held by an individual supervisory board member shall be indicated in the annual financial report of the investment company. Supervisory board members shall not be permitted to receive any remuneration from the issuing bodies of securities in which the investment company invests its assets, other than remuneration to which they are entitled pursuant to the employment contract/service agreement.

Article 66

Supervisory Board Powers

Supervisory board members of an investment company with a public offering, in addition to supervisory board powers granted under the Company Law, shall jointly represent an investment company in relation to a management company. In addition, the supervisory board shall be responsible for:

- a) granting approval of entering into contracts with persons providing services to the investment company. Such contracts may not be concluded for a period longer than three years;
- b) supervising the performance of the contract referred to in paragraph 1 (a) of this Article, where the supervisory board shall have a right to terminate the contract in the case of contract default, in which case none of the fees payable as a result of such a termination may exceed the amount of a three-month remuneration provided under the terminated contract;
- c) supervising the compliance of business operations with the provisions of this Law, investment company prospectus, as well as the objectives and limitations on investment of an individual investment company;
- ç) granting approval of the proposed decisions on share redemption, share issue and investment company restructuring at the investment company's general meeting;

- d) notifying the FSA of any failure of the management company and depositary to comply with this Law and relevant regulations;
- dh) determining the investment company's financial reports, upon the proposal of the management company.

Article 67

Revoking Management Company and Depositary Licences

1. In the case of licence withdrawal from a management company or occurrence of any other circumstance preventing a continued pursuit of activities of the management of an investment company, the supervisory board shall, within 60 calendar days following the occurrence of such circumstances, sign an agreement, referred to in Article 68 of this Law with another management company. The supervisory board shall, otherwise, convene the general meeting of the investment company.

2. In the case of licence withdrawal from a depositary of an Investment Company or occurrence of any other circumstances preventing a continued pursuit of the contracted activities, the supervisory board shall, within 60 calendar days following the occurrence of such circumstances, sign an agreement with another depositary. The supervisory board shall, otherwise, convene the general meeting of the company.

Article 68

Managing Investment Companies with Public Offering

1. The management board of a management company shall have authority, shall be appointed and shall act as the board of directors of an investment company and shall manage the fund in accordance with the agreement concluded between the management company and the investment company that shall be represented by its supervisory board, pursuant to the provisions of this Law and relevant regulations.

2. The FSA shall adopt a regulation to regulate in more detail the compulsory contents of the agreement to be entered into between a management company and an investment company, referred to in the paragraph 1 of this Article.

3. Management companies shall be responsible for performing the obligations assumed under the agreement, referred to in paragraphs 1 and 2 of this Article, regardless of whether they perform these obligations directly or through a third party as permitted under the provisions of this Law.

Article 69

Investment Policy

The provisions under Chapter Five in Section Two of this Law shall be applicable to all investment companies with public offering, making all the necessary alterations.

Article 70

General Meeting

1. The provisions of the Company Law shall apply to the general meeting powers, convening and holding the meeting.

2. The general meeting may make valid decisions, where votes representing at least 3/10 of the registered capital of the investment company are present at the general meeting.

3. The general meeting, on the basis of the votes representing at least three quarters of the registered capital, present at the investment company general meeting at the time of decision-making, shall adopt the following decisions:

a) increase in the annual fee to the management company, above the amount stated in the prospectus that is in effect;

b) changes in the investment objectives of the investment company in relation to the objectives indicated in the prospectus,

c) purchase of investment company's own shares for the purpose of their redemption;

ç) if the investment company is established for a definite period of time, the extension of the investment company's operation relative to the period indicated in the prospectus;

d) merger into, and consolidation with, another fund, or division of the investment company.

SECTION 3

PROSPECTUS OF COLLECTIVE INVESTMENT UNDERTAKINGS
WITH PUBLIC OFFERING

Article 71

Prospectus of Collective Investment Undertakings with Public Offering

1. This section applies equally to all collective investment undertakings with public offering.

2. The prospectus of collective investment undertakings with public offering shall represent an invitation to purchase units in an investment fund, or shares in an investment company.

Article 72

Principle of Accuracy

The information stated in a prospectus shall be accurate and complete.

Article 73

Prospectus Content

1. A prospectus shall include the information necessary for investors to be able to make a proper judgment of the collective investment undertaking, and, in particular, of the risks attached thereto.

2. The prospectus of an collective investment undertaking with public offering, shall contain, at least, the following data:

A. Information on the undertaking:

a) name of the collective investment undertaking and indication of the type of undertaking, as well as the names and a brief resume of the members of the supervisory board in the case of an investment company ;

b) date of undertaking's establishment and indication of duration where it is established for a fixed period of time;

c) indication of the place where half-yearly and annual reports may be obtained and as well as where a copy of the fund rules or full prospectus or additional information concerning the collective investment undertaking may be obtained;

ç) the minimum amount of monetary assets to be raised and activities to be undertaken if the minimum determined amount is not raised;

d) name, i.e. company name of the collective investment undertaking's authorised auditor, and of the other service providers to the collective investment undertaking;

dh) the rights attached to units or shares:

i) voting right at the general assembly of a investment company;

ii) right to information (half-yearly and annual reports);

iii) right to dividend or share in the profits;

iv) right to redeem units in the investment fund;

v) right to be paid the remaining part of liquidation or bankruptcy estate of the collective investment undertaking.

e) circumstances in which winding-up of the collective investment undertaking can be decided on and winding-up procedure;

ë) in case of an investment company, information on the stock exchange(s) where the investment company's shares will be listed;

f) the type of assets, in which the investment company is allowed to invest;

g) description of the investment objectives of the collective investment undertakings and the nature of the suggested or actual portfolios, the manner in which such objectives can be achieved and the risks associated with investments and the CIU's structure, the explanation of which (risks) are clear and easily understandable;

gj) statement of whether it is permitted to invest in forwards and options and other financial derivatives, and in the case such investment is permitted, a mention must be made of whether such transactions may be effected for hedging purposes or for the purpose of attaining the investment objectives, as

well as what is the effect of these transactions on the collective investment undertaking's level of risk;

h) indication of states, units of local government or international organizations in the securities and money market instruments of which more than 35% of the collective investment undertaking's assets may be invested;

i) indication that the investment objective is the index replication, if the collective investment undertaking intends to replicate a share index or debt securities index;

j) the minimum amount of individual investments in the collective investment undertaking, the manner of shares or units subscription and, for the investment fund with a public offering, the method and conditions of unit redemption;

k) the method and time of the collective investment undertaking's assets valuation;

l) if the collective investment undertaking's net asset value will be highly volatile with respect to the composition of the collective investment undertaking's portfolio, i.e. the collective investment undertaking's asset management techniques, the statement indicating the said characteristic of the collective investment undertaking's assets;

ll) in the case of an investment fund, time, method and frequency of price calculation for the sale of new units or redemption of the existing ones, and the means of publication of these prices, circumstances in which issue or redemption may be suspended, description of the amount and frequency of payment of the permitted fees and costs relating to the issue and redemption of units;

m) in the case of an investment company, amount, type and limits on establishment costs payable by the investment company;

n) in the case of any collective investment undertaking: annual fees and management and operating costs that may be charged to the fund and description of the effect of the former on future income of investors;

nj) information on the method of calculation and means and frequency of distribution of share in profit or collective investment undertaking's dividends to shareholders or unit-holders;

o) brief indications of the tax regulation applicable to the collective investment undertaking;

p) historical performance of the collective investment undertaking and profile of the typical investor for whom the collective investment undertaking is designed;

q) duration of the business year;

r) publishing date of the prospectus.

B. Data on the management company:

a) company name, and legal form, the management company's registered office and head office, if different from the registered office, number of

authorization issued by the FSA, as well as date of establishment and enrollment in the National Registration Centre;

b) if the management company manages other collective investment undertaking with a public offering, a list of them;

c) names of management board, their brief resume and data if any of them is connected in any way with each other;

ç) amount of the management company's registered capital and names of the management company's shareholders, legal form and indication of participation of the shareholders in registered capital;

C. The company name, legal form, date of establishment and registration in the National Registration Centre and with the FSA, as well as the role of the companies acting as collective investment undertaking's investment advisors and the name of the chairman of the management board or other responsible persons in these companies.

Ç. In the case of the investment fund referred to in Article 37 of this Law, a mention must be made in the prospectus of the place in the Republic of Albania where domestic investors may obtain information and purchase and sell units or shares of the respective collective investment undertaking. Such information must be published in the Albanian language.

D. Information concerning depositary including, the company name, legal form, registered office and address of the management board of a depositary, as well as information and number of authorization, issued by the Bank of Albania and the FSA, for conducting business of a depositary.

DH. Information regarding the conflicts of interes, which was submitted to the FSA.

Article 74

Prospectus Approval and Publication

1. During the period of the application review, as per the relevant provisions of this Law, following submission of the application, the FSA shall approve every prospectus of collective investment undertaking with public offering, prior to initiating the public offering for the subscription of shares or units, and shall also previously approve the amendments to existing prospectuses which occurred due to essential changes. If, within the prescribed period, the FSA fails to make a decision on the application for the approval of the prospectus, the prospectus or its amendments shall be deemed approved.

2. It shall not be permitted to market through a public offering shares or units in the collective investment undertaking with a public offering, prior to the approval by the FSA of the collective investment undertaking's prospectus.

3. The management company shall, within 7 calendar days after it has been granted approval by the FSA, publish the prospectus in daily newspapers circulated in the entire territory of the Republic of Albania.

4. The FSA may approve the preparation and distribution of the prospectus in a simplified form (simplified prospectus) only for the needs of an Investment Fund, provided that a clear and comprehensible statement is made in the simplified prospectus of the existence of the full prospectus, which may be obtained upon request.

5. The terms and conditions laid down in the simplified prospectus may not differ from the terms and conditions contained in the full prospectus. The simplified prospectus must be written in a way so as to be easily understood by the average investor. The mandatory requirements of the simplified prospectus may be set out in a regulation of the FSA.

6. The essential elements of a full prospectus and simplified prospectus shall be regularly updated.

7. The full prospectus and simplified prospectus shall be published, as a minimum, in the Albanian language, and be distributed free of charge to current and/or potential investors.

Article 75

Frequency of Prospectus Publication

1. In the case of an investment company, the prospectus shall be prepared and submitted to the FSA for approval for the initial share issue and for each subsequent issue.

2. In the case of an Investment Fund, every new prospectus shall be prepared and submitted to the FSA for approval, whenever an essential change occurs in the prospectus, as provided for Article 76 (1) and (2) of this Law, and as in other cases as provided for by this Law.

3. The FSA may approve rules on the contents, publication and approval of full and simplified prospectuses.

Article 76

Changes in the Prospectus of an Investment Fund

1. Changes in the prospectus of investment funds, proposed for the purpose of:

a) increases in entry fees, annual management fees or exit fees;
b) changes in investment objectives of the fund and risks associated with the indicated investment fund's investments;

c) changes in the policy of distribution of share in profit;

ç) merger into and consolidation with another investment fund, or division of the fund, shall be subject to prior approval by the FSA and to the following requirements:

i) notification of the proposed changes shall be sent directly by mail to all unit-holders and shall be published in daily newspapers, circulated in the entire territory of the Republic of Albania, at least once in two weeks, within the period of two months prior to the day of implementation of the changes;

ii) all unit-holders shall be notified of the fact that they are entitled to request from the fund a redemption of their units without deduction of any applicable exit fee;

iii) redemption of all units, under the received requests, shall be effected prior to the entry into force of the changes in the prospectus.

2. In addition to the changes referred to in paragraph 1 of this Article, changes in the members of the board of directors of the management company, depositary or investment fund auditor shall also be subject to prior approval by the FSA.

SECTION 4

FUND RULES FOR COLLECTIVE INVESTMENT UNDERTAKINGS WITH PUBLIC OFFERING

Article 77

Definition of Fund Rules

1. Fund rules of collective investment undertakings with public offer shall regulate legal relations between the Management Company and unit-holders/shareholders.

2. Fund rules shall be enclosed with the fund's prospectus and shall form an integral part thereof.

3. It shall not be necessary for fund rules to be enclosed with the fund prospectus where the prospectus envisages that the unit-holder shall be supplied with the fund rules on request, or where it specifies the place where fund rules are made available for examination.

4. The information provided in the fund rules shall be accurate and complete.

Article 78

Content of Fund Rules

Unless the data referred to in this Article are already laid out in the prospectus of a collective investment undertaking, the fund rules shall contain, as a minimum, the following data:

a) name of the collective investment undertaking and indication of the type of undertaking;

b) date of fund establishment and fund duration where it is established for a determined period of time;

c) indication of the place where semi-annual and annual reports may be obtained and where a copy of the prospectus or any additional information on the undertaking may be obtained;

ç) the lowest and highest amount of monetary assets to be raised and activities to be taken if the lowest fixed amount fails to be raised;

d) declaration of trusteeship stating that:

i) the collective investment undertaking property, other than the sums standing to the credit of the distribution account, is held by the depositary for and on behalf of the investors *pari passu*, according to the number of units held by each investor or, in a case where income units and accumulation units are both in issue, according to the number

of individual shares in the undertaking property represented by the units held by each investor;

ii) the sums standing to the credit of the distribution account are held by the depositary for the purposes of distribution only;

iii) what currency the base currency of the fund is;

iv) the dates in the calendar year on which the annual accounting begins and ends, which must, in the case of an umbrella fund, be the same for all the constituent sub-funds;

v) the date in the calendar year, not being later than two months after the date on which the immediately preceding annual accounting period ends, which is to be the annual income allocation date, which must, in the case of an umbrella fund, be the same for all the constituent sub-funds;

dh) the rights from units or shares:

i) the right to vote at the general meeting of an investment company;

ii) the right to information (semi-annual and annual reports);

iii) the right to dividend or share in the profits of the company;

iv) the right to sell one's shares or units to the undertaking or the obligation for the undertaking to redeem such units or buy such shares;

v) the right to payment of a portion of what's left of the fund liquidation or bankruptcy estate;

e) in case of an investment company, information on the stock exchange(s) on which the shares will be traded;

ë) a description of the investment objectives of the collective investment undertakings with public offer and the nature of the suggested or actual portfolios, specifying the sectors of the economy, the manner in which such objectives can be achieved and the risks associated with investments and the collective investment undertaking structure;

f) if an objective of the undertaking is investment of a particular nature, a statement of that fact and characteristics of that particular nature;

g) the minimum investment in a fund, the manner of unit redemption, and information on the manner of calculation and the frequency of distribution of shares in the profits in an investment fund to unit-holders;

gj) indication that its investment objective is index replication, where the collective investment undertaking attempts to replicate a share index or a debt security index;

h) in case of an investment fund: annual fees and management and operating costs that may be charged to the fund and the description of their impact on future investors' yields;

i) in case of umbrella funds, regarding the management company charge on exchange of units, a statement authorizing the management company of an umbrella fund to make a charge of a fixed amount on the exchange of units between sub-funds (other than the first such exchange by an investor in any one annual accounting period) and specifying what the maximum of that amount may be;

j) information on the method of calculation and the manner and the frequency of distribution of shares in the profits or dividends in an investment company to its shareholders;

k) brief information on tax legislation applicable to the collective investment undertaking;

- l) duration of the financial year;
- ll) date of publication of fund rules;
- m) the following data on the management company:
 - i) company name, legal form, registered office (and of the head office where different from the registered office), the number of the licence issued by the FSA and the date of establishment and registration in the National Registration Centre;
 - ii) where a management company also manages other funds with a public offering, a list of such other funds shall be provided;
 - iii) names of the members of the board of directors, their brief curriculum vitae and indication if they are related in some way;
 - iv) the amount of registered capital of the management company and the names of the management company members, legal form, and an indication of the members' shares in the registered capital;
 - v) company name, legal form, date of establishment and registration in the National Registration Centre and role of the companies acting as investment advisers to the fund and the name of the chair of the board of directors or other responsible persons in such companies.
- n) in the case of investment funds referred to in Article 37 of this Law, the prospectus shall indicate the place in the Republic of Albania where domestic investors may obtain information and purchase or sell units of their collective investment undertakings. Such information shall be provided in the Albanian language;
- nj) information on the depositary, including the name, legal form, registered office and address of the head office of the depositary and the number and information on the licences issued by the Bank of Albania and FSA for carrying out the business of a depositary.

SECTION 5

PROMOTION OF COLLECTIVE INVESTMENT UNDERTAKINGS WITH PUBLIC OFFERING

Article 79

The Right to Promote Collective Investment Undertakings with a Public Offering

Promotional activities of collective investment undertakings managed by management companies may be undertaken and carried out exclusively by:

- a) a licensed management company with a registered office in the Republic of Albania;
- b) a licensed management company with a registered office in an EU Member State or an FSA approved country.

Article 80

Principle of Accuracy

1. Before publication, all promotional information in connection with collective investment undertakings with public offering and companies managing them, notably

those relating to ownership stakes, financial operations and the rights of collective investment undertakings unit-holders and/or shareholders shall be submitted to the FSA for approval.

2. Management companies shall be responsible for the integrity and accuracy of information published for fund promotion purposes.

3. Supervisory boards of investment companies and boards of directors of management companies shall be jointly and severally liable for the integrity and accuracy of the information published for fund promotion purposes.

Article 81

Terms of Promotion and Data Publication

Promotional information on collective investment undertakings with public offering may be communicated to third persons through the press, radio and television advertising, through personal visits, telephone communication, the Internet and electronic media as well as through interactive television, with the indicated communication media also including:

- a) booklets;
- b) advertisements in newspapers and magazines, on the radio, television and the Internet;
- c) regular or electronic mail, facsimile messages or other types of mail delivery;
- ç) telemarketing, including the use of a specialised provider of telemarketing services on the basis of an agreement concluded with the management company;
- d) letters, telephone communication or personal contacts;
- dh) means of sales promotion with the characteristics of financial promotion;
- e) investment or other publications offering impersonal investment recommendations involving investment purchase, holding or sale;
- ë) presentation to a larger group of people (20 or more);
- f) other methods or means of communication which legal or natural persons in the Republic of Albania may read, see or receive.

Article 82

Retaining Copies of Promotional Material

1. All promotional information in connection to collective investment undertakings with public offering shall be approved by persons authorized to represent the management companies.

2. Management companies shall keep a copy of each and every published promotional material, as well as the sources of data supporting the references made in such publications, which shall be available for inspection by the FSA.

Article 83

Manner of Promotion

When distributing promotional information on collective investment undertakings with public offering and their management companies:

- a) there shall be no concealment or false presentation of its promotional purpose;
- b) a full, accurate and truthful description shall be provided of the collective investment undertaking with public offering that is being promoted as well as of the prescribed obligations and any associated risks;
- c) it shall be ensured that the facts and the quotations given are integral, clear, true and unambiguous on the day when they are given and that they are not misleading and that any fact given can be substantiated;
- ç) it shall be ensured that each given opinion is complete and unambiguous and that an approval of the management company is obtained for any further use;
- d) it shall be ensured that any use of comparisons is based on facts which are accurate and up to date or that their key conclusions are clearly stated, and that any such comparison is given in a fair and impartial manner which is in no way misleading and which is based on all key factors for such a comparison;
- dh) no misrepresentations can be given, in particular as regards the professional expertise of the responsible persons, the assets and the scope of the collective investment undertakings and the management company business operations and ownership or the number of shares or units in the collective investment undertakings;
- e) it shall be ensured that the presentation, contents or form of promotional information do not distort, conceal, or lessen the importance of any statement, warning or any other reference that has to be given pursuant to this Law or secondary legislation under this Law;
- ë) it shall be ensured that no licences given by the competent body may be cited without consent from the FSA or some other competent body, and that no third persons shall be led to conclude that the licence issued by the FSA has any meaning which is different from the meaning of a certificate proving that the said firm has met all the conditions for the acquisition of the legal status indicated in the licence;
- f) no data may be omitted if their omission might cause the promotional information to be inaccurate, untruthful, vague or misleading;
- g) an accurate and truthful description shall be provided of the investment fund with public offering, the prescribed obligations and the associated risks.

Article 84

Presentation of Results

A presentation of the business results of a collective investment undertaking with public offering:

- a) shall not be subject to any type of warranty or promise;
- b) shall not be made in any form of estimate;
- c) shall reflect the investment business performance from the moment of its establishment to the day of presentation or its performance in the last five years, whichever of the two periods is shorter;
- ç) shall present the latest data available at the moment of presentation of the investment fund business results;
- d) shall be drawn up on a normalized basis in terms of the periods covered, with inclusion or exclusion of certain factors which affect such results (such as for instance, the basis for the price, costs, taxes, dividends);
- dh) shall not be shown in a manner that might be construed as projections of the possible business results in the future.

Article 85

FSA Regulations

The FSA shall issue a regulation on the contents and the methods of presentation of business results of collective investment undertakings with public offering.

The FSA may issue the necessary regulation governing the contents, time limits, issuance and modifications of promotional information on investment funds with public offering.

Article 86

Exemptions from the Terms of Promotion and Data Publication

Communications exempt from the application of the provisions of this Law regarding the terms of promotion and publication of promotional information about investment funds with public offering shall be:

- a) communications between the management company and any other person licensed to carry out a financial activity in the Republic of Albania;
- b) short, exclusively factual, radio, television, press, or electronic media announcements on the undertaking and/or the management company, and indications of key contact data;
- c) letters and written mail individually addressed to third persons about their specific requests which do not fall under mass mail advertisement;
- ç) annual business and financial reports of the investment fund or its management company.

SECTION 6

INVESTMENT POLICIES FOR COLLECTIVE INVESTMENT UNDERTAKINGS WITH PUBLIC OFFERING

Article 87

Allowed Investments

1. At least 90% of the portfolio of a collective investment undertaking with public offering must consist of the following:

- a) transferable securities and money market instruments traded on a regulated market or official stock exchange in the Republic of Albania, in an EU country, or in another country permitted by FSA;
- b) units of Investment Funds and shares of Investment Companies licensed under this Law, and shares or units of other approved collective investment undertakings licensed in accordance with EU standards;
- c) deposits with credit institutions, registered in the Republic of Albania or in an EU country or in an FSA-permitted country, which have the right to be withdrawn, and maturing in no more than 12 months;
- ç) financial derivative instruments;
- d) money market instruments other than those traded on a regulated market.

2. A collective investment undertaking may invest no more than 10% of its assets in transferable securities and in money market instruments other than the above.

3. A collective investment undertaking with public offering may not acquire either precious metals or certificates representing them.

4. An investment company may acquire movable and immovable property which is essential for the direct pursuit of business.

5. Collective investment undertakings with public offering may hold ancillary liquid assets.

6. A collective investment undertaking with public offering may, as part of its investment policy for effective portfolio management, use financial derivative instruments. However the management company must employ effective risk management process and techniques and instruments for the efficient management of the portfolio or to provide protection against exchange risks, which it shall regularly communicate to FSA. FSA may draft and adopt rules on the provisions of this paragraph.

Article 88

Investment Restrictions

1. A collective investment undertaking with public offering may invest no more than 5% of its net assets in securities and money market instruments of a single issuer.

2. A collective investment undertaking with public offering may not invest more than 20 % of its net assets in deposits with the same institutions.

3. The limit of 5% referred to in Paragraph 1 of this Article:

a) may be increased to 10%. In this case, the total value of the securities and money market instruments in which a collective investment undertaking with public offering invests more than 5% of the fund net assets, must not exceed 40% of the total net value of fund assets;

b) may be raised to 35% in the case of securities and money market instruments issued or guaranteed by the government and local authorities of the Republic of Albania, EU countries, FSA-permitted countries or by public international bodies to which one or more EU countries adhere;

c) the restriction specified in Paragraph 3 (b) of this Article may be increased to 100 percent upon FSA approval if all the following conditions are met:

i) the fund prospectus and rules explicitly refer to the states, central or local authorities or public international bodies in which the collective investment undertaking intends to invest more than 35% of its assets;

ii) the collective investment undertaking assets consist of at least 6 different securities or money market instrument;

iii) the value of any type of security or money market instrument referred to in Paragraph 3 (b) of this Article does not exceed 30% of the collective investment undertaking assets;

ç) may be raised to 25% in the case of certain special bonds issued by licensed credit institutions which have a registered office in the Republic of Albania, or an EU country or FSA-permitted country. The total investment in that type of bonds issued by a single issuer in which a collective investment undertaking with public offering invests more than 5%, shall not exceed 80% of the total value of the assets of the collective investment undertaking with public offering;

d) the restriction of 40%, referred to in item “a” of this Paragraph shall not be applicable to the transferable securities and money market instruments referred to in items “b” and “ç” of this Paragraph.

4. Risk exposure to a counterparty of the investment fund in a derivative transaction carried in a regulated market must not exceed:

- a) 10% of its net assets when the counterparty is a licensed credit institution;
- b) 5% of its net assets in other cases.

5. The overall limit of combined investments, deposits and exposures arising from derivatives with a single issuer referred to in Paragraph 3 (a) of this Article shall not exceed 20% of assets.

Transferable securities and money market instruments, issued by a single issuer, and other deposits made with the same institution (issuer), referred to in Paragraphs 1, 2 and 3 (a), (b) and (ç) of this Article, shall not exceed 35% of the total amount of collective investment undertaking assets.

6. If a collective investment undertaking attempts to replicate a share index or debt securities index, FSA may permit that up to 20% of the fund’s net asset value is invested in shares or debt securities of any single issuer. The limit may be permitted by FSA to be raised to 35% in a single issuer in exceptional market conditions, particularly where certain securities or money market instruments are highly dominant in the index.

7. Collective investment undertakings with public offering may acquire units or shares in another collective investment undertaking provided that no more than 10% of its assets be invested in another individual collective investment undertaking:

- a) in aggregate, a collective investment undertaking may invest no more than 30% of its assets in the shares of an investment company with public offering. Where a collective investment undertaking acquires units or shares in another collective investment undertaking, their assets shall be considered as a whole for the purposes of the limits specified in Paragraphs 1 to 6 of this Article;

- b) a collective investment undertaking with public offering must disclose in its prospectus or fund rules where it invests a substantial portion of its assets in the units/shares of another form of collective investment undertaking with public offering;

- c) where the collective investment undertaking with public offering has in common (either directly or indirectly) a management company in another collective investment undertaking with public offering in which it invests, the management company may not charge subscription or redemption fees to the unit-holders for investments in units or shares of those other collective investment undertakings with public offering.

8. Paragraphs 1 to 7 shall not apply to an umbrella fund as if it were a single securities fund, but shall apply to each sub-fund of the umbrella fund as if each such separate part was a single investment fund.

9. The restriction of Paragraph 8 does not include the total collective investment by the sub-funds in any class of securities issued by any one issuer, if it does not exceed 10% of the net asset value of all the sub-funds taken as a whole.

Article 89

Borrowing and Lending

1. FSA may consent upon request for a collective investment fund to borrow on a temporary basis:
 - a) up to 10% of the assets/units of the collective investment undertaking;
 - b) up to 10% of the investment company assets, where it borrows to acquire immovable property to be used directly for operational purposes.
2. On the grounds specified in Paragraph 1 (a) and (b) of this Article, investment company borrowing cannot exceed 15% of its assets.
3. Loans may not be granted on behalf of a collective investment undertaking nor may they be used to secure any loans.

Article 90

Investment Fund Costs

1. Fees charged to the unit-holder in an investment fund shall be limited to:
 - a) Entry fee, which is added to the amount of payment at the time of the sale of the units;
 - b) Exit fee, which is deducted from the fund net asset value per unit at the time of redemption;
 - c) Management fee, which is calculated daily on the basis of the fund's net asset value, according to the following formula:

$$\text{Reported annual management fee} \times \frac{1}{365} .$$

2. Operating costs of a management company and the services it provides to investment funds, other than the fees referred to in paragraph 1 of this Article, may not be charged to the fund, with subscription of unit-holders representing the only exemption, if such service is provided by the management company.
3. Charging of fees related to fund performance shall not be permitted.
4. Other costs that may be recorded directly by debiting the unit-holders shall be the following:
 - a) fees and costs payable to the depositary;
 - b) costs, commissions or remuneration related to the purchase or sale of assets;
 - c) costs of keeping a unit register, including the costs of issuing transaction certificates or unit balance certificates, if necessary, and costs of distribution of a share in profit;
 - ç) costs of annual audit;
 - d) costs of preparing, printing and mailing semi-annual and annual reports for the unit-holders;
 - dh) all other prescribed fees and remuneration, paid to the FSA, concerning the issuance of licence to the fund;
 - e) taxes payable by the fund on its assets or profit;

ë) costs of communicating changes in the prospectus and other prescribed communications;

f) other costs, as provided for by special laws.

5. Not a single cost may be paid out of investment fund assets, unless it is indicated as a cost in the fund's prospectus.

6. No fee or remuneration shall be charged to the investment fund, related to the advertising or promotion of fund and remuneration to fund sales representatives. Such costs shall be paid by the management company out of income earned on the basis of management fees, collected entry and exit fees.

7. The total amount of all the costs entered in the accounting books by debiting the investment funds shall be expressed as a total expense ratio, and its method of calculation shall be determined and specified in the fund rules and fund prospectus, and published in the audited annual financial report.

8. The fund total expense ratio may not exceed 3.5% of the average annual net asset value of the investment fund. After the end of the annual accounting period, the FSA shall publish, every year, a summary of a comparison of total cost amounts for all investment funds.

9. All the costs, which in a particular year exceed the maximum permitted total expense ratio of 3.5% shall be borne by the Management Company.

Article 91

Calculation of Fees and Costs

The total amount of all the costs entered in the accounting books by debiting the investment fund shall be expressed as a total expense amount, and shall be calculated for each previous year in the following manner:

$$\frac{\textit{(Total management fee + total amount of all other costs, referred to in Article 90 of this Law, less costs referred to in paragraph 4 (a), (b), (e) and (f) of Article 90)}}{\textit{Average net asset value}} \times 100$$

This amount shall be published in the audited annual financial report.

CHAPTER VI

INVESTMENT COMPANIES WITH PRIVATE OFFERING

Article 92

Investment Companies with Private Offer

An investment company with private offering shall be a joint-stock company with a registered office in the Republic of Albania, established pursuant to the Company Law and only after approval by the FSA. The objects of such companies shall be investment of funds with the aim of spreading investment risk and giving their investors, resulting

from private offering, the benefit of the results of the management of those funds. Investors' rights are represented by shares in that company.

Article 93

Establishing Investment Companies with Private Offering

1. An investment company with private offering may be established for a definite or indefinite period of time.
2. Shares of an investment company with private offering may be issued through a private offering only in compliance with the Law No 9879 of 21 February 2008 "On Securities", and its secondary legislation.
3. The fund rules and prospectus of the investment company with private offering shall also determine its investment objectives.
4. An investment company with private offering may only begin to offer its shares after registration with the Register of Funds.
5. FSA shall adopt a regulation to set out the precise requirements on the application for the approval of an investment company with private offering.

Article 94

Prospectus of Investment Companies with Private Offering

1. The prospectus of an investment company with private offering constitutes an invitation to purchase shares, addressed exclusively to a specific person or a limited group of investors, meeting the requirements of Law No 9879 of 21 February 2008 "On Securities", and its secondary legislation.
2. The information stated in a prospectus shall be accurate and complete.

Article 95

Prohibition of Promotion of Investment Companies with Private Offering

1. Investment companies with private offering may not engage in public campaigns aimed at promoting the investments it manages. Public distribution of presentation materials which, in addition to giving information on the name and activity of the investment company, guide potential qualifying investors to the investment company with a private offering, shall not be deemed public promotion.
2. All presentation data on investment companies with private offering shall be authorized by the members of the board of directors, and shall be integral, clear, true and accurate and shall not be misleading, in particular as regards the associated risks and fees.

Article 96

Result Presentation and Data Publication

Any presentation of the business results of an investment company with private offering shall:

- a) consist of the latest data available at the moment of business results presentation;
- b) be drawn up on a consistent basis in terms of the periods covered, with inclusion or exclusion of individual factors which affect such results (e.g. the basis for the price, costs, taxes, dividends, etc).

Article 97

Investment Policy of Investment Companies with Private Offering

The FSA shall issue a regulation to set out the precise requirements, restrictions and limitations for the investment policy of investment companies with private offering.

CHAPTER VII

SALE OF SHARES OR UNITS IN COLLECTIVE INVESTMENT UNDERTAKINGS

Article 98

Permitted Entities

1. The sale of shares or units in collective investment undertakings with public offering shall be carried out by management companies.
2. In addition to the provision of Paragraph 1 of this Article, the sale of shares or units in collective investment undertakings with public offering may be carried out by the following legal persons which have concluded a contract with the management company and which are authorized to operate in the Republic of Albania:
 - a) banks;
 - b) insurance companies;
 - c) brokerage companies;
 - ç) other legal persons executing sales transactions for the management company on the basis of a contract on business cooperation.

Article 99

Operation as Agent of Management Companies and Investors

1. In the sale of shares or units in collective investment undertakings with public offering, banks or insurance companies and other legal persons referred to in Article 98 (2) (ç) of this Law, shall act as management company agents based on a written contract concluded with the management companies.
2. In the sale of shares or units in collective investment undertakings with public offering, brokerage companies and banks licensed to perform transactions with securities shall act as clients' agents in the acquisition of shares or units in their name, based on a contract.

Article 100

Notification of Licence Suspension

1. The persons referred to in Article 99 of this Law shall not engage in sales transactions involving units or shares in collective investment undertakings with public offering during the period in which the competent authority has temporarily suspended their licences.

2. They shall forthwith inform the management companies with which they concluded a contract on the execution of sales transactions about any suspension of their licences.

3. The FSA shall adopt a specific regulation on the conditions, method of acquisition and recognition of authorization for the sale of shares or units in collective investment undertakings for all individuals employed by a legal person and other individuals executing such transactions for the management company under a special contract.

Article 101

Method and Conditions of Sales

The entities referred to in Article 99 of this Law, authorized for the sale of shares or units in collective investment undertakings with public offering shall:

a) ensure availability to investors of all relevant documents and data, notably the prospectus, reports, prices, etc;

b) check whether the requests for purchase and redemption are completed in an orderly fashion;

c) duly forward requests for sale and redemption to the management company;

ç) in promoting the collective investment undertakings with a public offering or disclosing data on investment companies with a private offering, use exclusively the prospectus, reports and promotional or presentation materials approved by a licensed management company;

d) not give any false information or information that may be misleading for the investors as regards the condition of the undertaking, or any false allegations about the undertaking, its investment objectives, associated risks, prices, yields, or any other issue or information in connection with the undertaking or the licensed management company, or any other statements which depart from the contents of the fund prospectus, fund rules or its reports;

dh) be accountable to the management company for any errors or oversights of their employees and every failure to comply with this Law and other regulations;

e) inform potential investors about the amount of commission paid in connection with their engagement in the sale of shares or units, calculated as a percentage of an entry, annual management or exit fee;

ë) inform potential investors which management company it represents and if it offers for sale only the products of that or more companies;

f) make sure that the proposed collective investment undertaking (s) meet the needs of the interested party;

g) act at all times in accordance with this Law and relevant regulations.

Article 102

Giving Recommendations

When making recommendations about a purchase or sale of shares or units in a fund, brokerage companies shall comply with the provisions of Article 101 of this Law, with the exception of paragraph 1 (dh) and (e) of that Article.

Article 103

Sales Remuneration

The entities referred to in Article 99 of this Law shall receive remuneration for their work exclusively from the management company, and that from entry, management or exit fee funds charged by the management company to investors.

Article 104

Sales of Shares in Investment Companies with Private Offering

1. Sales of shares in investment companies private offering shall be made exclusively by management companies.

2. FSA shall adopt regulations on persons authorized to sell or promote sale of shares, including conditions on their operation and reporting requirements.

CHAPTER VIII

MERGER AND WINDING UP OF COLLECTIVE INVESTMENT
UNDERTAKINGS

Article 105

**Merger and Winding up of Investment Companies
with Private and Public Offering**

Merger and winding up of an investment company with private or public offering shall be carried out in accordance with the provisions of Law no 9901 of 14 April 2008 “On Entrepreneurs and Companies”.

Article 106

Merger and Winding up of Investment Funds

1. Two investment funds may merge subject to prior approval from the FSA. The procedure, the conditions and the manner of the merger shall be prescribed in a regulation issued from the FSA for this purpose.

2. The winding up of an investment fund shall be carried out by the management company managing the fund, except in cases where the company is undergoing

bankruptcy proceedings or where the FSA has suspended temporarily or revoked on a permanent basis, the management company's licence.

3. Where winding up of an investment fund by the management company is not possible due to reasons set out in paragraph 2 of this Article, the winding up shall be carried out by the fund's depositary. Where the depositary is undergoing bankruptcy proceedings or where its licence as depositary or bank has been suspended temporarily or permanently revoked, the winding up of the fund shall be carried out by a fund liquidator appointed by the FSA.

4. The FSA shall appoint the investment fund liquidator referred to in paragraph 3 of this Article without delay, and, in doing so, act with maximum due care making sure that it takes account of the rights and interests of unit-holders in the investment fund. The FSA shall be accountable to unit-holders for any undue delay or hesitation with the appointment of investment fund's liquidator, or any conduct which is in contravention of the principle of maximum due care that has caused any type of damage to unit-holders.

Article 107

Rights, Obligations and Responsibility of the Liquidator

1. The liquidator must inform the FSA and all investors in the fund, within seven days from the day of adoption of a winding up decision, or from the day of his appointment as fund liquidator, about the winding up.

2. Upon adoption of the winding up decision, any further sale or redemption of units in an investment fund shall be prohibited, except in cases of requests received after the last price determination and before the adoption of the winding up decision.

3. From the day of the adoption of a winding up decision, no fees shall be charged to the investment fund except fees to the depositary, costs associated with the winding up procedure and its revision and costs associated with the preparation and presentation of audited semi-annual or annual reports to investors in the fund, incurred during the investment fund winding up procedure.

4. The liquidator shall submit to the FSA performance reports and final winding up reports and shall be responsible for the preparation of the required reports.

Article 108

Completion of the Investment Fund Winding up Procedure

1. During the winding up procedure, all investment fund assets shall be sold, while fund liabilities falling due until the date of adoption of the winding up decision shall be settled.

2. The remaining fund net asset value shall be distributed to unit-holders in proportion with their shares in the fund.

3. FSA shall issue a regulation on the procedure, costs and time limits for the dissolution of investment funds.

CHAPTER IX

DETERMINING THE VALUE OF ASSETS AND THE PRICE OF COLLECTIVE INVESTMENT UNDERTAKING UNITS AND SHARES

Article 109

Frequency of Valuation

Management companies shall determine the value of investment fund assets and all liabilities and fees before determining the net asset value per unit, or the price of unit.

a) The net asset value of an investment fund shall be calculated on a daily basis, at the time indicated in the prospectus. Management companies shall notify the FSA on the following business day about the value of assets of investment funds, their liabilities and fees, and about the price of units of investment funds as at the calculation date;

b) The net asset value of an investment company shall be calculated at least once a month, at the time indicated in the prospectus;

c) The FSA shall adopt a special regulation specifying the frequency of the net asset value determination.

Article 110

Responsibility for Collective Investment Undertaking Value and Unit or Share Price Calculation

1. The value of assets of collective investment undertakings with public offering and the price of units in an investment fund shall be calculated by the management company.

2. The calculation of values referred to in paragraph 1 of this Article shall be subject to control and verification by the depositary, which shall in that case be responsible for the accuracy of the calculation. The depositary shall sign the document on the determined value of the assets and keep a copy for its file which shall be presented to the FSA for examination upon request.

3. External auditors of collective investment undertakings shall make random checks in the course of their annual audit to make sure that the value determination principles specified in the regulations are observed, that the prices of shares or units calculated on the basis of those principles are accurate and that management fees and other fees and costs envisaged in the regulations, the prospectus or fund rules do not exceed the permitted amounts.

Article 111

Principles and Methodology of Determining Collective Investment Undertaking Portfolio Value

1. The calculation of portfolio value shall provide equal treatment of all investors in a collective investment undertaking, irrespective of the type of undertaking or whether it is an undertaking with public or private offering.

2. In the case of securities, including shares of investment funds, asset value determination shall be based on the market price on organised and regulated markets.

3. In case of securities with no applicable market price meeting the requirements referred to in paragraph 2 of this Article, the price of the last transaction concluded on that security or the yield from the last transaction in case of debt securities, shall be used as the basis for the calculation of the value of assets, unless the FSA provides in a regulation for the use of a different method of asset calculation.

4. In the case of deposits and current accounts or cash equivalents, short-term claims and liabilities, and future period income and expenses, the nominal value used shall be increased by the accrued interest, except in cases where it is provided otherwise by the FSA.

5. To determine the value of forward transactions and derivatives for which it is not possible to determine a market price, the FSA shall issue a specific regulation setting the methods for calculating the value of such assets.

6. In the case of an investment fund, the price of a unit shall be used, except in cases where it is provided otherwise by the FSA.

7. Foreign currency assets shall be calculated in the currency of the Republic of Albania using the last available exchange rate before asset value determination in accordance with the regulations issued by the FSA.

8. In the case of other forms of assets with no market price available, the fair and reasonable value of such assets shall be estimated. The procedures for asset fair value determination shall include their time value by discounting cash flows, comparisons with similar assets with known market price, option valuation methods and other methods as prescribed by the FSA.

9. The basis for asset value determination shall be specified in the fund prospectus and fund rules and shall be applied consistently for each fund asset value calculation.

10. FSA shall issue a regulation on the mandatory basis for asset value determination of collective investment undertakings, including both securities and liquid and quasi-liquid assets, domestic and foreign currency, forward and option contracts, derivatives, real estate, and the rules on regulated and organised markets in terms of this Law, as well as liquidity requirements for the proper establishment of market prices and the requirement of a timely establishment of such prices, while taking into account different, fund-specific, valuation methods.

Article 112

Net Asset Value and Value per Share or Unit

1. In the case of an investment fund, the net value of assets is the value of fund assets, which are its long-term investments increased by short-term assets, less its liabilities. The net value per unit is the net value of fund assets divided by the number of fund units at the moment of fund net asset value calculation.

2. Net asset value of an investment company is the value of fund assets, which are its long-term investments increased by short-term assets, less its liabilities. The net asset value per fund share is the net value of fund assets equally distributed across the issued shares of a fund at the moment of fund net asset value calculation.

3. FSA shall issue a regulation defining assets and liabilities, as well as the basis, the method and the time limits for the calculation of the net asset value and the net asset value per unit or share.

Article 113

Initial Offering and Fund Unit or Share Price Determination

1. The period for the initial offering of units in an investment fund, or shares in an investment company may not exceed thirty days. During that period of time, the total amount of monetary assets received shall be held as a deposit and shall not be invested until after the fund has exceeded the legal threshold of the collective investment undertaking asset value.

2. Monetary assets raised may not be invested, except in the form of deposit, before expiry of the period of offering.

3. The price of the initial or first share issue of an investment company shall be the nominal price of each share. The price of subsequent issues shall be market prices of shares, and this is to be without prejudice to the right of the existing shareholders to have additional shares offered to them in proportion with their current share in the company.

4. With the initial or first offering of an investment fund, the price of issue shall be determined by the management company and indicated in the fund prospectus. After the initial offering, the price of a unit in an investment fund shall be a uniform price equal to the fund net asset value per unit, calculated on the basis of a market price of all securities in the fund portfolio.

Article 114

Price of Units in Investment Funds

1. The sale and redemption of units in an investment fund shall be executed on a specific day at a price calculated in accordance with the law and regulations and the fund prospectus, and published in accordance with the provisions of this Law. Only following a price thus determined, it shall be possible to calculate and charge entry and exit fees.

2. Sale or redemption of units in an investment fund at a price below or above the currently applicable uniform (net asset value) price per unit shall not be allowed. The price of unit may vary depending on the changes in net asset value calculated in accordance with a formula that can be changed by FSA.

3. The price of unit in an investment fund shall be calculated in accordance with the following formula:

Fund net asset value divided by the number of units issued, with

a) the net asset value being calculated in accordance with the provisions of Article 112 of this Law;

b) the number of units issued equalling the number of units at the moment of price calculation, taking into account any sale or redemption made from the moment of the last price calculation to the moment of the new price calculation.

Article 115

Exchange and Sale of Units in Investment Funds

1. A unit-holder in an investment fund may exchange his units for units in some other fund managed by the same management company.
2. The sale of units in an investment fund shall be made at a price applicable, pursuant to the fund's prospectus and regulations, at the moment of receipt of payment made on behalf of the fund, in addition to the amount of entry fee where such a fee is charged.
3. Any payment in an investment fund shall be made in monetary assets and in securities only under special circumstances prescribed in a regulation by the FSA, under a firm condition that the offered securities be traded on organised and regulated markets and that it is possible to determine their exact price.

Article 116

Unit Redemption in Investment Funds

1. Unit redemption in an investment fund shall be made at a price applicable, pursuant to the fund's prospectus and FSA regulations, at the time of receipt of a valid request for sale, reduced by the amount of exit fee where such a fee is charged.
2. A redemption in specie, or redemption by means of transfer of an appropriate percentage of each type of fund assets at a value which equals the value of the units thus redeemed, shall be allowed in cases when the sale of fund assets, necessary to meet the requirements for large value redemption, might compromise the position of permanent investors in the fund, provided the fund rules and its prospectus envisage the manner of redemption of units in specie. Redemption in specie may be made only by transferring that part of each type of fund assets which is proportionate to the ratio of the number of units of investors seeking redemption and the fund's total asset value.

Article 117

Certificate of Purchase of Units and Terms of Payment in Case of Redemption

1. The certificate of purchase of units shall be issued upon request by investors within seven calendar days from the date of receipt of payment made to the fund.
2. The certificate of purchase of units shall comprise:
 - a) date of unit purchase;
 - b) the fund name and the management company name and registered seat;
 - c) number of units in the fund assets it represents;
 - ç) first name and surname of the unit-holder;
 - d) place and date of issue of the certificate;
 - dh)signature of the authorized person of the management company. The signatures may be affixed by mechanical means of copying.
3. Income from redeemed units in an investment fund shall be remitted to the holder of the redeemed unit within seven calendar days from the receipt of a valid request for sale.

Article 118

Incorrect Calculation of Unit Prices in Investment Funds

In case of an incorrect calculation of the price of a unit in an investment fund of over 1% relative to the value arrived at by applying the methodology referred to in Article 111 of this Law, the FSA shall be authorized to instruct the management company and the depositary bank responsible for such an incorrect calculation to do the following:

a) in case where the calculated price per unit is lower than the correct value arrived at by applying the methodology:

i) compensate each unit-holder for any shortfall in the amount received for the redeemed units;

ii) compensate the damage by paying any due difference to the fund.

b) in case where the calculated price per unit is higher than the correct value arrived at by applying the methodology:

i) by acknowledging a proportionate number of additional units, compensate any damage caused to each investor who was charged a higher price when purchasing units;

ii) compensate the damage by paying any difference to the fund.

Article 119

Entry and Exit Fees of Investment Funds

1. Apart from the price of units and entry and exit fees, no other fees shall be charged for the purchase or redemption of units in an investment fund.

2. Fees referred to in paragraph 1 of this Article shall be shown separately from the price of units and shall be kept by the management company but they may also constitute the fund's income.

3. No entry or exit fees shall be charged when terminating an investment fund due to non achievement of the lowest fund amount during the period of initial or first offering, in accordance with applicable FSA regulations or the fund prospectus and rules.

4. No exit fee shall be charged in case of a fund winding up, regardless the reasons for its winding up.

5. Any increase in the exit fee shall be effective only upon approval of the FSA as a reflected change in the prospectus.

6. No entry and exit fees shall be charged during the transformation of an investment fund.

7. No entry and exit fees shall be charged during an investment fund merger or consolidation with another fund or during fund division.

8. A decision of the management company on non-payment of entry and/or exit fees shall be clearly indicated in the fund's prospectus, and so shall the circumstances under which this may happen.

9. Entry or exit fees of an investment fund may be reduced relative to the fees indicated in the fund prospectus only in cases of large transactions and in accordance with a classification mandatorily set out in the fund's prospectus, published and also distributed to sales representatives of management companies, with an indication of prohibited derogation thereof.

Suspension of Redemption of Units in an Investment Fund

1. A redemption of units in an investment fund may be suspended only when the management company and the depositary consider that under given exceptional circumstances it is not possible to determine the exact price of the assets in a fund portfolio and that there are justified and strong reasons to suspend the redemption in the interest of unit-holders or potential unit-holders.

2. Any suspension of redemption shall be notified to the FSA immediately. Information on the circumstances surrounding a suspension of unit redemption in an investment fund shall be published in a daily paper circulated in the entire territory of the Republic of Albania. The FSA may instruct repayment of units in an investment fund with public offering if that is in the interest of the public or in the interest of investors in a fund.

3. The FSA may instruct the management company and the depositary to temporarily suspend the sale and redemption of units if it reasonable grounds to believe that damage is being done to investors due to incorrect calculation of a fund unit price.

4. The suspension of unit redemption shall cease as soon as possible, after the management company and the depositary have established that it is possible to determine the exact price of assets in the fund's portfolio, and no later than within twenty eight days from the beginning of suspension, unless the FSA gives its express written consent for the extension of the said time limit. The resumption of business of an investment fund with public offering shall be published in a daily paper circulated in the entire territory of the Republic of Albania.

5. During the suspension of redemption and sale of units, the management company and its sales representatives may continue to receive requests for the sale or redemption of units which will be executed once the next sale and redemption prices are calculated but it shall be made clear to the ordering parties that their orders will not be executed within the time limits envisaged under the fund prospectus and rules.

6. The FSA shall adopt a regulation on the base, components, manner and time limits of calculation when determining the value and the price of investment funds, the components, the restrictions, the manner of calculation, collection and the publication of fees for units in investment funds, the duration and the conditions of the prescribed offering period, the procedure, the time limits and the execution of sale and redemption of units as well as suspension and resumption of their sale and redemption in specie and replacement of units in one fund for units in another fund managed by the same management company.

CHAPTER X

FSA SUPERVISION

SECTION I

GENERAL PROVISIONS

Article 121

FSA Role

1. FSA shall take the measures for an effective supervision, in accordance with Law no 9572 of 3 July 2006 “On the Financial Supervisory Authority”.

2. FSA may enter into agreements with any other domestic or foreign (including international) financial sector supervisor, law enforcement or anti-money laundering agency to share relevant supervisory information or to otherwise cooperate for purposes of carrying out its activity of supervision as stipulated in this Law.

3. FSA may exchange with another domestic or foreign supervisor:

a) necessary supervisory information, including specific information requested and gathered from a supervised entity;

b) relevant financial data;

c) information on individuals holding positions of responsibility in such entities.

4. FSA must take reasonable steps to ensure that any information released to another supervisor will be treated as confidential by the FSA and will be used only for supervisory purposes.

5. FSA shall make its best efforts to ensure that the supervisor receiving the information consults with the FSA before taking action based on the evidence of the information received from the FSA.

Article 122

Immunity and Indemnification of FSA Staff

1. FSA Board and employees cannot be sued in any court of law for any action or omission in the exercise or performance of any power or duty conferred or imposed by or under this Law unless the action or omission is shown to have been in bad faith.

2. FSA shall indemnify its Board and employees against any legal costs incurred in the defence against legal action brought against such person(s) in connection with the discharge or purported discharge of official functions within the scope of their employment or engagement under this Law, provided that such person acted in good faith.

Article 123

Confidentiality

1. FSA can publicly explain its policy objectives, and report on its activities and performance in pursuing its objectives, including publicly provided information on institutional problems and actions taken.

2. Any other information from which a person or entity can be identified, that is acquired by the FSA in the course of carrying out its functions, must not be publicly disclosed by the FSA, the members of its Board or its employees.

3. The information referred to in the previous paragraph can be disclosed publicly with the consent of every person or entity that can be identified from that information.

4. When it deems necessary, FSA can disclose information without the consent of every person or entity that is affected by that information, in any of the following cases:

- a) to enable the FSA to carry out any of its functions;
- b) for purposes of prevention or detection of crime;
- c) in connection with the discharge of any international obligation;
- ç) to assist any domestic or foreign supervisory authority that exercises functions corresponding to any of the functions of the FSA.

5. FSA shall not disclose any information received from foreign supervisory authorities, and shall ensure that confidential information shall be kept confidential while it is such.

SECTION 2

SUPERVISION

Article 124

Scope of Supervision

1. FSA shall be responsible for the supervision of activities of Collective Investment Undertakings, management companies and depositaries as well as of any other person acting as such without FSA express consent granted in accordance with the requirements of this Law.

2. The supervision activity undertaken by the FSA is conducted through:

- a) On-site inspection of any documents related to the objects of the entity. The inspection may be performed with or without prior notice to the supervised subject;
- b) Obtainment of work reports as provided for by this Law;
- c) Implementation of measures undertaken as provided for by this Law.

Article 125

On-site Inspection

1. FSA may conduct on-site inspection of the affairs of any management company or depositary, for the purpose of ascertaining whether or not the licensee is

complying with the provisions of this Law and its secondary legislation as well as with the fund rules and requirements under its license.

2. For inspection purposes, in addition to the respective provisions of Law no 9572 of 3 July 2006 “On the Financial Supervisory Authority”, FSA may require the management company or depositary:

a) to provide the FSA with such information, answers to questions and access to such documents, books, records, vouchers, cash on hand, securities and other information of a licensee, as the FSA finds necessary to ascertain whether the licensee is in compliance with this Law and its secondary legislation;

b) to attend before the Authority at a specified time and place, and to answer questions or otherwise furnish information appearing to the FSA to be relevant to the investigation.

3. On-site inspection shall take place only during business hours and in any of the business premises of the company subject to inspection.

4. A management company and/or the depositary shall ensure that its employees and appointed representatives permit the Authority access to their business premises.

5. On-site inspections can take place at any or all of the premises where business is conducted or records are maintained by the management company and the depositary.

Article 126

Power to Appoint Experts

For on-site inspection purposes, FSA may appoint one or more specialists or one or more external experts, who act according to the competencies given by the letter of appointment. Such appointees should be professionally qualified to examine, review, and report on, either generally or in relation to a specific matter, the assets and liabilities of a management company and/or the depositary, its books, accounts and other records, on money, securities or other property held on account of any other person, or any other matter appearing to the FSA to be relevant to the functions of the licensee.

Article 127

Duty to Give Information

1. A management company and a depositary shall be under a duty to promptly provide the Authority with any information in their possession where the management company or the depositary knows or has reasonable cause to believe that the:

a) information is significant for the exercise by the Authority of its functions under this law in relation to the management company or the depositary;

b) withholding of the information is likely to result in the FSA being misinformed about any matter which is of essential significance for the exercise of those functions in relation to the management company or the depositary.

2. A management company and its external auditor, is under a duty to inform the FSA promptly of any matter where it has reasonable grounds for believing that:

a) the management company is, or there is a significant risk that the management company will, not be able to meet its obligations as they fall due or that its liabilities exceed its assets;

b) the management company is not able to satisfy the capital adequacy requirement in this Law and its secondary legislation;

c) an existing or proposed state of affairs may materially endanger the rights of unit-holders/shareholders of the collective investment undertakings managed by the management company;

ç) in relation to the audit, the external auditor intends to make a material qualification in his/her report about the collective investment undertaking or the management company to the unit-holders/shareholders.

Article 128

Reports

1. Management companies and depositaries are obliged to submit their work reports to the FSA regularly. Management companies shall submit work reports on their internal activity as well as on the management of the Collective Investment Undertaking.

2. FSA shall adopt a regulation designating the contents of the work report and the time limits within which the work reports of Collective Investment Undertakings, management companies and depositaries should be submitted.

3. The work reports referred to in Paragraph 1 of this Article, by the management company and the depositary, shall be quarterly, semi annually and annually or more frequent if this is considered necessary by the FSA.

Article 129

Liquidation and Bankruptcy of Management Companies

1. Liquidation of management companies is governed by the provisions of the Law on Entrepreneurs and Companies.

2. Bankruptcy of management companies is governed by the Law no 8901 of 23 May 2002 “On bankruptcy procedures”.

3. In case of bankruptcy, collective investment undertaking assets which are owned by the unit holders/shareholders shall be treated as any other property that is subject to the right of separation as provided in the Law no 8901 of 23 May 2002 “On bankruptcy procedures”.

CHAPTER XI

MISDEMEANORS AND PENALTIES

SECTION I

VIOLATIONS AND PENALTIES

Article 130

Violations and Penalties

1. If any of the following cases occurs:
 - a) serious and/or systematic violation of the provisions of this Law by a management company or a depositary;
 - b) a company manages the collective investment undertaking in a manner which is against the fund rules, its prospectus or management contract with the collective investment undertaking;
 - c) a bank acting as a depositary for a collective investment undertaking, operates against the contract with the management company;
 - ç) a company has provided false data on the establishment of a collective investment undertaking;
 - d) a company has provided false data on its establishment as a management company;
 - dh) a bank has provided false data on its licensing as a depositary;
 - e) a company fails to submit its reports to the FSA within the legal time limit and with the required content;
- the FSA shall undertake at least one of the following measures:
- i) instruct the management company and/or depositary to take specific measures, in order to correct the infringement and make the collective investment undertaking management/depositary service compliant with the legal requirements and/or fund rules;
 - ii) impose fines according to the provisions of this Law;
 - iii) suspend or revoke the license of the collective investment undertaking, the management company and/or the depositary;
 - iv) order the subjects under investigation to pay for the reasonable expenses incurred by FSA-appointed experts while investigating violations, if such investigation proves the violations;
 - v) order licensees to fire their executive staff, including internal auditors, or order them to take disciplinary action against other members of staff;
 - vi) order the relevant bodies of licensees to convene a meeting of the highest decision-making bodies to discuss an agenda set by FSA;
 - vii) order an issuer, offeror or shareholder holding at least 5 percent of stakes to give specific information;
 - viii) order a management company to transfer any non honoured contractual obligations to another entity that has been specified by FSA;
 - ix) appoint an FSA representative to monitor the day-to-day activity of a management company closely;
 - x) prohibit, restrict and set conditions to management companies on:
 - any dividend payments;
 - any payments to executives;
 - giving loans or performing similar transactions with companies in which any shareholder or executive have an interest;
 - extending the repayment of any loans or credits;
 - opening new branches that provide new services or perform new activities;
 - xi) order management companies to:
 - draft new internal rules of procedure, or revise or implement existing ones, in line with specific instructions;
 - provide training to their executives, or employ qualified and knowledgeable staff in executive positions;

- reduce operational expenses;
- maintain adequate reserves.

2. In the cases referred to in Paragraph 1 (ç) of this Article, FSA shall announce an invitation to other collective investment undertaking management companies and/or depositaries to submit their offers and applications for management/depository services for a specific collective investment undertaking.

Article 131

Unauthorized Establishment and/or Management of Collective Investment Undertakings

1. Any person deliberately engaging in the establishment and/or management of Collective Investment Undertakings without a licence from FSA shall be punished with a fine from ALL 250,000 to ALL 800,000. Individuals who are responsible for such an offence shall be punished with imprisonment up to one year.

2. Where, as a result of the offence referred to in Paragraph 1 of this Article, the perpetrator has acquired considerable economic gain, it shall be punished with a fine from ALL 500,000 to ALL 2,000,000. Individuals who are responsible for such an offence shall be punished with imprisonment up to two years.

Article 132

Unlicensed Operation as Collective Investment Undertaking Depositaries

1. Any person engaging in the activity of a depositary of a Collective Investment Undertaking that is not licensed by the Authority shall be punished with a fine from ALL 250,000 to ALL 800,000. Individuals who are responsible for such an offence shall be punished with imprisonment up to one year.

2. Where, as a result of the offence referred to in Paragraph 1 of this Article, the perpetrator has acquired considerable economic gain, it shall be punished with a fine from ALL 500,000 to ALL 2,000,000. Individuals who are responsible for such an offence shall be punished with imprisonment up to two years.

SECTION 2

PREVENTIVE MEASURES

Article 133

Prohibition of Business or Transactions for Management Companies

1. The management company/depositary committing a contravention under this Law may, in addition to other sanctions imposed to it, be put under a protective measure for its prohibition to engage in the activities of establishment and management/depository of collective investment undertakings for a period of up to 2 years.

2. Any repetition of the same contravention mentioned in paragraph 1 of this Article shall cause the FSA to impose a preventive measure on the company to prohibit

that company from engaging in the activities of collective investment undertaking management companies or depositary for a period of up to 5 years.

Article 134

Prohibition for Management Companies Responsible Persons to Do Business or Perform Transactions

1. Responsible persons in management companies/depositaries who have committed any of the offences referred to Articles 131 and 132 of this Law may be put under a preventive measure of being prohibited to act as responsible persons in collective investment undertaking management companies for a period of up to one year.

2. Any repetition of the same contravention mentioned in paragraph 1 of this Article shall cause the FSA to impose on the responsible person of collective investment undertaking management company a preventive measure of prohibiting him or her from that duty for a period of up to 5 years.

CHAPTER XII

ADMINISTRATIVE AND JUDICIAL APPEAL

Article 135

Statute of Limitation

Initiation of proceedings for all contraventions under this Law shall be subject to a statutory limitation after 5 (five) years from the date the misdemeanour was committed.

Article 136

Appeals

Authority decisions may be appealed in front of the court of laws. Judicial appeals shall not preclude execution of decisions taken by the Authority pursuant to this Law.

CHAPTER XIII

TRANSITIONAL AND FINAL PROVISIONS

Article 137

Transitional Provisions

1. Legal entities established under Law no 7979 of 26 July 1995 “On Investment Funds” shall, within three months from entry into force of this Law, submit to the FSA applications for licence renewal, detailed statements with regard to the number of investors involved, statements with regard to management, the most significant

agreements, statements on investments made and their respective values, investment objectives and other information as required by the FSA.

2. Law no 7979 of 26 July 1995 “On Investment Funds” shall be repealed.

3. FSA shall issue regulations on investment funds established under the provisions of Law no 7979 of 26 July 1995 “On Investment Funds”.

4. With entry into force of this Law all privatization vouchers invested in investment funds that have been established under Law no 7979 of 26 July 1995 “On Investment Funds” shall be redistributed to individuals. The Minister of Finance shall regulate redistribution procedures and timeframes with an instruction paper.

Article 138

Entry into Force

This law comes into force 15 days after its publication in the Official Gazette.

SPEAKER OF PARLIAMENT

Jozefina Topalli (Çoba)