

REPUBLIC OF ALBANIA

**Law
No. 56/2020**

ON COLLECTIVE INVESTMENT UNDERTAKINGS¹

Pursuant to Article 78 and 83, Paragraph 1, of the Constitution, upon the proposal of the Council of Ministers,

THE PARLIAMENT OF THE REPUBLIC OF ALBANIA
DECIDED:

**CHAPTER 1
GENERAL PROVISIONS**

**SECTION 1
OBJECT AND APPLICATION**

Article 1
Object and Scope of Application

1. This Law regulates:

- a) the establishment, registration and operation of fund management companies, both management companies of publicly offered collective investment undertakings and alternative investment fund management companies in the Republic of Albania;
- b) the establishment, registration and operation of depositaries of collective investment undertakings established in the Republic of Albania;
- c) the establishment, registration and operation of collective investment undertakings in the Republic of Albania;

¹*This Law is partially aligned with:*

Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) Directive 2009/65/EC);
Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010

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ç) the offering and marketing in the Republic of Albania of collective investment undertakings established in the Republic of Albania or abroad, either by domestic or foreign fund management companies;

d) the marketing and management of collective investment undertakings abroad by management companies established in the Republic of Albania.

2. This Law shall apply to all entities licensed, recognized or registered by the Authority carrying out activities or related to the carrying out of funds collection activities for the purpose of the risk diversification, pursuant to the provisions of this Law, including the collective investment undertakings, management company, the administrator of the collective investment undertakings, the branch of the foreign management company, the depositary or the depositary of collective investment funds, the branch of the domestic company in a foreign country, the alternative investment funds foreign manager, the depositary or the depositary of the alternative investment funds, agents/offering distributors in the Republic of Albania, and any other entity carrying out the aforementioned activities without the approval or licensing granted by the Authority in accordance with the requirements of this Law.

Article 2 Definitions

I. In this Law the terms below have the following meanings:

1. “Alternative investment fund management” means an undertaking portfolio management and risk management for alternative investment funds.

2. “Alternative Investment Fund Manager (AIFM)” means a legal person licensed by a foreign regulatory authority whose regular business is managing one or more alternative investment funds which may in addition undertake administration and marketing of alternative investment funds;

3. “Tied agent” means an independent legal or natural person who, under the full and unconditional responsibility of only one management company on whose behalf it acts, promotes investment and/or ancillary services to clients or prospective clients, receives and transmits instructions or orders from the client in respect of investment services or financial instruments, places financial instruments or provides advice to clients or prospective clients in respect of those financial instruments or services. Operates on behalf of a single management company and under its full and unconditional responsibility.

4. “Independent member of the Board of Directors” in relation to an investment company means a non-executive member of the Board of Directors of an investment company who acts independently of the management company of that undertaking and of entities to whom investment management has been delegated by the management company; its auditor; its legal adviser and its depositary or custodian and who is not a member of the Board of Directors, employee, partner, officer or professional adviser to any of these entities and who has not acted in that capacity in the most recent three years.

5. “Statutory Audit” means an independent audit of the annual, individual and/or consolidated accounts and has the same meaning as defined by the applicable legislation on statutory audit, the organization of the profession of statutory auditor and the certified public accountant.

6. “Authority” means the Financial Supervisory Authority established in accordance with the legislation in force for the Financial Supervisory Authority.

7. “Foreign Regulatory Authority” means a national authority of another country which is empowered by law or regulation to supervise collective investment undertakings, fund management companies and depositaries established outside the Republic of Albania;

8. “Regulatory Authority” is the Authority which is empowered by law or regulation to register and/or license and supervise that collective investment, alternative investment manager, alternative investment fund depositary or collective investment undertaking depositary.

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9. “Home Country Regulatory Authority” means the regulatory authority responsible for supervision of a collective investment undertaking, management companies, an operator of a collective investment undertaking or a depositary of a collective investment undertaking in its home country.

10. “Host Country Regulatory Authority” means the regulatory authority of a country other than the home country of a collective investment undertaking or an operator of a collective investment undertaking in which the collective investment undertaking is being marketed or in which the operator has a branch or offers services.

11. “Merger” in the context of a collective investment undertaking means an operation whereby two or more collective investment undertakings or sub-funds thereof are combined either by absorption of one or more undertakings or sub-funds into another collective investment undertaking or sub-fund or by allocation of assets of existing undertakings into a new collective investment undertaking or sub-fund.

12. “Cross border merger” means a merger of collective investment undertakings.

a) At least two of which are established in different countries; or

b) Established in the same country into a newly constituted collective investment undertaking established in another country.

13. “Branch” in relation to a fund management company means a place of business activity which has the same legal personality as the fund management company and that provides services for which it is authorized by the fund management company.

14. “Deposit” has the meaning ascribed to it under legislation in force for banks in Republic of Albania.

15. “Depositary” means a bank or investment firm licensed by a regulatory authority to whom the property subject to a publicly offered collective investment undertaking is entrusted for safekeeping that has the duties and functions in relation to a publicly offered collective investment undertaking as set out in Section 2, Chapter III of this Law.

16. “Alternative Investment Fund Depositary” means a bank or investment firm licensed by a regulatory authority to whom the property subject to the alternative investment fund is entrusted for safekeeping that has the duties and functions in relation to an alternative investment fund set out in Section 3 of Chapter III under this Law.

17. “Dealing day” means the period in a working day in accordance with provisions of the CIU prospectus during which the management company is open for business.

18. “Constituting Instrument” means for an investment company, the Statute or Act of Incorporation of that company; for a general partnership or limited partnership agreement and the fund regulation or an equivalent document of the investment fund.

19. “Issuer” means a legal person, or other legal entity governed by law, including a sovereign government or approved international financial organization which issues securities.

20. “Investment firm” means any legal person whose regular occupation or business is the provision of one or more investment services to third parties and/or the performance of one or more regulated activities on a professional basis under the legislation in force on capital markets.

21. “Own funds” means financial resources required by this Law to be held by a fund management company or an alternative investment fund depositary or by a depositary in accordance with this Law.

22. “Fund of funds” means a collective investment undertaking which invests not less than 85% of the value of its assets in other collective investment undertakings.

23. “Investment fund” is a collective investment undertaking formed as a contractual fund with the sole object of raising capital from investors and investing that capital, in compliance with an agreed investment policy, in different kinds of investments for the sole benefit of the unitholders of such an investment fund.

24. “Alternative Investment Fund (AIF)” means a collective investment undertaking including investment compartments or sub-funds thereof which raises capital from a number of investors, with

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a view to investing it in accordance with a defined investment policy for the benefit of those investors which would not require a license as an undertaking for collective investment in transferable securities under this Law.

25. “Foreign alternative investment fund” means an alternative investment fund created under the law of a country other than the Republic of Albania that is not permitted under the law of that country to be offered to the public in that country.

26. “Exchange-Traded Fund (ETF)” means a collective investment undertaking that replicates an index of which at least one unit or share class is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its units or shares on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value.

27. “Securities lending” in relation to publicly offered collective investment undertakings means the lending of financial instruments by one party to another overnight or for a precisely defined timeframe.

28. “Index” means any figure

a) that is published or made available to the public;

b) that is regularly determined.

i. entirely or partially by the application of a formula or any other method of calculation, or by an assessment; and

ii. on the basis of the value of one or more underlying assets or prices, including estimated prices, actual or estimated interest rates, quotes and committed quotes, or other values or surveys and that is used by a collective investment undertaking or sub-fund as a measurement of the performance of that collective investment undertaking or with the purpose of tracking the return of such index or of defining the asset allocation of a portfolio.

29. “Financial instruments” means financial instruments defined in accordance with the legislation in force “On Capital Markets”.

30. “Listed financial instrument” means any financial instrument listed on any market segment of a stock exchange.

31. “Money market instrument” in the context of this Law means a debt security that gives the owner the unconditional right to receive a stated, fixed sum of money on a specified date and is issued at a discount dependent upon the interest rate and the time remaining to maturity including treasury bills, commercial and financial paper, bankers’ acceptances and negotiable certificates of deposit with original maturities of one year or less, and short-term notes issued under short-term note issuance facilities.

32. “UCITS money market instrument” means an instrument normally dealt in on the money market meets the requirements of the Authority for liquidity and has a value which can accurately be determined at any time.

33. “Carried interest” in relation to an alternative investment fund means a share in the profits of the alternative investment fund accrued to the alternative investment fund management company as compensation for the management of the alternative investment fund and excludes any share in the profits of the alternative investment fund accrued to the alternative investment fund management company as a return on any investment by the alternative investment fund manager into the alternative investment fund.

34. “Initial capital” is paid up equity capital subscribed by shareholders or other owners excluding cumulative preference shares.

35. “Client” means any natural person or legal person to whom an investment firm provides investment and/or ancillary services; and includes two types of clients, as follows.

35.1. ‘Professional client’ means a client meeting the following criteria.

a) Entities which are required to be licensed or recognized to operate in the financial markets.

i. banks and branches of foreign banks;

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- ii. investment companies;
 - iii. other licensed, or recognized financial institutions;
 - iv. insurance undertakings;
 - v. collective investment undertakings, and fund management companies of such undertakings;
 - vi. voluntary pension funds and management companies of such funds;
 - vii. commodity and commodity derivatives dealers;
 - viii. local firms who provide investment services;
 - ix. other institutional investors.
- b) Large undertakings which meet at least two of the three following criteria.
- i. a balance sheet total of at least ALL 2.6 billion;
 - ii. net turnover of at least ALL 5.2 billion; or
 - iii. own capital of at least ALL 260 million.
- c) National and regional governments, public bodies that manage public debt, central banks, international institutions such as the World Bank, the International Monetary Fund, the European Central Bank, the European Investment Bank and other similar international organizations;
- ç) Other institutional investors, whose main activity is to invest in financial instruments, including entities dedicated to the securitization of assets or other financial transactions.

35.2. 'Retail client' means any client who is not a professional client.

35.3 "Qualified client" means any legal or natural persons, who are classified as retail clients but who are, at their request, treated as professional clients which meet at least two of the three following criteria.

- i. the client has carried out significant transactions in the respective market, with an average frequency of 10 operations per quarter in the four previous quarters;
- ii. The client's net worth, including cash deposits and financial instruments, exceeds ALL 65 million;
- iii. The client works or has worked in a senior position in the financial sector or in a company in a role that requires knowledge of finance for at least one year, which requires knowledge understanding of financial transactions or provided services.

The below procedure is followed for the classification as qualified client.

- a) The client must state in writing to the company that it wishes to be treated as a professional client either generally or in respect of a particular service or transaction or type of transaction or product;
- b) The company must give the client a clear written warning of the protections and investor compensation rights the client may lose;
- c) The client must also state in writing, in a separate document from the contract, that it is aware of the consequences of losing such protection offered to the retail clients;

36. "Exit charge" means the charge payable by the subscriber to the operator of a collective investment undertaking upon redemption of participations in the undertaking;

37. "Entry charge" means the charge payable by the subscriber to the operator of a collective investment undertaking upon subscription for participation in the undertaking;

38. "Annual management charge" means, in relation to a collective investment undertaking or sub-fund, the periodic charge payable to the management company of that undertaking calculated at an annual percentage rate based upon the value of the property of each undertaking or sub-fund;

39. "Control" which means the relationship between a parent undertaking and a subsidiary, or a similar relationship between any natural or legal person and an undertaking and any subsidiary undertaking of a subsidiary undertaking also being considered to be a subsidiary of the parent undertaking.

40. "Custody" means safekeeping and administration of financial instruments for the account of clients;

41. "Unit" means one of the equal proportionate participations into which the beneficial interests in the assets subject to a collective investment undertaking that is an investment fund are divided;

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42. "Income unit" is a unit in an open ended or interval collective investment undertaking that periodically distributes income and does not credit these income to capital;
43. "Leverage" in relation to a collective investment undertaking means any method by which the management company of a collective investment undertaking increases the exposure of the undertaking whether by borrowing or use of derivatives or otherwise;
44. "Ownership links" means a situation in which two or more persons are linked by.
- a) participation' in the form of ownership, direct or by way of control, of 20 % or more of the voting rights or capital of an entity;
 - b) control' according to paragraph 39 of this Article;
 - c) a permanent link of both or all of them to the same person by a control relationship;
45. "AFSA Law" means the legislation in force that regulates the scope of activity of the Financial Supervisory Authority.
46. "Liquidator" means a person appointed to terminate the affairs of a collective investment undertaking, fund management company or depositary;
47. "Distribution account" means the account to which the income property of a collective investment undertaking may be transferred at the end of each annual accounting period;
48. "Marketing" means a direct or indirect offering or placement at the initiative of a management company of participations in a collective investment undertaking managed by that management company;
49. "Entering into Administration" shall be the process of placing a legal person licensed under this law into administration and control of the chosen and appointed temporary administrator by the Authority, in cases of identification of the circumstances stipulated in Article 178 of this Law;
50. "Unitholder" means any person who by reason of the holding of units or by reason of having invested capital in a collective investment undertaking which is an investment fund is entitled to a proportionate part of undertaking property;
51. "Durable medium" means an instrument that enables the recipient to store information addressed personally to that recipient in a way that is accessible for future reference for a period of time adequate for the purposes of the information and which allows unchanged reproduction of the information stored;
52. "Sub-fund" means an investment compartment which is a separate part of the undertaking property of an umbrella undertaking that is pooled, managed and accounted for separately whose property is beneficially owned by the participants in that sub-fund;
53. "Accumulation unit or accumulation share" means a unit or share in a collective investment undertaking which accumulates income by way of periodical credit to capital rather than distribution;
54. "Offer of financial instruments to the public" means a communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the financial instruments to be offered, so as to enable an investor to decide to purchase or subscribe to these financial instruments. This definition also applies to the placing of financial instruments through financial intermediaries;
55. "Income property" means interest, dividend income and rental from immovable property that the operator, in consultation with the auditor, considers to be in the nature of income received or receivable for the account of and in respect of the property of a collective investment undertaking, but excluding any amount for the time being standing to the credit of the distribution account upon the completion of an annual reporting period;
56. "Capital property" means the undertaking property, other than the income property and any amount for the time being standing to the credit of the distribution account;
57. "Immovable property" means land, and any constructions and works of a permanent nature located thereon and anything forming an integral part thereof;
58. "Undertaking property" means the property subject to the collective investment undertaking constituted by it – that is, the capital property and the income property;

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59. "Pledge" refers to the collateral used to secure a loan;
60. "Key persons" means those persons who, under the law or the instruments of incorporation, represent the operator or the depositary, or who effectively determine the policy of the operator or depositary including the members of the supervisory board or board of directors of that entity;
61. "Key personnel" means senior natural persons who are responsible for key functions of an operator or depositary of a collective investment undertaking including but not limited to in the case of an operator the head of investment management, the head of marketing, the head of administration, the head of internal audit, the head of risk management and the head of compliance and in the case of the depositary the head of depositary services, the head of internal audit, the head of risk management and the head of compliance;
62. "Related natural person" in relation to a collective investment undertaking or a collective investment undertaking related entity is a key person of a collective investment undertaking or related entity to that undertaking and
- a) His or her spouse, or/and the parents, brother or sister of his or her spouse;
 - b) His or her child, parent, brother, sister, grandchild or a spouse of any of the foregoing;
 - c) A relative of direct vertical lineage and horizontal lineage to the second level of kinship of that person,
 - ç) An adopter and adoptee, a spouse's relative to the first level of kinship;
 - d) A member of the Board of Directors of any company in which the undertaking has an interest of more than 20%; and
 - dh) Any other relative of that key person who has shared the same household as that person for at least one year on the date of the personal transaction concerned.
63. "Recognized person" means any legal or natural person which has a license from a foreign regulatory authority which is recognized by the Authority as equivalent to a license granted by the Authority itself;
64. "Participant" means any person holding units or shares or a partnership or any other form of participation or right or interest in a collective investment undertaking by reason of having invested capital in the collective investment undertaking;
65. "Participation" includes, where the context so requires a share, a unit, a partnership and any other instrument or interest granting a proportionate entitlement to collective investment undertaking property and the income earned by collective investment undertaking property and capital returns earned by collective investment undertaking property;
66. "Qualifying holding" means a direct or indirect holding in a fund management company or alternative investment fund manager or alternative investment fund depositary or depositary which represents 10% or more of the capital or of the voting rights or which makes it possible to exercise a significant influence over the management of that entity;
67. "Valuation paragraph" is the regular time of day occurring at regular specific periods identified in the CIU prospectus at which calculation of the net asset value of an undertaking (or sub-fund) and participations in that undertaking (or sub-fund) takes place and in the case of open ended and interval undertakings, prices are calculated at which dealing in participations of that undertaking (or sub-fund) takes place.
68. "CIU prospectus" means a written document that discloses the terms of the offering of a collective investment undertaking;
69. "Interim report and accounts" means, in relation to a collective investment undertaking, a report on the operations, financial performance and financial condition of such an undertaking for the first six months of an accounting year;
70. "Annual reports and financial statements" means, in relation to a collective investment undertaking, a report on the operations, financial performance and financial condition of such an undertaking over an accounting year including the auditor's report;

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71. “Feeder collective investment undertaking” means an open-ended collective investment undertaking or sub-fund of an open-ended collective investment undertaking dedicated to investing not less than 85% of its assets in participations in one other specified open ended collective investment undertaking or sub-fund (the ‘master collective investment undertaking or sub-fund’);

72. “Foreign collective investment undertaking” means a collective investment undertaking created under the law of a country other than the Republic of Albania;

73. “A Collective Investment Undertaking means any arrangement with respect to property of any description, including money, the purpose or effect of which is to enable persons taking part in the arrangement (the “participants”), whether by becoming owners of the property or any part of it or otherwise, to participate in or receive profits or income arising from the acquisition, holding, management or disposal of the property or sums paid out of such profits or income.

a) the arrangements must satisfy the conditions set out below:

i. the participants do not have day to day control over the management of the property in question, whether or not they have the right to be consulted or to give directions; and

ii. the arrangements must have either or both of the following characteristics:

-the contributions of the participants and the profits or income out of which payments to be made are pooled; and

-the property concerned is managed as a whole by the operating entity, or on its behalf, of the collective investment undertaking;

iii. the property managed by or on behalf of a company or investors in a contractual pool or other entity or arrangement having as its purpose the investment of its funds with the aim of spreading investment risk and giving its members the benefit of the results of the management of those funds by or on behalf of that company, trust, entity or management company;

b) where any arrangements provide for such pooling as is mentioned in point (a), sub point (ii) of this point in relation to separated parts of the property, and each such part is maintained in a portfolio segregated in the books of the undertaking from the other assets of the undertaking (‘investment compartment’ or ‘sub-fund’), then the arrangements shall nevertheless be regarded as constituting a collective investment undertaking which shall be regarded as an umbrella undertaking on the condition that the participants are entitled to exchange rights in one part for rights in another part;

c) where each part of the undertaking property is segregated in the books of the umbrella undertaking and is a sub-fund.

i. the property subject to the sub-fund is beneficially owned by the participants in that sub-fund and must not be used to discharge any liabilities of the participants in any other sub-fund;

ii. any liability of the participants in the sub-fund arising from the acquisition, management or disposal of the property subject to the sub-fund shall be discharged solely out of that property;

iii. a participant in the umbrella undertaking shall not be liable for debts arising from the acquisition, management or disposal of the property subject to a sub-fund in which the participant has participations beyond the amount which, at the time when any debts fall to be discharged, is equal to the value at that time of the participant’s participations in that sub-fund.

74. “Interval undertaking” means an undertaking which under its constituting instrument has the obligation to redeem its participations at a price related to net asset value per participation of the undertaking determined in accordance with this Law on a regular periodic basis of not less than twice per annum;

75. “Master undertaking” is an open-ended collective investment undertaking or sub-fund of an open-ended collective investment undertaking which has amongst its participants at least one feeder undertaking and which is not itself a feeder undertaking and which does not hold participations in a feeder undertaking;

76. “Publicly offered collective investment undertaking” means a collective investment undertaking created under this Law licensed by the Authority to conduct an activity in the public in the Republic

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of Albania, which is not an undertaking for collective investment in transferable securities and whose investments and borrowing conform with Chapter VII Sections 1, 2 and 4 of this Law;

77. "Publicly offered undertaking for collective investment in transferable securities" means a collective investment undertaking created under this Law licensed by the Authority to conduct an activity in the public in the Republic of Albania which investments conform with the requirements established in the regulations of the Authority, under Chapter VII Section 3 of this Law;

78. "Undertakings for Collective Investment in Transferable Securities" (UCITS) means a collective investment undertaking which investments and borrowing limitation thereof comply with the requirements under Section 3, Chapter VII of this Law;

79. "Umbrella undertaking" means an open ended or interval collective investment undertaking which, to the extent as may be approved and subject to such conditions as may be applied by the Authority or a foreign equivalent may be divided into a number of sub-funds in which participants are entitled to exchange rights in one sub-fund for rights in another and "sub-fund" shall be construed accordingly;

80. "Closed-ended undertaking" means an undertaking with a fixed number of shares or units in issue which has no obligation to redeem those shares or units;

81. "Open-ended undertaking" means an undertaking which under its constituting instrument has the obligation to redeem its participations every working day at a price related to the net asset value per participation of the undertaking determined under this Law;

82. "Money market collective investment undertaking" means an open-ended collective investment undertaking whose primary objective is to maintain the net asset value of the undertaking either constant at par (net of earnings) or at the value of the participants' initial capital plus earnings and which sells and redeems its participations every working day;

83. "Stand-alone collective investment undertaking" ('stand-alone undertaking') is a collective investment undertaking which is not an umbrella undertaking or a sub-fund;

84. "Related entity" in relation to a collective investment undertaking are the following legal persons.

- a) The parent company of the management company;
- b) A subsidiary company of the parent company of the management company;
- c) The management company of the undertaking;
- ç) The delegates of the management company;
- d) The depositary of the undertaking;
- dh) The delegates of the depositary;
- e) The external auditor of the undertaking;
- ë) The legal adviser of the undertaking;
- f) Any broker that carries out transactions on behalf of the undertaking;
- g) Any investment bank or other entity that acts as underwriter of issue of shares or units in a collective investment undertaking;
- gj) Any agent, tied agent or distributor under Article 102 of this Law;
- h) In relation to an investment company, any company whose board of directors includes a director of that investment company;
- i) In relation to an investment company, any person which has ownership links with a director of that investment company; or is a related natural person linked with a member of the board of directors of an investment company.

Where any legal person is designated as a related entity the definition of related entity will also include any persons with ownership links to or closely associated with the related entity or related natural persons as defined in this Law;

85. "Operator of a collective investment undertaking" means the legal person that has overall responsibility for the management and performance of the functions of the collective investment undertaking, which may include investment advice and operational services;

86. "Physical payment" is the actual delivery of goods, other than cash payment.

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87. "Management company" means an incorporated entity, the regular business of which is the management of publicly offered collective investment undertakings including undertakings for collective investment in transferable securities licensed under this Law or an equivalent foreign law;

88. "Fund Management Company" means a legal person duly authorized and holding a license or licenses to conduct collective investment undertaking management activities set out in this Law;

89. "Alternative Investment Fund Management Company" (AIFMC) means a legal person licensed by the Authority whose regular business is managing one or more alternative investment funds which may in addition undertake administration and marketing of alternative investment funds as defined by this Law;

90. "Investment company" means a collective investment undertaking established as a joint stock company under the legislation in force on Entrepreneurs and Companies, where the principal object of which is the diversified investment of its property in real or personal property of whatever kind;

91. "Closed-ended investment company" means an investment company which has a fixed number of shares or units in issue which is a collective investment undertaking;

92. "Listed company" means any company which has its securities listed on any market segment of a stock exchange and includes;

a) any company which has its financial instruments listed on a publicly offered licensed stock exchange; and

b) any company which is not registered in the Republic of Albania, but which has been admitted to the official list of a stock exchange;

93. "Parent company" has the meaning ascribed to it under legislation in force for banks in Republic of Albania.

94. "Transferable securities" means.

a) shares in companies and other securities equivalent to shares in companies (shares);

b) bonds and other forms of securitized debt (debt securities);

c) any other negotiable securities which carry the right to acquire any such transferable securities by subscription or exchange;

A security is not a transferable security if the title to it cannot be transferred, or can be transferred only with the consent of a third party;

95. "Regulated market" means a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments in that system in accordance with its non-discretionary regulations in a way that results in the financial instruments being admitted to trading under its regulations and/or systems, and which is licensed, registered or recognized by the Authority and also an over the counter market where securities issued and guaranteed by the central government of Albania are traded, provided that the sale is recognized and regulated by the Authority and open to the public.

96. "Member country" means a country which is a member of the European Union or of the European Economic Area;

97. "Foreign country" means a country other than the Republic of Albania;

98. "Home country" means.

a) in the case of a management company or alternative investment manager or depositary of collective investment undertakings, the country in which its registered office is situated or if the entity has, under its national law, no registered office, the country in which its head office is situated;

b) in the case of a collective investment undertaking which is publicly offered, the country in which the undertaking is licensed;

c) in the case of an alternative investment fund, the country in which the fund is licensed or registered under applicable national law, or in case of multiple licenses or registrations, the country in which the fund has been licensed or registered for the first time; or if the alternative investment fund is neither licensed nor registered in a country, the country in which the fund has its registered office and/or head office;

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99. "Host country" means

a) in relation to a management company of collective investment undertakings the country, other than the Home Country, within the territory of which the management company has a branch or manages collective investment undertakings or provides services or markets collective investment undertakings;

b) in relation to a collective investment undertaking a country other than the Home Country in which the participations of the undertaking are marketed;

c) in relation to an alternative investment fund management company or alternative investment fund manager, means a country, other than the Home Country, in which the alternative investment fund management company or alternative investment fund manager manages alternative investment funds or markets participations of alternative investment funds;

100. "Advertisement" means a communication relating to an offer of financial instruments to the public or to an admission to trading on a regulated market aiming to specifically promote the potential subscription or acquisition of financial instruments;

101. "Net asset value" means the aggregate value of the assets of a collective investment undertaking (or sub-fund) less the total amount of the liabilities of that collective investment undertaking (or sub-fund) at the time of the calculation;

102. "Net asset value per unit" is the net asset value of the collective investment undertaking (or sub-fund) divided by the number of shares/units in issue at the time of the calculation of the net asset value;

103. "Valuation" means the process of determining the present value of a fund.

II. The titles and chapters in this Law are used only for the purpose of orientation and reference and are not intended to affect or restrict the interpretation of the definitions and provisions of this Law.

III. In this law, words in the singular must include the plural and words in the plural must include the singular, whenever such a thing is necessary by the content of the provision.

IV. A reference to one gender must include a reference to the other genders.

Article 3

Collective Investment Undertakings established in the Republic of Albania

1. A collective investment undertaking established in the Republic of Albania may be constituted as.

a) an investment fund; or

b) a joint stock company under the legislation in force on Entrepreneurs and Companies ('investment company'); or

c) a limited partnership under the legislation in force on Entrepreneurs and Companies ('collective investment undertaking limited partnership').

2. An investment fund established in the Republic of Albania may be constituted as.

a) an open-ended undertaking; or;

b) an interval undertaking; or

c) closed-ended undertaking.

3. An open-ended investment fund for public offer established in the Republic of Albania under point (a), paragraph 2, of this Article, may be:

a) a publicly offered collective investment undertaking; or

b) a publicly offered undertaking for collective investment in transferable securities.

4. A collective investment undertaking established in the Republic of Albania which is an open-ended undertaking under point (a) paragraph 2, of this Article, or an interval undertaking under point (b) paragraph 2, of this Article, is:

a) a stand-alone undertaking; or

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- b) an umbrella undertaking.
5. A collective investment undertaking which is a stand-alone open-ended undertaking under point (a), paragraph 4, of this Article may be:
- a) a master undertaking; or
- b) a feeder undertaking.
6. A sub-fund of an umbrella undertaking that is an open-ended undertaking under point (a), paragraph 2, of this Article may be.
- a) A master sub-fund; or
- b) A feeder sub-fund.
7. A collective investment undertaking established in the Republic of Albania, pursuant to the arrangement form may be:
- a) A publicly offered collective investment undertaking managed by a management company; or
- b) An alternative investment fund managed by an alternative investment fund management company.
8. The fund management company of an investment fund or sub-fund of an investment fund may on behalf of participants in an investment fund or sub-fund take and defend proceedings for the resolution of any matter relating to an authorized contract and take action in relation to the enforcement of any judgment given in such proceedings.
9. The provisions of Chapter VII of this Law shall apply to a sub-fund as if it was a stand-alone undertaking and the Authority shall exercise its powers in relation to a sub-fund as if that sub-fund was a stand-alone undertaking.
10. A collective investment undertaking must not offer or claim to offer any guarantee or certainty whatsoever as to performance relating either to income or to capital.
11. The assets of a collective investment undertaking or sub-fund are beneficially owned by the holders of participations in that undertaking or sub-fund and are not the property of the fund management company of the undertaking or of the depositary or alternative investment fund depositary to the undertaking or sub-fund except insofar as any liability of the undertaking or sub-fund payable to those entities is outstanding.

Article 4 Exemptions

1. The following entities, activities or arrangements shall not be considered collective investment undertakings.
- a) an activity operated by a person other than by way of business;
- b) an arrangement where each of the participants carries on a business other than a business concerned with dealing in, arranging deals, managing or advising on securities or investments and enters into the arrangement for commercial purposes related to that business;
- c) an arrangement where each of the participants is a company in the same group as the management company of the undertaking;
- ç) *holding* companies;
- d) the following arrangements where:
- i. each of the participants is a *bona fide* employee or former employee, or the wife, husband, widow, widower, child or step child under the age of 18 years of age of such an employee or former employee, of a company in the same group as the management company; and
- ii. the property to which the arrangement relates consists of shares or stock, debentures, loan stock, or any other instrument creating or acknowledging indebtedness or warrants or certificates conferring

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rights in relation to any such investment, in each case being an investment in or in a member of that group;

dh) a *franchise* arrangement, that is to say, an arrangement under which a person earns profits or income by exploiting a right conferred by the arrangements to use a trade name or design or other intellectual property or the goodwill attached to it;

e) an activity, the predominant purpose of which is to enable persons participating in it to share in the use or enjoyment of a particular property or to make its use or enjoyment available gratuitously to a third party;

ë) an arrangement under which the rights or interests of the participants consist of the benefit of certificates or other instruments conferring rights in relation to securities other than shares or units in an investment company;

f) a contract of insurance;

g) a closed ended investment company which is established by the operator of another collective investment undertaking, with the the purposes of holding investments, directly or indirectly, on behalf of that undertaking, or a series of collective investment undertakings established by a single sponsor to invest in parallel one with another (the “owning undertakings”) and the shares of which are not marketed to or otherwise available to any participant other than the owning undertakings;

gj) banks;

h) a central bank;

i) an occupational pension scheme or voluntary pension fund;

j) a supranational organization in the event that they manage alternative investment funds in the public interest;

k) a national, local and municipal government or other organization or institution which manages funds supporting social security and pension systems;

l) an employee participation scheme and employee savings scheme;

ll) securitization special purpose entities;

m) a co-operative society including funeral societies;

n) a credit union;

nj) 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.

2. An entity which is not a collective investment undertaking under this Law or under an equivalent foreign law shall not use in its name or description the term ‘collective investment undertaking’ or any term or description for such an undertaking under this Law, or any similar term implying the same meaning.

Article 5

Collective Investment Undertakings and Unlicensed persons

1. No person shall establish or operate a collective investment undertaking in the Republic of Albania, or claim to establish or operate or manage such an undertaking, or act or claim to act as a depositary or operator of an undertaking in the Republic of Albania unless that person is.

a) a person licensed by the Authority as required by this Law and legislation in force on capital markets;

b) a person recognized by the Authority as eligible to establish or operate a collective investment undertaking in the Republic of Albania.

2. No entity shall issue or request to a third party to issue an advertisement offering participations in a collective investment undertaking in the Republic of Albania unless that person is licensed or

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recognized by the Authority as required by this Law or the legislation in force on capital markets and the undertaking concerned has been licensed or recognized by the Authority under this Law.

3. The Authority shall not authorize an undertaking for collective investment in transferable securities if:

- a) an investment company does not act in compliance with the requirements of this Law;
- b) the foreign management company has not been licensed for the management of the foreign collective investment undertakings by the home country within the European Union.

Article 6

Prohibition of conversion of collective investment undertakings

1. A publicly offered collective investment undertaking shall not cease to be a publicly offered collective investment undertaking except upon completion of winding up of that undertaking and cancellation of its license or registration by the Authority.

2. A registered collective investment undertaking shall not cease to be a registered collective investment undertaking except upon completion of the winding up of that undertaking and cancellation of its registration by the Authority.

3. A collective investment undertaking which is a publicly offered undertaking for collective investment in transferable securities under this Law shall not cease to be a publicly offered undertaking for collective investment in transferable securities except upon completion of winding up of that undertaking and cancellation of its license by the Authority.

Article 7

Taxation Regime for Collective Investment Undertakings Established in the Republic of Albania

1. The tax administration of the Republic of Albania shall, at the request of a management company or alternative investment fund manager, 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 tax legislation, a collective investment undertaking shall be considered for taxation purposes, an owner of the securities or of the overall undertaking's assets, as well as the final beneficiary.

SECTION 2

REGISTER OF COLLECTIVE INVESTMENT UNDERTAKINGS, THEIR OPERATORS AND DEPOSITARIES

Article 8

Register of collective investment undertakings, their operators and depositaries

1. All collective investment undertakings and sub-funds licensed or registered under this Law and all collective investment undertakings and sub-funds registered or recognized by the Authority under this Law shall be entered into the Register of Collective Investment Undertakings, Operators and Depositaries of the Republic of Albania.

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2. All fund management companies and alternative investment fund managers and depositaries and alternative investment fund depositaries licensed or recognized by the Authority under this Law shall be entered into the Register of Collective Investment Undertakings, Operators and Depositaries of the Republic of Albania.
3. The Authority shall be responsible for the Register and shall ensure that it is complete, comprehensive and up to date at all times.
4. The Authority shall make the Register of licensed and recognized: collective investment undertakings, and sub-funds, and licensed and recognized fund management companies, and alternative investment fund managers, and depositaries and alternative investment fund depositaries accessible to the public.
5. The Register shall contain:
 - a) In relation to a collective investment undertaking or sub-fund, the name of the collective investment undertaking or sub-fund; the name of its fund management company or alternative investment fund manager; its registered address; its investment objective; its legal nature; whether it is a closed-ended, open-ended or interval undertaking; the licensed, recognized or registered status of the undertaking or sub-fund and the name of its regulator; in the case of an investment company, the names of the approved key persons; and the date of entry into the Register;
 - b) In relation to a fund management company, an alternative investment fund manager, or a depositary or alternative investment fund depositary its name and registered address, its licensed or recognized status and the name of its regulator; the names of the approved key persons and members of key personnel and its date of entry into the Register.

Article 9 **Entry into the Register**

1. A collective investment undertaking or sub-fund or fund management company or alternative investment fund manager or depositary or alternative investment fund depositary shall be entered into the Register upon its licensing, registration or recognition by the Authority.
2. Each undertaking or sub-fund, fund management company, alternative investment fund manager and depositary and alternative investment fund depositary shall be issued with a uniform, unchangeable and unique register number by the Authority.

Article 10 **Announcement of Entry into Register**

The entry into the Register of a licensed or recognized collective investment undertaking or sub-fund, a licensed or recognized fund management company or alternative investment fund manager and a licensed or recognized depositary or alternative investment fund depositary shall be announced by the Authority on its website.

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CHAPTER II
FUND MANAGEMENT COMPANIES

SECTION 1
ESTABLISHMENT AND OPERATION OF FUND MANAGEMENT COMPANIES

Article 11
Operation of the management company

1. Management of publicly offered collective investment undertakings and alternative investment funds in the Republic of Albania must only be undertaken by a licensed or recognized fund management company in compliance with this Law and the applicable legislation on capital markets.
2. Licensing and recognition of a fund management company shall only be granted by the Authority if it is satisfied that the fund management company shall meet the requirements of this Law.
3. A fund management company licensed under paragraph 2 of this Article may be licensed as a management company to offer publicly offered collective investment undertakings or as an alternative investment fund management company to offer alternative investment funds for professional clients only or as both.
4. A fund management company licensed under paragraph 2 of this Article may also be licensed by the Authority as:
 - a) a management company of voluntary pension funds under the applicable legislation regulating the Voluntary Pension Funds;
 - b) investment portfolio manager, including those portfolios owned by pension funds, in accordance with mandates given by investors on a discretionary, client-by-client basis, under the applicable legislation on capital markets.
5. The functions for which a management company is responsible in respect of publicly offered collective investment undertakings are:
 - a) ensuring that a depositary is appointed to each undertaking under its management and that the depositary of the undertaking is required to clearly identify all property of that collective investment undertaking as the property of that undertaking and to ensure that that property is held by a depositary separately, segregated from the property of the management company and from the property of other collective investment undertakings operated by the same management company and from other clients of the management company and the depositary;
 - b) provision of all administrative services required by the undertaking including record-keeping;
 - c) if provided for by the constituting instrument of the fund, it creates and maintains the register or participants and transfer facilities;
 - ç) offering, marketing and distribution of the shares or units of the undertaking;
 - d) in the case of open ended and interval investment funds, dealing in participations of the undertaking including sale and redemption of units and instructing the depositary to issue and cancel units and make payments to unitholders upon redemption of units;
 - dh) creating and maintaining complete and up to date accounting records of the undertaking and accounting for the assets, income, and expenses of the undertaking which must be carried out in such a way that all assets and liabilities of an undertaking can be directly identified at all times;
 - e) valuing the undertaking and calculating the net asset value of the undertaking and the net asset value per share or unit of the undertaking and (except where shares or units of publicly offered collected investment undertakings are listed on a regulated market as permitted by this Law) the price per unit for sale and redemption of units;
 - ë) making tax returns;

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- f) investment management specifically making decisions as to the constituents of undertaking property in accordance with the constituting instrument and CIU prospectus of the undertaking and the stated investment objective and policy of the undertaking or sub-fund concerned and exercising voting rights attaching to financial instruments under its management;
 - g) risk management including monitoring and measuring at any time the risk of the positions of an undertaking or sub-fund particularly liquidity risk and their contribution to the overall risk profile of the portfolio of that undertaking or sub-fund and undertaking related stress tests and developing and implementing related contingency plans;
 - gj) instructing the depositary in writing as to the exercise of rights attaching to undertaking property;
 - h) preparation of all required disclosure of information concerning the undertaking and for the required content and dissemination of said information except as otherwise provided for in this Law;
 - i) monitoring ongoing compliance of the operation of a publicly offered collective investment undertaking with this Law;
 - j) dealing with any enquiries or complaints concerning an undertaking;
 - k) internal audit;
 - l) filing all required reports with the Authority concerning an undertaking except as otherwise provided for by this Law; and
 - ll) any further functions established by the Authority by regulation, rule, codes of conduct and guidance under this Law or the legislation in force on capital markets.
6. The functions for which an alternative fund management company is responsible for in respect of alternative investment funds are:
- a) portfolio management and risk management for that fund;
 - b) in addition to the activities in point (a) of this paragraph engage in the activity for the administration and marketing of the alternative investment funds it manages and undertake activities related to the assets of the fund;
 - c) For the purposes of point (b) of this paragraph, administration activities imply:
 - i. legal and fund management accounting services;
 - ii. dealing with customer enquiries;
 - iii. valuation and pricing including tax returns;
 - iv. regulatory compliance monitoring;
 - v. maintenance of the register of participants in the fund;
 - vi. distribution of income;
 - vii. contract settlements (including certificate dispatch); and
 - viii. keeping of records.
 - ç) For the purposes of point (b) paragraph 6 of this Article, activities related to the assets of the fund include:
 - i. services necessary to meet the legal responsibilities and duties of the manager;
 - ii. facilities management;
 - iii. real estate administration activities;
 - iv. advice to legal persons on capital structure, industrial strategy and related matters;
 - v. other services connected to the management of the alternative investment fund and the companies and other assets in which it has invested.
7. A fund management company must make and keep for each undertaking and sub-fund for which it acts such records as are necessary to:
- a) enable the undertaking and sub-fund and the management company to comply with this Law and regulations and rules under this Law; and
 - b) demonstrate that such compliance has been achieved.
8. The records of an undertaking and sub-fund must be kept in such a way that the Authority is able to access them readily and it must be possible for any corrections or other amendments and the contents of such records prior to such corrections or amendments to be easily ascertained and it must

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not be possible for the records to be otherwise manipulated or altered. Such records must be kept for the period required by the applicable legislation in force.

9. A fund management company licensed under paragraph 2 of this Article, to manage publicly offered collective investment undertakings may also be given permission by the Authority to undertake the following additional services;

a) Give investment advice under Legislation in force on capital markets;
b) Administration of individual portfolio in compliance with the legislation in force which regulate the capital markets sector.

10. A fund management company may not be licensed by the Authority under paragraph 9 of this Article solely to undertake activities under this paragraph and may not be licensed by the Authority to undertake activities under this without being licensed under legislation in force on capital markets.

11. A fund management company licensed under paragraph 2 of this Article to manage alternative investment funds may in addition to the activities in paragraph 6 of this Article be given permission by the Authority to receive and transmit orders on behalf of clients in relation to one or more financial instruments.

12. A fund management company licensed under paragraph 2 to manage publicly offered collective investment undertakings must not engage in activities other than those stated in paragraphs 3, 4, 5, 7, 8 and 9 of this Article and those activities necessary to fulfil associated obligations.

13. A fund management company licensed under paragraph 2 of this Article to manage alternative investment funds must not engage in activities other than those provided in paragraphs 3, 4, 5, 6, 7, 8 and 10 of this Article and those activities necessary to fulfil associated obligations.

14. The Authority approves additional rules on the licensing conditions of the management company. If necessary, in consideration of the interests of participants in publicly offered collective investment undertakings or the public, the Authority may in special cases set new conditions or change existing conditions for a management company's license.

Article 12

Conditions for Licensing as a Fund Management Company

1. A license as a fund management company must only be granted by the Authority to a joint stock company that has its registered office and head office in the Republic of Albania.

2. The fund management company must have the types and amounts of capital required under Article 13 of this Law and must demonstrate the legitimacy of the source of that capital.

3. Owners of qualifying holdings in the fund management company must meet the fit and proper requirements of Article 14 under this Law.

4. Key persons and key personnel of the fund management company must meet the fit and proper requirements set out in Article 14 under this Law and have relevant qualifications and professional experience meeting the requirements of Article 15 under this Law.

5. The systems, procedures and control measures of the fund management company must comply with Article 16 of this Law.

6. The conduct of the business of the fund management company must be undertaken by not less than two natural persons who meet fit and proper requirements under the provisions of this Law.

7. A fund management company must not act as a depositary.

8. A fund management company cannot be an owner of a depositary.

9. A fund management company must appoint an eligible independent auditor, which meets the conditions under the provisions of this Law and the respective legislation in force.

10. A fund management company must inform the Authority of any replacement of persons under paragraph 3 and 4 of this Law and must provide information relevant to assessing whether the replacement meets the requirements of paragraphs 3 and 4 of this Law.

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Article 13
Capital of Fund Management Companies

1. A fund management company must issue only registered shares with one share having the right of one vote.
2. Any shares issued up to the amount of the paid-up capital of a fund management company must be fully paid up in cash only with the exclusion that this shall not apply in the case of a merger with another management company.
3. A fund management company must have paid up capital of not less than ALL 15 800 000.
4. A fund management company must at all times have own funds that are:
 - a) not less than ALL 15 800 000 and where the total amount of assets under management above exceeds ALL 31 600 000 000, its own funds shall increase by 0.02 % up to a maximum of ALL 1 300 000 000 of the total assets under management, which exceeds the limit of ALL 31 600 000 000.
 - b) not less than $\frac{1}{4}$ of the management company's fixed costs based on the previous year's financial statements.
 - c) for the purpose of point (a) of this paragraph, collective investment undertakings portfolios which are delegated to collective investment undertakings to be administered by it, are excluded. The form, calculation and amount of own funds that management company must have, are determined by regulations of the Authority.
5. Requirements of own funds, under point (a), paragraph 4 of this Article, which exceeds the requirements for paid up capital, under paragraph 3 of this Article, may not be met up to 50% of the own funds if they benefit from a guarantee of the same amount issued by a bank or insurance company.
6. A fund management company may have additional own funds or professional indemnity insurance to cover potential liability risks arising from professional negligence.
7. Own funds must be invested only in assets which meet the requirements set out in the regulations approved by the Authority.
8. A fund management company must not directly or indirectly extend credits or issue guarantees for the acquisition of their own shares or for the acquisition of shares in persons with whom it has ownership links or is a related entity.
9. The Authority may from time to time, but no more than once per year, increase the capital amounts stated in this Law in accordance with the official rate of inflation.

Article 14
Fit and Proper Requirements

1. A fund management company shall not be granted a license by the Authority unless the shareholders and the persons exercising control are fit and proper to carry on their duties, under this Law.
2. The Authority shall make an assessment as to whether a person is fit and proper on the following basis:
 - a) possession of the qualities required to fulfil the tasks and responsibilities of the particular position in the company;
 - b) having integrity, honesty and commitment in the fulfilment of his tasks;
 - c) possession of the necessary qualifications and professional experience in line with the responsibilities of the particular position;
 - ç) maintenance of independence so that the company's interests are not affected by any conflict of interests that might arise in the course of the person performing their duties.

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3. The Authority shall also make an assessment of the past behavior and business or financial activity of the person including but not limited to considering whether there is any evidence showing that the person:
 - a) is under criminal investigation, judicial procedure, has been found guilty by court's final decision of any criminal offences in relation to property or economic crime or other criminal offences relating to the companies; for the organization and operation of fraudulent and pyramid borrowing schemes, money laundering and financing of terrorism;
 - b) is or has been 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) is or has been engaged in business practices which the Authority considers as fraudulent, oppressive or otherwise improper, or which in some way reflect lack of personal values in the provision of financial services or other business transactions;
 - ç) has had a license refused or revoked by a financial regulatory authority or accreditation withdrawn by a professional association;
4. The fit and proper requirements apply on an initial and ongoing basis and shall comply with by the abovementioned persons during the exercise of their duties in the management company.

Article 15

Qualifications and professional experience

1. The key persons and key personnel of a fund management company must include not less than two natural persons who:
 - a) have a minimum of 3 years of working experience in a professional or managerial position in a licensed financial institution relating to portfolio analysis, portfolio management or assets and liabilities management;
 - b) have an international or domestic qualification in investment analysis, investment management or fund management that meets the requirements of the Authority established by regulation;
 - c) demonstrate knowledge of this Law and related laws in the manner and to the standard established by the Authority by regulation;
 - ç) do not currently hold a public service office.

Article 16

Procedures, Systems and Controls

1. A fund management company must have:
 - a) Adequate and appropriate resources for the management of activities;
 - b) Sound administrative and accounting procedures, control and safeguard arrangements and rules for personal transactions by its employees;
 - c) Sound internal control mechanisms including procedures for ensuring that each transaction can be reconstructed and its origin documented, and that documentation is available showing that the assets of each fund and sub-fund are managed in accordance with the fund's constituting instrument and legal provisions in force.
2. In the case of publicly offered collective investment undertakings, the fund management company must:
 - a) Be organized in such a way as to minimize the risk of conflicts of interest between the management company and its clients, between two of its clients, between one of its clients and a

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- publicly offered collective investment undertaking and between two or more publicly offered collective investment undertakings;
- b) Not invest a client's assets in the publicly offered collective investment undertakings managed by the company unless the client has consented to this in writing if the company provides portfolio management services under Article 11, paragraph 4 (b);
- c) Have internal procedures for client complaints.
3. The fund management company shall draw up internal procedures for ensuring that paragraph 1 of this Article is complied with.
4. The Authority may provide further by regulation for requirements relating to procedures, systems and controls of fund management companies including requirements for complaint treatment by management company.

Article 17

License of a Fund Management Company

1. A fund management company must not offer or claim to offer or establish a collective investment undertaking before it has been licensed by the Authority.
2. The application for a license to conduct an activity as a fund management company shall be accompanied by the following:
- a) Documents evidencing that the minimum initial capital has been paid fully in cash and that the capital derives from legitimate sources. For the purpose of verifying the sources of initial basic capital and any addition of the capital, the following information and documentation shall be submitted to the Authority:
- For legal persons:
- i. evidence of capital creation sources, such as licensed auditor's reports, annual financial statements, gifts or other sources designated to be used for the purchase of fund management company shares;
 - ii. certificates issued by the competent authorities, stating data on the company's balance sheet and its compliance with taxation obligations;
 - iii. borrower's report from the loan register, or a certificate on its position in relation to loans in the banking system;
- For natural persons:
- i. evidence of capital creation sources, such as buy and sell transactions, gifts,
 - ii. salaries, cash deposits in banks and/or branches of foreign banks or other evidence of capital creation sources;
 - iii. certificates evidencing payment of tax duties;
 - iv. a certificate on their position in relation to loans in the banking system;
- b) Documents evidencing the ownership of the company, including information on any qualifying holdings and the sizes of those holdings;
- c) Documents evidencing that the owners, key persons and key personnel of the fund management company individually and collectively are fit and proper including academic, professional and managerial qualifications; curriculum vitae and names and contact information for persons and that endorse the correctness of the information in the curriculum vitae and a statement signed by each individual that there is no criminal investigation, no judicial procedure, nor have been found guilty by court's final decision of any criminal offences in relation to property or economic crime or other criminal offences relating to the companies, of organization and operation of fraudulent and pyramid borrowing schemes, money laundering and financing of terrorism;
- ç) Documents evidencing a program of operations and a description of the fund management company's organization and a business and financial plan including the duty of internal audit;

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- d) A statement of conflict of interest of key persons or key personnel resulting from their participation as member of the board of directors or shareholders or related parties;
 - dh) Documents setting out the publicly offered collective investment undertakings to be managed, if any, including information on disclosure to investors under Section 2 of Chapter V, under this Law;
 - e) Documents setting out the alternative investment funds to be managed, if any, including information on advance disclosure to investors under Article 125;
 - ë) Documents showing a program of activity setting out the organizational structure of the applicant including information on how it plans to comply with its obligations in relation to:
 - i. ongoing conformity with licensing requirements under this Law and the legislation in force on capital markets and regulations approved by the Authority under these laws;
 - ii. the operating conditions for fund management companies under this Law and the legislation in force on capital markets and regulations approved by the Authority under these laws, including delegation of tasks;
 - iii. conflict of interest prevention and management under this Law, and the legislation in force on capital markets and regulations approved by the Authority under these laws;
 - iv. transparency and disclosure requirements under this Law and the legislation in force on capital markets and regulations approved by the Authority under these laws;
 - v. risk and liquidity management requirements under this Law;
 - vi. reporting obligations concerning the fund management company and the managed funds under this Law and the legislation in force on capital markets, and regulations approved under these laws;
 - vii. requirements for management of particular types of funds managed under this Law and the legislation in force on capital markets and regulations approved by the Authority under these laws;
 - viii. marketing of funds under management by the fund management company in the Republic of Albania or in foreign countries;
 - ix. management of foreign funds marketed in foreign countries;
 - f) as required by way of regulation by the Authority evidence that remuneration schemes are in compliance with this Law and staff remuneration policies and practices;
 - g) arrangements made for the delegation and sub-delegation to third parties of functions which are the responsibility of the fund management company under this Law or regulations approved by the Authority under this Law;
 - gj) as required by regulation by the Authority, evidence of additional own funds appropriate to cover potential liability risks arising from professional negligence or of professional indemnity insurance against liability arising from professional negligence which is appropriate to the risks covered;
 - h) a description of the governance standards for good governance according to the standards required by the Authority;
 - i) in the case of alternative investment funds, the valuation may be conducted either by an external value or by the fund management company itself provided that the valuation is undertaken by a unit that is functionally independent from the portfolio management and the remuneration policy and other measures ensure that conflicts of interest are mitigated and that undue influence upon the employees is prevented;
 - j) draft agreement between the entity and the depositary;
 - k) draft agreement between the entity and an independent auditor that is a legal person being granted a license or registered in the Public Registry of Statutory Auditors to conduct this activity in the Republic of Albania.
3. An application to be an alternative investment fund management company by a legal person which at the time of application is licensed as a management company for publicly offered collective investment undertakings need not supply information presented for that license again provided that such information is still correct.
4. The Authority, if it deems it necessary, provides additional rules regarding the requirements for licensing a fund management company and the procedures of approval of this application.

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Article 18

Grant of license as a fund management company

1. The Authority shall consult beforehand the domestic or foreign regulatory authority of the fund management parent company in cases when the parent company of the fund management company is a bank, a licensed foreign investment firm and a foreign insurance company.
2. The Authority shall determine if an application is complete or incomplete and shall inform the applicant accordingly.
3. The Authority shall inform the applicant, within 3 (three) months of receipt of the complete application, whether or not the license has been granted.
4. An application for a license may be withdrawn, by giving written notice, at any time before the Authority determines it.
5. The Authority must give reasons in writing where a license is not granted.
6. A fund management company may start business as soon as a license has been granted.
7. The Authority shall have the power to restrict the scope of a license granted to a fund management company managing publicly offered collective investment undertakings in particular with regard to the investment strategies of the publicly offered collective investment undertakings that the management company is allowed to manage.

Article 19

License refusal

1. The Authority refuses to grant the license to a fund management company in the following cases:
 - a) If the applicant does not meet the requirements of Articles 12 to 17 of this Law and specifically, if taking into account the need to ensure prudent management of the fund management company, the Authority deems that the fit and proper requirements of its owners, key persons or key personnel do not meet; and
 - b) if it deems that the company does not meet the conditions of this Law; and
 - c) where the effective exercise of its supervisory functions is prevented by:
 - i. ownership links between the fund management company and other legal or natural persons;
 - ii. the laws, by-laws or administrative provisions of another country or territory governing natural or legal persons with whom the fund management company has ownership links;
 - iii. difficulties related to the implementation/enforcement of these laws, by-laws and administrative acts; and
 - ç) if the required fee has not been paid.

Article 20

Approval of substantial changes

1. A fund management company must give prior written notice to the Authority of any substantial change to the conditions of its license, in particular any changes in the information provided in accordance with Article 17 paragraph 2 b), c), ç), d), e), ë), f), g), gj), h) and j) under this Law. Notice to the Authority must be made no less than three months prior to implementation of any substantial change.

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2. The fund management company implements the announced changes under paragraph 1 of this Article if the Authority, up to 3 (three) months after receiving the notification has not expressed opposition for changes or has not set out conditions for the changes notified in writing.
3. If a fund management company is unable to ensure that a collective investment undertaking or someone acting on a collective investment undertaking's behalf complies with this Law, the fund management company shall promptly inform the Authority and if necessary the fund management company's foreign regulatory authority.
4. Acquisition of a qualifying holding in a fund management company may only take place after the acquirer has notified the Authority of this. The same requirement applies to a holding that reaches or exceeds 20 per cent, 30 per cent, or 50 per cent of the share capital or voting rights of the company.
5. A licensed management company may only hold shares in another licensed management company if it acquires 100 per cent of the shares of the licensed management company.
6. The Authority may refuse an acquisition under paragraph 4 of this Article, if the shareholder cannot be considered fit and proper under Article 14 of this Law to ensure sound and prudent management of the fund management company.
7. The Authority may specify a maximum stake that a person is permitted to acquire in relation to a qualifying holding or an increase in a qualifying holding in a management company.
8. Disposal of a qualifying holding in a fund management company may only take place after the acquirer has notified the Authority of this. The same requirement applies to a holding that falls below 20 per cent, 30 per cent or 50 per cent of the share capital or votes of the company.
9. The Authority may provide further requirements with regard to the acquisition and disposal of qualifying holdings, as well as requirements regarding the obligations to notify.

Article 21

Replacement of the Management Company

1. A licensed fund management company shall have the right to transfer the contract for management of collective investment undertakings to another management company having the necessary relevant license from the Authority in accordance with a procedure to be defined by regulation by the Authority and, in the case of an investment company, upon approval by extraordinary resolution of shareholders.
2. The proposed transfer must be notified in writing in advance to the Authority who must approve the transfer prior to its implementation.
3. The management company that is transferring management must notify share and unit holders in publicly offered collective investment undertakings under its management of the transfer three months in advance of such transfer. No exit charges shall be chargeable during said notice period.
4. A management company that is transferring the contract for management must enter into a transfer arrangement with another licensed management company which must include:
 - a) A specific description of all procedures and actions to be taken by both companies for the transfer of administration.
 - b) A schedule starting from notification to share or unit holders up to completion of the transfer.
5. The Authority may approve further rules regarding the transfer of contracts by management companies, actions and procedures to be implemented and timelines to be followed during such a transfer, in accordance with paragraph 4 of this Article.

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Article 22

Name of the Management Company

The name ‘management company’ or ‘investment fund management company’ or ‘fund management company’ or ‘alternative investment fund management company’ or ‘alternative investment fund manager’ or similar term must only be used in the Republic of Albania by persons holding an appropriate license granted by the Authority under this Law or recognized by the Authority as holding a license from a foreign regulatory authority under an equivalent law.

SECTION 2

OBLIGATIONS OF A FUND MANAGEMENT COMPANY

Article 23

Duties of the Management Company

1. A fund management company must carry on its activity in accordance with this Law, regulations under this Law and regulations under this Law and legislation in force on capital market as applicable and must act honestly fairly, professionally, independently and solely in the interests of the collective investment undertaking’s investors.
2. A fund management company shall promote the best interests of the investors and the collective investment undertakings it manages and the integrity of the market by:
 - a) Acting in an orderly, correct and compliant manner in conducting their activities;
 - b) Deploying the necessary skills and knowledge and acting diligently and with due care;
 - c) Having in place and effectively utilizing the resources and procedures needed in order to conduct their activities in a sound manner;
 - ç) Striving to avoid conflicts of interest by ensuring that the interests of the investors in any type of collective investment undertaking managed by the fund management company are paramount and rank above the interests of the shareholders in the fund management company, their own interests and the interests of its employees or of any persons related to it;
 - d) Ensuring fair, consistent and equal treatment of holders of participations in collective investment undertakings managed by them.
3. All participations in a fund must carry an equal right to fund assets and returns, except as otherwise provided in constituting instruments.
4. A fund management company that also undertakes portfolio management on an individual basis must not invest such assets in a fund it manages unless it has received prior general approval from the client to do so.
5. In addition to their duties towards shareholders of the fund management company as laid down in the legislation in force on Entrepreneurs and Companies, paragraphs 1 and 2 of this Article shall apply to key persons and key personnel and employees of the fund management company.
6. Key persons, key personnel and employees of a fund management company shall treat as confidential any confidential information about the affairs of a participant to which a duty is owed which may come to their knowledge in the course of their work, except as otherwise prescribed by law and regulation. The duty of confidentiality also applies to any person who carries out assignments on

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behalf of the fund management company including entities to which delegation is made under Article 25 and their employees. The provisions of this paragraph shall not apply in the case that:

- a) The holder of a share or unit in a fund expressly agrees in writing with the disclosure of certain confidential data;
 - b) When the data is required by the Authority, a court of law or another regulatory authority for the purposes of a procedure carried out within its competences, and submits a request for information in writing;
 - c) In cases where disclosure of data to parent companies in connection with supervision in compliance with this Law or in compliance with law governing financial conglomerates;
7. A management company is liable to the investors in a publicly offered collective investment undertaking for failure to perform or failure to properly perform any activity or task for which it is responsible for under this Law, regulations under this Law and the constituting instrument and CIU prospectus and management agreement of a publicly offered collective investment undertaking. Limitation of liability in any manner shall be null and void.

Article 24 **Conflicts of interest**

1. A fund management company must seek to prevent conflicts of interest from arising in connection with its business. A fund management company must take all reasonable steps to identify, manage and monitor conflicts of interest arising in connection with management of collective investment undertakings. This includes conflicts of interest between:
 - a) the fund management company, including its employees and officers and persons which whom it has ownership links or is a related entity and any collective investment undertaking under the management of the fund management company and the investors in that undertaking;
 - b) a collective investment undertaking or the investors in that undertaking and another client of the fund management company;
 - c) a collective investment undertaking or the investors in that undertaking and any other collective investment undertaking under the management of the fund management company or the investors in that undertaking;
 - ç) between two clients of the fund management company.
2. A fund management company shall have in place organizational divides between areas of business that may generate conflicts of interest.
3. Where the steps taken under paragraphs 1 and 2 under this Article are not sufficient to protect investors' interests in a satisfactory manner, the fund management company shall inform the investors of possible conflicts of interest. The fund management company may not undertake business for an investor's account before the investor has received this information.
4. A key person or a member of the key personnel of the fund management company who has a conflict of interest relating to transactions entered into by the fund management company must disclose that conflict of interest in writing to internal audit before participating in any decision where that conflict of interest arises and at any meeting where that conflict arises. A key person or member of key personnel who fails to comply with the requirement of this paragraph shall not be eligible for a period of five years after the date when the violation of this paragraph occurred for election or appointment as a key person or member of key personnel in any institution supervised by the Authority.
5. A fund management company must not, in relation to any of the publicly offered collective investment undertakings it manages, undertake any transaction with a person with whom it has ownership links or is a related entity that results in undisclosed benefits to either party or where the benefits resulting from the transaction would not have arisen if the transaction had been undertaken on normal market terms at the time of the transaction.

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Article 25

Delegation by the management company

1. A fund management company may delegate to a third party the operation of parts of its business, unless such delegation is on a scale or in a manner that is not considered prudent or it makes the supervision of the delegated business or the overall fund management company's business difficult or it prevents the fund management company from acting in the best interests of the investors in the collective investment undertakings it manages.
2. A fund management company may delegate to another party the provision of any of the functions for which it is responsible under paragraphs 5 and 6, Article 11 of this Law. The fund management company remains responsible for those functions and their proper performance and for oversight of any person to which it contracts such functions including their ongoing compliance with the requirements under paragraphs 4, letters b), c) and ç) and ensuring that there is effective co-operation with the delegate and that effectiveness of supervision is not diminished by the delegation.
3. A fund management company must notify the Authority before any contract for the delegation of functions that cover fund portfolio management, risk management, valuation, administration and marketing is given effect.
4. The following conditions for delegation by a fund management company must be met:
 - a) the fund management company must be able to justify its entire delegation structure on objective reasons;
 - b) the delegated mandate must not prevent the effectiveness of supervision over the fund management company, and in particular must not prevent the fund management company from acting, or the funds it manages from being managed, in the interest of its investors;

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- c) the delegate must have sufficient resources to perform the respective tasks and the persons who effectively conduct the business of the delegate must be fit and proper and sufficiently experienced;
 - ç) where the delegation concerns portfolio management or risk management, delegation may only be made to persons which are licensed or registered for the purpose of investment management and subject to supervision or, where that condition cannot be met, only subject to prior approval by the Authority;
 - d) the fund management company must be able to demonstrate that the delegate is qualified and capable of undertaking the functions in question and that the fund management company is able at all times to monitor the delegated activity effectively, to give further instructions and to withdraw the delegation with immediate effect if that is in the interests of investors;
 - dh) where the mandate concerns investment management and is given to an undertaking in another country, co-operation between the regulatory authority in that country and the Authority must be ensured: (this requirement shall be deemed satisfied if the Authority has entered into a co-operation agreement with the relevant foreign regulatory authority);
 - e) the CIU prospectus for collective investment undertakings under the management of the fund management company must list the functions that the fund management company has been permitted to delegate;
 - ë) Any entity to which delegation is made must have the required license to undertake the delegated task under this Law or legislation in force on capital markets or equivalent foreign law or in the case of a foreign entity be recognized by the Authority.
5. No delegation of portfolio management or risk management shall be made to:
 - a) The depositary or a delegate of the depositary; or
 - b) Any other entity whose interests may conflict with those of the fund management company or collective investment undertaking investors, unless such entity has hierarchically and functionally separated the performance of its portfolio management and risk management tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors in collective investment undertakings the fund management company manages.
 6. The delegate may only sub-delegate provided that the fund management company has agreed to this in advance and the requirements of paragraph 4 of this Article are met by the sub-delegate and the Authority has been notified of the delegation of these functions under paragraph 3 of this Article. The fund management company shall maintain ongoing review of the services provided by a delegate and a delegate shall maintain ongoing review of the services provided by a sub-delegate. Any further sub-delegation by a sub-delegate must comply with this Article.
 7. The liability of the fund management company towards a collective investment undertaking under its management and to its investors shall not be affected by delegation of functions to a third party or sub-delegation.
 8. Sub-delegation of external valuation by an external valuer of an alternative investment fund is not permitted.

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Article 26
Remuneration policy

1. A fund management company must establish and practice a remuneration policy that promotes sound management and control of the entity's risk, and that aligns with its risk profile and its long-term strategy. The remuneration policy must not encourage excessive risk-taking which is inconsistent with the risk profiles, constituting instruments or CIU prospectuses under their management.
2. A fund management company managing publicly offered collective investment undertakings must ensure the remuneration policy does not impair compliance with the management company's duty to act in the interest of investors in publicly offered collective investment undertakings.
3. The remuneration policy of all types of fund management company must cover key persons and key personnel and employees whose tasks are of material significance for the risk exposure of the fund management company or the collective investment undertakings it manages, and must also cover other employees with the same remuneration as key persons whose professional activities have a material impact on the risk profile of the fund management company or of the publicly offered collective investment undertakings under their management.
4. The remuneration policy shall be appropriate to the nature, scale and complexity of the of the fund management company's activities.
5. The remuneration policy must cover both fixed and variable remuneration and any discretionary pension benefits and must be reviewed regularly.

Article 27
Risk management

1. A fund management company must separate its risk management function from its operating units including from the functions of portfolio management in such a way that the fund management company can demonstrate that specific safeguards against conflicts of interest allow independent performance of risk management activities and the risk management process is consistently effective.
2. A fund management company must have in place risk management systems that identify, measure, manage and monitor on an ongoing basis all risks relevant to the investment objective and strategy of each collective investment undertaking or sub-fund that it manages, and to which each undertaking or sub-fund may become exposed. This shall include procedures for assessing investments on behalf of each collective investment undertaking or sub-fund in accordance with the investment objective and strategy and risk profile of the undertaking or sub-fund concerned. The fund management company shall ensure that the risk profile of each undertaking or sub-fund it manages corresponds to the size, portfolio structure, investment strategy and investment goals of the undertaking or sub-fund as laid down in its constituting instrument, CIU prospectus or other offering document, including through the application of stress tests.
3. The risk management function is responsible for:
 - a) developing and suggesting for key persons' approval a risk management system for each collective investment undertaking or sub-fund 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 fund management company is exposed to including market risk, credit risk, operational risk, legal reputational risk, and risk related to actions in conflict with unitholders and shareholders' interests;
 - c) overseeing the operations of the fund management company and its method of managing each collective investment undertaking, and providing guidance on a day- today basis, to ensure that

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the fund management company, in its operations and in managing funds, acts within the risk limits that have been set by the key persons and provided in the constituting instrument and CIU prospectus of each undertaking.

4. A fund management company must review its risk management systems regularly and not less than once a year.
5. In addition to fulfilling the requirements of paragraphs 1, 2, 3 and 4 of this Article a fund management company managing publicly offered collective investment undertakings must regularly undertake stress tests, under normal and exceptional liquidity conditions, which enable it to assess and monitor the liquidity risk of each publicly offered collective investment undertaking and sub-fund under its management.

Article 28

Liquidity management

1. A fund management company must employ an appropriate liquidity management system for each collective investment undertaking and sub-fund under its management.
2. A fund management company must have in place procedures enabling it to monitor the liquidity risk of the funds under its management and to ensure that the liquidity profile of the investments of each fund complies with its underlying obligations.
3. A fund management company shall conduct stress tests, under normal and exceptional liquidity conditions, which enable it to assess and monitor the liquidity risk of each collective investment undertaking or sub-fund under management. These shall be undertaken as frequently as necessary given the nature of the portfolio of the collective investment undertaking or sub-fund and not less than once a year at regular intervals.
4. A fund management company must ensure that, for each collective investment undertaking or sub-fund under its management, the investment objective and strategy, the liquidity profile and the redemption policy are consistent.
5. Paragraphs 1 to 4 of this Article do not apply to closed ended alternative investment funds.

Article 29

Responsibility for Valuation

1. A fund management company must have in place procedures for correct and independent valuation of assets of collective investment undertakings under its management. The basis of the valuation methodology used must be agreed by the fund management company and its depositary and must be specified in the CIU prospectus. It must be applied consistently at each net asset value calculation.
2. The fund management company is responsible for the valuation of the assets of collective investment undertakings and any sub-funds it manages, and also for the fair pricing of participations in the undertaking or sub-fund.
3. To determine the value of a participation in a collective investment undertaking or sub-fund, the fund management company must carry out a fair and accurate valuation of all the assets pertaining to that fund or sub-fund in accordance with the constituting instrument of the undertaking and the CIU prospectus and this Law and regulations under this Law.
4. With respect to publicly offered collective investment undertakings:
 - a) the fund management company is responsible for calculating the net asset value per share or unit of publicly offered collective investment undertakings and sub-funds and the price at which units of open-ended and interval publicly offered collective investment undertakings or sub-funds are sold to or redeemed from investors and at which at which units are created or cancelled;

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- b) the depositary of a publicly offered collective investment undertaking is responsible for ensuring:
 - i. that the sale, issue, redemption and cancellation of units in open ended and interval investment funds and sub-funds effected on behalf of the collective investment undertaking by the management company are carried out at a price closely related to net asset value in accordance with this Law, regulations under this Law and the constituting instrument of the undertaking;
 - ii. that the price of assets in the portfolio of the undertaking or sub-fund has been determined in accordance with this Law, regulations under this Law and the constituting instrument of the undertaking;
 - iii. that the net asset value of shares and units of the undertaking or sub-fund is calculated in accordance with the Law, regulations under this Law and the constituting instrument of the undertaking;
 - c) The calculation of the net asset value of shares or units 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 made available to the Authority for examination upon request;
 - ç) The external auditor of the publicly offered collective investment undertaking must make random checks on the course of their annual audit to ensure that the valuation requirements under this Law and regulations under this Law are observed, that the price of shares or units calculated are accurate and that management charges and other charges and costs charge are compliant with this Law and regulations under this Law.
5. With respect to alternative investment funds, the alternative investment fund management company or alternative investment fund manager shall inform the investors of the valuations and calculations as set out in the relevant alternative investment fund constituting instrument.

Article 30
Frequency of Valuation

1. The management company of a publicly offered collective investment undertaking must carry out a net asset value per share or unit calculation:
 - a) In the case of closed ended undertaking, not less than once every year at regular intervals stated in the CIU prospectus except during a fixed price initial offer period;
 - b) In the case of an open-ended undertaking or sub-fund every working day as stated in the CIU prospectus except during a fixed price initial offer period;
 - c) In the case of an interval undertaking or sub-fund not less than once every six months at regular intervals stated in the CIU prospectus except during a fixed price initial offer period;
 - ç) In the case of a money market collective investment undertaking or sub-fund not less than once every working day.
2. The alternative investment fund management company of an alternative investment fund or sub-fund must value alternative investment fund or sub-fund assets and calculate the net asset value per participation at least once a year on a regular periodic basis:
 - a) For open ended and interval alternative investment funds such valuations shall be carried out more frequently as called for by the assets of the alternative investment fund or by the constituting instrument of the alternative investment fund or by this Law;
 - b) In the case of a closed ended alternative investment fund such valuations and calculations shall be carried out in case of an increase or decrease of capital by the alternative investment fund when a new issue of shares or units or cancellation of existing shares or units is made.

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Article 31
Time of Valuation

1. The management company of a publicly offered open ended or interval investment fund of sub-fund must undertake the valuation at a specified time of day (the valuation point) decided by the management company as the most appropriate time for valuing the type of assets owned by the undertaking or sub-fund and stated in the CIU prospectus.
2. No valuation points are required during any fixed price initial offer period.
3. The management company of an open ended or interval investment fund or sub-fund must undertake a valuation immediately before it creates a price at which units are sold or redeemed. The management company must not sell or redeem or offer to sell or redeem units or to create or cancel units at a price calculated prior to the next valuation point following receipt of a valid subscription or redemption order.
4. Additional or more frequent valuations may be carried out at any time if either if the management company, after agreement with the Authority, considers this is necessary for the maintenance of fairness to investors, or if required to do so by the Authority.
5. A valuation point for the purpose of calculating a net asset value per share or unit or a unit price for publication only, does not make it a valuation point for the purpose of issue or sale or redemption or cancellation of units unless it is described as such in the CIU prospectus of the undertaking.
6. Fund management companies have a derogation from this Article in respect of alternative investment funds they manage.

Article 32
Calculation of Net Asset Value

1. A management company must not undertake transactions for selling or redeeming or creating or cancelling units in publicly offered open ended and interval investment funds under its management at net asset values or prices per unit other than those calculated in accordance with this Law, regulations under this Law and the CIU prospectus of the undertaking except when units are sold at a fixed price during an initial fixed price offer.
2. A management company of an investment company must not publish a net asset value per share other than that calculated in accordance with this Law, regulations under this Law and the CIU prospectus of the investment company.
3. A management company of a publicly offered collective investment undertaking must have accounting policies and procedures established, implemented and maintained, in accordance with the accounting rules of the Home Country of the undertaking, so as to ensure that the calculation of the net asset value of each undertaking it manages is accurately affected, on the basis of the accounting, and that issue, sale, redemption and cancellation orders can be properly executed at that net asset value.
4. The accounting policies and procedures referred to in paragraph 3 of this Article should enable the management company of the undertaking or sub-fund to value the assets of the undertaking or sub-fund accurately at each valuation point and to calculate dealing prices for open ended and interval investment funds or sub-funds by reference to that valuation.
5. Where different unit classes exist, it should be possible to extract from the accounting records the net asset value of each different class.

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6. The calculation of net asset value held in publicly offered collective investment undertakings shall be based on International Financial Reporting Standards and the following principles must apply:
 - a) Financial instruments that are listed and traded on regulated markets including shares or units in collective investment undertakings listed and traded on such markets must be valued based on their most recent market price at the time of the valuation except where valued under point (b) of this paragraph;
 - b) In the case of financial instruments with no applicable market price meeting the requirements of point (a) of this paragraph, management companies must ensure that the methodology and process of valuing non-traded or infrequently traded assets is standardized and agreed with the depositary and the Authority and followed in every case;
 - c) In the case of deposits, current accounts and cash equivalents, short term claims and liabilities of under one year at the time of the valuation, future income and expenses, the nominal value must be used, either amortized in the case of a security issued at a discount or increased by accrued interest, unless otherwise required by the Authority by regulation;
 - ç) In the case of forward transactions and derivatives which are not listed and traded on a regulated derivatives exchange, the Authority shall issue a specific regulation setting method for calculating the value of such assets;
 - d) In the case of open ended and interval collective investment undertakings, the redemption price of a share or unit must be used unless otherwise required by the Authority by regulation or, where the Authority has good cause to believe it is necessary in order to protect the interests of participants in a collective investment undertaking or sub-fund, by order of the Authority;
 - dh) In the case of foreign currency assets, where the publicly offered collective investment undertaking is denominated in the same currency, that currency must be used; in the case of a publicly offered collective investment undertaking denominated in ALL, the last available exchange rate from the Bank of Albania before the asset value calculation must be used in accordance with the regulation issued by the Authority;
 - e) In the case of other assets where no market price is available, the fair value of such assets shall be used. Procedures for estimation of fair value shall be established by the Authority by regulation. Permitted methodologies may include discounted cash flows, comparisons with similar assets with known market prices, option valuation methods and other methods as permitted by the Authority by regulation.

Article 33

Internal audit

1. A fund management company must have an internal audit function of a scale and capacity appropriate to the business it conducts.
2. A fund management company must separate its internal audit function from its operating units.
3. The internal audit function of a fund management company 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) Ensuring that all staff are properly trained, understand their roles and responsibilities and equipped with procedures manuals;
 - c) Ensuring that all operational personnel adhere to the rules and procedures that relate to their particular jobs;
 - ç) Identifying weaknesses in systems and controls that could lead to losses or compliance failures;

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- d) Checking compliance with corporate governance principles, advising key persons on setting the policies and strategies for complying with those principles, and assessing annually the adherence to those policies and strategies;
- dh) Ensuring that the accounting function for the fund management company provides accurate and timely information on capital adequacy and profitability;
- e) Ensuring that the systems relating to valuation and pricing and communication with the depositary are being operated and are not resulting in errors;
- ë) Ensuring adequacy of financial controls and adherence to agreed limits of responsibility for directing expenditure;
- f) Identifying and investigating possible instances of theft, fraud or malpractice by personnel;
- g) Providing the key persons with recommendations, for its review and approval, on improvement or revision of objectives, strategy, business plans and major policies that govern the operation of the institution;
- gj) Providing the key persons 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.

Article 34

Management Company Accounting

1. A fund management company must:
 - a) Maintain accurate, complete and up to date accounting books and records that show clearly and correctly the state of its business, explain its transactions and financial position and enable the Authority to determine if it has complied with the provisions of this Law;
 - b) Prepare annual and interim financial statements in conformity with International Financial Reporting Standards which give an accurate and true representation of the financial position of the business in the reporting period and on the last business day of the financial year and of the result of operations in the reporting period and refer to any matter that has affected or is likely to affect the financial affairs of the fund management company;
 - c) If it is a subsidiary, prepare both individual and consolidated annual audited financial statements;
 - ç) Draws up and makes available:
 - i. Balance sheet including notes, commentary, an audit opinion thereon and relevant documents;
 - ii. Income statement, including notes, commentary, an audit opinion thereon and relevant documents;
 - iii. Cash flow statement.
2. The audited financial statements of the fund management company must be submitted to the Authority within 4 months of the end of the financial year.

Article 35

Auditor Appointment

1. A fund management company shall appoint an eligible external auditor that is independent of the fund management company and persons with whom the fund management company has ownership links to audit its required financial statements under Article 34, paragraph 1 (ç) of this Law.
2. No auditor shall serve the same fund management company as external auditor for a continuous period exceeding 4 years.
3. The Authority, if it does not agree/ dissatisfied with audit report, may request the auditor:
 - a) request additional information from the auditor;
 - b) request the auditor to explain the audit report;

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- c) to expand the scope of the audit or perform other procedures which do not conflict with the legislation in force. In case the Authority does not agree even after these steps, it may request control of audit quality, according to the provisions of the legislation in force , for statutory audit organizing the profession of statutory auditor and certified public accountant.
4. The Authority if it deems it necessary may reject the audit report and call for a fresh audit at the expense of the fund management company, the external auditor or both.
 5. Where the Authority rejects an audit report, it may appoint an auditor for the fund management company and shall fix the remuneration to be paid to the auditor by the fund management company for a second audit.
 6. The Authority may, by notice in writing, require a person who is or who has been an external auditor of a fund management company or a subsidiary or affiliate of a fund management company to provide information about the fund management company, subsidiary or affiliate, if the Authority considers that the information will assist it in performing its functions.
 7. Notwithstanding any of the provisions in any other law no duty to which an auditor of a fund management company may be subject shall be regarded as contravened by reason of his communicating in good faith to the Authority, whether or not in response to a request from it, any information or opinion on a matter of which the auditor has become aware in his capacity as auditor of that fund management company and which is relevant to any functions of the Authority under this Law.
 8. If the auditor, who is required to provide information, refuses or neglects to provide this information or provides false or misleading information, the authority may report the auditor to the Public Oversight Board in the Republic of Albania and requests disciplinary actions to be taken, in accordance with applicable law on statutory audit, organization of the profession of statutory auditor and certified public accountant.
 9. The management company does not appoint as auditor a person against whom disciplinary actions have been taken by the Public Oversight Board, according to the provisions of the legislation in force for statutory audit, organization of the profession of statutory auditor and certified public accountant, as long as this measure is in force.
 10. If the independent auditor terminates its appointment for any reason, the auditor must submit to the Authority a statement explaining the reasons for said winding up and inform the Authority without undue delay in writing of any matter relating to the affairs of the fund management company of which the auditor became aware in the performance of their audit functions which, in the opinion of the auditor, may negatively affect the fund management company's ability to comply with the requirements of this Law.

CHAPTER III
DEPOSITARIES

SECTION 1
ESTABLISHMENT AND OPERATION OF DEPOSITARIES OF PUBLICLY OFFERED
COLLECTIVE INVESTMENT UNDERTAKINGS

Article 36

Appointment of depositary

1. A publicly offered collective investment undertaking must appoint a single depositary.
2. The depositary must be licensed by the Authority as a depositary to publicly offered collective investment undertakings.
3. The depositary of a publicly offered collective investment undertaking may only be changed with the prior approval of the Authority.
4. The appointment of the depositary must be by written contract signed by both parties in the presence of a notary public. The contract must cover the core obligations of each party as required by this Law and regulations under this Law. That contract must include provisions regulating the flow of information necessary to allow the depositary to perform its functions for the publicly offered collective investment undertaking.
5. The depositary, the fund management company and a publicly offered collective investment undertaking which is an investment company may not have common management.
 - a) no person may at the same time be both a key person or member of the key personnel of a fund management company and a key person or member of the key personnel of the depositary;
 - b) no person may at the same time be both a key person or member of the key personnel of the fund management company and an employee of the depositary;
 - c) no person may at the same time be both a key person or member of the key personnel of the depositary and an employee of a fund management company or an investment company.
6. No charges of any type are payable to the depositary by a publicly offered collective investment undertaking or an investor in a publicly offered collective investment undertaking unless the nature, amount and application of those charges are itemized and clearly disclosed to the investor prior to the investor making an investment in an undertaking.
7. A depositary to a publicly offered collective investment undertaking must not profit from its office except through payment of remuneration permitted under this Law and under the written contract to provide services to the undertaking.

Article 37

Conditions for Licensing of Depositaries

1. The depositary of a publicly offered collective investment undertaking must be one of the following entities:
 - a) A bank licensed by the Bank of Albania or a branch of a foreign bank with a registered office in the Republic of Albania which is licensed by the Bank of Albania to provide custodial, depositary and fiduciary services; or
 - b) In relation to an undertaking for collective investment in transferable securities established in a foreign country under Article 95 of this Law, other categories of institutions that are eligible to be a depositary for an undertaking for collective investment in transferable securities under the law of that country;

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2. The depositary must meet the following minimum requirements:
 - a) Have the necessary infrastructure to keep financial instruments in custody which can be recorded in an account of financial instruments opened in the depositary's books;
 - b) Have appropriate and sufficient policies and procedures to ensure compliance of the entity, including its administrators and employees, with the obligations according to this Law;
 - c) Have sound administrative and accounting procedures, internal control mechanisms, effective risk assessment procedures and effective safeguards for control and for protection of information processing systems;
 - ç) maintain and operate effective organizational and administrative arrangements, with purpose of taking all the reasonable steps designed to prevent conflict of interest;
 - d) Having arrangements for records to be kept of all services, activities and transactions that it undertakes, which must be sufficient to enable the Authority to fulfil its supervisory tasks and to perform the enforcement actions provided for in this Law;
 - dh) taking all reasonable steps to ensure continuity and regularity in the performance of its depositary functions by employing appropriate and proportionate systems, resources and procedures including the performance of its depositary activities;
 - e) the key persons and key personnel of the depositary at all times are fit and proper, and have sufficient knowledge, skills and experience to be able to understand the depositary's activities, including the main risks;
 - ë) the key persons and key personnel of the depositary act with honesty and integrity;
 - f) the key persons and key personnel of the depositary are sufficiently experienced in relation to the collective investment undertaking for which they act or propose to act: to that end, the identity of the key persons and of members of key personnel and any person succeeding them in office shall be communicated to the Authority.
3. A depositary is not registered or a licenced as an investment company.
4. A depositary is not licenced as a fund management company but is permitted to partially or wholly own a subsidiary which may hold a licence as a fund management company.
5. A depositary must not act as a depositary to a collective investment undertaking managed by a subsidiary of the depositary which is a fund management company.
6. A licensed publicly offered collective investment undertakings depositary may also be licensed to act as a licensed alternative investment fund depositary.
7. The entity that submits an application for a license as a depositary must have unqualified financial audit reports for the previous 3 years.

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Article 38
Depository License

1. A depository to publicly offered collective investment undertakings must not act in this capacity before it has been licensed by the Authority.
2. The application for a licence to conduct activity as a depository to publicly offered collective investment undertakings must be accompanied by the following:
 - a) Documents evidencing that the applicant meets the requirements of Article 37 paragraph 1 of this Law;
 - b) Documents evidencing that the key persons and key personnel of the depository individually and collectively are fit and proper under Article 14 paragraphs 2 and 3 including academic, professional and managerial qualifications; curriculum vitae and names and contact information for persons and that endorse the correctness of the information in the curriculum vitae; and a statement signed and certified by a notary public for each individual person that there is no criminal investigation against any of them and that they have not been convicted of any economic crime in the last five years;
 - c) Documents evidencing that the applicant meets the requirements of Article 37 paragraph 2 of this Law;
3. The Authority approves rules regarding the licensing applications and processing of applications for depositories to publicly offered collective investment undertakings.

Article 39
Grant of License to a Depository

1. The Authority shall consult beforehand with the Bank of Albania in relation to banks or branches of foreign banks, which seek to obtain the license as depository in the Republic of Albania. In the case of collective investment undertakings established in a foreign country, the authority shall consult the regulatory authority of the depository of those undertakings.
2. The Authority shall determine if an application is complete or incomplete and shall inform the applicant accordingly.
3. The Authority shall inform the applicant, within three months of receipt of a complete application, whether or not the license has been granted.
4. An application for a license may be withdrawn, by giving written notice, at any time before the Authority determines it.
5. The Authority must give reasons in writing where a license is not granted.
6. A depository to publicly offered collective investment undertakings may start business as soon as a license has been granted.

Article 40
License refusal

1. The Authority refuses to grant a license to a depository to publicly offered collective investment undertakings:
 - a) if the applicant does not meet the relevant requirements of Article 37 of this Law and specifically if, taking into account the need to ensure the sound and prudent management of a depository, the Authority is not satisfied as to the suitability of its owners or key persons or key personnel; and
 - b) it is not satisfied that the company will be able to meet the conditions of this Law; and
 - c) where the effective exercise of its supervisory functions is prevented by:
 - i) ownership links between the depository and other legal or natural persons;
 - ii) the laws, by-laws or administrative provisions of another country or territory governing natural or legal persons with whom the depository has ownership links;

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- iii) difficulties involved in the enforcement of those laws, regulations and administrative provisions; and
c) if the required fee has not been paid.

Article 41

Approval of Substantial Changes

1. A depositary to publicly offered collective investment undertakings must give prior written notice to the Authority of any substantial change to the conditions of its license, or if advance notice is not possible, immediate notice, in particular of any changes in the information provided in accordance with paragraph 2 (e) and (f) of Article 37 under this Law. Notice to the Authority must be made no less than three months prior to implementation of any substantial change.
2. A depositary may implement the changes notified under paragraph 1 of this Article if the Authority within three months of receipt of the notification has not expressed objection to the changes or did not have the conditions for the changes.

Article 42

Name of Publicly Offered Collective Investment Undertaking Depositary

The name 'publicly offered collective investment undertaking depositary' or 'depositary' or similar term must only be used by or applied to a legal person holding a license as such granted by the Authority under this Law or recognized by the Authority as holding a license from a foreign regulatory authority under an equivalent law.

SECTION 2

OBLIGATIONS OF A PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKING DEPOSITARY

Article 43

Duties of the Depositary

1. The depositary must act honestly, fairly, professionally, independently and solely in the interests of the publicly offered collective investment undertaking's investors.
2. The depositary of a publicly offered collective investment undertaking must:
 - a) ensure that the sale, issue, repurchase, redemption and cancellation of shares or units are carried out in accordance with this Law and the constituting instrument of the undertaking;
 - b) ensure that the value of the shares or units of the undertaking is calculated in accordance with this Law, regulations under this Law and the constituting instrument of the undertaking;
 - c) carry out the instructions of the management company unless they conflict with this Law or regulations under this Law or with the constituting instrument of the undertaking;
 - ç) ensure that in transactions involving the assets of the undertaking any consideration is remitted to the undertaking within the usual time limits;
 - d) ensure that the income of the undertaking is applied in accordance with this Law and the constituting instrument of the undertaking;
 - dh) ensure that the cash flows of the undertaking are properly monitored, and, in particular, that all payments made by, or on behalf of, investors upon the subscription of shares or units in publicly offered collective investment undertakings have been received, and that all cash of the publicly offered collective investment undertaking has been booked in cash accounts in the name of the

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- undertaking, the management company on behalf of the undertaking or the depositary on behalf of the undertaking;
- e) In relation to accounts opened under point (dh) of this paragraph the depositary must take the necessary steps to ensure that client funds deposited in a central bank, a commercial bank in the Republic of Albania, a bank licensed in another country or a UCITS money market fund are held in an account or accounts identified separately from any accounts used to hold funds belonging to the depositary or to other funds or clients of the depositary;
 - ë) Where the cash accounts are opened in the name of the depositary acting on behalf of the undertaking, no cash of the entities referred to in point (e) of this paragraph and none of the own cash of the depositary are booked on such accounts;
 - f) In the case of investment funds, issue and cancel units and pay redemption proceeds to unitholders upon instruction from the management company where those instructions are in accordance with this Law, regulations under this Law and the constituting instrument of the undertaking;
 - g) Create and maintain the register of unit holders and transfer services for publicly offered investment funds with the exception that in the case of a publicly offered collective investment fund listed or traded on a regulated market, the register may be held as required by the rules of that market including at a central securities depository;
 - gj) report to fund management companies on corporate actions related to undertaking assets held in custody and execute their instructions.
3. The assets of a publicly offered collective investment undertaking must be entrusted to the depositary for safekeeping as follows:
 - a) for financial instruments that may be held in custody, the depositary must:
 - i. hold in custody all financial instruments that may be registered in a financial instruments account opened in the depositary's books and all financial instruments that can be physically delivered to the depositary;
 - ii. ensure that all financial instruments that can be registered in a financial instruments account opened in the depositary's books are registered in the depositary's books within segregated accounts, opened in the name of the publicly offered collective investment undertaking or the management company acting on behalf of the undertaking, so that they can be clearly identified as belonging to the undertaking in accordance with the applicable law at all times;
 - b) for other assets, the depositary must meet the following requirements:
 - i. verify the ownership by the publicly offered collective investment undertaking, or by the fund management company acting on behalf of the undertaking, of such assets by assessing whether the publicly offered collective investment undertaking or the fund management company acting on behalf of the undertaking holds the ownership based on information or documents provided by the undertaking or by the management company and, where available, on external evidence;
 - ii. maintain a record of those assets for which it is satisfied that the publicly offered collective investment undertaking or the fund management company acting on behalf of the undertaking holds the ownership and keep that record up to date and provide the management company with a comprehensive inventory.
 4. Assets of an undertaking and sub-fund must be segregated from the assets of the depositary and from the assets of other clients of the depositary in such a way that they can at any time be identified as belonging to the undertaking or sub-fund.
 5. The assets held in custody by the depositary must not be reused by the depositary, or by any third party to which the custody function has been delegated, for their own account. Reuse comprises any transaction of assets held in custody including, but not limited to, transferring, pledging, selling and lending. The assets held in custody by the depositary are allowed to be reused only where:
 - a) the reuse of the assets is executed for the account of the publicly offered collective investment undertaking;

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- b) the depositary is carrying out the instructions of the management company on behalf of the publicly offered collective investment undertaking;
 - c) the reuse is for the benefit of the undertaking and in the interest of the share or unit holders; and
 - ç) the transaction is covered by high-quality and liquid collateral received by the publicly offered collective investment undertaking under a title transfer arrangement;
 - d) the market value of the collateral at all times amounts to at least the market value of the reused assets plus a premium.
6. The depositary must keep such records as are necessary to enable it to comply with the requirements of the Law and to demonstrate that it has achieved such compliance and must maintain those records for the period required by the application legislation.
 7. The depositary must monitor the compliance of the investments and borrowing of a publicly offered collective investment undertaking and its sub-funds with the relevant requirements of Chapter VII of this Law.
 8. The depositary must notify the Authority in writing immediately if after a review of the available facts or circumstances reasonably believes that the fund management company of a publicly offered collective investment undertaking may have violated this Law or acted in contravention of this Law or of the constituting instrument of a publicly offered collective investment undertaking or sub-fund and of the steps taken by it to ensure that the violation or contravention is rectified as soon as is reasonably practicable and the deadline established for said rectification. The depositary must further notify the Authority if rectification is not achieved by that deadline.

Article 44

Conflicts of Interest

1. A depositary must not carry out activities with regard to a publicly offered collective investment undertaking or the fund management company on behalf of the publicly offered collective investment undertaking that may create conflicts of interest between the publicly offered collective investment undertaking, the investors in that undertaking, the management company and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the publicly offered collective investment undertaking.
2. A company that is licensed as a depositary must not also hold a licence as a management company with the exception that a depositary may partially or wholly own a subsidiary that is licenced as a fund management company. A company that is licensed as a depositary may not also be licensed as an investment company.
3. Where the depositary of a publicly offered collective investment undertaking carries out transactions with related entities or related natural persons, they must put in place policies and procedures ensuring that they:
 - a) identify all conflicts of interest arising from those transactions;
 - b) take all reasonable steps to avoid those conflicts of interest.
4. Where a conflict of interest under paragraph 3 of this Article cannot be avoided, the management company and the depositary must manage, monitor and disclose that conflict of interest in order to prevent adverse effects on the interests of the publicly offered collective investment undertaking and its investors.

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Article 45
Delegation by depositary

1. The depositary must not delegate to third parties the functions referred to in Article 43 paragraph 2 a) to ë) under this Law.
2. The depositary may delegate to third parties the functions referred to in Article 43 paragraph 3 under this Law, but only where:
 - a) the tasks are not delegated with the intention of avoiding the requirements laid down in this Law and regulations under this Law;
 - b) the depositary can demonstrate that there is an objective reason for the delegation;
 - c) the depositary has exercised all due skill, care and diligence in the selection and the appointment of any third party to whom it intends to delegate parts of its tasks, and continues to exercise all due skill, care and diligence in the periodic review and ongoing monitoring of any third party to which it has delegated parts of its tasks and of the arrangements of the third party in respect of the matters delegated to it.
3. The functions referred to in Article 43 paragraph 3 of this Law may be delegated by the depositary to a third party only where that third party at all times during the performance of the tasks delegated to it:
 - a) has structures and expertise that are adequate and proportionate to the nature and complexity of the assets of the publicly offered collective investment undertaking which have been entrusted to it;
 - b) for custody tasks referred to in Article 43 paragraph 3 a) of this Law is subject to:
 - i. effective prudential regulation, including minimum capital requirements, and supervision in the jurisdiction concerned;
 - ii. an external periodic audit to ensure that the financial instruments are in its possession;
 - c) segregates the assets of the clients of the depositary from its own assets and from the assets of the depositary in such a way that they can, at any time, be clearly identified as belonging to clients of a particular depositary;
 - d) takes all necessary steps to ensure that in the event of insolvency of the third party, assets of a publicly offered collective investment undertaking held by the third party in custody are unavailable for distribution among, or realization for the benefit of, creditors of the third party; and
 - e) complies with the general obligations and prohibitions set out in Article 36 paragraphs 3 and 4, Article 43 paragraphs 1, 4 and 5 and Article 44 paragraphs 1 and 2 under this Law.
4. Notwithstanding paragraph 3 of this Article, where the law of another country requires that certain financial instruments be held in custody by a local entity and no local entities satisfy the delegation requirements laid down in that point, the depositary may delegate its functions to such a local entity only to the extent required by the law of that country, only for as long as there are no local entities that satisfy the delegation requirements, and only where:
 - a) the investors of the relevant publicly offered collective investment undertaking are duly informed, prior to their investment, of the fact that such a delegation is required due to legal constraints in the law of the other country, of the circumstances justifying the delegation and of the risks involved in such a delegation;
 - b) the management company on behalf of the publicly offered collective investment undertaking, has instructed the depositary to delegate the custody of such financial instruments to such a local entity.
5. For the purposes of this Article, the provision of services by securities settlement systems as designated for the purposes of settlement or the provision of similar services by third-country securities settlement systems shall not be considered to be a delegation of custody functions.

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Article 46
Liability of the Depositary

1. The depositary is liable to the publicly offered collective investment undertaking and to the share or unit holders of the undertaking for the loss by the depositary or a third party to whom the custody of financial instruments held in custody in accordance with Article 43 paragraph 3 of this Law has been delegated or sub-delegated.
2. In the case of a loss of a financial instrument held in custody, the depositary must ensure that it returns a financial instrument of an identical type or the corresponding amount to the publicly offered collective investment undertaking without undue delay. The depositary shall not be liable if it can prove that the loss has arisen as a result of an external event beyond its reasonable control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary.
3. The depositary is also liable to the publicly offered collective investment undertaking, and to the investors of the undertaking, for all other losses suffered by them as a result of the depositary's negligent or intentional failure to properly fulfil its obligations pursuant to the law and regulations.
4. The liability of the depositary referred to in this Article cannot be excluded or limited by agreement. Any agreement that contravenes this requirement shall be null and void.
5. Investors in a publicly offered collective investment undertaking may invoke the liability of the depositary directly or indirectly through the management company or the investment company provided that this does not lead to a duplication of redress or to unequal treatment of the share or unit- holders of the undertaking.

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Article 47
Replacement of a Depositary

1. A depositary to a publicly offered collective investment undertaking may only be replaced with the prior approval of the Authority
2. A depositary of a publicly offered collective investment undertaking may not voluntarily withdraw from the contract to act for that undertaking unless a new depositary approved by the Authority is appointed.
3. A depositary that is withdrawing from acting for a publicly offered collective undertaking must inform the new depositary of any circumstance of which it has informed the Authority under paragraph 5 of this Article.
4. A depositary that wishes to terminate its business as a depositary or to terminate a depositary agreement with one or several publicly offered collective investment undertakings must, not less than three months prior to the date of the proposed winding up of the contract send a written notification to the Authority, and to the management company and in the case of an investment company, the key persons of the publicly offered collective investment undertakings to which it provides services.
5. The depositary that is withdrawing must at the same time that the notification under paragraph 4 of this Article is sent to the Authority, submit a written notice to the Authority informing the Authority of any matter relating to the affairs of the publicly offered collective investment undertaking concerned which the depositary has become aware of in the performance of their functions which, in the opinion of the depositary, may adversely affect the undertaking's ability to comply with the requirements of this law.
6. Where a fund management company or key persons of an investment company fail to conclude an agreement with a replacement licensed depositary within three months following receipt of the notification under paragraph 4 of this Article, the publicly offered collective investment undertaking to which the depositary provided depositary services must be wound up, pursuant to the provisions of this Law. In this case the existing depositary must continue to act as depositary until the collective investment undertaking is wound up.
7. A depositary may be replaced at the decision of the fund management company of an investment fund or the key persons of an investment company by another licensed depositary subject to the relevant conditions in the depositary agreement/contract and prior approval by the Authority of the replacement licensed depositary.
8. The former depositary must transfer all assets held on behalf of a publicly offered collective investment undertaking for which it previously acted together with associated records, to the incoming replacement licensed depositary in a manner that ensures that the interests of the investors in that publicly offered collective investment undertaking continue to be effectively protected.

Article 48
Reporting to the Authority

1. The depositary must make available to the Authority, on request, all information which it has obtained while performing its duties and that may be necessary for the Authority's effective supervision of a publicly offered collective investment undertaking or of the management company.

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2. If the regulatory authority of the publicly offered collective investment undertaking or management company is different from that of the depositary, the regulatory authority of the depositary must without delay share the information received with the regulatory authority of the publicly offered collective investment undertaking or management company.

SECTION 3 REQUIREMENTS RELATING TO DEPOSITARIES OF ALTERNATIVE INVESTMENT FUNDS

Article 49

Obligation to Have a Depositary

1. An alternative investment fund management company must ensure that a single depositary is appointed to each alternative investment fund it manages.
2. An alternative investment fund management may appoint a single depositary to the management of more than one alternative investment fund or all the investment funds.
3. The appointment of the depositary must be by written agreement/contract signed by both parties in the presence of a notary public. The contract must cover the core obligations of each party as required by this Law and may cover more than one alternative investment fund.

Article 50

Requirements for the Depositary

1. The depositary of an alternative investment fund must be one of the following entities:
 - a) A bank licensed by the Bank of Albania or a branch of a foreign bank with a registered office in the Republic of Albania which is licensed by the Bank of Albania to provide custodial, depositary and fiduciary services; or
 - b) In relation to an alternative investment fund established in another country, other categories of institutions that are eligible to be a depositary for an alternative investment fund under the law of that country;
2. The depositary must meet the following minimum requirements:
 - a) Having the infrastructure necessary to keep in custody financial instruments that can be registered in a financial instruments account opened in the depositary's books;
 - b) Having adequate policies and procedures sufficient to ensure compliance of the entity, including its managers and employees, with its obligations under this Law;
 - c) Having sound administrative and accounting procedures, internal control mechanisms, effective procedures for risk assessment and effective control and safeguard arrangements for information processing systems;
 - ç) Having effective organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest;
 - d) Having arrangements for records to be kept of all services, activities and transactions that it undertakes, which must be sufficient to enable the Authority to fulfil its supervisory tasks and to perform the enforcement actions provided for in this Law;
 - dh) Taking all reasonable steps to ensure continuity and regularity in the performance of its depositary functions by employing appropriate and proportionate systems, resources and procedures including to perform its depositary activities;

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- e) The key persons and key personnel of the depositary at all times are of fit and proper, possess sufficient knowledge, skills and experience and have the skills and experience to be able to understand the depositary's activities, including the main risks;
 - ë) The key persons and key personnel of the depositary act with honesty and integrity;
 - f) The key persons and key personnel of the depositary are sufficiently experienced in relation to the operation of a depositary business and the collective investment undertaking for which they act or propose to act: to that end, the identity of the key persons and key personnel and of any person succeeding them in office must be communicated immediately to the Authority'.
3. The depositary must not hold a registration or a licence as an investment company.
 4. The depositary must not hold a licence as a fund management company with the exception that a depositary may wholly or partially own a subsidiary that is licensed as a fund management company.
 5. An alternative investment fund depositary must not act as depositary to a collective investment undertaking managed by a subsidiary of the depositary which is a fund management company.
 6. The depositary of the alternative investment fund must not hold a licence as a fund management company, with the exception that a depositary may wholly or partially own a subsidiary that is licensed as a fund management company.
 7. A licensed alternative investment fund depositary may also be licensed to act as a depositary to publicly offered collective investment undertakings.
 8. The depositary must have unqualified financial audit reports for the previous 3 years.

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Article 51
Depository License

1. A depository to alternative investment funds must not act in this capacity before it has been licensed by the Authority.
2. The application for a license to conduct activity as a depository to alternative investment funds must be accompanied by the following:
 - a) Documents evidencing that the applicant meets the requirements of Article 50 paragraph 1 of this Law;
 - b) Documents evidencing that the owners and key persons and key personnel of the depository individually and collectively are fit and proper under Article 14 paragraphs 2 and 3 of this Law including academic, professional and managerial qualifications; curriculum vitae and names and contact information for persons and that endorse the correctness of the information in the curriculum vitae; and a statement of the judicial status;
 - c) Documents evidencing that the applicant meets the requirements of Article 50 paragraph 2 of this Law;

Article 52
Grant of License as a Depository

1. The Authority shall consult beforehand with the Bank of Albania in relation to banks or branches of foreign banks, which seek to obtain the license as depository in the Republic of Albania. In the case of collective investment undertakings established in a foreign country, the authority shall consult the regulatory authority of the depository of those undertakings.
2. The Authority shall determine if an application is complete or incomplete and shall inform the applicant accordingly.
3. The Authority shall inform the applicant, within three months of receipt of a complete application, whether or not the license has been granted.
4. An application for a license may be withdrawn, by giving written notice, at any time before the Authority determines it.
5. The Authority must give reasons in writing where a license is not granted.
6. A depository to publicly offered collective investment undertakings may start business as soon as a license has been granted.

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Article 53
Refusal of License

1. The Authority must not grant a license to a depositary to alternative investment funds:
 - a) if the applicant does not meet the relevant requirements of Article 50 of this Law in any respect and specifically if, taking into account the need to ensure the sound and prudent management of a depositary, the Authority is not satisfied as to the suitability of its owners or key persons or key personnel; and
 - b) unless it is satisfied that the company will be able to meet the conditions of this Law; and
 - c) where the effective exercise of its supervisory functions is prevented by:
 - i. ownership links between the depositary and other legal or natural persons;
 - ii. laws, regulations or administrative provisions of another country or territory governing natural person or legal persons with whom the depositary has ownership links;
 - iii. difficulties involved in the enforcement of those laws, regulations and administrative provisions;
 - ç) if the required fee has not been paid.

Article 54
Approval of Substantial Changes

1. An alternative investment fund depositary must notify the Authority in advance of any substantial change to the conditions of its initial license, in particular any changes in the information provided in accordance with Article 50 paragraphs 2 e) and f) of this Law.
2. A depositary may implement the changes notified under paragraph 1 of this Article, unless the Authority has within three months of receipt of the notification opposed the changes or set conditions for the changes in writing.

Article 55
Name of the Depositary

The name ‘alternative investment fund depositary’ or similar term must only be used in the Republic of Albania by persons holding a license as such granted by the Authority under this Law or a foreign regulatory authority under an equivalent law.

Article 56
Duties of the Depositary

1. The depositary must act honestly, fairly, professionally, independently and in the interests of the alternative investment fund’s investors.
2. The depositary of an alternative investment fund must:
 - a) Ensure that the sale, issue, repurchase, redemption and cancellation of participations are carried out in accordance with this Law and the constituting instrument of the undertaking;
 - b) ensure that the value of the shares or units of the undertaking is calculated in accordance with this Law and the constituting instrument of the undertaking;
 - c) carry out the instructions of the alternative investment fund management company unless they conflict with this Law or with the constituting instrument of the undertaking;
 - ç) ensure that in transactions involving the assets of the undertaking any consideration is remitted to the undertaking within the usual time limits;
 - d) ensure that the income of the undertaking is applied in accordance with this Law and the constituting instrument of the undertaking;

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- dh) ensure that the cash flows of the undertaking are properly monitored, and, in particular, that all payments made by, or on behalf of, investors upon the subscription of participations have been received, and that all cash of the undertaking has been booked in cash accounts in the name of the undertaking, the alternative investment fund management company on behalf of the undertaking or the depositary on behalf of the undertaking; and where the cash accounts are opened in the name of the depositary acting on behalf of the undertaking, none of the own cash of the depositary or a delegate of the depositary are booked on such accounts;
- e) If so provided in the constituting instrument of the undertaking, maintain the register of participants;
 - ë) report to alternative investment fund management company on corporate actions related to undertaking assets held in custody and execute their instructions.
- 3. The assets of an alternative investment fund must be entrusted to the depositary for safekeeping as follows:
 - a) for financial instruments that may be held in custody, the depositary must:
 - i. hold in custody all financial instruments that may be registered in a financial instruments account opened in the depositary's books and all financial instruments that can be physically delivered to the depositary;
 - ii. ensure that all financial instruments that can be registered in a financial instruments account opened in the depositary's books are registered in the depositary's books within segregated accounts, opened in the name of the alternative investment fund or the alternative investment fund management company acting on behalf of the undertaking, so that they can be clearly identified as belonging to the undertaking in accordance with the applicable law at all times;
 - b) for other assets, the depositary must:
 - i. verify the ownership by the alternative investment fund, or by the alternative investment fund management company acting on behalf of the undertaking, of such assets by assessing whether the alternative investment fund or alternative investment fund management company acting on behalf of the undertaking holds the ownership based on information or documents provided by the undertaking or by the alternative investment fund or alternative investment fund management company and, where available, on external evidence;
 - ii. maintain a record of those assets for which it is satisfied that the alternative investment fund or alternative investment fund management company acting on behalf of the undertaking holds the ownership and keep that record up to date.
- 4. Assets of an alternative investment fund must be segregated from the assets of the depositary and from the assets of other clients of the depositary in such a way that they can at any time be identified as belonging to the alternative investment fund.
- 5. A depositary must not carry out activities with regard to an alternative investment fund or alternative investment fund management company on behalf of an alternative investment fund that may cause conflicts of interest between the alternative investment fund, the alternative investment fund management company and itself unless the depositary has functionally and hierarchically separate the performance of its depositary tasks from its other potentially conflicting tasks and the potential conflicts of interest are adequately identified, managed and monitored and disclosed to the investors of the alternative investment fund.
- 6. The assets held in custody by the depositary must not be reused by the depositary, or by any third party to which the custody function has been delegated, for their own account and must not be reused without the prior consent of the alternative investment fund or the alternative investment fund management company on behalf of the alternative investment fund. Reuse comprises any transaction of assets held in custody including, but not limited to, transferring, pledging, selling and lending.
- 7. The depositary must keep such records that are necessary to enable it to comply with the requirements of this Law and to demonstrate that it has achieved such compliance which must be kept for the period required by applicable legislation.

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Article 57
Delegation by Depositary

1. The depositary must not delegate the tasks under Article 56 paragraph 2 of this Law.
2. The depositary may delegate the tasks under Article 56 paragraph 3 of this Law subject to the following conditions:
 - a) The tasks are not delegated with the intention of avoiding the requirements of this Law;
 - b) The depositary can demonstrate that there is an objective reason for the delegation;
 - c) The depositary has exercised due skill, care and diligence in the selection and appointment of any third party to whom it wants to delegate part of its tasks, and keeps exercising all due skill, care and diligence in the periodic review and ongoing monitoring of any third party to whom it has delegated tasks and of the arrangements of the third party in respect of matters delegated to it; and
 - i. The third party has the structures and expertise that are adequate and proportionate to the nature and complexity of the assets of the alternative investment fund which have been entrusted to it;
 - ii. For custody tasks under Article 56, paragraph 3 a) of this Law the third party is subject to effective prudential supervision, including minimum capital requirements, and supervision in the country concerned; and the third party is subject to external periodic audit to ensure that the financial instruments are in its possession;
 - iii. The third party segregates the assets of the depositary's clients from its own assets and from the assets of the depositary in such a way that they can at any time be clearly identified as belonging to the clients of a particular depositary;
 - iv. The third party does not make use of the assets without the prior consent of the alternative investment fund or the alternative investment fund management company acting on behalf of the alternative investment fund and prior notification to the depositary; and
 - v. The third party complies with the general obligations and prohibitions under Article 56 of this Law;
 - vi. Notwithstanding subpoint ii) of this point a depositary may, where the law of another country requires it, delegate its functions to a local entity in that country that does not meet the requirements of subpoint ii), but only to the extent required by that country and only for as long as there are no local entities that satisfy the requirements of subpoint ii). Investors in the alternative investment fund must be informed that such delegation is required and the alternative investment fund or alternative investment fund manager acting for the alternative investment fund must instruct the depositary to this effect.
3. The third party to whom delegation is made may in turn sub-delegate those functions subject to the same requirements.

Article 58
Liability of the Depositary

1. The depositary shall be liable to the alternative investment fund and its investors for any loss of financial instruments held in custody under Article 56 paragraph 3 of this Law by the depositary or a third party to whom the depositary has delegated, unless the loss has arisen as a result of circumstances beyond the depositary's control the consequences of which the depositary could not reasonably be expected to avert or to overcome.
2. The depositary's liability shall not be affected by any delegation or sub-delegation under Article 57 of this Law.
3. The depositary's responsibility provided in this Article shall not be excluded nor limited by contract or agreement. Any conflicting agreement or contract with this request is invalid.
4. In the case of a loss under paragraph 1 of this Article the depositary shall transfer a financial instrument of identical type or corresponding amount to the alternative investment fund or the

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alternative investment fund management company acting on behalf of the alternative investment fund without undue delay.

5. The depositary shall be liable to the alternative investment fund and its investors for any other loss suffered by the latter as a result of the depositary's negligence or intentional violation of its obligations under this Law.
6. Liability to investors of the alternative investment fund may be invoked directly or indirectly through the alternative investment fund management company.
7. The depositary must make available to the Authority on request all information which it has obtained while performing its duties that may be necessary for the Authority.
8. If the regulatory authority of the alternative investment fund or alternative investment fund management company is different from that of the depositary, the Authority shall share the information received without delay with the foreign regulatory authorities of the alternative investment fund and alternative investment fund management company.

CHAPTER IV COLLECTIVE INVESTMENT UNDERTAKINGS

SECTION 1 INVESTMENT FUND ESTABLISHMENT AND OPERATION

Article 59 **Investment Funds**

1. An investment fund is a collective investment undertaking constituted as a separate pool of assets, with no legal personality, established under a contract.
2. An investment fund may be open ended, interval or closed ended in type. An open ended and an interval investment fund shall have an indefinite life. An investment fund of a closed ended type must have a definite life of not more than ten years unless the investment fund is listed on a regulated market.
3. Purchase of units in an investment fund by an investor constitutes agreement to the terms of the contract of management of the investment fund set out in the rules and CIU prospectus of the fund.
4. The management company of an investment fund is the governing entity of that investment fund and shall manage and represent it in relation to third parties.
5. The alternative investment fund management company of an investment fund that is an alternative investment fund for offer only to professional clients is the governing entity of that investment fund and shall manage and represent it in relation to third parties.
6. The management company of an investment fund must be legally and functionally independent of the depositary of that investment fund.
7. An investment fund that is an open-ended fund that is not an undertaking for collective investment in transferable securities, and a closed ended or interval investment fund that is an alternative investment fund, may be licensed for public offer if it meets the requirements of Chapter V of this Law.
8. The registered address of an investment fund that is a publicly offered investment fund established in the Republic of Albania by a management company licensed under this Law must be the registered address of that management company.

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9. The registered address of an investment fund that is an alternative investment fund established in the Republic of Albania by an alternative investment fund management company licensed under this Law must be the registered address of the alternative investment fund management company.
10. A unitholder in an investment fund that is licensed as a publicly offered investment fund is not liable for the acts or omissions of the Management Company or depositary of that fund.
11. A unitholder in an investment fund that is registered as an alternative investment fund for offer only to professional clients is not liable for the acts or omissions of the alternative investment fund Management Company or alternative investment fund depositary of that fund.
12. The liability of the holder of a unit in an investment fund is limited to the amount which, at the time when any debt due is payable, is equal to the net asset value at that time of the holder's units.
13. An open-ended or interval investment fund may be an umbrella undertaking or a stand-alone undertaking.
14. An open-ended investment fund may be a master undertaking or a feeder undertaking.
15. A closed-ended investment fund that is licensed for public offer must be listed on a regulated market within six months of completion of its initial offer unless its rules limit the establishment of the fund to a period of less than 7 years from the date of the close of the initial offer period after which the fund will be wound up and the proceeds distributed to unitholders.

Article 60

Creation of an Investment Fund

1. An investment fund for public offer must only be created and established in the Republic of Albania by:
 - a) A management company licensed under this Law;
 - b) A management company licensed by a foreign regulatory authority or a branch of such a management company that is recognized by the Authority under this Law.
 - c) A management company authorized by a regulatory authority of an EU Member State or a subsidiary of that management company, recognized by the authority in accordance with the EU-Albania Stabilization and Association Agreement (SAA)
2. An investment fund which is an alternative investment fund for offer only to professional clients must only be created and established in the Republic of Albania by:
 - a) An alternative investment fund management company licensed under this Law; or
 - b) An alternative investment fund manager licensed by a foreign regulatory authority that is recognized by the Authority under this Law.
 - c) AIFM authorized by an authority of an EU Member State, recognized by the authority in accordance with the EU-Albania Stabilization and Association Agreement (SAA).

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Article 61
Name of Investment Fund

1. An investment fund licensed or registered under this Law must contain the words ‘investment fund’ in its name.
2. The name of an investment fund must accurately reflect the nature of the fund and must not be misleading.
3. The name ‘investment fund’ or similar term must only be used in the Republic of Albania by a fund holding a license as such granted by the Authority under this Law or recognized by the Authority as holding a license from a foreign regulatory authority under an equivalent law.

Article 62
Application for License for an Investment Fund

1. Application for a license for an investment fund for public offer must be made by a management company licensed by the Authority under this Law on behalf of the fund or a management company or a branch of a management company recognized by the Authority under this Law and must contain:
 - a) Documents evidencing the licensed or recognized status of the management company or branch and the full name, address, telephone number and email address of its authorized representative;
 - b) Information on any delegation of investment management and administration of the fund;
 - c) The prospectus and rules of the fund;
 - ç) The key investor information document of the fund and any sub-funds;
 - d) The agreement with the publicly offered collective investment undertaking depositary;
 - dh) Documents evidencing the licensed status of the depositary;
 - e) Written confirmation of the agreement of an independent auditor to act in this capacity to the fund and documents evidencing the compliance of the auditor with Article 35 of this Law.
2. Application for a license for an investment fund for public offer must state whether the application is for a license as:
 - a) A publicly offered collective investment undertaking;
 - b) A publicly offered undertaking for collective investment in transferable securities.

Article 63
Grant of license

1. The Authority shall consult beforehand the foreign regulatory authority of a foreign management company in relation to licensing of an investment fund in the Republic of Albania.
2. The Authority shall determine if an application is complete or incomplete and shall inform the applicant accordingly.
3. The Authority shall inform the applicant, within 2 (two) months of receipt of a complete application, whether or not the license has been granted.
4. An application for a license may be withdrawn, by giving written notice, at any time before the Authority determines it.
5. The Authority must give reasons in writing where a license is not granted.
6. Public offering of an investment fund may only commence once a license has been granted.

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Article 64
Refusal of the License

The Authority may refuse to grant a license to an investment fund if:

- a) The application does not meet the requirements of this Law and regulations under this Law relating to publicly offered collective investment undertakings or in the case of an application for a license as a publicly offered undertaking for collective investment in transferable securities, the requirements of Chapter VII of this Law;
- b) The management company is not licensed or recognized as required by this Law;
- c) The management company and depositary are not legally and functionally independent of each other;
- ç) The key persons and key personnel of the depositary are not fit and proper under Article 14 of this Law or are not sufficiently experienced in relation to the type of investment fund for which a license is sought. To that end, the names of the key persons and key staff of the management company and of the depositary and of any successor in office shall be communicated immediately to the authority;
- d) If the investment fund is legally prevented from marketing of its units to the public in the Republic of Albania;
- dh) if the required fee has not been paid.

Article 65
Approval of Substantial Change

1. The management company of a publicly offered investment fund must give prior written notice to the Authority of:
 - a) any proposed change to the rules of the investment fund;
 - b) any proposed change to the investment objective and strategy of the fund;
 - c) any proposed change to the management company or depositary of the investment fund;
 - ç) any additional charge to be made to the investment fund not previously stated in the prospectus or any increase in stated charges in the prospectus;
 - d) the addition of any new sub-fund to an umbrella investment fund or winding up of an existing sub-fund;
 - dh) any proposed reconstruction or merger involving the investment fund;
 - e) any proposal to terminate the investment fund.
2. No substantial change to a publicly offered investment fund under this Article shall be effective unless the Authority has given prior approval in writing.
3. The Authority must not approve or accept a proposal to change the management company or depositary or auditor of a publicly offered investment fund unless it is satisfied that, if the proposed replacement is made, the publicly offered investment fund will continue to comply with this Law.

Article 66
Registration of an Investment Fund as an Alternative Investment Fund

1. Notification of registration of an alternative investment fund for offer only to professional clients must be made by an alternative investment fund management company licensed by the Authority under this Law or an alternative investment fund manager or branch of an alternative investment fund manager recognized by the Authority under this Law on behalf of the fund and must contain:
 - a) Documents evidencing the licensed or recognized status of the alternative investment fund management company or alternative investment fund manager or branch and the full name, address, telephone number and email address of its authorized representative;

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- b) The prospectus and rules of the fund which must prominently state that the fund is an alternative investment fund for offer to professional clients only;
 - c) The agreement with the licensed alternative investment fund depositary;
 - ç) Documents evidencing the licensed and independent status of the depositary;
 - d) Written confirmation of the agreement of an independent auditor to act in this capacity to the fund and documents evidencing the compliance of the auditor with Article 35;
 - dh) The documents required by Article 130 paragraph 1 of this Law.
2. The Authority shall within one month of receipt of a complete notification inform the alternative investment fund management company or alternative investment fund manager whether it may proceed to market the alternative investment fund.

SECTION 2 INVESTMENT COMPANY ESTABLISHMENT AND OPERATION

Article 67 **Investment Companies**

1. An investment company is established as a joint stock company with a registered office in the Republic of Albania.
2. The objective of the investment company must be providing returns to shareholders from investment in a diversified portfolio of assets. An investment company must only undertake activities directly associated with fulfilling this objective. Purchase and sale of assets of an investment company are exempt from Article 82 paragraph 4 of Law No. 9901, dated 14.04.2008 on Entrepreneurs and Companies, amended.
3. The management company of a publicly offered investment company must be legally and functionally independent of the depositary of that investment company.
4. The alternative investment fund management company or alternative investment fund manager of a registered investment company that is an alternative investment fund must be legally and functionally independent of the depositary of that investment company.
5. An investment company must not act as or be licensed as a collective investment undertaking depositary or as an alternative investment fund manager or fund management company.
6. The statute of an investment company may specify that it is established for a definite or indefinite period.
7. Purchase of shares in an investment company by an investor constitutes agreement to the terms of the prospectus.
8. A shareholder in an investment company that is licensed for public offer is not liable for the acts or omissions of the management company or depositary of that fund
9. A shareholder in an investment company that is an alternative investment fund for offer only to professional clients is not liable for the acts or omissions of the alternative investment fund management company or alternative investment fund manager or alternative investment fund depositary of that fund.
10. An investment company must only be a closed ended undertaking with a fixed number of shares in issue. The company shall have no obligation to redeem its shares.
11. An investment company may be registered as an alternative investment fund for offer only to professional clients in the Republic of Albania.
12. An investment company may be licensed by the Authority for public offer if it meets the requirements of this Law and regulations under this Law for investment companies for public offer.
13. An investment company licensed for public offer must:
 - a) Have a single tier management structure;

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- b) be listed on a regulated market within six months of completion of its initial offer unless its statute limits the establishment of the investment company to a period of less than 7 years after which the investment company will be wound up and the proceeds distributed to shareholders;
- c) comply with the requirements of Chapter VII, Section 2 of this Law.

Article 68

Creation of an Investment Company

1. An investment company for public offer must only be created and established in the Republic of Albania by persons who meet the requirements of Article 14 paragraphs 2 to 4 of this Law.
2. An investment company which is an alternative investment fund for offer only to professional clients must only be created and established in the Republic of Albania by persons who meet the requirements of Article 14 paragraphs 2 to 4 of this Law.

Article 69

Name of Investment Company

1. An investment company licensed or registered under this Law must contain the words ‘investment company’ in its name.
2. The name of an investment company must accurately reflect the nature of the fund and must not be misleading.
3. The name ‘investment company’ or similar term must only be used in the Republic of Albania by persons holding a license as such granted by the Authority under this Law or recognized by the Authority has holding a license from a foreign regulatory authority under an equivalent law.

Article 70

Conditions for Licensing of an Investment Company

1. A license must only be granted by the Authority to an investment company that is a joint stock company that has its registered office and head office in the Republic of Albania.
2. A license must only be granted to an investment company for public offer if:
 - a) The key persons of the investment company meet the requirements of Article 72 and Article 73 under this Law;
 - b) The investment company has the capital required by Article 71 of this Law.
 - c) At least two key persons/ board of directors’ members have relevant qualifications and professional experience with regard to the investment strategies pursued by the investment company and must meet the requirements of Article 73;
 - ç) In the case of an investment company for public offer the company has appointed a fund management company licensed under this Law or an alternative investment fund manager licensed by a foreign regulatory authority or a branch of such an alternative investment fund manager that is recognized by the Authority under this Law;
 - d) In the case of an investment company that is an alternative investment fund for offer to professional clients only the company has appointed an alternative investment fund management company licensed under this Law or an alternative investment fund manager licensed by a foreign regulatory authority or a branch of such an alternative investment fund manager that is recognized by the Authority under this Law.
3. The person appointed under paragraph 2 (ç) and (d) of this Article, must inform the Authority of any replacement of persons under paragraph 2 (a) and (c) of this Article and must provide information relevant to assessing whether the replacement meets the requirements of paragraphs 2 (a) and (c) of this Article.

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Article 71
Capital of an Investment Company

1. Upon application for a license, the minimum initial capital of an investment company must be at least ALL 20 000 000.
2. The minimum initial capital of an investment company must be paid up entirely prior to the registration of the investment company in the AFSA Register and the National Registration Centre or prior to the registration of any increase in the registered capital.
3. The costs and fees associated with establishment of a publicly offered investment company and of raising capital may be paid by the investment company only if this is stated in the CIU prospectus. The maximum amount of such costs and fees must be stated in the CIU prospectus and must not exceed 3.5% of the amount raised through sale of investment company shares. Any excess over this amount must be paid by the management company. If the investment company fails to reach the minimum capital stated in the prospectus, the establishment costs must be borne by the management company and subscriptions made by investors must be returned to them in their entirety.
4. A publicly offered investment company must issue only ordinary shares granting shareholders equal rights.
5. The register of the shares of an investment company must be maintained by a registrar licensed under the legislation in force on capital markets.

Article 72
Fitness and Properness of Key Persons

1. The key persons of a publicly offered investment company must be fit and proper as required by Article 14 of this Law.
2. The fit and proper requirements must comply with by the abovementioned persons during the whole time they are on duty.

Article 73
Requirements for Board of Directors of an Investment Management Company

1. The board of a publicly offered investment company must consist of an odd number of directors and must have not less than five directors and not more than nine directors.
2. Not more than 40% of members of the board of directors of a publicly offered investment company may be employees of or have ownership links with the management company and entities with which it has ownership links or natural persons who have in the past two years, been directors or employees of related entities.
3. The other members of the board must be independent which means they must not be:
 - a) Employed or contracted by the management company, the depositary, the auditor or the lawyer to the investment company or management company in the last two years;
 - b) Must not hold shares in the management company or the depositary to the investment company or to a company that acts as an investment firm to that investment company.
4. At least one independent member of the board must have a minimum of 3 years of working experience in a professional or managerial position in a licensed financial institution.
5. In addition to its responsibilities under legislation in force on Entrepreneurs and Companies the Board of Directors of a publicly offered investment company is responsible for:

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- a) approves, supervises and handles disputes arising during the execution of contracts between the management company and the depositary, which must be concluded for a period not exceeding one year.
- b) Terminating contracts in the event of failure to fulfil the contract in which case none of the fees payable as a result of such winding up may exceed the amount of a three-month remuneration period under the terminated contract;
- c) Recommending to shareholders proposed decisions on share issue and investment company restructuring;
- ç) Notifying the Authority of any failure of the management company and depositary to comply with this Law and relevant regulations;
- d) Determining the investment company's financial reports, upon the proposal of the management company.

Article 74

Application for License of an Investment Company

1. Application for a license as an publicly offered investment company must be made by the appointed licensed or recognized management company or branch on behalf of the company and must contain:
 - a) Documents evidencing the licensed or recognized status of the management company or branch and the full name, address, telephone number and email address of its authorized representative;
 - b) Information on any delegation of investment management and administration of the investment company;
 - c) The prospectus and draft statute of the company;
 - ç) The key investor information document of the investment company;
 - d) The agreement with the licensed depositary;
 - dh) Documents evidencing the licensed and independent status of the depositary;
 - e) Documents evidencing that the Board of Directors of the investment company meets the requirements of Articles 72 and 73 of this Law;
 - ë) Documents evidencing that the minimum initial capital required under Article 71 of this Law has been paid fully in cash and that the capital derives from legitimate sources under Article 17, paragraph 2 (a) of this Law.
 - f) Documents evidencing the ownership of the company, including information on any qualifying holdings and the sizes of those holdings and the fitness and properness of those owners under Article 14 of this Law;
 - g) Written confirmation of the agreement of an independent auditor to act in this capacity to the fund and documents evidencing the compliance of the auditor with Article 35 of this Law.

Article 75

Grant of License

1. The Authority shall consult beforehand the foreign regulatory authority of a management company or foreign alternative investment fund manager in relation to the license of an investment company established by such entities in the Republic of Albania established.
2. The Authority shall determine if an application is complete or incomplete and shall inform the applicant accordingly.
3. The Authority shall inform the applicant, within six months of receipt of a complete application, whether or not the license has been granted.
4. An application for a license may be withdrawn, by giving written notice, at any time before the Authority determines it.
5. The Authority must give reasons in writing where a license is not granted.

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6. An investment company may only commence once a license has been granted by the Authority.

Article 76
License refusal

1. The Authority may refuse to grant a license to an investment company if it estimates that the following requirements are not met:
 - a) The application does not meet the requirements of this Law and regulations approved by the Authority under this Law;
 - b) The appointed fund management company, alternative investment fund management company or alternative investment fund manager are not licensed or recognized by the Authority as required by this Law;
 - c) The management company or alternative investment fund manager and the depositary are not legally and functionally independent of each other;
 - ç) The key persons of the depositary and of the management company are not fit and proper under Article 14 of this Law nor sufficiently experienced;
 - d) The members of the board of the investment company are not fit and proper under Article 14 of this Law and not sufficiently experienced in relation to the type of investment company for which a licence is sought;
 - dh) The owners of qualifying holdings in the investment company at the time of the application do not meet fit and proper requirements provided in Article 14 of this Law.
 - e) if the required fee has not been paid.

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Article 77

Prior Approval of Substantial Changes

1. The management company of a publicly offered investment company must give three months prior written notice to the Authority of any substantial change to the investment company or where advance notice is not possible, immediate notice. The following must be treated as a substantial change to a publicly offered investment company:
 - a) any proposed change to the statute of the investment company;
 - b) any proposed change to the investment objective and strategy of the company;
 - c) any proposed change to the management company or depositary of the investment company;
 - ç) any additional charge to be made to the investment company not previously stated in the prospectus or any increase in stated charges in the CIU prospectus;
 - d) any change to the prospectus during the initial offer period;
 - dh) any change in board membership;
 - e) any proposed reconstruction or merger involving the investment company;
 - ë) any proposal to terminate the investment company.
2. No substantial change to an investment company that is a publicly offered investment company under this Article shall be effective unless the Authority has given approval and where required by this Law the shareholders have approved the change by way of extraordinary resolution.
3. The Authority must not approve or accept a proposal to change the fund management company or recognized alternative investment fund manager or depositary or auditor of an investment company that is a publicly offered investment company unless it is satisfied that, if the proposed replacement is made, the publicly offered investment company will continue to comply with this Law.

Article 78

Registration of an Investment Company as an Alternative Investment Fund

1. A joint stock company that has its registered office and head office in the Republic of Albania that is an investment company that is for offer to professional clients only must be registered as an alternative investment fund by the Authority.
2. Notification for registration of an investment company as an alternative investment fund for offer only to professional clients must be made by a licensed alternative investment fund management company or recognized alternative investment fund manager under this Law or a branch of a recognized alternative investment fund manager on behalf of the investment company and must contain:
 - a) Documents evidencing the licensed or recognized status of the alternative investment fund management company or alternative investment fund manager or branch of an alternative investment fund manager and the full name, address, telephone number and email address of its authorized representative;
 - b) The CIU prospectus and statute of the company which must prominently state that the investment company is an alternative investment fund for offer to professional and qualified clients only;
 - c) The agreement with the licensed alternative investment fund depositary;
 - ç) Documents evidencing the independence of the depositary and its licensed status, name and address of the depositary;
 - d) Written confirmation of the agreement of an independent auditor to act in this capacity to the fund and documents evidencing the compliance of the auditor with Article 35 of this Law;
 - dh) The documents required by Article 130 paragraph 1 of this Law.

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3. The Authority shall within one month of receipt of a complete notification inform the alternative investment fund management company or recognized alternative investment fund manager whether it may proceed to market the investment company that is an alternative investment fund under paragraph 2 of this Article.

SECTION 3

ESTABLISHMENT AND OPERATION OF THE LIMITED PARTNERSHIP COLLECTIVE INVESTMENT UNDERTAKING

Article 79

Collective Investment Undertaking as a Limited Partnership

1. A collective investment undertaking established as a limited partnership under legislation in force on Entrepreneurs and Companies shall be registered by the Authority as an alternative investment fund under this Law.
2. A limited partnership that is a collective investment undertaking must have a registered office in the Republic of Albania.
3. The alternative investment fund management company or alternative investment fund manager of a limited partnership undertaking must be legally and functionally independent of the depositary of that undertaking.
4. The objective of the limited partnership stated in its partnership agreement must be providing returns to partners from investment in a portfolio offering a diversified spread of risk. A limited partnership that is an alternative investment fund must only undertake activities directly associated with fulfilling this objective.
5. A limited partnership collective investment undertaking must appoint an independent licensed alternative investment fund depositary by written contract. By way of derogation to paragraph 3 of this Article, an alternative investment fund depositary may be a limited partner in the partnership and may be a limited partner without making any contribution to that partnership.

Article 80

Creation of a Limited Partnership

An alternative investment fund that is a limited partnership must only be established in the Republic of Albania by an alternative investment fund management company or alternative investment manager or branch of an alternative investment fund manager licensed or recognized by the Authority under this Law.

Article 81

Name of Collective Investment Undertaking Limited Partnership

1. A collective investment undertaking partnership registered under this Law must contain the words 'collective investment undertaking limited partnership' or 'CIU limited partnership' in its name.
2. The name of a collective investment partnership must accurately reflect the nature of the fund and must not be misleading.
3. The name 'collective investment undertaking limited partnership' or similar term must only be used in the Republic of Albania by a partnership registered by the Authority under this Law.

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Article 82
Registration of a Limited Partnership

1. Application for registration of a collective investment undertaking partnership as an alternative investment fund for offer only to professional clients must be made by an alternative investment fund management company or alternative investment fund manager licensed or recognized under this Law on behalf of the partnership or a branch of a recognized alternative investment fund manager and must contain:
 - a) Documents evidencing the licensed or recognized status of the alternative investment fund management company or alternative investment fund manager and the full name, address, telephone number and email address of its authorized representative;
 - b) The prospectus and draft partnership agreement which must prominently state that the collective investment undertaking partnership is an alternative investment fund for offer to professional and qualified clients only;
 - c) The agreement with the licensed alternative investment fund depositary;
 - ç) Documents evidencing the licensed and independent status of the depositary;
 - d) Written confirmation of the agreement of an independent auditor to act in this capacity to the fund and documents evidencing the compliance of the auditor with Article 35 of this Law;
 - dh) The documents required by Article 130 paragraph 1 of this Law.
2. The Authority shall within one month of receipt of a complete notification inform the alternative investment fund management company or alternative investment fund manager whether it may proceed to market the collective investment undertaking partnership that is an alternative investment fund, in accordance with paragraph 1 of this Article.

SECTION 4

STATUS OF COLLECTIVE INVESTMENT UNDERTAKING ASSETS HELD BY A
DEPOSITARY

Article 83
Status of Assets held by the Depositary

1. All collective investment undertaking assets held by an alternative investment fund depositary or depositary including bank accounts shall be safeguarded and held by the alternative investment fund depositary or depositary in separate accounts for each of the collective investment undertakings or sub-fund.
2. An alternative investment fund depositary and a depositary must not use the assets of a collective investment undertaking or sub-fund whether directly or indirectly for its own account or for obtaining any benefit for itself, its key persons or key personnel, for those with ownership links to the depositary or related entities to the depositary.
3. Collective investment undertaking assets held with an alternative investment fund depositary or a depositary shall enjoy the right of separation and shall not be included in depositary assets either in liquidation or bankruptcy estate under Albanian law nor for the execution of claims against the alternative investment fund depositary or depositary.
4. In the event of insolvency of the alternative investment fund depositary or depositary and/or of any third party to which custody of assets of a collective investment undertaking or sub-fund has been delegated, the assets of the collective investment undertaking or sub-fund are not available for

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distribution among and are not sold to ensure cash for the benefit of creditors of such a depository and/or such a third party.

CHAPTER V

OPERATION OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

SECTION 1

CONSTITUTING INSTRUMENT OF A PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKING

Article 84

Requirement for Constituting Instrument

1. The constituting instrument of a publicly offered investment fund is its rules and the constituting instrument of a publicly offered investment company is its statute. The constituting instrument must contain the provisions required by this Section relating to the nature and type of the undertaking concerned.
2. The constituting instrument of a publicly offered collective investment undertaking must meet the requirements of this section and must be approved by the Authority before the undertaking can be offered to the public.
3. The statute or rules of an undertaking must not contain any provision that Conflicts with this Law or any regulations or rules issued under this Law or Is unfair to the interests of participants generally or to holders of any class of participation.
4. The constituting instrument of a publicly offered collective investment undertaking must require any contracts relating to the operation of the undertaking to place its management company, directors (if any) and depository under a duty to disclose to each of these parties in a complete, accurate and timely manner the information required by that party to fulfil its obligations to holders of shares or units in that undertaking under this Law and the constituting instrument of the undertaking.
5. The constituting instrument of a publicly offered collective investment undertaking must:
 - a) State that the holder of a share or unit in that undertaking is not liable for the acts or omissions of the management company or depository of that undertaking; and
 - b) Limit the liability of the holder of a share or unit in the undertaking to the amount which, at the time when any debt is payable, is equal to the net asset value at that time of the holder's shares or units;
 - c) State that each unit in a publicly offered investment fund or share in a publicly offered investment company confers an equal right in the undertaking.
6. The rules of a publicly offered investment fund established in the Republic of Albania must state whether the undertaking is:
 - a) A publicly offered collective investment undertaking or a publicly offered undertaking for collective investment in transferable securities;
 - b) An open ended undertaking, an interval undertaking or a closed ended undertaking;
 - c) A stand-alone undertaking or an umbrella undertaking;
 - ç) A master undertaking;
 - d) A feeder undertaking.
7. The regulation of a publicly offered open ended or interval investment fund established in the Republic of Albania may specify that:
 - a) Fractions of units in that undertaking may be issued;
 - b) Different classes of units may be issued provided that:

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- i. A unit class does not provide any advantage for that class that would result in prejudice to the holders of any other class of unit in the same undertaking or in the same sub-fund;
 - ii. nature, operation and effect of any unit class is capable of being explained clearly in the prospectus.
8. Classes of unit may include currency classes whereby the unit price is expressed as the foreign currency equivalent of the Albanian currency price of the unit and where purchase and sale of units and payment of distributions is made in the same foreign currency.
9. Classes of unit which have different rights attached to one class of units and another class of units may be issued provided that this relates solely to:
 - a) the accumulation of income by way of periodical credit to capital rather than distribution (“accumulation units”) as opposed to the distribution of income (“income units”); or
 - b) charges and expenses that may be taken out of undertaking property or payable upon entry to the undertaking or exit from the undertaking by unitholders; or
 - c) the currency in which prices or values of undertaking units are expressed or payments made.
10. A constituting instrument of a publicly offered collective investment undertaking may provide for an initial offering of participations at a fixed price.
11. The statute of a publicly offered investment company:
 - a) may permit the company to issue securities as permitted by this Law and applicable legislation;
 - b) shall require an extraordinary resolution of shareholders in the case of the following eventualities:
 - i. An increase in the annual management charge payable to the management company or recognized alternative investment fund manager above that stated in the CIU prospectus of the investment company or the introduction of a new charge;
 - ii. A change to the investment objective of the investment company from that stated in the CIU prospectus of the investment company;
 - iii. Redemption of the shares of the investment company;
 - iv. In the case of an investment company created with a definite period of time for its operation, an extension of the operation of the investment company beyond that definite period;
 - v. A merger with another investment company or division of the investment company or takeover of or by another investment company.
12. The regulation of an open ended or interval investment fund must not place an undertaking under an obligation to redeem a unit in that open ended or interval investment fund if payment for that unit has not been received.
13. The constituting instrument of a closed ended publicly offered collective investment undertaking may permit subscription for participations in specie. This must only be undertaken by a methodology clearly set out in the CIU prospectus that has been agreed with the depositary of the undertaking and subject to independent external valuation of the assets contributed.
14. The constituting instrument of an open ended publicly offered investment undertaking that is an Exchange Traded Fund may permit subscription and redemption of units in specie through exchange of a value of portfolio of indexed securities for an equal value of units in the undertaking. This may only be undertaken by a methodology clearly set out in the CIU prospectus that has been agreed with the depositary of the undertaking.

Article 85

Constituting Instrument Content

1. The constituting instrument of a publicly offered collective investment undertaking shall regulate the legal relationship between the management company and participants in the undertaking.
2. The rules of a publicly offered investment fund and the statute of a publicly offered investment company must form an addendum to the CIU prospectus of the undertaking unless the CIU

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prospectus instead prominently states that a complete and up to date statute or rules must be provided upon request to any enquirer and specifies how these may be obtained promptly and free of charge.

3. The constituting instrument of a collective investment undertaking should state the following:
 - a) The name of the collective investment undertaking and its legal structure;
 - b) Whether the undertaking is a publicly offered collective investment undertaking or a publicly offered undertaking for collective investment in transferable securities;
 - c) In the case of an investment fund, whether it is open ended, interval or closed ended, and in the case it is an open ended or interval fund whether it is a stand-alone investment fund or umbrella fund and in the case of an open ended fund whether it is a master or a feeder investment fund;
 - ç) In the case of an umbrella investment fund, the number and names of the sub- funds of the umbrella and their investment objective;
 - d) The date of the undertaking's establishment and in the case of a closed ended investment fund whether it is established for a definite or indefinite period; and if for a definite period, that period;
 - dh) The highest and lowest amount of monetary assets to be raised and actions that will be taken if the lowest amount is not raised;
 - e) A declaration stating that:
 - i. The collective investment undertaking property is held by the depositary for and on behalf of the investors;
 - ii. The sums standing to the credit of the distribution account are held by the depositary for the purposes of distribution only;
 - ë) what currency the base currency of the fund is;
 - f) the dates in the calendar year on which the accounting period begins and ends, which must, in the case of an umbrella undertaking, be the same for all the constituent sub-funds;
 - g) 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;
 - gj) the rights pertaining to units or shares:
 - i. the right to vote at the general or extraordinary meeting of an investment company;
 - ii. the right to information (interim and annual reports and accounts);
 - iii. the right to distributions of income or share in the profits of the company;
 - iv. in the case of a closed ended fund, the right for holders to freely transfer or sell their shares or units in the undertaking; and the obligation in relation to open ended or interval funds for the undertaking to redeem such units;
 - v. the right to payment of an amount of the proceeds of liquidation proportionate to each share or unit;
 - vi. in case of a closed ended undertaking where relevant information on the regulated market(s) on which the shares will be traded;
 - h) a description of the investment objectives of the publicly offered collective investment undertaking 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;
 - i) if an objective of the undertaking is investment of a particular nature, a statement of that fact and characteristics of that particular nature;
 - j) indication that its investment objective is index replication, where the collective investment undertaking attempts to replicate a share index or a debt security index and the index that is to be replicated and if relevant that the undertaking is an Exchange Traded Fund (ETF);
 - k) the minimum investment in the undertaking and any maximum if applicable;
 - l) for open ended and interval investment funds, the manner of unit redemption;

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- ll) the manner of calculation and the frequency of distribution of the income earned by an undertaking and the capital gains earned by an undertaking to holders if relevant;
- m) the basis of calculation of annual management charge and a statement of the costs that may be charged to the undertaking and the description of their impact on future investors' returns;
- n) in the case of an open ended or interval investment fund, the charges upon purchase of units (entry charge) or redemption of units (exit charge), if applicable;
- nj) in case of an umbrella undertaking, a statement authorizing the management company of an umbrella undertaking to make a charge of a fixed amount on the exchange of units between sub-funds and specifying what the maximum of that amount may be;
- o) brief information on tax legislation applicable to the collective investment undertaking;
- p) date of publication of fund rules;
- q) the following data on the management company or recognized management company or branch:
 - i. company name, legal form, registered office (and of the head office where different from the registered office), the number of the license issued by the Authority or foreign regulatory authority and for a management company authorized by the Authority the date of establishment and registration in the National Registration Centre;
 - ii. where a licensed or recognised management company also manages other publicly offered collective investment undertakings a list of such other undertakings;
 - iii. names of the members of the board of directors of the licensed or recognised management company, their brief curriculum vitae and indication if they are related in any way;
 - iv. the amount of registered capital of the licensed or recognised management company and the names of the management company owners, legal form, and an indication of the owners' shares in the registered capital;
 - v. company name, legal form, registered office, the number of the licence issued by the Authority and the date of establishment and registration in the National Registration Centre and role of the companies acting as investment managers of the fund and the name of the chair of the board of directors or other responsible persons in such companies;
 - vi. information on the depositary, including the name, legal form, and the registered office and address of the head office of the depositary and the number of and information on the licences issued by the Bank of Albania and the Authority for carrying out the business of a depositary;
 - vii. the circumstances in which the undertaking will be dissolved or wound up or liquidated and the procedure that will be followed in each case.

SECTION 2

CIU PROSPECTUS OF A PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKING ESTABLISHED IN THE REPUBLIC OF ALBANIA

Article 86

Requirements for a CIU Prospectus

1. A collective investment undertaking established in the Republic of Albania must not be publicly offered in the Republic of Albania unless the CIU prospectus of the undertaking has been approved by the Authority.
2. A CIU prospectus must be prepared for each publicly offered collective investment undertaking established in the Republic of Albania. In the case of an umbrella undertaking the CIU prospectus meets the requirements as follows:

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- a) The information required to be given in the CIU prospectus must be given in relation to each sub-fund where the information differs to that for any other sub-fund; and
 - b) For the umbrella undertaking as a whole, but only where the information is relevant to the umbrella undertaking as a whole.
3. The CIU prospectus of a collective investment undertaking established in the Republic of Albania must state whether the undertaking is:
 - a) An investment fund or an investment company;
 - b) In the case of an investment fund, whether it is an open ended undertaking, an interval undertaking or a closed ended undertaking;
 - c) In the case of an open ended undertaking, whether it is a publicly offered collective investment undertaking or a publicly offered undertaking for collective investment in transferable securities;
 - ç) A stand-alone undertaking or an umbrella undertaking;
 - d) In the case of an umbrella undertaking, the names and investment objectives of the sub-funds;
 - dh) A master undertaking;
 - e) A feeder undertaking.
 4. A CIU prospectus of a publicly offered collective investment undertaking established in the Republic of Albania must be in the Albanian language and must contain a prominent statement of the undertaking's licensed status under this Law and must state the date of issue of the CIU prospectus.
 5. The CIU prospectus of a publicly offered collective investment undertaking must contain the information investors would reasonably require for the purpose of making an informed decision to become a participant in the collective investment undertaking and in particular of the risks related to such participation.
 6. The CIU prospectus of a publicly offered collective investment undertaking must meet the requirements of this Section.
 7. The CIU prospectus represents an invitation to purchase shares or units in a publicly offered collective investment undertaking.
 8. A CIU prospectus must be clear, accurate and not misleading and must be kept up to date.
 9. The CIU prospectus must include a form of application which must include a statement signed by the potential investor that they have read and understood the terms and conditions of the offer and the risks involved.
 10. Acceptance of the terms of a CIU prospectus is signified by the purchase of participations in the collective investment undertaking described in that CIU prospectus.
 11. A CIU prospectus must be prepared for the initial issue of shares of an investment company and for each subsequent issue.
 12. A CIU prospectus must be provided in a durable medium or via a web page. A hard copy shall be submitted to the investors by request and with no charges applied.

Article 87

Content of a CIU Prospectus

1. The CIU prospectus of a publicly offered collective investment undertaking must contain at least the information required in Annex 1 of the Law.
2. The CIU prospectus must indicate in which categories of assets the undertaking is authorized to invest.
3. When an undertaking for collective investment in transferable securities invests principally in any category of assets defined in Chapter VII other than transferable securities and UCITS money-market instruments or replicates a stock or debt securities index in accordance with

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Article 85 paragraph 3 (j) of this Law, its CIU prospectus and, where necessary, advertisements must include a prominent statement drawing attention to its investment policy and if relevant the status of the undertaking as an Exchange Traded Fund.

4. When the net asset value per unit of a publicly offered undertaking for collective investment in transferable securities is likely to have a high volatility due to its portfolio composition or the portfolio management techniques that may be used, its CIU prospectus and, where necessary, marketing communications must include a prominent statement drawing attention to this characteristic of the undertaking.
5. As provided by regulation by the Authority and upon request of an investor, the management company must also provide supplementary information relating to the quantitative limits that apply in the risk management of the undertaking, to the methods chosen to this end and to the recent evolution of the main risks and yields of the categories of instruments.

Article 88

Responsibility for CIU Prospectus

1. The CIU prospectus of a publicly offered collective investment undertaking must identify the licensed or recognized person or persons that are responsible for the CIU prospectus of the undertaking and any related responsibility.
2. The licensed management company of a publicly offered undertaking that is an investment fund is responsible for the CIU prospectus of that undertaking.
3. The board of directors of a publicly offered undertaking that is a publicly offered investment company are responsible jointly and severally with the licensed management company of that undertaking for the CIU prospectus of that undertaking.
4. The person or persons responsible for the CIU prospectus under paragraphs 2 and 3 of this Article are liable to pay compensation to another person who has suffered loss or damage arising from any untrue, deceptive, or misleading statement in the CIU prospectus or the omission from it of any material matter required to have been included in the CIU prospectus under this Law and any regulations and rules under this Law.

Article 89

Provision of CIU Prospectus and Key Investor Information Document

1. The CIU prospectus and key investor information document of a publicly offered collective investment undertaking must be provided to potential investors free of charge before the conclusion of a contract to purchase participations.
2. In the case of a feeder undertaking, the CIU prospectus and key investor information document of the master undertaking in which the feeder invests must be provided free of charge upon request.

Article 90

Approval of CIU Prospectus

1. The Authority shall as part of licensing of a collective investment undertaking for public offer approve the CIU prospectus of that undertaking.
2. The CIU prospectus must only be published after the Authority has notified the management company in writing that it has licensed the collective investment undertaking for public offer including approval of the CIU prospectus.

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3. The Authority shall notify the applicant in writing within three months of receipt of a complete CIU prospectus, whether approval has been granted.

Article 91

Refusal of Approval of CIU Prospectus

1. The Authority must not grant approval of a CIU prospectus or substantial change to a CIU prospectus if:
 - a) The undertaking to which the CIU prospectus relates is not a publicly offered undertaking;
 - b) The CIU prospectus does not meet the requirements of this Law or omits information required by this Law for publicly offered collective investment undertakings.
2. The Authority must give reasons in writing for refusal to approve a CIU prospectus of a publicly offered undertaking or of refusal of substantial changes to CIU prospectus.

Article 92

Substantial Change to CIU Prospectus

1. If at any time after the issue of the CIU prospectus and during the offering of a publicly offered undertaking there is a substantial change affecting any matter contained in the CIU prospectus or a significant new matter arises, the CIU prospectus must be amended and the updated CIU prospectus submitted to the Authority and provided upon request to any foreign regulatory authority.
2. Substantial changes to a CIU prospectus of a publicly offered collective investment undertaking are changes that change the purposes or nature of the undertaking; or may have a materially adverse effect on a share or unit holder; or alter the risk profile of the undertaking; or introduce any new type of payment out of undertaking property. These include:
 - a) increases in entry charges, annual management charges or exit charge above those previously stated in the CIU prospectus or introduction of a new charge not previously disclosed in the CIU prospectus;
 - b) changes in investment objectives of the undertaking and risks associated with the indicated investment undertaking's investments;
 - c) changes in the policy of distribution of income;
 - ç) the share or unit holder's ability to exercise their rights in relation to their shares or units including for open ended and interval undertakings frequency of redemption or delays to redemption;
 - d) merger into and consolidation with another publicly offered collective investment undertaking, or division of the undertaking.
3. Changes under paragraph 2 of this Article shall be subject to prior approval by the Authority.
4. Following approval by the Authority:
 - a) notification of the proposed changes must be sent directly by mail or email to all unitholders and must be published in on the website of the management company for sixty working days prior to the day of implementation of the changes;
 - b) all unit-holders of open ended or interval investment funds must 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 charge;
 - c) redemption of all units, under the received requests, must be made prior to the entry into force of the changes in the CIU prospectus in accordance with paragraph 2 of this Law.
5. The CIU prospectus of an open ended or interval investment fund must be updated for any substantial change on the date that change is implemented.

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6. The CIU prospectus of an open ended or interval investment fund must be reviewed annually and updated and filed with the Authority.
7. The Authority must not approve changes to a CIU prospectus which if implemented would result in failure to comply with the requirements of this Law.
8. The Authority shall notify the applicant in writing within three months whether the proposed substantial changes to the CIU prospectus of a publicly offered collective investment undertaking are approved.

Article 93

Key Investor Information

1. A management company must prepare a key investor information document for every publicly offered collective investment undertaking that is a stand-alone undertaking and for each sub-fund of a publicly offered umbrella undertaking.
2. The key investor information document must in an easily intelligible, clear and non-misleading manner give an investor the basic information needed in order to make an informed investment decision. Significant aspects of the information must be kept up to date. An up to date version of the key investor information document must be available at all times on the website of the management company.
3. Whenever a key investor information document is updated or amended a copy of the updated document must be filed with the Authority.
4. The management company and others who market publicly offered collective investment undertakings must provide the key investor information document to all investors free of charge before they enter into a contract to purchase participations. The management company is required upon request to provide the key investor information document to agents under Article 101 of this Law, and to providers of products in which a publicly offered collective investment undertaking is incorporated.
5. The key investor information document must state that the CIU prospectus and annual and interim reports and accounts are available free of charge and give details how to obtain them.
6. The contents of the key investor information document must be consistent with the current CIU prospectus and must conform to the requirements of Annex 2 of this Law
7. Responsibility for the key investor information document of a publicly offered collective investment undertaking is the same as responsibility for the CIU prospectus under Article 88 of this Law. Liability for the key investor information document is solely on the basis of any statement contained in the key investor information document that is misleading, inaccurate or inconsistent with relevant parts of the CIU prospectus of the undertaking or sub-fund concerned.

SECTION 3

MARKETING OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 94

Marketing of Publicly Offered Collective Investment Undertakings

1. Marketing of publicly offered collective investment undertakings must only be undertaken by a management company or branch of a foreign management company licensed or recognised under this Law, and entities specified in Articles 101 and 102 of this Law.

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2. Marketing of a recognised collective investment undertaking in the Republic of Albania may be undertaken by the management company or branch of the management company of that undertaking, subject to Chapter IX of this Law.
3. The management company of an investment fund is responsible for the integrity and accuracy of information published for marketing publicly offered investment funds.
4. The board of directors of an investment company and the management company are jointly responsible for the integrity and accuracy of information published for marketing publicly offered investment companies.

Article 95

Albanian Management Companies Undertaking Activities Abroad

1. A management company licensed under this Law that intends to manage a publicly offered collective investment undertaking in another country, either from the Republic of Albania or through the establishment of a branch, must notify the Authority in writing to this effect.
2. The notification provided in paragraph 1 of this Article must contain a program of operations stating the country or countries in which it intends to operate and the publicly offered collective investment undertakings it proposes to manage. The program of activities must include the services to be provided, the company's risk management systems and what measures will be taken to be in a position to make payments to share or unitholders, redeem shares or units, make information available and deal with client complaints.
3. The notification provided in paragraph 1 of this Article in addition shall contain the following information:
 - a) The organizational structure of the branch;
 - b) The address in the Home Country of the publicly offered collective investment undertakings from which documents may be obtained;
 - c) The name and contact details of the persons responsible for management of the branch;
 - ç) The written contract with the depositary;
 - d) Information on delegation arrangements regarding investment management and administration of the collective investment undertaking.
4. Unless the Authority has reason to doubt the adequacy of the administrative structure or the financial situation of a management company, taking into account the activities envisaged, they shall, within two months of receipt of a complete notification under paragraphs 2 and 3 of this Article, shall transmit the notification to the regulatory authority of the country or countries specified in the notification. The Authority shall enclose confirmation that the management company is licensed to carry on activity in accordance with this Law and any applicable restrictions. The Authority shall immediately inform the management company of the transmission notification in writing.
5. A management company must give the Authority written notice of a change to any of the information identified in paragraphs 2 and 3 of this Article at least one month before implementing those changes or immediately after an unplanned change occurs. If the change would affect the management company's compliance with the provisions of this Law, the Authority shall without undue delay inform the regulatory authority of the management company's host country of the change.
6. The branch may commence business two months after it receives word from the relevant regulatory authority in the Host Country, or two months after the notification of establishment of the branch has been forwarded to the Host Country authority.
7. Notification of a branch shall not be forwarded if the Authority has reason to doubt the adequacy of the administrative structure or the financial situation of a management company in relation to the planned activity. Refusal to forward constitutes an administrative decision, and reasons for

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such refusal shall be given to the management company in writing within two months of the Authority's receipt of all information in the case.

8. A management company must inform the Authority and the Host Country regulatory authority in writing before making changes to previous disclosures. Where a branch has been established, information on any change must be provided at least one month before the change is implemented.
9. Cross border activity by Albanian management companies in a foreign country is only permitted if appropriate co-operation arrangements are in place between the Authority and regulatory authorities of the Host Country and the management company complies with provisions set out in or made pursuant to this Law.
10. The Authority shall consult the foreign regulatory authority of the home country of any foreign undertaking for collective investment in transferable securities managed by a management company licensed by the Authority before withdrawing the authorization of the management company.

Article 96

Conduct of Activity in the Republic of Albania of a Foreign Management Company

1. A foreign management company or branch of a foreign management company must only undertake activity in the Republic of Albania in conformity with this Article.
2. A management company licensed in a foreign country to undertake management of publicly offered collective investment undertakings may be recognized by the Authority to carry on activity in relation to publicly offered collective investment undertakings in the Republic of Albania directly from its place of business or through the establishment of a branch.
3. A foreign management company or a subsidiary of that management company licensed by an EU Member State recognized by the authority and conducts activity in the Republic of Albania, in accordance with the EU-Albania Stabilization and Association Agreement (SAA).
4. Such recognition under paragraphs 1 and 2 of this Article may only be granted if:
 - a) The management company of the collective investment undertaking or its home country regulatory authority has transmitted to the Authority such information as the Authority prescribes or requires;
 - b) Satisfactory supervisory cooperation has been established between the regulatory authority in the management company's home country and the Authority in the Republic of Albania;
 - c) The management company is subject to adequate supervision in their home country;
 - ç) The management company meets the requirements imposed for carrying on business in its home country and these requirements provide investors in the Republic of Albania with protection at least in line with the protection provided to them when investing with domestic management companies;
 - d) The management company of the undertaking makes the arrangements necessary to be able in the Republic of Albania to make payments to the participants, redeem participations and provide the information which the undertaking is required to prepare under the Law in its home country;
 - dh) The sale process in the Republic of Albania of the undertaking takes place either directly from the head office of the management company of the undertaking, through a representative office in the Republic of Albania or through a management company licensed either in the Republic of Albania or in another country or of a management company recognised under this Article, or an agent under Article 102 of this Law.

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5. The Authority may take into consideration when deciding recognition of foreign management companies the existence of equivalent arrangements for recognition⁶ of foreign management companies in the legislation of the applicant undertaking's home country.
6. The Authority may withdraw recognition if:
 - a) The requirements of paragraphs 3 ç), d) or dh) are not complied with;
 - b) Conditions for the recognition have been violated;
 - c) Requirements under Section 3 of Chapter XII of this Law are not complied with;
 - ç) Requirements for Albanian language documents are not complied with.
7. A management company recognized by the Authority shall inform the Authority in writing of any change regarding its activity in the Republic of Albania before the change is implemented unless such change is communicated through the management company's home country regulatory authority. Changes in information regarding a branch may not be implemented earlier than one month after information regarding the change has been provided.
8. The provisions of Chapters III, IV, V, VII, VIII, IX and X of this Law shall apply to foreign management companies and branches of foreign management companies that establish publicly offered collective investment undertakings in the Republic of Albania from their home country and the management company is responsible to the Authority for compliance with these requirements.
9. If a foreign management company intends to market foreign publicly offered collective investment undertakings in the Republic of Albania without establishing a branch, and the undertaking is managed by that company, notification under Chapter IX of this Law is sufficient.
10. A foreign fund management company or branch of a foreign fund management company must ensure that it is able to provide the Authority with the information necessary for the monitoring of their compliance with this Law and regulations under this Law as required.

Article 97

Principle of Accuracy

All advertisements must be consistent with the CIU prospectus of the publicly offered collective investment undertaking or sub-fund concerned and must be clear, fair and not misleading.

Article 98

Approval of advertisements and retention of records

1. All advertisements published in connection with publicly offered collective investment undertakings must be approved on behalf of a licensed management company by a key person of the management company.
2. Management companies must maintain records for the period required by applicable legislation of each and every advertisement together with the sources of information supporting the references made in the publication which must be made available for inspection by the Authority.

Article 99

Manner of marketing

1. Advertisements that contains specific information about a publicly offered collective investment undertaking must not contain statements that contradict or diminish the significance of the information contained in the CIU prospectus and the key investor information document.

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2. All advertisements must indicate that a CIU prospectus exists and that the key investor information document is available. It must specify where and in which language such information or documents may be obtained and how access to them may be achieved.
3. When distributing advertisements on publicly offered collective investment undertakings and their management companies:
 - a) there must be no concealment or false presentation of its marketing purpose;
 - b) a full, accurate and truthful description must be provided of the publicly offered collective investment undertaking 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 accurate, 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 quotation referred to in point (c) of this paragraph 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 publicly offered collective investment undertakings and the management company business operations and ownership or the number of shares or units in the publicly offered collective investment undertakings;
 - e) it shall be ensured that the presentation, contents or form of advertisements does 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 by regulation under this Law;
 - ë) it shall be ensured that no license given by a regulatory authority may be cited without consent from that regulatory authority, and that no third persons shall be led to conclude that the license issued by the regulatory authority has any meaning which is different from the meaning of a certificate proving that the said entity has met all the conditions for the acquisition of the legal status indicated in the license;
 - f) no data may be omitted if their omission might cause the advertisement to be inaccurate, untruthful, vague or misleading.

Article 100

Presentation of Investment Returns

- A presentation of the investment returns of a publicly offered collective investment undertaking:
- a) must not be subject to any type of warranty or promise;
 - b) must not be made in any form of estimate;
 - c) must reflect the investment 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) must present the latest data available at the moment of presentation of the investment fund returns;
 - d) must be drawn up on a standardized basis in terms of the periods covered, making clear the inclusion or exclusion of certain factors which affect such results (such as for instance, the basis for the price, costs, taxes, dividends) as required by the Authority by regulation;
 - dh) must not be shown in a manner that might be construed as projections of the possible business results in the future.

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SECTION 4

SALES OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS SHARES OR UNITS

Article 101

Entities permitted to sell shares or units

1. The sale of shares or units in publicly offered or recognized collective investment undertakings in the Republic of Albania must be carried out:
 - a) by licensed or recognized management companies or the branch of a licensed/recognized management company under the provisions of this Law.
 - b) legal persons authorized to sell funds and who may also sell other products from other service providers, which are sales agents. In this case the fund management company/ branch of the management company is not responsible for sales agents, as they act as an independent entity;
 - c) tied agents, natural or legal persons, who sell exclusively the funds of the fund management company / branch of the management company and for which the management company is responsible
2. In addition to the provision of paragraph 1 of this Article, the sale of shares or units in publicly offered or recognized collective investment undertakings may be carried out by the following legal persons which have concluded a contract with the licensed or recognized management company or branch of a recognized management company and which are licensed to operate in the Republic of Albania:
 - a) banks;
 - b) insurance companies;
 - c) investment firms;
 - ç) other legal persons having the necessary license from the Authority the legislation in force on capital markets who have concluded a contract with the management company or management company branch.
3. All entities defined in paragraph 1 of this Article, under this Law, shall be called distributors.

Article 102

Operation as Agent of Management Companies and Investors

1. In the sale of shares or units in publicly offered or recognized collective investment undertakings, banks or insurance companies and other legal persons referred to in Article 101 paragraph 2 of this Law, shall act as management company or management company branch agents based on a written contract concluded with the management company or branch.
2. In the sale of shares or units in publicly offered or recognized collective investment undertakings, investment firms 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.
3. In the sale of shares or units in publicly offered or recognized collective investment undertakings, tied agents that are legal or natural persons shall act as management company or management company branch agents based on a written contract concluded with the management company or branch.

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4. The Authority may adopt additional rules for the identification, operation and control of legal and natural persons as distributors or agents or tied agents of management companies or management company branches.

Article 103

Notification of Suspension of License

1. The persons referred to in Article 101 of this Law must not engage in sales transactions involving units or shares in publicly offered or recognized collective investment undertakings during the period in which the relevant regulatory authority has temporarily suspended their license.
2. The persons referred to in Article 101 of this Law must forthwith inform the management companies and management company branches with which they concluded a contract on the execution of sales transactions about any suspension of their license.

Article 104

Method and conditions of sale

1. The entities referred to in Article 101 of this Law that are licensed for the sale of shares or units in publicly offered or recognized collective investment undertakings must:
 - a) ensure availability to investors of all relevant documents and data, specifically the CIU prospectus, the key investor information document, annual and interim reports and accounts and unit prices;
 - b) check whether the requests for purchase and redemption are completed in an orderly fashion;
 - c) duly forward requests for purchase and redemption to the management company or management company branch;
 - ç) in promoting the publicly offered and recognized collective investment undertakings, use exclusively the CIU prospectus, key information document, annual and interim reports and accounts and marketing or presentation materials approved by a licensed or recognized management company;
 - d) not give any false information or information that may be misleading for 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 or recognized management company, or any other statements which is inconsistent with the contents of the constituting instrument, CIU prospectus, key information document, or its annual and interim reports and accounts;
 - dh) be accountable to the licensed or recognized 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 which licensed or recognized management company it represents and if it offers for sale only the products of that or more companies;
 - ë) make sure that the proposed collective investment undertaking(s) meets the needs of the interested party and that recommendations made concerning collective investment undertakings are suitable and/or appropriate to the client's needs and the category of client concerned (professional client, retail client);
 - f) act at all times in accordance with this Law and the legislation in force on capital markets and relevant regulations.

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Article 105
Giving recommendations

When making recommendations concerning a publicly offered collective investment undertaking a person acting as agent of the client must comply with the provisions of Article 104 of this Law with the exception of paragraph 1 dh) and with the requirements of the legislation in force on capital markets.

Article 106
Sales remuneration

1. The persons referred to in Article 101 of this Law acting as agents for a licensed or recognized management company in the sale of shares or units must only receive remuneration in relation to sales of publicly offered and recognized collective investment undertakings exclusively from the management company and must disclose to potential investors the amount of commission paid in connection with their engagement in the sale of shares or units, calculated as a percentage of an entry or exit or annual management charge.
2. The persons referred to in Article 101 of this Law acting as agents for the client must only be remunerated by the client under a written agreement with that client.

SECTION 5

SALE AND REDEMPTION OF PUBLICLY OFFERED COLLECTIVE INVESTMENT
UNDERTAKINGS

Article 107
Responsibility for Sale and Redemption

1. The licensed or recognized management company of a publicly offered investment fund is responsible for sale, issue, repurchase, redemption and cancellation of units of that investment fund except in the case of units of Exchange Traded Funds that are listed and traded on a regulated market where the management company is responsible only for issue and cancellation of units.
2. The board of directors of an investment company and the management company of an investment company are jointly responsible for the sale, issue and cancellation of shares in a publicly offered investment company.
3. The depositary of a publicly offered investment fund must issue or cancel units in a publicly offered investment fund when instructed by the licensed or recognized management company.
4. Any instructions given by the licensed or recognized management company of an investment fund under paragraph 3 of this Law must state, for each class of unit to be issued or cancelled, the number to be issued or cancelled, expressed either as a number of units or as an amount in value (or as a combination of the two).

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Article 108

Initial Offering and Unit or Share Price Determination

1. The period for the initial offering of units in a publicly offered investment fund or shares in a publicly offered investment company may not exceed thirty days and must be at a fixed price decided by the management company. During that period of time, the total amount of monetary assets received must be held as a deposit and must not be invested until after the capital raised by the publicly offered undertaking has exceeded the minimum value of assets under management established by this Law and by the CIU prospectus of the publicly offered collective investment undertaking.
2. Monetary assets raised must not be invested, except in the form of deposits, before expiry of the period of initial offering.
3. The price of the initial or first share issue of a publicly offered investment company must be the nominal price of each share and must be indicated in the CIU prospectus. The price of subsequent issues of a publicly offered investment company that is listed on a regulated market shall be related to the market price of the investment company 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. The price of the initial or first unit issue of a publicly offered closed ended investment fund must be the fixed price decided by the management company under paragraph 1 of this Law and indicated in the CIU prospectus. A closed ended publicly offered investment fund must not have a subsequent issue.
5. The price of a unit in the initial or first offering of an open ended or interval investment fund must be determined by the management company and indicated in the CIU prospectus. After end of the initial offering, the sale price of a unit in an open ended or interval investment fund with the exception of open-ended investment funds that are Exchange Traded Funds must be equal to the current value of the net asset value per unit, plus any entry charge, calculated as required in Chapter V, Section 5 of this Law.

Article 109

Sale and Redemption Prices of Units in Investment Funds

1. The sale and redemption of units in publicly offered open ended and interval investment funds must be undertaken only in accordance with this Law and regulations under this Law and must be at net asset value per unit with the exclusion that an entry charge may be added upon subscription for units and an exit charge deducted from the current net asset value per unit upon redemption of units. Sale or redemption of units in publicly offered open ended and interval investment funds at a price that is not the current net asset value per unit is not permitted.
2. The management company is responsible for the calculation of the sale and redemption price of units in publicly offered open ended and interval investment funds with the exception that the price of units in Exchange Traded Funds shall be established in the regulated market upon which the units are listed and traded.
3. The sale and redemption of units in publicly offered open ended and interval investment funds with the exception of open-ended funds that are Exchange Traded Funds must take place at the next price calculated following receipt of a valid redemption request.

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4. The sale and redemption price of an open ended or interval investment fund unit with the exception of open-ended funds that are Exchange Traded Funds must be calculated by dividing the current net asset value of the fund calculated as required under Article 32 of this Law by the number of units in issue in the fund at the time of the calculation. An entry charge may be added or an exit charge may be deducted from current net asset value per unit in conformity with disclosure in the CIU prospectus.
5. A unitholder in a publicly offered open ended or interval investment fund may exchange their units for units in another open-ended investment fund. Any exchange of units held by a unitholder in a publicly offered open ended or interval investment fund managed by a management company for units in another publicly offered open ended investment fund managed by the same management company must take place at the next price calculated following receipt of a valid request for exchange of units. An entry charge may be added to this price in conformity with disclosure in the CIU prospectus or instead of an entry charge a standard exchange charge may be levied in conformity with disclosure in the CIU prospectus.
6. Subscription and redemption of units in publicly offered open ended and interval investment funds with the exception of open-ended funds that are Exchange Traded Funds shall be in monetary assets with the exception that if provision is made in the CIU prospectus of the investment fund concerned redemption may be made in specie for large value redemptions.
7. Subscription to and redemption from Exchange Traded Funds may be made by exchange of a value of an indexed portfolio of securities for an equal value of units in the undertaking that is the Exchange Traded Fund. The net asset value of a unit in an open-ended fund that is an Exchange Traded Fund shall be calculated by the management company by dividing the current net asset value of the fund calculated as required under Article 32 of this Law by the number of units in issue in the fund at the time of the calculation.
8. The Authority shall have the power to permit a specific open ended or interval investment fund or a category of open ended or interval investment funds to make all redemptions in specie in the case that redemption cannot viably be achieved by alternative means.

Article 110

Entry and Exit Charges

1. Apart from entry and exit charges no other fees or costs shall be charged to an investor upon subscription for or redemption of units in a publicly offered investment fund.
2. Entry and exit charges must be disclosed separately to the price of units.
3. The amount of entry and exit charges payable may vary in relation to the class of unit issued in conformity with disclosure in the CIU prospectus.
4. No exit charge shall be chargeable when terminating a publicly offered collective investment undertaking due to non-achievement of the minimum capital raising in an initial or subsequent offering liquidated.
5. No entry or exit charge shall be chargeable upon the merger or transformation of a publicly offered collective investment undertaking.
6. Entry or exit charges must only be varied from their stated maximum figure in the CIU prospectus in accordance with a published standard tariff graded according to scale of transaction set out in the CIU prospectus. Variation of entry and exit charges is only permitted in accordance with this paragraph.

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Article 111
Obligation to Sell and Redeem Units

1. The management company of a publicly offered open ended investment fund must sell and redeem units every working day.
2. The management company of a publicly offered interval investment fund must sell and redeem units not less than once every six months at regular intervals.
3. The management company of a publicly offered open ended or interval investment fund must effect the sale of units in the fund in accordance with the conditions in the rules of the fund and the CIU prospectus unless the transaction does not comply with this Law or the rules or the CIU prospectus of the fund.
4. A management company must on the request of any unitholder effect the redemption of units in an open ended or interval publicly offered investment fund in accordance with the conditions in the rules of the fund and the CIU prospectus unless the transaction does not comply with this Law or the rules or the CIU prospectus of the fund or Article 112 of this Law applies.

Article 112
Limits on Sale or Redemption of Units

1. A CIU prospectus may establish that if redemption requests are made for more than ten per cent of the value or the number of units in issue in a publicly offered open ended or interval fund on any one dealing day that redemption of the amount exceeding that limit may be deferred until the next valuation point.
2. In the case that redemption requests exceed the stated limit on any one dealing day, the management company must ensure the consistent treatment of all unitholders who have sought to redeem units at any valuation point at which redemptions are deferred. All deals relating to an earlier valuation point are completed before those relating to a later valuation point are considered.

Article 113
Incorrect Sale or Redemption Price

1. In the event of an incorrect calculation of the price of a unit in a publicly offered open ended or interval investment fund of over 1% relative to the value arrived at by applying the methodology established under Article 32 and regulation of this Law, the Authority shall have the power to instruct the management company responsible for such incorrect calculation to do the following:
 - a) In the case where the price is lower than the correct value arrived at by applying the methodology, compensate each redeeming unitholder for any shortfall in the amount received for redeemed units and compensate the fund for any shortfall in the amount received for sold units;
 - b) In the case where the price is higher than the correct value arrived at by applying the methodology, compensate each buying unitholder by allocating additional units and compensate the fund for any excess of amount paid for redeemed units.

Article 114
Suspension of Sale and Redemption

1. The management company of a publicly offered open ended or interval investment fund must only suspend redemption of units in accordance with this Article.

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2. If a management company suspends redemption of units under paragraph 1 of this Article it must at the same time suspend sale of units.
3. The management company of a publicly offered open ended or interval investment fund must suspend redemption of units when in the judgement of the management company and depositary it is necessary to do so in the interests of unitholders in the fund. If the management company decides to suspend the issue and redemption of units and if the depositary does not agree with such decision, the latter must immediately notify the Authority.
4. Any suspension of sale and redemption of units under paragraph 3 of this Article must be notified immediately to the Authority by the management company, together with an indication of when redemption may be able to be resumed. Information on the suspension of redemption must be published immediately by the management company in a daily paper circulated in the entire territory of the Republic of Albania and on the website of the management company. The Authority shall have the power to instruct the management company to resume sale and redemption of units if it has good cause to believe this necessary to protect the interests of the public or the unitholders.
5. Suspension of sale and redemption must cease as soon as the reasons for the suspension of sale and redemption no longer exist and no later than within twenty working days of suspension unless the Authority has given its express written consent for an extension of this limit. The management company must inform the Authority immediately upon resumption of sale and redemption and the resumption of sale and redemption must be published immediately by the management company in a daily paper circulated in the entire territory of the Republic of Albania and on the website of the management company.
6. The sale and redemption of units is prohibited:
 - a) During any period where there is no management company or depositary;
 - b) Where the management company or the depositary is put into liquidation or declared bankrupt or goes into liquidation or is the subject of similar proceedings.
7. The Authority shall have the power to issue an Administrative Order requiring a management company and depositary to suspend the sale and redemption of units in a publicly offered open ended and interval investment fund if it has good cause to believe this necessary in the interests of the protecting the public or the unitholders.
8. The Order of the Authority, under paragraph 7 of this Article shall be in writing and shall state the suspension period or that the suspension period is indefinite and the reasons for the suspension.
9. The Authority shall have the power to issue an Administrative Order to management companies and depositaries of a specified group of publicly offered open ended or interval funds or of all publicly offered open ended or interval funds requiring them to suspend sale and redemption when it has good cause to believe this is necessary in the interests of protecting the public or the unitholders or in cases of force majeure.
10. Resumption of sale and redemption must take place as soon as the reasons for the suspension of sale and redemption no longer exist. In the event that resumption is not possible for any or all of the publicly offered open ended and interval investment funds concerned, the Authority shall have the power to require the conversion of these funds to publicly offered closed ended funds or that these funds be dissolved and liquidated.

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SECTION 6

REGISTRATION OF OWNERSHIP OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 115

Ownership Register

1. The ownership register of a publicly offered collective investment undertaking is conclusive evidence of the persons entitled to the shares or units entered in it.
2. The register of a publicly offered collective investment undertaking must contain:
 - a) The name and address of each share or unit holder and where relevant their personal identity number or foreign equivalent; and
 - b) The number of units of each class held by each unitholder or the number of shares held by the shareholder; and
 - c) The date on which the share or unitholder was registered for the shares or units standing to their name; and
 - ç) The number of units of each class in issue or the number of shares in issue.
3. The person responsible for the register of owners of participations in a publicly offered collective investment undertaking must ensure that the register is complete, accurate and up to date.
4. The shares or units of a publicly offered collective investment undertaking shall be dematerialized and the register maintained in electronic form.

Article 116

Responsibility for Maintenance of the Register of Ownership

1. The management company of the publicly offered investment fund is the person responsible for the creation and maintenance of the register of units in that fund. The fund depositary maintains the units register, as well as checks and controls that each action of the management company, in relation to this register, complies with the requirements of this Law and the by-laws in its application.
2. In the case that the publicly offered investment fund is listed on a regulated market the depositary may delegate maintenance of the register to a registrar licensed under legislation in force regulating the capital markets or central depositary as required by the rules of that market.

Article 117

Transfer of Units in a Publicly Offered Investment Fund

1. Every participant in a publicly offered investment fund is entitled to transfer units held on the register by an instrument of transfer in any form that the person responsible for the register may approve, but that person is under no duty to accept a transfer unless it is permitted by this Law and the constituting instrument of the undertaking.
2. Every instrument of transfer relating to units in a publicly offered investment fund must be signed by or on behalf of the unitholder transferring the units (or for a legal entity, sealed by that entity or signed by one or more officers authorized to sign it) and the transferor must be treated as the participant until such time as the name of the transferee has been entered in the register.
3. Every instrument of transfer (stamped as necessary) must be left for registration with the person responsible for the register, accompanied by:
 - a) any necessary documents required by legislation; and

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- b) any other evidence reasonably required by the management company which sends all the documentation to the depositary

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Article 118
Certificate of Purchase of Shares and Units

1. A certificate of purchase must be issued by the management company upon request by investors within seven days from the date of receipt of payment made to the publicly offered collective investment undertaking.
2. The certificate must include:
 - a) Date of share or unit purchase;
 - b) Fund name and management company name and registered office;
 - c) Where relevant, the class of the units purchased;
 - ç) Number of shares or units purchased;
 - d) Price of shares or units purchased;
 - dh) Total value of the transaction;
 - e) The first name and surname of the unitholder;
 - ë) The place and date of issue of the certificate;
 - f) Signature of the authorized person of the responsible entity.
3. Proceeds resulting from redemption of units of a publicly offered open ended or interval investment fund must be remitted to the holder within seven calendar days of completion of redemption following receipt of a valid redemption order.

SECTION 7

CHARGES AND COSTS OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 119
Costs and Charges

1. Costs and charges must only be made to publicly offered collective investment undertakings under the provisions of this Law and regulations approved by the Authority under this Law in relation to:
 - a) The annual management charge payable to the management company;
 - b) Fees and costs payable to the depositary;
 - c) Costs of commissions or commissions relating to acquisition and sale of undertaking property and of legal costs associated with such transactions and ownership of said property;
 - ç) Costs of registration and servicing of holders of shares or units in an undertaking and cost of distribution of income to holders;
 - d) Costs of annual audit;
 - dh) Costs of preparing and distributing annual and interim reports and accounts to investors in the undertaking;
 - e) Fees and costs of an independent value in relation to in specie transfers to closed ended undertakings;
 - ë) Costs of communicating changes to the CIU prospectus;
 - f) Licensing or other fees payable to the Authority;
 - g) Taxes payable by the undertaking;
 - gj) In the case of an investment company, fees and expenses of the board of directors.
2. Only the management company of an open-ended or interval investment fund may levy a charge on investors upon purchase of units as an entry charge which is added to the net asset value per unit at the time of purchase.

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3. Only a management company of a publicly offered open ended or interval investment fund may levy a charge on investors upon redemption of units. The exit charge is deducted from the net asset value per unit at the time of redemption.
4. The charging of a fee that relates to the investment returns achieved by a publicly offered collective investment undertaking by the management company or any other person is not permitted.
5. No fee or cost shall be payable by a publicly offered undertaking unless it has been clearly disclosed in the CIU prospectus.
6. No fee or cost of marketing or making sales shall be charged to a publicly offered undertaking except in the case of a publicly offered investment company in relation to an initial offer as permitted by Article 71 paragraph 3 of this Law.
7. The annual management charge payable to the management company must be expressed as a percentage of average asset value or net asset value of the undertaking. The percentage annual fee payable per unit must only vary according to each unit class in issue and must be clearly disclosed in the CIU prospectus.
8. The total annual operating cost of a publicly offered undertaking must not exceed 3.5% of the net asset value of the undertaking.
9. The total annual operating cost ('ongoing charges') of a publicly offered undertaking must be calculated as required by the Authority and must be published in the key investor information document. This must be calculated as required by Annex 2 of this Law.

SECTION 8

AUDIT, REPORTS AND ACCOUNTS OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 120 **Audit**

1. An independent auditor empowered by law to undertake statutory audits in accordance with applicable financial reporting standards must be appointed to each publicly offered undertaking that shall hold office for the whole of the financial year.
2. The auditor is registered with the Institute of Authorized Chartered Auditors of Albania under the legislation in force on the organization of the profession of the statutory audit and certified public accountant.
3. No auditor shall serve the same publicly offered collective investment undertaking as external auditor for a continuous period exceeding 4 years.
4. The auditor's report, including any qualifications, must be reproduced in full in the annual audited report and accounts of the undertaking.
5. The annual report and accounts of the publicly offered collective investment undertaking under Article 121 of must be audited by an independent auditor that meets the requirements of this Article.
6. The auditor must notify the Authority in writing immediately if after a review of the available facts or circumstances it reasonably believes that the management company of a publicly offered collective investment undertaking may have violated this Law or acted in contravention of this Law or of the constituting instrument of a publicly offered collective investment undertaking or sub-fund.
7. The annual report and accounts referred to in paragraph 5 of this Article shall be audited by a statutory auditor registered in the Institute of Authorized Chartered Auditors of Albania, in

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accordance with legislation in force on statutory audit, organization of the profession of the statutory audit and the certified public accountant.

8. The audit, under this Law, is considered to be in the public interest and any statutory audit engagement is considered to be a statutory audit engagement of a public interest entity and is subject to legal obligations, in accordance with the provisions of the law applicable to statutory audit, in accordance with legislation in force on statutory audit, organization of the profession of the profession of the statutory audit and certified public accountant.

Article 121

Annual Report and Accounts of a Publicly Offered Collective Investment Undertaking

1. A management company must, for every publicly offered investment undertaking it manages, prepare an annual report and accounts in conformity with the internationally accepted IFRS accounting standards, the requirements of this Law and regulations under this Law.
2. The annual report and accounts must be sent to the Authority within four months of the end of the financial year and provided to investors on request and free of charge.
3. The annual report and accounts must be published no later than four months following the end of the financial year or in the case of a publicly offered investment company listed on a regulated market, at such shorter interval from the end of the financial year as is required for listed securities.
4. The annual report and accounts of a publicly offered collective investment undertaking must contain:
 - a) Annual financial statements and management report;
 - b) Any substantial changes made to the undertaking in the reporting period;
 - c) Significant information which will enable investors to make an informed judgement on the development of the activities of the undertaking and its results;
 - ç) The auditor's report which must be reproduced in full in the annual report;
 - d) As required by regulation by the Authority, fixed and variable remuneration paid by the management company and by the investment company to its staff, and the number of beneficiaries, and where relevant, any amount paid directly by the undertaking itself, including any changes to remuneration policy;
 - dh) The information required in Annex 3 of this Law.

Article 122

Interim Report and Accounts

1. A management company must, for every publicly offered collective investment undertaking it manages, prepare an interim report and accounts in accordance with the requirements of this Law and regulations under this Law.
2. The interim report and accounts must be sent to the Authority within two months of the end of the first six months of the financial year and provided to investors on request and free of charge.
3. The interim report and accounts must be published no later than two months following the end of the first six months of the financial year or in the case of a publicly offered investment company listed on a regulated market, at such shorter interval from the end of the financial year as is required for listed securities.
4. The interim report and accounts must include at least the information provided for in Sections I to IV of Annex 3 of this Law which is not required to be audited. Where an undertaking has paid or

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proposes to pay an interim dividend, the figures must indicate the results after tax for the half-year concerned and the interim dividend paid or proposed.

SECTION 9 DISCLOSURE TO INVESTORS

Article 123 **Mandatory Disclosure**

1. Mandatory disclosure under this Article must be made in the Albanian language unless the Authority by regulation provides otherwise.
2. The management company of a publicly offered collective investment undertaking must provide the current CIU prospectus, the key investor information document and the most recent annual and interim reports and accounts upon request and free of charge for each stand-alone publicly offered collective undertaking and each sub-fund of an umbrella publicly offered collective investment undertaking under their management.
3. A CIU prospectus and key investor information document for each stand- alone publicly offered collective investment undertaking and each sub-fund must be provided free of charge in paper form to an investor before they subscribe for shares or units in a publicly offered collective investment undertaking or sub-fund and the same documents must also be provided in electronic form in a durable medium upon request. An up to date CIU prospectus and key investor information document of each publicly offered open ended and interval collective investment undertaking and sub-fund must also be available for download on the website of the management company.
4. The management company must make the most recent annual and interim reports and accounts available as specified in the CIU prospectus and the key investor information document and as required by this Law. A paper copy of the reports must be delivered free of charge to investors upon request and an electronic copy in a durable medium must be available on the website of the management company.
5. The management company of a publicly offered collective investment undertaking and any legal person acting as a sales agent under Article 102 of this Law must provide investors with the current CIU prospectus and key investor information document for a publicly offered collective investment undertaking as required under paragraph 3 of this Article prior to subscription for shares or units. A management company must provide free of charge upon request the CIU prospectus and key investor information document for each stand-alone publicly offered collective investment undertaking or sub-fund to any person that sells or provides advice in relation to investing in publicly offered collective investment undertakings or who are suppliers of products that incorporate publicly offered collective investment funds.
6. The management company must make public in an appropriate manner defined by the Authority by regulation the issue, sale, or redemption price of the units of each publicly offered stand-alone open ended investment fund or sub-fund under its management each time it issues, sells, repurchases or redeems such units, which must be daily.
7. The management company must make public in an appropriate manner defined by the Authority by regulation the issue, sale, repurchase or redemption price of the units of each publicly offered stand-alone interval investment fund or sub-fund under its management each time it issues, sells, repurchases or redeems such units, which must be at least twice a year.
8. The management company must make public in an appropriate manner defined by the Authority by regulation the net asset value per share or unit of each publicly offered closed ended collective investment undertaking under its management not less than once per year at regular intervals.

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9. When required by the Authority by regulation, the management company must provide an annual statement of shares or units held in publicly offered collective investment undertakings under its management to investors in those undertakings showing the opening position and closing position in relation to their holdings and changes to such holdings and any distributions of income in the period.

CHAPTER VI
OPERATION OF AN ALTERNATIVE INVESTMENT FUND
SECTION 1

TRANSPARENCY OBLIGATIONS OF AN ALTERNATIVE INVESTMENT FUND
MANAGEMENT COMPANY

Article 124

Annual Report and Accounts of an Alternative Investment Fund

1. An alternative investment fund management company must, for every alternative investment fund it manages or markets, prepare an annual report and accounts in accordance with the regulatory requirements of the Home Country of the alternative investment fund.
2. The annual report and accounts must be sent to the Authority and the foreign regulatory authority in the Home Country of the alternative investment fund and provided to investors on request and free of charge.
3. The annual report and accounts must be published no later than six months following the end of the financial year or in the case of an alternative investment fund that is licensed for public offer, at such shorter interval from the end of the financial year as is required under this Law or in the case of an alternative investment fund listed on a regulated market, at such shorter interval from the end of the financial year as is required for listed securities.
4. The annual report and accounts of an alternative investment fund must contain:
 - a) Annual financial statements and management report audited by an eligible external auditor which meets the requirements of the legislation in force;
 - b) Any substantial changes in the information disclosed under Article 125 of this Law;
5. Where required by the Authority by way of regulation, a breakdown of remuneration for the financial year paid by the alternative investment management fund management company to its staff and of carried interest paid by the alternative investment fund and the total amount of remuneration paid to categories of alternative investment fund management company staff.
6. An alternative investment fund management company that manages an alternative investment fund that has acquired control as set out in Article 128 paragraph 1 of this Law must ensure that the following information is included in the alternative investment fund or target company's annual report and accounts:
 - a) A description of the target company's activity in the financial year;
 - b) A description of the target company's likely future development;
 - c) An indication of important events since the end of the financial year;
 - ç) Information on the target company's acquisition of its own shares.
7. The annual report and accounts under paragraph 1 must be audited by an independent auditor that is a member of the Institute of Authorized Chartered Auditors of Albania in accordance with the legislation in force on the statutory audit, organization of the profession of the statutory auditor and the certified public accountant.

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Article 125

Disclosure Requirements Prior to Investment

1. An alternative investment fund management company or recognized alternative investment fund manager must for each of the alternative investment funds it manages or markets make available to potential investors the following information before they invest in the alternative investment fund concerned:
 - a) The constituting instrument of the alternative investment fund, the alternative investment fund investment objective and strategy, what types of assets the alternative investment fund may invest in, investment techniques that may be used, risk profile, any applicable investment restrictions and information on the use of leverage;
 - b) A description of the procedure for changing the investment strategy;
 - c) Whether the alternative investment fund is a feeder fund and, if so, where the master fund is established, together with information on where the underlying funds are established if the alternative investment fund is a fund of funds;
 - ç) The main legal implications of investing in the alternative investment fund, including information on the jurisdiction in which the fund is based, and on the existence or not of any treaty providing for the recognition and enforcement of judgements in the Home Country of the alternative investment fund;
 - d) The identity of the alternative investment fund management company or recognized alternative investment fund manager and the depositary, the auditor and any other service provider to the alternative investment fund and a description of their duties and investors' rights;
 - dh) The alternative investment fund management company's professional indemnity insurance (if any) or additional own funds related to Article 13 paragraph 6 of this Law or equivalent provision in relation to a recognized alternative investment fund manager;
 - e) A description of any delegation of functions identified in Article 11 paragraph 5 of this Law or of depositary functions under Article 43 paragraph 3 of this Law, the identity of any delegates and any conflicts of interest that may arise from such delegation;
 - ë) Liquidity management procedures under Article 28 of this Law and any associated regulation;
 - f) Valuation procedures under Article 29 of this Law and any associated regulation;
 - g) Expenses and the maximum amounts of these that are directly or indirectly borne by investors;
 - gj) Principles for the equal treatment of investors and a description of any preferential treatment, including the type of investors eligible for preferential treatment and where relevant their ownership or related entity links with the alternative investment fund and/or alternative investment fund management company or recognized alternative investment fund manager;
 - h) The latest annual report and accounts;
 - i) The procedure and conditions for the issue and cancellation and sale and redemption of units or shares and any redemption agreements with investors;
 - j) The net asset value per participation of the alternative investment fund calculated under Article 32 of this Law or the latest market price of the participation of an alternative investment fund that is licensed for public offer and traded on a regulated market;
 - k) The historical return of the alternative investment fund;
 - l) How and when the information required under Article 124 of this Law will be disclosed.
2. The alternative investment fund management company or recognized alternative investment fund manager must inform investors in an alternative investment fund of any significant changes in any items listed in paragraph 1 of this Article.
3. The alternative investment fund management company or recognized alternative investment fund manager must inform investors before they invest in an alternative investment fund of any

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arrangement made by the depositary to contractually discharge itself of any liability under Article 46 of this Law and must also inform investors of any changes with respect to depositary liability without undue delay.

4. Where the alternative investment fund is required to publish a CIU prospectus under this Law, the alternative investment fund manager may restrict the information disclosed under paragraph 1 of this Article to information that is additional to that in the CIU prospectus.

Article 126

Periodic disclosure requirement

1. An alternative investment fund management company or recognized alternative investment fund manager must not less than once per year at regular intervals provide investors with the following information on alternative investment funds:
 - a) The percentage of the alternative investment fund's assets which are subject to special arrangements arising from their illiquid nature;
 - b) Any changes in systems for managing the alternative investment fund's liquidity;
 - c) The alternative investment fund's current risk profile and risk management systems used by the alternative investment fund management company or recognized alternative investment fund manager.
2. For alternative investment funds able to employ leverage the alternative investment fund management company or recognized alternative investment fund manager must in addition provide the investors with information on any changes to the maximum level of leverage, as well as any right to reuse collateral or any guarantee granted under the leveraging arrangement and the total amount of leverage employed by the alternative investment fund.

Article 127

Leverage

1. In the case of an alternative investment fund whose constituting instrument permits use of leverage, the alternative investment fund management company or recognized alternative investment fund manager shall establish a maximum level of leverage as well as the extent of the right to reuse collateral or guarantee that could be granted under the leverage arrangement.
2. In accordance with paragraph 1 of this Article, the alternative investment fund management company or recognized alternative investment fund manager shall in that connection take into account amongst other factors:
 - a) the type of the alternative investment fund;
 - b) the investment objective and strategy of the alternative investment fund;
 - c) the sources of leverage of the alternative investment fund;
 - ç) any other inter-linkage with other financial institutions which could pose systemic risk;
 - d) the need to limit exposure to any one counterparty;
 - dh) the extent to which leverage is collateralized;
 - e) the asset to liability ratio; and
 - ë) the impact of the activity of the alternative investment fund on the market concerned;
 - f) the scale, nature and extent of the activity of the alternative investment fund manager on the markets concerned.
3. An alternative investment fund management company or recognized alternative investment fund manager shall demonstrate that the leverage limits set by it for each alternative investment fund it manages are reasonable and that it complies with those limits at all times.

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4. The Authority shall assess the risks entailed in use of leverage by alternative investment funds. Where the stability and integrity of the financial system may be threatened, the Authority shall have the power to impose restrictions on the management of alternative investment funds, including limits to the level of leverage that an alternative investment fund management company or recognised alternative investment fund manager can employ with respect to the alternative investment funds under management.

Article 128

Acquisition of control of unlisted companies or issuers

1. An alternative investment fund management company or recognized alternative investment fund manager shall notify the Authority, the target company and the target company's shareholders in writing if an alternative investment fund that the alternative investment fund management company or recognized alternative investment fund manager manages alone or in collaboration with other alternative investment funds acquires control of an issuer of shares not admitted to trading on a regulated market. In this context 'control' of an issuer is ownership of shares representing directly or indirectly more than 50 per cent of the votes of the company.
2. Notification under paragraph 1 of this Article must state the identity of the alternative investment fund management company or recognized alternative investment fund manager, the alternative investment fund management company or recognized alternative investment fund manager's policy for preventing and managing conflicts of interest, information on the financing of the acquisition and the external and internal communication strategy.
3. Notification under paragraph 1 of this Article must be made not later than 10 working days after the alternative investment fund's acquisition of control and in addition state the resulting situation in terms of voting rights, the date on which and the conditions subject to which control was acquired, the identity of the shareholders involved and of the persons entitled to exercise voting rights on their behalf.
4. Upon acquisition of control, the alternative investment fund management company or recognized alternative investment fund manager must inform the target company and the target company's shareholders of strategic plans for the target company and of possible consequences for employees. The alternative investment fund management company or recognized alternative investment fund manager must ask the target company's board of directors to inform the employees.

Article 129

Reporting the acquisition of major holdings in unlisted companies

Where an alternative investment fund's share of an unlisted company under Article 128 paragraph 1 of this Law reaches, exceeds or falls below the thresholds of 10%, 20%, 30%, 50% and 75% of voting rights of the company, the alternative investment fund management company or recognised alternative investment fund manager must as soon as possible and within 10 working days notify the company, shareholders in the company and the Authority accordingly.

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SECTION 2

MARKETING OF ALTERNATIVE INVESTMENT FUNDS TO PROFESSIONAL CLIENTS

Article 130

Marketing of alternative investment funds established by Albanian alternative investment fund management companies to professional clients

1. An alternative investment fund management company licensed under this Law must register an alternative investment fund that it manages in the Republic of Albania or in another country with the Authority before it starts marketing that fund to professional clients either in the Republic of Albania or abroad. The notification of registration must contain the following elements:
 - a) A program of operations identifying the alternative investment fund and specifying the country in which the alternative investment fund is established;
 - b) Information about the alternative investment fund that is available to the alternative investment fund's investors, including information listed in Article 126 of this Law;
 - c) A statement of any measures designed to prevent the alternative investment fund being offered to non-professional clients, also where the offering is done through a distributor.
2. The Authority shall within one month following receipt of a complete notification inform the alternative investment fund management company in writing whether it may start marketing the alternative investment fund.
3. Marketing in the Republic of Albania may only be prevented if the alternative investment fund management company's management of the alternative investment fund or the alternative investment fund management company otherwise does not or will not comply with this Law. The alternative investment fund management company may start marketing the alternative investment fund from the date of the notification in writing by the Authority to that effect.
4. If the alternative investment fund is established outside the Republic of Albania, the Authority shall also inform the foreign regulatory authority of the alternative investment fund's Home Country that the alternative investment fund may be marketed in the Republic of Albania.
5. The alternative investment fund management company must inform the Authority in writing in the event of a substantial change to any of the particulars listed in paragraph 1 of this Law. The information must be given at least three months before implementation of the change, or immediately after an unplanned change has occurred. If, pursuant to a planned change, the alternative investment fund management company's management of the alternative investment fund would no longer comply with this Law, the Authority shall take all due measures under Section 5 of Chapter XII of this Law including if necessary prohibiting the marketing of the alternative investment fund.

Article 131

Marketing of Alternative Investment Funds to Professional Clients Outside the Republic of Albania

1. An alternative investment fund management company licensed under this Law must register an alternative investment fund that it manages in the Republic of Albania or in another country with the Authority before it starts marketing that fund to professional clients outside the Republic of Albania.
2. The notification provided in paragraph 1 of this Article is in Albanian and shall contain the information provided in Article 130 paragraph 1 of this Law. The notification must in addition

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- specify in which other country or countries the alternative investment fund is to be marketed and provide information on how the alternative investment fund is to be marketed.
3. The Authority shall within one month following receipt of a complete notification under paragraph 1 of this Article, forward the notification to the foreign regulatory authorities of those countries in which the alternative investment fund is to be marketed. The Authority must enclose confirmation that the alternative investment fund management company is licensed to manage the alternative investment funds with the investment strategy of the alternative investment fund concerned. The notification shall be forwarded only if the alternative investment fund management company's activity and management of the alternative investment fund complies with this Law. The Authority shall inform the alternative investment fund management company in writing that such notification has been forwarded. The alternative investment fund management company may start marketing the alternative investment fund once it has received such notification. If the alternative investment fund is established in another country, the alternative investment fund's Home Country regulatory authority shall also be informed of the marketing registration by the Authority.
 4. Provisions provided in paragraph 4 of Article 30, under this law shall apply in this Article.
 5. The Authority may not register an alternative investment fund for offer outside the Republic of Albania unless adequate supervisory co-operation arrangements exist between the Authority and the foreign regulatory authorities concerned.

Article 132

Conditions for Registration of Foreign Alternative Investment

1. Registration of an alternative investment fund managed by a foreign alternative investment fund manager may only be granted by the Authority provided that:
 - a) The alternative investment fund manager complies with the relevant provisions of this Law;
 - b) The alternative investment fund manager takes the necessary steps to be able to make payments in the Republic of Albania to investors, redeem participations and provide the information to be prepared by the alternative investment manager under the rules of its Home Country;
 - c) The alternative investment fund's Home Country is not placed in the list of non-cooperative countries by the Financial Action Task Force on Money Laundering;
 - ç) The alternative investment fund and the management of the alternative investment fund are subject to satisfactory supervision in the Home Country and fulfil the requirements for carrying on business in that Home Country;
 - d) The alternative investment fund manager complies with the provisions of Section 3 of this Chapter and provisions made pursuant to it;
 - dh) The requirements of paragraph 1 b) and c) of Article 130 under this Law comply.
2. The Authority may approve further rules regarding the registration under paragraph 1 of this Article to ensure the protection of the investors in the Republic of Albania, including conditions establishing the obligation to provide information and public authorities and on how to properly execute the Financial Action Task Force for Money Laundering (FATF-ML).

SECTION 3

MARKETING OF ALTERNATIVE INVESTMENT FUNDS TO NON-PROFESSIONAL CLIENTS

Article 133

Marketing of alternative investment funds to non-professional clients

The marketing of alternative investment funds managed by alternative investment fund management companies licensed under this Law and by alternative investment fund managers licensed under the law of another country to non-professional clients in the Republic of Albania is only permitted subject to Section 3 of Chapter V under this Law.

SECTION 4

CROSS BORDER MANAGEMENT OF ALTERNATIVE INVESTMENT FUNDS

Article 134

Albanian Alternative Investment Fund Management Companies' Activity in Other Countries

1. An alternative investment fund management company licensed under this Law that intends to manage an alternative investment fund or provide services under Article 11 paragraphs 6 b) and c) of this Law, in another country, either from the Republic of Albania or through the establishment of a branch, must notify the Authority in writing to this effect.
2. The notification must contain a program of operations stating the services the alternative investment fund management company intends to provide and the country or countries in which it intends to operate and the alternative investment funds it proposes to manage.
3. The notification must in addition contain the following information:
 - a) The organizational structure of the branch;
 - b) The address in the Home Country of the alternative investment fund from which documents may be obtained;
 - c) The name and contact details of the persons responsible for management of the branch.
4. The notification under paragraph 1 of this Article and the Authority's confirmation under paragraph 5 of this Article shall be in a language customary in the sphere of international finance.
5. The Authority shall within one month following receipt of a complete notification under paragraph 1, transmit the notification to the regulatory authority of the country or countries specified in the notification. The Authority shall enclose confirmation that the alternative investment fund management company is licensed to carry on activity in accordance with this Law. The Authority shall immediately inform the alternative investment fund management company of the transmission notification in writing. The alternative investment fund management company may start to provide its services upon receipt of the transmission notification.
6. An alternative investment fund management company must give the Authority written notice of a change to any of the information identified in paragraphs 2 and 3 at least one month before implementing those changes or immediately after an unplanned change occurs. If the change would affect the alternative investment fund management company's compliance with the provisions of this

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Law, the Authority shall without undue delay inform the regulatory authority of the alternative investment fund management company's host country of the change.

Article 135

Activity of Alternative Investment Fund Managers Licensed in Other Countries in the Republic of Albania

Alternative investment fund managers licensed by a foreign regulatory authority to manage alternative investment funds or to provide services under Article 11 paragraphs 6 b) and c) under this Law may be recognized by the Authority to manage alternative investment funds established in the Republic of Albania or provide services as mentioned under Article 11 paragraphs 6 b) and c) of this Law as from the time that the foreign regulatory authority in the alternative investment manager's Home Country have notified the alternative investment fund manager that notification of activity in the Republic of Albania has been sent to the Authority.

Article 136

Conditions applying to Cross Border Marketing and Management of Alternative Investment Funds

Cross border marketing and management of alternative investment funds is only permitted if appropriate co-operation arrangements are in place between the regulatory authorities of the alternative investment fund's Home Country or Host Country and the alternative investment fund manager's Home Country or Host Country and the Authority and that the alternative investment fund manager complies with provisions set out in or made pursuant to this Law.

CHAPTER VII

INVESTMENT AND BORROWING OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

SECTION 1

GENERAL INVESTMENT AND BORROWING LIMITS FOR PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 137

General investment and borrowing requirements

1. A publicly offered collective investment undertaking must invest and borrow only as permitted by this Law and applicable regulations under this Law.
2. A feeder publicly offered collective investment undertaking is subject to this Article and must invest and borrow in accordance only with Article 144 of this Chapter.
3. Borrowing by a publicly offered collective investment undertaking or by a management company on behalf of such an undertaking must only be undertaken as permitted by this Law and regulation under this Law. The maximum proportion of the value of a publicly offered collective investment undertaking that may be borrowed is 20% in relation to a closed ended

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- undertaking and 10% of a publicly offered collective investment undertaking that is an open ended or interval fund.
4. A publicly offered undertaking must not lend other than by investment in bonds or money market instruments or making deposits. The granting of loans and or acting as guarantor on behalf of third parties by open ended or interval publicly offered collective investment undertakings is not permitted either by an open ended or interval undertaking or by a management company or depositary acting on behalf of a publicly offered open ended or interval undertaking.
 5. A publicly offered undertaking must not invest in participations of another collective investment undertaking or sub-fund of a collective investment undertaking except as permitted by this Law and regulations under this Law. A sub-fund of a publicly offered collective investment undertaking must not invest in another sub-fund of the same collective investment undertaking.
 6. The management company must not carry out a sale of any investment on behalf of a publicly offered collective investment undertaking that is not owned by the undertaking at the time of entering into the transaction.
 7. The investment and borrowing limits established in this Law and by regulations under this Law apply to a publicly offered collective investment undertaking at all times with the exception that they shall not apply during the initial offer period of a publicly offered collective investment undertaking and shall apply in the case of feeder undertakings or sub-funds as set out in paragraph 2 of this Article.
 8. Limits established under paragraph 9 b) shall not apply to a publicly offered collective investment undertaking in the first six months from the first day of the initial fixed price offer period, subject to the management company of the publicly offered collective investment undertaking maintaining a prudent spread of risk. Publicly offered collective investment undertakings investing under Article 143 of this Law shall be subject to different limits under paragraph 9 b) of this Article from other publicly offered collective investment undertakings.
 9. The Authority shall have the power to establish by regulation more detailed requirements concerning:
 - a) the types of assets in which a publicly offered collective investment undertaking is permitted to invest; and
 - b) the proportion of the value of a publicly offered collective investment undertaking that may be invested in assets of any one type or category; and
 - c) the nature of transactions that are permitted to be undertaken by a publicly offered collective investment undertaking; and
 - ç) the criteria for eligibility of asset classes and individual assets for investment by open ended, interval and closed ended collective investment undertakings; and
 - d) the criteria for eligibility of markets in which publicly offered collective investment undertakings are permitted to invest and of market indices; and
 - dh) the maximum exposure of any publicly offered collective investment undertaking to one issuer or group of issuers or bank or publicly offered collective investment undertaking; and
 - e) the maximum concentration of ownership or influence over an issuer permitted to any one undertaking or to all undertakings managed or influenced by the same management company or management companies with ownership links or which is a related entity; and
 - ë) requirements for transactions with persons with whom the collective investment undertaking has ownership links or collective investment undertakings or other pools of assets managed by the same management company and for transactions conducted through persons with which the management company has ownership links or which are related entities; and

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- f) the permitted use of derivatives and forward contracts only for the purposes of reducing risk or reducing cost and requirements for eligibility for investment in derivatives and forward contracts; and
 - g) requirements for minimum liquidity of assets to be held by open ended and interval collective investment undertakings, definitions of liquid assets and high-quality liquid assets and required minimum holdings of liquid and high-quality liquid assets; and
 - gj) requirements for reporting to the Authority concerning investment and borrowing by publicly offered collective investment undertakings.
10. The Authority shall have the power to establish by regulation limits on borrowing by publicly offered collective investment undertakings under paragraph 3 including:
 - a) the maximum percentage of the asset value of a collective investment undertaking which may be borrowed;
 - b) the permitted method, nature and term of such borrowing;
 - c) requirements as to the status and eligibility of lenders.
 11. If the limits established by regulation under paragraphs 9 and 10 of this Article for any type or category of publicly offered collective investment undertaking defined in that regulation are exceeded involuntarily for reasons beyond the control of the management company or as a result of the exercise of subscription rights, the excess shall be remedied, taking due account of the interests of share or unit holders, within a maximum of six months except in the case where *force majeure* is declared by the Authority by regulation.
 12. If the limits established under paragraphs 9 and 10 of this Article for any type or category of publicly offered collective undertaking defined in that regulation are exceeded voluntarily for reasons that are within the control of the management company the excess shall be remedied as soon as possible at the expense of the management company. The depositary must report any such violation to the Authority in writing immediately together with the management company's plan to remedy the violation and shall report to the Authority immediately any failure of the management company to remedy the violation as set out in that plan.
 13. The Authority shall have the power to suspend application of specific limitations established in this Law or regulation under this Section of the Law for a definite or indefinite period where circumstances arise which are outside the control of the management company, the publicly offered collective investment taking and the Authority which make compliance with the limit practically impossible. Notice of such suspension must be published in daily newspapers, circulated in the entire territory of the Republic of Albania, and on the Authority's website. The end of such suspension must be published in the same way.

SECTION 2

INVESTMENT AND BORROWING LIMITS FOR PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 138 **General Provisions**

A publicly offered collective investment undertaking must only invest or borrow or lend as permitted in this Section and regulations issued under this Law.

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Article 139
Permitted Investments

1. The investments of a publicly offered collective investment undertaking must comprise only one or more of the following:
 - a) transferable securities and money-market instruments admitted to or dealt in on a regulated market licensed, recognized or otherwise approved by the Authority by regulation as well as securities issued and guaranteed by the Central government of the Republic of Albania;
 - b) transferable securities and money-market instruments admitted to official listing on a regulated market in an EU Member Country or on the regulated market of another country or territory which is regulated, operates regularly and is recognized and open to the public and has been approved by the Authority, provided that the choice of the regulated market or market has been provided for in the constituting instrument and CIU prospectus of the undertaking;
 - c) recently issued transferable securities and money-market instruments, where the terms of issue include that application will be made for admission to official listing on a stock exchange or on another regulated market which operates regularly and is recognized and open to the public, provided that the choice of the regulated market or the market has been provided for the constituting instrument and prospectus of the undertaking and the admission is secured within one year of issue;
 - ç) participations of publicly offered open ended collective investment undertakings including undertakings for collective investment in transferable securities provided that:
 - i. such other undertakings are licensed under laws which provide that they are subject to supervision considered by the Authority to be equivalent to that laid down in this Law, and that cooperation between authorities is sufficiently ensured;
 - ii. the level of protection for participants in the other undertakings is equivalent to that provided for participants in open ended publicly offered collective investment undertakings in the Republic of Albania, and in particular that the rules on asset segregation, borrowing, lending, and uncovered sales of transferable securities and money-market instruments are equivalent to the relevant requirements of this Law;
 - iii. the business of the other undertakings is reported in interim and annual reports and accounts to enable an assessment of the assets and liabilities, income and operations over the reporting period;
 - iv. no more than 20% of the assets of the publicly offered collective investment undertaking whose acquisition is contemplated can, according to their constituting instruments, be invested in aggregate in participations of other publicly offered collective investment undertakings or publicly offered undertakings for collective investment in transferable securities;
 - d) Deposits with a bank which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the registered office of the bank is situated in another country which is subject to prudential rules considered by the Authority as equivalent to those laid down in this Law;
 - dh) Money-market instruments other than those dealt in on a regulated market and which meet the requirements of the Authority for liquidity and have a value which can accurately be determined at any time, if the issue or the issuer of such instruments is itself regulated for the purpose of protecting investors and savings, and provided that these investments are:
 - i. issued or guaranteed by a central, regional or local authority or by a central bank of a European Union member country, the European Central Bank, the European Union or the European Investment Bank, another country or, in case of a federal Country, by one of the members making up the federation, or by a public international organization to which one or more Member Countries belong; or

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- ii. issued by an entity any securities of which are dealt in on regulated markets; or
 - iii. issued or guaranteed by an establishment subject to prudential supervision that is considered by the Authority to be at least as stringent as those laid down by the law of Albania; or
 - iv. issued by other bodies belonging to the categories approved by the Authority, provided that investments in such instruments are subject to investor protection equivalent to that laid down in subpoints i), ii) and iii) of this point and provided that the issuer is a company whose capital and reserves amount to at least ALL 1 300 000 000 (one billion and three hundred million) and which presents and publishes its annual report and accounts in accordance with International Financial Reporting Standards (IFRS). It is an entity which, within a group of companies which includes one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitization vehicles which benefit from a banking liquidity line; or
 - e) Transferable securities or money market instruments issued in the Republic of Albania that are approved by the Authority as being admitted to or dealt in on a regulated market; or
 - ë) units of publicly offered investment funds or shares of publicly offered investment companies governed by this Law; or
 - f) deposits with banks registered in the Republic of Albania which have the right to be withdrawn and maturing in not more than 12 months; or
 - g) financial derivative instruments and forward contracts, as permitted by the Authority by regulation; or
 - gj) money market instruments other than those traded on a regulated market, as permitted by the Authority by regulation; or
 - h) cash and demand deposits.
2. A publicly offered collective investment undertaking must only invest in assets listed in paragraph 1 where these meet the eligibility requirements established by the Authority by regulation including requirements relating to quality, tradability and liquidity of assets.
3. When a publicly offered collective investment undertaking invests in the shares or units of other collective investment undertakings that are managed, directly or by delegation, by the same management company by any other company with which the management company is linked by common management or control, or by a substantial direct or indirect holding, that management company or other company may not charge entry or exit fees on account of the collective investment undertaking for investment in the shares or units of such other undertakings.
4. A publicly offered collective investment undertaking that invests a substantial proportion of its assets in other collective investment undertakings must disclose in its CIU prospectus the maximum level of the management fees that may be charged both to the undertaking itself and to the other undertakings in which it intends to invest. In its annual report and accounts it must indicate the maximum proportion of management fees charged both to the collective investment undertaking itself and the other undertakings in which it invests.

Article 140
Limitations on Exposures

1. A publicly offered collective investment undertaking shall meet the following requirements related to limitations on exposures:
 - a) Must not invest more than 5% in value of the undertaking in the transferable securities or money market instruments issued by one issuer except that:
 - i. The limit of 5% may be increased to 10% but in this case, the total value of the securities and money market instruments in which the undertaking invests more than 5% of the value of the undertaking must not exceed 40% of the value of the undertaking;
 - ii. The Authority may permit by regulation a derogation related to the undertakings replicating an index, certificates representing certain securities or capital, and may be invested up to 20% the value of 20% in a single issuer which is constituent of that index, provided that:
 - the constituent of that index is sufficiently diversified
 - the index should be a benchmark for the market on which it is based and published in an appropriate manner.
 - b) Must not invest more than 20% in value of the undertaking in deposits with a single entity;
 - c) May, by way of exception under point (a), if the transferable securities or money-market instruments are issued or guaranteed by an EU Member Country, the Republic of Albania or any other country permitted by the Authority may invest up to a maximum of 35% of the value of the undertaking in that one issuer;
 - ç) In the case of point (c) of this Article, where no more than 35% in value of the undertaking is invested in such securities issued by any one entity, there is no limit on the amount which may be invested in such securities or in any one issue provided that:
 - i. the management company has before any such investment is made consulted with the depositary and as a result considers that the issuer of such securities is one which is appropriate in accordance with the investment objectives of the undertaking concerned;
 - ii. no more than 30% in value of the undertaking consists of such securities of any one issue;
 - iii. the assets of the undertaking include such securities issued by that or another issuer, of at least six issues with different International Security Identification numbers or equivalent; and
 - iv. disclosure has been made in the CIU prospectus to this effect.
 - d) In respect of investing in covered bonds, the limit of 10% under point (a) is raised to 25% in value of the undertaking;
 - dh) Must not invest more than 10% in value of the undertaking in the shares or units of any one single undertaking provided that the total exposure does not exceed 30% if these companies are not classified as (SIKTT) in the Republic of Albania, or UCITS in EU Member Countries;
 - e) In the case of an undertaking which invests predominantly in the shares or units of other publicly offered collective investment undertakings (fund of funds) the undertaking must invest in not less than five other collective investment undertakings.
2. Nothing in this Article shall prevent a publicly offered collective investment undertaking establishing and implementing lower limits on exposures than required under this Article.

Article 141
Aggregation and Influence

1. A management company acting in connection with all of the collective investment undertakings which it manages, must not acquire any shares carrying voting rights which exceed 20% of such voting rights.
2. A publicly offered collective investment undertaking may acquire no more than:

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- a) 10% of the non-voting shares of the same issuer;
 - b) 10% of the debt securities of the same issuer;
 - c) 25% of the participations of any one collective investment undertaking;
 - ç) 10% of the money-market instruments of any single issuer.
3. The limits laid down in letters b) c) and ç), paragraph 2 of this Article may be disregarded at the time of acquisition if at that time the gross amount of bonds or of the money-market instruments, or the net amount of the instruments in issue cannot be calculated.
4. Paragraph 2 b) of this Article is waived as regards transferable securities and money-market instruments issued or guaranteed by a country or its local authorities.

Article 142
Alleviation from Application

A publicly offered collective investment undertaking need not comply with the limits laid down in Article 140 of this Law when exercising subscription rights attaching to transferable securities or money-market instruments which form part of their assets.

SECTION 3

INVESTMENT AND BORROWING LIMITATIONS OF UNDERTAKINGS FOR
COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES

Article 143
**Permitted Assets for Undertakings for Collective Investment in
Transferable Securities**

The Authority shall have the power to establish further requirements within those established under this Chapter, Articles 139 to 141 of this Law for the permitted investments and borrowing of publicly offered undertakings for collective investment in transferable securities including:

- a) Eligible assets, issuers and markets;
- b) Limitations on exposures to issuers including other collective investment undertakings;
- c) Limitations on exposures to banks and issuers of money market instruments;
- ç) Eligibility of derivatives, use of derivatives for reduction of risk or for investment purposes and exposure to derivatives;
- d) Aggregate exposure to issuers and banks and influence over issuers;
- dh) Eligibility of issuance and issuers;
- e) Alleviations for collective investment undertakings that track an index;
- ë) Liquidity of assets;
- f) Borrowing; and
- g) Lending.

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SECTION 4

FEEDER UNDERTAKING OR SUB-FUND INVESTMENT POWERS AND LIMITATIONS

Article 144

Feeder undertaking or sub-fund investment powers and limitations

1. A feeder undertaking or sub-fund must invest only as permitted by this Article.
2. A feeder undertaking or sub-fund must invest at least 85 % of its assets in units of another named open ended collective investment undertaking or sub-fund ('the master undertaking') that is licensed or recognized under this Law or is licensed under an equivalent law approved by the Authority as providing equivalent investor protection to this Law.
3. A feeder undertaking or sub-fund may hold up to 15 % of its assets in cash and demand deposits.

CHAPTER VIII

PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS THAT ARE MASTER OR FEEDER UNDERTAKINGS

SECTION 1

MASTER AND FEEDER UNDERTAKINGS

Article 145

Application for a license

1. Application for a license for a master or a feeder collective investment undertaking or sub-fund may only be made in relation to an open-ended investment fund.
2. Application for a license for a master or a feeder collective investment undertaking or sub-fund must in addition to the requirements of Article 62 of this Law be accompanied by the following documentation:
 - a) The rules of the undertaking, CIU prospectus and key investor information document for both the master and the feeder undertakings or sub-funds;
 - b) The agreement between the funds and internal procedures under Article 150 of this Law;
 - c) The agreement between the funds' auditors and the funds' depositaries under Articles 151 and 152 of this Law;
 - ç) Information in the event of conversion of a master undertaking to a feeder undertaking and vice versa under Article 146;
 - d) A statement that the investment of the feeder undertaking or sub-fund into the master undertaking or sub-fund will exceed the limits established under Article 139 paragraph 1, point (ç) "iv" of this Law.
3. If the master undertaking is established in another country, the application must be accompanied by confirmation from the foreign regulatory authority of the country concerned that the master undertaking complies with the rules of its home country equivalent to those in this Section.
4. A license for a master or feeder undertaking or sub-fund shall be granted under this Article and Article 63 within three months of receipt of a complete application and shall only be granted where the requirements of this Law and in particular Articles 147 to 152 are met and

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in the case of the master or feeder collective investment undertaking that is a foreign collective investment undertaking provided that satisfactory supervisory cooperation has been established between the foreign regulatory authority and the Authority.

Article 146

Conversion to Feeder Undertaking and Change of Master Undertaking

1. If a publicly offered collective investment undertaking is converted into a feeder undertaking, or a feeder undertaking changes into a master undertaking, the unitholders must be entitled to redeem their units free of charge before the change is implemented.
2. The unitholders must be given the following information not later than 30 working days before the change is carried out:
 - a) The Authority's approval for the undertaking to invest in such a master undertaking;
 - b) The key investor information document on the feeder undertaking and the master undertaking;
 - c) The starting date for investment into the master undertaking, or when the investment will exceed the limit for investing in other collective investment undertakings;
 - ç) The right to redemption free of charge within 30 days.
3. This information must be provided in Albanian and in the official language of any other country in which the undertaking is marketed.

Article 147

Requirements for Master Undertakings

1. A master undertaking that has only one or more feeder funds as unitholders in another country is exempt from the requirement under Chapter IX of this Law concerning notification of marketing of publicly offered collective investment undertakings.
2. A master undertaking must not demand entry or exit charges from a feeder undertaking.
3. A master undertaking must inform the Authority which feeder undertakings are investing in the master undertaking.
4. The master undertaking must ensure that information to which the feeder undertaking, its management company, public authorities and the feeder undertaking's depository are entitled is made available in a timely manner.
5. The Authority may approve further rules regarding master undertakings.

Article 148

Requirements for Feeder Undertakings or Sub-Funds

1. A feeder undertaking or sub-fund must monitor the activity of the master undertaking or sub-fund in which it invests based on information received from the master undertaking's management company, depository and auditor.
2. Investors are entitled to receive free of charge from the feeder undertaking or sub-fund a copy of the master undertaking's or sub-fund's CIU prospectus, key investor information document, annual report and accounts and interim report and accounts.
3. A feeder undertaking or sub-fund must give its depository the information on the master undertaking or sub-fund that the depository needs in order to fulfil its obligations.
4. Where, in connection with an investment in the units of the master undertaking or sub-fund, any distribution fee, commission or other monetary benefit is received by the feeder undertaking or sub-fund, its fund management company, or any person acting on behalf of either the feeder

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undertaking or sub-fund or the management company of the feeder undertaking or sub-fund, the fee, commission or other monetary benefit shall be paid into the assets of the feeder undertaking or sub-fund.

5. Where the master undertaking or sub-fund is in another country, the feeder undertaking or sub-fund must forward the master undertaking's or sub-fund's prospectus, key investor information document, and annual and interim report and accounts to the Authority upon publication.

Article 149

Prospectus and Reports and Accounts of Feeder Undertakings or Sub-Funds

1. A feeder undertaking's or sub-fund's prospectus must in addition to the information required under Article 87 of this Law contain the information required by the Authority by regulation concerning the master undertaking.
2. A feeder undertaking's or sub-fund's annual report and accounts and interim report and accounts must in addition to the information required under Articles 121 and 122 of this Law respectively state total costs and remuneration recorded by the feeder undertaking or sub-fund and the master undertaking or sub-fund.
3. The annual and interim report and accounts of a feeder undertaking or sub-fund must state where the corresponding reports and accounts of the master undertaking or sub-fund will be found.
4. Marketing material for the feeder undertaking or sub-fund must show that the undertaking invests its assets in a master undertaking or sub-fund.

Article 150

Relationship between Feeder and Master Undertakings or Sub-Funds

1. A master undertaking or sub-fund is obliged to provide a feeder undertaking or sub-fund with documents and information needed in order for the feeder undertaking or sub-fund to fulfil its obligations under this Law and regulations under this Law. The feeder undertaking or sub-fund must have an agreement with the master undertaking or sub-fund to this end. The agreement must apply as from the date when the feeder undertaking's investment in the master undertaking exceeds the limit stated in Article 140 paragraph 1 dh) of this Law.
2. Where the master and the feeder undertakings or sub-funds are operated by the same management company, the agreement may be replaced by internal procedures.
3. The master and the feeder undertakings or sub-funds must take appropriate measures to coordinate the timing of their net asset value calculation and publication.
4. The feeder undertaking or sub-fund may suspend the right of redemption or sale of units to the same degree as is done by the master undertaking or sub-fund.

Article 151

The Auditor

1. If the master and the feeder undertaking or sub-funds do not have the same auditor, the auditors must enter into an agreement on exchange of information to ensure that both are able to discharge their obligations, including on coordination of audit reports under paragraphs 2 and 3 of this Article. The agreement must apply as from the date that the feeder undertaking or sub-fund starts to invest in the master undertaking or sub-fund.

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2. The auditor must in the audit report for the feeder undertaking or sub-fund take into consideration the audit report for the master undertaking or sub-fund. If the undertakings do not have the same financial year, the master undertaking's or sub-fund's auditor must prepare an ad hoc report on the balance sheet date of the feeder undertaking or sub-fund.
3. The feeder undertaking's or sub-fund's audit report must describe the irregularities taken up in the master undertaking's or sub-fund's audit report, and the feeder undertaking's or sub-fund's auditor must give his opinion on the significance thereof for the feeder undertaking or sub-fund.
4. Observance of the obligations imposed on the auditor under this Article shall not be regarded as a violation of confidentiality pursuant to law, regulations or agreement, and shall not entail liability on the auditor or anyone acting on the auditor's behalf.

Article 152 **The Depositary**

1. If the master and feeder undertakings or sub-funds do not have the same depositary, the depositaries must enter into an agreement to exchange information to ensure that both are able to discharge their obligations. The agreement must apply as from the date that the feeder undertaking or sub-fund starts to invest in the master undertaking or sub-fund.
2. The master undertaking's or sub-fund's depositary must provide the master undertaking's or sub-fund's home country regulatory authority and the feeder undertaking's management company and depositary with information on matters concerning the master undertaking or sub-fund that may have negative consequences for the feeder undertaking or sub-fund.
3. Observance of the obligations imposed on the management company or depositary under this Section shall not be regarded as a violation of confidentiality pursuant to law, regulations or agreement and shall not entail liability on the management company or depositary.

Article 153 **Liquidation, Winding up and Merger of a Master Undertaking or Sub-Fund**

1. If the master undertaking or sub-fund is dissolved and liquidated, the feeder undertaking or sub-fund must be dissolved and liquidated unless the Authority approves the transfer of the investment to another master undertaking or sub-fund or approves conversion of the feeder undertaking to a publicly offered collective investment undertaking or sub-fund which is not a feeder undertaking or sub-fund.
2. The provisions of paragraph 1 of this Article apply in the event of a merger of the master undertaking or sub-fund. In such cases the Authority may in addition give its approval for the investment to continue in the merged entity.
3. A master undertaking may be dissolved and liquidated at the earliest three months after it has informed its unitholders and the feeder undertaking's home country regulatory authority of the winding up decision.
4. A master undertaking may be merged at the earliest 60 days after it has provided information as specified in Article 162 of this Article, to participants and to the feeder undertaking's or sub-fund's home country regulatory authority.
5. The provisions of paragraphs 1 and 4 of this Article apply where a master undertaking or sub-fund demerges. In such a case the Authority may in addition give its approval for the investment to continue in the demerged entity.

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Article 154

Communication by the Authority

1. If the master undertaking and the feeder undertaking or sub-fund are both established in the Republic of Albania the Authority shall immediately communicate to the feeder undertaking or sub-fund any decision, measure, observation of non-compliance with the conditions of this Chapter or any audit report under Article 120 paragraph 4 of this Law with regard to the master undertaking or where appropriate its management company, depositary or auditor.
2. If the master undertaking or sub-fund is established in the Republic of Albania and the feeder undertaking or sub-fund is established in another country, the Authority shall immediately communicate to the feeder undertaking or sub-fund any decision, measure, observation of non-compliance with the conditions of this Chapter or any auditor's report under Article 120 paragraph 4, of this Law with regard to the master undertaking or sub-fund or where appropriate to its management company, depositary or auditor and the foreign regulatory authority of the feeder undertaking.

CHAPTER IX

CROSS BORDER MARKETING OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

SECTION 1

MARKETING OF ALBANIAN PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS OUTSIDE THE REPUBLIC OF ALBANIA

Article 155

Marketing of Albanian Publicly Offered Collective Investment Undertakings Outside the Republic of Albania

1. Marketing of Albanian publicly offered collective investment undertakings outside the Republic of Albania is only permitted provided that satisfactory supervisory cooperation has been established between the foreign regulatory authority in the Host Country and the Authority in the Republic of Albania. The requirements of this Article shall also apply to sub-funds of such undertakings.
2. A management company that wishes to market a publicly offered collective investment undertaking outside the Republic of Albania must notify the Authority accordingly.
3. The notification provided in paragraph 1 of this Article must be accompanied by the latest version of the undertaking's constituting instrument, the CIU prospectus and key investor information document in addition to the undertaking's latest annual report and accounts and if applicable interim report and accounts
4. The documents prescribed under paragraph 3 of this Article must be prepared in a language permitted or required in the Host Country. Translations shall faithfully reflect the original documents and are the responsibility of the management company. This shall include information on arrangements made for marketing participations of the undertaking in Albania, including, where relevant, in respect of share or unit classes which shall include an indication that the undertaking is marketed by the management company that manages the undertaking.

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5. The Authority shall transmit the notification and confirmation of the status of the undertaking to the Host Country regulatory authority within ten working days after receipt of a complete notification under paragraph 2, 3 and 4 of this Article. The Authority shall immediately inform the management company that transmission has taken place. The management company may commence marketing from this point in time.
6. The management company must keep updated and translated documents under paragraph 4 of this Article electronically available.
7. The management company must provide to investors in the host country the information and documents required to be provided in Albania under section 9 of Chapter V, of this Law.
8. The management company must notify the Host Country regulatory authority of changes in these documents and of where the documents are electronically available. Changes in how the undertaking is marketed or changes concerning classes of participations may not be put into effect until the Host Country regulatory authority has received written notification thereof from the management company.

Article 156

Marketing of foreign collective investment undertakings to the public in the Republic of Albania

1. Foreign collective investment undertakings may be marketed to the public in the Republic of Albania subject to recognition of those undertakings by the Authority. The requirements of this Article shall also apply to sub-funds of such undertakings. Such recognition may be granted provided:
2. The Authority shall recognize the foreign undertaking if the following requirements are met:
 - a) The management company or alternative investment fund manager of the collective investment undertaking or the regulatory authority in the home country of the management company or alternative investment fund manager has transmitted to the Authority such information as the Authority prescribes or requires which must include the latest version of the undertaking's constituting instrument, CIU prospectus, key investor information document, the latest annual report and accounts and where applicable interim report and accounts and confirmation of the regulated status of the undertaking and management company or alternative investment fund manager;
 - b) cooperation agreement has been established between the regulatory authority in the management company or alternative investment fund manager's home country and the Authority in the Republic of Albania;
 - c) The foreign collective investment undertaking is licensed for public offer in its home country;
 - ç) The undertaking and its management company or alternative investment fund manager are subject to adequate supervision in their home country;
 - d) The undertaking and the management of it meet the requirements imposed for carrying on business in the home country and these requirements provide investors in the Republic of Albania with protection at least in line with the protection provided to them when investing in domestic publicly offered undertakings;
 - dh) The management company or alternative investment fund manager of the undertaking makes the arrangements necessary to be able in the Republic of Albania to make payments to the participants, redeem participations of open ended and interval undertakings and provide the information which the undertaking is required to prepare under the law in its home country;
 - e) The sale in the Republic of Albania of the undertaking takes place either directly from the head office of the management company or alternative investment manager of the undertaking, through a representative office in the Republic of Albania or through a management company

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or alternative investment fund manager in the Republic of Albania or through such entity as shall be defined by the Authority by regulation or an entity recognized under Article 96 of this Law, or an agent under Article 102 of this Law.

3. The Authority may take into consideration when deciding recognition of foreign undertakings under this Article the existence of equivalent arrangements for recognition of foreign undertakings in the legislation of the applicant undertaking's home country.
4. The Authority may withdraw recognition if:
 - a) The requirements of paragraph 2, letters ç), d) and dh) under this Article are no longer met;
 - b) Conditions for the recognition have been violated;
 - c) The requirements of Chapter V Section 3 of this Law or regulations approved by the Authority under this Law.
 - ç) Requirements for Albanian language documents are not complied with.
5. The Authority shall have the power to recognize individual collective investment undertakings or sub-funds or a category of collective investment undertakings that are subject to a standardized regional legal framework.

Article 157

Entry into Register

1. The Host Countries in which Albanian publicly offered collective investment undertakings may be marketed that are notified to the Authority under Article 156 of this Law shall be entered into the Register maintained by the Authority under Article 8 of this Law.
2. Foreign collective investment undertakings recognized by the Authority for public offer in the Republic of Albania under this Chapter shall be entered into the Register maintained by the Authority under Article 8 of this Law.

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CHAPTER X

MERGERS AND TAKEOVERS OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

SECTION 1

MERGER OF PUBLICLY OFFERED INVESTMENT FUNDS ESTABLISHED IN THE REPUBLIC OF ALBANIA

Article 158

Merger of publicly offered investment funds

1. A publicly offered investment fund or sub-fund may only merge with another publicly offered investment fund or sub-fund.
2. A merger of publicly offered investment funds or sub-funds must be undertaken in the following way:
 - a) All rights and obligations in one or more merging publicly offered investment funds or sub-funds must be transferred to an existing receiving publicly offered investment fund or sub-fund, unitholders in the merging fund(s) receive units in the receiving fund or sub-fund and the merging fund(s) or sub-fund(s) is/are dissolved; or
 - b) All rights and obligations in one or more merging funds or sub-funds are transferred to a newly established receiving fund or sub-fund, unitholders in the merging fund(s) or sub-fund(s) receive units in the receiving fund or sub-fund and the merging fund(s) or sub-fund(s) is/are dissolved.
3. Unitholders in the merging fund(s) or sub-fund(s) must receive the equivalent value of units in the receiving fund or sub-fund that they held in the merging fund(s) or sub-fund(s) as at the date of the merger. If necessary small balancing cash payments may be made to unitholders to ensure this is achieved.

Article 159

Approval for merger

1. The Authority must give prior approval to any merger of publicly offered investment funds or sub-funds. The management company of the merging investment fund(s) or sub-fund(s) must apply for approval of the merger.
2. An application for approval must be accompanied by:
 - a) A draft merger agreement;
 - b) Confirmation from the depositaries under Article 160 paragraph 3 of this Law;
 - c) A draft of any information to be sent to unitholders under Article 162 of this Law;
 - ç) CIU prospectus and key investor information document for the receiving fund or sub-fund;
 - d) Documentation showing that an agreement has been entered into with the depositary or auditor regarding preparation of the confirmation after implementation of the merger under Article 163 of this Law.
3. If the Authority considers that the application for merger is incomplete, it shall notify the management company accordingly within 10 working days of receiving the application.

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4. The Authority may require changes to be made in the information to be sent to unitholders if the information does not meet the requirements of Article 162 of this Law.
5. The application for merger shall be processed within 3 months of receipt of a complete application. Approval shall be granted if the provisions of Articles 160, 162 and 163 under this Law are met.
6. The provisions of this Section do not apply with regard to cross-border mergers.

Article 160
Merger Agreement

1. A merger agreement must be considered by the board of directors of the management company of the merging and receiving investment funds.
2. The merger agreement must contain:
 - a) The identification of the type of merger and of the investment funds or sub-funds involved;
 - b) The background to and rationale for the merger;
 - c) The expected impact on the unitholders of the merging investment funds or sub-funds;
 - ç) The criteria for valuation of the investment funds' or sub-fund's assets and, where applicable, liabilities;
 - d) The method for calculating the exchange ratio;
 - dh) The planned effective date of the merger;
 - e) The rules applicable to transfer of assets and the exchange of units; and
 - ë) Where applicable, the rules of the newly constituted receiving undertaking.
3. The depositaries of the merging and receiving investment funds or sub-funds must confirm that information as mentioned in paragraph 2 a), dh) and e) of this Article meets the requirements of this Law and the constituting instruments of the undertakings.

Article 161
Entry into Effect of the Merger

1. A merger may take effect once approval has been granted under Article 159 of this Law.
2. The unitholders of the merging and receiving undertakings must be entitled to redeem their units free of charge or to exchange their units in the undertaking to be merged with units in another other undertaking with a similar investment mandate which is managed by the same management company. The right of redemption and exchange must apply until five working days prior to the effective date of the merger.
3. The administrative costs of the merger must not be charged to the undertaking or to its unitholders.
4. The Authority may permit derogation from the investment requirements of Section 2, Chapter VII of this Law for up to six months after the entry into effect of the merger.

Article 162
Information to Unitholders in the Event of a Merger

1. Information about the merger plans must be given to unitholders in the merging and receiving undertakings or sub-funds after approval for the merger has been granted by the Authority and at least 30 days before the rights in Article 161 paragraph 2 expire.
2. The information must enable the unitholders to make a well-informed assessment of the merger. The information must include the following:
 - a) The background to and rationale for the proposed merger;

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- b) The possible impact on unitholders, including changes in investment objective and strategy, costs, expected return, periodic reporting, possible dilution in performance and, if relevant, a prominent warning that unitholders' tax treatment may be changed following the merger;
- c) A description of unitholders' rights in relation to the merger, including the right to obtain additional information, the right to obtain a copy of confirmation under Article 163, the rights described in Article 161 paragraph 2 and the last date for exercising such rights;
- ç) The relevant procedural aspects and the planned effective date of the merger;
- d) Key investor information document for the receiving undertaking.

Article 163

Confirmation of Entry into Effect

1. The management company of the receiving undertaking must ensure that a depositary or independently approved auditor confirms the following after the merger has taken effect:
 - a) That the merger has been effected in accordance with the criteria set out in the merger agreement for valuation of undertakings' assets and any liabilities under Article 160 paragraph 2 ç) of this Law;
 - b) The method for calculating the exchange ratio, and that the actual exchange ratio is in accordance with the method prescribed by the merger agreement for calculating the exchange ratio under Article 160 paragraph 2 d) of this Law.
2. The auditor of the merging and receiving undertakings shall be regarded as independent for the purposes of paragraph 1 of this Article.
3. The confirmation shall be made available to unitholders and to the Authority and other relevant regulatory authorities.

SECTION 2

CROSS BORDER MERGERS OF PUBLICLY OFFERED COLLECTIVE INVESTMENT UNDERTAKINGS

Article 164

Cross Border Mergers of Publicly Offered Collective Investment Undertakings

1. The provisions of Section 1 of this Chapter shall not apply to the cross-border merger of publicly offered collective investment undertakings.
2. Approval for such mergers shall be granted by the regulatory authority of the merging undertaking's Home Country.

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SECTION 3

MERGER OF PUBLICLY OFFERED INVESTMENT COMPANIES ESTABLISHED IN THE REPUBLIC OF ALBANIA

Article 165

Merger of Publicly Offered Investment Companies

1. A publicly offered investment company may only merge with another publicly offered investment company.
2. The merger of a publicly offered investment company that is listed on a regulated market is subject to the requirements of the rules of that regulated market relating to investment companies and mergers of investment companies.
3. The merger of a publicly offered investment company must be carried out in accordance with the legislation in force on Entrepreneurs and Companies and the requirements of the legislation in force on capital markets.
4. Where there is any inconsistency with or conflict with the legislation in force on Entrepreneurs and Companies and the provisions of the Law on capital markets.

Article 166

Approval of Merger of Publicly Offered Investment Companies

1. The merger of a publicly offered investment company is subject to the prior approval of the Authority.
2. An application for approval for a merger of an investment company must be made to the Authority jointly by the board of the investment company and management company of the merging investment company and be accompanied by:
 - a) A draft merger agreement;
 - b) A draft of any information to be sent to shareholders under Article 168 of this Law;
 - c) Documentation showing that an agreement has been entered into with the depositary or auditor regarding preparation of the confirmation after implementation of the merger under Article 170 of this Law.
3. If the Authority considers that the application for merger is incomplete, it shall notify the management company accordingly within 10 working days of receiving the application.
4. The Authority may require changes to be made in the information to be sent to shareholders if the information does not meet the requirements of Article 167 of this Law.
5. The application for merger shall be processed within 20 working days of receipt of a complete application. Approval shall be granted if the provisions of Articles 167, 168 and 170 under this Article are complied with.

Article 167

Merger Agreements

1. A merger agreement must be considered by the board of directors of the merging and receiving investment companies.
2. The merger agreement must contain:
 - a) The identity of the investment companies involved;
 - b) The background to and rationale for the merger;

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- c) The expected impact on the shareholders of the merging investment companies;
 - ç) The criteria for valuation of the investment companies' assets and, where applicable, liabilities;
 - d) The method for calculating the exchange ratio based on the share prices of the merging and receiving investment companies;
 - dh) The planned procedure and date for the extraordinary resolution on the merger to be approved by the shareholders;
 - e) The planned effective date of the merger.
3. The depositaries of the merging and receiving investment companies must confirm that information as mentioned in paragraph 2, letters a), d) and e) under this Law meet the requirements of this Law and the statutes of the investment companies.

Article 168

Information to Shareholders in the Event of a Merger

1. Information about the merger plans must be given to shareholders in the merging and receiving undertakings after approval of the merger has been granted and at least 30 days before the planned date of the merger.
2. The information must set out the requirement for an extraordinary resolution of shareholders and the procedures to be followed for adoption of said resolution.
3. The information must enable the shareholders to make a well-informed assessment of the merger. The information must include the following:
 - a) The background to and rationale for the proposed merger;
 - b) The possible impact on shareholders, including changes in investment objective and strategy, costs, expected return, periodic reporting, possible dilution in performance and, if relevant, a prominent warning that shareholders' tax treatment may be changed following the merger;
 - c) A description of shareholders' rights in relation to the merger, including the right to obtain additional information and the right to obtain a copy of confirmation under Article 170 of this Law;
- ç) The relevant procedural aspects and the planned effective date of the merger.

Article 169

Entry into Effect of the Merger

1. A merger of a publicly offered investment company may take effect once approval has been granted under Article 166 of this Law.
2. The Authority may permit derogation from the investment requirements of Section 2 of Chapter VII of this Law, for up to six months after the entry into effect of the merger.

Article 170

Confirmation of Entry into Effect

1. The management company and board of directors of the receiving investment company must ensure that a depositary or independently approved auditor confirms the following after the merger has taken effect.

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- a) That the merger has been effected in accordance with the criteria set out in the merger agreement for valuation of undertakings' assets and any liabilities under Article 167 paragraph 2 ç), of this Law;
 - b) The method for calculating the exchange ratio, and that the actual exchange ratio is in accordance with the method prescribed by the merger agreement for calculating the exchange ratio under Article 167 paragraph 2 d) of this Law.
2. The auditor of the merging and receiving undertakings shall be regarded as independent for the purposes of paragraph 1 of this Article.
 3. The confirmation must be made available to shareholders and to the Authority and other relevant regulatory authorities.

Article 171

Takeover of Publicly Offered Investment Companies

1. A publicly offered investment company may only be taken over:
 - a) If that company is listed on a regulated market; and
 - b) If it is taken over by another publicly offered investment company;
 - c) With the prior approval of the Authority.
2. The takeover of a publicly offered investment company that is listed on a regulated market shall be subject to any related rules of that market and legislation in force on Takeovers of Public Companies and shall be subject to the following requirements :
 - a) All shareholders of the same class of shares in the investment company that is being taken over must be treated equally;
 - b) All shareholders must receive adequate information so that they can reach a properly informed decision;
 - c) The management of the investment company that is being taken over must not take any action that would frustrate a takeover without the consent of its shareholders.

CHAPTER XI

WINDING UP, VOLUNTARY AND COMPULSORY LIQUIDATION

SECTION 1

GENERAL PROVISIONS FOR WINDING UP AND VOLUNTARY AND COMPULSORY LIQUIDATION

Article 172

Liquidation of Licensed Entities

1. Liquidation of a licensed entity under this Law may only be undertaken with the prior approval of the Authority.
2. Winding up of a sub-fund of a publicly offered undertaking must be undertaken under Article 174 of this Law.
3. Unless otherwise specified the provisions of the legislation in force on Entrepreneurs and Companies shall apply in relation to the voluntary and compulsory liquidation procedures of the

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- Entrepreneurs and Companies established in the Republic of Albania under the legislation in force on Entrepreneurs and Companies, which are licensed entities, according under this Law.
4. An application for approval for voluntary liquidation and winding up of the licensed entity person must be submitted to the Authority:
 - a) In the case of a publicly offered investment fund by the management company of that investment fund;
 - b) In the case of a publicly offered investment company, jointly by the management company and directors of that investment company;
 - c) In the case of a management company, by the key persons of the management company;
 - ç) In the case of a depositary, by key persons of the depositary.
 5. The voluntary liquidation and winding up of a solvent publicly offered investment fund must be undertaken as set out in Section 2 of this Chapter.
 6. The voluntary liquidation and winding up of a solvent publicly offered investment company and of a fund management company and a depositary and an alternative investment fund depositary must be undertaken as set out in Section 3 of this Chapter with the exception that a depositary and an alternative investment fund depositary that is a licensed bank must be voluntarily liquidated subject to the legislation in force on Banks in the Republic of Albania.
 7. The entering into administration of a licensed entity under this Law must be undertaken under Section 4 of this Chapter, with the exception that temporary administration of a depositary and an alternative investment fund depositary shall be undertaken in compliance with the Law in force on Banks in the Republic of Albania.
 8. The compulsory liquidation and winding up of a publicly offered investment company and of a fund management company, a depositary and an alternative investment fund depositary must be undertaken under Section 3 of this Chapter with the exception that a depositary or alternative investment fund depositary that is a licensed bank shall be compulsorily liquidated and terminated in compliance with the Law in force on Banks in the Republic of Albania.

SECTION 2

VOLUNTARY LIQUIDATION OF PUBLICLY OFFERED INVESTMENT FUNDS AND WINDING UP OF A SUB-FUND

Article 173

Grounds for Voluntary Liquidation and Winding up

1. A solvent publicly offered investment fund may be voluntarily liquidated:
 - a) on the date the defined period of life of the investment fund expires or an eventuality arises upon which the constituting instrument of the investment fund requires the investment fund be dissolved and liquidated;
 - b) if the management company applies for liquidation because the investment fund is not economically viable or cannot achieve its purpose;
 - c) in the event of cessation of their duties by the depositary or management company of the investment fund if they have not been replaced within sixty working days;
 - ç) in the event of bankruptcy of the management company;
 - d) the completion of a merger process when a merging investment fund having transferred assets to the receiving investment fund, is left with no assets.
2. A publicly offered collective investment fund must be liquidated upon the revocation of its licence by the Authority.

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Article 174

Winding up of a Sub-Fund of a Publicly Offered Open Ended or Interval Investment Fund

1. Winding up of a sub-fund is subject to prior approval by the Authority.
2. Winding up of a sub-fund may take place in the circumstances set out in Article 173 paragraph 1, a) and b), under this Law.
3. The management company of the sub-fund must notify the Authority of the proposed winding up of the sub-fund not less than three months prior to the proposed winding up date.
4. The application for winding up, in accordance with paragraph 3 of this Article, must include:
 - a) The reasons for the winding up;
 - b) The planned date for completion of the winding up, including the date when the unitholders will have the value of their units reimbursed to them;
 - c) The revised rules of the investment fund;
 - ç) The revised CIU prospectus for the undertaking of which the sub-fund forms a part.
5. The Authority shall notify the management company of approval of the winding up within three months of receipt of a complete application, as set out in paragraph 4 of this Article.

Article 175

Application for Voluntary Liquidation of Investment Funds

1. Application for approval for voluntary liquidation of an investment fund must be made to the Authority not less than three months in advance of the proposed date of the liquidation.
2. Application to the Authority for liquidation of an investment fund must state the reasons for the application and must set out a timed plan for the liquidation.
3. Before notice is given to the Authority of the intention to liquidate the investment fund the management company must prepare an audited statement confirming that the fund or a sub-fund will be able to meet all its liabilities within twelve months of the date of the statement ('statement of solvency').
4. All unitholders must be given information on the liquidation after the Authority has given approval.
5. All the information made available to the unitholders, as set out in paragraph 4 of this Article, shall include:
 - a) The reasons for liquidation;
 - b) The consequences for unitholders;
 - c) The respective costs;
 - ç) The statement of solvency;
 - d) The planned date for completion of the liquidation, including the date when the unitholders will have the value of their shares or units reimbursed to them.
6. The Authority shall notify the management company of approval of the winding up within three months of receipt of a complete application, including the complete documentation, as set out in paragraph 5 of this Article.

Article 176

Procedure for Voluntary Liquidation and Winding up of the sub-fund

1. Upon occurrence of the events under Article 173 paragraph 1, letters "a" and "d" of this Law, the following procedures shall apply:

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- a) Notification of the winding up or voluntary liquidation should be immediately sent to unitholders if this has not already been done;
 - b) Valuation and pricing cease;
 - c) The investment fund or sub-fund must cease to issue and cancel units, except in respect of the final cancellation;
 - c) No transfer of a unit may be registered and no other change to the register of unitholders may be made without the sanction of the management company and depositary;
 - d) The investment fund or sub-fund must cease to carry on its business, except for its activity of winding up ;
 - dh) The responsibilities and duties of the management company continue to apply until the winding up is complete;
 - e) The management company must, as soon as practicable after winding up or liquidation has commenced, cause the undertaking property to be sold and the liabilities of the undertaking or the sub-fund to be met out of the proceeds.
 - ë) The management company must instruct the depositary how such proceeds, as set out in point (e) of this paragraph (until utilized to meet liabilities or make distributions to unitholders) must be held and those instructions must be prepared with a view to the prudent protection of creditors and unitholders against loss.
2. Where sufficient liquid funds are available after making adequate provision for the expenses of the winding up or liquidation and the discharge of the investment fund's or the sub-fund's remaining liabilities, the management company may arrange for the depositary to make one or more interim distributions to the unitholders proportionately to the right of their respective units.
3. On or before the date on which the audited final account is sent to unitholders, the management company must arrange for all units in issue to be cancelled and for the depositary to make a final distribution to the unitholders, in the same proportions as provided by paragraph 2 of this Article, of the balance remaining (net of a provision for any further expenses of the investment fund or sub-fund).
4. The management company and depositary must notify the Authority once the winding up or liquidation of the investment fund or sub-fund is complete and submit a final account to the date of winding up which must be the final day of that account. At the same time the management company must request the Authority to revoke the relevant license and to update its records.
5. In the event of the bankruptcy of the management company or of the license of the investment fund or of the management company being revoked the depositary must liquidate the investment fund or sub-fund. If the depositary liquidates the investment fund it is permitted to take any charges that would have been payable to the management company under the CIU prospectus.
6. During the period of the liquidation the management company must continue to prepare and publish annual and interim reports and accounts under Section 8 of Chapter V of this Law and make these available to unitholders.
7. At the conclusion of the liquidation or winding up, the accounting period then running is regarded as the final annual accounting period.
8. Within four months after the end of the final annual accounting period or the winding up of the sub-fund, the audited final report and accounts of the investment fund or sub-fund must be published and sent to the unitholders of the investment fund or sub-fund and the Authority.
9. On completion or the liquidation or winding up of an investment fund or sub-fund that investment fund or sub-fund shall be removed from the Register kept by the Authority under Article 8 of this Law.

SECTION 3

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VOLUNTARY LIQUIDATION OF PUBLICLY OFFERED INVESTMENT COMPANIES AND FUND MANAGEMENT COMPANIES

Article 177

Voluntary Liquidation of Publicly Offered Investment Companies and Fund Management Companies

1. The board of directors shall issue the decision on opening the voluntary liquidation and the decision must be taken by not less than 75% of members of the general assembly of the licensed person. Members of the general assembly must be informed at least 30 days prior to the organization of this meeting of the proposal for liquidation.
2. A decision under paragraph 1 of this Article is not required in relation to an investment company when it is proposed that the company be voluntarily liquidated only in the following cases:
 - a) on the date the defined period of life of the company expires or an eventuality arises upon which the statute of the company requires the company be liquidated;
 - b) in the event of cessation of their duties by the depositary or management company if they have not been replaced within sixty working days;
 - c) if the net assets of the investment company fall below the minimum capital of the investment company stated in its CIU prospectus for more than six months;
 - ç) the completion of a merger process when a merging investment company having transferred assets to the receiving investment company under Chapter X of this Law is left with no assets at the end of the merger process.
3. The application for voluntary liquidation must be submitted for prior approval to the Authority with the following documents:
 - a) The decision of the general assembly of the company regarding the liquidation;
 - b) The reasons for the liquidation;
 - c) The names of nominated liquidators;
 - ç) an audited statement of solvency;
 - d) detailed report about handling income and expenses during liquidation, as well as an estimate of the duration of the process.
4. A minimum of two natural persons must be appointed who are approved in advance by the Authority and must be natural persons that are fit and proper to carry out their duties and have the requisite experience and qualifications.
5. The Authority shall decide on the submitted application, within 3 months from the date of receiving the application, together with the complete documentation under paragraph 3 of this Article. The Authority shall approve the voluntary liquidation only upon being convinced that all the liabilities to the members and creditors of the company will be paid. During this period, the key persons of the company only perform ordinary duties, but they will not be engaged in new obligations towards third parties.
6. The decision of the general assembly shall not have juridical effect if the Authority refuses to grant the approval for the opening of voluntary liquidation proceedings.
7. The Authority shall publish the decision on the approval for the initiation of the voluntary liquidation on its website.
8. Where the Authority has approved voluntary liquidation proceedings it may decide to:
 - a) restrict the license to carry out the regulated business of the company and allow it to undertake certain specified activities or such activities as are necessary for voluntary liquidation; and
 - b) Specify to what extent risk management rules will apply to the company during the voluntary liquidation;

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- c) Notwithstanding letters “a” and “b” of this paragraph, the Authority may require the company to make special arrangements relating to the protection of investors or market integrity.
9. The company that is under voluntary liquidation shall continue to exist in order to pay the expenses and liabilities to third parties, collect its loans, distribute assets, and conduct any actions needed for completing the voluntary liquidation.
10. The liquidators may be discharged and replaced under the same conditions and terms stipulated in the provisions on their appointment.
11. The claims related to the compensation of the liquidators, based on the contractual relationships with the company, shall be regulated in accordance with the legal provisions in force.
12. The liquidator shall inform the National Registration Centre, for registration purposes, about their right to represent the company, along with the respective documents, in compliance with the legal provisions in force “On National Registration Centre”.
13. Upon the opening of the liquidation procedures, the registered name of the company shall contain the note “in voluntary liquidation”.
14. The liquidators shall assume the rights and obligations of the administrators from the date of their appointment. If the company appoints more than one liquidator, except when the appointment act stipulates that they shall act separately from each-other, the liquidators shall exercise the rights and obligations jointly, pursuant to this Law. The liquidators may authorize one of them to carry out operations of a special category. The liquidators shall be subject to the supervision of the general assembly.
15. The duty of liquidators shall be to finalize all operations of the company, collect uncollected loans, sell company assets and pay creditors by observing the order of clients’ satisfaction, according to Article 191 of this Law.
16. If, based on claims by creditors, the liquidators conclude that the property and assets of the company is insufficient for the payment of these claims, the liquidators shall suspend the liquidation procedure and request the respective court to initiate bankruptcy procedures.
17. The liquidators shall prepare a balance sheet of the company’s situation after the appointment as liquidators. If the liquidation procedures take more than one year, the liquidators shall also prepare the annual financial statements of the company. The balance sheet shall be approved by half of the members of the general assembly.
18. The liquidators shall invite the creditors of company excluding shareholders, to submit their claims on the voluntary liquidation. The company shall publish this notification twice, within an interval of 30 days, on its website and on the website of the National Registration Centre.
19. The liquidator may not allocate the remaining assets prior to the three-month deadline from the publication of the second appeal addressed to creditors to make their claims.
20. If a creditor of the company, of whom the liquidators are aware, does not ask for their rights, the respective amounts shall be deposited in the account of the company at a bank. This amount may not be seized for the other liabilities of the company. At the end of the voluntary liquidation, these amounts shall be transferred to the Investor Education fund of the Authority.
21. If a liability may not be paid immediately or it is subject of claims, the assets may be distributed only if the creditor is given an appropriate guarantee.
22. After payment of liabilities to creditors and members, the liquidators shall allocate the remained assets proportionately to shareholders.
23. After payment of the company's liabilities to creditors and shareholders the liquidators will submit to the Authority, within 12 months, a report on the liquidation procedure and the proposal for their remuneration.
24. If the Authority does not approve the report, the liquidators shall follow the recommendation set forth by Authority.

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25. After the approval of the report from the liquidators, the Authority shall revoke the licence granted to the company.
26. After the revocation of the licence by the Authority, the liquidators shall inform the National Registration Centre on the completion of the liquidation and shall request deregistration of the company, in compliance with the legal provisions "On the National Registration Centre".
27. The activity of the liquidators may not be objected after the deregistration of the company by the National Registration Centre is completed.
28. The Authority may draft further rules for the voluntary liquidation of the alternative investment managers, depositaries and alternative investment fund depositaries.
29. The assets of collective investment undertakings managed by a management company shall not be subject to execution, following the liquidation or bankruptcy proceedings of the management company, in accordance with Albanian law, nor the settlement or execution of claims towards the management company.

SECTION 4

ENTRY INTO TEMPORARY ADMINISTRATION OF LICENSED INVESTMENT COMPANIES AND FUND MANAGEMENT COMPANIES

Article 178

Entry into Temporary Administration

1. Where it appears to the Authority that a licensed investment company, fund management company, depositary or alternative investment fund depositary is reasonably likely to be unable to pay all its debts as they become due and payable in the ensuing 6 months or it is reasonably likely to become insolvent within the ensuing six months and there appears to be a reasonable prospect of rescuing the licensed person the Authority may issue an Administrative Order to the licensed person concerned to enter into temporary administration process.
2. The Authority must provide the licensed person with the reasons for its proposed actions under paragraph 1 of this Article and the proposed period of the temporary administration which cannot exceed twelve months.
3. Any Administrative Order by the Authority under pursuant to paragraph 1 of this Article must be published on the website of the Authority and the licensed person concerned.
4. A decision under paragraph 1 of this Article, must not be made if liquidation proceedings have been initiated against the licensed person.

Article 179

Effect of Entry into Temporary Administration

1. All the rights and responsibilities of shareholders, key persons and key personnel of the licensed person are suspended during the temporary administration period.
2. Such suspension must start from the date of receipt of the notification of the Administrative Order by the Authority under Article 178 paragraph 1 of this Law.

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Article 180

Appointment and Removal of Temporary Administrator

1. The term and scope of the temporary administrator may be determined by the Authority as part of their decision to place the licensed person into temporary administration under Article 178 paragraph 1 of this Law.
2. The temporary administrator on appointment may exercise such powers and functions as are determined by the Authority to enable the temporary administrator to assess and determine if business rescue and rehabilitation of the licensed person is possible.
3. The Authority shall determine the fees and expenses of the temporary administrator and if these are to be paid by the licensed person undergoing the temporary administration.
4. The Authority shall determine that the temporary administrator is fit, proper and suitably qualified, as provided in Article 14 of this Law, and experienced for the position. The temporary administrator shall have work experience of not less than five years in the field of fund administration.
5. No person may be appointed as a temporary administrator in the following instances:
 - a) Has been convicted by a court of a criminal offence punishable by imprisonment; is under investigation, trial, found guilty by court decision for criminal offences against property or economic crime or other criminal acts relating to collective investment undertaking, for organizing and executing pyramid schemes and other fraud schemes for the purpose of money laundering and financing of terrorism.
 - b) There are doubts at the time of the appointment concerning the person's fitness and properness to carry out their duties on the temporary administration;
 - c) Is subject to a court decision the effect of which renders the temporary administrator unable to fulfil their duties; or
 - c) Appears to have conflicts of interest with the Authority or with the licensed person concerned.
6. The Authority may dismiss and replace the temporary administrator at any time if it appears to the Authority that the temporary administrator is not fit and proper to conduct the temporary administration in accordance with the requirements of this Law.

Article 181

Powers and Duties of Temporary administrator

1. The temporary administrator must manage the licensed person to the best of their ability with the objective of restoring the licensed person to a sound financial state
2. On appointment the temporary administrator must:
 - a) Where appropriate notify each branch office of the licensed person of the date and the time when the temporary administration takes effect;
 - b) Publish the notification in one or more daily newspapers, circulated in the entire territory of the Republic of Albania, and on the Authority's website;
 - c) Supply the Authority with such notification.
3. The licensed person must make available to the temporary administrator all their records, accounts and other documentation and prepare a report on the financial health of the licensed person for the temporary administrator and the Authority.
4. The temporary administrator shall have the power to request any additional information from the licensed person to enable them to perform their duties and functions.

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5. The temporary administrator must take all measures to preserve the assets of the licensed person including but not limited to:
- a) the preservation of the property or records (digitized or otherwise held) and access to premises or parts of premises;
 - b) the retention of key personnel to undertake day to day business activities;
 - c) notification to all relevant parties that all authorization prior to their appointment are suspended for payment for services from the date of the temporary administration may only be authorized by those nominated by the temporary administrator;
 - ç) cessation of dividend payments or any form of distribution of capital to shareholders from the date of the temporary administration.
6. All transactions undertaken during the period of the temporary administration without due authorization from the temporary administrator are null and void.

Article 182
Business Rescue Plan

Upon their appointment the temporary administrator performs the following duties:

- a) Plan to see if the restitution of the licensed person is possible by undertaking at least one of the following:
 - i. A reclassification of the quality of the assets of the licensed person;
 - ii. A reclassification of the licensed person's activities to those with little or no risk;
 - iii. identify assets and loans and take steps to secure their valuation and repayment;
- b) Draw up and deliver to the Authority a business plan for the rescue and rehabilitation of the licensed person which better protects the interests of that person, its shareholders and creditors than compulsory liquidation;
- c) Sell all or part of the assets of the licensed person;
- ç) Negotiate the merger or sale of the licensed person to another licensed person or seek additional capital for the licensed person; or
- d) If the taking of the measures provided for in points "a" to "ç", of this Article, does not bring the expected results, the temporary administrator shall inform the Authority that there is no other alternative except for commencement of compulsory liquidation.

Article 183
Reporting to the Authority

1. The temporary administrator must report periodically to the Authority on the progress of the temporary administration process with regard to the following:
- a) The financial position and operational condition of the licensed person during that temporary administration process at least once a month;
 - b) Within 6 months of the commencement of the temporary administration a report on the financial position and operational condition of the licensed person concerning potential rehabilitation containing the following:
 - i. An evaluation of shareholders' willingness to cover losses by input of additional capital or other sources of capital injection;
 - ii. The potential for coverage of residual losses other than by methods under (i) of this point;

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- iii. Any unforeseen or contingent liabilities or expenditures with a bearing on the debt of the licensed person;
 - iv. An evaluation of potential measures for the relief from financial distress and the estimated cost of implementation of such measures;
 - v. An evaluation of the conditions which necessitate the commencement of compulsory liquidation procedures.
2. In preparing the reports under paragraph 1 of this Article, the temporary administrator must be committed to the protection of the interests of the creditors and clients of the licensed person and that any sums which represent client money or are for settlement of outstanding transactions are not available for inclusion in any assessment of the available financial assets of the licensed person concerned.
3. The Authority must within 15 working days of the receipt of the report under paragraph 2 of this Article decide upon the proposed recommendation for the rescue and rehabilitation of the licensed person or alternatively the commencement of compulsory liquidation proceedings and notify the licensed person and temporary administrator accordingly.

Article 184

Evaluation of the Results of the Temporary Administration

1. The Authority must evaluate the results of the temporary administration every 3 months starting from the date the temporary administration decision was taken.
2. The Authority shall make a final report of the evaluation of the temporary administration of the licensed person within 3 months of receipt of the final temporary administrator report upon winding up of the temporary administration under Article 185 of this Law.
3. The Authority may approve further rules for evaluation of the results of temporary administration.

Article 185

Winding up of Temporary Administration

1. The temporary administration must end:
 - a) At the expiration of the deadline stipulated in the decision of the Authority to place the licensed person into temporary administration;
 - b) With the decision of the Authority prior to the expiration of the temporary administration, deeming the licensed person rehabilitated, based on the final report on the evaluation of results under Article 184, paragraph 2 of this Law, and when:
 - i. The Authority determines that the licensed person's financial health has improved during the temporary administration period;
 - ii. The licensed person has met all its obligations;
 - iii. The licensed person may undertake its activity normally;
 - c) With a decision of the Authority to place the licensed person into compulsory liquidation.
2. A decision of the Authority under pursuant to point (b) paragraph 1, must be accompanied by a detailed rehabilitation plan drawn up by the temporary administrator, identifying existing weaknesses in the management and operation of the licensed person detailing the following:
 - a) the required corrective measures for the improvement of the situation; and
 - b) a financial plan for the licensed firm's proposed rehabilitation.

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SECTION 5
COMPULSORY LIQUIDATION OF LICENSED INVESTMENT COMPANIES AND FUND
MANAGEMENT COMPANIES

Article 186
Initiation of Compulsory Liquidation

1. The Authority takes the decision to place the company which is the licensed person into compulsory liquidation when it finds that one or more of the following circumstances are present:
 - a) The company is unable to pay their debts as they fall due;
 - b) The company is carrying on, or has carried on, a regulated activity in contravention of this Law; or
 - c) the Authority is of the opinion that it is just and equitable that the licensed person should suspend their business; or
 - ç) such proceedings are recommended in consequence of a completed rescue and rehabilitation process.
2. The Authority may to ensure the protection of investors in publicly offered collective investment undertakings, may require that those undertakings are transferred to another person licensed to act as management company or depository to publicly offered collective investment undertakings.

Article 187
Decision on compulsory liquidation

1. The Authority shall have the power to assess the situation and at its discretion to initiate the compulsory liquidation.
2. The Authority shall place the company into compulsory liquidation immediately after concluding about respective circumstances stipulated in Article 186 of this Law.
3. The Authority shall publish the decision of placing the company into compulsory liquidation on its website.

Article 188
Liquidator of Licensed Persons

1. All the powers and duties of the licensed person shall be transferred to the Authority who will appoint the liquidators to realize and distribute the assets of the licensed person. The liquidators must be natural persons that are fit and proper to carry out their duties and have the requisite experience and qualifications under Article 14 of this Law.
2. The process of compulsory liquidation is carried out by liquidators appointed by the Authority.
3. The liquidators shall observe all requirements with respect to the protection of confidentiality required under this Law and other applicable legislation.

Article 189
Effect of entry into compulsory liquidation

1. The placement of the company into the compulsory liquidation, creates the following legal effects:

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- a) all the powers and duties of the licensed person shall be transferred to the Authority who will appoint the liquidator to realize and distribute the assets in accordance with Article 190 of this Law or to preserve the interests of the retail clients of the licensed person or to preserve market integrity and stability.
 - b) suspending the license of the licensed person and it may undertake no new regulated business save that which is for the purposes of point (a) of this paragraph;
 - c) the suspension and the non-commencement of legal proceedings and compulsory execution of the company. These procedures must not commence, or if commenced shall be suspended, except for when consented to by the Authority and upon such conditions that the Authority determines;
 - c) suspension for a six-month period of the right to compensation for the creditors of the company;
 - d) no interest or other debt of the company shall be paid, except as needed to complete the orderly execution of market transactions so as to prevent disruption to the financial system. The liabilities to creditors will be paid from the sale of company's assets and according to order of satisfaction of claims set out in Article 193 of this Law;
 - dh) winding up of all the powers and responsibilities of the Assembly of shareholders and the board of the company.
2. Any legal action for the conduct of payments or transfer of ownership title or property of the company are rendered absolutely null for the following cases:
- a) within the last three-month period, before the Authority places the company into compulsory liquidation; or
 - b) within the twelve-month period before Authority decides on the compulsory liquidation, that it favors the beneficiary over the other creditors of the company;
 - c) beyond the periods stipulated in letters "a" and "b" of this paragraph, in cases when the liquidator proves the aim to hide the company's property from the creditors, or the transaction has influenced the insolvency of the company.

Article 190

Duties and Powers of the Liquidator

1. The liquidator has the competence for the administration and the sale of its assets and liabilities and the allocation of the realized amounts to the creditors.
2. The liquidator must cooperate with the Authority and implement its instructions related to the compulsory liquidation process.
3. The liquidator shall immediately upon his appointment, take control of the company, securing its assets, books and accounts. He shall have access to all the assets, offices and books of the company
4. The liquidator shall carry out the inventory of the assets and properties of the company and prepare a balance sheet and explanatory memorandum in relation to the balance sheet items, within 30 calendar days of the commencement of the liquidation, which will be submitted to the Authority and a suitable copy for public consultation.
5. The liquidator shall aim at the provision of the maximum amount of the sale of assets of the company, effecting the following actions:
 - a) continuing or discontinuing any financial transaction;
 - b) employing any necessary professional officer, employee or advisor;
 - c) executing any instruments on behalf of the company and filing claims or representing and pursuing in its name any legal proceedings, after taking the prior approval of the Authority.
6. The liquidator shall have the right to terminate:

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- a) employment contracts of the savings and credit association with any person
 - b) service contracts where the company is a party to;
 - c) any other obligation resulting from the company being tenant of an immovable property.
7. Within one month of his appointment, the liquidator shall:
- a) send by registered mail, to the addresses in the registers of the company to all shareholders and creditors a statement of the nature and amount of the claimed liabilities according to its registers;
 - b) record the documented claims of the creditors.
8. Within one month of the last date as set out in the notification pursuant to paragraph 7 of this Article, for claimed liabilities, the liquidator shall:
- a) determine the amount, if applicable, owned to each known creditors;
 - b) prepare for registration at the Authority, a structure of the claimed liabilities.
9. Any creditor or shareholders representing not less than 10 % of shares in issue shall have the right to submit their objection in relation to the registration of outstanding liabilities to the Authority, within 20 days of the registration of liabilities structure claimed in accordance with paragraph 8 of this Article. Within one month from the date of the claim registration, the Authority shall decide to accept or reject the objection.
10. If the objection provided in paragraph 9 of this Article, is accepted, the liquidator shall amend and improve the claimed liabilities structure or the proposed actions for liabilities repayment.

Article 191

Order of satisfaction of claims

1. The liquidator shall allocate the company's assets, by repaying the liabilities to the creditors and to shareholders in accordance with the following order:
 - a) any secured creditors, who may not execute the property by which it is secured the liability to them by the virtue of the restrictions of this Law, up to the proceeds from the sale of the collateral;
 - b) expenses of the liquidator and Authority established for the purposes of compulsory liquidation;
 - c) the salaries of company employees retained by the liquidator to assist in the orderly liquidation of the undertaking;
 - ç) the secured and unsecured creditors regarding the value of the liability which exceeds the selling value of the collateral;
 - d) shareholders.
2. Where the amount for the payment of the creditors with the same preferential order is insufficient for their full payment, such creditors will be repaid proportionate to their liabilities.
3. Any residual asset which can be remained after the repayment of all claimed liabilities shall be distributed amongst the shareholders in proportion to their rights and participation in the capital.

Article 192

Appeal

1. All the claimed liabilities for and with regard to the insolvency of the company are made in accordance with the provision of this Section.
2. The right to start legal proceedings at the Administrative Court of Appeal requesting the suspension of the compulsory liquidation procedures, within 30 days from the publication of the decision in the official newspapers on the appointment of the liquidator to request the interruption of procedures of compulsory liquidation, will be enjoyed by:

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- a) Shareholders representing not less than 10% of shares in issue;
 - b) Creditors, amounting to at least one-third of the total amount of liabilities, claimed by other creditors, excluding the shareholders.
3. The court shall decide on the claim only if:
- a) the Authority has acted arbitrarily and negligently for the placement under the liquidation, accordingly to the factual circumstances and provision of this Law on the compulsory liquidation of the company;
 - b) the Authority, the liquidator and professional employees appointed to assist the liquidator, are responsible or not for the actions or omissions pursuant to the provision of this Law, which set forth the manner of conducting the functions and duties in the process liquidation, except for the cases of such actions and omissions being deliberately wrongful.
4. Despite the judicial review pursuant to this Article, the compulsory liquidation process by the Authority shall be carried out without restrictions until a decision of the court is issued.

Article 193

Reporting to the Authority

1. The liquidator must report to the Authority every month on the progress of liquidation process. These reports must contain information on the total amount of the claimed liabilities, the total amount of the sold assets of the company and expectation of income from the sale of assets.
2. The liquidator must submit a final report to the Authority upon completion of the liquidation process.

Article 194

Remuneration of liquidator

Professional employees, including consultants, lawyers, accountants, and advisers acting under contract, assigned and appointed by the liquidator for assistance purposes, in compliance with the procedures under this Section and depending on the demand and terms of the service, will not be paid more than the employees of the company for the same services, except where the Authority has authorized the payment of higher amounts. The Authority shall give this authorization, where it finds that the payment of higher amounts is more than indispensable for recruiting and keeping the necessary staff.

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CHAPTER XII

POWERS OF THE AUTHORITY

SECTION 1

GENERAL PROVISIONS

Article 195 **Authority's Role**

1. The Authority shall supervise the subjects below:
 - a) collective investment undertakings and their marketing;
 - b) fund management companies;
 - c) depositaries;
 - ç) alternative investment fund depositaries;
 - d) sales agents of collective investment undertakings;
 - dh) the activities of recognized management companies; and
 - e) alternative investment fund managers in the Republic of Albania.
2. Authority supervises the above-mentioned subjects by taking the necessary measures to guarantee an effective supervision, complying with the legislation in force on Albanian Financial Supervisory Authority, under this Law and regulations approved by the Authority.
3. Authority exercises its supervising power laid down in paragraph 1 of this Article, through:
 - a) Monitoring activities and collecting and verifying reports and notifications filed by fund management companies, depositaries, alternative investment fund depositaries and other persons who, pursuant to the legislation in force, have the obligation to report to the Authority or inform it of any special facts and circumstances;
 - b) Carrying out on-site inspection of any publicly offered investment undertaking, management company, alternative investment fund manager, depositary or alternative investment fund depositary or sales agents for the purposes of ascertaining whether or not the licensed person is complying with the provisions of this Law and regulations under this Law and requirements under its license as well as with the constituting instrument of a publicly offered collective investment undertaking and CIU prospectus;
Inquiring and conducting investigations into any activity of a person licensed under this Law in order to determine whether they are operating in compliance with the provisions of this Law
 - c) Inquiring and conducting investigations into any activity of a person licensed under this Law in order to determine whether they are operating in compliance with the provisions of this Law
 - ç) Imposing supervisory measures in accordance with this Law;
 - d) Ensuring that complete information on this Law, regulations under this Law and administrative provisions implementing this Law are easily accessible at a distance or by electronic means at least in a language customary in the sphere of international finance, and that these are provided in a clear and unambiguous manner, and kept up to date
4. The Authority shall exercise its supervision pursuant to the legislation in force and risk-based methodology selected by the Authority.

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5. The Authority has the power of drafting, adopting and amending the bylaws, regulations and instructions provided for in this law and any other bylaws not provided in this law that the Authority deems as necessary:

- a) for the further completion and adjustment of this law;
- b) for exercising the supervisory and regulatory role of the Authority in Accordance with this law and the legislation in force; and
- c) for the continuous and further market development, subject of this law;

6. The Authority shall exercise its supervision pursuant to the legislation in force on prevention of money Laundering and Financing of Terrorism related to the entities laid down in this law.

7. In case of a reasonable suspicion that the violations are related to money laundering and financing of terrorism, the Authority reports to the competent authority, in accordance with the legislation in force on Prevention of Money Laundering and Financing of Terrorism.

Article 196

Co-operation and Information Sharing

1. The Authority may enter into agreements or memoranda of understanding with any other domestic or foreign regulatory authority, regulatory authorities in the financial sector, international organizations representing financial regulatory authorities, agencies or institutions for prevention of money laundering and financing of terrorism or law enforcement agency to share relevant supervisory information or to otherwise co-operate for purposes of carrying out its activity of supervision as stipulated in this Law.

2. The Authority may exchange with another domestic or foreign regulatory authority:

- a) Required information on issue of licenses;
- b) Required information on supervised entities;
- c) Required information in relation to prevention of money laundering and financing of terrorism;
- c) Required information in relation to criminal offences or economic crime committed in the course of carrying out activity relating to collective investment undertakings;
- d) Information on key persons and key personnel of persons licensed under this Law.

3. The Authority shall cooperate and coordinate its work with other regulatory authorities and other legally recognized domestic or foreign institutions, in order to supervise domestic and cross border marketing and management of collective investment undertakings. The Authority and other regulatory authorities shall consult with the party providing the information before taking further action.

4. Any information the Authority receives and any information provided by other regulatory authorities shall be treated as confidential and used only for supervisory purposes.

5. The Authority shall be responsible for collecting and processing information on the facts and circumstances in relation to its compliance with statutory supervisory tasks and responsibilities.

6. After notifying the Authority, the regulatory authority in a management company's Home Country may, in co-operation with the Authority, conduct on-site inspection of a branch established in the Republic of Albania.

7. The Authority, carries out on-site inspection of a collective investment undertaking branch established in the Republic of Albania as is deemed necessary, for the purpose of verifying the compliance of the activity of this branch with the legal and regulatory acts approved under this Law.

8. The Authority may approve further rules regarding co-operation, exchange and treatment of information with other foreign or local authorities.

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Article 197

Immunity and Indemnity of Authority Staff

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

Article 198

Confidentiality

1. The Authority may 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, if the disclose of such information does not affect the commercial interests, or the good name of the entity or person/institution that has provided the information.
2. Any other information from which a person can be identified, that is acquired by the Authority in the exercise of its functions, must not be publicly disclosed by the Authority, the members of the Board, its employees or contractors.
3. The information referred to in paragraph 2 of this Article shall be treated as confidential in accordance with the legislation in force on personal data protection and can be disclosed publicly with the consent of the person/ institution which has provided the information or is affected by such information.
4. When it deems it necessary, the Authority may disclose information without the consent of the person concerned in any of the following cases, with the exception of paragraph 3 of this Article:
 - a) To enable the Authority to carry out any of its functions;
 - b) For the purposes of detection or prevention of crime;
 - c) In connection with the discharge of any international obligation;
 - ç) To assist any domestic or foreign regulatory authority or law enforcement agency under Article 196 of this Law.
5. The Authority approves further rules regarding confidentiality.

Article 199

Personal Data Protection

The use of personal data by Authority, under this Law, is done under the legislation in force on personal data protection.

SECTION 2

SCOPE OF SUPERVISION OF THE AUTHORITY

Article 200

Scope of Supervision

1. The Authority shall be responsible for supervision of the establishment and marketing of collective investment undertakings, and of the activities of fund management companies, Albanian branches of foreign management companies and alternative investment fund managers, recognized management companies and alternative investment fund managers, depositaries and alternative investment fund depositaries and sales agents/distributors in the Republic of Albania as well as any other person acting as such without express permission granted in accordance with the requirements of this Law. This provision applies also to the persons to whom the aforementioned entities have delegated functions for the implementation of this Law.

2. The supervisory activities of the Authority are conducted through:

- a) drafting and approving and amending regulations, rules and instructions envisaged in this Law;
- b) disclosing publicly the written instructions regarding interpretation and enforcement of this Law and regulations under this Law;
- c) drafting and approving the template of licenses, recognition and registration envisaged in this Law and for reporting to the Authority under this Law;
- ç) Issuing, refusing, suspending or revoking licenses, recognition and registration under this Law and approvals of CIU prospectuses for publicly offered collective investment undertakings within the timelines established under this Law and the timelines, terms and procedures under the applicable legislation;
- d) Approving substantial changes to licenses, recognition and registration under this Law;
- dh) Approving changes in owners of qualifying holdings in licensed entities under this Law;
- e) reviewing requests for activity outside the territory of the Republic of Albania including opening representative offices and branches in other countries
- ë) approving or refusing transfer of contracts for management of collective investment undertakings;
- f) approving or refusing mergers of publicly offered collective investment undertakings and of takeovers of publicly offered investment companies;
- g) approving voluntary liquidation of licensed persons under this Law;
- gj) initiation and oversight of temporary administration and compulsory liquidation of licensed persons under this Law and appointment of liquidators;
- h) filing financial statements of licensed entities under this Law;
- i) approving and disclosing accounting standards and the mandatory financial reporting templates for licensed entities under this Law;
- j) approving and disclosing the list of independent auditors who may exercise this function for licensed entities under this Law;

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- k) reviewing reports to the Authority by licensed, recognized and registered persons to assess compliance with this Law and Regulations under the Law;
- l) planning and execution of on-site inspection of activities of licensed or recognized management companies, alternative investment fund managers and licensed depositaries and alternative investment fund depositaries and sales agents under this Law;
- ll) Accessing information and evaluation of the information/documentation including electronic communications, telecommunications and records of such communications related to the business activity of all the persons under this entity.
- m) conducting investigations or appointing external professionals to conducts investigations on behalf of the Authority;
- n) requesting the cessation of any activity contrary to this Law;
- nj) freezing the activity of the licensed person for no more than 72 hours and immediately inform the competent bodies for any suspicion, information or data relating to money laundering or terrorism financing, economic crime or company criminal offences;
- o) requesting temporary cessation of one or more elements of professional activity;
- p) requiring the suspension of issue, sale, redemption and cancellation of units or the issues in the interests of share or unit holders or the public;
- q) applying administrative penalties for violations of this Law;
- r) referring to criminal prosecution of the entities of this Law for violation of this Law cases by case.

Article 201

Supervision fee and other fees

1. Fund management companies and depositaries and alternative investment fund depositaries and licensed and recognized and registered collective investment undertakings (or sub-funds) shall pay to the Authority a supervisory fee in relation to their license, recognition or registration. The supervision fee shall be paid in ALL.
2. In the case of refusal of an application for a license or recognition or registration any paid fee shall not be refundable.
3. The Authority shall make further provision by regulation for basis of fees payable to the Authority by management companies and alternative investment fund managers and depositaries and alternative investment fund depositaries and licensed and recognized and registered collective investment undertakings (or sub-funds) and the procedures for collecting and reconciling supervision fees.

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SECTION 3

DUTIES OF LICENSED PERSONS

Article 202

Duty to Provide Information

1. A fund management company must provide the Authority with such information as is required on matters related to the company's business and the collective investment undertakings under its management. This also applies to tied agents of the management company and to depositaries and alternative investment fund depositaries in relation to their activities under this Law.
2. The Authority, in accordance with point 1 of this Article, request information shall request information as it deems important in the context of undertaking its supervisory tasks under this Law and the Law in force on the Financial Supervisory Authority.
3. All the licensed entities shall be under a duty to immediately provide any information in their possession to the Authority when they know or have cause to believe that:
 - a) the information is necessary for the exercise by the Authority of its supervisory and regulatory functions in relation to the licensed entities. under this Law;
 - b) withholding the information is likely to result in the Authority being misinformed about any matter which is of essential for the exercise of the supervisory and regulatory functions in relation to licensed entities under this law.
4. A fund management company and their auditors and a depositary and an alternative investment fund depositary and their auditors are under a duty to inform the Authority promptly of any matter where it has reasonable grounds for believing that:
 - a) the fund management company or depositary or alternative investment depositary is, or there is significant risk that the fund management company or depositary or alternative investment fund depositary will, not be able to meet its obligations as they fall due or that its liabilities exceed its assets;
 - b) the fund management company or depositary or alternative investment depositary is not able to satisfy the capital adequacy requirements of this Law or Law on Capital Markets;
 - c) an existing or proposed situation may materially endanger the rights of share or unit holders of the collective investment undertakings managed by the fund management company;
 - ç) in relation to an audit, the external auditor intends to make a material qualification in their audit report about the collective investment undertaking or the fund management company or depositary or alternative investment fund depositary;
 - d) any evidence of criminal activity which they suspect is associated with use of their services including money laundering and terrorist financing activities.

Article 203

Reporting to the Authority

1. Licensed and recognized fund management companies and branches of foreign management companies and alternative investment fund managers and licensed depositaries and alternative investment fund depositaries are obliged to submit reports to the Authority at intervals and within deadlines as required by the Authority and covering the scope of information required by the Authority.

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2. Reports provided in paragraph 1 of this Article, concerning all collective investment undertakings under the management or marketed by a licensed or recognized fund management company or branch of a foreign management company shall include but are not limited to:

- a) the ongoing compliance of publicly offered collective investment undertakings under their management with this Law;
- b) information concerning investments and borrowing and leverage of collective investment undertakings under their management and the markets and instruments in which the undertakings invest including categories of instruments in which investment is made;
- c) In relation to publicly offered collective investment undertakings, information demonstrating the compliance of each undertaking and sub-fund under their management with the relevant requirements of Chapter VII of this Law and compliance with liquidity requirements established by Regulation under this Law;
- ç) the net asset value of each collective investment undertaking under management, the total net asset value of publicly offered collective investment undertakings under management and of alternative investment funds under management and of all collective investment undertakings under management, given per sub-fund where relevant;
- d) net asset values and prices per share or per unit of publicly offered collective investment undertakings under their management;
- dh) the value of sales or redemptions of collective investment undertaking participations per day or in a given period per collective investment undertaking managed and cumulatively across all undertakings managed, given per sub-fund where relevant;
- e) the number of shares or units in issue in the undertaking or sub-fund and the number of shareholders or unitholders in the undertaking or sub-fund, categorized by category of client (professional and non-professional);
- ë) results of stress tests required under this Law or regulations under this Law;

3. Reports under paragraph 1 of this Article, concerning the fund management company shall relate to compliance with the requirements of this Law including but not limited to:

- a) appointment and dismissal of key persons and key personnel;
- b) appointment and dismissal of external auditors;
- c) planned commencements or cessation of activities;
- ç) marketing;
- d) delegation of functions;
- dh) business plans;
- e) contracts with sales agents

4. Reports under paragraph 1 of this Article, concerning the depositary and alternative investment fund depositary shall relate to compliance with the requirements of this Law and the collective investment undertakings to which they provide services

including but not limited to:

- a) appointment and dismissal of key persons and key personnel;
- b) appointment and dismissal of external auditors;
- c) planned commencements or cessation of activities;
- ç) delegation of functions;
- d) the names of management companies and names and values of collective investment undertakings to which they provide services and the property held on behalf of those undertakings including data attesting to the existence of such property;
- dh) in the case of a publicly offered collective investment undertaking or sub-fund, the daily net asset value and price per unit of open ended and interval undertakings and sub-funds and the total number of units in issue in each undertaking or sub-fund.

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5. The work reports required under paragraphs 2, 3 and 4 under this Article must be submitted not less than quarterly and more frequently if this is considered necessary by the Authority with the exception that reports under point (dh) of paragraph 4 of this Article shall be submitted daily.
6. The Authority may approve further rules regarding the reporting, under the provisions of this article on the format and content of work reports and deadlines for their submission, in accordance with the legal requirements of this Article.

SECTION 4

ON-SITE INSPECTIONS Article 204

Appointment and Expert Reports

1. The Authority may by notice in writing given to a person licensed under this Law require that person to provide the Authority with an expert report on any matter about which the Authority has required or could require the provision of information or the production of documents.
2. The Authority, in the notice stipulated in paragraph 1 of this Article, may require the expert to be in such form as may be specified in that notice.
3. The person appointed to make an expert report must be a person nominated by the Authority who appears to the Authority to have the knowledge and skills necessary to report on the matter concerned.
4. It is the duty of the licensed person to fully co-operate with the person preparing the expert report.
5. The cost of the expert report is borne by the licensed person or other responsible entity that is the subject of the report.

Article 205

On-site Inspection

1. The Authority may conduct on-site inspections in relation to the affairs of any publicly offered investment undertaking, management company, alternative investment fund manager, branch of a foreign management company or alternative investment fund manager, depositary or alternative investment fund depositary or sales agents for the purposes of ascertaining whether or not they are complying with the provisions of this Law and regulations under this Law and requirements under its licence as well as with the constituting instrument of a publicly offered collective investment undertaking and CIU prospectus.
2. The licensed person under paragraph 1 of this Article, must provide the Authority with access to all business and accounting books, folders or any other document printed out of computers or in original versions.
3. The Authority appoints the authorized representative, who will conduct the on-site inspections. Upon the request of the person authorized by the Authority the licensed persons under paragraph 1 of this Article, must:

- a) make available to them any reports and information on activities and operational issues that are related to the performance of supervision by the Authority;
- b) enable the inspection of its activities at its head office and any other premises, or to an entity to which the licensed entity has delegated any task under this Law;

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- c) provide access to the documentation of the licensed person and its business and administrative data to the extent necessary for the performance of the inspection or to the extent specified by the law, methodology, manuals or guidelines on the performance of supervisory functions as adopted by the Authority;
 - ç) make available the documents held electronically or printed from a computer and copies of its business and accounting books, documents and other administrative and business data;
 - d) make available for interview at a specified time and place key persons, key personnel and employees as required by the Authority to answer questions or otherwise furnish information relevant to the inspection to the extent specified by the law, methodology, manuals or guidelines on the performance of supervisory functions as adopted by the Authority;
 - dh) provide the authorized representatives of the Authority with an appropriate working environment in order to conduct the inspection without the interference or presence of other persons;
 - e) in relation to digitized data and documentation, provide the authorized representatives of the Authority with the necessary technical assistance in the examination of digitized data and documentation of company activity and the verification of business books and electronically processed data;
 - ë) Make available to the Authority documents giving a detailed description of computer systems showing any other system or files linked with those systems and provide access to the software, procedures for software purposes and controls ensuring accurate, timely and secure processing of data and the controls preventing unauthorized access or intervention and providing an audit trail. In addition, changes to these systems must be recorded chronologically including dates of changes and records of such changes made available to the Authority.
4. On-site inspections may be undertaken by the Authority with or without notice.
 5. On-site inspections may take place at any location relating to the business of the fund management company or depositary or alternative investment fund depositary or delegates of those persons or agents of those persons necessary for the fulfilment of the functions of the Authority.

Article 206

Activity Inspection Program

1. In relation to an on-site inspection for which notice is given, the Authority shall send to the licensed person stipulated under paragraph 1 of the Article 205, the activity inspection program not later than 10 calendar days prior to the beginning of the inspection.
2. The activity inspection program must contain the inspection scope.
3. During the inspection of the licensed person the Authority may without notice and where it considers it necessary in the interests of protecting collective investment undertaking investors expand the inspection program and extend the planned time period.
4. The Authority shall also carry out inspections in cooperation with other domestic or foreign regulatory authorities or law enforcement agencies under joint inspection programs agreed between them.
5. After completing the inspection the authorized representatives of the Authority shall prepare a report on that inspection and submit to the licensed person concerned a management letter where it reports the inspection results.

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SECTION 5

UNDERTAKING SUPERVISORY MEASURES

Article 207

Supervisory Measures

1. In order to prevent, correct or put an end to the circumstances referred to in Articles 208 and 209 of this Law or the actions that are in violation of the provisions of this Law or regulations under this Law, the Authority shall take the supervisory measures provided for in this Section of the Law.
2. Where the Authority deems that failure to implement a supervision measure could result in serious harm to collective investment undertaking investors or potential collective investment undertaking investors the measures of supervision may be required to be implemented immediately.

Article 208

Circumstances for Taking Supervisory Measures

1. The Authority shall take the supervisory measures provided for in Article 209 of this Law if the Authority deems that:
 - a) a fund management company or depositary or alternative investment depositary is, or there is significant risk that the fund management company or depositary or alternative investment fund depositary will, not be able to meet its obligations as they fall due or that its liabilities exceed its assets;
 - b) a fund management company or depositary or alternative investment depositary is not able to satisfy the capital adequacy requirements of this Law on Capital Markets;
 - c) an existing or potential situation may substantially endanger the rights of share or unit holders of the collective investment undertakings managed by a fund management company;
 - ç) an external auditor makes a material qualification in their audit report about a collective investment undertaking or a fund management company or depositary or alternative investment fund depositary;
 - d) a licensed person is convicted of a money laundering or terrorist financing offence;
 - dh) a licensed person is convicted of misconduct which gives reason to fear that continuation of activity may harm the public good;
 - e) a fund management company, depositary or alternative investment fund manager fails to implement an Administrative Order pursuant to Article 210 of this Law.
 - ë) a fund management company, depositary or alternative investment fund depositary does not continue to meet the applicable licensing requirements;
 - f) an owner of a qualifying holding, a key person or member of key personnel of a licensed person does not continue to meet the requirements of Article 14 or has not received approval by the Authority as required by this Law;
 - g) investors in a publicly offered collective investment undertaking have suffered or are suffering loss as a consequence of a violation of the provisions of this Law;
 - gj) a licensed person fails to report to the Authority as required by this Law; or
 - h) A fund management company, a depositary or an alternative investment fund depositary has violated or contravened the provisions of this Law or regulations under this Law.
2. The Authority may provide further rules regarding the circumstances for taking supervisory measures.

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Article 209

Provision of supervisory measures

1. Where the Authority deems that a licensed person is affected by one or more of the circumstances identified in Article 208 of this Law it shall impose one or several of the following supervisory measures on the licensed person:

- a) instruct them to cease to perform a specific action or to pursue a particular business ethical conduct or instruct them to perform a specific action which in the opinion of the Authority is necessary to improve the situation and/or prevent or correct violation of this Law and regulations under this Law;
- b) issue an Administrative Order for the elimination of violations and irregularities;
- c) require the licensed person to produce a financial recovery plan in order to comply with capital adequacy requirements;
- ç) ask the licensed person or publicly offered collective investment undertaking to have its financial activity audited by an external auditor selected by the Authority but paid by the licensed person concerned or the management company of that publicly offered undertaking or instruct the licensed person or publicly offered collective investment undertaking to dismiss an auditor and appoint another one in its place in accordance with the conditions laid down by the Authority, or as the external auditor to expand on the audit's scope or to perform other procedures and prepare a report for the Authority;
- d) in addition to point (ç) of this paragraph, the Authority may ask the external auditor to perform, at the expense of the licensed person, a special audit in the interests of clients of the licensed person or investors in publicly offered collective investment undertakings and report to the Authority on that;
- dh) ask the licensed person to appoint, at its cost, a person approved by the Authority to provide advice to the licensed person on carrying out its activities in the appropriate manner who will report to the Authority within three months of their appointment;
- e) ask for additional information from the licensed person and if deemed necessary increased frequency of reporting to the Authority and carry out the respective inspections related to that reporting;
- ë) Ask the licensed person to increase the scope and/or frequency of on-site inspections or designate authorized employees to inspect the licensed person in order to maintain the position on an ongoing basis if the Authority deems it necessary;
- f) ask for a valuation of some or all of the assets of a licensed person or a publicly offered collective investment undertaking by the Authority or a person appointed by the Authority at the expense of that licensed person or the management company of the publicly offered collective investment undertaking;
- g) require resignation by the management company, alternative investment fund manager, depositary or alternative investment fund manager from the management of or providing services to collective investment undertakings;
- gj) Require dismissal of a key person or a member of the key personnel of a licensed person;
- h) Suspend, or partially or completely revoke a license;
- i) Apply an administrative penalty to a licensed person;
- j) Place a licensed person into temporary administration;

2. The Authority may approve further rules regarding the provision of supervisory measures under this article.

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Article 210

Administrative Orders by the Authority

1. The Administrative Orders the Authority issues under Article 209 of this Law shall be in writing and may include but are not limited to:
 - a) an Administrative Order to the key persons of a management company to suspend sale and redemption of participations in publicly offered collective investment undertakings;
 - b) an Administrative Order to the key persons of a fund management company or depositary or alternative investment fund depositary or an investment company to dismiss or replace key persons or key personnel of that entity;
 - c) an Administrative Order to a key person to dismiss that key person in cases of failure to eliminate violations, failure to implement measures required under Article 209 of this Law, failure to submit complete and timely reports or if the licensed person obstructs in any way the exercise of supervision by the Authority;
 - ç) an Administrative Order to a fund management company to transfer contracts for management of collective investment undertakings to another licensed fund management company.
2. Administrative Orders of the Authority must specify the time limits for elimination of violations or irregularities.
3. Administrative Orders of the Authority must be implemented by the licensed person within the required timelines.
4. The Authority may approve further rules regarding Administrative Orders under this article.

Article 211

Reporting on Implementation of Administrative Orders

1. Licensed persons in receipt of an Administrative Order from the Authority must submit to the Authority a detailed report at the frequency required by the Authority in that Administrative Order which may be daily or less frequently during the timeline given in the Administrative Order of the Authority for measures to be taken specifying measures taken to correct the circumstances which are the subject or subjects of the Administrative Order. Together with that report the licensed person must also submit to the Authority any documents or other evidence that provide proof of the elimination of the violation or irregularities. If the Authority deems it necessary this may include a detailed report by an external auditor or other appointed expert on the steps taken to correct the circumstances or irregularities.
2. Immediately upon receipt of a report under paragraph 1 of this Article, the Authority shall verify the correction of violations or irregularities pursuant to an Administrative Order under Article 210 of this Law. Before taking that decision the Authority may conduct another inspection of the licensed person to verify if the violations or irregularities have been eliminated.
3. If the report under paragraph 1 of this Article is incomplete, or the attached evidence does not provide proof of elimination of the violations or irregularities, the Authority shall issue an Administrative Order to the licensed person to complete the report under paragraph 1 of this Article within a specified time limit.
4. Failure to submit a complete report with proof of elimination of the violations under the specified time limit under paragraph 3 of this Article shall be grounds for revocation of the license by the Authority.
5. The Authority shall make a review of the report on the correction of violations and irregularities and make a decision within 30 calendar days from the date of receiving the complete information.

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Article 212
Revocation of a License

1. The Authority shall revoke the licence of a fund management company, depositary or alternative investment fund depositary and the registration of an alternative investment fund if:
 - a) the licence or registration was based on provision of misleading or incorrect information;
 - b) the licensed or registered person fails to make use of that licence or registration within 12 months;
 - c) a licensed person has failed to correct circumstances under Article 210 of this Law as required and within the timelines established by the Authority under that Article or failed to report on such correction under Article 211 of this Law, or did not report their correction under Article 211 of this Law.
 - c) the licensed or registered person carries out activities in addition to or other than those for which it is licensed or registered;
 - d) the licensed person fails to comply with the conditions under which its license was issued;
 - dh) the licensed person fails to comply with capital adequacy requirements of this Law or risk-based capital requirements established by regulation under this Law for a period of more than 4 months;
 - e) administrative measures are repeatedly taken against the licensed person;
 - ë) the parent company of the licensed person is subject to bankruptcy proceedings or, if it is a licensed entity, has had its license revoked for reasons of non-compliance with relevant laws;
 - f) the licensed or registered person has been convicted by final judgement of economic criminal offences and criminal offences in companies;
 - g) bankruptcy proceedings have been initiated against the licensed or registered person or the licensed or registered person enters compulsory liquidation;
 - gj) the licensed person has failed to undertake regulated activity business for a period of more than 30 days unless it has obtained the prior approval of the Authority to do so.
2. If it appears to the Authority that a person who is licensed or registered has contravened any provision of this Law or of any regulations made under it or, in compliance with any such provision, has furnished the Authority with false, inaccurate or misleading information or has contravened any prohibition or requirement imposed under this Law the Authority may make an Administrative Order in writing that:
 - a) the person shall cease to be licensed or registered; or
 - b) the person's license or registration shall be suspended for a specified period or until the occurrence of a specified event or until specified conditions are complied with.
3. The Authority may give public notice of any decision made in accordance with the settled procedures for publishing official notices. Individual decisions shall be communicated immediately to the concerned entities.

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Article 213
Partial License Revocation

As a derogation from Article 211 of this Law, the Authority may revoke the license only for one activity of a licensed person where the license held by that person permits more than one activity.

Article 214
Administrative Order and License or Registration Revocation Procedure

1. Before giving an Administrative Order or making a revocation, the Authority must:
 - a) give a warning notice in writing of its intention to do so to the person concerned and afford them the opportunity of making representations in writing; and
 - b) take such steps as it considers reasonably practicable to bring the notice to the attention of other persons who are, in its opinion, likely to be affected; and
 - c) in addition to the warning, instruct the licensed or registered person to eliminate violations or implement measures relating to the taking of the license or registration revocation warning decision within a time limit specified in the Administrative Order.Authority shall lay down the restrictions or conditions to be complied with by the licensed or registered person in the time period specified by the Authority.
2. If the Authority considers it essential to do so for the protection of investors or for the protection of the stability of the financial markets, it may give an Administrative Order:
 - a) without following this procedure; or
 - b) if the Authority has begun to follow this procedure, regardless of whether the period for making representations has expired.
3. If the Authority has, in relation to a particular matter, followed the procedure set out in paragraph 1 of this Article, it need not follow it again if, in relation to that matter, it decides to take action other than that specified in its notice.

Article 215
Revocation of License or Registration After Notice in Case of Repeated Violation

If a licensed or registered person commits repeated violations of this Law of the same type as violations for which a license or registration revocation warning has been made under this Law, Article 214 paragraph 1 or fails to comply with conditions for provided in Article 214 paragraph 1, point (c), the Authority shall have the right to revoke its license, recognition or registration.

Article 216
License or Registration Revocation Notification

The Authority revocation decision shall be communicated to the licensed or registered person in writing within 10 calendar days of the date of the decision

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Article 217
Effect of Revocation

1. After receiving notification of license or registration revocation, a licensed or registered person shall stop:
 - a) entering into new contracts;
 - b) sale and redemption of participations in collective investment undertakings.
2. A revocation of a license or registration shall not:
 - a) render void or affect an agreement, transaction or arrangement entered into by the person concerned before the revocation or suspension; or
 - b) affect the right, obligation or liability of any person arising under the agreement, transaction or arrangement.
- 3) In the event of a revocation of the license, the authority may, by written notice, request the person in question to undertake the following actions:
 - a) not to deal with the money or property of any investors or clients in such manner as the Authority considers appropriate or to transfer money or property of such investors or such clients or any documents or electronic records in relation to such money or property to any other person as the Authority may specify in the notice; or
 - b) permit the person in question to perform certain actions, subject to the conditions set out in the notice from the authority, as follows:
 - i. carry on the essential business operations for the protection of the interests of clients during the period of suspension; or
 - ii. in case of a revocation, carry on business operations for the purpose of closing down the business.
4. Licensed or registered persons shall submit their licenses or registrations to the Authority within 10 calendar days from the date of receiving written notification of license or registration withdrawal. Such license or registration revocation shall not exempt the licensed or registered person from current contractual obligations or from compliance with the requirements of this Law.
5. The decision to revoke the license or registration may be appealed to the court under the provisions of the applicable legislation.
6. When the license of a fund management company is revoked, the contract for management of collective investment undertakings under their management must be transferred within 3 months of the date of revocation to another appropriately licensed person or the collective investment undertakings must be liquidated.
7. Where the license of a depositary or alternative investment fund depositary is revoked, the depositary contract must be transferred within 3 months of the date of revocation to another appropriately licensed person or the collective investment undertakings must be liquidated.
8. When the license of an investment company is revoked the company must be liquidated.

Article 218
Request for withdrawal of license or registration

1. A licensed or registered person under this Law may apply to the Authority for withdrawal of its license or registration.
2. The licensed or registered person submits the request provided in paragraph 1 of this

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article, before the termination of its activity within the terms of the license or registration. In such a case the licensed or registered person must, with the application for withdrawal of license or registration, include a plan with time limits showing how that licensed or registered activity will cease within at the most 6 months from the date of application together with a copy of the resolution of the board or general meeting of the licensed or registered person to apply for withdrawal of license or registration and the reasons for such application.

3. The Authority shall immediately confirm in writing the receipt of the request provided for in paragraphs 1 and 2 of this article.

4. The Authority may request further information in writing from the applicant, in particular concerning how the interests of collective investment undertaking investors are to be protected and how duties to such investors will be discharged and how any outstanding complaints are to be resolved.

5. The Authority may request reports to be provided and paid for by the licensed or registered person from independent legal or independent auditor confirming the validity of arrangements made to transfer contracts or client or collective investment undertaking assets to another licensed or registered person or to verify that such transfer has been properly accounted for.

6. The Authority shall not grant cancellation of a license if:

- a) there are **outstanding unresolved complaints concerning** the licensed person;
- b) the Authority or another regulatory authority has commenced an investigation of the licensed person or there is an outstanding Administrative Order under Article 210 of this Law against the licensed person;
- c) there are any matters which in the view of the Authority require investigation before a decision is taken on license withdrawal;
- ç) The licensed or registered person has not settled its debts to the Authority

7. The Authority shall not grant cancellation of the licence or registration until such time that all licensed or registered activity has ceased.

8. The Authority may refuse such an application if it considers it necessary to do so in the public interest or the interest of collective investment undertaking investors.

9. The Authority shall notify the applicant in writing of the decision to withdraw the licence or registration.

10. Following such notification, the Authority shall update the entry in the Register maintained by the Authority under Article 8 of this Law to show that it has ceased to be licensed or registered.

SECTION 6

SUPERVISION OF FOREIGN ALTERNATIVE INVESTMENT MANAGERS AND MANAGEMENT COMPANIES' ACTIVITIES IN THE REPUBLIC OF ALBANIA

Article 219

Disclosure Obligation

1. The Authority may for statistical purposes require a foreign alternative investment fund manager carrying on business under Article 132 and Article 135 of this Law or foreign management company carrying on business under Article 156 of this Law to submit reports on its activity.

2. The Authority may request such information for foreign alternative investment fund managers and foreign management companies and their branches in order to verify compliance with the rules applied to their business in the Republic of Albania.

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Article 220
Rectification Administrative Order

1. The Authority issues an administrative order for correction or termination of activity towards the foreign administrator of alternative investment funds or its branch, that carries out activities in accordance with articles 132 and 135 of this law, or to a foreign management company or its branch, which carries out activities, pursuant to Article 156 of this Law, if the activity of these entities is exercised in contradiction with this law or with the regulatory acts approved by the authority, pursuant to this law.
2. Before an Administrative Order is issued under paragraph 1 of this Article, the regulatory authority of the foreign alternative investment fund manager or management company's Home Country shall be alerted by the Authority and given the opportunity to take measures to bring the violations to an end.
3. If measures taken under paragraph 2 of this Article are not sufficient to bring the violations to an end, the Authority may take such measures as are necessary, including measures to prevent new contraventions. Before a decision is taken, the Authority must alert the regulatory authority of the alternative investment fund manager or management company's Home Country.
4. The Authority may take requisite measures to safeguard financial stability and the integrity of the market or to protect investors in the Republic of Albania, if the rules of the alternative investment fund manager or management company's Home Country are not complied with. Before measures are taken, the regulatory authority of the alternative investment fund manager or management company's Home Country shall be alerted and given the opportunity to take steps to bring the violations to an end.

Article 221
**Withdrawal of Registration or Recognition to Continue Marketing
in the Republic of Albania**

1. The Authority may withdraw registration of foreign alternative investment funds in the Republic of Albania granted under Article 132 of this Law if the requirements of Article 132 of this Law do no longer comply with.
2. The Authority may withdraw recognition of foreign publicly offered collective investment undertakings under Article 156 of this Law if the conditions for recognition are violated or if this Law or regulation under this Law has been contravened. The Authority may in special cases withdraw recognition under Article 156 of this Law in the interests of protecting investors.
3. The Authority may withdraw recognition of a foreign alternative investment fund manager to establish or market alternative investment funds in the Republic of Albania under Article 135 of this Law if the conditions for recognition are violated or if this Law or regulation under this Law has been violated.
4. The Authority may withdraw recognition of a foreign management company to establish or market publicly offered collective investment undertakings in the Republic of Albania under Article 96 of this Law if the conditions for recognition are violated or if this Law or regulation under this Law has been contravened.

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Article 222

Supervisory Collaboration with Other Regulatory Authorities

1. The Authority may permit the regulatory authorities of other countries to carry out supervision in the Republic of Albania.
2. Upon prior notification of the Authority, the regulatory authority of the country of origin of alternative investment fund managers or management company, in co - operation with the authority may conduct inspections on the site of a branch established in Republic of Albania.
3. Paragraph 2 of this Article does not prevent the Authority from conducting on-site inspections, which it deems necessary to verify compliance with legal provisions, which apply to the activity of the branch in the Republic of Albania.
4. The Authority shall forward the information received in accordance with this Law to regulatory authorities of other countries.

Article 223

Effect of Revocation of Recognition

1. A revocation or suspension of recognition:
 - a) shall not render void or affect an agreement, transaction or arrangement entered into by the person concerned before the revocation or suspension; or
 - b) shall not affect the right, obligation or liability of any person arising under the agreement, transaction or arrangement.
2. The Authority may, where there is a revocation or suspension, by notice in writing demand the person concerned to:
 - a) require the person concerned not to deal with the money or property of any investors or clients in such manner as the Authority considers appropriate or to transfer money or property of such investors or such clients or any documents or electronic records in relation to such money or property to any other person as the Authority may specify in the notice; or
 - b) permit the person concerned, subject to such conditions as the Authority may specify in the notice, to:
 - i. carry on the essential business operations for the protection of the interests of clients during the period of suspension; or
 - ii. in case of a revocation, carry on business operations for the purpose of closing down the business.

Article 224

Request for Withdrawal of Recognition

1. A recognition granted by the Authority may be withdrawn by the Authority at the request of the recognized person.
2. The Authority shall not grant cancellation of a recognition if:
 - a) There are outstanding unresolved complaints concerning the recognized person;
 - b) The Authority or another regulatory authority has commenced an investigation of the recognized person or there is an outstanding Administrative Order under Article 210 of this Law against the licensed person;
 - c) there are any matters which in the view of the Authority require investigation before a decision is taken on withdrawal of recognition;

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- ç) the recognized person has not settled its debts to the Authority.
3. The Authority shall not grant cancellation of the recognition until such time that all recognised s activity has ceased.
 4. The Authority may refuse such an application if it considers it necessary to do so in the public interest or the interest of collective investment undertaking investors.
 5. The Authority shall notify the applicant in writing of the decision to withdraw the recognition.
 6. Following such notification the Authority shall update the entry in the Register maintained by the Authority under Article 8 to show that it has ceased to be recognised.

SECTION 7

INVESTOR PROTECTION

Article 225 **Authority's Role**

1. The principal objective of the Authority is the protection of the investor by ensuring that the markets are fair, efficient and transparent; and, through the reduction, as far as possible, of systemic risk and by overseeing the licensing and conduct of legal persons to promote compliance with the requirements of this and related laws.
2. The Authority may employ a variety of tools, technics and tactics to achieve this objective, including, but not limited to:
 - a) the licensing activities described in this Law;
 - b) ensuring strict adherence to investor disclosure regulations, codes of conduct and conflict of interest provisions;
 - c) ensuring the application of the provisions of this Law through monitoring and inspection of licensed entities and their collective investment undertakings;
 - ç) conducting the disciplinary procedures and, where appropriate, levelling the fines and other sanctions set out in this Law;
 - d) transparency;
 - dh) making key data and other relevant information available in the public domain;
 - e) investor education;
 - ë) a complaints scheme for investors.

Article 226 **The Authority's Complaints Scheme**

1. The Authority must set up a complaints scheme as part of its duty of care to investors.
2. The Authority must produce a written process and procedures for its complaint scheme and publish it where the public is most likely to see it.
3. In the first instance, all complaints should be made directly to the licensed entity concerned. A complaint relating to an act or omission of a licensed entity under this Law in carrying on an activity that falls under the jurisdiction of the Authority may be referred to the Authority only once all other means of resolution have been exhausted.

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4. A complainant may only lodge a complaint against a respondent for activities, which are regulated activities under this Law.
5. A complaint is to be determined by what is, in the opinion of The Authority, fair and reasonable in all the circumstances of the case.
6. The Authority shall have the means to conduct a full investigation of any complaint it wishes to take up on behalf of the complainant.
7. When the Authority has determined a complaint, it must give a written statement of its determination to the respondent and to the complainant.
8. The Authority shall have the power to order the licensed entity to remedy the situation or compensate the investor or both, at the licensed entity's expense, if it is found to be at fault.
9. The Authority shall be exempt from liability for damages arising from the complaint, or from the discharge of its functions in investigating the complaint.
10. Paragraph 9 of this Article shall not apply if the Authority is shown to have acted in bad faith.
11. The Authority may use complaints as a basis to initiate an inspection of an authorized entity.
12. The Authority may use complaints as a basis to initiate disciplinary proceedings against an authorized entity.
13. The Authority may publish all or part of their report into a complaint if the Authority considers it ought to be brought to the attention of the public.
14. The above subsections of this Article are without prejudice to any judicial procedure the complainant may wish to pursue.

Article 227

Prevention of Money Laundering and taking measures to eliminate identified violations

1. Any licensed entity according to this Law, should take all the necessary measures for the prevention of money laundering and terrorism financing, in compliance with the legislation in force on the prevention of money laundering and terrorism financing.
2. The licensed entities are obligated, without any prior notice and inclusion of suspected individuals or affected, to immediately report to the General Directorate for the Prevention of Money Laundering (GDMPL) and the Authority, in any instance they are aware or suspect that money Laundering and financing of terrorism is being, has been, or will take place.

Article 228

Anti-Money Laundering and Terrorist Financing Measures

1. Where the Authority deems that a licensed entity has violated the legal obligations with regard to money laundering and financing of terrorism on the licensed entity shall be imposed one or some of the following measures:
 - a) suspend, partially or completely the license;
 - b) imposes administrative sanctions on responsible persons, such as fines, suspension and/or dismissal.

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CHAPTER XIII

VIOLATIONS AND ADMINISTRATIVE PENALTIES

SECTION 1 VIOLATIONS AND ADMINISTRATIVE PENALTIES

Article 229

General Provisions

1. Any intentional violation of the provisions of this Law that are committed through action or omission and for which administrative penalties are provided for shall be administrative violations.
2. In addition to the supervision measures provided for in this Law, the administrative contraventions listed in the following Articles shall be punished by administrative penalties in the form of fines.
3. When imposing an administrative penalty the Authority shall ensure that the administrative penalty is:
 - a) Effective and preventative; and
 - b) Proportionate to the situation resulting in the imposition of the fine.
4. The Authority shall specify the amount of the administrative penalty in accordance with the provisions of this Law by also assessing the nature and scope of the violation and its impact on participants in collective investment undertakings.
5. When imposing administrative penalties, the Authority shall apply the principle of consistency, under which similar fines are imposed for similar violations.

Article 230

Administrative Penalties against Licensed and Recognized Entities

1. The Authority imposes administrative measures with a fine from 2 000 000 (two million) ALL up to 3 000 000 (three million) ALL to the management company and the fund manager of alternative investments, as well as a fine from 1 000 000 (one million) ALL up to 1 500 000 (one million five hundred thousand) ALL to the depositor and the depositor of investment funds licensed alternatives if:
 - a) carries out an activity for which it does not hold the required licence under this Law or another financial sector law;
 - b) does not inform the Authority in advance of a change in an owner of a qualifying holding and/or has not obtained the prior approval of the Authority for such a change;
 - c) does not inform the Authority in advance of a change in key person or key personnel and/or has not obtained the prior approval of the Authority for such a change;
 - c) does not inform the Authority in advance of a substantial change to its licensed status and/or has not obtained the prior approval of the Authority for such substantial change;
 - d) does not inform the Authority in advance of its acquisition of a qualifying holding in another company and/or has not obtained the prior approval of the Authority for such acquisition;
 - dh) In the case of a fund management company it:
 - i. establishes a collective investment undertaking without advance application to the Authority for registration or licensing and/or granting of such registration or licence;
 - ii. establishes a branch without the prior approval of the Authority;

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iii. causes shareholders or unitholders in a publicly offered collective investment undertaking to suffer financial loss as a consequence of their voluntary violation by action or omission of this Law;

iv. fails to appoint a depositary to a collective investment undertaking or to replace such a depositary in a timely manner;

v. fails to appoint an external auditor to a collective investment undertaking or to replace such an auditor in a timely manner;

vi. gives misleading or inaccurate information in a CIU prospectus or key investor information document or annual or interim report and accounts for a publicly offered collective investment undertaking.

e) does not report to the Authority as required by this Law;

ë) obstructs the Authority in exercise of its supervisory powers under this Law or Law in force on the Financial Supervisory Authority;

f) in the case of a fund management company, causes financial loss to investors in a publicly offered collective investment undertaking by failing by action or omission to fulfil the duties of a management company under Article 23 of this Law or by a failure by action or omission to comply with the requirements of Article 24 of this Law concerning conflicts of interest or Article 25 of this Law on delegation;

g) in the case of a depositary to a publicly offered collective investment undertaking, causes financial loss to investors in that undertaking by failing by action or omission to fulfil the duties of a depositary to publicly offered collective investment undertakings under Article 43 of this Law and by failing by action or omission to comply with the requirements of Article 44 of this Law concerning conflicts of interest or Article 45 of this Law on delegation;

gj) in the case of an alternative investment fund depositary, causes financial loss to investors in an alternative investment fund by failing by action or omission to fulfil the duties of a depositary under Article 56 of this Law or by failing by action or omission to comply with the requirements of Article 57 of this Law on delegation;

h) repeated failures to submit required reports to the Authority.

2. The Authority may in addition require the licensed person to dismiss a key person or member of key personnel responsible for the violation under paragraph 1 or suspend them for a stated period of time.

3. The Authority shall impose an administrative penalty from ALL 300 000 to ALL 400 000 against a key person of a licensed management company, alternative investment fund manager, depositary and alternative investment fund depositary responsible for the violations listed in paragraph 1 of this Article.

4. The Authority shall impose an administrative penalty from ALL 1 000 000 to 1 200 000 against a licensed or recognized management company, licensed alternative investment fund management company, licensed/ recognized alternative investment fund manager and penalty from ALL 800 000 to ALL 1 000 000 against a depositary or alternative investment fund depositary for:

a) failure to submit reports required by this Law to the Authority, including failure to submit annual audited reports and accounts and interim reports and accounts of publicly offered collective investment undertakings under Articles 121 and 122 of this Law, and of alternative investment funds under Article 124 of this Law respectively; and annual audited financial statements for all types of fund management companies under Article 34 of this Law.

b) failure to submit required reports to the Authority under point (a) of this paragraph, within the relevant stated time limits;

c) failure to maintain the relevant capital requirements given in Article 13 of this Law;

ç) obstruction of the Authority's exercise of its supervisory duties;

d) violation of any applicable requirement of Chapter IV, V, VII and IX of this Law.

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dh) failure to undertake and accurately report the outcome of stress tests as required by this Law or regulation under this Law;

e) Failure to pay supervisory fees due under Article 201 of this Law.

5. The Authority shall impose an administrative penalty from ALL 2 000 000 to 3 000 000 against a recognised management company that has established a publicly offered collective investment undertaking in Albania that violates any of the applicable requirements of Chapters III, IV, V, VII, VIII and IX of this Law.

6. The Authority shall impose an administrative penalty from ALL 2 000 000 to 3 000 000 against a recognised alternative investment fund manager that has established an alternative investment fund in Albania that violates any applicable requirements of Chapters III, IV or VI of this Law.

Article 231

Continuing Violations

In the case of repeated violations by the same licensed or recognized person, the administrative penalty shall be doubled each time the violation is repeated.

Article 232

Fines against Other Persons

1. The Authority shall impose an administrative penalty from ALL 500 000 to ALL 1 000 000 against sales agents under Article 102 of this Law who fail to comply with the requirements for disclosure under Section 9, Chapter V of this Law.

2. The Authority shall impose an administrative penalty from ALL 500 000 to ALL 100 000 on any person using names that are restricted under this Law to entities holding a license when that person does not have that licence.

Article 233

Administrative Penalties against Temporary Administrators and Liquidators

The Authority shall impose a fine from ALL 500 000 to ALL 1 000 000 against a temporary administrator who fails to submit the required reports under Article 183 or a liquidator who fails to submit the required reports under Article 193 of this Law.

Article 234

Administrative Penalties against Violation of Confidentiality Requirements

The Authority shall impose a fine from ALL 200 000 to ALL 400 000 against a licensed entity or a key person or member of the key personnel for violations of requirements concerning confidentiality.

Article 235

Other Violations

In the case of any other violation of this Law, the Authority shall impose a fine from ALL 300 000 to ALL 500 000.

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Article 236

Administrative investigation, notification and appeal procedure

1. The Authority during the administrative investigation for the detection of violations, in accordance with this Law, has the right to request information and clarifications from the licensed entity under administrative investigation, as well as receive the necessary materials and documentation relating to the administrative investigation, in accordance with this law.
2. For the purposes of paragraph 1 of this article, the authority shall set a deadline for the licensed entity response to its request for information, for the submission of relevant documents, as well as for sending the necessary observations and / or explanations, according to the legislation that regulates administrative procedures and this law.
3. After the completion of the administrative investigation, the authority shall notify the licensed entity in writing on the decision taken within 10 calendar days from the day following the decision.
4. The licensed entity has the right to appeal to the competent court, which examines administrative disputes, within 45 days from the day following the decision.
5. Appeal to the court does not suspend the execution of the Authority's decision.

Article 237

Execution of decisions

1. The administrative penalties provided for under this Section shall be collected in a special account of the Authority within 20 calendar days from the date of receiving the notification under Article 236 of this Law.
2. When an administrative penalty is not paid within the deadline under paragraph 1 of this Article, the licensed person and responsible person shall pay interest of 0.01 percent of the administrative penalty for each day of delay after that deadline.

CHAPTER XIV TRANSITIONAL PROVISIONS

Article 238

Licensed management companies and depositaries

1. The license issued by the authority to a management company established in the Republic of Albania to administer collective investment undertakings with public offering is considered valid even after the entry into force of this law.
2. The license issued by the authority to a depository established in the Republic of Albania to provide depository services to publicly owned collective investment undertakings is considered valid even after the entry into force of this law.
3. Management company and licensed depository, pursuant to law no. 10 198, dated 10.12.2009, "On collective investment undertakings", within 18 months from the entry into force of this law, adapt their activity to the requirements of this law.

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4. Any new application for a license from the fund management company or depository, from the moment of entry into force of this law, meets and respects the requirements of this law.

Article 239

Licensed collective investment undertakings

1. Open ended Investment fund, with public offer licensed by the authority, according to Article 54 of Law no. 10 198, "On collective investment undertakings", on the date of entry into force of this law, continues to be licensed as an open investment fund with public offer, according to Article 62 of this law, provided that within 18 months from the approval of regulations applicable to the open-ended investment fund, according to this law, open ended fund with public offer complies with the relevant requirements of this law and its regulations.
2. A collective investment undertaking applying for a license must meet the requirements of this Law from the date of adoption of this Law.

Article 240

Foreign management companies and foreign alternative investment fund managers and their branches

1. Foreign management company or foreign administrator of alternative investment funds or the branch of the foreign management company or foreign manager of alternative investment fund are not recognized, pursuant to this law, until the authority approves regulatory acts, that regulate the recognition and procedures for the recognition of foreign management companies and their branches.
2. A management company established in an EU Member Country or a foreign alternative investment fund manager in an EU Member Country or the branch of the management company established in an EU Member Country, shall be recognized in accordance with the EU-Albania-Stabilization and Association Agreement (SAA).

Article 241

Foreign collective investment undertakings

1. A foreign collective investment undertaking may not be recognized for public offer in the Republic of Albania under this Law until such time as the Authority adopts regulations governing recognition and procedures for recognition of foreign collective investment undertakings.
2. A foreign collective investment undertaking shall not be registered to be offered only to professional and qualified clients in the Republic of Albania, under this Law, until the Authority approves the regulatory acts governing the recognition and procedures for the recognition of foreign alternative investment funds.

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CHAPTER XV

OTHER PROVISIONS

Article 242 **Approval of Legal Acts**

The Authority shall approve regulatory acts within 1 year from the entry into force of this Law, in accordance with the powers conferred by this Law related to any activity controlled, supervised or licensed by the Authority.

Article 243 **Repeal**

Law No. 10198, dated 10.12.2009, “On Collective Investment Undertakings” and any other legal acts in contravention with this Law shall be repealed.

Article 244 **Entry into force**

This Law shall enter into force 15 days after its publication in the Official Journal.

CHAIRMAN

Gramoz RUÇI

Adopted on 30.04.2020

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ANNEX 1

Contents of CIU Prospectus for publicly offered collective investment undertakings

Publicly offered investment fund	Management company	Publicly offered investment company
1. Information concerning the publicly offered investment fund	1. Information concerning the management company including an indication whether the management company is established in a Country other than the undertaking home Country	1. Information concerning the publicly offered investment company
1.1. Name of investment fund	1.1. Name or style, form in law, registered office and head office if different from the registered office	1.1. Name or style, form in law, registered office and head office if different from the registered office
1.2. Date of establishment of the investment fund, Indication of duration, if limited.	1.2. Date of incorporation of the company. Indication of duration, if limited.	1.2. Date of incorporation of the company. Indication of duration, if limited.
1.3 In the case of an umbrella investment fund, the names of the sub-funds	1.3. If the company manages other investment funds, indication of those other funds; and if it manages other investment companies, indication of those other investment companies.	
1.4. Statement of the place where the fund rules, if they are not annexed, and annual		1.4. Statement of the place where the instruments of incorporation, if they are not annexed, and annual and

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and interim reports and accounts may be obtained.		interim reports and accounts may be obtained.
1.5. Brief indications relevant to unitholders of the tax system applicable to the investment. Details of whether deductions are made at source from the income and capital gains paid by the investment to unitholders.		1.5. Brief indications relevant to shareholders of the tax system applicable to the company. Details of whether deductions are made at source from the income and capital gains paid by the company to shareholders.
1.6. Accounting and distribution dates.		1.6. Accounting and distribution dates.
1.7. Names of the persons responsible for auditing the financial statements of the fund.		1.7. Names of the persons responsible for auditing the financial statements of the company.
	1.8. Names and positions in the company of the key persons and key personnel. Details of their main activities outside the company where these are of significance with respect to that company.	1.8. Names of the key persons of the company. Details of their main activities outside the company where these are of significance with respect to that company.
1.9 Minimum value of capital targeted if any	1.9. Amount of the subscribed capital with an indication of the capital paid-up	1.9. Minimum value of capital targeted if any

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<p>1.10. Details of the types and main characteristics of the units and in particular:</p> <ul style="list-style-type: none"> – the nature of the right (real, personal or other) represented by the unit, – characteristics of the units: registered or bearer. <p>Indication of any</p>		<p>1.10. Details of the types and main characteristics of the shares and in particular:</p> <ul style="list-style-type: none"> — original securities or certificates providing evidence of title; entry in a register or in an account,
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<p>denominations which may be provided for,</p> <ul style="list-style-type: none"> – original securities or certificates providing evidence of title; entry in a register or in an account, – circumstances in which liquidation of the investment fund will take place and liquidation procedure, in particular as regards the rights of unitholders. 		<ul style="list-style-type: none"> – characteristics of the shares; registered or bearer. <p>Indication of any denominations which may be provided for, indication of shareholders' voting rights,</p> <ul style="list-style-type: none"> – circumstances in which liquidation of the investment company will take place or can be decided on and liquidation procedure, in particular as regards the rights of shareholders.
<p>1.11. Where applicable, indication of regulated markets or markets where the units are listed or traded.</p>		<p>1.11. Where applicable, indication of regulated markets or markets where the shares are listed or traded.</p>
<p>1.12. Procedures and conditions of issue and sale of units including information on any fixed price initial offer and its period.</p>		<p>1.12. Procedures and conditions of issue and sale of shares including information on any fixed price initial offer and its period.</p>
<p>1.13. Procedures and conditions for repurchase or redemption of units, and circumstances in which repurchase or redemption may be suspended. In the case of investment funds having different sub-funds, information on how a unitholder may pass from one sub-fund into another and the charges applicable in such cases.</p>		
<p>1.14. Description of rules for determining and applying income.</p>		<p>1.14. Description of rules for determining and applying income.</p>

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<p>1.15. Description of the investment fund's investment objectives, including its financial objectives (e.g. capital growth or income), investment policy (e.g. specialisation in geographical or industrial sectors), any limitations on that investment policy and an indication of any techniques and instruments or borrowing powers which may be used in the management of the investment fund.</p>		<p>1.15. Description of the company's investment objectives, including its financial objectives (e.g. capital growth or income), investment policy (e.g. specialisation in geographical or industrial sectors), any limitations on that investment policy and an indication of any techniques and instruments or borrowing powers which may be used in the management of the company.</p>
<p>1.16. Rules for the valuation of assets.</p>		<p>1.16. Rules for the valuation of assets.</p>
<p>1.17. Determination of the net asset value per unit and the sale or issue price and the repurchase or redemption price of units, in particular:</p> <ul style="list-style-type: none"> – the method and frequency of the calculation of those prices, – information concerning the charges relating to the sale or issue and the repurchase or redemption of units (entry and exit charges), – the means, places and frequency of the publication of those prices. 		<p>1.17. Determination of the net asset value per share, in particular:</p> <ul style="list-style-type: none"> – the method and frequency of the calculation of the net asset value, – the means, places and frequency of the publication of net asset value per share and market prices.

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<p>1.18. Information concerning the manner, amount and calculation of remuneration payable by the investment fund to the management company, the depositary or</p>		<p>1.18. Information concerning the manner, amount and calculation of remuneration payable by the company to its key persons, to the management company, to the</p>
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third parties, and reimbursement of costs by the investment fund to the management company, to the depositary or to third parties.		depositary, or to third parties, and reimbursement of costs by the company to its directors, to the depositary or to third parties.
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2. Information concerning the depositary:

- 2.1 the identity of the depositary of the publicly offered collective investment undertaking and a description of its duties and of conflicts of interest that may arise;
 - 2.2 a description of any safekeeping functions delegated by the depositary, the list of delegates and sub-delegates and any conflicts of interest that may arise from such a delegation;
 - 2.3 a statement to the effect that up-to-date information regarding paragraphs 2.1 and 2.2 will be made available to investors on request.
3. Information concerning the external portfolio management companies who give advice under contract which is paid for out of the assets of the undertaking:
 - 3.1 Name or style of the firm or name of the portfolio management company;
 - 3.2 Material provisions of the contract with the management company or the investment company which may be relevant to the publicly offered collective investment undertaking unitholders or shareholders, excluding those relating to remuneration;
 - 3.3 Other significant activities.
 4. Information concerning the arrangements for making payments to unitholders, repurchasing or redeeming units and making available information concerning the publicly offered collective investment undertaking. In addition, where units are marketed in another country, such information shall be given in respect of that country in the CIU prospectus published there.
 5. Other investment information:
 - 5.1 Historical performance of the undertaking (where applicable) — such information may be either included in or attached to the prospectus;
 - 5.2 Profile of the typical investor for whom the publicly offered collective investment undertaking or sub-fund is designed.
 6. Economic information:
 - 6.1 Possible expenses or fees, other than the charges mentioned in paragraph 1.17, distinguishing between those to be paid by the unitholder and those to be paid out of the assets of the publicly offered collective investment undertaking.

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ANNEX 2

Key Investor Information Document (KIID) Contents

1. This appendix contains the main requirements regarding key investor information which is provided by the requirements of this law. The requirements set out in this Annex shall be applied by each management company in relation to any Collective Investment Undertaking (CIU).

2. Essential CIU characteristics of key investor information:

- a) Key investor information should be impartial, clear and not misleading.
- b) Key investor information document about is provided in such a way that the investor is able to distinguish it from the other CIU documents. In particular, the information should not be displayed or disseminated in such a way that investors consider it to be less important than other information about the CIU risks and reward.
- c) Key investor information should be consistent with the relevant parts of the prospectus.
- ç) Key information is provided to the investor free of charge.

3. Time of making key investor information available:

- a) The management company, before the investor signs the quotas/ shares of the CIU, gives the latter the key information for each CIU under administration.
- b) In the case of the sale of CIU quotas / shares, through an agent, the latter is obliged to provide the investor with key information prior to the signing of CIU quotas / shares.

4. Presentation and language of the key information document:

- a) The document containing key investor information should be:
 - i. displayed and presented in an easy-to-read way, using letters of a legible size.
 - ii. clearly expressed and written in a language that facilitates the investor to understand the information communicated to him, in particular the language used should be clear, concise and understandable; he should avoid the use of foreign and incomprehensible words to the public, as well as dialecticisms; plain language avoiding technical terms.
 - iii. focused on the key information the investor needs.
- b) In the case when the original document with the key information is prepared in color printing or photocopying in black and white should not affect the reduction of the degree of understanding of the information.
- c) The use of the logo of the management company or the group to which it belongs, should be done in such a way as not to attract the attention of the investor or to underestimate the text of the document.
- ç) The document printed with the key information for the investor should not be more than two pages of A4 format.

5. Elements that the key investor information should contain:

- a) The key investor information should provide information on CIU, based on the following elements:
 - i. introductory part and identification of CIU;
 - ii. a brief description of the investment objectives and policies;
 - iii. the investment risk and reward profile, including appropriate guidance and warnings regarding the risks associated with investing in the respective CIU;
 - iv. charges and fees;
 - v. presentation of performance and results in the past (when appropriate), as well as scenarios of results for the future;
 - vi. other practical information.

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- b) These essential elements should be understandable to the investor and should be clearly explained, without the need for references in other documents.
- c) The standardized format related to the elements is defined in the above table in details, as an integral part of this annex.

6. The introductory part of the document and the identification of the CIU:

- a) The title of the key investor information document is placed at the top of the front page, using the expression: **Key Investor Information**.
- b) Below the title follow the statement: *“This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest”*
- c) Below the statement are provided identifying data on CIU, including the type of CIU (fund or investment company), the name of CIU, the type of CIU based on the investment policy, the name of the management company. In cases where the management company is part of a group of companies, for legal, administrative or marketing purposes, the name of the group may also be provided. The name of the group is provided if it does not create an obstacle for the investor to understand the main elements of the investment and reduces his ability to compare the investment product.
- ç) In the introductory part of the document should be included a statement stating that the quotas / shares of the CIU are not deposits and are not insured by the deposit insurance scheme, that the investment in the CIU is not a guaranteed investment, that the CIU is not based on the support of any entity outside it to guarantee liquidity or net worth stability of assets, and the risk of loss of principal must be borne by the investor.

7. Brief description of investment objectives and policies:

The section of the key investor information document, entitled: **Objectives and Investment Policy**, is one of the important sections for investor information. This section is mandatory to be included in the document even in cases where the description of objectives and investment policy is not presented in the prospectus.

This section should contain:

- a) The main categories of financial instruments that are object of the investment.
- b) The statement that the investor can pay off/ sell quota / shares of the CIU, at his / her own request, and how often he/ she can do so.
 - c) A specific CIU objective (if any) in relation to any industrial, geographic or other market sectors or specific classes of assets.
 - ç) A statement of whether any income arising from the fund the CIU allows free elections in relation to the specific investments that are allowed and whether the CIU refers to a benchmark and if so which one.
 - d) The statement if the income from the CIU is distributed or reinvested.
 - dh) Other information deemed appropriate, such as:
 - i. when CIU invests in debt securities, it must be indicated whether they have been issued by companies, governments or other entities;
 - ii. information regarding any predetermined payments and the factors that are expected to affect the performance of the CIU;
 - iii. if the investment strategy is driven by growth, selection of instruments, based on internal valuation or higher dividends;
 - iv. may determine the performance of the CIU using techniques, such as: hedging, arbitrage or use of leverage technique;
 - v. if portfolio transaction costs will have a material impact on performance;
 - vi. the minimum recommended holding term for investing in CIU.

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8. Investment Risk and reward profile: The section of the key investor information document, Risk and reward should contain:

a) A synthetic indicator on accrued risk and reward category according to the methodology issued by the Authority through the guideline.
b) a statement that the indicated risk and reward category is not guaranteed to remain unchanged and that the risk category may change over time;
i. a statement that historical data used to calculate the synthetic indicator may not be reliable data for the future ICS risk profile;
ii. a statement that the indicated risk and reward category is not guaranteed to remain unchanged and that the risk category may change over time;
iii. a statement that the lowest category does not mean that the investment is risk-free;
iv. a brief explanation of why the CIU is in the relevant category;
v. details of the nature, timing and extent of any guarantees or protections provided by the CIU for the investors' capital, including the potential effects of repaying quotas outside the guaranteed or protected period.

c) A verbal explanation of risks materially related to CIU and which are not sufficiently presented by the synthetic indicator, such as:

i. credit risk, in cases where debt instruments constitute a significant part of the portfolio;
ii. liquidity risk, in case the investment is at a considerable level in financial instruments, which by nature, in certain circumstances, may have a low level of liquidity, so much so that it may have an impact on the level of risk of liquidity of the CIU as a whole;
iii. counterparty risk, when the CIU is guaranteed through a third-party guarantee or when there is material exposure as a result of third-party exposures;
iv. operational risk resulting from the custody or safekeeping of assets;
v. the impact of the use of techniques, such as the use of derivatives, when these techniques are used to increase, to reduce asset exposure.

9. Charges and fees: The section of the document with key investor information, entitled "CIU Charges", should initially contain a statement about the importance of the charges, which are used to pay the cost of running the fund, by including the costs of marketing and distributing of the CIU quotas/shares. The statement should state that these charges reduce potential growth of the investment.

a) Charges (commissions) and Fees in the section are presented in the form of a table, which includes:

i. One-off charges taken before or after you invest. This includes charges for entering and leaving the CIU. These payments are expressed in their maximum percentage, which means the maximum amount to be paid by the investor on behalf of the CIU, before it is invested and the maximum amount before leaving the CIU;
ii. Ongoing charges, which are presented in a single figure and are known as ongoing liabilities;
iii. CIU charges and fees in special conditions, where the table must list and explain any other charges or fees, according to specific conditions of the CIU, the basis on which this obligation is calculated and applied.

b) For each of the charges or fees specified in the table should be given a verbal explanation, including the following information:

i. in relation to commissions or entry and exit charges; it should be made clear that the figures presented are maximum figure, as in some cases the investor can pay less, for this fact the investor can be informed by his investment advisor.
ii. in relation to costs or ongoing annual fees; a statement must be made that this figure is based on end-of-year expenditures and that this figure may vary from year to year. It does not include: performance fee; and portfolio transaction costs, excluding the case of entry and exit charges and fees paid by CIU, when CIU quotas / shares are bought and sold, etc.

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c) The charges (commissions) or fees section should provide a reference to those portions of the CIU prospectus, which provides more detailed information about charges or fees.

10. Past performance:

The section of the document with the main information for the investor, entitled Past performance: provides information about the performance of the CIU for the previous periods, presenting it in a chart and showing the performance of the CIU (return) for 10 years.

a) The chart presentation should be legible, but under no circumstances should it be more than half a A4 format page containing the key investor information document.

b) The CIU, with an activity of less than five full calendar years, should use a presentation, where only the last five years are presented. For each year for which there is no data, it must be presented blank and no entry other than the date is made.

c) The CIU, for which there is still no performance data for a full calendar year, must submit a statement explaining that there is insufficient data to provide a useful indicator of the investor's past performance.

ç) The chart should be accompanied by a statement, which clearly shows:

i. warning about the limited value as a guide to future performance;

ii. brief presentation of charges, included or excluded in the performance calculation past;

iii. presentation of the year when the CIU started issuing quotas / shares;

iv. indication of the currency in which the past performance has been calculated.

d) The key investor information document should not contain any data of the current calendar year, considering it as past performance.

dh) The calculation of past performance figures should be based on the net asset value of the CIU assets, and should be taken into account if the return on investment of the CIU assets has been reinvested.

e) In case of a change in investment objectives and policy with material effect during the period presented in the chart, the past performance of the CIU continues to be reflected before this material change. The period before the change with material effect should be shown graphically and labeled with a clear warning that this performance has been achieved in circumstances that no longer apply.

11. Practical information:

The section of the key investor information document, entitled Practical information: contains the following information:

a) The name of the depository.

b) Where and how to obtain further information about the UCITS (prospectus, reports and accounts).

c) Where and how to obtain other practical information (where to find latest unit prices).

ç) A statement that the tax legislation of the Fund's Home State may have an impact on the personal tax position of the investor.

d) A statement that the "[Name of the management company] may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the fund"

12. Closing section of the document:

a) The closing section of the key investor information document includes the details of the license of the management company and the CIU.

b) The document closes with the statement: The key investor information is accurate as at [the date of publication].

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13. Review of key investor information:

- a) The management company must review the key investor information document at least every twelve months.
- b) Notwithstanding the preceding paragraph, the revision of the document must be made prior to the proposed amendment of the prospectus and the CIU rules.
- c) The review must be carried out before or during any change deemed to have material effect on the information contained in the document with the principal investor information.

14. Publication of the revised document: The revised document should be made immediately available to the investor:

- a) The revised document must be made available to the investor before the changes take effect.
- b) The revised document, as a result of the correction of the section on the past performance of the CIU should be made available to the investor, no later than 35 working days, after December 31st of each year.

15. Ways of providing key information to the investor:

- a) The management company and each CIU under its administration provides key information to the investor, by publishing it in the form of an electronic document on the website, or a reliable means of communication. A copy of the document is sent to the investor by letter, upon request and free of charge.
- b) The revised key investor information document is published on the website of the management company.

16. Conditions for providing information through a reliable means of communication:

- a) The key investor information is given through a reliable means of communication, when the following conditions are met:
 - i. the business relationship between the management company and the investor has started or is starting; and
 - ii. investor chooses to receive key investor information through reliable means of communication.
- b) In the event the key investor information document is made available on the website and this information will not be addressed personally to the investor, the following conditions must be met:
 - i. the business relationship between the management company and the investor has started or is starting; and
 - ii. investor chooses to get the main information about the investor through the website;
 - iii. investor must be notified electronically of the website address and website location, where the information is accessible;
 - iv. information should be up to date;
 - v. information on this website should be regularly accessible, for as long as the investor may need to check it.

17. Submission to the authority:

- a) The management company for each CIU under administration submits to the authority a copy of the document with the key investor information, as well as any amendment of this document;
- b) The key investor information document must contain updated information.

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18. Table: Standardized format Key Investor Information Document (KIID)
ANNEX 2 Key Investor Information Document Contents

Key Investor Information

This document provides you with key investor information about this fund. It is not marketing material. The information is required by law to help you understand the nature and the risks of investing in this fund. You are advised to read it so you can make an informed decision about whether to invest.

123 Fund, a sub-fund of ABC Fund SICAV (ISIN: 4321) This fund is managed by ABC Fund Managers Ltd, part of the XYZ group of companies	
Objectives and Investment Policy	
<p>Joint description of the objectives and policy of the UCITS in plain language (not copy-out of the prospectus)</p> <p>Essential features of the product which a typical investor should know:</p> <ul style="list-style-type: none"> • main categories of eligible financial instruments that are the object of investment • a statement that the investor may redeem units on demand, and how frequently units are dealt in • whether the UCITS has a particular target in relation to any industrial, geographic or other market sectors or specific classes of assets • whether discretionary choices regarding particular investments are allowed, and whether the fund refers to a benchmark and if so which one • a statement of whether any income arising from the fund is distributed or reinvested 	<p>Other information if relevant, such as:</p> <ul style="list-style-type: none"> • what type of debt securities the UCITS invests in • information regarding any pre-determined pay off and the factors expected to determine performance • if choice of assets is guided by growth, value or high dividends • how use of hedging / arbitrage / leverage techniques may determine the fund's performance • that portfolio transaction costs will have a material impact on performance • minimum recommended holding term
Risk and Reward Profile	
<div style="text-align: center; margin-bottom: 10px;"> </div> <p>Narrative explanation of the indicator and its main limitations:</p> <ul style="list-style-type: none"> • Historical data may not be a reliable indication for the future • Risk category shown is not guaranteed and may shift over time • The lowest category does not mean 'risk free' • Why the fund is in its specific category • Details of nature, timing and extent of any capital guarantee or protection 	<p>Narrative presentation of risks materially relevant to the fund which are not adequately captured by the indicator:</p> <ul style="list-style-type: none"> • Credit risk, where a significant level of investment is made in debt securities • Liquidity risk, where a significant level of investment is made in financial instruments that are likely to have a low level of liquidity in some circumstances • Counterparty risk, where a fund is backed by a guarantee from, or has material investment exposure through contracts with, a third party • Operational risks including safekeeping of assets • Impact of any techniques such as derivative contracts

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Charges for this Fund

The charges you pay are used to pay the costs of running the fund, including the costs of marketing and distributing it. These charges reduce the potential growth of your investment.

One-off charges taken before or after you invest	
Entry charge	[]%
Exit charge	[]%
This is the maximum that might be taken out of your money [before it is invested][before the proceeds of your investment are paid out].	
Charges taken from the fund over a year	
Ongoing charges	[]%
Charges taken from the fund under certain specific conditions	
Performance fee	[]% a year of any returns the fund achieves above the benchmark for these fees, [insert name of benchmark].

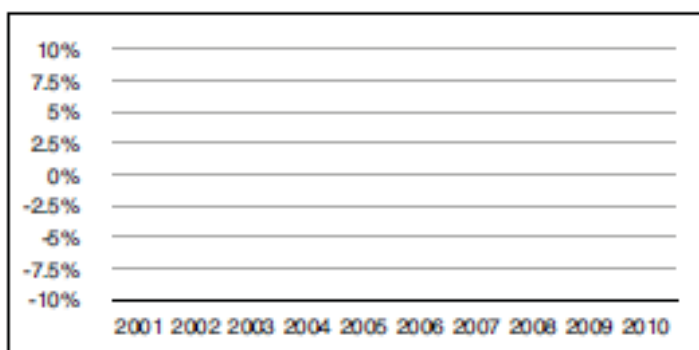
The **entry** and **exit charges** shown are maximum figures. In some cases you might pay less - you can find this out from your financial adviser.

The **ongoing charges** figure is based on expenses for the year ending []. This figure may vary from year to year. It excludes:

- Performance fees
- Portfolio transaction costs, except in the case of an entry/exit charge paid by the UCITS when buying or selling units in another collective investment undertaking

For more information about charges, please see pages x to x of the fund's prospectus, which is available at www.ucitsfund/

Past Performance



The chart will be supplemented with prominent statements which:

- warn about its limited value as a guide to future performance
- indicate briefly which charges have been included or excluded
- indicate the year in which the fund came into existence
- indicate the currency in which past performance has been calculated.

Practical Information

- Name of the depositary
- Where and how to obtain further information about the UCITS (prospectus, reports & accounts)
- Where and how to obtain other practical information (e.g. where to find latest unit prices)
- A statement that tax legislation of the fund's Home State may have an impact on the personal tax position of the investor
- A statement that "[Name of management company] may be held liable solely on the basis of any statement contained in this document that is misleading, inaccurate or inconsistent with the relevant parts of the prospectus for the fund"
- Specific information relating to umbrella funds (e.g. any switching rights between sub-funds)
- Information about other share classes, if applicable (KII may be based on a representative class)

This fund is authorised in [name of Member State] and regulated by [identity of competent authority].

Where relevant the statement that [Name of management company] is authorised in [name of Member state] and regulated by [identity of competent authority].]

This key investor information is accurate as at [the date of publication].

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Annex 2. A

Calculation of ongoing charges figure

1. The management company of the undertaking shall:
 - (a) be responsible for the calculation of the ongoing charges figure and for its accurate statement in the key investor information document;
 - (b) establish procedures that are consistent with this methodology and are adequately documented;
 - (c) keep records of each calculation for a period of 5 years after the last date on which that version of the key investor information was available to be issued.

Definition of ongoing charges to be disclosed

2. In the context of the key investor information document, ‘ongoing charges’ are payments deducted from the assets of an undertaking where such deductions are required or permitted by law and regulation, constituting instrument of the undertaking, or its CIU prospectus. The figure to be disclosed in the key investor information document shall be based on the total of all such payments made over a specific period, excluding the exceptions identified in paragraph 5 of this Annex.

3. The ongoing charges figure shall include all types of cost borne by the publicly offered collective investment undertaking, whether they represent expenses necessarily incurred in its operation, or the remuneration of any party connected with it or providing services to it. These costs may be expressed or calculated in a variety of ways (e.g. a flat fee, a proportion of assets, a charge per transaction, etc).

4. The following list is indicative but not exhaustive of the types of ongoing charge that, if they are deducted from the assets of an undertaking, shall be taken into account in the amount to be disclosed:

(a) all payments to the following persons, including any person to whom they have delegated any function:

- the management company of the undertaking –
- key persons of the undertaking if an investment company
- the depositary
- the custodian(s) to whom the depositary delegates safe-keeping of assets
- any portfolio management company ;

(b) all payments to any person providing outsourced services to any of the above, including: providers of valuation and fund accounting services – unit or shareholder service providers, such as the transfer agent and broker dealers that are record owners of the undertaking’s shares or units and provide sub-accounting services to the beneficial owners of those shares;

(c) registration fees, regulatory fees and similar charges;

(ç) audit fees;

(d) payments to legal and professional advisers.

5. The following charges and payments shall not form part of the amount to be disclosed as ongoing charges in the key investor information document:

(a) entry / exit charges or commissions, or any other amount paid directly by the investor or deducted from a payment received from or due to the investor;

(b) interest on borrowing;

(c) payments to third parties to meet costs necessarily incurred in connection with the acquisition or disposal of any asset for the undertaking’s portfolio, whether those costs are explicit (e.g. brokerage charges, taxes and linked charges) or implicit (e.g. costs of dealing in fixed interest securities, market impact costs);

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- (ç) payments incurred for the holding of financial derivative instruments (e.g. margin calls);
- (d) the value of goods or services received by the management company or any connected person in exchange for placing of dealing orders (soft commissions or any similar arrangement).

6. The exclusion in paragraph 5 (c) of this Annex for transaction-related costs shall not extend to:
(a) transaction-based payments made to any of the persons listed in 4 (a) or (b) of this Annex, in respect of which the recipient is not accountable to the undertaking; all such amounts shall be taken into account in the published figure;

(b) the costs of acquiring or disposing of units in other collective investment undertakings, which shall be taken into account in accordance with 8(dh) under this Annex.

7. Under a fee-sharing agreement, the management company or another party may be meeting, in whole or in part, operating costs that should normally be included in the ongoing charges figure.

(a) Any remuneration of the management company (or another person) that derives from such fee-sharing agreements shall be taken into account and added to the total ongoing charges figure. Possible examples include the remuneration of a management company through a fee-sharing agreement with a broker on transaction costs, or with a custodian on stock-lending income.

(b) There is generally no need to take into account fee-sharing agreements on expenses that are already accounted for in the ongoing charges disclosure (for example, the remuneration of a management company through a fee-sharing agreement with a fund which is captured under paragraph 4 (a) of this Annex. However, in the specific case of an undertaking investing in other undertakings, any fee-sharing agreement between the management company of the collective investment undertaking or its operator or management company shall be taken into account if it is not already captured under paragraph 8 of this Annex.

8. Where an undertaking invests a substantial proportion of its assets in other collective investment undertakings, its ongoing charges figure shall take account of the ongoing charges incurred in the underlying undertakings. The following shall be included in the calculation:

(a) the underlying undertaking's most recently available ongoing charges figure shall be used; this may be the figure published by the undertaking or its operator or management company, or a figure calculated by a reliable third-party source if more up-to-date than the published figure;

(b) if the underlying undertaking is operated by the undertaking's management company or any linked company, the management company shall make a best estimate of its ongoing charges according to this methodology;

(c) if the underlying undertaking does not fall within (a) or (b) of this paragraph and does not publish an ongoing charges figure, the management company shall either use any published information that represents a reasonable substitute for that figure (e.g. a total expense ratio published by a reliable source) or else shall make a best estimate of its maximum level based on scrutiny of the undertaking's current prospectus and most recently published annual report and accounts;

(ç) where undertakings falling within (c) of this paragraph represent less than 15% of the undertaking's assets, it shall be sufficient to use the published annual management charge for each of those undertakings instead of estimating their ongoing charges;

(d) in all cases, the ongoing charges figure may be reduced to the extent that there is any arrangement in place (and that is not already reflected in the fund's profit and loss account) for the investing undertaking to receive a rebate or retrocession of charges from the underlying undertaking;

(dh) in cases where entry and / or exit fees are payable by the undertaking in relation to the acquisition or disposal of units in an underlying undertaking, the monetary value of those fees shall be aggregated for the period under review and taken into account in the calculation of the ongoing charges figure.

9. In the case of an undertaking which is an umbrella, each constituent sub-fund shall be treated separately for the purpose of this section, but any charges attributable to the undertaking as a whole shall be apportioned among all of the sub-funds on a basis that is fair to all investors.

Methodology for calculation (except for new funds).

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The Calculation Methodology (with the exception of new funds)

10. The ongoing charges figure shall be the ratio of the total disclosable costs to the average net assets of the undertaking, calculated according to this section. The figure shall be expressed as a percentage to two decimal places.

11. The ongoing charges figure shall be calculated at least once a year, on an ex-post basis. Where it is considered unsuitable to use the ex-post figure because of a substantial change (e.g. an increase in management fees), an estimate may be used instead until reliable ex-post figures reflecting the impact of the substantial change become available.

12. A separate calculation shall be performed for each share or unit class, but if the shares or units of two or more classes rank pari - passu, a single calculation may be performed for them.

13. The ex-post figure shall be based on recent cost calculations which the management company has determined on reasonable grounds to be appropriate for that purpose. The figure may be based on the costs set out in the undertaking's statement of operations published in its latest annual or interim report and accounts, if this is sufficiently recent; if it is not, a comparable calculation based on the costs charged during a more recent 12-month period shall be used instead. The costs are assessed on an 'all taxes included' basis, which means that the gross value of expenses shall be used.

14. The average net assets shall relate to the same period as the costs, and be calculated using figures based on the undertaking's net assets at each calculation of the NAV (e.g. daily NAVs where this is the normal frequency of calculation approved by the undertaking's competent authority).

15. Where the ongoing charges attributable to an underlying undertaking are to be taken into account: (a) the ongoing charges figure (or equivalent) of each underlying undertaking is pro-rated according to the proportion of the undertaking's net asset value which that undertaking represents at the relevant date (being the date at which the undertaking figures are taken);

(b) all the pro-rated figures are added to the ongoing charges figure of the investing undertaking itself, thus presenting a single total (a 'synthetic' ongoing charges figure).

16. Information about the ongoing charges figures that were applicable during previous years/periods should be published at the location (e.g. the management company's website) which is specified in the KIID as the general source of further information for investors who require it.

Methodology for calculation for new funds

17. The same methodology shall apply as for an *ex-post* calculation, subject to the following differences:

(a) paragraphs 13 and 14 above do not apply and estimates shall be used instead;

(b) if, in the management company's opinion, expressing a figure to two decimal places would be likely to suggest a spurious degree of accuracy to investors, it shall be sufficient to express that figure to one decimal place;

(c) it shall be assumed, unless there is a statement in the prospectus to the contrary, that no rebates or fee waivers will be received to the benefit of the undertaking.

18. The management company shall ensure that the accuracy of the estimated figure is kept under review. The management company shall determine when it is appropriate to begin using ex-post figures rather than an estimate; but in any case, it shall, no later than 12 months after the date on which units were first offered for sale, review the accuracy of the estimate by calculating a figure on an ex-post basis.

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ANNEX 3

Information to be included in annual and interim reports and accounts

I. Statement of assets and liabilities:

- transferable securities,
- bank balances,
- other assets,
- total assets,
- liabilities,
- net asset value.

II. Number of units or shares in circulation

III. Net asset value per share or unit

IV. Portfolio, distinguishing between:

- (a) transferable securities admitted to official stock exchange listing;
- (b) transferable securities dealt in on another regulated market;
- (c) recently issued transferable securities;
- ç) other transferable securities and analyzed in accordance with the most appropriate criteria in the light of the investment policy of the undertaking (e.g. in accordance with economic, geographical or currency criteria) as a percentage of net assets; for each of the above investments the proportion it represents of the total assets of the undertaking.

Statement of changes in the composition of the portfolio during the reference period.

V. Statement of the developments concerning the assets of the undertaking during the reference period including the following:

- income from investments,
- other income,
- management charges,
- depositary's charges,
- other charges and taxes,
- net income,

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- distributions and income reinvested,
- changes in capital account,
- appreciation or depreciation of investments,
- any other changes affecting the assets and liabilities of the undertaking,
- transaction costs, which are costs incurred by an undertaking in connection with transactions on its portfolio.

VI. A comparative table covering the last three financial years and including, for each financial year, at the end of the financial year:

- the total net asset value,
- the net asset value per unit.

VII. Details, by category of derivatives transactions during the reference period and of the resulting amount of commitment

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