



REGULATION

ON CONDITIONS FOR AUTHORISING THE SECURITIES CUSTODIAN

Approved by FSA Board Decision Nr.21, date 26.03.2009

Ammended by FSA Board Decision Nr. 79, date 28.08.2009

This Regulation is prepared pursuant to point 3 of Article 14 of the Law No.9572, date 03.07.2006 “On Financial Supervisory Authority” and the last paragraph of the Article 72 of the Law No. 9879, date 21.02.2008 “On Securities”.

CHAPTER I GENERAL

Article 1

Scope

The scope of this Regulation is to define the conditions of making transactions which are linked with the Albanian Government securities Custody and the manner of authorizing banks to do this activity.

Article 2

Custodian of the Albanian Government Securities

Custodian of the Albanian Government Securities is an authorised bank to do the service of Custody for the Albanian Treasury Bills and Government Bonds. Each authorised bank by the FSA Board Decision can do the custody service.

Article 3

Custody of the Albanian Government Securities, offered by banks is a separated structure whose scope of activity form the operational and management point of view is clearly distinct from the main activity as a bank

Article 4

Functions of the Albanian Government Securities Custodian

Custodian of the Albanian Government Securities has the functions of:

1. securities storing and safekeeping in behalf of its clients, securing timely data on securities ownership and restrictions on the rights on these securities;
2. reporting on payment of dividends, interests or other receivable instruments;
3. other services related to the function as custodian.

Custodian has its duties:

1. organizing the way of keeping the ownership on securities;
2. making contracts with its clients for the service of custody;
3. confidentiality of the data on securities of its clients, except the cases which is foreseen different in the legal framework.

CHAPTER II

AUTHORIZATION OF THE BNAK TO DO THE CUSTODY

Article 5

Requirements

The bank which wants to do the Albanian Government Securities Custodian should submit to the FSA a written requirement to do so.

Article 6

Conditions to act as Albanian Government Securities Custodian

The bank authorised to act as Albanian Government Securities Custodian should meet the following requirements:

- to be licensed by the Bank of Albania to act as custodian;
- to have installed a system which keeps and stores the Albanian Government Securities of its clients;
 - a) The system should be secure and accurate concerning the identification data of the client (it should contain the name, father's name and surname of the individual);
 - b) The system should be secure and offer historical evidence of information on individuals, without intervening on it, in order to prevent possibilities for abuses, damages, or losses of the data etc;

- c) The system should reflect immediately the changing of the data after each transaction and identify in every moment the data on the last possessor of the securities;
 - d) The registration system should reflect in an accurate way and in time the client account in the case of collateral and mortgage's procedures;
 - e) It should make the database's back-up with up-dated technology in three identical copies;
 - f) To renew the computer's equipments and their soft as a necessity to increase the quality and speed of services in the actual and future stage;
 - g) To inform in an accurate and fully way the investors concerning the realized transactions and investments ;
 - h) The system should secure the easily trading of Albanian Government Securities in each window and commercial bank, licensed for the activity of trading the securities.
3. The system should keep the confidentiality of the data on each individual;
4. Drafting of the rules on which are based the relations of bank with individuals, defining the kind of documents the individual should present to the bank, the way he is going to be informed on its account, what document the bank will give him to certify its ownership on securities, that means a kind of contract in which the relations between parties are described.

Article 7

Documents added to the submission

Meeting the requirements defined to the Article 6 of the Regulation should be verified by the documents added to the written form of requirement submitted to FSA, as following:

- 1- License issued by the Bank of Albania for acting as a bank and the list of activities allowed to exercise including the Custody;
 - 2- Data about the leading personnel and his work experience;
 - 3- Detailed data on equipments and utilities to be applied for the organization and administration of securities custody activity, etc;
4. Internal regulations of functions, which include the following:
- Rules on organization the structure of the custody;
 - Rules concerning procedures of securities property transfer;
 - Rules on relationship between bank and its clients;
 - Rules about providing information and maintaining of confidentiality;
 - Rules about procedures and measures in case of custody activity cancellation or cassation upon decision of the Board of FSA;
 - Other additional documents that may be required by the respective department appurtenant to the Financial Supervisory Authority. Authentic documentation or a

notarized copy of it must be presented.

Apart from rules set forth in Point 4 of this Article, the Custodian can draft other rules that may be deemed as necessary or indispensable by him in terms of exercising the activity.

Article 8

Consideration of the Application by the FSA

After filling in the application and necessarily documents, the FSA considers the application in its nearest meeting and takes a decision within 60 days the file is fully completed.

The Licensing and Monitoring Directory cooperates with IT Directory in studying the documents..

Article 9

Obligation to inform if there are changes in documentation

The bank licensed to act as securities Custodian will present to the Authority complete information about changes that have been made to the presented data at the moment of doing custody service.

This information will be presented to the Authority in no later than a month from the moment when changes have occurred along with reasons that have led to these changes.

Article 10

The right to be informed and to request for information

Custodian presents to the Authority monthly reports on the progress of his activity signed by the Company Executive Director. This report must be presented in no later than a week from ending of the month, for which report is made.

The Authority may, in every case, require general information concerning specific issues linked with the activity as Securities Custody.

CHAPTER III
FINAL PROVISIONS

Article 11

Fees and commissions to be paid to FSA

- a) At the moment of presenting the Application and the associating documentation, the applicant, who applies for Custodian, will pay an amount of 5,000 leks;
- b) At the moment of issuing the authorization of Custody, the bank will pay an amount of 30,000 leks;
- c) Securities Custodian will pay a fee of 100,000 leks per every year of exercising the activity.

Article 12

Transitional provision

Within 12 months of coming into effect of this Regulation all the banks licensed as Government Securities Registrar should present the requirement and the relevant documentation to the FSA in order to take the Authorization to act as Securities Custodian.

Article 13

Coming into effect

This regulation comes into effect as of the day of approval by the Financial Supervisory Authority.

Chairman

Elisabeta GJONI